

31 January 2003

Newcastle Stock Exchange
384 Hunter Street
Newcastle
NSW 2300
AUSTRALIA

PAGES 8

FOR PUBLIC RELEASE

Quarterly Report to 31 December 2002

Gold Projects (New Zealand)

Karangahake Project

Within the major (16 sq km) Karangahake epithermal system Heritage's earlier exploration work has delineated several individual veins, 1 to 4m wide, and vein zones typically 50 to 100 m wide. The overall strike length of the mineralised system is approximately 4 km.

Reprocessing of previous resistivity surveys using new computer modelling software, was completed. This work delineated strong near surface silicification towards the southern end of the project area. Interpretation also shows indications of deeper zones of silicification and/or veining that appear to be extensions of the Maria, Crown and Welcome vein systems to the north.

Digitising of all exploration data was completed during the quarter. The development of 3D computer models is underway to assist identification of drilling targets.

Waihi North

Analysis of the available aeromagnetic and digital terrain data, utilizing computer technology to highlight areas favourable for gold mineralization, has identified further hydrothermal alteration, between the Golden Cross and Mataura Stream epithermal systems. This new alteration zone covers around 1 sq km and is partially obscured beneath a layer of younger unmineralised rock

Other Gold Tenements

Exploration results from earlier programmes were reviewed to aid planning of exploration work on the more recently granted permits at Dominion Knoll (Karangahake Project) and Onemana.

The Company's prospecting permit application (PPA) at Golden Valley adjoins the permits that host Newmont's Favona high grade discovery, which lies about 1.5km south of the Waihi open pit mine. Heritage's PPA was granted after the end of the quarter.

Cobalt Project (Australia)

Heritage is a 33% shareholder in Broken Hill Cobalt Limited and manager of the Thackaringa Cobalt Project, about 25km south west of Broken Hill. BHC owns two

mining leases, ML 86 and ML 87, and is earning equity in two exploration licences, EL5679 and EL5957, in a joint venture with Western Metals Ltd.

Heritage has been examining opportunities for reducing potential processing costs, coupled with additional revenue from by-products. Several proposals for further testing of drill hole material, using Bio-Leach technology, have been received from companies that have successfully extracted cobalt from pyrite using low cost technologies.

One company, operating a pilot plant on old mine tailings in the Northern Territory, has been recommended to the Board to undertake further testwork on RC drillhole samples from Thackaringa.

Compensation

Heritage is compiling data required to support its claim for compensation from the Crown, resulting from a 1997 amendment to the Crown Minerals Act that effectively prevented any further exploration or development in the northern part of the Coromandel region. The Company had spent about NZ\$8 million in the area up to the time of the amendment.

Investments

The Company held 18,976,233 shares in Cadmus Technology Limited and 29,912,487 shares in E-cademy Holdings Limited at 31 December 2002.

During the quarter 570,000 Cadmus shares and 500,000 E-cademy shares were sold.

Appointment of Executive Director

Heritage Gold NZ Limited has appointed Mr Ralph Stagg as an Executive Director of the Company, with responsibility for the Company's fundraising initiatives, liaising with potential shareholders and investors in the Company and with stock broking firms and other financiers in connection with Company fundraising. The appointment has a duration of 12 months, ending on 31 December 2003 and is subject to the requisite shareholder approvals being obtained in respect of the terms of the appointment.

Mr Stagg's remuneration for this role will comprise: (i) a monthly fee of NZ\$2,000; and (ii), subject to shareholder approval of the terms of the issue, the issue of 1,000,000 fully paid ordinary shares in the Company (the *Shares*) to Mr Stagg, such issue to be made as soon as practicable following shareholder approval. Mr Stagg will accrue an entitlement to trade successive tranches of 250,000 of the Shares quarterly in arrears during the period of his appointment. Prior to accruing such entitlements, Mr Stagg may not trade any of the Shares. In the event of the termination of his appointment prior to 31 December 2003, the Company will be entitled to redeem, at nominal cost, any Shares to which Mr Stagg has not accrued such an entitlement.

The deemed price for the shares being issued to Mr Stagg will be the volume weighted average market price of the ordinary shares of the Company in the 5 business days prior to the issue of the Shares to Mr Stagg.

In the event that the issue of shares is not approved by the shareholders then, again subject to any requisite shareholder approval being obtained for such increase, the monthly fee payable to Mr Stagg would be increased by NZ\$3,250, backdated to 1 January 2003.

Except as otherwise agreed with the Company, Mr Stagg will not receive any other remuneration or fees from the Company beyond those mentioned above.

The Board proposes to seek the approval of shareholders to the terms of the appointment and the issue of shares at the next meeting of the Company this year.

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.

Alison Griffiths
Company Secretary

For release to the Newcastle Stock Exchange

Mining exploration entity quarterly report

Name of entity

HERITAGE GOLD NZ LIMITED

ABN

009 474 702

Quarter ended ("current quarter")

31 DECEMBER 2002

Consolidated statement of cash flows

		Current quarter	Year to date (.9...months)
		\$NZ	\$NZ
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	44	1,144
1.2	Payments for (a) exploration and evaluation	(55,364)	(163,122)
	(b) development		
	(c) production		
	(d) administration	(40,498)	(249,614)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	5,369	10,154
1.5	Interest and other costs of finance paid	-	(47)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
Net Operating Cash Flows		(90,449)	(401,485)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments		
	(c) other fixed assets	(593)	(593)
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments	52,218	67,218
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		46,010	61,010
1.13	Total operating and investing cash flows (carried forward)	(44,439)	(340,475)

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(44,439)	(340,475)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	351,929
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(488)	(1,464)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	5,128	356,081
	Net increase (decrease) in cash held	(39,311)	15,606
1.20	Cash at beginning of quarter/year to date	263,500	208,605
1.21	Exchange rate adjustments to item 1.20	(5)	(27)
1.22	Cash at end of quarter	224,184	224,1840

Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

		Current quarter \$NZ
1.23	Aggregate amount of payments to the parties included in item 1.2	25,116
1.24	Aggregate amount of loans to the parties included in item 1.10	0
1.25	Explanation necessary for an understanding of the transactions	
	Payment to associated companies for consulting services - Up Minister Ltd	\$NZ 22,500
	-Broad Horizons Ltd	2,500
	-Williams & Hughes	116

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

Financing facilities available

Add notes as necessary for an understanding of the position.

Mining exploration entity quarterly report

	Amount available \$NZ	Amount used \$NZ
3.1 Loan facilities	N/A	N/A
3.2 Credit standby arrangements	N/A	N/A

Estimated cash outflows for next quarter

	\$NZ
4.1 Exploration and evaluation	55,000
4.2 Development	0
Total	55,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$NZ	Previous quarter \$NZ
5.1 Cash on hand and at bank	2,968	(14,921)
5.2 Deposits at call	123,716	180,922
5.3 Bank overdraft	NIL	NIL
5.4 Other (provide details) Bond and Term deposits	97,500	97,500
Total: cash at end of quarter (item 1.22)	224,184	263,500

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Surrendered	N/A			
6.2 Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)	NIL			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A			
7.3	*Ordinary securities	38,623,000	38,623,000	25c	25c
		10,000,000	10,000,000	3.8c	3.8c
		20,000,000	20,000,000	5.9c	5.9c
		5,000,000	5,000,000	10c	10c
		186,400	186,400	25c	25c
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	N/A			
7.5	*Convertible debt securities (description)	NIL			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7	Options (description and conversion factor) These options are not quoted and not transferable Warrants – quoted on NZSE & NSX; not quoted on ASX	1,866,667 1,866,667 36,726,287	 36,726,287	Exercise price 14c 16c 9c	Expiry date 1/7/02 to 30/6/03 1/7/03 to 30/6/04 27/6/2007
7.8	Issued during quarter	NIL			
7.9	Exercised during quarter	NIL			
7.10	Expired during quarter	NIL			
7.11	Debentures (totals only)	NIL			
7.12	Unsecured notes (totals only)	NIL			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to NSX.
- 2 This statement does ~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.



Sign here:

.....
(~~Director~~/Company secretary)

Date: ...31 January 2003

Print name:Alison Griffiths.....