



18 December 2009

**Heritage Oil Plc
("Heritage" or the "Company")**

**HERITAGE ENTERS INTO A SALE AND PURCHASE AGREEMENT TO
SELL ITS UGANDAN INTEREST FOR UP TO US\$1.5 BILLION**

On 23 November 2009, Heritage Oil Plc (LSE: HOIL), an independent upstream exploration and production company, announced that a wholly-owned subsidiary had entered into a binding letter of intent (the "LOI") with Eni S.p.A. ("Eni") for the sale of its entire interest in Blocks 1 and 3A in Uganda.

Heritage today announces that the Company and Heritage Oil & Gas Limited ("HOGL") have entered into a sale and purchase agreement (the "SPA"), with Eni International B.V. for the sale of its 50% interest in Blocks 1 and 3A in Uganda (the "Proposed Transaction"). The consideration comprises cash of US\$1.35 billion and a further contingent, deferred consideration of either US\$150 million in cash or an interest in a mutually agreed producing oil field independently valued at a similar amount.

Completion of the SPA is subject to the receipt and satisfaction of certain approvals and conditions, including the approval of the Company's shareholders at a meeting to be held before the end of January 2010, the receipt of any necessary consents from the Ugandan Government and HOGL not receiving a valid pre-emption notice from Tullow Uganda Limited ("Tullow").

Highlights

- Cash consideration on closing the transaction of US\$1.35 billion
- Contingent, deferred consideration of either US\$150 million in cash or an interest in a producing oil field, to be mutually agreed and independently valued at a similar amount
- The Proposed Transaction has been unanimously recommended by the Board of Heritage, subject to various conditions, including approval from the Ugandan authorities, Tullow not exercising a right of pre-emption and approval of a majority of Heritage shareholders and the exchangeable shareholders of Heritage Oil Corporation who vote at a general meeting to be held before the end of January 2010
- Class 1 shareholder circular, which will include a Mineral Expert's Report on the Company's material assets, is expected to be published shortly
- Proposed Transaction is expected to complete in the first quarter of 2010

- Following completion, Heritage will consider returning a portion of the disposal proceeds to shareholders in the form of a special dividend, which could be in the range of 75 pence to 100 pence per share
- Heritage will also be seeking authority to buy back shares should the directors determine such a buyback to be in the best interests of the Company
- Heritage will retain an interest in the Albert Basin through its interests in Blocks 1 and 2 in the Democratic Republic of Congo, which are currently awaiting presidential decree

Summary of the Proposed Transaction

Eni International B.V., a wholly owned affiliate of Eni, will acquire Heritage's entire interest in, and operatorship of, Blocks 1 and 3A in Uganda for consideration of up to US\$1.5 billion, of which US\$1.35 billion will be paid in cash on completion. Eni has agreed to pay a contingent, deferred consideration of either US\$150 million in cash or to transfer to Heritage an interest in a producing oil field independently valued at a similar amount. Should Eni decide that it wishes to satisfy the deferred consideration in the form of an interest in an oil producing asset, the Company will have 90 days to consider whether it wishes to accept the asset, and will have sole discretion to decline in favour of the cash alternative. Any such transfer of an interest in a producing oil field would be subject to the provisions of the Listing Rules and may require, *inter alia*, shareholder approval at a meeting that would be called at a future date once the asset, if any, had been identified.

Payment of the full amount of the deferred consideration is conditional on the relevant authorities within the Ugandan Government granting Eni, within a period of two years from the date of completion, certain tax incentives in relation to upstream, midstream and downstream activities on the disposed assets. The amount of the deferred consideration will depend upon the scale of the tax incentives negotiated.

The gross book value attributable to the assets being sold to Eni as at 30 June 2009, net of liabilities, was approximately US\$145 million. No revenue or profits were generated from Heritage's Ugandan assets in the financial year ended 2008 and substantially all expenses have been capitalised. The Proposed Transaction is expected to complete in the first quarter of 2010.

A shareholder circular, which will include a Mineral Expert's Report, describing the Proposed Transaction is expected to be published shortly. Completion of the Proposed Transaction is subject to the approval of a majority of the Company's shareholders (and the exchangeable shareholders of Heritage Oil Corporation) voting at a general meeting to be held before the end of January 2010.

Under the terms of the SPA, should the Company receive an unsolicited written acquisition proposal from a *bona fide* offeror which the Board considers would be superior to the Proposed Transaction from a financial point of view for the shareholders of Heritage, it has been agreed that for a period of five business days the Company shall not enter into any agreement with the *bona fide* offeror. During this period Eni will have the right to match or exceed the terms of the superior offer.

Heritage has agreed to pay Eni a break fee of 1 per cent. of the market capitalisation of the Company in the event that Heritage accepts a competing superior offer from a third party and in certain other limited circumstances. A break fee is not payable to Eni if Tullow pre-empts the Proposed Transaction.

Background to and reasons for the Disposal

A primary aim of management is to realise value at an appropriate stage of an asset's life-cycle and re-invest the proceeds to build significant shareholder value from a diversified portfolio of oil and gas assets. The Board of Directors, having been advised by J.P. Morgan Cazenove Limited, Financial Adviser and Corporate Broker to Heritage, believes that the Proposed Transaction is in the best interests of the Company and represents an excellent opportunity to realise value from assets that are entering the development stage.

Approvals and Consents

Completion of the Proposed Transaction is subject to, among other things: (i) the approval of a majority of the Company's shareholders and the exchangeable shareholders of Heritage Oil Corporation voting at a general meeting which will be held before the end of January 2010; (ii) approval from the Ugandan Governmental authorities, and (iii) Tullow not exercising its right to pre-empt the Proposed Transaction on identical terms. Accordingly, there can be no assurances that the Proposed Transaction will complete or that it will complete on the terms outlined in the SPA or herein.

The Government of Uganda has been consulted on the Proposed Transaction and has indicated its support for Eni's proposed entrance into the oil industry in Uganda.

Use of Proceeds

Heritage will continue to have operations in seven countries and will use some of the disposal proceeds to fund the exploration, appraisal and development of these areas, in particular in the Kurdistan Region of Iraq ("Kurdistan"), which remains a core area of focus. Heritage has a producing asset in Russia and exploration projects in the Democratic Republic of Congo, Kurdistan, Mali, Malta, Pakistan and Tanzania. The Company plans to embark on drilling programmes in certain of these territories next year, with a number of high-impact exploration wells which could continue to generate significant value for shareholders.

Furthermore, the proceeds will provide Heritage with the financial flexibility to participate in opportunities to generate further value for shareholders, including the acquisition of exploration licences and producing assets.

The Company is also considering returning a portion of the disposal proceeds to shareholders through a special dividend on completion of the transaction, which could be in the range of 75 pence to 100 pence per share. In the event that the dividend is paid, Heritage would expect to still have a cash position of over US\$1 billion. Heritage will also be seeking authority to buy back shares should the directors determine such a buyback to be in the best interests of the Company.

Information Regarding Blocks 1 and 3A in Uganda

The Kingfisher Field was discovered in 2007 and six wells have been drilled in Blocks 1 and 3A which have discovered approximately 300 million barrels net to the Company. Heritage has spent approximately US\$150 million on its oil and gas interests in Uganda, since being awarded its first licence in 1997.

Tullow right of pre-emption

In the context of the Proposed Transaction, the Board believes that there is a provision in the joint operating agreement with Tullow that would give rise to a right of pre-emption in favour of Tullow. HOGI will notify Tullow of the Proposed Transaction and upon receipt of such a notice, Tullow has the right to acquire the disposed assets on the same terms and conditions as agreed with Eni in the SPA without reservation. Tullow is required to notify the Company of any such intention within thirty days of the delivery notice of the SPA to Tullow which, if notice is delivered today as intended, would expire on 17 January 2010.

As such, in the circular to be sent to shareholders, in connection with the Proposed Transaction, shareholders will be asked to consider and vote on both the proposed disposal to Eni and the potential alternative transaction, should Tullow exercise its right of pre-emption.

Tony Buckingham, Chief Executive Officer, commented:

“We are delighted to enter into this binding agreement with Eni, whom we believe are well positioned to further our work in Uganda and realise production at the earliest possible opportunity. We believe the transaction will create significant shareholder value at a critical juncture in the Ugandan asset’s life cycle.”

The disposal proceeds give Heritage great flexibility enabling the Company to focus on its existing exploration and development programmes, participate in value generating acquisition opportunities as and when they arise, as well as giving us the ability to pay a special dividend to shareholders.”

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Notes to Editors

- Heritage is listed on the Main Market of the London Stock Exchange and is a constituent of the FTSE 250 Index. The trading symbol is HOIL. Heritage has a further listing on the Toronto Stock Exchange (TSX: HOC).
- Heritage is an independent upstream exploration and production company engaged in the exploration for, and the development, production and acquisition of, oil and gas in its core areas of Africa, the Middle East and Russia.
- Heritage has a producing property in Russia and exploration projects in Uganda, Kurdistan, the Democratic Republic of Congo, Malta, Pakistan, Tanzania and Mali.
- All dollars are US\$ unless otherwise stated
- For further information please refer to our website, www.heritageoilplc.com
- Eni International B.V. is a wholly-owned affiliate of Eni, an integrated energy company headquartered in Rome, Italy, with activities spanning more than 70 countries. Eni's activities include oil and gas exploration, electricity generation and sale, petrochemicals, oil field services construction and engineering industries.

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FORWARD-LOOKING INFORMATION:

Except for statements of historical fact, all statements in this news release – including, without limitation, statements regarding production estimates and future plans and

objectives of Heritage – constitute forward-looking information that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate; actual results and future events could differ materially from those anticipated in such statements. Factors that could cause actual results to differ materially from anticipated results include risks and uncertainties such as: risks relating to estimates of reserves and recoveries; production and operating cost assumptions; development risks and costs; the risk of commodity price fluctuations; political and regulatory risks; and other risks and uncertainties as disclosed under the heading "Risk Factors" in its Circular and elsewhere in Heritage documents filed from time-to-time with the London Stock Exchange and other regulatory authorities. Further, any forward-looking information is made only as of a certain date and the Company undertakes no obligation to update any forward-looking information or statements to reflect events or circumstances after the date on which such statement is made or reflect the occurrence of unanticipated events, except as may be required by applicable securities laws. New factors emerge from time to time, and it is not possible for management of the Company to predict all of these factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information.

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