



**For Immediate Release: Friday, March 30, 2007**

**HERITAGE OIL REPORTS 2006 YEAR-END RESULTS**

Calgary, Alberta, March 30, 2007 – Heritage Oil Corporation (TSX: HOC) today announced its financial and operating results for the fiscal year ended December 31, 2006.

The following table provides a summary of Heritage’s financial results for the three and 12 month periods ended December 31, 2006 and 2005.

Year ended December 31, 2006, compared with year ended December 31, 2005

<i>All figures are in U.S. Dollars</i>	2006	2005
Total revenue <sup>(1)</sup>	8,602,137	1,514,415
Net loss from continuing operations	(11,863,126)	(7,320,886)
Net loss per share from continuing operations (basic & diluted)	(0.54)	(0.33)
Gain on disposal of discontinued operations	9,950,968	-
Net earnings (loss) for the year	1,336,332	(3,799,813)
Net earnings (loss) per share (basic and diluted)	0.06	(0.18)

<sup>(1)</sup> Continuing operations

Three months ended December 31, 2006, compared with three months ended December 31, 2005

<i>All figures are in U.S. Dollars</i>	2006	2005
Total revenue <sup>(1)</sup>	1,869,463	498,666
Gain on disposal of discontinued operations	9,950,968	-
Net earnings (loss) for the period	4,264,820	(2,863,308)
Net earnings (loss) per share (basic & diluted)	0.19	(0.14)

<sup>(1)</sup> Continuing operations

**OPERATIONAL AND FINANCIAL HIGHLIGHTS**

Results from Heritage’s 2006 exploration and development campaigns far exceeded expectations. The Heritage operated, 50%-owned Kingfisher deviated well in Block 3A, Uganda test produced gross 13,893 bopd from four zones. In Oman, the 10%-owned West Bukha-2 appraisal/development well in Block 8 produced a combined gross flow-rate from two zones of approximately 12,750 bopd and 26 MMscf/d of gas. In the West Chumpass field in Russia, significant progress has been made in field preparations for commencement of the drilling program, with one of the highlights being an above expectation test from well #226. Production from West Chumpass should commence in the second quarter.

Heritage’s operating and financial highlights from 2006 include the following:

- In Uganda, the Kingfisher deviated well in Block 3A (Heritage operator, 50% interest) spudded in August 2006 and was drilled to a total depth of 3,195 metres, which was close to the limit of the rig's operational capability. Four intervals were tested successfully, producing an overall cumulative flow rate of 13,893 barrels of oil per day (bopd) through a one inch choke. A shallower interval, at a depth of 1,783 metres, was tested in November 2006, producing 4,120 bopd from a 10 metre interval. Three deeper intervals were tested in February 2007, from between 2,260 meters to 2,367 meters, and produced a cumulative flow rate of 9,773 bopd over a total net productive thickness of 44 metres. The tested oil is good quality light (between 30° and 32° API) and sweet with a low gas-oil ratio and some associated wax. The reservoirs are sandstones with high permeability of up to 3,000 milliDarcies.
- Heritage signed a Production Sharing Agreement in the Democratic Republic of Congo (DRC) in the summer of 2006 for a 39.5% interest in Blocks I and II in the prospective Albert Basin. Blocks I and II cover over 6,000 square kilometres of onshore and offshore acreage in the DRC part of the Albert Basin that extends into neighbouring Uganda. The work program, including a seismic campaign, will commence when the DRC Presidential decree has been issued.
- In the last quarter of 2006, the West Bukha-2 appraisal/development well in Block 8 Oman (10% interest) test produced a combined flow-rate from two zones (Ilam/Mishrif/Mauddud and Thamama) of approximately 12,750 bopd and 26 MMscf/d. The oil was light (approximately 42° API). Phase I of West Bukha development has commenced and includes design, fabrication and installation of the wellhead platform and pipeline. Production is targeted to commence in the first half of 2008.
- In the last quarter of 2006, Heritage entered into an agreement with TISE Holding Company to establish a jointly-owned company, TISE HERITAGE NEFTEGAS, to appraise and jointly acquire oil and gas opportunities in Russia and internationally. Shareholders of TISE Holding Company include Concord, Zarubejneft, Zarubejneftegas (a wholly-owned Gazprom subsidiary), Technopromexport and Zarubejstroyontaj. The profile, strength and stature of TISE and its shareholders ensures Heritage's operations in Russia are undertaken in an efficient and transparent manner.
- Heritage commenced development of the West Chumpass field (Heritage operator, 95% interest) in West Siberia in 2006. A 200 km 2D seismic survey was acquired, civil works were undertaken and an existing well was re-entered culminating in a preliminary free-flow test of well #226, which produced 124 barrels of oil over a five hour period, with no water, at a flowing wellhead pressure of 1,180 psi. This corresponds to approximately 600 bopd. Production testing of well #226 and a drilling campaign is scheduled to commence in April 2007.
- Heritage completed the sale of its interests in the Republic of Congo (Congo) which generated a one-off gain in 2006 of \$9,950,968.
  - In November 2006, Heritage completed the sale of Heritage Congo Limited, which held a 14% working interest in the Noubi Exploration Permit, to Afren PLC (Afren) for the following consideration:
    - Cash of US\$21,000,000, which has been received.

- 1,500,000 Afren warrants, with a term of five years and an exercise price of £0.60 GBP Sterling per share.
- On January 18, 2007, the Company finalized the statement of adjustments for the sale of its 25% and 30% working interests in the Kouakouala A and B licenses to Maurel et Prom and Burren Energy, for the following consideration:
  - Cash of US\$6,052,515, which has been received.
  - An overriding royalty of 15% over a 30% working interest in the Mengo Field, which is not in production.

Two notable events that occurred after year-end were:

1. On January 17, 2007, the Company gave notice that it had exercised its option to redeem the 550 outstanding 10% unsecured senior convertible bonds at 150% of par value for total proceeds of US\$82,500,000, plus accrued interest. The bonds, issued on March 27, 2006, had a term of five years and one day and were convertible into Common Shares at a price of US\$18.00 per share. All outstanding bonds were redeemed on March 28, 2007.
2. On February 16, 2007, the Company raised US\$165,000,000 by completing a private placement of convertible bonds with J.P. Morgan Securities Ltd. acting as sole book runner. 1,650 unsecured senior convertible bonds were issued, each with a par value of US\$100,000, with a term of five years and one day and an annual coupon of 8.00%. The bonds are convertible into Common Shares at a price of US\$47.00 per share. The Company may redeem, in whole or part, the bonds for cash at any time on or before February 16, 2008, at 150% of par value. Proceeds were raised to finance the redemption of the outstanding \$55 million of convertible bonds at a premium of 150% referred to above and for general corporate funding purposes.

## **2006 FINANCIAL RESULTS**

(All figures are in US Dollars unless otherwise noted)

Total revenue from continuing operations of \$8,602,137 in 2006 was 468% higher than in the previous year. Petroleum and natural gas revenue increased by \$3,096,746 (368%) in 2006 to \$3,938,512. \$2,208,665 of this increase resulted from a 128% increase in sales volumes as a result of the periodic nature of condensate sales and \$888,081 from a 106% increase in the weighted average commodity prices. The average sales price per barrel increased from \$24.51 in 2005 to \$50.36 in 2006.

Average production from continuing operations was 169 bpd in 2006, 21% higher than in 2005. Average production in 2005 was 140 bpd.

The results of operations in Congo were classified discontinued operations in 2005 and 2006. Discontinued operations results are summarised in the Company's consolidated financial statements and Management's Discussion and Analysis.

Earnings in the fourth quarter of 2006 were \$4,264,820 (Cdn\$4,974,712) compared to a loss of \$2,863,308 (Cdn\$3,337,189) in the same period last year. Earnings in the fourth quarter included the one-off gain on the sale of the Congo interests of \$9,950,968 and discontinued earnings of \$831,175 (2005 - \$555,305).

Earnings totalled \$1,336,332 (Cdn\$1,558,769) in 2006, compared to a net loss of \$3,799,813 (Cdn\$4,428,686) in 2005. Net basic and diluted earnings per Common Share were \$0.06 (Cdn\$0.09) in 2006, compared to net losses per Common Share of \$0.18 (Cdn\$0.20) in 2005. Earnings in 2006 were stated after the one-off gain on sale the Congo interests of \$9,950,968 and discontinued earnings of \$3,248,490 (2005 earnings - \$3,251,073).

RPS Energy Canada Limited, trading as RPS Energy, an independent geoscience consultancy firm, estimated proved and probable reserves, net to Heritage of 69.5 million barrels with a value of \$253.6 million (forecast prices discounted at 10%) at December 31, 2006. This value was 5% higher than at the previous year-end on an ongoing basis which excludes disposals made during the 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 a diversified portfolio of properties, including a producing property in the Sultanate of Oman, a development property in Russia and exploration projects in the Republic of Uganda and the Democratic Republic of Congo. The Company is also pursuing opportunities in the Kurdistan region of Iraq and in other areas of Iraq.

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" in its AIF and elsewhere in Heritage documents filed from time-to-time with the Toronto Stock Exchange and other regulatory authorities. Further, any forward-looking statement is made only as of a certain date and the Company undertakes no obligation to update any forward-looking statement 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 statement.

# HERITAGE OIL CORPORATION

## Consolidated Balance Sheets

December 31, 2006 and 2005  
(U.S. dollars)

	2006	2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 46,861,146	\$ 8,583,321
Accounts receivable	9,839,506	580,664
Inventories	50,552	193,361
Prepaid expenses	531,273	219,222
Assets of discontinued operations	–	760,899
	<u>57,282,477</u>	<u>10,337,467</u>
Property, plant and equipment	98,311,833	61,053,053
Deferred financing fees	2,539,726	–
Investment in warrants	719,380	–
Deferred development costs	1,574,039	1,187,371
Assets of discontinued operations	–	13,676,487
	<u>\$ 160,427,455</u>	<u>\$ 86,254,378</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,715,381	\$ 4,438,649
Current portion of long-term debt	147,720	248,045
	<u>12,863,101</u>	<u>4,686,694</u>
Long-term debt	8,409,793	7,520,438
Convertible bonds	57,115,731	–
Asset retirement obligations	62,322	–
Future income tax liability	2,346,605	2,346,605
Liabilities of discontinued operations	–	434,849
Shareholders' equity:		
Share capital	24,580,984	22,854,418
Contributed surplus	2,533,532	517,209
Convertible bonds equity component	3,284,890	–
Retained earnings	49,230,497	47,894,165
	<u>79,629,903</u>	<u>71,265,792</u>
Commitments and contingencies		
Subsequent events		
	<u>\$ 160,427,455</u>	<u>\$ 86,254,378</u>

# HERITAGE OIL CORPORATION

## Consolidated Statements of Earnings (Loss) and Retained Earnings

Years ended December 31, 2006 and 2005  
(U.S. dollars)

	2006	2005
Revenue:		
Petroleum and natural gas	\$ 3,938,512	\$ 841,766
Drill rig	2,895,727	342,359
Interest	1,767,898	330,290
	<u>8,602,137</u>	<u>1,514,415</u>
Expenses:		
Petroleum and natural gas operating	723,611	465,110
Drilling rig operating	2,291,585	196,804
General and administrative	8,977,345	5,249,649
Financing charges	5,996,553	491,824
Foreign exchange losses	798,194	1,170,906
Depletion, depreciation and accretion	691,011	536,093
Impairment of unproved petroleum and natural gas interest	986,964	724,915
	<u>20,465,263</u>	<u>8,835,301</u>
Loss from continuing operations	(11,863,126)	(7,320,886)
Gain on disposal of discontinued operations	9,950,968	—
Earnings from discontinued operations	3,248,490	3,521,073
Net earnings (loss)	<u>1,336,332</u>	<u>(3,799,813)</u>
Retained earnings, beginning of year	47,894,165	52,434,857
Premium on purchase and cancellation of Common Shares	—	(740,879)
Retained earnings, end of year	<u>\$ 49,230,497</u>	<u>\$ 47,894,165</u>
Net loss per share from continuing operations:		
Basic and diluted	\$ (0.54)	\$ (0.33)
Net earnings (loss) per share:		
Basic and diluted	\$ 0.06	\$ (0.18)

# HERITAGE OIL CORPORATION

## Consolidated Statements of Cash Flows

Years ended December 31, 2006 and 2005  
(U.S. dollars)

	2006	2005
Cash provided by (used in):		
Operating:		
Net loss from continuing operations	\$ (11,863,126)	\$ (7,320,886)
Items not involving cash:		
Depletion, depreciation and accretion	691,011	536,093
Financing charges	860,895	-
Foreign exchange losses	593,837	480,253
Stock-based compensation	1,483,945	625,365
Impairment of unproved petroleum and natural gas interests	986,964	724,915
Changes in non-cash operating working capital	(415,755)	1,617,348
	(7,662,229)	(3,336,912)
Discontinued operations:		
Earnings from discontinued operations	3,248,490	3,521,073
Depletion, depreciation and accretion	843,562	1,099,915
Changes in non-cash operating working capital	(343,199)	(586,953)
	(3,913,376)	697,123
Financing:		
Shares issued for cash	1,318,945	1,423,011
Convertible bonds, net of issue costs	57,000,000	-
Long-term debt	-	8,577,350
Purchase of common shares for cancellation	-	(876,217)
Repayment of long-term debt	(287,759)	(103,997)
	58,031,186	9,020,147
Investing:		
Property, plant and equipment expenditures	(37,996,758)	(17,863,537)
Development expenditures	(386,668)	(174,359)
Changes in non-cash investing working capital	4,484,371	1,573,765
	(33,899,055)	(16,464,131)
Discontinued operations:		
Proceeds from the disposal of discontinued operations	27,052,515	-
Discontinued operations - repayment of note receivable	-	4,210,538
Discontinued operations property, plant and equipment expenditures	(4,848,821)	(2,690,928)
Changes in non-cash investing working capital of discontinued operations	(4,627,578)	(1,239,828)
	(6,393,884)	(959,218)
Foreign exchange gains (losses) on cash held in foreign currency	482,954	(1,185,123)
Increase (decrease) in cash and cash equivalents	38,277,825	(7,652,202)
Cash and cash equivalents, beginning of year	8,583,321	16,235,523
Cash and cash equivalents, end of year	\$ 46,861,146	\$ 8,583,321
Supplementary information:		
Interest received	\$ 1,665,998	\$ 397,640
Interest paid	\$ 5,032,919	\$ 491,824