



ETHOS / PROGRESS



CORPORATE SOCIAL RESPONSIBILITY
2010

Heritage Oil Plc is an independent oil and gas exploration and production company with a Premium Listing on the London Stock Exchange (“LSE”) (symbol HOIL). The Company is a member of the FTSE 250 Index. The Company has Exchangeable Shares listed on the Toronto Stock Exchange (“TSX”) (symbol HOC) and the LSE (symbol HOX). The Company has exploration assets in the Kurdistan Region of Iraq (“Kurdistan”), Malta, Tanzania, Mali and the Democratic Republic of Congo (the “DRC”) and a producing asset in Russia.

This Corporate Social Responsibility (“CSR”) Report details the approach made by Heritage to all aspects of our CSR policies, systems and performance. Our CSR strategy is a key factor in securing long-term success and the Company considers managing relationships with stakeholders as a key element in developing a reputation as a preferred partner.

The Heritage Oil Plc Annual Report and Accounts 2010 consists of four documents as detailed below.



Annual Review

The Annual Review provides an overview of Heritage, its processes and a Business Review.



Corporate Governance

The Corporate Governance Report provides detailed information on all aspects of Heritage's corporate governance.



Corporate Social Responsibility

The CSR Report provides detailed information concerning Heritage's CSR activities.



Financial Statements

The Financial Statements Report provides detailed information on Heritage's financial position.

Contents

OVERVIEW

| | |
|--|----|
| 2010 Highlights | 01 |
| The CSR Committee Chairman's Statement | 02 |
| About this Report | 04 |
| Our CSR Framework | 05 |
| CSR Policy Framework | 06 |
| Targets and Achievements | 08 |

KEY AREAS

| | |
|--------------------------------|----|
| Environment and Sustainability | 10 |
| Health and Safety | 12 |
| Employees | 14 |
| Community and Human Rights | 16 |
| Business Conduct | 18 |
| Corporate Governance | 20 |

ADDITIONAL INFORMATION

| | |
|---------------------------------|-----|
| Risk Management | 22 |
| Global Reporting Initiative | 23 |
| CSR Glossary | 34 |
| Advisers and Financial Calendar | IBC |

Operational

Achievements

2010 Highlights

- > \$945,991 spent on CSR related initiatives
- > Our main operations continue to employ and train a large number of local people
- > Over 1 million man hours were worked with zero Lost Time Incidents (“LTIs”)
- > Community projects were implemented through health and social programme investments in Tanzania, Russia, Kurdistan, Uganda and Pakistan
- > Zero LTIs, security issues and environmental issues across all operations
- > Zero whistle-blowing cases or breaches in business conduct principles
- > Conducted a proactive dissemination exercise to obtain feedback on our CSR approach
- > Engaged a third party to enhance our policies, stakeholder engagement and reporting of CSR issues
- > Reviewed changes to the 2008 Combined Code (the “Combined Code”) and embarked on early compliance with changes
- > Set up Board level CSR Committee

ENVIRONMENT AND SUSTAINABILITY

Environmental incidents, fines or sanctions, all operations

0

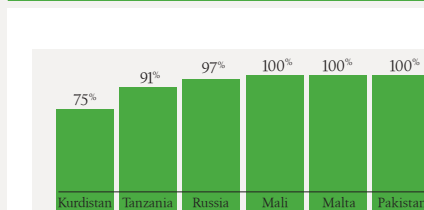
HEALTH AND SAFETY

LTIs, all operations

0

EMPLOYEES

Number of local people employed, %



BUSINESS CONDUCT

Breaches in business conduct policies

0

COMMUNITY AND HUMAN RIGHTS

Health and social programme investments, \$'000

\$946

CORPORATE GOVERNANCE

- formed Board level CSR Committee;
- reviewed changes in the UK Corporate Governance Code 2010 (the “2010 Code”);
- began preparations for the UK Bribery Act legislation;
- reviewed and amended Board Charter; and
- reviewed whistle-blowing policy



PAUL ATHERTON
CHAIRMAN,
CSR COMMITTEE

The CSR Committee Chairman's Statement

Heritage aims to create outstanding value for shareholders and to create lasting legacies for our local communities.

Our commitment to CSR underlies our business strategy and we continually strive to operate to the highest international social, environmental and safety standards. It is of paramount importance to Heritage that we maintain a positive influence in the areas in which we operate and that our employees and contractors feel able to achieve their full potential in a safe environment.

In April 2010, we established our Board level CSR Committee comprising myself, as Chairman of the Committee, our Chairman, Michael Hibberd, and our Chief Executive Officer ("CEO"), Tony Buckingham. The Committee is tasked with developing, implementing and overseeing our CSR strategy systems and performance, in line with our overall business aims and objectives. The Terms of Reference for this Committee can be found on our website www.heritageoilplc.com.

The energy sector was shaken in 2010 by the unfortunate situation in the Gulf of Mexico where a low frequency event had a catastrophic impact. Our track record for health and safety remains strong and we continually review our systems to ensure operations are undertaken to the highest standards. The vision and aims of the Company are implemented through our employees and our contractors and as such they are a key element of our operations. We operated for over one million man hours across the business with no LTIs indicating that our recruitment and training schemes are working well, attracting the right people and giving them the skills needed to operate at the highest level. We continue to develop a culture of operational excellence and improvement across all of our activities. I am pleased to report that we had no environmental spills or incidents nor incurred any fines or warnings relating to our environmental management during 2010.

We have continued with a variety of longer-term sustainable initiatives across our operations in 2010 which included:

- > in Kurdistan we focused on community initiatives supporting the local education system, assisting development of local infrastructure and funded much needed healthcare for a pupil within our licence area;
- > in Tanzania our activities focused on supporting local health services with a donation of \$7,500 to the Baobab Maternity Hospital in Dar es Salaam to contribute to the construction, management and service delivery of the hospital;
- > in Pakistan, which experienced unprecedented floods, Heritage immediately committed \$72,000 to a disaster relief fund and immediate relief to those most affected in our Zamzama North licence area; and
- > in Russia we have continued to invest in annual health and social programmes in the vicinity of our licence area.

We completed the sale of our interests in Blocks 1 and 3A (the "Ugandan Assets") in July 2010 and since that time we continued with our programmes in the region with the completion of the water gravity system in Hoima, providing over 6,000 villagers across five villages with clean water. In addition we continued funding of the Carl Nedft school which we established in the Buhuka region.

Our CSR Policy Framework is set out on pages 6 to 7 and these set out the standards by which we operate within our business model to generate long-term value. Our policy framework covers six key areas of impact and opportunity. We are committed to integrating these across our business operations. In 2010 we set ourselves targets across these areas and I am pleased to report we achieved all set targets. Our targets for this year are set out on pages 8 to 9 of this CSR Report.

Our track record for health and safety remains strong and we are continually reviewing our systems to ensure operations are undertaken to the highest standards.

Training spend in 2010

\$212,500

2011 will continue to provide opportunities and challenges which we will continue to address.

The UK Bribery Act will become law at the beginning of July 2011. We are currently obtaining legal advice concerning how the legislation will impact on Heritage. In preparation for this I have been charged with the responsibility of overseeing how this will impact on our activities. Guidance from the government has recently been published with the overriding principle that companies should adopt a risk-based approach to the application of the UK Bribery Act.

We will be reviewing the guidance published in March 2011 by the UK Ministry of Justice to conduct a review of our systems and policies and enhancing these if required. We will also consider the conduct of specific processes that are indicated with the guidance.

This is our third CSR Report and has been prepared based on our operating principles and with the help of stakeholder feedback. In this report you will find an overview of key areas of risk and opportunity, specific to the CSR aspects of our activities:

- > environment and sustainability;
- > health and safety;
- > employees;
- > community and human rights;
- > business conduct; and
- > corporate governance.

This year we have strived to improve transparency through increasing our disclosure levels in the Global Reporting Initiative ("GRI") tables which appear at the back of this report and additionally by addressing questions regarding our operations in "questions and answers" that appear throughout this report. We continue to welcome feedback from, and dialogue with, interested parties concerning all aspects of this report. Contact details are noted at the back of this report and can also be found on our website www.heritageoilplc.com.

I would like to thank our Directors, employees and contractors for the continued excellent performance of our Company in all aspects of our CSR policy and for their continued commitment and dedication to respecting our vision and legacy in the many areas in which we operate.

PAUL ATHERTON
CHAIRMAN,
CSR COMMITTEE

About this Report *In this report we disclose our policies, document systems that we have established and we assess our performance applying key performance indicators that are pertinent to our industry and sector.*

We have also detailed our future aims, targets and objectives.

This report relates to the period 1 January 2010 to 31 December 2010 and should be read in conjunction with the entire Heritage Oil Annual Report and Accounts for 2010, in particular the Corporate Governance Report, and the Company website www.heritageoilplc.com.

Our principal activities during 2010 were in Kurdistan and Russia. We were largely operationally inactive in Uganda during the 2010 period following the announcement of the sale of our entire interests at the end of 2009 which completed in July 2010. As such, a majority of the information in this CSR Report relates to our operations in Kurdistan and Russia.

MATERIALITY AND COMPLETENESS

We have applied the GRI G3 Guidelines (the "G3 Guidelines") and those produced by the International Petroleum Industry Environmental Conservation Association ("IPIECA") to shape our reporting. The GRI table on pages 24 to 33 contains information that is set out in the G3 Guidelines. We also determine materiality by assessing the significance and relevance of the information by considering:

- > Heritage's policy position on the issue;
- > its impact on shareholder value in the short, medium and long-term;
- > the level of stakeholder interest in the matter (assessed by dialogue with contractors, employees, suppliers, shareholders, research organisations, Non-Governmental Organisations ("NGOs"), governments and advisers); and
- > the degree of interest in the issue emanating from public arenas that is reflected through reporting in the media.

The CSR Committee will continue to review the scope of this information and we intend to refine our reporting process over time taking into account the issues noted above and changes in our business activities.

EXTERNAL ASSURANCE

Information within this report has not been externally verified as we do not believe this would be of material benefit at this time. Every effort has been made to ensure that information contained in this report is accurate. The CSR Committee continues to review this matter and to assess whether any change is required.



CSR IN ACTION

CSR underpins every part of our business from the first stages of planning and being awarded a licence through to exploration, development and production from a field.

It encompasses our management of relationships with shareholders, stakeholders, employees, contractors and communities in areas where we work, together with our impact on society and the environment.

We undertake CSR related initiatives across our asset portfolio where we are actively working. Throughout the Annual Review are examples of our CSR in action.

Our CSR Framework *We recognise specific responsibilities in each of six core areas of risk and opportunity identified, specific to the CSR aspects of our activities. We consider adherence to CSR values to be a key factor in securing our long-term success.*

OUR VISION

We aim to be a responsible and transparent business in all the areas in which we operate.

We aim to create lasting legacies for our local communities whilst also creating value for shareholders.

We strive to operate to the highest international social, environmental and safety standards.

OUR AREAS OF IMPACT AND OPPORTUNITY

01 ENVIRONMENT AND SUSTAINABILITY

02 HEALTH AND SAFETY

03 EMPLOYEES

04 COMMUNITY AND HUMAN RIGHTS

05 BUSINESS CONDUCT

06 CORPORATE GOVERNANCE

OUR APPROACH



Q&A

We receive many questions concerning our activities and the impact they have on the six core areas highlighted above. Throughout this report we have highlighted a few with our responses.

Will the forthcoming UK Bribery Act present the Company with significant issues?

The Company is taking legal advice to ensure that it fully understands its position concerning the UK Bribery Act. We believe that our management systems in this area are robust. We will be reviewing them to ensure that they conform to the spirit and requirements of the legislation prior to it becoming UK law at the beginning of July 2011.

Do you have plans for new CSR initiatives in 2011?

The Company is embarking on a number of new activities for 2011. We shall be looking to apply the CSR related community project experience we have developed, particularly

in Uganda and Kurdistan, to our activities in new territories.

Do the Company's shareholders participate in the development of the Company's CSR approach?

Heritage's investor communications and reporting includes information that reflects our approach to CSR where it is material to short, medium and long-term shareholder value. Naturally our investors discuss this with us where it is of interest to them and comment on the material we have produced. We apply this information to enhance our CSR approach and develop our disclosure within our reporting and other investor communications over time.

How do I supply feedback to the Company's CSR approach?

We always welcome feedback from our stakeholders concerning our approach to this aspect of our activities. This can be supplied by using the contact details at the end of this report or the contact information on our website www.heritageoilplc.com.

CSR Policy Framework *Our policy framework is integrated in our business model and sets out our essential core values which we believe make us a good corporate citizen. This framework defines how we operate across all levels of the business and sets a high standard to measure ourselves.*

Our approach to:
ENVIRONMENTAL AND SUSTAINABILITY MATTERS

ENVIRONMENTAL

We aim to make a positive contribution to the protection of the environment in which we operate and to minimise any adverse effects of our operations. Wherever possible we will prevent, or otherwise minimise, mitigate and remediate, harmful effects of our operations on the environment. We will promote, encourage and prioritise reuse and recycling methods throughout all of our operations. We strive, particularly through our use of innovative technologies, to meet the challenges presented to our Company by climate change.

SUSTAINABLE BUSINESS

We strive to contribute positively to global sustainability through our operations, the development of our fields, our adoption of new technologies and the conduct of our relationships with all stakeholders.

Our approach to:
HEALTH AND SAFETY MATTERS

Health and safety is a natural priority and a core element of all of our activities. All energy companies face a wide range of health and safety matters ranging from industrial accidents to occupational illnesses. Our goal is simply zero injuries and fatalities across all areas of our operations. We strive to ensure that important factors, such as an understanding of cultural differences in host countries and the use of external contractors, are addressed in the development of our systems and procedures. We strive to construct, maintain and develop world-class safety systems across all of our operations.

Our approach to:
EMPLOYEE MATTERS

EMPLOYEES

Our ability to create sustainable shareholder value is linked to our ability to recruit, motivate and retain a high calibre of staff. Heritage strives to ensure that relationships between our employees are cohesive, safe and effective. Our Group and all our employees respect different cultures, traditions and employment practices across our business areas. We share common goals, in particular the elimination of workplace injuries, and are committed to good corporate values and responsible behaviour. We strive to recognise achievement and to create opportunities for individuals at all levels of our businesses. In dealing with our employees we act in compliance with national regulatory requirements and our obligations under relevant national and international laws.

ILO DECLARATION ON FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK

Heritage supports the four fundamental principles contained within the International Labour Organisation ("ILO") Declaration. In accordance with local legislation and practice, we respect freedom of association, the right to collective bargaining, employment that is freely chosen with no use of forced or child labour and we do not discriminate on the basis of gender, colour, ethnicity, culture, religion, sexual orientation or disability.

EQUAL OPPORTUNITY

Heritage values all employees for their contribution to our business. We are committed to diversity and opportunities for advancement and these factors are not influenced by considerations other than performance and aptitude. Employees are provided with the opportunity to develop their potential and, where appropriate, to develop their careers further within our Group.

OCCUPATIONAL HEALTH

We strive to protect the physical health of all of our employees and contractors whilst in the workplace. In particular, we aim to meet the challenges presented to our employees and the wider communities in which they live and operate.

Our approach to:
COMMUNITY AND HUMAN RIGHTS MATTERS

COMMUNITIES

We always strive to ensure that our relationships with neighbours and local communities are conducted sensitively and with mutual respect. These relationships recognise that active and enduring partnerships are a central and fundamental element of our business. We aim to promote the sharing of economic benefit created by our activities through the conduct of our community relationships.

UNIVERSAL DECLARATION OF HUMAN RIGHTS

We support human rights, consistent with the stipulations contained within the Universal Declaration of Human Rights and remain committed to upholding these principles. We endeavour to ensure that these commitments extend to all of our supply chains and we work with our partners and contractors to ensure that they are part of our contractual requirements.

LAND ACCESS

We ensure that we receive the widest possible support for our proposals throughout the life cycle of our activities. We do this by working in partnership with our stakeholders to optimally and sensitively co-ordinate relevant economic, technical and sustainable development factors in an integrated process.

Our approach to:
BUSINESS CONDUCT MATTERS

POLITICAL INVOLVEMENT

Heritage does not, directly or indirectly, participate in party politics. Heritage does not provide financial support to political parties or politicians.

BRIBERY AND CORRUPTION

Heritage is resolutely opposed to bribery and corruption in whatever forms they may take. Gifts or entertainment may only be offered to a third party if they are consistent with usual business practice in the relevant territory, are modest in value and cannot be interpreted as a form of inducement.

It is Heritage's policy that revenues and purchases and services from suppliers are made solely on the basis of price, quality, performance, value and for its benefit. Sales, purchases or award of contracts should never be made as the result of giving or receiving inducements in the form of gifts, money or entertainment from third parties or favours in any other form.

Employees should not accept gifts, money or entertainment from third party organisations or individuals, where these might reasonably be considered likely to influence business transactions. Gifts, other than trivial ones of low value, are not accepted. In a culture where such an action might cause offence, the gift must be declared to the Company and, if practical, donated to an appropriate charity.

The UK Ministry of Justice published guidance on the UK Bribery Act at the end of March 2011. The Act will become law at the beginning of July. Heritage is currently obtaining legal advice concerning how the legislation will impact on the Group. Heritage has charged Paul Atherton, Chief Financial Officer ("CFO"), with the responsibility to oversee how this law will impact Heritage. This will include overseeing:

- > a review of the government guidance;
- > the conduct of specific processes which are indicated within the guidance;
- > a review of Heritage's current policies and systems with respect to bribery, code of conduct, whistle-blowing and other relevant policies for both employees and contractors; and
- > the development and enhancement of these policies and systems, if required.

TREATMENT OF CUSTOMERS

We regard mutual trust and confidence between our companies, contractors and customers as very important. We require employees to deliver high levels of service consistently, surpassing expectations and meeting their changing requirements.

RELATIONS WITH SUPPLIERS

We ensure that all of our suppliers are treated fairly and responsibly. All potential suppliers will have a reasonable opportunity to win business with us. We strive to pay our suppliers on time and in accordance with agreed terms of trade. Suppliers will conduct their activities in accordance with our own policies.

COMPETITION

We always aim to compete vigorously with our competitors, but in a fair and responsible way. We strive to ensure that our success is built upon excellence. When in contact with our competitors, employees will be required to avoid disclosing confidential information. We will not make improper attempts to acquire competitor trade secrets or other confidential information. Employees will not undertake any arrangements or practices that may conflict with laws applicable to conduct of our business.

Our approach to: CORPORATE GOVERNANCE MATTERS

COMPLIANCE WITH THE LAW AND RELEVANT REGULATIONS

Heritage is committed to protecting the interests of its shareholders and other stakeholders through compliance with relevant legal and regulatory environments and similarly through effective management of business risks. We comply fully with all relevant national and international laws and act in accordance with local guidelines and regulations, including those that are industry specific and govern our operations.

It is the responsibility of senior personnel to ensure, by taking legal or other advice where appropriate, that they are aware of all local laws and regulations that may affect the area of the business in which they are engaged.

ACCOUNTING AND RECORDS

Heritage maintains accounting documentation that identifies clearly the true nature of all business transactions, assets and liabilities, in line with relevant regulatory, accounting and legal requirements. No record or entry may be false, distorted, incomplete or suppressed.

All Group reporting must be accurate and complete and in compliance in all material respects with stated accounting policies and procedures. Employees must not materially misstate, or knowingly misrepresent, management information for personal gain or any other reason.

EXTERNAL REPORTING

Our businesses may be required to make statements or provide reports to regulatory bodies, government agencies or other government departments. Our businesses will take care to ensure that such statements or reports are correct, timely and not misleading. Senior management must be made aware of any sensitive disclosure before it is made.

Heritage ensures that statements made to the media are correct and not misleading. Media enquiries are referred to our media experts and/or advisers and statements will only be made by designated spokespersons. Heritage provides, through its Group website www.heritageoilplc.com, its Annual Report and Accounts and other statements, including this report, appropriate information to enable shareholders and stakeholders to assess its performance. Heritage always complies with applicable laws and regulations concerning disclosure of information about the Group.

Targets and Achievements *We aim to apply targets to focus our employees and enable our stakeholders to assess our performance. In the table below we show our achievements on our 2010 targets and detail further targets for 2011.*

| 01 | 02 | 03 |
|--|--|--|
| <i>Environment and Sustainability</i> | <i>Health and Safety</i> | <i>Employees</i> |
| <p>2010 PROGRESS</p> <ul style="list-style-type: none"> > no spills, warnings or environmental incidents; and > no fines or sanctions related to our environmental management. | <p>2010 PROGRESS</p> <ul style="list-style-type: none"> > no fatalities or LTIs; and > no fines or sanctions related to our health and safety management. | <p>2010 PROGRESS</p> <ul style="list-style-type: none"> > majority of employees to be drawn from each country of operation. |
| <p>✓ 2010 TARGETS ACHIEVED</p> | <p>✓ 2010 TARGETS ACHIEVED</p> | <p>✓ 2010 TARGETS ACHIEVED</p> |
| <p>2011 TARGETS</p> <ul style="list-style-type: none"> > no spills or environmental incidents; > no fines or sanctions related to our environmental management; and > Environmental Impact Assessments (“EIAs”) to be conducted for all major work programmes. | <p>2011 TARGETS</p> <ul style="list-style-type: none"> > no fatalities or LTIs; > no fines or sanctions related to our health and safety management; and > experience sharing with peer group. | <p>2011 TARGETS</p> <ul style="list-style-type: none"> > majority of employees to be drawn from each country of operation; and > contribute to training for staff. |

04

Community and Human Rights

2010 PROGRESS

- > no human rights violations; and
- > no fines or sanctions related to our community and human rights management and activities.

✓ 2010 TARGETS ACHIEVED

2011 TARGETS

- > no human rights violations;
- > no fines or sanctions related to our community and human rights management and activities; and
- > continue dialogue with specialist organisations.

05

Business Conduct

2010 PROGRESS

- > no fines or sanctions related to poor business conduct.

✓ 2010 TARGETS ACHIEVED

2011 TARGETS

- > no fines or sanctions related to poor business conduct; and
- > monitor developments and peer group best practice.

06

Corporate Governance

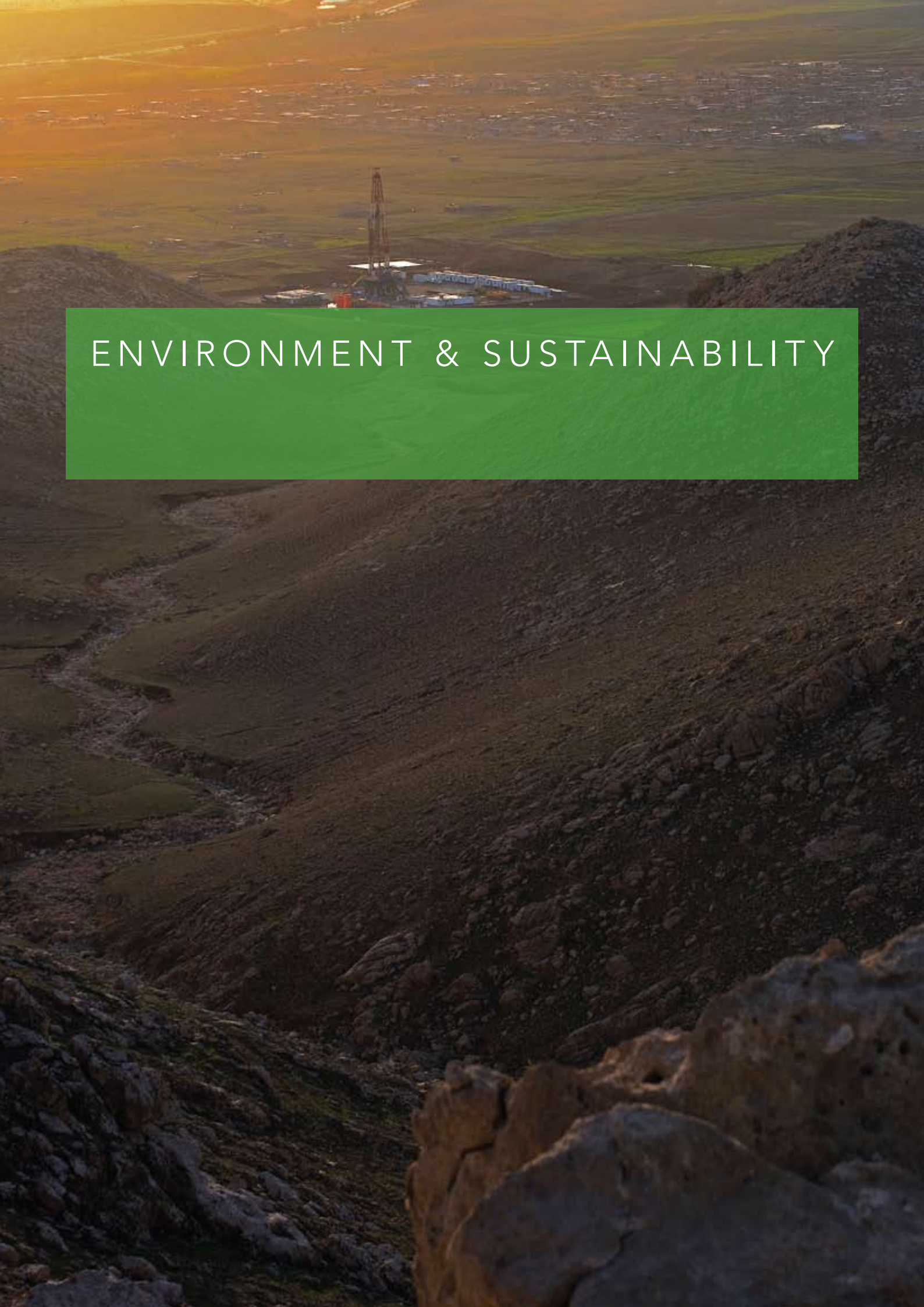
2010 PROGRESS

- > report publicly the findings and decisions of the CSR Committee.

✓ 2010 TARGETS ACHIEVED

2011 TARGETS

- > report publicly the findings and decisions of the CSR Committee;
- > review guidance for the UK Bribery Act and make changes if required;
- > review of final sector supplement for GRI with a view to adoption if deemed appropriate; and
- > continued emphasis on Company best practice.

An aerial photograph of an oil drilling site in a valley. The scene is captured at sunset, with a warm orange glow over the landscape. In the center, a tall drilling rig stands next to several white storage tanks and other industrial structures. The surrounding terrain is rugged and rocky, with some green patches of vegetation. The background shows a vast, flat valley extending towards the horizon.

ENVIRONMENT & SUSTAINABILITY

CSR spend in 2010

\$0.9M

Oil and gas operations have the potential to damage the environment but, if managed well, we can minimise any negative impacts of our activities.

2010 HIGHLIGHTS

- > once more we can report that we have had no environmental incidents, such as spills, during the year;
- > we conducted EIAs for all major work programmes in line with local regulations;
- > gas flared within Russia is within the limits provided by the government; and
- > minimal gas was flared in Kurdistan during well testing operations.

OUR GOAL

We are committed to making a positive contribution to the protection of the environment in areas in which we operate and to minimising any adverse effects of our operations. We strive to contribute positively to global sustainability through our operations, the development of our fields, our adoption of new technologies and the conduct of our relationships with all of our stakeholders.

KEY CONCERNS

CLIMATE CHANGE

Heritage's operations can contribute both directly and indirectly to climate change. Because of the nature of exploration activities, Heritage often works in remote locations, without access to grid electricity, where we are reliant on generators to power our equipment.

To minimise our impact in these areas, we are focused on restricting and reducing flaring, switching diesel generators to gas where possible and using the highest standard, most energy efficient equipment available, which also has the effect of reducing our energy costs. Additionally, our camps and sites are planned to minimise their environmental footprints.

BIODIVERSITY

We operate in varied terrains, with their own unique set of biodiversity considerations. The impact of wells and infrastructure can have an adverse impact on this biodiversity.

Heritage is focused on developing and adhering to processes which minimise our impact on areas in which we operate. We identify and assess potential environmental impacts at the planning stage of our operations. We protect, as best we can, the local environment during operations and aim to restore it to the same standard that we found it in once activities are completed. This restoration activity is conducted in conjunction with the local authorities and the communities where we operate.

None of our active operations were in protected areas or areas of high biodiversity value during 2010.

Q&A

How does the Company address informational requests from NGOs and campaigning organisations?

The Company welcomes interest in its activities from all of our stakeholders. We see dialogue with NGOs and campaigning groups as a useful way of ensuring that they

understand our approach to business and as an opportunity to enhance our systems and performance. We therefore strive to respond to all informational requests in a full and transparent way and to follow this up with dialogue either directly or through our CSR advisers.

The image shows two workers in orange protective suits and red hard hats on a yellow metal platform of an oil rig. They are working with a large vertical pipe that is being lowered or raised by a crane system. The background is a clear blue sky. A large green rectangular overlay is positioned in the upper middle of the image, containing the text 'HEALTH & SAFETY' in white, uppercase letters.

HEALTH & SAFETY

Health and safety is a priority and a core element of all of our activities. All energy companies face a wide range of health and safety challenges ranging from industrial accidents to occupational illnesses.

LTIs, Russia
2010



2010 HIGHLIGHTS

- > no LTIs reported across our operations;
- > over 1 million man hours worked with zero LTIs; and
- > in Russia an operational safety system and ecological safety system for hazardous sites has been installed.

OUR GOAL

Our goal in this area is simply zero injuries and fatalities across all areas of our operations and to minimise and/or negate operational health issues.

LTIs, Kurdistan
2010



RESPONSIBILITY TO EMPLOYEES

It is the Company's responsibility to minimise our employees' exposure to health and safety risks of any kind. In implementing health and safety systems, we balance the need to protect our workers with the knowledge that working practices and traditions vary by location and so we amend or tailor where necessary. All sites are covered by safety management systems with general managers responsible for overall safety measures. Our employees have the authority to intervene in a task if they believe it could lead to harm or is considered unsafe. We are very proud of our health and safety performance overall.

CRISIS MANAGEMENT

The Company appreciates that no organisation is immune to a crisis, which can happen at any time. Due to the potential consequences that these can have, the Company recognises the importance of preparations for such situations. Developing a comprehensive crisis management programme that captures the ongoing nature of crisis management is not a simple task. The process is varied and requires the integration of knowledge from such diverse areas as small group decision making, media relations, environmental scanning, risk assessment, crisis communication, crisis plan development, evaluation methods and reputation management. This, combined with the unpredictable nature of many crises, often presents major challenges to even the best resourced organisations.

Heritage continually reviews crisis management systems to ensure that the Group's processes match its needs and requirements.

Q&A

How does Heritage ensure that its contractors and sub-contractors adhere to its health and safety standards?

Our local managers are tasked with ensuring that all of our employees, contractors and sub-contractors are fully aware of the Company's policies and procedures in this important area.

We regularly review our systems to ensure that they are commensurate with best practice taking into account local health and safety culture. This can vary widely and we therefore take an individual approach in each area.



EMPLOYEES

Hours spent training in Russia, 2010

642

Our ability to create sustainable shareholder value is linked to our ability to recruit, motivate and retain high calibre staff. Heritage strives to ensure that relationships between our employees are cohesive, safe and effective.

2010 HIGHLIGHTS

- > we continued to operate with a high percentage of workers drawn from our areas of operation, using expatriates only when their particular skill sets were not available locally;
- > staff turnover has remained low at 3%;
- > local sourcing is also important to our business practices and we aim to contract services to local firms whenever possible. Many of our transport and security needs have been fulfilled using local firms; and
- > on the job training and third party training provided to all local personnel.

OUR APPROACH

Heritage values all employees for their contribution to our business. Opportunities for advancement are equal and not influenced by considerations other than performance and aptitude. Employees are provided with the opportunity to develop their potential and, where appropriate, to further their careers within the Group.

Heritage's success has been attributable in part to assembling the right team of people. Staff are motivated to develop within a flexible framework and are encouraged to provide feedback on their expectations.

Training of employees and contractors continued to receive high priority in 2010. We believe there is a strong business case for investing in development of our workforce as this can result in efficiency savings, reduce time lost through injury and assist in identifying opportunities for improving our business.

It is our responsibility to train all workers to provide better access to job opportunities in the long-term. We emphasise transferable skills and a broad range of learning, as well as the basic aim of developing a knowledgeable, productive and happy workforce.

OCCUPATIONAL HEALTH AND SAFETY TRAINING

\$212,500 was spent on training and related courses in 2010. Training across our operations includes a focus on the following skill sets:

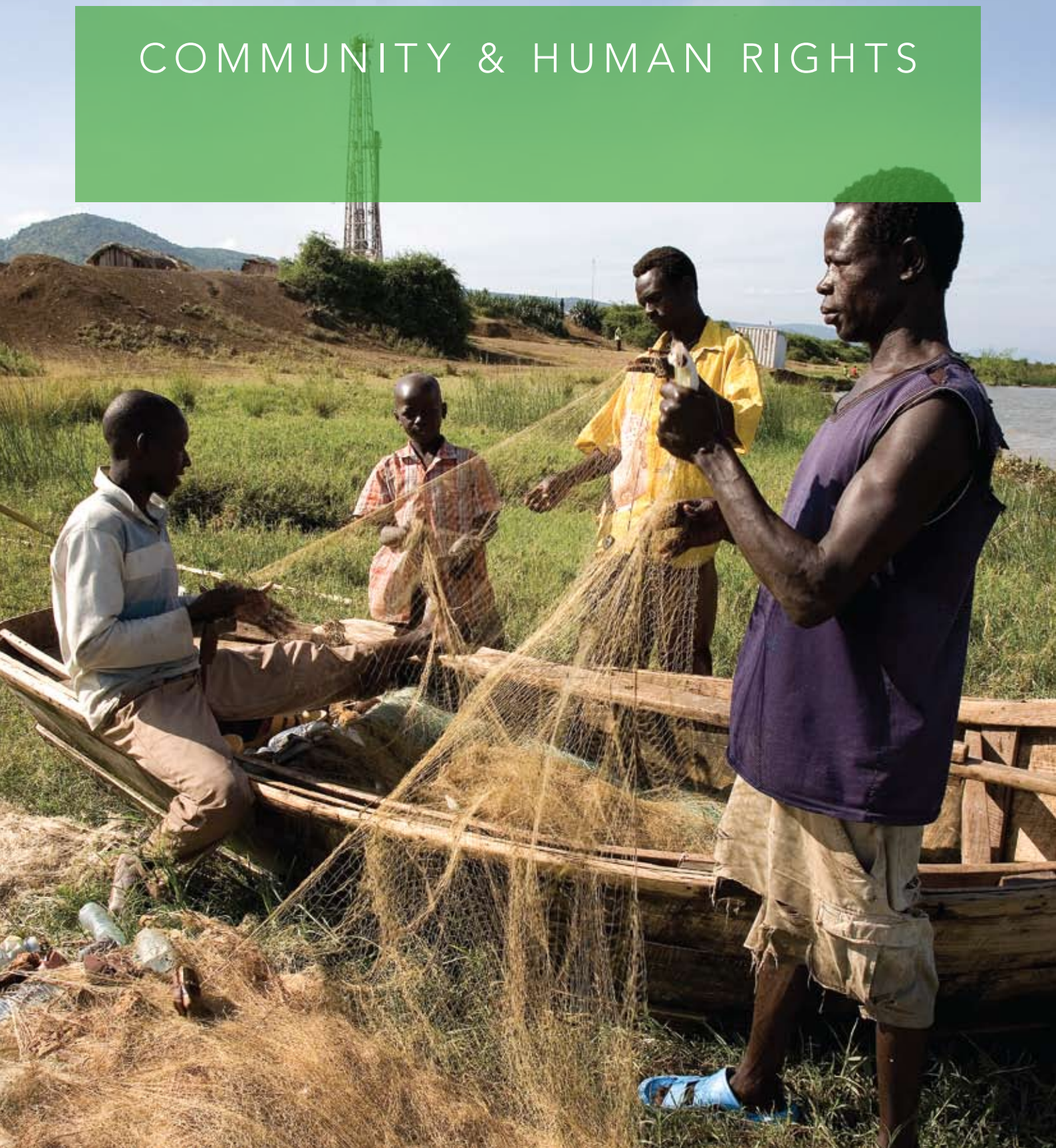
- > operational safety;
- > ecological safety;
- > fire safety; and
- > health and safety.

Q&A

How often does Heritage review its CSR policies?

The Company's policies are reviewed regularly and monitored by our CSR advisers, CO3, to ensure that they are appropriate for our impacts and opportunities as the Company develops. This is also part of the role and responsibilities of our Board level CSR Committee.

COMMUNITY & HUMAN RIGHTS



We ensure that relationships with our neighbours and local communities are conducted sensitively and with mutual respect. Enduring partnerships are a central and fundamental element of these relationships.

Amount committed in Pakistan

\$72,000

2010 HIGHLIGHTS

- > in Tanzania we donated \$7,500 to the Baobab Maternity Hospital;
- > in Pakistan we committed \$72,000 to a disaster relief fund and immediate relief to those most affected in our Zamzama North licence area;
- > in Kurdistan we continued to help with repairing roads close to our operations and funded healthcare initiatives;
- > in Uganda we completed a water gravity system in Hoima, providing over 6,000 villagers across five villages with clean water; and
- > in Uganda we continued providing funding for the local Carl Nedft school we helped build and develop.

OUR GOAL

We aim to promote sharing of economic benefits created by our activities through the conduct of community relationships and we are firmly committed to upholding principles set out in the Universal Declaration of Human Rights.

OUR APPROACH

A natural part of our new project development involves consultation with local communities as well as government authorities, to identify ways in which Heritage's expertise can be best applied. Our licence to operate in any area is dependent on Heritage being viewed as a positive force by those most directly affected by our operations and therefore it is in the Company's interest to consult its stakeholders and find ways to be a trusted and useful partner.

Companies operating in developing countries often face the challenge of supporting local communities without creating a dependency culture. We believe that by partnering with other organisations such as NGOs, governments (local and national) and other companies, we reduce the risk of creating this situation, encourage dialogue and manage expectations. It is our intention to improve conditions in the vicinity of our operations and we try to invest in sustainable projects where the local communities have a sense of ownership, thus increasing their long-term effects. However, in terms of having the greatest impact, we believe this is best achieved through helping countries realise their natural resource potential to create shared economic wealth for everyone.

In Uganda, Heritage ran two main projects; the water gravity system and the Carl Nedft school. Both of these projects were undertaken with the assistance of input from the local communities in order to provide stakeholders with the opportunity to guide the Company as to what would be most beneficial.

Q&A

Does Heritage work with external experts to develop its approach to CSR?

Heritage works with an experienced external CSR advisory service, CO3, to provide the Company with strategic guidance and expertise concerning its related policies, systems, performance, reporting and other

stakeholder communications. As part of our exploration projects we often work with internationally recognised experts to conduct activities such as EIAs.



BUSINESS CONDUCT

Breaches in business conduct, 2010



We uphold the highest standards of business conduct across all of our operations. We are resolutely opposed to bribery and corruption in whatever forms they may take and do not participate in, or finance, party politics.

2010 HIGHLIGHTS

- > the Company did not have any material breaches of its policies during 2010;
- > over the year we have engaged with a number of our stakeholders (including NGOs, certain investors and research companies). This has increased their understanding of our approach and we have been able to apply their feedback to further develop our systems and procedures, where necessary; and
- > we reviewed our whistle-blowing procedures.

OUR APPROACH

Heritage conducts its activities predominantly in certain developing countries. The Company's business approach both within these territories and in the parts of the world where we may wish to conduct business in the future, is dependent upon how our business relationships are conducted. We are, in particular, resolutely opposed to bribery and corruption in whatever form they may take. Our policies also preclude financial support for political parties, require that relationships are conducted with mutual trust and confidence, and that suppliers and competitors are treated fairly. We strive to ensure that this fundamental aspect of our business extends to all of our relationships with our host governments and local authorities, suppliers, customers, business partners, employees, contractors and other key stakeholders.

MAINTENANCE AND DEVELOPMENT OF OUR POLICIES AND PROCEDURES

The responsibility for this aspect of our activities lies with the CSR Committee. It is tasked with the maintenance and development of our business conduct policies and procedures, monitoring our performance in this area and instigating changes to prevent breaches of Company policies. These were recently extended and developed with the

approval of the CSR Committee and are documented at the front of this report.

WHISTLE-BLOWING PROCEDURES

The Company has whistle-blowing procedures and systems that have been in place for a number of years. These aim to ensure that employees and other parties connected with the Company have the opportunity to confidentially report breaches of business conduct policies. Details of these procedures are available to all of our employees at all of our offices. The Chairman or the CEO are to receive any reports and are responsible for their follow-up. The outcomes of these instances are reported to and monitored by either the Audit Committee or the Board.

The Audit Committee aims to discuss regularly the effectiveness of our whistle-blowing procedures, which have been strengthened recently, and will be reviewed again during the coming financial year to ensure that they are sufficient to maintain our Company's policies.

UK BRIBERY ACT

The UK Bribery Act will become law at the beginning of July 2011. Guidance from the government has recently been published. In preparation for this change, Heritage has charged Paul Atherton, CFO, to oversee how this law will impact Heritage. This will include overseeing:

- > a review of the government guidance;
- > the conduct of specific processes which are indicated within the guidance;
- > a review of Heritage's current policies and systems with respect to bribery, code of conduct, whistle-blowing and other relevant policies for both employees and contractors; and
- > the development and enhancement of these policies, if required.

Q&A

Does Heritage participate in oil and gas CSR initiatives and conduct knowledge sharing with its peer group to enhance its approach?

Heritage has close relationships with a number of its peer group companies. The Company actively seeks the opportunity to share knowledge and expertise both formally and

informally in a number of areas. We believe this approach is particularly important to the CSR related aspects of our business (for instance health and safety matters).

CORPORATE GOVERNANCE



Heritage is committed to protecting the interests of shareholders and stakeholders, through compliance with relevant legal and regulatory environments and through the effective management of risk.

2010 HIGHLIGHTS

- > established a Board level CSR Committee;
- > Board has reviewed changes in the 2010 Code and has already begun working towards compliance;
- > set a framework for risk management for review in 2011; and
- > began preparations for the UK Bribery Act.

OUR APPROACH

Heritage complies fully with all relevant national and international laws and acts in accordance with local guidelines and regulations (including those that are industry specific) that govern our operations.

CSR COMMITTEE

Our corporate governance structure has been strengthened by the establishment of a CSR Committee. Its members are Tony Buckingham (CEO), Michael Hibberd (Chairman) and Paul Atherton (CFO). The Committee is tasked with maintaining the Company's CSR Policy Framework in line with best practice and appropriate international standards and guidelines.

The Committee is responsible for ensuring that the CSR Report is a fair reflection of our policies, systems and performance, is coherent and published in a timely manner and that the same approach is applied to the Company's website www.heritageoilplc.com.

The Committee is empowered to request any information it requires from any employee of the Company in order to perform its duties. It may request any employee be interviewed by the Committee. It is also authorised to obtain outside legal or other professional advice and support on any matter that is within its Terms of Reference.

The full Terms of Reference of the CSR Committee are available for download on the Company's website www.heritageoilplc.com.

CHANGES TO THE COMBINED CODE

The 2010 Code, introduced in June 2010, applies from 1 January 2011. The main changes concern risk within the business model, performance-related pay, accountability/re-election of Directors, proper debate, well balanced Board, Board performance and Board training and development. These are reported on in detail in our Corporate Governance Report.

UK STEWARDSHIP CODE

We recognise that the introduction of the UK Stewardship Code by the Financial Reporting Council in July 2010 provides a means of enhancing the quality of engagement between institutional investors and companies. Several of our major institutional shareholders have already published statements on their own compliance with the UK Stewardship Code.

STAKEHOLDER ENGAGEMENT

Heritage views stakeholder engagement as a very important element of the way that it conducts business. The success of projects in the different parts of the world is dependent on relationships with governments, local authorities and local communities. This area has always been a priority for Heritage and examples of activities over the past year are detailed within this report.

This report is an important element of our engagement process and we aim to develop our CSR reporting and communications both in this form and online in the future. Throughout 2010 we proactively engaged with stakeholders to aid their understanding of our business and enhance our approach to CSR and sustainable development. We welcome comments and feedback. This can be supplied by referring to the contact information at the back of this report or on our website www.heritageoilplc.com.

Q&A

How does the Company envisage the role of the CSR Committee developing over time?

Heritage is developing its CSR reporting systems to enable the Committee to have an improved role in managing our related impacts and opportunities. We believe that this will help the Committee to improve its decision-

making and provide focused leadership and guidance. The Terms of Reference of the Committee are reviewed regularly to ensure that they reflect these developments.

Risk Management *CSR related risks and opportunities and our strategy and systems for dealing with them.*

| | DESCRIPTION OF RISKS AND OPPORTUNITIES | STRATEGY AND SYSTEMS |
|--------------------------------|---|--|
| Environment and Sustainability | <p>Threats to licence to operate, financial penalties and reputational harm as a result of accidents or spills leading to pollution and environmental damage. Similar consequences resulting from a failure to return sites to their natural state.</p> <p>Opportunities to work in new territories as a result of a track record from existing activities.</p> | <p>The Group conducts environmental impact assessments before commencing any activities, has systems in place to ensure that sites are properly restored and aims to minimise any negative impacts of activities during project life cycles.</p> |
| Employees | <p>Opportunities to attract or difficulties in attracting and retaining the best employees to enable us to maintain our outstanding growth record.</p> | <p>Heritage offers competitive remuneration packages, including performance-related pay, professional training, promotes equal opportunities and provides a positive working environment.</p> |
| Community and Human Rights | <p>Threats to licence to operate, day to day operational difficulties, financial penalties and reputational harm as the result of campaigning activity and poor local relations.</p> <p>Opportunities to develop brand and reputation and improve the overall effectiveness of Company projects.</p> | <p>We employ a high percentage of personnel from our local regions of operation. We also consult local communities and stakeholders throughout all stages of our operations so that we can best work in partnership, for mutually beneficial outcomes, with them.</p> |
| Health and Safety | <p>Threats to licence to operate, production disruption, financial penalties and reputational harm resulting from a poor health and safety record.</p> <p>Opportunities to develop brand and reputation and improve the overall effectiveness of Company projects.</p> | <p>The Company provides health and safety training at all levels of our operations, and continually monitors performance and risks. The Company strives to maintain international health and safety management systems of the highest standard.</p> |
| Business Conduct | <p>Threats to licence to operate, financial penalties and reputational harm as a result of poor business conduct record. Risks concerning the retention of individual key members of staff.</p> <p>Opportunities to work in new territories following a strong track record from existing activities.</p> | <p>We develop close, positive and transparent working relationships with host governments and business partners. Our business conduct policies and procedures are robust. In particular, we prohibit improper business behaviour.</p> <p>Systems are continually reviewed.</p> |
| Corporate Governance | <p>Our overall CSR risks are minimised and our opportunities are maximised.</p> | <p>We have established a CSR Committee that is tasked with ensuring that Heritage has a comprehensive policy framework and effective management systems. The Committee also monitors, reviews and acts upon our CSR performance.</p> <p>Heritage has taken steps to ensure that adequate structures and procedures are in place.</p> |

Global Reporting Initiative *The G3 Guidelines are the most widely used and recognised sustainability reporting framework. These are cross-sector and appropriate for use by companies globally.*

| Report application level | C | C+ B | B+ A | A+ | |
|--------------------------|--|---|--|--|--|
| Standard disclosures | G3 profile disclosures> | Report on: 1.1 2.1–2.10 3.1–3.8, 3.10–3.12 4.1–4.4, 4.14–4.15 | Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5–4.13, 4.16–4.17 | Same as requirement for Level B. | |
| | G3 management approach disclosures> | Not required. | Management approach disclosures for each indicator category. | Management approach disclosures for each indicator category. | |
| | G3 performance indicators and sector supplement performance indicators> | Report on a minimum of 10 performance indicators, including at least one from each of: economic, social and environmental. | Report on a minimum of 20 performance indicators, at least one from each of: economic, environmental, human rights, labour, society, product responsibility. | Report on each core G3 and sector supplement ¹ indicator with due regard to the materiality principle by either: a) reporting on the indicator; or b) explaining the reason for its omission. | |

¹ Sector supplement in final version.

The above table is the GRI Application Level Table which we have used for self-assessment of our CSR reporting. The GRI's sector supplement for the oil and gas industry is scheduled to be released in 2011 and we will consider incorporating this into future reports.

Heritage uses the G3 Guidelines and those produced by IPIECA to help develop our own reporting. They are taken into account when preparing the content of our CSR reports, although we focus on the CSR related impacts and opportunities we believe are most material, rather than attempting to cover every section of the G3 Guidelines in equal detail.

This section of our report provides the entirety of the CSR related information that Heritage collects. We provide this in the interest of transparency and for comparative purposes, and its collection helps us identify areas in which we can improve our performance. Data and comments presented here should be considered in the context of our Company's operations.

We have self-declared our reporting as Application Level C. We believe this is an appropriate level for this stage in the development of our business and CSR reporting, given our size and nature of operations. We aim to enhance our reporting year-on-year but have chosen not to set a target date for reaching the next application level as this would not fit with the nature of our business model.

Global Reporting Initiative *continued*

| AREA | INDICATOR | DESCRIPTION OF INDICATOR | COMMENTARY/DATA | PAGE |
|--------------------------------------|---------------------------|---|--|---------------|
| Economic performance indicators | EC1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | Total direct economic value generated and distributed not measured. | – |
| | EC2 | Financial implications and other risks and opportunities for the organisation's activities due to climate change. | See Environment and Sustainability section. | 11 |
| | EC3 | Coverage of the organisation's defined benefit plan obligations. | N/A. | – |
| | EC4 | Significant financial assistance received from government. | No assistance received. | – |
| <i>Non-core indicator</i> | EC5 | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. | Heritage pays competitive entry level wages and provides training and other benefits aimed at attracting a high quality workforce. | – |
| | EC6 | Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation. | Policy is to use local suppliers whenever possible. | 15 |
| | EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. | Policy is to employ locals whenever possible. Kurdistan: 75% employees are hired from local community. Russia: 97% of employees are hired from local community. | 1, 15 |
| | EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement. | See Community and Human Rights section. | 17 |
| <i>Non-core indicator</i> | EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts. | Activities during 2010 were of limited economic impact. | – |
| Environmental performance indicators | EN1 | Materials used by weight or volume. | Not applicable to our operations. | – |
| | EN2 | Percentage of materials used that are recycled input materials. | Not applicable to our operations. | – |
| | EN3 | Direct energy consumption by primary energy source. | Kurdistan: primary energy source = diesel powered generators. Consumption not known. Russia: primary energy source = diesel powered generators. Total 2010 consumption = 2.6m kWh. | – |
| | EN4 | Indirect energy consumption by primary energy source. | Not measured. | – |
| | <i>Non-core indicator</i> | EN5 | Energy saved due to conservation and efficiency improvements. | Not measured. |

| AREA | INDICATOR | DESCRIPTION OF INDICATOR | COMMENTARY/DATA | PAGE |
|---------------------------|-----------|---|---|------|
| <i>Non-core indicator</i> | EN6 | Initiatives to provide energy efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives. | Energy efficient testing programme in Kurdistan. | – |
| <i>Non-core indicator</i> | EN7 | Initiatives to reduce indirect energy consumption and reductions achieved. | Russia: maintaining lowest possible process temperatures. Energy consumption reductions not known. | – |
| | EN8 | Total water withdrawal by source. | Russia: 350 m ³ potable water used at site. | – |
| <i>Non-core indicator</i> | EN9 | Water sources significantly affected by withdrawal of water. | Water usage not material. | – |
| <i>Non-core indicator</i> | EN10 | Percentage and total volume of water recycled and reused. | Water usage not material. | – |
| | EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | Not currently active in any such areas following the sale of the Ugandan Assets – see Environment and Sustainability section and asset overview map on page 3 of the Annual Review. | 11 |
| | EN12 | Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | No significant impacts. | 11 |
| <i>Non-core indicator</i> | EN13 | Habitats protected or restored. | None. | – |
| <i>Non-core indicator</i> | EN14 | Strategies, current actions and future plans for managing impacts on biodiversity. | EIAs, taking into account biodiversity, to be performed on all future assets. No current operations in areas of high biodiversity. | 11 |
| <i>Non-core indicator</i> | EN15 | Number of International Union for Conservation of Nature (“IUCN”) Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. | Not measured. | – |
| | EN16 | Total direct and indirect greenhouse gas emissions by weight. | Kurdistan: not measured. Very minimal flaring occurred during well testing. Russia: 2,626 km ³ of associated gas flared annually, within government limits. | 11 |
| | EN17 | Other relevant indirect greenhouse gas emissions by weight. | Not measured. | – |
| <i>Non-core indicator</i> | EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. | None. | – |
| | EN19 | Emissions of ozone-depleting substances by weight. | Not measured. | – |
| | EN20 | NO _x , SO _x and other significant air emissions by type and weight. | Not measured. | – |

| AREA | INDICATOR | DESCRIPTION OF INDICATOR | COMMENTARY/DATA | PAGE |
|---------------------------|-----------|---|--|------|
| | EN21 | Total water discharge by quality and destination. | Not measured. | – |
| | EN22 | Total weight of waste by type and disposal method. | Kurdistan: waste collection is in place, any drilling cuttings are removed to specially dedicated areas. Russia: Class 1 – 125 mercury lamps (extra hazardous waste), Class 3 – 370 kilogrammes (low hazard waste), Class 4 – 6 tonnes (low hazard waste), Classes 4 and 5 69 m ³ utility fluid (low hazard waste). All trucked for disposal in compliance with Russian Federal Laws. | – |
| | EN23 | Total number and volume of significant spills. | No spills. | 11 |
| <i>Non-core indicator</i> | EN24 | Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally. | No hazardous waste transported, imported, exported or treated. | – |
| <i>Non-core indicator</i> | EN25 | Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff. | No water bodies affected. | – |
| | EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | Operations are run as efficiently as possible to minimise environmental impacts of activities. EIAs carried out before all major work programmes. | 11 |
| | EN27 | Percentage of products sold and their packaging materials that are reclaimed by category. | Not applicable to our operations. | – |
| | EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | No fines, warnings or sanctions. | – |
| <i>Non-core indicator</i> | EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce. | Not applicable to our operations. | – |
| <i>Non-core indicator</i> | EN30 | Total environmental protection expenditures and investments by type. | Not measured. | – |

| AREA | INDICATOR | DESCRIPTION OF INDICATOR | COMMENTARY/DATA | PAGE |
|---|-----------|---|---|------|
| Labour practices and decent work performance indicators | LA1 | Total workforce by employment type, employment contract and region. | Kurdistan: 20 employees. Russia: 40 employees. | – |
| | LA2 | Total number and rate of employee turnover by age group, gender and region. | 3% staff turnover for the Company. | – |
| <i>Non-core indicator</i> | LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. | Standard benefit packages. | – |
| | LA4 | Percentage of employees covered by collective bargaining agreements. | None. | – |
| | LA5 | Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. | Seven days. Heritage does not have any collective bargaining agreements. | – |
| <i>Non-core indicator</i> | LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes. | Not measured. | – |
| | LA7 | Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region. | No injuries across all operations. | 13 |
| | LA8 | Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases. | Health and safety training covers serious disease prevention and control where appropriate. Occupational and operational health and safety training given to all employees. | 13 |
| <i>Non-core indicator</i> | LA9 | Health and safety topics covered in formal agreements with trade unions. | No agreements with trade unions. | – |
| | LA10 | Average hours of training per year per employee by employee category. | Reviewed in Employees section. | 15 |
| <i>Non-core indicator</i> | LA11 | Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | Reviewed in Employees section. | 15 |
| <i>Non-core indicator</i> | LA12 | Percentage of employees receiving regular performance and career development reviews. | Not measured. | – |

| AREA | INDICATOR | DESCRIPTION OF INDICATOR | COMMENTARY/DATA | PAGE |
|-------------------------------------|-----------|--|---|------|
| | LA13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity. | See Corporate Governance Report for composition of governance bodies. | – |
| | LA14 | Ratio of basic salary of men to women by employee category. | Not measured. | – |
| Human rights performance indicators | HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. | Not measured. | – |
| | HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. | All suppliers must agree to abide by Heritage's policy on human rights. No actions taken. | – |
| <i>Non-core indicator</i> | HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | Not measured. | – |
| | HR4 | Total number of incidents of discrimination and actions taken. | No incidents. | – |
| | HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights. | No operations identified as having significant risk in this area. Freedom of association and collective bargaining are guaranteed to all workers. | – |
| | HR6 | Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour. | No operations identified as having significant risk. CSR Policy Framework prohibits the use of child labour. | 6–7 |
| | HR7 | Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour. | No operations identified as having significant risk. CSR Policy Framework prohibits the use of forced or compulsory labour. | 6–7 |
| <i>Non-core indicator</i> | HR8 | Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations. | All suppliers must agree to abide by Heritage's policy on human rights. No actions taken. | – |
| <i>Non-core indicator</i> | HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken. | No violations. | – |

| AREA | INDICATOR | DESCRIPTION OF INDICATOR | COMMENTARY/DATA | PAGE |
|---|-----------|---|---|------|
| Society performance indicators | SO1 | Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting. | See Community and Human Rights section. | 17 |
| | SO2 | Percentage and total number of business units analysed for risks related to corruption. | 100% of business units analysed. | – |
| | SO3 | Percentage of employees trained in the organisation's anti-corruption policies and procedures. | 100% of relevant employees trained. | – |
| | SO4 | Actions taken in response to incidents of corruption. | No incidents. | – |
| | SO5 | Public policy positions and participation in public policy development and lobbying. | No positions or participation. | – |
| <i>Non-core indicator</i> | SO6 | Total value of financial and in-kind contributions to political parties, politicians and related institutions by country. | No contributions made. | – |
| <i>Non-core indicator</i> | SO7 | Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes. | No legal actions. | – |
| | SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. | No fines or sanctions. | – |
| Product responsibility performance indicators | | According to GRI "the Product Responsibility Indicator set addresses the effects of products and services management on customers and users." | Heritage owns a small oil producing asset in Russia and the Company is primarily an oil and gas exploration company. As we deal in raw material commodities and currently in small volumes, we do not believe that these indicators are applicable to our business. | – |

Global Reporting Initiative continued

| AREA | INDICATOR | DESCRIPTION OF INDICATOR | COMMENTARY/DATA | PAGE |
|----------------------|---|---|--|-------|
| Standard disclosures | 1.1 | Statement from the most senior decision-maker of the organisation (e.g. CEO, chair or equivalent senior position) about the relevance of sustainability to the organisation and its strategy. | See CSR Committee Chairman's Statement, CSR Report. | 2–3 |
| | 1.2 | Description of key impacts, risks and opportunities. | See Annual Review, Principal Risks. | 36–39 |
| | 2.1 | Name of the organisation. | Heritage Oil Plc. | – |
| | 2.2 | Primary brands, products and/or services. | Heritage Oil Plc. | – |
| | 2.3 | Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures. | See page 14 of the Financial Statements Report. | 14 |
| | 2.4 | Location of organisation's headquarters. | See inside back cover of report. | IBC |
| | 2.5 | Number of countries where the organisation operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | See page 3 of the Annual Review. | 3 |
| | 2.6 | Nature of ownership and legal form. | Jersey incorporated with Premium Listing on the London Stock Exchange. | – |
| | 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries). | N/A. | – |
| | 2.8 | Scale of the reporting organisation. | See page 3 of the Annual Review. | 3 |
| | 2.9 | Significant changes during the reporting period regarding size, structure or ownership (see G3 Guidelines for details). | Sold the Ugandan Assets in a deal completed in 2010. See pages 31–35 of the Annual Review. | 31–35 |
| | 2.10 | Awards received in the reporting period. | None. | – |
| | 3.1 | Reporting period (e.g. fiscal/calendar year) for information provided. | 1 January 2010–31 December 2010. | – |
| | 3.2 | Date of most recent previous report (if any). | CSR Report 2009 published 30 April, 2010. | – |
| | 3.3 | Reporting cycle (annual, biennial, etc.). | Annual. | – |
| 3.4 | Contact point for questions regarding the report or its contents. | See inside back cover of this report. | IBC | |
| 3.5 | Process for defining report content. | See About this Report. | 4 | |

| AREA | INDICATOR | DESCRIPTION OF INDICATOR | COMMENTARY/DATA | PAGE |
|------|-----------|---|--|------|
| | 3.6 | Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures or suppliers). | This report covers the entirety of Heritage's operations. See page 3 of the Annual Review as well for further information. | 3 |
| | 3.7 | State any specific limitations on the scope or boundary of the report. | No specific limitations. | – |
| | 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations. | N/A. | – |
| | 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. | See About this Report. | 4 |
| | 3.10 | Explanation of the effect of any restatements of information provided in earlier reports and the reasons for such restatement (e.g. mergers/acquisitions, change of base years/periods, nature of business or measurement methods). | No restatements. | – |
| | 3.11 | Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report. | None. | – |
| | 3.12 | Table identifying the location of the standard disclosures in the report. | See GRI index. | 23 |
| | 3.13 | Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organisation and the assurance provider(s). | External assurance has not been sought – see About this Report. | 4 |
| | 4.1 | Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight. | See page 11 of the Corporate Governance Report. | – |
| | 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement). | See page 10 of the Corporate Governance Report – Chairman is an independent Non-Executive Director. | – |

Global Reporting Initiative continued

| AREA | INDICATOR | DESCRIPTION OF INDICATOR | COMMENTARY/DATA | PAGE |
|------|-----------|---|---|------|
| | 4.3 | For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. | See page 10 of the Corporate Governance Report. | – |
| | 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | See page 12 of the Corporate Governance Report. | – |
| | 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance). | See Corporate Governance Report, in particular the Remuneration Report, pages 18–27. | – |
| | 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | See CSR Policy Framework and page 10 of the Corporate Governance Report. | 6–7 |
| | 4.7 | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics. | See pages 10–14 of the Corporate Governance Report. | – |
| | 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. | See CSR Policy Framework. | 6–7 |
| | 4.9 | Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles. | See pages 10–17 of the Corporate Governance Report, in particular the CSR Committee on page 17. | – |

| AREA | INDICATOR | DESCRIPTION OF INDICATOR | COMMENTARY/DATA | PAGE |
|------|-----------|---|---|------|
| | 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance. | See pages 13–14 of the Corporate Governance Report. | – |
| | 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organisation. | See Financial Review and Risks in the Annual Review on pages 31–39. | – |
| | 4.12 | Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses. | None. | – |
| | 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organisations. | Jersey Financial Services. | – |
| | 4.14 | List of stakeholder groups engaged by the organisation. | Not reported. | – |
| | 4.15 | Basis for identification and selection of stakeholders with whom to engage. | See CSR Policy Framework. | 6–7 |
| | 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | See CSR Report. | 17 |
| | 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. | See CSR Report. | 17 |

CSR Glossary

| | |
|----------------------|---|
| \$ | US dollars unless otherwise stated |
| API | a specific gravity scale developed by the American Petroleum Institute for measuring the relative density of various petroleum liquids, expressed in degrees |
| BBL/BBLS | barrel/barrels |
| BBLS/D OR BOPD | barrels per day or barrels of oil per day |
| BCF | billion cubic feet |
| BIODIVERSITY | the number and variety of organisms found within a specified region |
| BOE | barrels of oil equivalent ¹ |
| BOE/D OR BOEPD | barrels of oil equivalent per day |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| COMBINED CODE | Combined Code of Corporate Governance published in 2008 |
| COMPANY | Heritage Oil Plc |
| CONDENSATE | low density, high API hydrocarbon liquids that are present in natural gas fields where it condensates out of the raw gas if the temperature is reduced to below the hydrocarbon dew point temperature of the raw gas |
| CONTINGENT RESOURCES | those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies |
| CSR | Corporate Social Responsibility |
| DRC | the Democratic Republic of Congo |
| EIA | Environmental Impact Assessment, which determines the impact operations may have on the environment |
| EMS | Environmental Management System, which is a system that manages the impact of the environment and is designed to minimise any negative effects operations may have |
| GJ | gigajoules |
| GRI | Global Reporting Initiative; an organisation which has developed the most widely used sustainability reporting framework |
| GREENHOUSE GAS | a gas, such as carbon dioxide or methane, which re-emits infrared radiation and is responsible for the greenhouse effect |
| GROUP, HERITAGE | the Company and all of its subsidiaries |
| HAZMAT | hazardous material, solids, liquids and gases that can harm people, other living organisms, property or the environment |
| HIV/AIDS | Human Immunodeficiency Virus/Acquired Deficiency Syndrome |
| HOC OR CORPORATION | Heritage Oil Corporation, incorporated in Canada and a wholly owned subsidiary of the Company |
| IUCN | International Union for Conservation of Nature |
| ILO | International Labour Organisation |
| IPIECA | International Petroleum Industry Environmental Conservation Association |
| KM ³ | cubic kilometres |
| KPI | Key Performance Indicators |
| KURDISTAN | Kurdistan Region of Iraq |
| LEAD | potential drilling target that is less well defined than a prospect and requires further data before being considered a prospect for drilling |
| LPG | liquid petroleum gas |
| LSE | London Stock Exchange |
| LTI | Lost Time Injury |
| LTIFR | Lost Time Injury Frequency Rate per 10,000 hours worked |
| M | metres |
| M ³ | cubic metres |
| MBBLS | thousand barrels |

1 boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

| | |
|-----------------------|---|
| MMBBLs | million barrels |
| MBOE | thousands of barrels of oil equivalent |
| MMBOE | millions of barrels of oil equivalent |
| MCF | thousand cubic feet |
| MCF/D | thousand cubic feet per day |
| MMBTU | million british thermal units |
| MMCF | million cubic feet |
| MMCF/D | million cubic feet per day |
| MMSTB | million stock tank barrels |
| N/A | not applicable |
| NATURAL RESOURCE(S) | a naturally occurring resource, or resources, such as oil, coal, and gas |
| NGLS | natural gas liquids |
| NGO | Non-Governmental Organisation |
| PETROLEUM | any mineral, oil or relative hydrocarbon (including condensate and natural gas liquids) and natural gas existing in its natural condition in strata (but not including coal or bituminous shale or other stratified deposits from which oil can be extracted by destructive distillation) |
| PROSPECT | potential drilling target that is well defined, usually by seismic data |
| PROSPECTIVE RESOURCES | those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations |
| PROVED RESERVES | those quantities of petroleum, which by analysis and geoscience, can be estimated with reasonable certainty to be commercially recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves |
| PSA OR PSC | production sharing agreement or production sharing contract |
| STAKEHOLDER | a person or group with a direct interest, involvement, or investment in our activities. Heritage's stakeholders include employees, shareholders, local communities, NGOs, the media, governments, regulatory authorities and research organisations |
| TCF | trillion cubic feet |
| TSR | Total Shareholder Return |
| TSX | Toronto Stock Exchange |
| TULLOW | Tullow Uganda Limited |
| WTI | West Texas Intermediate |

CONVERSION TABLE

The following table sets forth standard conversions from Standard Imperial Units to the International System of Units (or metric units).

| To convert from | To | Multiply by |
|-----------------|--------------|-------------|
| boe | mcf | 6 |
| mcf | cubic metres | 28.174 |
| cubic metres | cubic feet | 35.494 |
| bbls | cubic metres | 0.159 |
| cubic metres | bbls oil | 6.290 |
| feet | metres | 0.305 |
| metres | feet | 3.281 |
| miles | kilometres | 1.609 |
| kilometres | miles | 0.621 |
| acres | hectares | 0.405 |

Notes

Advisers and Financial Calendar

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Barclays Bank
Bank of Scotland (Europe)
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FINANCIAL CALENDAR

Group results for the year to 31 December are announced in March/April. The Annual General Meeting is held during the second quarter. Half year results to 30 June are announced in August. Additionally, the Group will issue an Interim Management Statement between 10 weeks after the beginning and six weeks before the end of each half year period.

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