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29 November 2004

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AUSTRALIA

PAGES: 7

FOR PUBLIC RELEASE

Half Yearly Report to 30 September 2004

DIRECTORS' REPORT

HIGHLIGHTS

- **JORC compliant resource at Talisman 109,600 oz gold and 438,400 oz silver**
- **Talisman Phase 2 evaluation underway to more than double resource base**
- **Conceptual mining study shows development economically justified**
- **Environmental consultants appointed to advance project to production**

GOLD PROJECTS (New Zealand)

Heritage has continued to advance its development programme for the Karangahake Gold Project near Waihi in New Zealand. The Company's key gold projects are generally within a 15km radius of Newmont's treatment plant at Waihi.

Karangahake

The Karangahake project includes the Talisman, Dominion Knoll and Rahu permits which together cover a 4km strike length of favourable gold bearing quartz vein zones. At the southern end of the zone is the former Talisman mine which produced 1Moz of gold and 3Moz of silver.

Phase I underground sampling of the Talisman mine earlier this year yielded a JORC compliant resource of 109,600oz gold and 438,400oz silver.

Currently, the Phase 2 programme is underway with underground diamond drilling of up to 25 holes and channel sampling to test the interpreted gold resource envelope at the southern end of the Maria Vein. This work is aimed at more than doubling the existing resource base and raising the resource category, to support a development decision in 2005.

A feasibility study for development of the Talisman resource is being planned to follow completion of the Phase 2 programme.

A conceptual mining study has been undertaken by Tennent, Isokargas Pty Ltd, consulting mining engineers. Using a production scenario of 150,000 tonnes of ore annually to produce 50,000oz of gold the consultants estimated capital costs at NZ\$24 million (including 20% contingency) and cash operating costs of NZ\$379 per ounce, for a potential cash operating profit of around NZ\$12 million pa at the current gold price.

Heritage has now commenced baseline environmental studies to advance its planned underground mining operation. The studies will lead to an assessment of environmental effects, followed by applications for resource consents for development.

The environmental investigations are being undertaken by URS New Zealand Limited, part of a world wide consulting group that has provided technical input for most of the major gold mine developments in New Zealand over the last 20 years.

During the period encouraging results were also reported from Dominion Knoll, to the south west of the Talisman mine. Several major quartz veins with anomalous gold geochemistry, within 4 broad north trending mineralised zones, were identified. The zones have distinct geophysical signatures that are likely to reflect quartz veins at depth, based on Heritage's experience elsewhere in the district.

Further permit applications have been lodged over the Rahu area to assist the Company's long term development plans for the Karangahake project.

Exploration work continued on other gold properties in the Waihi district that are held by Heritage.

COBALT PROJECT (Australia)

Heritage has a 33% equity in Broken Hill Cobalt Limited ("BHC") which holds mining tenements over the Thackaringa Cobalt Project near Broken Hill, and several other properties in its own right or in joint ventures with other parties in New South Wales.

Bioleach testwork was completed during the quarter on Thackaringa composite drill hole samples and showed cobalt dissolution was achieved in both the column and tray bacterial leach tests. The Company's consultant metallurgist is now assessing the results.

BROKEN HILL COBALT LIMITED (Heritage 33%)

BHC has signed a Heads of Agreement with Elephant Mines Pty Ltd to acquire an exploration licence in the Broken Hill area and 2 exploration licence applications in the Lachlan Fold Belt. The areas are prospective for base metals and gold, with advanced drill-ready targets.

A Heads of Agreement was also signed by BHC with Platsearch NL to joint venture part of the Hollis Tank exploration licence ("EL") near Broken Hill. The EL is adjacent to the Pine Ridge EL at Thackaringa held by BHC and follows a structural trend to the south and west. Previous drilling in the area intersected cobalt mineralisation, and also gold. The EL has other anomalies with potential for gold and base metal mineralisation.

COMPENSATION CLAIM

The Company's claim against the Crown was adjourned by the High Court until 29 November 2004. All relevant documents required for the hearing have been lodged by the Company.

FUNDING

During the period Heritage raised a total of AU\$960,000 for evaluation work at the Talisman mine and for working capital, through a placement of 12 million ordinary fully paid shares at an issue price of AU8cents per share, managed by Venture Group Pty Ltd, Sydney.

ANNUAL MEETING

At the annual meeting on 11 August G G Hill and J M McKee were re-elected as directors, and Mr Pat Elliott was elected a director of the Company. Shareholders also approved a new Constitution to meet ASX, NZX and NSX requirements.

WEBSITE

Further information is available on the Company's website at: www.heritagegold.co.nz

Peter Atkinson
Managing Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2004

	30/09/2004	30/09/2003	31/03/2004
EQUITY			
Share capital (94,009,400 ordinary shares)	13,136,779	11,817,350	12,177,350
Share purchase warrants - paid to \$0.02	578,371	578,371	578,371
Reserves	340,078	390,400	318,902
	14,055,228	12,786,121	13,074,623
Less accumulated deficit	(5,960,541)	(5,602,772)	(5,730,931)
Total Shareholders Equity	8,094,687	7,183,349	7,343,692

Represented By:

NON CURRENT ASSETS

Fixed assets (at cost less depreciation)	49,326	12,826	52,199
Share investments	56,621	107,818	35,445
Investments Broken Hill Cobalt Ltd	1,050,132	1,069,584	1,066,602
Intangibles - deferred prospecting expenditure	6,171,689	5,231,773	5,711,292
	7,327,768	6,422,001	6,865,538

CURRENT ASSETS

Cash	9,675	16,735	5,223
Short term deposits	837,801	793,221	649,783
Debtors	33,751	21,646	31,345
Accrued income	2,398	4,759	741
Intercompany Loan	31,972	-	-
Prepayments	-	13,750	838
	915,597	850,111	687,930

Total Assets	8,243,365	7,272,112	7,553,468
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LESS CURRENT LIABILITIES

Bank overdraft	-	-	-
Creditors	146,843	85,459	207,206
Hire purchase	1,835	3,304	2,570
Total Current Liabilities	148,678	88,763	209,776

8,094,687	7,183,349	7,343,692
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CONSOLIDATED STATEMENT OF MOVEMENT IN EQUITY
For the six months ended 30 September 2004

	30/09/2004	30/09/2003	31/03/2004
Equity at the beginning of the year	7,343,692	7,209,422	7,209,422
Total recognised revenues and expenses	(229,610)	(226,503)	(354,662)
Shares/warrants issued/paid	959,429	281,442	641,442
Increase (decrease) in revaluation reserve	21,176	(81,012)	(152,510)
	750,995	(26,073)	134,270
Equity at the end of the period	8,094,687	7,183,349	7,343,692

For and on behalf of the Board



PR Atkinson (Managing Director)
15th November 2004



J M McKee (Independent Director)
15th November 2004

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
For the six months ended 30 September 2004

	30/09/2004	30/09/2003	31/03/2004
Operating revenue	-	600	1,000
Gain on sale share investments	-	29,890	44,170
Interest revenue	12,275	26,123	49,092
Total revenue	12,275	56,613	94,262
Interest expense	(201)	(342)	(543)
Other expenses	(225,214)	(281,963)	(444,588)
Surplus (deficit) before tax	(213,140)	(225,692)	(350,869)
Income tax	-	-	-
Surplus (deficit) after tax	(213,140)	(225,692)	(350,869)
Share of associates's surplus/(deficit)	(16,470)	(811)	(3,793)
Operating surplus (deficit)	(229,610)	(226,503)	(354,662)
Accumulated deficit brought forward	(5,730,931)	(5,376,269)	(5,376,269)
Accumulated deficit carried forward	(5,960,541)	(5,602,772)	(5,730,931)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2004

	30/09/2004	30/09/2003	31/03/2004
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers	-	8,085	1,000
Interest received	10,617	26,123	46,284
	10,617	34,208	47,284
Cash was disbursed to:			
Payments to suppliers	(203,317)	(215,556)	(330,187)
Payments to employees	(29,671)	(49,676)	(79,697)
Interest paid	(204)	(342)	(543)
	(233,192)	(265,574)	(410,427)
Net cash inflows (outflows) from operating activities	(222,575)	(231,366)	(363,143)
CASHFLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceed from sale of fixed assets	-	-	500
Proceed from sale of equity investments	-	29,890	46,161
	-	29,890	46,661
Cash was applied to:			
Prospecting expenditure	(523,962)	(351,532)	(702,324)
Equity investments	-	-	(1,115)
Intercompany Advances	(18,995)	-	-
Purchase of fixed assets	(693)	(4,342)	(52,472)
	(543,650)	(355,874)	(755,911)
Net cash inflows (outflows) from investing activities	(543,650)	(325,984)	(709,250)
CASHFLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Issue of shares	1,021,009	-	360,000
Warrant payments	-	226,442	226,442
	1,021,009	226,442	586,442
Cash was applied to:			
Issue of shares	(61,580)	-	-
Repayment of short term loan	(732)	(1,247)	(1,981)
	(62,312)	(1,247)	(1,981)
Net cash inflows (outflows) from financing activities	958,697	225,195	584,461
Net Increase (decrease) in cash held	192,472	(332,155)	(487,932)
Exchange gain/(loss)	(1)	(217)	610
Cash at start of year	655,006	1,142,328	1,142,328
Cash at end of period	847,477	809,956	655,006

HERITAGE GOLD NZ LTD FINANCIAL STATEMENTS

Notes to the Financial Statements

Reconciliation of Operating Cashflow and Consolidated Net Profit after Taxation

	30/09/04	30/09/03	31/03/04
Net surplus (deficit) after taxation and extraordinary items	(213,140)	(226,503)	(354,662)
<i>Add non-cash items:</i>			
Decrease (increase) in share capital	0	(55,000)	(55,000)
Depreciation	2,454	1,542	4,041
Loss (gain) on sales of fixed assets	0	620	0
Loss (gain) on sale share investments	0	75,000	(1,317)
Decrease (increase) in share valuation	(21,177)	(23,589)	65,610
Exchange Loss	1	217	610
	<u>(18,722)</u>	<u>(1,210)</u>	<u>13,944</u>
<i>Add (less) movement in working capital:</i>			
Decrease (increase) in debtors	32	6,241	159
Increase (decrease) in creditors	15,386	7,293	(2,590)
Decrease (increase) in prepayments	838	(13,750)	(838)
Decrease (Increase) in accrued income	(1,658)	(1,210)	0
Decrease (increase) in GST	(5,311)	(2,227)	(19,156)
	<u>9,287</u>	<u>(3,653)</u>	<u>(22,425)</u>
	<u>(222,575)</u>	<u>(231,366)</u>	<u>(363,143)</u>

These interim financial statements have been prepared in accordance with Financial Reporting Standard 24, Interim Financial Statements, and should be read in conjunction with the annual financial statements for the year ended 31 March 2004.

The consolidated half year accounts have been audited and the audit report is not qualified. A copy of the audit report can be read or obtained from the registered office of the Company.

The policies adopted by the Company for its annual financial statements have been consistently applied in the preparation of these interim financial statements.

Heritage Gold NZ Limited

Directors' Statement

The directors of the company declare that:

1. The financial statement and notes, as set out on pages 3 to 5:
 - a. Comply with NZ Accounting Standards FRS24: Interim Financial Statements and NZ Accounting Standards, and
 - b. give a true and fair view of the economic entity's financial position as at 30 September 2004 and of its performance for the halfyear ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



PETER R ATKINSON
Director

15 November 2004

AUDIT REPORT

TO THE SHAREHOLDERS OF HERITAGE GOLD NZ LIMITED

We have audited the financial statements. The financial statements provide information about the past financial performance of the Company and Group and their financial position as at 30 September 2004. This information is stated in accordance with the accounting policies set out in the report.

BOARD OF DIRECTORS' RESPONSIBILITIES

The Board is responsible for the preparation of financial statements which give a true and fair view of the financial position of the Company and Group as at 30 September 2004 and of the results of operations and cash flows for the period ended 30 September 2004.

AUDITORS' RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial statements presented by the Board and report our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgments made by the Board in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we provide tax advice to the Group.

UNQUALIFIED OPINION

We have obtained all the information and explanations that we have required.

In our opinion :

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements:
 - comply with generally accepted accounting practice;
 - give a true and fair view of the financial position of the Company and Group as at 30 September 2004 and the results of their operations and cash flows for the period ended on that date.

Our audit was completed on 10 November 2004 and our unqualified opinion is expressed as at that date.


CARLTON - DFK
AUCKLAND

10 November 2004