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Quarterly Report to 31 March 2005

HIGHLIGHTS: TALISMAN

- ❖ Phase 2 drilling/sampling nearing completion.
- ❖ New global resource figure being estimated.
- ❖ Mining Permit application lodged.

GOLD PROJECTS (New Zealand)

Karangahake Project

The project covers a 4km long mineralised zone of generally parallel quartz veins within a 15sq km area of hydrothermal alteration. The Karangahake mining centre has recorded historic production of 1Moz of gold and 3Moz of silver from several underground mines at the southern end of the mineralised zone, including the Talisman and Crown mines.

At the northern end of the zone at Rahu the Company has previously undertaken extensive geophysical and geochemical surveys, followed by shallow reverse circulation drilling which encountered significant gold values in the upper levels of the epithermal system.

Existing Resource

Exploration at the Talisman underground mine at the southern end of the mineralised zone previously outlined a JORC compliant resource totalling 109,600oz of gold and 438,400oz of silver in the Phase 1 sampling programme.

Phase 2 Drilling/Sampling

At the end of the quarter the Phase 2 underground diamond drilling/sampling programme was nearing completion. The programme was designed to substantially increase the size and confidence level of the resource.

Diamond drilling was undertaken on the No. 8 level of the Talisman mine. It is planned also to access the mine above and below the No. 8 level for channel sampling purposes, to extend and refine the resource.

While diamond drilling was proceeding in the Dubbo Shoot on the No. 8 level, clearing of

stope fill commenced approximately 150m above, on the No. 4 level. The stope fill blocking access was extensive and the workings did not conform to the historic plans held by the Company, so a decision was made to defer clearing of the No. 4 level and reassess the situation.

The rock that was removed was systematically sampled and yielded grades generally in the range 1 to 4g/t Au and 10 to 100g/t Ag, which appears to confirm the initial assessment that the fill includes ore and waste rock from previous mining.

Examination of the accessible parts of the Talisman mine from No. 4 level down to No. 11 level has indicated areas of stope fill more extensive than predicted. The volume and gold grade of this material is not yet known.

The mining team then began clearing the main internal shaft from the No. 8 level down to the No. 10 level. Good progress was made in securing the collar and stabilising rock falls and stope fill above the internal shaft. However a quantity of broken rock and old mining materials fell into the shaft and work was deferred to meet the time constraints imposed by the Phase 2 drilling/sampling programme.

In the Woodstock section of the Maria Vein, further north along the No. 8 level, several diamond holes were drilled and access was gained to the No. 7 intermediate level above. Channel sampling was undertaken in this intermediate level and a sub-level development to the south.

Further channel sampling was also carried out at the top of the Crown Vein on the No. 5A level that was not accessible in Phase 1. The 5A level is about 400m east of the Talisman mine and connected to it by Keillors cross cut.

Several holes were also drilled below the Mystery Vein from a position in the cross cut about 250m east of the Talisman mine.

At the end of the quarter the drilling and sampling were nearing completion. Hole logging was well advanced as was assaying of the main vein intersections.

Expanded Resource

Estimation of a revised JORC compliant resource figure, including results from the Phase 2 programme is underway.

Baseline Studies

Baseline environmental studies to provide data to support resource consent applications for future underground mining continued during the period under the supervision of the Company's environmental consultants, URS New Zealand Limited.

Cost Estimates

The Company is reviewing the cost/time estimates for a staged programme leading to mining of the Talisman resource.

Tenements

During the period the Company applied for an Appraisal Extension of its Talisman exploration permit to enable assessment of the property to continue in conjunction with the adjacent Rahu and Dominion Knoll permits, which together form the Karangahake project. After the end of the quarter the Company applied for a mining permit over the Talisman

area and a larger mining permit over the entire Karangahake project area.

Golden Valley Project

The Golden Valley prospecting permit expired in January and the Company made application for a subsequent exploration permit over the same area.

Previous exploration at Golden Valley included ground magnetic geophysical surveys, geochemical sampling, geological mapping and an extensive literature review of past exploration. This work has confirmed and refined areas of low magnetic relief that are thought to reflect hydrothermal alteration at depth and these will be the focus for further exploration.

General exploration continued on other tenements held by the Company during the period.

COBALT PROJECT (Australia)

Broken Hill Cobalt Limited ("BHCL") has continued to advance its cobalt, copper and gold interests in the Broken Hill region of New South Wales.

BHCL is 33% owned by Heritage and holds the Thackaringa Cobalt Project, about 25km south west of Broken Hill. The cobalt project and BHCL's surrounding tenements cover an area of approximately 64sq km.

The Company is reviewing its projects with the intention of raising capital for their development and further exploration.

COMPENSATION

Following a 1997 amendment to the NZ Crown Minerals Act the Company sought compensation from the Crown in relation to its projects sterilised by the amendment.

Hearing of the claim by the High Court has been adjourned to 20 June 2005.

RESPONSIBLE OFFICER APPOINTMENT

The Company Secretary, Susan Sangster, has been appointed by the Board to be "Responsible Officer" for the purpose of ensuring compliance with the Company's continuous disclosure obligations as set out in the Compliance Procedures which have been adopted by the Company, and in her absence, Peter Atkinson.

DISCLOSURE: Relevant sections in the above statement are based on information compiled by Murray Ronald Stevens, a corporate member of The Australasian Institute of Mining and Metallurgy with over five years relevant experience.

Sue Sangster
COMPANY SECRETARY