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HERITAGE OIL CORPORATION ANNOUNCES YEAR-END 2004 RESULTS

Calgary, Alberta, March 31, 2005 - Heritage Oil Corporation (TSX: HOC) announced today its full year results for 2004. (All figures reported in U.S. dollars unless otherwise indicated.)

The highlights for 2004 are as follows:

- Earnings of \$28.4 million (Cdn\$34.2)
- Basic net earnings per share of \$1.33 (Cdn\$1.60)
- Proved and probable reserves valued at plus \$50.8 million (Cdn\$61.3 million), at a discount rate of 10%, 18% higher than the previous year-end after excluding the overriding royalty sold in June 30, 2004
- Petroleum and natural gas revenues: increased from \$4.5 million in 2003 to \$5.6 million in 2004
- Estimated net asset value per share: \$5.55 (Cdn\$6.68)
- The sale of the overriding royalty in the Congo for up to \$41.6 million in June 2004 generated a gain of \$26.3 million
- 154% increase in share price during 2004, with record highs following year-end
- Strategic joint venture entered into in Iraqi Kurdistan to appraise opportunities in Northern Iraq
- Turaco-3 discovers a new petroleum system in Uganda
- Cash holdings of \$16.2 million at the year-end, which have been increased by over \$12 million since the year-end
- The Company was debt free through out 2004

The following summarizes the full-year results (for the 12 months ended December 31, 2004 compared with the 12 months ended December 31, 2003):

Petroleum and natural gas revenue was \$5,592,721 compared with \$4,517,108

Total revenue was \$6,596,982 compared with \$5,002,683

Net earnings were \$28,364,368 compared with \$2,566,564

Adjusted net earnings were \$3,030,026 compared with \$1,433,269*

Basic net earnings per share of \$1.33 compared with \$0.13

** Excludes a gain on sale of petroleum and natural gas interests of \$26,269,113 in 2004, gain on the sale of investment in 2003 of \$1,186,733 and write-down of unproved petroleum and natural gas interests of \$934,771 and \$53,438 in 2004 and 2003 respectively*

“We are extremely pleased with the 2004 results,” said Heritage Chairman and CEO Micael Gulbenkian. “Net earnings totalled \$28.4 million and net assets and proved and probable reserves all increased, further strengthening the balance sheet.”

Mr. Gulbenkian added: “the sale of the overriding royalty, which was received as partial consideration from the sale of the Kouilou permit generated total sales proceeds of up to \$77.9 million (Cdn\$105 million), more than 15 times the level of costs spent on the permit, creating significant shareholder value.”

Heritage reported total revenues of \$6,596,982 (petroleum and natural gas revenues of \$5,592,721, interest income of \$560,926 and other of \$443,335) in the latest year compared to \$5,002,683 (petroleum and natural gas revenue of \$4,517,108, interest income of \$388,674 and other of \$96,901) in 2003. Net earnings of \$28,364,368, which included the gain on the sale of the overriding royalty in the Congo of \$26,269,113, were substantially higher than \$2,566,564 in 2003.

During 2004, Heritage made huge strides in its goal of participating in the oil and gas industry of Iraq by the incorporation of Heritage Erbil Oil Limited (“Heritage Erbil”) with Eagle Group. Heritage Erbil in turn has incorporated K Petroleum Company (“KPC”), a wholly owned subsidiary of Heritage Erbil, in Iraq and registered KPC in both Baghdad and Erbil (in the Autonomous Region of Kurdistan). Heritage and Eagle Group shall each hold a 42.5% share interest in KPC, while Turkish investors will hold the remaining 15%. This has only been possible through the Gulbenkian family’s centuries-old historical connections with Iraq.

The oil potential of Iraq is huge, with estimated proven reserves of more than 112 billion barrels of oil and 100 trillion cubic feet of natural gas. It is reported that fields in Northern Iraq contain estimated reserves of 36 billion barrels, and less than 10% of the Region has been explored. As a result, management considers that KPC has the ability to transform Heritage Oil Corp in the short to medium term.

The Company continues to focus on new acquisitions, Mr. Gulbenkian added. “We believe there are tremendous opportunities in world-class hydrocarbon basins in Africa, the Middle East, Russia and the CIS. With our Company’s treasury and network of contacts, Heritage will continue to evaluate opportunities, particularly strategic joint ventures, to increase shareholder value through 2005 as well.”

Scott Pickford, an ECL Group company, recently completed its independent reserves evaluation of the Company’s properties as at December 31, 2004. Scott Pickford valued the proved and probable reserves at \$50.8 million (Cdn\$61.3 million) at a discount rate of 10%, an increase of 18% if the overriding royalty was excluded from the 2003 reserves valuation.

In Uganda, Turaco-3 well was drilled to a total depth of 2,850 metres, logged and tested in 2004. Two potential hydrocarbon-bearing zones containing a stacked sequence of sands and shales over a gross pay of approximately 350 metres were identified. Net pay of 84 metres with an average porosity of 24% was calculated from logs. Three through-casing Drill Stem Tests were run on three separate sand units, which resulted in flow rates of between 8 to 12 million standard cubic feet of gas per day (mmcf/d), achieved at variable choke settings between 20/64 and 28/64 inches and wellhead flowing pressures of 1,200 to 1,600 psi. The flow rates of the well were constrained by the surface test equipment and, under production

conditions, were extrapolated to be approximately 60 mmcf/d. However, the gas contained very high concentrations of carbon dioxide and as a consequence the well is not believed to be commercially viable.

Mr. Gulbenkian stated, “the Turaco-3 well has all the hallmarks of a new hydrocarbon system in the license area: a world-class reservoir, an effective seal and mature hydrocarbon source rocks. In spite of the presence of carbon dioxide, the basin remains highly prospective for oil. The 2005 work program will focus on substantial prospects mapped on Lake Albert, which could contain oil resources of several billions of barrels.”

Heritage is an international oil and gas corporation, with principal properties situated in the Republic of Congo, Oman, and Uganda. Heritage is currently evaluating opportunities in the Autonomous Region of Iraqi Kurdistan through a recently incorporated subsidiary, K Petroleum Company. Heritage’s registered office is located in Calgary, Alberta.

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.

HERITAGE OIL CORPORATION

Consolidated Balance Sheets

December 31, 2004 and 2003

(U.S. dollars)

	2004	2003
		(Restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,235,523	\$ 24,168,872
Accounts receivable	4,640,802	1,046,461
Note receivable	4,280,161	—
Prepaid expenses	272,168	57,124
Inventories	94,483	267,288
	<u>25,523,137</u>	<u>25,539,745</u>
Property and equipment	54,083,097	22,289,308
Deferred development costs	1,013,012	270,446
	<u>\$ 80,619,246</u>	<u>\$ 48,099,499</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,397,247	\$ 3,032,315
Asset retirement obligations	328,553	153,599
Shareholders' equity:		
Share capital and warrants	21,434,168	20,829,215
Contributed surplus	24,421	—
Retained earnings	52,434,857	24,084,370
	<u>74,893,446</u>	<u>44,913,585</u>
	<u>\$ 80,619,246</u>	<u>\$ 48,099,499</u>

HERITAGE OIL CORPORATION

Consolidated Statements of Earnings and Retained Earnings

Years ended December 31, 2004 and 2003
(U.S. dollars)

	2004	2003
		(Restated)
Revenue:		
Petroleum and natural gas	\$ 5,592,721	\$ 4,517,108
Interest	560,926	388,674
Other	443,335	96,901
	<hr/> 6,596,982	<hr/> 5,002,683
Expenses:		
Operating	1,442,016	1,286,340
Royalties	345,656	425,487
General and administrative	2,633,667	2,623,198
Foreign exchange gains	(1,488,026)	(1,655,473)
Depletion, depreciation and accretion	633,643	889,862
Write-down of unproved petroleum and natural gas interest	934,771	53,438
	<hr/> 4,501,727	<hr/> 3,622,852
Earnings before the undernoted	2,095,255	1,379,831
Gain on sale of property and equipment	26,269,113	—
Gain on sale of investment	—	1,186,733
	<hr/> 28,364,368	<hr/> 2,566,564
Net earnings		
Retained earnings, beginning of year	24,028,812	21,874,255
Effect of change in accounting for:		
Asset retirement obligations	55,558	49,880
Stock-based compensation	(13,881)	—
Premium on redemption of common shares	—	(406,329)
	<hr/> \$ 52,434,857	<hr/> \$ 24,084,370
Retained earnings, end of year		
Net earnings per share:		
Basic	\$ 1.33	\$ 0.13
Diluted	\$ 1.31	\$ 0.12

HERITAGE OIL CORPORATION

Consolidated Statements of Cash Flows

Years ended December 31, 2004 and 2003
(U.S. dollars)

	2004	2003
		(Restated)
Cash provided by (used in):		
Operating:		
Net earnings	\$ 28,364,368	\$ 2,566,564
Items not involving cash:		
Gain on sale of property and equipment	(26,269,113)	–
Depletion, depreciation and accretion	633,643	889,862
Foreign exchange gains	(1,004,661)	(487,899)
Stock-based compensation	10,540	356,448
Gain on sale of investment	–	(1,186,733)
Write-down of unproved petroleum and natural gas interests	934,771	53,438
Changes in non-cash operating working capital	102,462	807,394
	<u>2,772,010</u>	<u>2,999,074</u>
Financing:		
Shares issued for cash	604,953	1,797,016
Redemption of common shares	–	(740,630)
	<u>604,953</u>	<u>1,056,386</u>
Investing:		
Property and equipment expenditures	(37,318,136)	(7,065,603)
Proceeds on sale of property and equipment	16,400,000	–
Repayment of note receivable	10,724,500	2,500,000
Acquisition	(285)	–
Development expenditure	(210,957)	(270,446)
Proceeds on sale of investment	–	7,492,238
Changes in non-cash investing working capital	(905,434)	(788,959)
	<u>(11,310,312)</u>	<u>1,867,230</u>
Increase (decrease) in cash and cash equivalents	(7,933,349)	5,922,690
Cash and cash equivalents, beginning of year	24,168,872	18,246,182
Cash and cash equivalents, end of year	<u>\$ 16,235,523</u>	<u>\$ 24,168,872</u>
Supplementary information:		
Interest received	\$ 556,897	\$ 520,204