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**AUSTRALIA**

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**FOR PUBLIC RELEASE**

**Quarterly Report to 30 June 2005**

**HIGHLIGHTS**

- ❖ **Gold/silver resource increases.**
- ❖ **Golden Valley permit granted.**
- ❖ **Compensation claim settled.**

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**1 GOLD PROJECTS (New Zealand)**

**1.1 Karangahake Project**

The Waihi Gold district is New Zealand's most prolific gold producer and has yielded a total of over 8 Moz gold and 49 Moz silver to date. The Karangahake area has been the second largest producer with 1 Moz gold and 3 Moz silver recorded.

The Talisman mine at Karangahake, which lies within 15km of Newmont's Waihi processing plant, has been the focus of two successful gold discovery programmes by Heritage over the past 18 months.

**1.1.1 Phase 2 Drilling and Channel Sampling**

The underground diamond drilling and channel sampling programme was completed early in the quarter, substantially increasing the size and confidence level of the gold resource.

Diamond drilling was undertaken on the No. 8 level of the Talisman mine and intersected gold mineralisation at lower depths in several ore shoots.

Channel sampling of quartz veins was completed on the No. 8 level and in winzes and sub-levels between the No. 7 and No. 8 levels.

Where accessible, extensive stope fill was systematically sampled and yielded grades generally in the range 1-4g/t Au and 10-100g/t Ag, indicating that the fill includes ore and waste rock from previous mining operations.

Channel sampling was also undertaken in the Crown vein above the No. 5A level, which is about 400m east of the Talisman No. 8 level and connected to it by Keillors crosscut.

### **1.1.2 New Resource Estimate**

As a result of the drilling and sampling programme a new JORC compliant resource estimate was completed, which increased the resource to 205,000oz gold and 800,000oz silver.

### **1.1.3 Baseline Studies**

Heritage has continued with baseline environmental studies supervised by the Company's environmental consultants, URS New Zealand Ltd, to provide reliable data for future resource consent applications for underground mining.

### **1.1.4 Bulk Sampling for Metallurgical Purposes**

The Company is preparing estimates for widening the No. 8 level drive to provide access for modern small scale equipment to remove metallurgical samples from the main ore shoots. It is also planned to extend the level with short cross cuts to establish drilling positions along the vein system for further evaluation drilling to expand the resource base.

The proposed bulk sampling programme, which is designed to provide large metallurgical samples for testwork purposes, is being developed.

### **1.1.5 Tenements**

The Company's application for an Appraisal Extension of its Talisman exploration permit is currently being processed. This will enable evaluation of the Talisman resource to be completed.

The application for an Appraisal Extension for the Rahu exploration permit, covering the northern extension of the Talisman vein system, is also being processed. These two permits together host about 80% of the potential resource of the Karangahake gold project.

## **1.2 Golden Valley Project**

The Company's application for an Exploration Permit over the Golden Valley project has been granted over an area of 50sq km, where Heritage has located numerous magnetic features interpreted as zones of potentially gold mineralised hydrothermal alteration beneath barren cover rocks. Detailed follow up exploration is planned throughout the permit, which lies immediately east of Newmont's Favona discovery near Waihi.

## **1.3 Other Gold Properties**

The Waihi North and Waitete exploration permits are adjacent to the northern boundary of Newmont's Waihi (Martha) mine. Heritage's exploration has confirmed that the hydrothermal alteration zone associated with the Martha gold deposit extends into the Waihi North permit, which also contains other large areas of hydrothermal alteration not previously tested.

Geophysical surveys have been effective in defining drilling targets in this highly prospective area.

At Onemana, some 30km north east of Waihi, earlier exploration by Heritage encountered high grade mineralisation at relatively shallow depths, beneath a hydrothermal eruption breccia.

Heritage has the largest area of tenements in the Waihi district within a 16km radius of Newmont's plant.

## **2. COBALT PROJECT (Australia)**

Heritage owns 33% of Broken Hill Cobalt Ltd ("BHC"), which holds the Thackaringa Cobalt project tenements that are managed by Heritage. Development and funding options for the cobalt project are currently being reviewed.

BHC also has interests in several exploration licences in New South Wales, where exploration is focussed on gold and base metals.

## **3. COMPENSATION**

During the quarter Heritage reached a settlement with the Crown in relation to its claim for compensation, resulting from the enactment of the NZ Crown Minerals Amendment Act (No. 2) 1997. Under the settlement agreement the Crown denied any liability to Heritage and paid the Company \$220,000 in full and final settlement of all outstanding claims.

## **4. ANNUAL MEETING**

The Annual Meeting of Shareholders will be held in the Pukekawa Room, Jubilee Building, 545 Parnell Road, Parnell, Auckland, New Zealand on Thursday 11 August 2005 commencing at 11.00am.

**DISCLOSURE:** The information in the report and appendix to which this statement is attached that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Murray Stevens and Graeme Fulton who are Members or Fellows of The Australasian Institute of Mining and Metallurgy.

Murray Stevens and Graeme Fulton are self-employed.

Murray Stevens and Graeme Fulton have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and Murray Stevens and Graeme Fulton consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

**Sue Sangster**  
**COMPANY SECRETARY**

## APPENDIX TO 30 JUNE 2002 QUARTERLY REPORT

### Talisman Mine Resource Estimate Summary

Vein	Category	Tonnes	Grade	Au	Grade	Ag
				Ounces		Ounces
Maria vein – Dubbo section	Inferred	351,000	10.0	112,900	31.5	355,500
	Indicated	36,900	10.0	11,900	31.4	37,300
	Measured	54,200	9.1	15,800	30.4	53,000
Maria vein – Woodstock section	Inferred	45,200	2.7	3,900	30.6	44,500
	Indicated	112,200	2.7	9,700	30.6	110,400
	Measured	119,000	2.7	10,400	31.3	119,900
Mystery vein	Inferred	30,900	6.1	6,100	10.2	10,100
	Indicated	12,100	6.2	2,400	10.3	4,000
	Measured	9,200	6.1	1,800	10.1	3,000
Crown vein	Inferred	80,100	6.3	16,200	12.7	32,700
	Indicated	35,900	6.3	7,300	12.7	14,700
	Measured	30,100	6.2	6,000	12.4	12,000
Stockpiles	Indicated	590	19.0	360	91.7	1,740
<b>Total</b>	<b>Inferred</b>	<b>507,200</b>	<b>8.5</b>	<b>139,100</b>	<b>27.2</b>	<b>442,800</b>
	<b>Indicated</b>	<b>197,690</b>	<b>5.0</b>	<b>31,660</b>	<b>26.5</b>	<b>168,140</b>
	<b>Measured</b>	<b>212,500</b>	<b>5.0</b>	<b>34,000</b>	<b>27.5</b>	<b>187,900</b>
<b>TOTAL</b>		<b>917,390</b>	<b>6.9</b>	<b>204,760</b>	<b>27.1</b>	<b>798,840</b>

#### Notes on Resource Estimate:

1. HQ triple tube sized diamond drill core used for all holes apart from 4 short diamond core holes in the Woodstock section where conventional H sized core was collected.
2. Channel samples cut using diamond saw, and chipped by handheld methods.
3. All drill core was geologically logged and cut using diamond saws. Half core and channel samples were submitted to SGS Laboratories, Waihi for analysis.
4. Gold analysed by fire assay using 50g charge and silver by atomic absorption spectrophotometry (AAS).
5. System of standards, duplicate samples and check assays confirm tenor and integrity of assay database.
6. Bulk density of 2.65g/cm<sup>3</sup> determined by water displacement method on 6 representative quartz vein samples.
7. Resource estimate calculated using inverse distance squared method with cell size of 5m by 5m by vein width.
8. Measured mineral resource estimate based on a maximum of 12.5m from any sample position.
9. Indicated mineral resource estimate based on a maximum of 25m from any sample position.
10. Inferred mineral resource estimate based on areas greater than 25m from any sample position where there is evidence of geological continuity.
11. Ore zone defined by geology, no lower cut off used. High gold assays were cut to the 97.5 percentile in the Dubbo due to very high sample values.
12. Only stockpiles that could be fully surveyed and sampled are included.