



Incorporated in New Zealand / ABN 009 474 702

29 January 2004

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FOR PUBLIC RELEASE

Quarterly Report to 31 December 2003

GOLD PROJECTS (New Zealand)

The gold properties held by Heritage are all in the Waihi district which has produced more gold and silver than any other field in New Zealand, with total production of nearly 7Moz gold and 42Moz silver. The district has a well developed infrastructure capable of supporting new mining developments.

Karangahake

The project area is within 15km of Newmont's Martha mine and plant at nearby Waihi. The mines in the Karangahake Project produced a total of 1Moz gold and 3Moz silver up to closure of the last mine in 1992.

(a) Talisman Sampling Programme

Recently Heritage began a comprehensive underground sampling and geological mapping programme at the Talisman mine, aimed at establishing a gold resource.

Preparations for this programme began in the latter half of the quarter, with rehabilitation of the number 8 level and investigations into access to other levels of the mine.

The underground sampling and mapping programme that has now commenced at Karangahake will take 10 – 11 weeks to complete. It has been designed to provide sufficient quality data to enable a resource estimate to be made to JORC standards (which are a prerequisite for development financing).

The current programme has a resource target of 100,000 oz of gold and will assist Heritage to move from exploration towards gold production.

(b) Rahu Drilling Programme

The Company previously completed an 8-hole RC (reverse circulation) drilling programme at Rahu, on the northern strike extension of the main Karangahake gold deposits previously mined at Talisman.

The results confirmed the Company's prediction that gold/silver values should improve at depth below a weakly mineralised surface zone. All RC holes intersected anomalous gold (\pm silver) values and highlights were:

- RHRC-2: 6.0m at 2.41g/t Au and 63.6g/t Ag from 10m, including
1.0m at 7.80g/t Au and 198.0g/t Ag from 14m
- RHRC-3: 5.0m at 1.73g/t Au and 3.6g/t Ag from 13m
- RHRC-7: 3.0m at 0.55g/t Au from 1m
7.0m at 0.71g/t Au from 14m, including
1.0m at 1.19g/t Au from 15m

Deeper drilling at Rahu is planned later in 2004.

Other Gold Tenements

Essential exploration work was carried on Heritage's other gold properties during the quarter.

COBALT PROJECT (Australia)

Heritage owns 33% of the company that holds the Thackaringa Cobalt Project 25km from Broken Hill, in Australia. This is one of the only pure cobalt plays in Australia and is well placed to benefit from the strong metal price.

Preliminary tests by Micron Research in Perth have commenced on composite samples prepared from drill samples held by the company. The initial tests involved chemical analysis, sizing and percolation studies. Results were favourable and a further composite sample was despatched to Micron Research at the end of the quarter.

Two bacterial oxidation trials are now underway that could lead, if successful, to improved cobalt recovery and lower potential processing and capital costs for the Thackaringa mineralisation. The tests will be completed in 8 – 9 weeks time.

COMPENSATION

In 1999 the Company lodged a claim against the Crown for expenditure incurred on projects sterilised by a 1997 amendment to the New Zealand Crown Minerals Act. The Company recently proposed that its claim proceed on the basis of a case study of the Coromandel Gold Project. The Crown has not opposed this proposal and it is anticipated that a trial date on this basis will be allocated soon by the High Court.

PLACEMENT OF SHARES

The Company completed a share placement to a third party investor during the quarter. The placement of 7,200,000 ordinary fully paid shares at an issue price of NZ5c per share raised NZ\$360,000 for working capital purposes.

APPOINTMENT OF CONSULTANT

Mr. Patrick James Dymock Elliott was appointed as a consultant to Heritage. He will assist Heritage in the development of its existing gold exploration assets and will identify and pursue expansion opportunities in New Zealand and elsewhere. Mr. Elliott is a corporate financier with extensive experience in the resources sector in Australia and overseas.

ISSUE OF OPTIONS

Under the consultancy agreement entered into on 14 October 2003 between Heritage and Mr. Elliott, Heritage granted two tranches of share options to Mr. Elliott. Shareholders approved these issues at a meeting held on 20 November 2003.

In consideration for the provision of his consultancy services to Heritage, Mr. Elliott received 3.6 million Heritage share options with a term of four years that are exercisable from the end of year one to the end of year four (from the date of issue) at a price of NZ8c per option; and a further tranche of 3.6 million options with a term of five years that are exercisable from the end of year two to the end of year five at a price of NZ12c per option.

APPOINTMENT OF DIRECTOR

Mr. Patrick James Dymock Elliott was appointed a Director of the Company, effective from 26 November 2003.

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

Sue Sangster

COMPANY SECRETARY

Heritage Gold NZ Limited