TULLOW OIL PLC

Company Registration No. 3919249

Unaudited interim accounts for the period from 1 January 2006 to 31 May 2006
(produced for the purposes of s.270 and s.272 of the Companies Act 1985)

TULLOW OIL PLC

PROFIT AND LOSS ACCOUNT FOR THE FIVE MONTHS ENDED 31 MAY 2006

	5 Months ended 31 May 2006 Unaudited £'000
Turnover	-
Cost of Sales	-
Gross Profit	-
Administrative Expenses	(34)
Operating Loss	(34)
Net Interest Income	7,910
Net Finance Costs	(5,230)
Profit from Continuing Activities Before Tax	2,646
Dividends received	40,360
Retained Profit for the Year from Continuing Activities	43,006

TULLOW OIL PLC

BALANCE SHEET AS AT 31 MAY 2006

	Notes	31 May 2006 Unaudited £'000
Fixed Assets		
Investments		*364,103*
Current Assets		
Debtors		125,310
Cash at Bank and in Hand		20,045
		145,355
Creditors - Amounts Falling Due Within One Year		
Trade and Other Creditors		(2,394)
Net Current Assets		142,961
Total Assets Less Current Liabilities		507,064
Creditors - Amounts Falling Due after more than One Year		
Bank Loans		(144,330)
Net Assets		362,734
Capital and Reserves		
Called Up Equity Share Capital		64,979
Share Premium Account	1	124,605
Merger Reserve	1	122,336
Profit and Loss Account	1	50,814
Equity Shareholders' Funds	2	362,734

These financial statements were approved by the Board on 6 June 2006

Signed on behalf of the Board of Directors

DIRECTOR

DIRECTOR

TULLOW OIL PLC

ACCOUNTING POLICIES

FIVE MONTHS ENDED 31 MAY 2006

(a) Basis of Accounting

The profit and loss account for the five months ended 31 May 2006, the balance sheet as at 31 May 2006 and the accompanying notes have been produced in accordance with section 272 of the Companies Act 1985 for the purpose of paying a dividend. The profit and loss account, balance sheet and accompanying notes presented are for the Company only and are unaudited. They have been prepared under the historical cost convention in accordance with the Companies Act 1985 and UK Generally Accepted Accounting Principles (UK GAAP). As permitted by s230 of the Companies Act 1985, the profit and loss account of the Company is not presented as part of the consolidated financial statements and accordingly has not been previously published. The following paragraphs describe the main accounting policies under UK GAAP which have been applied consistently.

(b) Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

(c) Finance Cost and Debt

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds and are amortised and charged to the profit and loss account as finance costs over the term of the debt.

(d) Foreign Currencies

Sterling is the reporting currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account. Currency translation adjustments arising on the restatement of opening net assets of foreign subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are taken directly to reserves.

(e) Share Issue Expenses and Share Premium Account

Costs of share issues are written off against the premium arising on the issues of share capital.

(f) Taxation

Current and deferred tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

(g) Share Based Payments

The Company has applied the requirements of FRS 20 Share-based Payments. In accordance with the transitional provisions of that standard, only those awards that were granted after 7 November 2002, and had not vested at 1st January 2005, are included.

All share-based awards of the Company are equity settled as defined by FRS 20. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary this model was supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk free rate of interest; and patterns of exercise of the plan participants.

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NOTES TO THE ACCOUNTS

FIVE MONTHS ENDED 31 MAY 2006

Note 1. Reserves

	Share Premium Account £'000	Merger Reserve Account £'000	Profit and Loss Account £'000	**Total £'000**
At 1 January 2006	123,019	122,336	7,808	**253,163**
Retained profit for the period	-	-	43,006	**43,006**
Shares issued	1,586	-	-	**1,586**
At 31 May 2006	**124,605**	**122,336**	**50,814**	**297,755**

Note 2. Equity Shareholders' Interests

	Total £'000
Shareholders' Funds as at 1 January 2006	**317,907**
Retained profit for the period to 31 May 2006	**43,006**
Shares issued in the period to 31 May 2006	**1,821**
Shareholders' Funds as at 31 May 2006	**362,734**