



**For Immediate Release: Friday, March 31, 2006**

**HERITAGE OIL REPORTS 2005 YEAR-END RESULTS; PROVED AND RISKED PROBABLE RESERVES 415% HIGHER AT 71.6 MMBOE**

Calgary, Alberta, March 31 – Heritage Oil Corporation (TSX: HOC) today reported its financial results for the fiscal year ended December 31, 2005.

Year ended December 31, 2005, compared with year ended December 31, 2004

	2005	2004
<i>All figures are in U.S. dollars</i>	US\$	US\$
Petroleum and Natural Gas Revenue	6,286,702	5,592,721
Total Revenue	8,013,722	6,596,982
Adjusted Net Earnings (Loss)*	(1,834,369)	1,542,000**
Net Earnings (Loss)	(3,799,813)	28,364,368
Earnings (Loss) per Share (Basic)	(0.18)	1.33
Earnings (Loss) per Share (Diluted)	(0.18)	1.31

\* *Excludes foreign exchange gains and losses and write-downs of petroleum and natural gas interests.*

\*\* *Excludes gain on sale of petroleum and natural gas interest of \$26,269,113.*

Three months ended December 31, 2005, compared with three months ended December 31, 2004

	2005	2004
<i>All figures are in U.S. dollars</i>	US\$	US\$
Petroleum and Natural Gas Revenue	1,297,072	637,154
Total Revenue	2,005,160	1,040,850
Adjusted Net Earnings (Loss)*	(2,129,634)	(394,981)
Net Earnings (Loss)	(2,863,308)	239,104
Earnings (Loss) per Share (Basic and Diluted)	(0.14)	0.01

\* *Excludes foreign exchange gains and losses and write-downs of petroleum and natural gas interests.*

**OPERATIONAL AND FINANCIAL HIGHLIGHTS**

Heritage's operating and financial highlights for the last 12 months include the following (all values are in U.S. dollars except where otherwise stated):

- The net present value of the proved and risked probable reserves, estimated by the independent evaluator, ECL Canada with support from RPS Scott Pickford Limited,

was \$407.9 million (constant prices discounted at 10%) at December 31, 2005, 703% higher than the previous year-end proved and risked probable value of \$50.8 million.

- Total proved and risked probable reserves were 71.6 Mmboe as at December 31, 2005, 415% higher than at the previous year-end. Total proved and risked probable reserves were 13.9 Mmboe as at December 31, 2004.
- Acquisition of a 95% interest in the Russian company, ChumpassNefteDobycha Limited, whose sole asset is the Zapadno Chumpasskoye License in West Siberia, Russia. This license contains the West Chumpass field.
- Through its 50%-owned subsidiary, K Petroleum Company, entering into two Memoranda of Understanding (MOU) with the Oil, Gas and Petrochemical Establishment of the Autonomous Region of Kurdistan, Iraq to undertake field studies in Kurdistan.
- A 12% increase in petroleum and natural gas revenue from \$5,592,721 in 2004 to \$6,286,702 in 2005.
- Average production of 458 bpd in 2005, 11% higher than in 2004. Average production in 2004 was 413 bpd.
- In spite of the 2005 production increase, due to the periodic nature of condensate sales from the Bukha field in Oman, sales volumes in 2005 of 148,913 boe were actually 10% lower than in 2004.

## **FINANCIAL**

Total revenues for 2005 increased 21% over 2004 to \$8,013,722. Revenues for the fourth quarter of 2005 increased from \$1,040,850 in 2004 to \$2,005,160 in 2005. The revenue increases in both the fourth quarter and full year results are due to an increase in average commodity prices. The average sales price per barrel increased from \$33.66 in 2004 to \$42.22 in 2005.

Net loss for the fourth quarter of 2005 was \$2,863,308 (\$0.14 per share) compared with earnings of \$239,104 (\$0.01 per share) for the same period last year. The net loss for the full year was \$3,779,813 (Cdn\$4.4 million) in 2005, compared to net earnings of \$28,364,368 (Cdn\$34.2 million) in 2004. The net loss for the year is due in part to the establishment of a management and finance office in Switzerland and the employment of additional staff. Overall, the Company's activities expanded significantly during the last 12 months, notably linked to the acquisition of the West Chumpass field in Russia and the progress made with MOUs in the Autonomous Region of Kurdistan, Iraq.

Net earnings in 2004 were \$2,095,255 before taking into account the one-off gain on the sale of property of \$26,269,113.

If foreign exchange gains and losses and write-downs of petroleum and natural gas interests are excluded, the loss in 2005 would have been \$1,834,369, compared to earnings of \$1,542,000 in the previous year.

Complete Financial Statements and Management's Discussion and Analysis have been filed and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Heritage is an international oil and gas corporation with producing properties in the Republic of Congo and Sultanate of Oman, a development property in Russia and exploration projects in the Republic of Uganda. Through its subsidiary KPC, the Company has entered into two MOUs with the Government of the Autonomous Region of Kurdistan, Iraq. Heritage Middle East, which is focusing on Iraq, has established an office in Amman, Jordan, which it intends to relocate to Baghdad once the security situation permits.

The Company's Common Shares trade on the Toronto Stock Exchange under the symbol HOC.

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**FORWARD-LOOKING STATEMENTS:** 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 – are forward-looking statements 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" and elsewhere in Heritage documents filed from time-to-time with the Canadian securities regulatory authorities. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# HERITAGE OIL CORPORATION

Consolidated Balance Sheets

December 31, 2005 and 2004

(U.S. dollars)

	2005	2004
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 8,583,321	\$ 16,235,523
Accounts receivable	1,318,450	4,640,802
Note receivable	–	4,280,161
Inventories	216,474	94,483
Prepaid expenses	219,222	272,168
	<b>10,337,467</b>	25,523,137
Property and equipment	<b>72,382,935</b>	54,083,097
Deferred development costs	<b>1,187,371</b>	1,013,012
	<b>\$ 83,907,773</b>	\$ 80,619,246
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 4,438,649	\$ 6,397,247
Current portion of long-term debt	248,045	–
	<b>4,686,694</b>	6,397,247
Long-term debt	<b>7,520,438</b>	–
Asset retirement obligations	<b>434,849</b>	328,553
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital and warrants	<b>22,854,418</b>	21,434,168
Contributed surplus	<b>517,209</b>	24,421
Retained earnings	<b>47,894,165</b>	52,434,857
	<b>71,265,792</b>	73,893,446
	<b>\$ 83,907,773</b>	\$ 80,619,246

# HERITAGE OIL CORPORATION

Consolidated Statements of Earnings (Loss) and Retained Earnings

Years ended December 31, 2005 and 2004

(U.S. dollars)

	2005	2004
<b>REVENUE:</b>		
Petroleum and natural gas	\$ 6,286,702	\$ 5,592,721
Interest	371,651	560,926
Other	1,355,369	443,335
	<b>8,013,722</b>	6,596,982
<b>EXPENSES:</b>		
Operating	1,653,657	1,442,016
Royalties	816,740	345,656
General and administrative	5,249,862	2,633,667
Interest	491,824	-
Foreign exchange (gains) losses	1,240,529	(1,488,026)
Depletion, depreciation and accretion	1,636,008	633,643
Write-down of unproved petroleum and natural gas interest	724,915	934,771
	<b>11,813,535</b>	4,501,727
Earnings (loss) before the undernoted	<b>(3,799,813)</b>	2,095,255
Gain on sale of property and equipment	-	26,269,113
Net earnings (loss)	<b>(3,799,813)</b>	28,364,368
<b>Retained earnings, beginning of year</b>	<b>52,434,857</b>	24,028,812
Effect of change in accounting for:		
Asset retirement obligations	-	55,558
Stock-based compensation	-	(13,881)
Premium on purchase and cancellation of Common Shares	<b>(740,879)</b>	-
<b>Retained earnings, end of year</b>	<b>\$ 47,894,165</b>	\$ 52,434,857
Net earnings (loss) per share:		
Basic	\$ (0.18)	\$ 1.33
Diluted	\$ (0.18)	\$ 1.31

# HERITAGE OIL CORPORATION

Consolidated Statements of Cash Flows

Years ended December 31, 2005 and 2004

(U.S. dollars)

	2005	2004
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING:</b>		
Net earnings (loss)	\$ (3,799,813)	\$ 28,364,368
Items not involving cash:		
Gain on sale of property and equipment	–	(26,269,113)
Depletion, depreciation and accretion	1,636,008	633,643
Foreign exchange (gains) losses	480,253	(1,910,662)
Stock-based compensation	625,365	10,540
Write-down of unproved petroleum and natural gas interests	724,915	934,771
Changes in non-cash operating working capital	1,030,395	102,462
	697,123	1,866,009
<b>FINANCING:</b>		
Shares issued for cash	1,423,011	604,953
Long-term debt	8,577,350	–
Purchase of Common Shares for cancellation	(876,217)	–
Repayment of long-term debt	(103,997)	–
	9,020,147	604,953
<b>INVESTING:</b>		
Property and equipment expenditures	(20,554,465)	(37,318,136)
Proceeds on sale of property and equipment	–	16,400,000
Repayment of note receivable	4,210,538	10,724,500
Development expenditure	(174,359)	(210,957)
Acquisition	–	(285)
Changes in non-cash investing working capital	333,937	(905,434)
	(16,184,349)	(11,310,312)
Foreign exchange gains (losses) on cash held in foreign currency	(1,185,123)	906,001
<b>Decrease in cash and cash equivalents</b>	<b>(7,652,202)</b>	<b>(7,933,349)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>16,235,523</b>	<b>24,168,872</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,583,321</b>	<b>\$ 16,235,523</b>
Supplementary information:		
Interest received	\$ 397,640	\$ 556,897
Interest paid	\$ 491,824	–