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HERITAGE OIL CORPORATION REPORTS FIRST QUARTER RESULTS

Calgary, Alberta, May 16 – Heritage Oil Corporation (TSX: HOC) today announced results for the first quarter of 2005. All figures are in US Dollars.

First Quarter Results: (three months ended March 31, 2005 compared with three months ended March 31, 2004)

- Net production averaged 560 bpd, compared with 485 bpd.
- Oil & gas revenue was \$1,450,387 compared with \$1,824,926.
- Total revenue was \$1.8 million compared with \$1.9 million.
- There was a net loss of \$437,528 compared with net earnings of \$336,012.
- Net basic and diluted losses per share were \$0.02 compared with net basic and diluted earnings per share of \$0.02.
- Cash and cash equivalents at March 31, 2005 were \$26.5 million compared with \$20.9 million at March 31, 2004.

Heritage's net condensate, liquid petroleum gas (LPG) and crude oil production in the first quarter averaged 560 bpd, 15% higher than the first quarter of last year and 53% higher than the fourth quarter in 2004. The increase results from commencement of production from the fourth well on the Kouakouala field.

Petroleum and natural gas revenue in the first quarter was \$1,450,387, 21% lower than the first quarter of last year. The decrease is due to the periodic nature of condensate sales from the Bukha field, Oman. There were no sales in the first quarter of 2005, while the one sale in Q1 2004 generated revenue of \$1,271,772. Revenue from the Kouakouala field in Congo was 184% higher in the first quarter of 2005 compared to the same period last year.

There was a net loss in Q1 2005 of \$437,528 (Cdn\$532,273) compared to net earnings in Q1 2004 of \$336,012 (Cdn\$439,346). If foreign exchange losses are excluded, net earnings would have been \$239,469 in Q1 2005 and \$579,281 in Q1 2004. The higher net earnings in the first quarter of last year was due to the periodic nature of condensate sales from Oman.

The most significant events in 2005 have been the pursuit of three strategic joint ventures. The Company aims to maximize shareholder value and, to achieve this, focuses on the acquisition of reserves and near-term production in new territories. This entails strategic joint ventures with influential local partners in countries with prolific oil and gas reserves.

The first opportunity entered into last year was Iraq (see release dated December 13, 2004) in which Heritage has a dual approach. In northern Iraq and the Autonomous Region of Kurdistan, Heritage has incorporated a joint venture company (with the Eagle Group of Iraq), called Heritage Erbil Oil Limited, which in turn incorporated a wholly-owned Iraqi subsidiary, K Petroleum Company (KPC). KPC is opening an office in Erbil and recruiting

an operating and technical team. In southern Iraq, Heritage has incorporated a wholly-owned subsidiary called Heritage Middle East, which has opened an office in Amman, Jordan.

In both northern and southern Iraq, Heritage aims to enter into Memoranda of Understanding with the relevant authorities (including the National Ministry of Oil) to prepare development plans over a number of known fields. The development plans, undertaken at the Company's expense, will take a minimum of six months to complete. On completion Heritage anticipates that the new constitution in Iraq will be in place, along with a new hydrocarbon law, enabling the Ministry of Oil to issue oil and gas licenses. Given that KPC and Heritage will have completed field studies, they should be well placed to be awarded licenses over these fields.

Russia is the second strategic opportunity. Heritage has agreed to acquire a 5% equity interest in a private Russian oil and gas company. Heritage is the only foreign oil and gas company with an interest in this company; other shareholders include such powerful energy concerns as Gazprom (the largest state gas company) and Zarubneft (the second largest state oil company). This opportunity exists for Heritage because of very senior personal relationships developed over the last 15 years or so. The other shareholders will provide Heritage with valuable operational and financial capability, transparency and support, and the ability to acquire projects with potentially large reserves. Heritage will have a 5% equity interest in the private company, but may be able to acquire more than 5% of any given project.

The third strategic opportunity is the CIS, focusing initially on Kazakhstan. Heritage has entered into a Memorandum of Understanding with a local private group involved with the transportation of oil and related products by train, pipeline and ship in the Caspian. The Group is also involved in the storage of crude and oil-related products, banking and hotels. Heritage has been appointed technical partner and operator. The Company believes that a number of opportunities to evaluate and participate in oilfield exploration and possible development will be available in this and following years.

Micael Gulbenkian, Chairman and CEO, said: "Heritage is confident it will complete discussions and begin to move forward on some of these opportunities during the next six to 12 months. While we recognize the risks involved in some of these initiatives, there is considerable potential to add significant shareholder value."

Heritage is an international oil and gas corporation, with principal properties situated in the Republic of Congo, Oman, and Uganda. They have recently acquired an operations office in the Autonomous Region of Iraqi Kurdistan through KPC. 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

March 31, 2005 (*Unaudited*) and December 31, 2004

(U.S. dollars)

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,481,328	\$ 16,235,523
Accounts receivable	960,261	4,640,802
Note receivable	—	4,280,161
Prepaid expenses	350,722	272,168
Inventories	107,952	94,483
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	27,900,263	25,523,137
Property and equipment	56,874,951	54,083,097
Deferred development costs	1,074,562	1,013,012
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	\$ 85,849,776	\$ 80,619,246
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,012,069	\$ 6,397,247
Current portion of long-term debt	126,456	—
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	4,138,525	6,397,247
Long-term debt	8,306,002	—
Asset retirement obligations	335,124	328,553
Shareholders' equity:		
Share capital and warrants	21,411,250	21,434,168
Contributed surplus	24,421	24,421
Retained earnings	51,634,454	52,434,857
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	73,070,125	73,893,446
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	\$ 85,849,776	\$ 80,619,246

HERITAGE OIL CORPORATION

Consolidated Statements of Earnings and Retained Earnings

Three-months ended March 31, 2005 and 2004 (*Unaudited*)

(U.S. dollars)

	2005	2004
Revenue:		
Petroleum and natural gas	\$ 1,450,387	1,824,926
Interest	145,760	71,984
Other	205,100	52,451
	<u>1,801,247</u>	<u>1,949,361</u>
Expenses:		
Operating	374,637	635,006
Royalties	204,874	72,071
General and administrative	551,428	456,365
Interest	89,490	—
Foreign exchange losses	676,997	243,269
Depletion, depreciation and accretion	341,349	206,638
	<u>2,238,775</u>	<u>1,613,349</u>
Net earnings (loss)	(437,528)	336,012
Retained earnings, beginning of period	52,434,857	24,028,812
Effect of change in accounting for:		
Asset retirement obligations	—	55,558
Stock-based compensation	—	(13,881)
Premium on redemption of common shares	(362,875)	—
Retained earnings, end of period	<u>\$ 51,634,454</u>	<u>24,406,501</u>
Net earnings (loss) per share :		
Basic and diluted	\$ (0.02)	0.02

HERITAGE OIL CORPORATION

Consolidated Statements of Cash Flows

Three-months ended March 31, 2005 and 2004 (*Unaudited*)

(U.S. dollars)

	2005	2004
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Cash provided by (used in):		
Operating:		
Net earnings (loss)	\$ (437,528)	336,012
Items not involving cash:		
Depletion, depreciation and accretion	341,349	206,638
Foreign exchange losses	686,070	236,537
Stock-based compensation	—	2,633
Change in non-cash working capital	(678,447)	(253,477)
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	(88,556)	528,343
Financing:		
Shares issued for cash	42,629	92,518
Long-term debt	8,452,350	—
Redemption of common share	(428,422)	—
Repayment of long-term debt	(19,892)	—
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	8,046,665	92,518
Investing:		
Property and equipment expenditures	(3,126,632)	(1,957,907)
Repayment of note receivable	4,210,538	—
Development expenditures	(61,550)	(33,114)
Change in non-cash working capital	1,881,787	(1,676,214)
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	2,904,143	(3,667,235)
Foreign exchange loss on cash held in foreign currency	(616,447)	(236,537)
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Increase (decrease) in cash and cash equivalents	10,245,805	(3,282,911)
Cash and cash equivalents, beginning of period	16,235,523	24,168,872
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Cash and cash equivalents, end of period	\$ 26,481,328	20,885,961
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Supplementary information:		
Interest received	\$ 169,489	82,922
Interest paid	\$ 89,490	—