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Quarterly Report to 31 March 2004

KARANGAHAKE SAMPLING COMPLETED AND RESULTS AWAITED

HIGHLIGHTS

- Extensive underground sampling/geological mapping programme completed at the Talisman mine (Karangahake Project, NZ). Results, including a JORC compliant resource estimate, are due late May.
- Further drilling is planned at Rahu Ridge later this year. Rahu Ridge extends for 2km north north east of the Talisman mine.
- Encouraging cobalt extraction test results from biox leaching trials on drill hole samples from Thackaringa (NSW).
- NZ High Court trial date of 6 September 2004 for the Company's claim against the Crown for compensation.

GOLD PROJECTS (New Zealand)

The Company's key gold project in the Waihi gold mining district was advanced at Karangahake, where an extensive underground sampling programme was undertaken. Heritage's objective is to progress from exploration to development in the short to medium term.

The Waihi district is the richest gold producing area in New Zealand and the current producer is the Newmont owned Martha Mine. They have recently announced a major exploration programme to extend the life of their operation.

Karangahake Project

The project consists of three contiguous exploration permits (Talisman, Rahu, Dominion Knoll) covering a 4 km long north north east trending mineralised zone in an extensive epithermal alteration system about 15 km west of Waihi. The area is well served by infrastructure for new developments and has had very little exploration over the past 15 years, prior to Heritage's involvement.

Heritage believes the Karangahake project has potential for substantial gold (\pm silver) deposits.

(a) Talisman

In the previous quarter the Company started an extensive underground sampling and geological mapping programme with a target of establishing a significant gold (\pm silver) resource at the former Talisman mine.

The programme was undertaken predominantly on the number 8 level of the Talisman mine, extending into the 5A level of the Crown mine. Initial work involved clearing rock falls and making the workings safe.

The underground programme included 2.7km of geological mapping along the levels, collecting approximately 790 channel samples (generally 5m apart) and several bulk samples of broken rock from material remaining in old stopes. Surveying of the 8 and 5A levels was also completed during the programme.

The underground work finished after the end of March quarter and final samples are now being assayed. All new geological, survey and assay data are being added to the extensive database and will be computer modelled to produce a resource estimate in accordance with the JORC code.

Results of the programme are expected to be available by late May.

(b) Rahu

Further assessment of the geophysical survey results from several programmes was completed during the quarter, including historic data that was re-processed.

The Rahu property is north east along strike from the Talisman mine but has had very little previous exploration work. In mid 2003 the Company's programme of 8 RC (reverse circulation) drill holes encountered extensive anomalous gold (± silver) zones, with best results from the lowest intersection in the epithermal system, confirming the Company's prediction that gold values should improve at depth.

Further drilling is being planned for the Rahu area later this year.

(c) Dominion Knoll

A review of previous data is under way, directed at locating extensions of previously mapped mineralisation in the eastern part of the permit, which adjoins the western side of the Talisman permit.

Further detailed exploration, including drilling, is planned for this area.

Waihi North Project

Data from two diamond drill holes completed in the June 2003 quarter were reviewed, along with results of ground geophysical surveys, which are assisting delineation of further targets.

Other Gold Tenements

Routine exploration work was undertaken on other gold properties held by the Company.

COBALT PROJECT (Australia)

Heritage has 33% of Broken Hill Cobalt Ltd, owner of the Thackaringa Cobalt Project near Broken Hill in New South Wales. Bacterial oxidation ("biox") leaching trials on drill hole samples are continuing at a Perth laboratory. The testwork is designed to optimise cobalt recovery and lower potential processing and capital costs for the Thackaringa project.

The initial phase of the testwork has given encouraging results and a progress report is expected from the laboratory shortly.

The cobalt project has been expanded by an application for a 64 sq km exploration licence adjoining, the Thackaringa project tenements to the north and west. The application area is prospective for repetitions of the cobalt mineralisation currently being evaluated.

Longer term funding for the cobalt project through a capital raising is under review, in conjunction with the possible stock exchange listing of Broken Hill Cobalt Ltd

COMPENSATION

Heritage is pursuing a claim against the Crown for expenditure the company incurred on projects sterilised by a 1997 amendment to the NZ Crown Minerals Act. Heritage had previously spent \$8M on the projects.

A proposal by the Company that its claim proceed on the basis of a case study of the Coromandel Gold Project has been accepted by the Crown and a trial date of 6 September 2004 has been set down in the High Court in Wellington.

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

Sue Sangster
COMPANY SECRETARY