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5 December 2003

Newcastle Stock Exchange
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PAGES: 8

FOR PUBLIC RELEASE

Half Yearly Report to 30 September 2003 Including Directors' Statement & Audit Report

DIRECTOR'S REPORT

Heritage's main gold projects are within a 12km radius of Newmont's Martha Mine at Waihi, about 120km east of Auckland, New Zealand. The Waihi district is the largest and richest gold producing area in New Zealand.

The company's gold projects have favourable epithermal features, supported by good local infrastructure in this highly prospective district.

The past 6 months have been an extremely active period for Heritage, with two drilling programmes completed and exploration in the Waihi Gold District continuing. Drilling results were most encouraging and are reported below.

An extensive underground sampling programme to establish a resource base is planned for the main Karangahake mines, which produced historically 1M ounces of gold and 3M ounces of silver prior to 1993.

Exploration is being carefully targetted to ensure significant value is added to the Company's properties for each exploration dollar spent.

GOLD PROJECTS (New Zealand)

Karangahake

An 8-hole reverse circulation (RC) drilling programme was undertaken at Rahu on the northern strike extension of the main Karangahake gold deposits.

The RC holes targetted coincident geochemical, resistivity and ground magnetic anomalies at three locations within the 1.7km long anomalous zone. Hole depths ranged from 14.0 to 45.8m and all holes were drilled at an angle of 60° to the horizontal.

The programme tested the anomalies to shallow depths to confirm their validity, but the Company's geological model suggested gold/silver grades will improve at depth below a weakly mineralised surface zone, similar to other deposits in the district.

Samples were taken at 1m intervals and analysed by fire assay for gold and by AAS for silver.

The results support the geological model. The best assays came from holes drilled at the lowest topographic positions, although all holes intersected anomalous gold (\pm silver) values.

Drilling highlights:

- **RHRC-2: 6.0m at 2.41g/t Au and 63.6g/t Ag from 10m (incl 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-6: 3.0m at 0.61g/t Au from 15m**
- **RHRC-7: 3.0m at 0.55g/t Au from 1m. 7.0m at 0.71g/t Au from 14m (incl 1.0m at 1.19g/t Au from 15m)**
- **RHRC-8: 34.0m at 0.34g/t Au from 11m**

Waihi North

Several geophysical surveys were undertaken in the southern part of the permit, adjacent to the Martha mine's northern boundary. Extensive hydrothermal alteration had been previously identified from airborne geophysics and geological mapping.

The Company completed two diamond drill holes in an area that has had no significant exploration in the last 50 years.

The first hole was collared about 400m north east of the Martha mine to test three resistive zones; the second was drilled about 800m north east of the Martha mine to test coincident Schlumberger and gradient array resistivity anomalies, and a magnetic anomaly.

Strong hydrothermal alteration was encountered in both holes, with anomalous gold values ranging from 0.02 to 0.07g/t. Although no economic mineralisation was intersected the results confirm that the mineralising system responsible for the Martha gold deposit extends at least 800m north east into the Waihi North permit.

Core samples were submitted for x-ray diffraction (XRD) analysis to determine whether the holes were drilled above the source of the geophysical anomalies.

XRD results showed that the down-hole response did not account for the size of the surface geophysical anomalies recorded, suggesting that the resistive zones are below the drill holes. Resistive zones are correlated with zones of silicification / quartz veins within the Waihi epithermal system.

A further 6 areas of hydrothermal alteration have also been identified recently in the Waihi North permit.

Golden Valley

Preliminary processing of aeromagnetic data was carried out and base plans for the permit area were prepared.

COBALT PROJECT (Australia)

Thackaringa

The price for 99.8% cobalt has risen steadily over the past 12 months and is currently around US\$14.00/lb.

Samples of drill hole material from the Thackaringa Project near Broken Hill were prepared and despatched to Micron Laboratories in Perth for preliminary bioleach test work. If successful, the testwork may lead to development of a process that reduces processing and capital costs for the cobalt deposit.

COMPENSATION

The Company has completed its inspection of the Crown's documents and has given the Crown an explanation of the proposal to use the Coromandel Project as a case study in its claim for compensation.

The claim is based on the effect on Heritage of a 1997 amendment to the Crown Minerals Act that sterilised projects where Heritage had spent approximately NZ\$8M.

FUNDING

Warrants

A 1 cent per Warrant payment fell due on 26 June and a gross amount of NZ\$226,626.80 was received from Warrant holders for a total of 22,662,680 Warrants, which remain current. The balance of 14,063,607 Warrants have lapsed.

Placement

Heritage completed a share placement to an overseas investor to raise further working capital. The placement of 7,200,000 ordinary fully paid shares was made at an issue price of NZ5 cents per share and raised NZ\$360,000. No related party participated in the placement.

All placement shares rank equally in all respects with the existing ordinary shares of Heritage on issue.

APPOINTMENT OF CONSULTANT

Mr. Pat Elliott has been appointed as a consultant to Heritage. He will assist Heritage in the development of its existing gold exploration assets and identify and pursue expansion opportunities in the gold mining industry, both in New Zealand and overseas. Pat Elliott is a corporate financier with extensive experience in the resources sector in Australia and overseas.

Under the consultancy agreement entered into between Heritage and Pat Elliott, Heritage has granted certain share options to Pat Elliott, subject to shareholder approval. A shareholder meeting will be held on 20 November 2003 to allow shareholders to consider and vote on the grant of options under this agreement.

Sue Sangster
Company Secretary

HERITAGE GOLD NZ LTD FINANCIAL STATEMENTS (Audited)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2003

	30/09/2003	30/09/2002	31/03/2003
EQUITY			
Share capital (74,809,400 ordinary shares)	11,817,350	11,762,350	11,762,350
Share purchase warrants - paid to \$0.02	578,371	351,929	351,929
Reserves	390,400	2,177,428	471,412
	<u>12,786,121</u>	<u>14,291,707</u>	<u>12,585,691</u>
Less accumulated deficit	(5,602,772)	(6,286,579)	(5,376,269)
Total Shareholders Equity	<u>7,183,349</u>	<u>8,005,128</u>	<u>7,209,422</u>
Represented By:			
NON CURRENT ASSETS			
Fixed assets (at cost less depreciation)	12,826	3,514	10,647
Share investments	107,818	1,949,561	188,830
Investments Broken Hill Cobalt Ltd	1,069,584	1,070,672	1,070,395
Intangibles - deferred prospecting expenditure	5,231,773	4,737,941	4,845,076
	<u>6,422,001</u>	<u>7,761,688</u>	<u>6,114,948</u>
CURRENT ASSETS			
Cash	16,735	545	6,910
Short term deposits	793,221	278,422	1,135,418
Debtors	21,646	17,483	9,540
Accrued income	4,759	2,808	3,549
Prepayments	13,750	-	-
	<u>850,111</u>	<u>299,258</u>	<u>1,155,417</u>
Total Assets	7,272,112	8,060,946	7,270,365
LESS CURRENT LIABILITIES			
Bank overdraft	-	15,467	-
Creditors	85,459	38,065	56,392
Hire purchase	3,304	1,279	4,551
Employee entitlements	-	1,007	-
Total Current Liabilities	<u>88,763</u>	<u>55,818</u>	<u>60,943</u>
	<u>7,183,349</u>	<u>8,005,128</u>	<u>7,209,422</u>

CONSOLIDATED STATEMENT OF MOVEMENT IN EQUITY

For the six months ended 30 September 2003

	30/09/2003	30/09/2002	31/03/2003
Equity at the beginning of the year	7,209,422	8,132,856	8,132,856
Net surplus/(deficit) for the period	(226,503)	(295,308)	615,002
Total recognised revenues and expenses for the period	(226,503)	(295,308)	615,002
Increase (decrease) in revaluation reserve	(81,012)	(184,349)	(1,890,365)
Issue of warrants during the period	226,442	351,929	351,929
Equity at the end of the period	<u>7,128,349</u>	<u>8,005,128</u>	<u>7,209,422</u>

For and on behalf of the Board



PR Atkinson (Director)
31st October 2003



J M McKee
31st October 2003

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**For the six months ended 30 September 2003**

	30/09/2003	30/09/2002	31/03/2003
Operating revenue	600	16,833	2,833
Revaluation gain on share investments	-	638	-
Gain on sale share investments	29,890	-	1,039,368
Interest revenue	26,123	6,888	15,826
Total revenue	56,613	24,359	1,058,027
Interest expense	(342)	(47)	(662)
Other expenses	(281,963)	(203,549)	(326,015)
Surplus (deficit) before tax	(225,692)	(179,237)	731,350
Income tax	-	-	-
Surplus (deficit) after tax	(225,692)	(179,237)	731,350
Share of associates's surplus/(deficit)	(811)	(116,071)	(116,348)
Operating surplus (deficit)	(226,503)	(295,308)	615,002
Accumulated deficit brought forward	(5,376,269)	(5,991,271)	(5,991,271)
Accumulated deficit carried forward	(5,602,772)	(6,286,579)	(5,376,269)

STATEMENT OF CASH FLOWS**For the six months ended 30 September 2003**

	30/09/2003	30/09/2002	31/03/2003
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers	8,085	1,100	2,133
Interest received	26,123	4,784	12,982
	34,208	5,884	15,115
Cash was disbursed to:			
Payments to suppliers	(215,556)	(168,070)	(211,147)
Payments to employees	(49,676)	(41,092)	(100,417)
Interest paid	(342)	-	(47)
	(265,574)	(209,162)	(311,611)
Net cash inflows (outflows) from operating activities	(231,366)	(203,278)	(296,496)
CASHFLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceed from sale of equity investments	29,890	15,000	1,089,646
	29,890	15,000	1,089,646
Cash was applied to:			
Prospecting expenditure	(351,532)	(107,758)	(204,091)
Purchase of fixed asset	(4,342)	-	(4,804)
	(355,874)	(107,758)	(208,895)
Net cash inflows (outflows) from investing activities	(325,984)	(92,758)	880,751
CASHFLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Issue of securities	226,442	351,929	351,929
	226,442	351,929	351,929
Cash was applied to:			
Repayment of short term loan	(1,247)	(976)	(2,419)
	(1,247)	(976)	(2,419)
Net cash inflows (outflows) from financing activities	225,195	350,953	349,510
Net Increase (decrease) in cash held	(332,155)	54,917	933,765
Exchange gain/(loss)	(217)	(22)	(41)
Cash at start of year	1,142,328	208,605	208,605
Cash at end of period	809,956	263,500	1,142,328

Reconciliation of Operating Cashflow and Consolidated Net Profit after Taxation			
	30/9/03	30/9/02	31/03/03
Net surplus/(deficit)after taxation & extraordinary items	(226,503)	(179,237)	731,350
<i>Add non-cash items:</i>			
Decrease (increase) in share capital	(55,000)	-	-
Depreciation	1,542	2,001	4,079
Loss (gain) on sale fixed assets	620	-	-
Loss/(gain) on sale of share investments	75,000	-	(1,039,442)
Decrease (increase) in share valuation	(23,589)	(638)	3,872
Bad debts recovered	-	(15,000)	-
Exchange loss	217	-	23
	(1,210)	(13,637)	(1,031,468)
<i>Add (less) movements in working capital:</i>			
Decrease (increase) in debtors	8,421	(1,978)	(719)
Decrease (increase) in fixed assets	(2,180)		
Increase (decrease) in creditors	8,540	4,289	5,931
Decrease (increase) in prepayments	(13,750)	-	-
Decrease (increase) in accrued income	(1,210)	(2,103)	(2,844)
Decrease (increase) in GST	(2,227)	(10,612)	(1,257)
Increase (decrease) in loan	(1,247)	-	-
	(3,653)	(10,404)	3,621
	(231,366)	(203,278)	(296,497)

These interim financial statements have been prepared in accordance with Financial Reporting Standard 24, Interim Financial Statements, and should be read in conjunction the annual financial statements for the year ended 31 March 2003.

The consolidated half year accounts have been audited and the audit report is not qualified. A copy of the audit report can be read at 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 4 to 6:
 - 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 2003 and of its performance for the half-year 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

4 December 2003

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 2003. 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 2003 and of the results of operations and cash flows for the period ended 30 September 2003.

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 have no relationship with, or interests in, the Company or its subsidiaries.


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 2003 and the results of their operations and cash flows for the period ended on that date.

Our audit was completed on 10 November 2003 and our unqualified opinion is expressed as at that date.


CARLTON - DFK
Chartered Accountants
AUCKLAND