

Chairman's Address – Annual General Meeting (11 August 2004)

The past year has seen many positive developments for Heritage Gold. Our faith in the long term future of the Karangahake area is now beginning to show rewards – and we expect it to deliver substantial benefits as we execute our development strategy.

The development strategy for Karangahake is:

1. Establish an underground resource to JORC standards exceeding 250,000oz gold – we are targetting this at the end of 2004;
2. Put the Talisman Mine into production at an initial rate of around 50,000oz gold per annum – we are targetting production to commence in late 2006;
3. Use the cash flows from operations to increase the resource base and production levels at Karangahake, as well as expand exploration programs on our other tenements.

Already the first phase of our underground sampling program at the Talisman Mine has established indicated and inferred resources totalling around 110,000oz of gold and 438,000oz of silver. We are planning an underground drilling and sampling program now which we expect will increase the resource base to justify development at the 50,000oz per annum rate.

To ensure the conceptual mine plan is economically feasible we commissioned a scoping study by Tennent, Isokangas Pty Ltd (“TIP”), mining engineering consultants. The results of this study show:

* expected capital cost:	NZ\$24 million;
* expected cash operating costs:	NZ\$379 per oz gold
* employment:	68 jobs

These estimates include a 20% contingency factor and are before any optimisation of capital and operating costs. We are pleased with the results as they indicate that the conceptual development of Talisman is economically justified. We would hope to improve on these numbers as we advance the proposed development.

The scoped development is expected to mine 150,000 tonnes of ore per annum, essentially from extensions to pre-existing underground workings. The company also anticipates that much of the ore treatment process will be undertaken at existing facilities in the area.

Planning is now underway to acquire the data necessary to support resource consent applications.

We aim to have the necessary consents, permits and financing in place by 3rd quarter of calendar 2005. This would enable underground development to start at the end of 2005, with first gold production 12 months after that.

On financing a key objective of the Board is to minimise the dilution of existing shareholders. To this end we will be seeking to initially fund development capital

expenditure through gold loan financing once we have established a sufficient resource base.

Apart from the Karangahake project we are reviewing options on our tenements around Waihi. We have had some very encouraging preliminary results at Waihi North and Golden Valley that require follow up.

Heritage has an unequalled ground position in the Waihi gold district which we expect to show dramatic increases in value in the longer term as the economics of development at Karangahake are demonstrated and modern exploration technologies yield further discoveries.

Gold prices remain attractive at around NZ\$600 per ounce. The rises in the US\$ gold price have substantially offset the rise in the New Zealand dollar. We are confident that the gold prices will remain strong enough to make the Talisman development attractive.

Of course, none of this can happen if we did not have the small, experienced and dedicated team that is Heritage. We thank them all for their efforts over the past year and look forward to the results of their individual and collective enthusiasm in the year ahead.

Overall, the coming year promises to be very exciting for Heritage as we extend our resource base at Talisman and move towards production. We can summarise Heritage's current position as: "on track to production".

On a separate matter; in 1997 the government of the day decided to ban mining on 80% of the Coromandel Peninsula north of Thames, and effectively sterilised exploration permits and prospecting licences held by Heritage. In our view this was a practical confiscation of property held by your Company. It was done without any compensation. We have been pursuing legal action on this matter for some years seeking compensation, as Heritage had spent nearly NZ\$8 million in the region. The case is now set down for hearing in the High Court on 6 September 2004.

It seems ironic that the current government is seeking to increase New Zealand's attractiveness for foreign resource investors but, to date, has not taken any interest in the practical confiscation of Heritage's tenements. If the government succeeds in avoiding compensation for this confiscation then it will send a signal that mineral tenure is subject to the whim of the government – this is hardly the message New Zealand would want to give to international investors.

Pat Elliott
Chairman