Heritage’s Corporate Social Responsibility (“CSR”) encompasses the management of relationships with shareholders, employees, contractors and the communities in areas where we work, together with the impact on society and the environment. We recognise we have specific responsibilities in each of these areas and consider adherence to CSR values to be a key factor in securing our long-term success.

Heritage today faces a wide range of both opportunities and challenges in the areas of CSR, health, safety and the environment in terms of responsibility and performance. This is particularly so given the nature of our industry and the geographic location of our operations, many of which are in countries with complex social, political and economic challenges and/or particular environmental sensitivities.

Heritage’s objective is to minimise our impact on the environment and to support development in local communities. We recognise the importance of engaging with local stakeholders and take seriously concerns regarding oil and gas development. We believe that by working closely with host communities we are better enabled to meet the challenges facing us.

Our Core Values

▪ respect the laws and customs of the countries in which we operate;
▪ support the communities in which we work;
▪ empower individuals to act in accordance with our values and responsibilities;
▪ promote and value long-term relationships with stakeholders;
▪ be consistent in activities and reporting;
▪ take seriously the obligations we have to our employees, communities, society and the environment;
▪ encourage and support employees to play their part in creating a better world; and
▪ we believe that shareholders’ long-term interests are best served by the pursuit of businesses with high standards of responsibility.
In 2008 Heritage made significant progress in our operated Blocks 1 and 3A in the Albert Basin, Uganda. We drilled five exploration wells which all encountered hydrocarbons and I am pleased to report that we did this with no environmental issues.

Heritage’s CSR has always been important, which is why we have decided to introduce a separate CSR document this year. We wish to highlight the importance we place on these issues in the day-to-day running of our business. We have operated in Uganda longer than in other areas so, naturally, our CSR policy is more advanced there. Nevertheless, we approach each country with the same core values and will extend what we have learned from our Ugandan programme to these other regions.

We have operated in Uganda since 1997 and have an unblemished record with no environmental issues. Over the course of 2008 we shot seismic surveys in Uganda, Tanzania and the Kurdistan Region of Iraq where we fully complied with our policy to restore sites to their original condition. Meanwhile, drill sites from the drilling programmes over 2008 and the beginning of 2009 are in the process of being restored.

Heritage has always been committed to responsible and respectful conduct towards the diverse communities affected by our activities. Our CSR policy encompasses the management of relationships with shareholders, employees, contractors and most importantly the communities in areas where we work, together with the impact on society and the environment, especially where we are the Operator. We recognise that we have specific responsibilities in each of these areas and consider adherence to CSR values to be a key factor in securing long-term success.

Today we face a wide range of opportunities and challenges in the area of CSR. This is particularly so given the nature of our industry and the geographic location of our operations, some of which are in countries with complex social, political and economic challenges and/or particular environmental sensitivities. We aim to minimise our impact on the environment and support development in local communities. We recognise the importance of engaging with local stakeholders and listen to their concerns regarding oil and gas development. Heritage believes that by working closely with our host communities we are better able to meet any potential challenges. We work with communities close to areas in which we operate to ensure their needs are fully considered when projects are being planned.

We consider investing in these communities a fundamental part of doing business. This is particularly important in developing economies that lack basic infrastructures and the full capacity to build social capital as this contributes to a healthy and stable business climate.

Effective management of CSR allows Heritage to identify potential risks and respond to areas of performance where improvement is needed. Effective CSR can help in attracting and retaining the best staff, making us a partner of choice and realising value for shareholders. The CSR agenda is to inspire, challenge and empower staff to make a positive contribution to local communities and the environment. Heritage is committed to integrating CSR into everything we do – from being a great place to work, investing in local communities, minimising environmental impact and working closely with partners and contractors.

Ultimately as the CEO of Heritage I am responsible for ensuring the Company is viewed externally, and internally, as a responsible and safe operator. I am proud of our reputation within communities in which we work and among all of our stakeholders. The contributions we make to our operations are a responsibility and an investment. Long-term collaboration and co-operation has positive benefits to us all. I am grateful to everybody in the Group for their commitment and adherence to applying our values across all our business activities. As our activities continue to expand, our policies will evolve. In 2009, we will continue with our strong CSR programme with challenging goals that we look forward to achieving.

Anthony Buckingham
Chief Executive Officer
Heritage has operated in Uganda since 1997 and experience here has laid the groundwork for programmes to be rolled out across other areas where we are beginning to operate. Over the coming years we will aim to steadily improve the overall level, quality and detail within our CSR report and will continue to make this information readily available on our website at www.heritageoiltd.com/csr

<table>
<thead>
<tr>
<th>Environment</th>
<th>Operating Responsibly</th>
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<tbody>
<tr>
<td></td>
<td>▪ Restore operating sites to original condition</td>
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<tr>
<td></td>
<td>▪ Minimise impact on the areas where we operate</td>
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<tr>
<th>Society</th>
<th>Better Community Development</th>
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<tbody>
<tr>
<td></td>
<td>▪ Engage and work with communities towards a shared future</td>
</tr>
<tr>
<td></td>
<td>▪ Ensure the needs of the community are met when projects are planned and executed</td>
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<tr>
<th>Health and Safety</th>
<th>Safe Environment for Employees and Local Communities</th>
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<tr>
<td></td>
<td>▪ Champion safety to everyone our activities touch</td>
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<td>▪ Play a role in promoting best practice in our industry</td>
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<tr>
<th>Employees</th>
<th>Promoting Better Working Conditions</th>
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<tr>
<td></td>
<td>▪ Attract and retain talented and committed people</td>
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<td></td>
<td>▪ Recruit locally wherever possible</td>
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<td></td>
<td>▪ Offer training to develop employees</td>
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<tr>
<th>Government and Partners</th>
<th>Supporting Economic Development</th>
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<tr>
<td></td>
<td>▪ Work together with stakeholders</td>
</tr>
<tr>
<td></td>
<td>▪ Ensure contractors share and operate according to our high values and commitments</td>
</tr>
<tr>
<td>Progress</td>
<td>Future Objective</td>
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<tr>
<td>-------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
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<tr>
<td>In 2008 our environmental performance has been excellent, with no incidents</td>
<td>Continue to ensure all exploration activity areas are studied and evaluated for all environmental aspects</td>
</tr>
<tr>
<td>Continue to ensure that management plans are developed to minimise potential adverse impacts and enhance beneficial impacts</td>
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<tr>
<td>Building a school in the Buhuka area in Uganda</td>
<td>Provide a running fresh water system for Buhuka area in Uganda to benefit 6,000 people</td>
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<tr>
<td>Community programmes have begun in Kurdistan</td>
<td>Continue to support the development of community engagement across the business</td>
</tr>
<tr>
<td>Access to health clinics</td>
<td>Continue to reduce accidents and injuries to people in all aspects of the business</td>
</tr>
<tr>
<td>Establishing malaria programmes</td>
<td>Continue with our extensive safety training programmes</td>
</tr>
<tr>
<td>In Kurdistan and Russia we had no Lost Time Injuries (“LTIs”) reported in 2008</td>
<td></td>
</tr>
<tr>
<td>In Uganda and Tanzania our LTIs totalled five</td>
<td></td>
</tr>
<tr>
<td>Board recruitment</td>
<td>Continue to support, develop and reward employees</td>
</tr>
<tr>
<td>Improved security situation through the employment of Maasai in Tanzania</td>
<td>Continue to employ from local communities where we operate</td>
</tr>
<tr>
<td>Additional training and education programmes</td>
<td></td>
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<tr>
<td>Open dialogue is maintained with all stakeholders which has ensured a good working relationship</td>
<td>Continue engagement with all stakeholders</td>
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<tr>
<td>Excellent work record by seismic contractors</td>
<td></td>
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Kigelia Africana “the African sausage tree”
Minimising our Impact

There were no environmental issues encountered by Heritage during 2008. Heritage is aware that many parts of our business could potentially impact upon the environment and ecosystems within which we operate.

Target

Operating Responsibly
- Restore sites to original conditions
- Minimise impact on the areas where we operate

We pledge to restore sites where we operate to their original state, and to comply with conditions imposed by bodies such as the National Environment Management Authority (“NEMA”) in Uganda.

Before any well is drilled we conduct a seismic survey which uses reflected sound waves to generate data. This information, together with other geological data, enables our technical team to establish where to drill for the best chance of a discovery. In 2008, five wells were drilled in Uganda and each well encountered hydrocarbons. The drill sites are all in the process of being restored under government supervision. Heritage adheres to a strict clean environment philosophy with a comprehensive waste management practice. We contain site drilling effluents which we dispose of in dedicated environmentally accepted areas.

Seismic
At Heritage, we conduct all aspects of our seismic acquisition with particular care for the safety and wellbeing of all employees and contractors undertaking the work and of the communities who live nearby. Environmental considerations are an integral part of this care. The dynamics of being a relatively small Operator enable us to pioneer remarkably-improved methods of carrying out work via Very Low Impact Seismic (“VLIS”), the extent of which has not been seen before in East Africa, and which has attracted high appreciation from environmental organisations and authorities. We hope to demonstrate that old seismic field methodology can be discarded in favour of acquisition that is extremely environmentally friendly.

Uganda
In February 2008 a 2D seismic survey was completed in Block 1 Uganda covering 430 kilometres. The survey was carried out on a VLIS basis. Line clearance was achieved by manual labour in some cases where vegetation was particularly thick and where it was not desirable to deploy any mechanised clearing work and by mulching machines elsewhere. The mulching machines merely trim the vegetation, leaving all root stock intact. It has been observed that each seismic line recovers its original state within only one rainy season after being prepared for seismic acquisition.

The contractor deployed a line restoration team to inspect each seismic line on completion of recording the data, and to restore it to a pristine condition. Unwanted material was removed and the ground at all seismic shot points smoothed and left as it was originally. All trees and watercourses remained undisturbed and the tree canopy was untouched.

Heritage engaged the services of a Public Relations and Permit Officer to maintain good relationships with the local community. The Company also employed an environmental consultant to advise on a permanent basis on any issues related to the environment.

Kurdistan
In April 2008, 332 kilometres of 2D vibrator-sourced seismic were recorded on the Miran licence in the Kurdistan Region of Iraq. This survey was the first seismic survey carried out for Heritage in the licence, and was a notable success in terms of data quality, productivity and health, safety and environmental considerations. The environmental impact on the terrain was minimised and existing roads and tracks were used wherever available, avoiding scarring the region that could otherwise have been caused. The wavy line technique used for this survey was the ideal compromise between the need for gathering uninterrupted data and the need to make little, or no, lasting environmental impact on the terrain. In many cases, the vibrators were able to acquire data without any need for a cleared line.

Tanzania
The second half of 2008 saw Heritage setting up and running new seismic ventures with two farm-in partners and working in conjunction with the Government’s Tanzanian Production and Development Corporation (TPDC).

Miran Block in the Kurdistan Region of Iraq with the village of Gopala in the background
Heritage was the Operator for the Kisangire 2D seismic survey, where 198 kilometres were acquired, and Heritage was the technical operator the Kimbiji 2D seismic survey on behalf of the licence operator, where 208 kilometres were acquired.

Three outstanding aspects of the Tanzanian surveys were reported back to Heritage by the Tanzanian National Environmental Management Council:

- The shot point drilling units were not only tracked vehicles but were supplied with an integral water reservoir and an on-board compressor. This resulted in virtually zero impact on the ground (no wheel marks), and an extremely narrow band of seismic line being cleared for access purposes. The fact that the units were also very highly productive was an additional benefit to the economics of the operations;
- The power of the mulching units deployed for line clearance was such that access could be prepared for the field personnel and equipment, in even the most dense vegetation. At no stage was it necessary to remove any root stock on the lines and in wooded areas the tree canopy was left intact; and
- The seismic lines were again prepared on a wavy-line basis. All trees were left standing, with personnel and equipment weaving around them. Thus no visible scarring of the terrain was inflicted, and indeed, only a few weeks after it had been cleared it was impossible to tell where the seismic line had been.

Where the seismic programme passed through forestry reserve, the crew took special care to hand-cut the vegetation (again leaving the trees standing).

**Other Environmental Programmes**

Heritage provides support to the Ugandan Wildlife Authority (“UWA”) and has recently financed a major overhaul of a ferry which is used in the Block 1 area to transport both vehicles and people. We have also provided scrambler motorcycles for UWA rangers and a vehicle for UWA nature wardens.
Valuable Contribution

Our community development strategies in all areas are designed and implemented through consulting and working with each community and local governments. This commences from an early stage to ensure that the community has a sense of ownership of the project and are able to continue the implementation of the project on a sustainable basis.
Building a School

In Block 3A, Uganda, the inauguration ceremony of the Carl Nefdt Memorial Primary School at Buhuka, was organised by Heritage. It was felt that the tragic loss of Carl Nefdt, a contractor, due to a random act of hostility from across the Ugandan border in 2007 should be compensated to the maximum extent possible. This has been achieved by the construction of a school, on the site where Carl had worked on many occasions, in respect of his valued contribution to the exploration work in the Kingfisher discovery area.

This major project, for which Heritage made available some $500,000, will endow the school for many years to come with teaching facilities and learning opportunities for the children of the remote Buhuka area. The ultimate objective is to provide the children with the goal of continuing to university level and other professional qualifications.

Our seismic contractor also contributed to the school project, by purchasing school furniture and equipment, in a united effort to demonstrate to the local community our appreciation for their hospitality and encouragement for their future.

Water Wells

In many areas where we operate, we drill water wells to provide clean, safe drinking water for the communities to facilitate basic health, hygiene and community water requirements. In Uganda this year we plan to take this a step further and provide running water in all villages and the school within the Buhuka area. This will provide approximately 6,000 people with clean, filtered water which will be stored in tanks.

Other Community Projects

Other community work that we lead includes:
- paving or mending roads providing better access for the villagers to local markets;
- supplying carpets to a local mosque in the Kurdistan Region of Iraq;
- providing tremendous opportunities for employment for the local population;
- sponsoring pupils to attend university. We currently have 12 under our sponsorship in Uganda;
- sponsoring various community aid and women’s projects, including a community radio station and the Watoto Child Care Project in Uganda;
- sponsoring civil servants in Uganda to attend courses on oil legislation and contract terms;
- clinic access; and
- local communities and contractors help build the school.
Health and Safety

Protecting Communities

Heritage is committed to achieving and maintaining the highest standards of safety for its employees and the communities where we operate.

In line with our policy, Heritage is committed to:
- championing safety to everyone our activities touch;
- playing a role in promoting best practice in our industry;
- sharing openly information on our health and safety performance; and
- managing health and safety matters as a critical business activity.

Training contractors in health and safety matters was a priority in 2008. Our personnel in Uganda, the Kurdistan Region of Iraq and Russia attended, or were offered, courses on safety issues such as oil spill and HAZMAT (Hazardous Materials) operational training and fire fighting training. In both the Kurdistan Region of Iraq and Uganda, Heritage provides nearby villagers with medical checks and access to the site clinic. A senior member of staff is directly responsible for health and safety matters and refers any issues to the Board.

Malaria Treatments
Heritage continues to work proactively within all areas of health and safety and our health care education and training programme is showing positive results. Malaria remains the biggest health care issue in Uganda and Heritage is determined to address this risk. A total of 42 workers were treated for malaria.
in Block 1 and 115 were treated in Block 3A, out of a total of 786 patients seen which included residents from the local communities. None of the patients progressed to complicated malaria and no malaria related deaths were reported, showing that the current malaria prevention and treatment programme is working.

**HIV and AIDS**
HIV is a global pandemic but the virus is particularly widespread in Sub-Saharan Africa. In Uganda we have appointed an HIV and AIDS Coordinator who leads related training on the project locations. Services rendered in this regard include daily toolbox talks, advice and counselling and referring people to relevant screening and testing centres.

**General Training**
One of the training highlights in 2008 was the success of two local Ugandan students who attended the Basic Life Support Training in Rustenburg, South Africa and qualified as emergency care practitioners in Uganda. Both of these students are now employed on projects as part of the internal training programmes to obtain further paramedical qualifications.

First aid training was undertaken at all drilling locations and local as well as expat personnel were trained in basic first aid practices. Daily toolbox talk meetings are used as refresher training for these personnel.

To comply with the stipulations of Heritage’s Uganda Oil Spill Plan we have trained 20 contractors in the management of HAZMAT situations and oil spills. Regular refresher training is presented.

During 2008 the majority of security personnel and other contractor personnel received training in basic fire fighting run by professional fire fighters.

Other courses and training that were presented include:
- indoor residual spraying for malaria prevention;
- environmental sanitation;
- crane operations;
- cholera prevention;
- meningitis prevention;
- evacuation planning and procedures; and
- safe loading practices.

**Lost Time Injuries**
In 2008, Heritage has endeavoured to maintain the good health and safety performance delivered in previous years. Heritage has made progress in all areas of its safety systems in Uganda where we managed to maintain the Recordable Injury Frequency Rate at below 3 in Block 3A and in Block 1 the Recordable Injury Frequency rate was 0 as no recordable injuries were reported. Regrettably, we recorded one local contractor fatality in a traffic incident in Uganda.

There were five LTIs reported in Uganda and Tanzania during 2008 of which three were related to a freak storm and not to drilling or camp operations. All injured have fully recovered and returned to work.

We had no LTIs reported in 2008 in any other territories.
Our Employees

Growing Together

We aim to attract, develop and retain talented and committed people in order to maintain the capability to deliver our business objectives and make Heritage an employer of choice.

Target

Promoting Better Working Conditions
- Attract and retain talented and committed people
- Recruit locally wherever possible
- Offer training to develop employees

We ensure that all of our employees understand and appreciate our business strategy, goals and values. It is important to Heritage that our staff feel valued, safe and free to raise any concerns. There are equal opportunities in career development for all employees and with a geographically diversified portfolio we believe that the workforce should reflect the communities in which we operate. It is important that our employees create and maintain our business culture within the communities where our operations impact.

Recruiting and Investing Locally
Heritage employs local resources wherever possible and also encourages all seismic contractors to do the same and to run a programme of training for those with potential to take on technical roles within future surveys. Both Heritage and our contractors are highly active in this respect, resulting in a considerable boost to the economies of local communities.

Operators at the rig floor at Kingfisher-2
Local Employment in Heritage Operated Licences

<table>
<thead>
<tr>
<th>Country</th>
<th>2008</th>
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<tbody>
<tr>
<td>Uganda</td>
<td>75%</td>
</tr>
<tr>
<td>Kurdistan</td>
<td>71%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>100%</td>
</tr>
<tr>
<td>Mali</td>
<td>100%</td>
</tr>
<tr>
<td>Malta</td>
<td>50%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>100%</td>
</tr>
<tr>
<td>Russia</td>
<td>100%</td>
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</table>

With regard to crew and equipment security, an improved situation arose from the wide use of Maasai whilst collecting seismic in Tanzania over 2008. Up to a hundred Maasai were deployed along the seismic lines, to protect both the seismic equipment from theft and the crew personnel from attack by wild animals. In an extraordinary “first” in areas of dense population, no receiver equipment was reported missing in the Kimbiji survey in Tanzania. In lesser-populated regions where lion sightings are frequent, the crew personnel were reassured by the presence of the Maasai.

Training
All staff are able to attend training and development courses that will enhance their knowledge and capabilities. Additionally, we allow staff to undertake further education courses which may require days off for study. In particular in Russia we provide assistance for junior employees to further their education.

Satisfaction
Heritage strives to be an employer of choice within the industry and believes that our staff should be able to maintain a healthy work/life balance. In order to achieve this we allow for flexible working practices.

Human Rights
Heritage is sensitive to the communities within which it operates and ensures that no community is displaced by our operations. We are committed to work against corruption including extortion and bribery within the industry. We do not have any human rights violation issues amongst either our own staff or other personnel involved in our operations. We recognise that this can be a problem across the industry and so we continuously work with the communities to ensure that human rights are dealt with sensitively in all our operations.

Business Ethics
The Group encourages the highest standards of integrity and honesty in all business dealings. The objective is to maintain and enhance the reputation of the Company and enforce ethical dealings within our areas of operation. The Board has established a “whistleblowing” policy which has been distributed to all employees and is available in all offices. The policy details procedures for any employee to raise in confidence any concerns they may have about possible improprieties with either the Chairman or the Chief Executive Officer.
Co-operative Relationships

Relationships are key to the development of any business and our success would not be possible without the support of all stakeholders including governments and regulators. We work hard to continuously engage with these groups to generate support for, and understanding of, our operations.

Target

Supporting Economic Development
- Work together with stakeholders
- Ensure contractors share and operate according to our high values and commitment

Building and Sustaining Relationships
In all areas where Heritage operates we maintain good relationships with governments and keep them updated with progress being made on our licences. The Tanzanian National Environmental Management Council twice made visits to the crew’s operations to inspect the work in both the Kimbiji and the Kisangire licence areas, and senior officers fed back a report which is detailed on page 5. In Uganda we liaise with the local council in the areas in which we are working so that they can provide us with a workforce. This ensures we are not employing people from outside the community. We also engage with other stakeholders within the area to ensure that all potential challenges are raised before we start work.

Trading Standards/Contractors
Heritage ensures that all contractors perform according to our safety and environmental standards. We maintain a good relationship with the regulatory agencies in all areas and have a solid reputation for adhering to requirements covering every aspect of our work from health and safety to training and reporting.

Socio-Political Risk
Heritage operates in developing countries where there exist both political and regulatory instability. In order to help mitigate against socio-political risk, the Company maintains close contact with governments in the areas in which we operate and where appropriate, gets involved in community projects. Additionally, in many of the countries in which the Group operates, land title systems are not developed to the extent found in industrialised countries. Notwithstanding potential challenges in the Democratic Republic of Congo, The Kurdistan Region of Iraq and Malta, the Group believes that it has good title to its oil and gas properties. However, it cannot control or completely protect itself against the risk of title disputes or challenges and there can be no assurance that claims or challenges by third parties against the Group’s properties will not be asserted at a future date.
Visit www.heritageoiltd.com/csr

Your feedback is important to us. Please email us at info@heritageoiltd.com