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The Executive Director
Level 8 Exchange Plaza
2 The Esplanade
Perth
WA 6000
AUSTRALIA

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Quarterly Report to 31 December 2004

HIGHLIGHTS: TALISMAN

- Talisman Phase 2 resource definition progresses
- Underground drillhole 2 best intercept:
true width 2.4m @ 40.86g/t gold and 91.7g/t silver.
- URS New Zealand Ltd engaged for resource consent applications for mining

GOLD PROJECTS (New Zealand)

Karangahake Project

Outline

Heritage holds tenements and applications covering the Karangahake mining centre about 15km west of Newmont's Martha Mine and treatment plant. A zone of multiple subparallel quartz veins extends for at least 4km, within a 15 square km area of hydrothermal alteration. At the southern end of the vein system are numerous underground mines which produced a total of 1Moz of gold and 3Moz of silver historically.

Heritage's focus is the veins at the old Talisman mine, which were mined over a vertical extent of 700m. Most historic mining was in high grade shoots and the Company's evaluation work is directed at outlining similar high grade shoots in the workings.

Mining Study

A conceptual mining study by the Company's consultants (Tennent, Isokangas Pty Ltd) was based on underground mining of 150,000 tonnes of ore annually to recover 50,000 oz of gold by toll treatment.

Using a decline for access the consultants estimated the capital cost at NZ\$24M (including 20% contingency) with a potential cash operating profit of around NZ\$12M per annum at current gold prices.

Underground Resource – Phase 1

The Phase 1 underground sampling programme at the Talisman mine identified indicated and inferred resources of 109,600 oz of gold and 438,400 oz of silver.

Talisman Phase 2

The Phase 2 underground diamond drilling and sampling programme now in progress is aimed at substantially increasing the existing resource base.

During the period work continued to secure access to the old mine levels for the sampling programme.

Diamond drill hole 2, as previously reported, had an intercept of 2.8m (true width 2.4m) of 40.86g/t gold and 91.7g/t silver. The interval included 1.0m at 85.00g/t gold and 117.0g/t silver and 0.8m at 36.70g/t gold and 141.0g/t silver.

The diamond drill holes are testing the Dubbo Shoot within the Maria vein, near the BM37 high grade zone. Three shoots have been mined historically in the Maria vein and the Dubbo is the fourth shoot along the No 8 level drive. The Dubbo Shoot was found by previous exploration but has never been fully tested. All holes are being drilled from the No 8 level to test the extent of mineralisation above and below the level.

Baseline Studies

Environmental consultants, URS New Zealand Ltd, were appointed to co-ordinate baseline environmental studies to assist preparation of resource consents for a future underground mining operation.

A key objective of the baseline studies is to assess the impact of underground mining on surface and sub-surface water quality in the area. A water sampling programme commenced during the quarter.

Feasibility Study

A feasibility study into the economics of developing the Talisman resource is currently being planned.

Tenements

Heritage is reviewing its holdings at Karangahake to determine the most efficient way to manage future mine development. Applications for renewal of the permit over Rahu (the northern part of the Karangahake property) were lodged in November.

Routine exploration on other tenements held by the Company continued during the quarter.

COBALT PROJECT (Australia)

Heritage has 33% equity in Broken Hill Cobalt Ltd ("BHCL") which holds the Thackaringa cobalt project near Broken Hill, NSW.

Previous bio-leach testwork has confirmed this as the favoured method for low cost oxidation and extraction of cobalt from the pyrite ore.

Additional areas that are prospective for cobalt, copper and gold lie to the west of Thackaringa and these are covered by the recently granted Pine Ridge EL 6253. BHCL has acquired several other areas for gold and base metals in New South Wales.

Heritage is reviewing ways to separate its cobalt interests from the New Zealand gold projects, which are showing increased potential for short term development.

COMPENSATION

Heritage is seeking compensation from the Crown for expenditure it occurred on projects that were sterilised by a 1997 amendment to the NZ Crown Minerals Act. Heritage had previously spent about NZ\$8m on the projects.

The hearing of the Company's claim was adjourned by the High Court until 7 February 2005.

FUNDING

At the end of the quarter the Company raised a total of A\$1,120,000 for work at Karangahake and working capital, through a placement of 14M ordinary fully paid shares at an issue price of A\$0.08 per share. The placement was managed by The Venture Group Pty Ltd, Sydney.

STOCK EXCHANGE LISTING

On 26 October 2004 Heritage's ordinary shares (Code – HGD) were quoted on the Newcastle Stock Exchange ("NSX"). The Company's warrants (Code – HGDXHA) have been listed on the NSX since June 2002.

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

Sue Sangster
COMPANY SECRETARY