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Market Information Services Section
New Zealand Stock Exchange
Level 9
ASB Bank Tower
2 Hunter Street
WELLINGTON

BY EMAIL

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Quarterly Report to 30 June 2004

GOLD/SILVER RESOURCE IDENTIFIED AT KARANGAHAKE

HIGHLIGHTS

- Resource of 109,600oz gold and 438,400oz silver identified at Talisman Mine, NZ.
- Phase 2 underground sampling/drilling programme planned for Talisman in current quarter.
- Company's claim against Crown for compensation to be heard 6 September.

GOLD PROJECTS (New Zealand)

The focus on projects in the Waihi district continued during the quarter, with completion of the phase 1 underground sampling programme at Karangahake. This first step in progressing towards development yielded a substantial gold (+silver) resource.

The Waihi district has produced over 8Moz gold and more than 44Moz silver. The only current producer in the district is Newmont's Martha mine at Waihi, about 15km east of Karangahake. The Martha mine is expected to close at the end of 2006 as Newmont's recent discovery at Favona comes on stream, leaving significant over-capacity in their mill.

Karangahake Project

The Talisman mine is at the southern end of a 4km long north-northeast trending mineralised zone. At the northern end of this zone is the Rahu property, where gold mineralisation was intersected in an earlier drilling programme.

The project area has had little previous modern exploration, although an extensive 15 sq km hydrothermal alteration system has been recognised. The project is close to towns, roads, power and other infrastructure that would assist future mine development.

Advanced exploration work by Heritage shows that the Karangahake project has potential for substantial gold (+silver) deposits.

(a) Talisman

The Company's phase 1 underground sampling programme at the No.8 level was completed during the quarter. The programme identified a (JORC Code compliant) resource of 109,600oz of gold and 438,400oz of silver (as reported 31 May 2004) in the Talisman mine at a discovery cost of NZ\$3.70 per oz.

Tennent, Isokangas Pty Ltd ("TIP"), consulting mining engineers, was engaged by Heritage for a conceptual mining study at the Talisman mine (as reported 29 July 2004).

The conceptual study was based on mining 150,000 tonnes of ore annually from underground operations to produce 50,000 oz of gold equivalent (gold+silver) per year, initially on a toll treatment basis.

The study found "no fatal flaws" in the mining concept, subject to Heritage identifying the gold (+silver) resource needed to support such an operation.

The initial capital cost indicated by TIP is approximately NZ\$23.5M. Heritage would expect to fund the majority of this through an appropriate loan and/or by contracting the underground mining development and operations.

The indicative annual gross margin is approximately NZ\$11.5 – 12.0M at a gold price of US\$380/oz, based on the TIP study.

Heritage is now preparing for the Phase 2 underground sampling/drilling programme at Talisman. This is aimed at substantially increasing the existing (JORC Code compliant) resource, by December 2004.

(b) Dominion Knoll

The Company completed a review of recent exploration data including geological mapping, geochemical mapping and geophysics. The new data has been incorporated into the Karangahake database and drill holes planned.

Other Gold Tenements

General exploration work continued on other gold properties held by the Company.

COBALT PROJECT (Australia)

The Thackaringa Cobalt project near Broken Hill (NSW) is owned by Broken Hill Cobalt Ltd (BHCL), in which Heritage has a 33% equity.

Column leach testwork on drill hole composite samples being undertaken at Micron Research, Perth continued during the period. Sampling results from sample material being leached in trays in parallel confirmed visual observations of the column: that oxidation is continuing and cobalt is being leached from the pyrite.

Accurate estimates of total recovery will be made when the column is dismantled and analysed, anticipated in the September quarter.

EL 6253 (Pine Ridge) covering sequences prospective for cobalt, copper and gold to the west of the Pyrite Hill cobalt prospect was granted during the quarter.

BHCL has acquired several other prospective areas in New South Wales.

Heritage's Board is considering a number of options to provide direct value to its shareholders by separation of its cobalt interests, to enable Heritage to focus on the growing potential of its gold projects in the Waihi district, New Zealand.

COMPENSATION

The Company's claim against the Crown has been set down for trial in the High Court in Wellington on 6 September 2004.

Preparations are under way with the Company's legal advisors for the case which is based on expenditure Heritage occurred on projects that were subsequently sterilised by a 1997 amendment to the NZ Crown Minerals Act. Heritage had previously spent NZ\$8M on the projects.

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.

Mr. S Solomons and Dr B White of Tennent, Isokangas Pty Ltd ("TIP") confirm that the information contained in this Report, that is based on their report relating to the programme of work carried out by them on the Conceptual Mining Study at the Talisman Mine at Karangahake near Waihi, New Zealand, is correct and accurate.

Mr. Solomons and Dr White formally consent to the inclusion in this Report of the matters based on their information in the form and context in which it appears.

Sue Sangster
COMPANY SECRETARY