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**FOR PUBLIC RELEASE**

**Quarterly Report to 31 December 2006**

Mineral exploration company Heritage Gold is pleased to present its quarterly report for the three months ended 31 December 2006.

Highlights include:

- Rights issue funding completed with over \$1 million raised; and
- Drilling underway at Rahu Ridge, Karangahake Project (after quarter end).

The company continues to make positive progress in its comprehensive exploration programmes using airborne, ground, and computer-aided techniques to test prospective areas. The following is an overview of the company's projects.

**GOLD PROJECTS (New Zealand) (100%)**

**Karangahake Project (Rahu, Talisman, and Dominion Knoll permits)**

Recently Heritage Gold announced the commencement of a core drilling programme at the Rahu Ridge area, north of the Talisman mine. The purpose of this programme is to test the upper levels of the same epithermal system that hosts the gold deposit at Talisman.

Heritage Gold managing director Peter Atkinson says, "The drilling programme is designed to test geochemical and geophysical anomalies and is focusing on areas where gold mineralisation has previously been encountered."

Heritage previously identified gold and silver values at depths of 14 to 46 metres in eight reverse circulation drill holes. The best previously reported results were from a depth of 10 to 16 metres in hole RC 2 which assayed 2.41 grams of gold per tonne (g/t gold) and 63.6g/t silver (including 1 metre at 7.80g/t gold and 198.0g/t silver).

The 6-8 hole (1,500 metres in total) drilling programme will test anomalies and mineralisation over a strike length of approximately 1.3 kilometres of the 2 kilometre long Rahu Ridge zone.

"The Ministry of Economic Development agreed to certain variations to the Karangahake exploration programme to ensure the optimum programme was selected for the project," Mr Atkinson says.

**Other Gold Projects (100%)**

Essential exploration work continues at the Waihi North and Golden Valley projects.

"Exploration work is likely to result in subsequent test drilling programmes," Mr Atkinson says. "We look forward to reporting back to our investors as soon as more information becomes available."

## **GOLD & BASE METALS (NORTHLAND, NZ) (100%)**

Heritage Gold's permit applications cover areas favourable for epithermal gold-silver and porphyry copper deposits, as well as gold-rich volcanogenic massive sulphide base metal deposits.

The geological environments are similar to those in other parts of New Zealand which are known to be mineralised, particularly the Coromandel region. In Northland these environments have been significantly under explored to date.

"The applications are being processed by the Ministry of Economic Development and Heritage is planning a comprehensive prospecting programme using airborne, ground, and computer-aided techniques," Mr Atkinson says.

## **THACKARINGA COBALT PROJECT (New South Wales) (33%)**

Heritage Gold owns a 33% interest in Broken Hill Cobalt Limited which has title to the Thackaringa cobalt project. This project is held under an exploration licence and two mining leases, covering all of the areas of significant mineralisation.

"Planning is underway for a drilling programme to further test the extensions of the cobalt mineralisation identified to date," Mr Atkinson says. "The drilling will be completed by the third quarter of 2007."

## **MID-EARTH MINERALS**

As reported on 14 December 2006 the Mid-Earth arrangements with Mr. Paul Cranney, Managing Director, could not be finalised and all agreements with him have been amicably terminated. Mr. Cranney retains no shareholding in Mid-Earth.

Heritage Gold is seeking a suitable candidate to replace Mr. Cranney and is continuing to review the structure and timing of the spin-off proposal.

## **FUNDING**

Heritage Gold's pro rata rights issue to shareholders closed on 22 November. The take up by shareholders and warrant holders (including short fall applications) was 29,671,137 shares, which represented more than 80% of the shares offered. The remaining shares were placed with professional investors on 21 December 2006. The issue raised approximately NZ\$1.1M for Heritage, before expenses.

As outlined in the prospectus dated 25 October 2006 the funds are intended to be used for further exploration of the Company's current exploration targets, to advance the spin-off of its New Zealand gold properties, progress the Thackaringa cobalt project, and for working capital.

For further information please contact:

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**DISCLOSURE:** The information in the report to which this statement is attached that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Murray Ronald Stevens who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Stevens is self-employed.

Mr Stevens has sufficient experience which is relevant to the styles of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and Mr Stevens consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**About Heritage Gold**

Heritage listed on NZX in 1986 and has a current market capitalisation of \$8.2 million. Heritage is also listed on the ASX and the National Stock Exchange of Australia (formerly Newcastle Stock Exchange). The company has valuable gold interests in the Waihi district of New Zealand, where it is a major tenement holder. Heritage also owns 33% of Broken Hill Cobalt Ltd in Australia, and has applied for permits to prospect for gold, copper, and base metals in Northland, about 150km north of Auckland.

Company Secretary