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HERITAGE GOLD BUSINESS OUTLOOK

Heritage Gold ("Heritage") has released its half yearly report to shareholders and in doing so has announced plans to drill attractive gold targets at Karangahake in the next quarter.

The report, released today, also states that Heritage will "continue to seek further strategic projects to enhance its long-term asset flow and broaden its exposure to metals other than gold".

Northland

Heritage is pleased to announce that it has proposed a comprehensive gold and base metals prospecting programme for its Northland prospecting permit applications. These applications are currently being processed. This programme, if approved, will include regional mapping, sampling and deposit modelling for areas that indicate potential for gold and copper deposits.

"Northland has attracted very little exploration attention over the past 30 years, despite the area showing encouraging geology and exploration potential," Mr Atkinson says.

Karangahake

During the first half, Heritage conducted environmental and geological studies for the Karangahake project. As a result further research was undertaken by the Geology Department of the University of Auckland.

"This research is directed at finding parameters likely to identify gold deposits in an area that covers approximately 16 square kilometres," Mr Atkinson says.

The Karangahake objective is to expand the existing gold resource to between 500,000 and 600,000 ounces. Drilling will begin in the next quarter.

Karangahake, which is in the upper North Island, has attracted several interested parties, with joint venture discussions with overseas companies taking place during the period. Heritage will continue to keep shareholders updated on these discussions.

"Joint venture discussions are being held on the basis that any outcome would be advantageous for the proposed spin-off of Mid-Earth Minerals," Mr Atkinson says.

Other Gold Projects

Geological surveys are also to be undertaken at the company's Waihi North and Golden Valley projects, with the intention of adding new information to enhance the search for gold deposits.

"Initial results are encouraging and further surveying is scheduled, along with drilling," Mr Atkinson says.

Cobalt

Heritage Gold's Australian cobalt project at Thackaringa in New South Wales, of which Heritage owns 33% through Broken Hill Cobalt Ltd, will be drill tested in 2007. To date the area has only been tested 100 metres below the surface. The price for 99.8% cobalt has currently risen to over US\$25 per pound.

Mid-Earth Minerals

During the first half, Heritage Gold also announced it was preparing to spin-off its gold resources in the Waihi district into a new company, called Mid-Earth Minerals Ltd (Mid-Earth), to allow the company to focus its attention on diversification into other minerals.

If this is approved by shareholders, and other pre-conditions are satisfied, Mid-Earth will list on NZX and operate as a stand alone company with its strategic objective to take the Waihi district gold projects to the next level.

Following discussions over re-negotiation of the terms of the Mid-Earth transaction the company was unable to reach final agreement with Mr. Paul Cranney, Managing Director of Mid-Earth, and all agreements with him have been terminated. Mr. Cranney will not retain a shareholding in Mid-Earth. Heritage Gold is presently considering several overseas candidates for the vacancy.

The Board of Heritage Gold has reviewed the structure of the proposed spin off to ensure Heritage retains an equity position of not less than 25% of the capital of Mid-Earth and is reviewing the structure of the Mid-Earth issue to enhance the benefits to Heritage Gold's shareholders through a partial distribution of shares and entitlement issue.

Further details will be released after discussions have taken place with potential underwriters and investors in the New Year.

Capital Raising & Outlook

Heritage also successfully raised more than \$1.1 million from existing shareholders and new investors in a recent rights offer and placement of shares, respectively.

The Company has until 21 December 2006 to place the remaining shortfall of 7,391,296 shares with professional investors.

The company is now positioned favourably for future growth and investment, particularly at the Karangahake project which is showing positive indications of a gold deposit.

In conclusion, Mr Atkinson says Heritage is confident its New Zealand and Australian projects will continue to bear positive results. The gold market looks set to remain strong and Heritage is well placed to take advantage of that. "Heritage will inform shareholders of all new developments and we look forward to reporting an update in the New Year," Mr Atkinson says.

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About Heritage Gold

Heritage listed on NZX in 1986 and has a current market capitalisation of approximately \$5.7 million. Heritage is also listed on the ASX and the Newcastle stock exchange. The company has valuable gold interests in the Waihi district of New Zealand, where it is a major tenement holder. Heritage also owns 33% of Broken Hill Cobalt Ltd in Australia and has applied for permits to prospect for gold, silver, copper, and base metals in Northland, about 150km north of Auckland.