

**HERITAGE GOLD NZ LIMITED**  
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**Heritage Gold NZ Limited ("the Company") advises that its Annual Meeting of Shareholders will be held in the Pukekawa Room, Jubilee Building, 545 Parnell Road, Parnell, Auckland, New Zealand on Friday 29 September 2006 commencing at 11.00am.**

The business of the meeting will be:

**ITEM A - PRESENTATIONS**

- (a) The Chairman's address to shareholders and shareholder discussion.
- (b) To receive and consider the Annual Report including the Financial Statements and the Auditor's Report for the year ended 31 March 2006.

**ITEM B – RESOLUTIONS**

**1 Re-election of Directors**

- (a) Peter Robert Atkinson retires by rotation under clause 27.2 of the Company's constitution and, being eligible, offers himself for re-election.
- (b) Geoffrey Guild Hill retires by rotation under clause 27.2 of the Company's constitution and, being eligible, offers himself for re-election.

The Board of the Company has determined that Peter Robert Atkinson is not an Independent Director in terms of the NZX Listing Rules. The Board of the Company has determined that Geoffrey Guild Hill is not an Independent Director in terms of the NZX Listing Rules. Brief biographies for each of Peter Robert Atkinson and Geoffrey Guild Hill are set out in the Explanatory Notes.

**2 Re-appointment of Auditors**

To record the re-appointment of Carlton-DFK as the Company's auditor under section 200 of the Companies Act 1993, and to authorise the Directors to settle their remuneration.

**3 Issue of Equity Securities**

To consider, and if thought fit, pass the following resolution as an ordinary resolution of the Company pursuant to NZX Listing Rule 7.3.1:

*"That the Company be authorised to issue up to 16,700,000 ordinary shares in the Company to sophisticated investors (in Australia) and/or professional or habitual investors (in New Zealand) selected by the Board of the Company (provided that no Director of the Company will be issued such shares), at an issue price of A\$0.025 per share (or a New Zealand dollar equivalent amount per share at any time as determined by the Board of the Company in its sole discretion), on the terms set out in the Explanatory Notes."*

**Directors' recommendation**

The Directors recommend you vote in favour of all resolutions.

**Proxies and representatives**

You may exercise your right to vote at the meeting either by being present in person or by appointing a proxy to attend and vote in your place. A proxy need not be a shareholder of the Company. A body corporate shareholder may appoint a representative to attend the meeting on its behalf.

A proxy form is attached to this notice. If you wish to vote by proxy you must complete the form and produce it to the Company at its registered office, Nathan House, 541 Parnell Road, Parnell, Auckland, New Zealand so as to ensure that it is received at least 48 hours before the meeting.

By order of the Board

Sue Sangster  
**Company Secretary**

14 September 2006

## EXPLANATORY NOTES

### Resolution 1

The approval of an ordinary resolution of the holders of the ordinary shares in the Company is required for Resolution 1 (i.e. a simple majority of votes cast at the meeting by shareholders entitled to vote and voting).

Brief biographies of each of the Directors retiring by rotation and offering themselves for re-election pursuant to resolutions 1(a) and 1(b) in the Notice of Annual Meeting are as follows:

*Peter Robert Atkinson, BSc, FAusIMM*

Peter Atkinson has over 35 years of broad experience in the mining industry in Australasia, mainly on the boards of listed companies. He has been involved in joint ventures with international mining groups, the listing of mining companies on the New Zealand and Australian stock exchanges, corporate planning, and the raising of risk capital in Australia, New Zealand and the United Kingdom.

Mr Atkinson has served on government agency advisory committees in New Zealand and Australia and managed the stock exchange listing of e-commerce companies in New Zealand.

A New Zealand resident, he is a director of Prophecy Mining Limited and President of the New Zealand Minerals Industry Association.

Mr Atkinson is also a director of Coromandel Gold Limited and Broken Hill Cobalt Limited,

Mr Atkinson has served as a Director on the Board of the Company for approximately 21 years, being appointed on 23 August 1985.

*Geoffrey Guild Hill, BEcon (Syd, MBA (NSW), FFIN, FCPA, FAICD*

Geoffrey Guild Hill is a merchant banker based in Hong Kong and is currently Chairman of Pitt Capital Asia Limited. He is a principal of Pitt Capital Partners Limited. Career highlights include appointment to the board of Morgan Grenfell and Co Plc.

Professional directorships include Brickworks Investments Limited, Huntley Investment Company Limited, and Hills Industries Limited. Mr Hill is an Alternative Director of Souls Private Equity Limited.

Mr Hill has served as a Director of Heritage Gold for approximately 7 years, having been appointed on 28 July 1999.

### Resolution 2

The approval of an ordinary resolution of the holders of the ordinary shares in the Company is required for Resolution 2 (i.e. a simple majority of votes cast at the meeting by shareholders entitled to vote and voting).

### Resolution 3

#### **Introduction**

The Company intends to undertake a placement (the *Placement*) of up to 16,700,000 ordinary shares (the *Shares*) in the Company to sophisticated investors (in Australia) and/or professional or habitual investors (in New Zealand) selected by the Board of the Company. The Board of the Company intends to complete the placement within 60 calendar days of the date of approval of Resolution 3 by the shareholders at the Annual Meeting (but in any event by no later than the date falling 12 months after such approval).

The placement will not be an offer to the public for the purposes of the Australian and New Zealand securities legislation and it will be at the discretion of the Board of the Company to determine whether any of the Shares are offered to existing shareholders in the Company who qualify as sophisticated investors (in Australia) or professional or habitual investors (in New Zealand). It is intended that the parties subscribing for the Shares will not be Related Parties within the meaning given to that term in the NZX Listing Rules (Rule 9.2.3), and in any event no Directors of the Company will be issued Shares under the placement.

The issue price for the Shares will be A\$0.025 per share (or a New Zealand dollar equivalent amount per share at any time as determined by the Board of the Company in its sole discretion). The issue price will be payable in full upon issue of the Shares, in cash.

The proceeds of issue of the Shares would be used to:

- Finance further exploration of the Company's current exploration targets;
- advance the spin-off of the Company's New Zealand gold properties;
- progress the Thackaringa cobalt project; and
- provide working capital for the Company.

The Board of the Company believes that the proceeds of issue of the Shares (assuming issue of all of the Shares) will be sufficient to achieve the above aims.

Upon subscription, the Shares would be issued credited as fully paid and would rank equally with the existing fully paid shares in the Company.

### ***Requirements for shareholder approval***

Under NZX Listing Rule 7.3.1(a), the Company may issue Equity Securities if the precise terms and conditions of the specific proposal have been approved by separate ordinary resolutions of each class of Quoted Equity Securities whose rights or entitlements could be affected by that issue, and that issue is completed within 12 months of the passing of the resolutions.

In the current circumstances, under NZX Listing Rule 7.3.1(a), the approval of an ordinary resolution of the holders of the ordinary shares in the Company (i.e. a simple majority of votes cast at the meeting by shareholders entitled to vote and voting) is required in respect of the Placement. Accordingly, the Company is seeking the consent of its shareholders pursuant to NZX Listing Rule 7.3.1(a) in order to undertake the Placement. The Company has the ability to issue shares without such approval in certain circumstances (for example under NZX Listing Rule 7.3.5 – whereby the Company can issue shares up to a prescribed threshold (in summary, up to 15% of the issued share capital of the Company, subject to certain adjustments/exclusions)). In the current circumstances, however, given that the proposed issue price of the Shares is at a discount (as described in more detail below), NZX Listing Rule 8.1.3 precludes the issue of the Shares under NZX Listing Rule 7.3.5 (i.e. in short, the proposed discounted issue price of the Shares is less than 90% of the volume weighted average market price of ordinary shares in the Company over the period of 20 business days prior to the date of this Notice). Accordingly, approval of the shareholders is being sought under NZX Listing Rule 7.3.1(a).

At the date of this Notice, there are 131,582,732 ordinary shares on issue in the Company. In the event that all of the Shares (16,700,000) are issued, the Shares would represent 11.26%(rounded) of the fully diluted ordinary share capital of the Company.

The issue price for the Shares of A\$0.025, and the terms on which the Shares will be issued, has been determined by the Board of the Company to be fair and reasonable to the Company and to all existing shareholders. The volume weighted average market price for the ordinary shares of the Company on the NZSX in the 20 business day period prior to the date of this Notice was NZ\$0.049 (rounded). Based on an exchange rate of 0.869 NZ\$ to A\$, this would give an equivalent A\$ volume weighted average market price of A\$0.426. The proposed issue price of A\$0.025 represents a discount of 41% (rounded) to that volume weighted average market price. Whilst the proposed issue represents a discount to that volume weighted average market price, the Board of the Company considers that the issue price is the best price that can be negotiated in respect of the placement of the Shares.

If Resolution 4 is not approved, the Board of the Company will need to seek alternative sources of finance to fund the matters that the proceeds of issue of the Shares are intended to be applied towards (as mentioned above). The Board considers that no assurance can be given that alternative sources of finance can be found on more favourable terms (or within the 60 calendar day period referred to above).

## PROXY FORM

### SECTION 1: SHAREHOLDER DETAILS (PLEASE PRINT CLEARLY)

Full name: .....

Full address: .....

If shares are held jointly, enter details of other joint holders:

Full name: .....

Full address: .....

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### SECTION 2: APPOINTMENT OF PROXY (This section must be completed) \*

I appoint: Full name: .....

Full address: .....

as my proxy to exercise my vote at the Annual Meeting of the shareholders of the Company to be held on Friday 29 September 2006 in the Pukekawa Room, Jubilee Building, 545 Parnell Road, Parnell, Auckland, New Zealand, and at any adjournment of that meeting. If the person I have appointed is unable to be my proxy then I appoint:

Full name: .....

Full address: .....

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### SECTION 3: VOTING INSTRUCTIONS

I direct my proxy to vote in the following manner:

*(Tick the box that applies)*

	For	Against
(1a) Re-election of Peter Robert Atkinson	<input type="checkbox"/>	<input type="checkbox"/>
(1b) Re-election of Geoffrey Guild Hill	<input type="checkbox"/>	<input type="checkbox"/>
(2) Re-appointment of Auditors	<input type="checkbox"/>	<input type="checkbox"/>
(3) Issue of Equity Securities	<input type="checkbox"/>	<input type="checkbox"/>

### SIGNED BY EACH SHAREHOLDER NAMED IN SECTION 1

Date:

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#### Notes

- 1 As a shareholder you may attend the meeting and vote, or you may appoint a proxy to attend the meeting. A proxy need not be a shareholder of the Company.  
**\* The Chairman of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose. If so, please indicate that in section 2 above.**
- 2 If you are joint holders of shares each of you must sign this proxy form. If you are a company this proxy form must be signed on behalf of the company by a person acting under the company's express or implied authority.
- 3 For this proxy form to be valid, you must complete it and produce it to the Company at the Company's Registered Office, Nathan House, 541 Parnell Road, Parnell, Auckland, New Zealand so as to ensure that it is received at least 48 hours before the meeting. If it has been signed under a power of attorney please send a copy of the power of attorney (unless already deposited with the Company) and a signed certificate of non-revocation of the power of attorney with this proxy form.
- 4 If you return this form without directing the proxy how to vote on any particular matter, the proxy will vote as he or she thinks fit.