

HERITAGE GOLD NZ LIMITED

ARBN 009 474 702

Incorporated in New Zealand

SHORT FORM PROSPECTUS AND INVESTMENT STATEMENT FOR THE PURPOSES OF THE NEW ZEALAND SECURITIES ACT 1978

AND

A REPLACEMENT TRANSACTION SPECIFIC PROSPECTUS PURSUANT TO THE REQUIREMENTS OF SECTION 713 OF THE AUSTRALIAN CORPORATIONS ACT 2001

DATED 25 OCTOBER 2006

For a renounceable pro-rata rights issue to Shareholders with a registered address in New Zealand or Australia to acquire one New Share, on the basis of one New Share for every four Existing Shares held by Shareholders with a registered address in New Zealand or Australia on the Record Date, at an issue price of NZ\$0.029 or AU\$0.025 per New Share to raise up to approximately NZ\$1,080,000. This Offer is underwritten by Rundle Capital Partners Limited (ACN 107 603 878) to the extent that Shareholders do not exercise their rights in respect of the first 18,531,216 of the New Shares offered pursuant to this Disclosure Document.

The Offer closes at 5pm (New Zealand time) on Wednesday 22 November 2006.

A copy of this document is dated 25 October 2006 and has been lodged with the Australian Securities and Investments Commission ("ASIC") and the ASX on 25 October 2006 as a replacement to the disclosure document dated and lodged with the ASIC on 13 October 2006. ASIC and the ASX take no responsibility for the contents of this Disclosure Document. This Disclosure Document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser.

IMPORTANT INFORMATION

(The information in this section is required under the Securities Act 1978¹)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment.² You are entitled to a copy of that prospectus on request.

Choosing an investment adviser in New Zealand

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice.³ That document will tell you:

- Whether the adviser gives advice only about particular types of investments; and
- Whether the advice is limited to the investments offered by 1 or more particular financial organisations; and
- Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time the advice is given or within 1 month of receiving the advice.

In addition:

- If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

¹ This is the wording required under Schedule 3D of the New Zealand Securities Regulations 1983. The "Securities Act 1978" is New Zealand legislation.

² This is the wording required under Schedule 3D of the New Zealand Securities Regulations 1983 which contemplates a separate investment statement and a prospectus. For this offer of securities in Heritage Gold NZ Limited in New Zealand and Australia these two documents are combined, along with the transaction specific prospectus pursuant to the requirements of the Australian Corporations Act 2001, and accordingly the prospectus available upon request is identical to this document.

³ The wording in this section is required under Schedule 3D of the New Zealand Securities Regulations 1983. This ability to request a written disclosure statement only applies to investors with a registered address in New Zealand.

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COMPANY DIRECTORY

Directors

J Murray McKee, BA (Hons)
Chairman
Peter R Atkinson, BSc; FAusIMM
Managing Director
Geoffrey G Hill, BEcon (Syd); MBA (NSW);
FFIN; FCPA; FAICD
David J Williams, LLB; FAICD
Ralph N Stagg, BSc; MSc; DIC; MIMMM;
FAusIMM; CEng, CP
Matthew G Hill, MBA; MAICD

Company Secretary

Sue Sangster

Registered (Head) Office

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Auckland, New Zealand
Telephone (+64 9) 303 1893
Facsimile (+64 9) 303 1612
Email: office@heritagegold.co.nz
Website: www.heritagegold.co.nz

Principal Office in Australia

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Australia
Telephone (+61 8) 9481 2040
Facsimile (+61 8) 9481 2041

Auditors

Carlton DFK Chartered Accountants
Carlton DFK Centre
135 Broadway
Newmarket
Auckland
New Zealand

Principal Solicitors involved with the Offer

Chapman Tripp Sheffield Young
Level 35, ANZ Building
23-29 Albert Street
Auckland
New Zealand

Share Registrars

New Zealand:
Link Market Services Limited
PO Box 384
Ashburton, New Zealand
Telephone (+64 3) 308 8887

Australia:
Registries Limited
28 Margaret Street, Sydney
NSW 2000
Australia
Telephone (+612) 9290 9600

Stock Exchanges

The Company's Shares are quoted on the official list of:

- o New Zealand Exchange Ltd, NZSX Code HGD;
 - o Australian Stock Exchange Ltd, ASX Code HTM;
- Stock Exchange of Newcastle, NSX code HGD.

NATURE OF THIS DOCUMENT

This document is being issued in New Zealand and Australia. In New Zealand it is generally called an “investment statement” and “short form prospectus” and in Australia a “prospectus” or “transaction specific prospectus”. While these terms may be used in this document from time to time, as required by the context, generally for the sake of convenience this document, constituting the investment statement and short form prospectus and the transaction specific prospectus, will be referred to as the “Disclosure Document”.

This Disclosure Document does not constitute an offer of New Shares in any jurisdiction other than New Zealand and Australia. No action has been or will be taken by the Company which would permit a public offering of New Shares, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand or Australia). No person may purchase, offer, sell, distribute or deliver the Shares, or have in its possession, or distribute to any person any offering material or any documents in connection with the New Shares, in any jurisdiction other than in compliance with all applicable laws and regulations. In respect of any shareholders whose registered addresses are outside New Zealand and Australia, the Rights that those shareholders would otherwise receive will be issued to a nominee who will endeavour to sell those Rights, hold the proceeds on trust and account to such shareholders for the proceeds.

This Disclosure Document will be issued as an Electronic Disclosure Document in relation to the Shortfall. For the avoidance of doubt, the Shortfall (if any) will be made up of the New Shares forming Rights, or parts of Rights, not accepted by holders of Existing Shares as at the Record Date pursuant to this Offer. The Disclosure Document will be available on the Company's website at www.heritagegold.co.nz. The offer of New Shares comprising the Shortfall pursuant to this Disclosure Document is available to persons receiving an electronic version of this Disclosure Document within Australia and New Zealand. Only Shareholders or Warrant holders in New Zealand or Australia may apply for the Shortfall pursuant to this Disclosure Document, although other persons may apply for the Shortfall to the extent permitted by relevant securities laws, provided that the Directors may not participate in any Shortfall. The Corporations Act (Australia) prohibits any person from passing to another person an Application Form unless it is attached to or accompanies the complete and unaltered version of this Disclosure Document. Prior to the Closing Date, any person may obtain a hard copy of this Disclosure Document by contacting the Company by email at office@heritagegold.co.nz or by telephone +649 303 1893.

Important Dates

Important dates in respect of this Offer are summarised in the following timetable:

Event	Date
Rights trading starts on ASX	Wednesday 18 October 2006
Record Date – entitlements to Rights determined	Tuesday 24 October 2006
Rights trading starts on NZSX	Wednesday 25 October 2006
Despatch Date –Disclosure Document Application Forms despatched to existing shareholders	Friday 27 October 2006
Rights trading ends on ASX	Wednesday 15 November 2006
Rights trading ends on NZSX	Monday 20 November 2006
Closing Date – date on which the Offer closes, at 5 pm (New Zealand time)	Wednesday 22 November 2006
Issue date and statement despatch date – last date for allotment of New Shares and despatch of statements in respect of the New Shares for which valid applications are received*	By Friday 24 November 2006

* Subject to ASX first granting official quotation, the Company may allot and issue New Shares progressively under the Offer.

ANSWERS TO IMPORTANT QUESTIONS

What sort of investment is this?

Description of securities

Heritage Gold NZ Limited (the “Company”, “Heritage” or “Heritage Gold”) will grant one Right for every four Existing Shares held by Shareholders with a registered address in New Zealand or Australia at 5 pm (New Zealand time) on Tuesday 24 October 2006 (the “Record Date”). Fractional entitlements will be disregarded. There is no minimum number of Existing Shares required for the entitlement to Rights.

Each Right confers an entitlement to apply for one fully paid New Share upon payment in full of the Share Price NZ\$0.029 or AU\$0.025. However, to the extent that there is a Shortfall, you may apply for additional Rights and pursuant to the Shortfall, such applications will be considered by the Company in its sole discretion.

Except for applications in respect of the Shortfall, Rights holders may not apply for New Shares in excess of the number to which they are entitled. Acceptance amounts for New Shares in excess of Rights holders’ entitlements will be refunded without interest. Refunds will be posted within seven calendar days of allotment of the New Shares.

For the avoidance of doubt, Warrant Holders will be entitled to participate in the Offer on the same basis as holders of Existing Shares to the extent that their Warrants have been converted to Existing Shares before the Record Date.

A maximum of 37,062,433 New Shares could be issued, based on the present issued capital of 148,249,732 Existing Shares, assuming no Executive Options are exercised and no Warrants or Listed Options are converted.

Subject to ASX first granting official quotation, the Company may allot and issue New Shares progressively under the Offer.

Share Price

The Share Price payable to subscribe for each New Share is NZ\$0.029 or AU\$0.025. The Share Price for each New Share is payable on acceptance of the Right to one New Share. The Share Price will be on account of the issue price of a New Share, i.e. NZ\$0.029 or AU\$0.025.

New Shares

Each New Share issued shall rank equally in all respects with the Existing Shares in the Company at the time of issue and will give the holder the right to one vote on a resolution at a meeting of shareholders (subject to any restrictions in the Company’s Constitution, the NZSX, the ASX and the NSX Listing Rules) the right to dividends authorised by the Board and the right to a proportionate share in any distribution of surplus assets of the Company on any liquidation. Further detail of the rights attaching to the New Shares is set out on pages 35 to 36 of this Disclosure Document.

Investors should also refer to the Constitution of the Company, which may be viewed on the Company’s website at www.heritagegold.co.nz and during normal business hours at the registered office of the Company in Auckland and the Perth office of the Company, the addresses of which are given on page 37 of this Disclosure Document.

Your right to participate in this Offer is renounceable, in whole or in part, in favour of any other person. This, therefore enables holders of Existing Shares who do not wish to subscribe for some or all of the New Shares under this Rights Issue to sell their respective Rights and also enables holders of Existing Shares to purchase additional Rights if they wish.

If the Company receives on or before the Closing Date both an acceptance by a Rights holder and a renunciation in respect of the same Right, the Company will give effect to the renunciation in priority to the acceptance.

Rights holders may not apply for New Shares in excess of the number to which they are entitled. If you wish to acquire additional New Shares or “round up” your holding to a marketable parcel, you may

buy Rights on the NZSX or the ASX during the Rights Trading Period. To do so, you should contact an NZX Firm or an Australian broker.

None of the New Shares being offered under this Offer have been reserved for any class of applicant or are otherwise unavailable to the holders of Existing Shares under this Offer.

Rights will be quoted on both the ASX and the NZSX. Trading of Rights will commence on the ASX on 18 October 2006 and on NZSX on 25 October 2006 and will cease at the close of trading on 15 November 2006 (for ASX) and 20 November 2006 (for NZSX).

The Rights must be exercised before 5pm (New Zealand time) on the Closing Date or they will lapse.

The important dates in respect of this Offer are summarised in the timetable on page 4. These dates are indicative and are subject to change by the Directors with the approval of the NZX and ASX.

The New Shares have been accepted for listing by NZX and will be quoted upon completion of allotment procedures.

Application has been made to NZX for permission to list the Rights and all the requirements of the NZX relating thereto that can be complied with on or before the date of this Disclosure Document have been complied with.

Application will be made within 7 days following the date of the Disclosure Document to ASX and the Stock Exchange of Newcastle Limited ("NSX") for admission of the New Shares to quotation and all the requirements of ASX and NSX relating thereto that can be complied with on or before the date of this Disclosure Document have been duly complied with.

However, the NZX, ASX and NSX accept no responsibility for any statement in this Disclosure Document.

No New Shares comprising the Rights Issue offered pursuant to the Disclosure Document will be issued until the New Shares are admitted to official quotation on ASX. If granted, official quotation of the New Shares will commence as soon as practicable after the issue of statements of holdings of applicants. If approval is not granted by ASX before the expiration of three (3) months after the date of this Disclosure Document, the Company will not issue any New Shares and will repay all application monies within the time prescribed under the Corporations Act, without interest.

Shareholders are entitled to sell their Rights or New Shares to other persons. There is an established market for the Company's Shares and, subject to demand, you may sell your New Shares on the NZSX, ASX or NSX. The Company believes that, although there is currently no market for the Rights as they are new securities, there should be an established market for them in the future during the applicable Rights Trading Periods. The Company intends to issue all of the New Shares on the issue date mentioned above, but in any event no securities will be issued on the basis of this Disclosure Document after 31 December 2006.

Shortfall

The Directors reserve the right, by no later than 31 December 2006, to place any New Shares which are not taken up by holders of Existing Shares under the Offer, or which because of fractional entitlements are not otherwise offered, to such persons and in such manner as the Directors consider equitable and in the interests of the Company, provided that the New Shares offered under the Shortfall are issued at the same price under the Offer and the terms and conditions of the issue of such New Shares are not materially more favourable to the persons to whom they are issued than the terms of the Offer.

An application to participate in any Shortfall may be made pursuant to this Disclosure Document by a Shareholder or Warrant holder in New Zealand or Australia, although other persons may apply for the Shortfall to the extent permitted by relevant securities laws, provided that the Directors may not participate in any Shortfall.

If applicants wish to participate in any Shortfall that may arise under the Rights Issue, they should complete the Shortfall Application section of the Application Form attached to this Disclosure Document and lodge the Application Form together with the relevant application monies to:

Link Market Services Limited
PO Box 384
Ashburton
New Zealand

The Directors will allocate any Shortfall in such manner as the Directors consider equitable and in the interests of the Company. The Directors currently intend to give priority to Shareholder or Warrant holder applicants (on such basis as the Directors may determine), although no assurance can be given to any person that they will be given an allocation of any Shortfall.

The Directors do not guarantee that any Shortfall Application will be successful. In the event the Shortfall Application is not accepted (whether in whole or in part) monies in relation to the New Shares applied for and not allocated will be refunded in full without interest within 21 days of notification of the Shortfall by the Company to ASX.

The Company may at its discretion pay a commission on a Shortfall Application received, in particular in respect of applications bearing a broker stamp of an NZX Firm or a member organisation of the ASX or NSX, provided the Shortfall Application is accepted by the Directors and New Shares are subsequently allotted. The payment of any commission will be made 14 days after acceptance by the Company of a Shortfall Application.

In respect of the offer of the Shortfall, this Disclosure Document is available in a paper version and in electronic form. The electronic version can be found on the Company's website www.heritagegold.co.nz until the Rights Issue closes.

Those who wish to participate in any Shortfall may either:

- complete and return the Shortfall Application section of the Application Form which is included in the paper version of this Disclosure Document; or
- print a copy of the Disclosure Document and the Application Form from the above internet address, complete the Shortfall Application section of the Application Form and return it.

If you view an electronic copy of the Disclosure Document, please ensure that you have retrieved the entire Disclosure Document accompanied by the Application Form before applying for New Shares. If you have not received the entire Disclosure Document please contact the Company Secretary on +64 9303 1893.

Underwriting

The Offer is partially underwritten by Rundle Capital Partners Limited (ACN 107 603 878) (the "Underwriter") pursuant to an agreement between the Underwriter and the Company dated 13 October 2006 (as amended on 25 October 2006). The terms of the underwrite are such that the Company may call upon the Underwriter to subscribe for, or cause the subscription for, 18,531,216 New Shares less the number of New Shares under this Offer in respect of which Rights are accepted and/or in respect of which Shortfall applications are received. By way of example, if Rights were exercised, and/or applications for New Shares were received under the Shortfall, in respect of 10,000,000 New Shares, the Company could call upon the Underwriter to subscribe, or cause the subscription, for 8,531,216 New Shares. If Rights were exercised, and/or applications for New Shares were received under the Shortfall, in respect of 18,531,216 or more New Shares, the Company could not call upon the Underwriter to subscribe for New Shares.

Details of the underwriting fee payable to the Underwriter are set out on page 16, under the heading "What are the charges?".

Non Resident Investors

This Disclosure Document, and the Rights Issue, does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer. Where this Disclosure Document has been despatched to investors domiciled outside Australia and New Zealand and where that country's securities code and legislation requires registration, this Disclosure Document is provided for information purposes only. Non resident investors should consult their professional

advisers as to whether any governmental or other consents are required or whether formalities need to be observed to enable them to accept this Rights Issue.

The Company is of the view that it is unreasonable to make an offer under this Disclosure Document to shareholders outside of Australia and New Zealand having regard to:

- the number of shareholders outside of Australia and New Zealand;
- the number and value of the securities to be offered to shareholders outside of Australia and New Zealand; and
- the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to make offers under the Disclosure Document to shareholders outside of Australia and New Zealand though the Disclosure Document will be sent to shareholders outside these jurisdictions for information purposes only.

Who is involved in providing it for me?

Names and addresses

Issuer

The issuer of the Rights that are the subject of this Disclosure Document is Heritage Gold NZ Limited (registered number AK/276623). Its registered office is:

New Zealand Registered Office:

Heritage Gold NZ Limited
541 Parnell Road
Parnell
Auckland
New Zealand

Principal Australian Office:

1st Floor, 25 Richardson Street
West Perth WA 6005
Australia
Telephone (+61 8) 9481 2040
Facsimile (+61 8) 9481 2041

Activities

Heritage Gold is a mineral exploration company that has been an active explorer, principally in New Zealand, since it was incorporated in 1985. It currently explores for gold in the Coromandel region of New Zealand and has applications for prospecting permits for gold, copper and other base metals in Northland. It also explores for cobalt near Broken Hill in Australia.

Heritage has an investment in another listed company not connected with mining. Through its wholly owned subsidiary, Coromandel Gold Limited, it holds 45,400 shares in Training Solutions Plus Limited, listed on the NZSX.

Spin-out of Waihi gold projects

The Company separately proposes to undertake a spin-out of its exploration permits and other interests in Waihi district gold projects and related assets and contracts ("the Waihi Asset") to Mid-Earth Minerals Limited ("MEM"). At the date of this Disclosure Document, Heritage holds 100% of the voting shares in MEM. A copy of the constitution of MEM can be obtained from the New Zealand Companies Office at www.companies.govt.nz for a nominal fee.

The following steps have been undertaken/are currently contemplated in connection with the proposed spin-out and listing of MEM on the NZSX. *Shareholders should note that this proposal may be subject to change (in whole or in part) or an election may be made not to proceed with this proposal at any*

time after the date of this Disclosure Document by the Directors and/or MEM. Shareholders should also note that no application for listing of MEM on the NZSX market has been made and no assurance can be given that MEM will be accepted for listing on the NZSX market:

- o Paul Cranney, the proposed Managing Director of MEM, has executed documentation with MEM and to Heritage Gold in connection with the proposed listing. That documentation includes an Employment Agreement pursuant to which Mr Cranney's employment with MEM will commence immediately upon listing of MEM. Mr Cranney has extensive experience in the mining sector.
- o A sale agreement (the "Sale Agreement") will be entered into between Heritage Gold and MEM in respect of the sale of the Waihi exploration permits and related assets. The consideration for the sale of those assets will be NZ\$6,000,000, to be satisfied by the issue of 24,000,000 ordinary shares in MEM at NZ\$0.25 per share.
- o Heritage Gold shareholders will obtain shares in MEM by virtue of a reclassification of certain of their shares in Heritage Gold and redemption of those shares for ordinary shares in MEM. This aspect is described in more detail in paragraph (a) below.
- o A prospectus share issue of up to 22,000,000 shares in MEM at NZ\$0.25 per share will be undertaken by MEM in conjunction with the proposed listing (or a prospectus issue of a lesser number of shares in MEM, after deducting the number of shares issued pursuant to a potential placement of up to 2,000,000 shares in MEM to professional/habitual or sophisticated investors and/or eligible persons at NZ\$0.20 per share). At this stage it is envisaged that a minimum amount of 12,000,000 ordinary shares (amounting to an aggregate issue price of NZ\$3,000,000) will be set in relation to that capital raising.
- o The listing of MEM on the NZSX Market operated by NZX in conjunction with the prospectus issue mentioned in the previous paragraph.

Proposed capital structure of MEM

For the purposes of the proposed listing of MEM, based on the currently envisaged structure (as outlined above), it is envisaged that the capital structure of MEM will be as follows (upon listing):

(a) Heritage Gold will hold 6,200,000 ordinary shares

Heritage Gold will initially hold 7,000,000 ordinary shares in MEM (resulting from a sub-division of the initial 100 ordinary shares issued to Heritage Gold upon incorporation of MEM). As described above, Heritage Gold will also be issued 24,000,000 ordinary shares in MEM upon settlement occurring under the Sale Agreement.

Heritage Gold proposes to put in place a mechanism whereby Heritage Gold shareholders will obtain 24,800,000 ordinary shares of its 31,000,000 ordinary shares in MEM referred to in the preceding paragraph. Specifically, this will be achieved by the shareholders of Heritage Gold passing a special resolution to reclassify (on an effective date determined by the Directors) one in every three ordinary shares in Heritage Gold as Stapled Redeemable Shares ("Redeemable Shares"). The Redeemable Shares will be capable of being redeemed at the discretion of Heritage Gold by a transfer to the holder by Heritage Gold of the appropriate number of ordinary shares in MEM. It is envisaged that such reclassification and redemption will occur after the Closing Date.

It is also envisaged that in conjunction with such reclassification of one in every three ordinary shares in Heritage Gold, a subdivision of the remaining ordinary shares in Heritage Gold would be undertaken, such that every two ordinary shares would be subdivided into three ordinary shares (i.e. in addition to the Redeemable Shares that would be held by them, Heritage Gold shareholders would effectively hold then the same number of ordinary shares in Heritage Gold as they did prior to the aforementioned reclassification).

(b) A nominee of Paul Cranney will hold 4,300,000 ordinary shares (assuming full subscription under the capital raising)

Pursuant to the documentation executed by Mr Cranney, a nominee of Mr Cranney has been issued 4.3 million (non-voting) unlisted partly paid redeemable shares, with an issue price of NZ\$0.14. NZ\$0.001 of the issue price per share has been paid to date. Those shares will, upon listing of MEM occurring and the balance of the issue price being paid (the funding for which will be derived from an inducement fee to be paid by MEM to Mr Cranney upon listing, in consideration of his commitment to

become an employee of MEM), be automatically subdivided or consolidated (as required) to give a number of shares that is equal to 7.5% of the issued capital of MEM upon listing. Those shares will in turn be reclassified as fully paid ordinary shares in MEM.

Mr Cranney or his nominee will also be issued, upon listing, Optional Convertible Notes that will enable Mr Cranney or his nominee to obtain a further 7.5% of the ordinary shares of MEM (relative to the share capital upon listing), subject to payment of the applicable conversion price (being NZ\$0.30, NZ\$0.325 or NZ\$0.35) between one and five years after listing.

(c) Heritage Gold shareholders will hold 24,800,000 ordinary shares

As described in paragraph (a) above, these shares will be obtained by Heritage Gold shareholders pursuant to the reclassification and redemption.

(d) MEM shareholders and/or other members of the public will hold the balance of up to 22,000,000 ordinary shares

As mentioned above, up to 22,000,000 ordinary shares (but, as currently contemplated, not less than 12,000,000 ordinary shares) will be issued pursuant to a prospectus capital raising by MEM, at NZ\$0.25 per share (and as noted above, the number of shares offered could be reduced if the placement of up to 2,000,000 shares is undertaken by MEM prior to such prospectus capital raising).

Heritage Gold's existing mineral interests

With regard to the current activities of Heritage Gold and its subsidiaries and its exploration prospects, Heritage Gold's minerals interests in Australia and New Zealand include:

- 33% of Broken Hill Cobalt Limited which owns the Thackaringa cobalt project near Broken Hill in New South Wales, Australia.
- 100% equity in 3 epithermal gold/silver properties in the Coromandel region of New Zealand, known as:
 - Waihi North, comprising two exploration permits that lie between the Martha open pit gold mine at Waihi owned by Newmont Waihi Operations Ltd ("Newmont") and the former Golden Cross mine 10km to the north;
 - Golden Valley, that lies directly east of the Martha mine and Newmont's Favona gold project; and
 - Karangahake, which includes the major historic Talisman gold/silver mine 13km west of Waihi.These assets in the Coromandel region are intended to be transferred to Mid-Earth Minerals Limited, under the spin-out described above.
- Northland Minerals Limited – 100% interest in two prospecting permit applications about 140km north of Auckland. The area is regarded as highly prospective for precious metals and base metals mineralization.

These projects are described in more detail below.

Thackaringa Cobalt Project

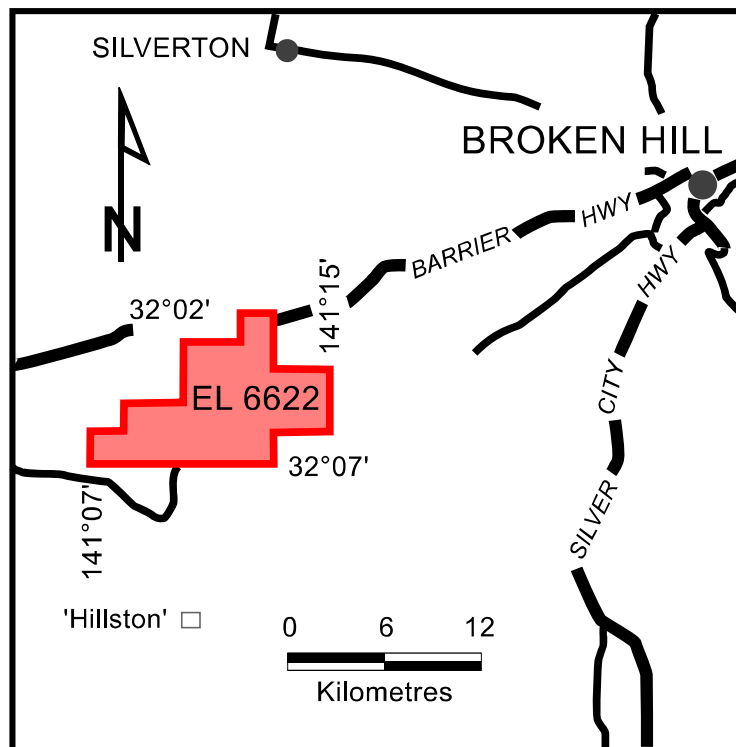
Heritage Gold has a 33% interest in Broken Hill Cobalt Limited ("BHCL"), which owns two mining leases covering the Thackaringa cobalt project, 25km southwest of Broken Hill in New South Wales. Heritage Gold is the Manager of the project.

The Company has completed a programme of consolidation of its other existing tenement interests at Thackaringa and is awaiting grant of an exploration licence that includes all the ground previously held by BHCL and Western Metals Copper Limited in the project area.

The existing mineralisation at Thackaringa has been tested to only about 100 metres depth and is open along strike and at depth. The Company's target is 33 million pounds of cobalt within the project area, based on interpretation of previous drilling and exploration work.

Metallurgical test work previously has shown encouraging results from several oxidation techniques including a biooxidation process to release a substantial percentage of cobalt. Market surveys have been undertaken for cobalt and by-product minerals known to occur in the mineralised zone.

Untested potential for base metals (and gold) similar to the well known Broken Hill deposit occurs within the exploration licence application area.



Karangahake Gold Project

Karangahake lies about 13km west of Newmont's Martha mine.

The project includes the contiguous Talisman, Dominion Knoll, and Rahu permits that cover a 4km strike length of gold/silver mineralised quartz veins.

Previous underground drilling and channel sampling by the Company expanded the Talisman resource base, for a Joint Ore Reserves Committee ("JORC") compliant resource of 205,000oz gold and 800,000oz silver.

Heritage Gold's objective at Talisman is to define a larger gold resource on which it can base an economic mining operation.

Heritage Gold's objective for the Karangahake project is to delineate sufficient ore for a 10 year mining period, which could justify establishment of a treatment plant near Karangahake.

The Waihi gold district has yielded a total of over 8Moz of gold and more than 56Moz of silver to date. Karangahake was the second largest producer in the district (and the Coromandel) with 1Moz gold and 3Moz of silver recorded.

The Company has continued its exploration work in preparation for an ongoing programme of resource drilling.

Baseline environmental studies have been underway for two years to provide data to support subsequent applications for resource consents for future development. They are being coordinated by URS New Zealand Ltd, who have been involved with environmental work for most major gold mine developments in New Zealand over the last 20 years, and have strong technical capabilities.

West of the Talisman mine Heritage had encouraging results from Dominion Knoll where several major quartz veins are outlined by gold geochemical anomalies and distinct geophysical signatures that are likely to reflect quartz veins at depth.

The Rahu permit extends north of Talisman and has a 2km long zone of coincident geochemical, resistivity and ground magnetic anomalies.

Previous reverse circulation drilling by Heritage in the this area encountered anomalous gold values in all holes of an 8 hole programme, and included assays of up to 1.0m at 7.80g/t gold and 198.0g/t silver. The holes were drilled to depths of less than 50m. The results conform to the Company's geological model for the district, which suggests that gold and silver grades can be expected to improve at depth.

The discovery of gold at Rahu strengthens the Company's interpretation of the area as likely to host significant mineralisation capable of supporting long-term production.

Appraisal extensions have been granted for exploration permits at Talisman and Rahu to facilitate resource definition with the objective of outlining gold resources sufficient to support a stand alone treatment plant.

Other Waihi District Gold Projects

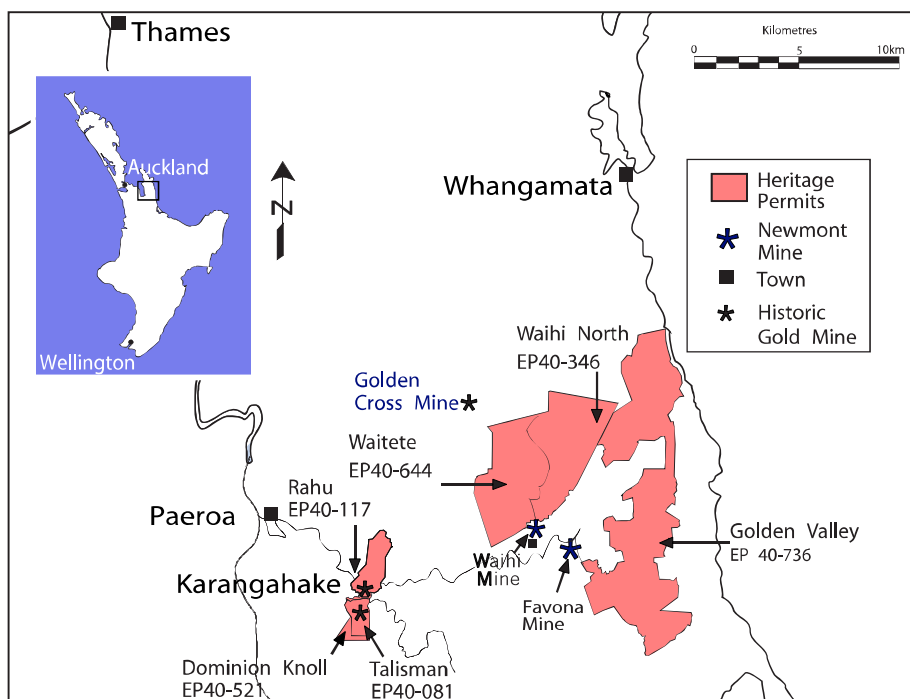
Heritage has 9329ha of granted permits and applications within 15km of the Newmont plant and is arguably the largest holder of brownfields exploration ground in the Waihi district.

The Company has a large land position adjacent to the northern boundary of the Martha mine, in the Waihi North and Waitete exploration permits. The Martha alteration zone extends into the Waihi North permit, which also contains other large alteration zones not previously tested.

Exploration holes drilled by Heritage near the Martha mine boundary encountered strong alteration and minerals similar to those found in the Martha ore body. The drill holes were interpreted from alteration studies as having passed over the top of the intended targets. Further geophysical surveys at this locality are planned to better define drill targets.

At Golden Valley, east of Newmont's Favona discovery, Heritage has located several magnetic features interpreted as alteration zones beneath barren cover. Geochemical sampling, ground magnetic surveying and geological mapping are being used on alteration zones for follow up exploration.

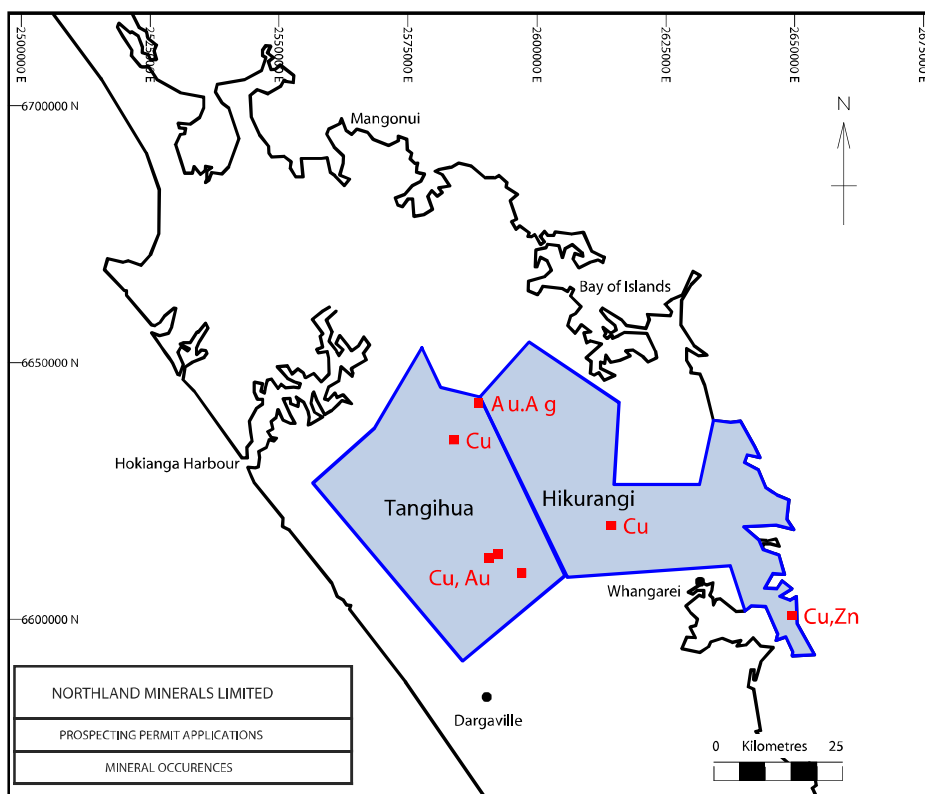
As mentioned above on pages 8 to 10, to further Heritage's development objectives the Board has decided to set up a new company structure (MEM) with a separate board and management team, headed up by Mr Paul Cranney, to focus on the Waihi projects and take them through the evaluation and development phases.



Northland Project (100%)

The Company's subsidiary, Northland Minerals Limited, has two prospecting permit applications in the Northland region of the North Island. The areas have potential for epithermal gold/silver and porphyry copper deposits, and also gold-rich volcanogenic massive sulphide base metal deposits. The geological setting is in part very similar to that in the Coromandel volcanic zone where the 7.4Moz Martha gold deposit is located.

The region has seen very limited exploration activity over the past 30 years, with virtually no exploration using modern techniques on a regional scale.



How much do I pay?

Monies payable by subscribers

Holders of Existing Shares with a registered address in New Zealand or Australia at 5pm (New Zealand time) on the Record Date are automatically entitled to the Rights at no monetary cost.

Share Price

The Share Price payable to subscribe for each New Share is NZ\$0.029 or AU\$0.025. The Share Price for each New Share is payable on acceptance of the entitlement to one New Share. The Share Price will be on account of the issue price of a New Share; i.e. NZ\$0.029 or AU\$0.025.

Acceptance of the Offer

The Offer may be accepted in whole or in part. There is no minimum number of Existing Shares required for the entitlement to Rights.

Entitlements to New Shares pursuant to the Rights Issue are renounceable. This enables holders of Existing Shares who do not wish to subscribe for some or all of the New Shares under this Rights Issue to sell their respective Rights and also enables holders of Existing Shares to purchase additional Rights if they wish.

The Rights will be quoted on both the ASX and the NZSX. Trading of Rights will commence on the ASX on Wednesday 18 October 2006 and on the NZSX on Wednesday 25 October 2006 and will cease at the close of trading on Wednesday 15 November 2006 (for ASX) and Monday 20 November 2006 (for NZSX).

Applications for New Shares must be made so as to be received no later than 5pm (New Zealand time) on Wednesday 22 November 2006 (Closing Date). The Directors reserve the right to extend the Closing Date. If you do not accept the offer by the Closing Date, your Rights will lapse immediately after 5pm (New Zealand time) on the Closing Date.

Any application monies paid by an investor for New Shares will be held on trust for that investor until the Company effects the issue to the investor of the relevant number of New Shares, at which time the relevant funds will be released beneficially to the Company.

To Accept your Entitlement (in full) – Application Form

Completed and signed Entitlement & Acceptance sections of the Application Form (stating how many New Shares you wish to accept) should be accompanied by a cheque made payable to: "Heritage Gold NZ Limited New Share Offer" and crossed "Not Transferable". All cheques must be in New Zealand dollars or Australian dollars and sent with the completed Application Form to:

Link Market Services Limited
PO Box 384
Ashburton
New Zealand

or to any NZX Firm or Australian broker in time to enable forwarding to the Share Registrar in New Zealand by 5pm (New Zealand time) on Wednesday 22 November 2006.

To Sell your Entitlement in Full:

- (i) instruct an NZX Firm or Australian broker to sell the number of Rights specified on the enclosed Entitlement & Acceptance sections of the Application Form during the Rights Trading Period (i.e. the periods referred to in (v) below under this heading); and
- (ii) complete and sign the Security Transfer Form (which is on the reverse of the enclosed Entitlement & Acceptance sections of the Application Form); and
- (iii) send the completed Security Transfer Form promptly to the NZX Firm or Australian broker you instructed to sell your Rights, in sufficient time to enable the NZX Firm or Australian broker to complete the sale of your Rights within the relevant Rights Trading Period and to forward it to

the Share Registrar in New Zealand by 5pm on Wednesday 22 November 2006, being the closing date of the Offer; and

- (iv) do not complete the enclosed Entitlement & Acceptance sections of the Application Form.
- (v) Rights may only be traded in the period between Wednesday 25 October 2006 and Monday 20 November 2006 on the NZSX and between Wednesday 18 October 2006 and Wednesday 15 November 2006 on the ASX.

To Accept Part of Your Entitlement and Sell the Balance:

- (i) instruct an NZX Firm or Australian broker to sell the number of Rights you wish to renounce; and
- (ii) complete and sign the Security Transfer Form (which is on the reverse of the enclosed Entitlement & Acceptance sections of the Application Form) for the number of Rights you wish to renounce; and
- (iii) complete and sign the enclosed Entitlement & Acceptance sections of the Application Form, in accordance with the instructions on that form, for the number of New Shares you wish to accept; and
- (iv) attach your cheque (denominated in New Zealand or Australian currency (as the case may be)), made payable to "Heritage Gold NZ Limited New Share Offer" and crossed "Not Transferable" for the appropriate amount payable on acceptance; and
- (v) forward your cheque and the signed Entitlement & Acceptance sections of the Application Form (including the completed Security Transfer Form) to the NZX Firm or Australian broker you instructed to sell your Rights, in sufficient time to enable the NZX Firm or Australian broker to complete the sale of your Rights within the relevant Rights Trading Period and to forward it to the Share Registrar in New Zealand by 5pm on Wednesday 22 November 2006, being the closing date of the Offer.
- (vi) Rights may be traded in the period between Wednesday 25 October 2006 and Monday 20 November 2006 on the NZSX and between Wednesday 18 October 2006 and Wednesday 15 November 2006 on the ASX.

NB:

Please note that if you do not accept or sell your entitlement in accordance with the instructions set out above, any entitlement not accepted or sold will form part of the Shortfall.

Please note that post-dated cheques will not be accepted. Applications cannot be revoked or withdrawn and acceptance amounts (except in the case of over-subscription by a Rights holder) will not, therefore, be refunded. **As indicated above, you should note that the Company reserves the right to extend the Offer and that such extension may result in the dates referred to in the table on page 4 of this Disclosure Document being altered. Any such changes will be advised through the NZSX market announcement platform (or ASX equivalent).**

If you need any assistance you should contact an NZX Firm or Australian broker or your financial or legal adviser.

The Offer is not conditional on the Company receiving any minimum level of subscription.

What are the charges?

There are no monetary charges for the Rights under this offer. Upon acceptance, there is NZ\$0.029 or AU\$0.025 per Right payable for the issue to you of each Share.

As detailed on page 7, the Offer is partially underwritten by the Underwriter pursuant to an underwriting agreement between it and the Company dated 13 October 2006 (as amended on 25 October 2006). An underwriting fee AU\$18,531 (being the equivalent of NZ\$21,496) will be payable by the Company to the Underwriter as follows:

- (i) if the Underwriter requires to subscribe, or causes the subscription, for New Shares under the Underwriting Agreement; or
- (ii) if Rights are exercised, and/or Shortfall applications are received, in respect of 18,531,216 New Shares pursuant to this Offer (i.e. without recourse being made to the Underwriter under the Underwriting Agreement).

The Company estimates that its costs in respect of the Offer will be NZ\$50,000 plus GST, excluding the underwriting fee which will be NZ\$21,496.

What returns will I get?

Returns to Holders

A holder of Rights may either:

- retain the Rights and apply for one New Share for every Right held; or
- instruct their stockbroker to sell all their Rights during the Rights Trading Period,
- retain some Rights and apply for one New Share for every Right retained and instruct their stockbroker to sell the balance of the Rights during the Rights Trading Period; or
- do nothing with the Rights, in which event the Rights will lapse immediately after 5pm on the Closing Date.

Shareholders will be entitled to receive or benefit from any dividends paid by the Company in respect of Shares and to any other returns attaching to the Shares. However, the Company is not intending to pay dividends in the foreseeable future, given that it is intended that the Company will use all available funds for operations and exploration programmes.

Shareholders may also benefit from any increase in the market price of their Shares if they sell them. The market price of Shares may also decline.

There is no assurance that there will be a market for Rights or New Shares. The return (if any) from selling the Rights or New Shares will depend on a number of factors, including whether there is a market for the Rights or New Shares, the demand, volumes and prices quoted on the NZSX at the time of sale and the price of the Shares.

Some factors that may have an influence on your returns on the Rights and on the Company's Share price are:

- changes in the demand for gold and cobalt resulting in lower prices for the metals;
- the demand for Shares relative to their supply;
- the Company's exploration successes;
- the costs of extracting gold and cobalt at projects in which the Company holds interests;
- weather conditions at projects in which the Company holds interests;
- adverse changes in currency exchange rates;
- cashflow requirements for development progress;
- the spin-out of the Waihi assets in the manner described on pages 8 to 10 above (or any revised structure for that spin-out determined by the Directors); and
- the Company currently has a policy of not paying dividends and the Directors are unable to predict when any dividend may be paid in the future. This will depend on a number of factors including: the future success, profitability and financial position of the Company.

Taxation and changes to taxation laws may also affect your returns on the Shares.

The Company is the person legally liable to pay any returns on the Shares.

What are my risks?

Risks

Investments in the Company can be considered speculative. Risks associated with investment in the Company include risks of a general nature relating to investment in shares and securities generally where the company invested in has a small market capitalisation together with risks particular to investment in the Company, which risks relate to the nature of its activities, being mineral exploration.

Investors in the Company will also be subject to normal risks relating to the general levels of economic activity and macro-economic factors beyond the control of the Company including share market conditions which may affect the share market and share prices generally.

Specific risks that may affect the Company and its activities include project specific risks such as:

- **In relation to its various tenements in the Coromandel region of New Zealand and in New South Wales, Australia:**
 - The Company is required under the Crown Minerals Act 1991 in New Zealand to undertake exploration programmes on granted mining privileges and to report the results of this work regularly as part of its obligations to maintain the tenements in good standing. The Company is also required to pay annual fees to maintain such tenements. The Company has to date undertaken exploration work on its granted mining privileges and reported on the results of this work and maintained its tenements in good standing. Shareholders should note, however, the Company is currently in discussions with the New Zealand Ministry for the Environment regarding variations to one such tenement. At the date of this Disclosure Document the outcome of those discussions is not yet final.
 - In order to undertake high impact exploration activities, specifically drilling and bulk sampling, on its tenements the Company requires the consent of the land owner(s) and occupier(s) affected by the activity. Drilling and bulk sampling may also require the granting of resource consents under the appropriate district and regional plans controlling environmental impacts in New Zealand under the Resource Management Act 1991. To date the Company has secured the required consents from land owners and occupiers and the necessary resource consents to enable it to carry out exploration work on its tenements.
 - In order to undertake exploration work on land which is subject to the Conservation Act 1987 in New Zealand the Company requires the consent of the Minister of Conservation. To date the necessary consents required for exploration of the Company's tenements on such land have been granted.
 - The Company's tenements in New Zealand may be affected by claims made by Maori under the Treaty of Waitangi. All of the Company's New Zealand tenements lie within Maori claims made under the Treaty. Notwithstanding such claims the New Zealand Government has stated that settlement of the claims will not include transfer of private land. Nor has there been any suggestion by the New Zealand Government that it will transfer ownership of gold or other Crown owned minerals in order to settle such claims.
 - All of the Company's tenements in New Zealand cover Crown owned gold, silver and other minerals. Some of the land under prospecting permit application in Northland may have private mineral ownership of minerals other than gold and silver. Separate access to these areas may be required to be negotiated in the event that Northland Minerals Limited proceeds to subsequent exploration permits over such affected areas.
 - The Company is required under the NSW Mining Act 1992 and the regulations thereto as amended, to undertake exploration on granted mining tenements and to report the results of this work regularly as part of its obligations to maintain the tenements in good standing.

- Native title and native title sites may adversely affect the Company's interests in mining tenements in New South Wales or its ability to exploit the minerals contained within those tenements.
- Where native title rights exist in respect of any part of the tenements in New South Wales, the ability of Heritage Gold to move from exploration to the mining phase of operations would be affected. This could significantly delay progress until agreement was negotiated with the native title claimants, whereby the claimants would consent to the grant of mining leases in return for compensation or other consideration which might have to be borne by Heritage Gold. If agreement could not be reached by negotiation, the matter could be placed before the National Native Title Tribunal for resolution.
- **If the Company is liquidated, it is reasonably foreseeable that you will receive less money, if any, than you paid the Company on payment in full of the Share price.**
- **In relation to the Company's operations generally:**
 - Both domestic and world economic conditions may affect the performance of the Company. Factors such as the level of industrial production, inflation, currency exchange rates and interest rates impact on commodity prices including gold prices.
 - Fluctuations in the price of gold may affect the potential economic viability of the Company's operations. Commodity prices react to the economic climate, market forces of supply and demand and other factors outside the control of the Company.
 - The Company relies on the services of key personnel. Should the Company lose the services of such key personnel this could impact adversely on the Company and its operations.
 - Exploration and mining activity has been demonstrated over the years to be subject to numerous risks. Exploration in particular is a speculative activity and success in identifying economically recoverable resources can never be guaranteed. Where exploration is successful and mining operations commence they can be interrupted by adverse weather conditions, labour disputes, civil unrest, unforeseen increases in establishment and operating costs, mining and metallurgical problems and other factors over which the Company may have little control.
 - The Company will be subject to environmental risks. The legal framework governing this area of the law is constantly developing and as a consequence not all future liabilities and obligations can be foreseen. Without limiting the generality of the above the Company may be required in future to undertake clean up programmes resulting from any contamination from operations in which it participates. The Company is not presently aware of any material issue in this regard.
 - Following cessation of any present and future operations the Company will be required to participate in rehabilitation programmes, removing disused plant and equipment and where necessary restoring land that has been disturbed in the course of operations.
 - There are macro-economic risks to which the Company is subject including changes in Government policy, taxation laws and many other factors which may influence or affect the viability of any mining project.
 - Adverse weather conditions or seismic or geological activity may affect the Company's exploration activities.
 - The spin-off of the Company's New Zealand gold properties may not proceed in the manner currently contemplated (as described in more detail on pages 8 to 10) or may not proceed at all. The proposal is contingent on a number of factors, including approval by ordinary resolution of the shareholders of Heritage and consent of the Ministry of Economic Development in New Zealand to the transfer of the Waihi gold exploration permits. Delays in completing that spin-off or changes in the structure of or a decision not to proceed with that spin-off may adversely affect the value of the Shares. It is envisaged that in the event that the spin-off does not proceed, the Waihi gold exploration permits and related assets will continue to be held by Heritage and the subscription monies under this Offer that would otherwise have

been applied to advance the spin-off will be applied towards further exploration under those Waihi gold property permits. Shareholders should note that no application for listing of MEM on the NZSX market has been made and no assurance can be given that MEM will be accepted for listing on the NZSX market.

- **In relation to the Company's listings on the NZSX, the ASX and the NSX:**

- The Company is listed on the NZSX, the ASX and the NSX and to retain quotation of its securities on these exchanges it must comply with the Listing Rules of each stock exchange. Any serious breach of the Listing Rules by the Company, whether inadvertent or otherwise, may result in the suspension or even delisting of the Company and loss of quotation of its securities.
- None of the NZX, ASX and NSX accept any responsibility for any statement in this Disclosure Document.

- **In relation to the Adoption of International Financial Reporting Standards:**

The Company is required to adopt International Financial Reporting Standards ("IFRS") in New Zealand from 31 March 2007. Accordingly, the impact of these standards has not been quantified by the Company as at the date of this Disclosure Document.

The key potential implications on the consolidated entity of the conversion to IFRS, identified to date, are summarised as follows:

- Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value.
- Income tax will be calculated based on the "balance sheet" approach, which may result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity.
- Impairments of assets will be determined on a discounted basis (with the exception of exploration expenditure), with strict tests for determining whether goodwill and cash-generating operations have been impaired.
- Equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services.
- Provision for mine site restoration and rehabilitation is currently recognised on an incremental undiscounted basis over the mine life. Under IFRS the provision would be recognised in full and be discounted upon initial recognition with a corresponding asset being recognised and included as part of development costs.

Consequences of insolvency

If the Company becomes insolvent and is placed into liquidation or receivership, holders of Shares in the Company would not receive any return of capital until the Company had paid all of its creditors, both secured and unsecured, including the costs of liquidation. Depending on the value of the Company's assets it may not, after paying all its creditors and expenses, have sufficient funds to repay its shareholders in full. In these circumstances, the Company's investors may not recover some, or all of their original investment in the Company. In liquidation, all ordinary shareholders will rank equally. Shareholders who have paid the full amount due to the Company in respect of their Shares are not liable to anyone for any payment in the event of the Company's insolvency or otherwise.

Can the investment be altered?

Alteration of rights attaching to securities

The rights attaching to the New Shares are set out under the heading "What sort of investment is this?" and in the section headed "Terms, conditions and description of New Shares" on pages 35 to 36 of this Disclosure Document. These rights attaching to the New Shares may be altered by a special resolution of the holders of the New Shares.

The rights conferred on the Company's shareholders are set out in the Companies Act and the Constitution, and also the applicable Listing Rules of the NZSX, the ASX, and the NSX. The Constitution is a listed company's constitution. Shareholders' rights may be negated, altered or added to by an amendment of the Constitution, which may be made by a special resolution of shareholders.

A special resolution requires the approval of 75% of the votes of shareholders affected by the relevant matter, to be valid.

Heritage Gold may not take any action which would affect the rights of shareholders without approval by special resolution of those shareholders whose rights would be affected by the action in question. A special resolution must be approved by 75% of those shareholders entitled to vote and voting on that resolution.

Major transactions and those that would change the nature of the Company's business also require the approval of a special resolution.

How do I cash in my investment?

Right to sell securities

Your Rights are renounceable and accordingly you may sell your Rights, in whole or in part, to any person. Rights will be tradable on the NZSX and ASX during the applicable Rights Trading Period. Therefore, if you wish to sell any of your Rights on the NZSX or the ASX, you must do so before Rights Trading ceases on 20 November 2006 (on the NZSX) or on 15 November 2006 (on the ASX). If you need any assistance you should contact an NZX Firm or Australian broker, or your financial or legal adviser.

Shareholders wishing to increase their holdings or "round-up" their holdings to a marketable parcel may purchase Rights on the NZSX or the ASX, and are advised to contact an NZX Firm or Australian broker for that purpose.

If the Company receives on or before the Closing Date both an acceptance by a Rights holder and a renunciation in respect of the same Right, the Company will give effect to the renunciation in priority to the acceptance.

The New Shares have been accepted for listing by NZX and will be quoted upon completion of allotment procedures.

Application has been made to NZX for permission to list the Rights and all the requirements of the NZX relating thereto that can be complied with on or before the date of this Disclosure Document have been complied with.

Application will be made within 7 days following the date of the Disclosure Document to ASX and NSX for quotation of the New Shares to quotation and all the requirements of ASX and NSX relating thereto that can be complied with on or before the date this Disclosure Document have been duly complied with.

However, the NZX, ASX and NSX accept no responsibility for any statement in this Disclosure Document.

No New Shares comprising the Rights Issue offered pursuant to the Disclosure Document will be issued until ASX grants official quotation of the New Shares.

Shareholders are entitled to sell their New Shares to other persons. There is an established market for the Company's Shares and, subject to demand, you may sell your New Shares on the NZSX, ASX or NSX.

There are likely to be brokerage costs payable if the Rights or the New Shares are sold through a broker.

If granted, official quotation of the New Shares will commence as soon as practicable after the issue of statements of holdings to applicants. If approval is not granted by ASX, NSX and NZX before the expiration of three months after the date of this Disclosure Document, the Company will not issue any New Shares and will repay all application monies within the time prescribed under the relevant legislation, without interest.

The fact that ASX, NSX and NZX may grant official quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

It should be noted that no assurance can be given by the Company that Rights will be quoted on NZSX and if quoted on NZSX, will remain quoted on NZSX. Furthermore, the Company can give no assurance that the Company will ultimately remain listed on the NZSX, ASX or NSX.

Who do I contact with enquiries about my investment?

Enquiries about securities

Enquiries should be directed to:

The Chairman
Heritage Gold NZ Limited
541 Parnell Road
Parnell
Auckland
New Zealand
Phone: (+ 64 9) 303 1893
Fax: (+ 64 9) 303 1612
Email: office@heritagegold.co.nz

Enquiries about present shareholdings can be made to:

In New Zealand:

Share Registrar
Heritage Gold NZ Ltd
C/- Link Market Services Ltd
PO Box 384
Ashburton
New Zealand
Phone: (+ 64 3) 308 8887
Fax: (+64 3) 308 1311

In Australia:

Share Registrar
Heritage Gold NZ Ltd
C/- Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000
Australia
Phone: (+61 2) 9290 9600 Fax: (+61 2) 9279 0664

Is there anyone to whom I can complain if I have problems with the investment?

Complaints about securities

Any complaints or problems with the investment should be addressed to:

The Chairman
Heritage Gold NZ Limited
541 Parnell Road
Parnell
Auckland
New Zealand
Phone: (+ 64 9) 303 1893
Fax: (+ 64 9) 303 1612
Email: office@heritagegold.co.nz

Complaints may not be made to any ombudsman in New Zealand.

What other information can I obtain about this investment?

Prospectus and Financial Statements

All of the details on the terms of the offer and additional information about the Company are contained in this Disclosure Document and in the Company's financial statements. Copies of the Company's most recent annual report and financial statements and the Disclosure Document may be obtained free of charge from the Company's offices in Auckland (New Zealand) and Perth (Australia), which are listed in the Corporate Directory on page 3, or from the Company's website www.heritagegold.co.nz.

This Disclosure Document and the financial statements are also filed on a public register at the Companies Office of the Ministry of Economic Development available at www.companies.govt.nz.

Ongoing reports to shareholders

Shareholders are sent annual audited financial statements and the annual report of the Company and the half yearly report. The Board may choose to distribute further reports according to investor demand.

The Company operates an internet site (www.heritagegold.co.nz) from which general information about the Company is available.

On request information

The Constitution contains, among other matters, information relating to the rights of the shareholders. A copy of the Constitution and annual reports, and financial statements, when prepared, are kept on the public file of the Company and are available for inspection during normal business hours at:

In New Zealand:

Companies Office
Ministry of Economic Development
3 Kingston Street
Auckland
New Zealand
www.companies.govt.nz

In Australia:

ASIC Service Centre
Level 36
66 St Georges Terrace
Perth WA 6005
Australia

Or, free of charge, at:

Heritage Gold NZ Limited
541 Parnell Road
Parnell
Auckland
New Zealand

THE EFFECT OF THIS OFFER ON THE COMPANY

The Company presently has 148,249,732 fully paid ordinary shares, 23,500,000 Listed Options, 7,200,000 Executive Options and 22,589,348 Warrants on issue.

On the basis of existing Shareholder entitlements and with the rounding referred to in this Disclosure Document (and assuming no Executive Options are exercised and no Warrants or Listed Options are converted), the Company will be granting up to 37,062,433 Rights to acquire up to 37,062,433 New Shares. If all Share Price payments are made, the Company would raise an amount of NZ\$1,074,811, and up to 37,062,433 New Shares will be issued. This would increase the number of the Company's issued shares from 148,249,732 to up to 185,312,165 Shares.

It is intended that the funds raised under this Offer will 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. There is no minimum amount of funds required to be raised. No payments received will be returned (other than in the event of an over-subscription by a Rights holder, as detailed in the third paragraph under the heading "What sort of investment is this? Description of securities" on page 5 of this Disclosure Document). The Company intends to apply the funds raised from the issue of the New Shares (after expenses of \$NZ71,496, including the underwriting fee) as follows:

	\$NZ
Karangahake	\$541,412
Other Gold Projects	\$300,994
Thackaringa Cobalt, NSW	\$50,166
Working Capital	\$110,743
Total	\$1,003,315

In the event of under subscription, funds will be applied on a pro-rata basis to the above projects. For example, if NZ\$500,000 is received, after payment of expenses of NZ\$71,496, the funds would be allocated: Karangahake NZ\$218,061, other gold projects NZ\$129,503, Thackaringa NZ\$22,854 and working capital NZ\$58,086; total NZ\$428,504.

The information set out above is a statement of the present intention as at the date of this Disclosure Document. The exact quantum of funds expended by the Company on any particular item will be dependent on the amount of funds raised and many other factors which cannot be ascertained with complete accuracy at the date of this Disclosure Document.

Capital Structure

Shares

Shares Issued	Capital Structure	NZ\$
148,249,732	Fully Paid Shares (as at the date of this Disclosure Document)	\$15,929,302
37,062,433	Maximum value of New Shares to be Issued pursuant to this Prospectus (and assuming no Executive Options are exercised and no Warrants or Listed Options are converted)	\$1,074,811
	Expenses of the Offer (assuming maximum underwriting fee is payable)	\$(71,496)
185,312,165	Total Issued Capital after completion of the Offer	\$16,932,617

Where the amount raised is less than the full amount of approximately NZ\$1,074,811, the number of New Shares issued under this Prospectus will reduce accordingly.

Executive Options

At the date of this Disclosure Document, there are 7,200,000 Executive Options on issue with the following exercise dates:

Number of Potential Shares	Unlisted Executive Options	Exercise Price NZ cents
3,600,000	3,600,000 Executive Options expiring 20 November 2007	8
3,600,000	3,600,000 Executive Options expiring 20 November 2008	12
7,200,000	Total Executive Options granted at date of this Disclosure Document	

As a consequence of the terms of issue of the Executive Options and as a separate arrangement from this Offer, the holder of the Executive Options will be entitled to acquire New Shares in the same ratio as shareholders are offered Rights under this Offer (i.e. in the ratio of one New Share for every four unexercised Executive Options held). Such New Shares will be offered on the same terms and conditions as New Shares are offered pursuant to this Offer. If the Executive Option holder's rights to New Shares was taken up 1,800,000 New Shares would be issued raising NZ\$52,200.

Warrants

At the date of this Disclosure Document, there are 22,589,348 Warrants on issue with the following exercise date:

Number of Potential Shares	Warrants	Final payment NZ cents
22,589,348	22,589,348 Warrants expiring 27 June 2007	6.5

Listed Options

At the date of this Disclosure Document, there are 23,500,000 Listed Options on issue with the following exercise date:

Number of Potential Shares	Listed Options	Conversion price NZ cents
23,500,000	23,500,000 Listed Options to be converted by 30 September 2008	10

Effect of the Offer on Heritage

Assuming none of the existing Warrants or Listed Options are converted and none of the Executive Options are exercised, the principal effect of the Offer on Heritage will be to:

- ♦ Increase cash reserves immediately after completion of the Offer by approximately NZ\$1,003,315 if the Offer is fully subscribed, after meeting estimated expenses of the Offer; and
- ♦ Increase the number of Shares on issue from 148,249,732 Shares to 185,312,165 Shares if the Offer is fully subscribed.

If the Offer is not fully subscribed, the amount raised (after costs) and the increase in the number of Shares on issue will reduce accordingly.

TERMS AND CONDITIONS OF THE NEW SHARES

These are set out in the Section titled "Terms, conditions and description of New Shares" on pages 35 to 36 inclusive.

CONTINUOUS DISCLOSURE

Pursuant to the Australian Corporations Act, disclosing entities are entitled to issue a prospectus that satisfies the requirements set out in Section 713 of the Corporations Act, where the securities offered by the company under the prospectus are quoted ED securities (or options over quoted ED securities) and the securities are in a class of securities that were quoted ED securities at all times in the twelve months before the issue of the prospectus (known as a transaction specific prospectus).

A transaction specific prospectus is only required to contain information relating to the issue of the securities that are the subject of the prospectus. Other general information is not required to be included by a disclosing entity, as the periodical reporting and continuous disclosure requirements now required of disclosing entities mean that all such information should previously have been released and disclosed to the market.

The Company is a "disclosing entity" for the purposes of Section 111AC of the Corporations Act. As such, the Company is subject to regular reporting and disclosure obligations that require it to disclose to the ASX (and under the New Zealand securities legislation, to the NZX) any information concerning the Company that the Company is aware of, or becomes aware of, and that a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

Having taken such precautions and made such enquiries as are reasonable, the Company believes that it has complied with the general and specific disclosure requirements of the ASX (and the NZX) as applicable from time to time throughout the twelve months prior to the issue of this Disclosure Document, which requires the Company to notify the ASX (and the NZX) of information that a reasonable person would expect to have a material effect on the price or valuation of the securities of the Company.

Copies of all documents lodged with ASIC in relation to the Company may be obtained from or inspected at an office of ASIC or viewed on the Company's website: www.heritagegold.co.nz.

Any person has the right to obtain a copy of the following documents, and the Company will provide a copy of each of the following documents, free of charge to any person who asks for it during the currency of this Disclosure Document:

- (a) A copy of the financial report for the year ended 31 March 2006 (being the last financial statement to be lodged with ASIC in relation to the Company before the issue of this Disclosure Document); and
- (b) All continuous disclosure notices lodged with ASX during the period commencing after the lodgement of the Company's last annual financial report for the year ended 31 March 2006 and ending at the date of lodgement of this Disclosure Document. Those disclosure notices are as follows:

Date	Description of Notice
31 July 2006	First Quarter Activities Report
31 July 2006	First Quarter Cashflow Report
18 August 2006	Appendix 3B
31 August 2006	Heritage Appoints CEO for New Gold Spinoff
14 September 2006	Notice of Annual Meeting
22 September 2006	Rights Issue and Placement
29 September 2006	Chairman's Address to Shareholders
29 September 2006	Results of AGM
29 September 2006	Heritage Raises A\$416,675 for Further Exploration
29 September 2006	Appendix 3B
29 September 2006	Secondary Trading Notice
9 October 2006	Pro-Rata Rights Issue
9 October 2006	Appendix 3B
10 October 2006	Director Appointment

ADDITIONAL INFORMATION

Directors' Interests

As at the date of this Disclosure Document, each of the Directors has a Relevant Interest in Existing Shares, Warrants and Executive Options as set out below:

Director	Relevant Interest in Existing Shares	Relevant Interest in Listed Options	Relevant Interest in Warrants
Peter Robert Atkinson	12,961,560	660,000	Nil
David John Williams	75,016	12,502	41,676
Geoffrey Guild Hill	4,472,080	4,078,680	Nil
James Murray McKee	Nil	Nil	Nil
Ralph Nicholas Stagg	1,200,000	200,000	500,255
Matthew Geoffrey Hill	Nil	Nil	Nil

Beneficial interests held above are as follows: Peter Atkinson holds a beneficial interest in Prophecy Mining Limited which holds 4,240,000 Shares and Geoffrey Hill holds a beneficial interest in SoCo Limited which holds 20,000,000 Shares and PCP Securities Limited which hold 4,472,080 Shares.

Except as disclosed in this Disclosure Document, no Director, and no firm in which a Director is a partner has any interest nor has had any interest in the last two years prior to the date of this Disclosure Document:

- in the formation or promotion of the Company;
- in any property acquired or proposed to be acquired by the Company in connection with the Offer; or
- in the Offer.

Directors' Remuneration

Director	2006 Director Fees & Services NZ	2005 Director Fees & Services NZ
Peter Robert Atkinson	90,000	90,000
David John Williams	5,096	7,853
Geoffrey Guild Hill	Nil	Nil
James Murray McKee	7,500	7,500
Ralph Nicholas Stagg	27,032	59,233
Matthew Geoffrey Hill	Nil	Nil

Directors received no other remuneration, superannuation or D & O insurance premiums over the last two years.

Anticipated Director remuneration over the year to 31st March 2007 is:

Director	2007 Anticipated Fees & Services (NZ\$)
Peter Robert Atkinson	90,000
David John Williams	5,000
Geoffrey Guild Hill	Nil
James Murray McKee	7,500
Ralph Nicholas Stagg	20,000
Matthew Geoffrey Hill	20,000

Share Trading History on NZSX

The highest and lowest market price of the Company's Shares on NZSX during the 3 months immediately preceding the date of this Disclosure Document and the respective dates of those sales and the latest practicable date prior to lodgement of the Disclosure Document, were:

	Date	Cents NZ
Highest	24/7/06	6.3
Lowest	4/10/06-12/10/06	3.2
Last	12/10/06	3.2

Share Trading History on ASX

The highest and lowest market price of the Company's Shares on ASX during the 3 months immediately preceding the date of this Disclosure Document and the respective dates of those sales and the latest practicable date prior to lodgement of the Disclosure Document, were:

	Date	Cents AUD
Highest	31/7/06-8/8/06	4.5
Lowest	20/9/06-27/9/06	3.0
Last	12/10/06	3.2

Interests of Other Persons

Except as disclosed in this Disclosure Document, no expert, promoter or other person named in this Disclosure Document as performing a function in a professional, advisory or other capacity:

- has any interest or has had any interest in the last two years prior to the date of this Disclosure Document in the formation or promotion of the Company, the Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- has been paid or given or will be paid or given any amount or benefit in connection with the formation of the Company or the Offer.

Over the last two years a total of NZ\$19,940 has been paid to Carlton DFK for auditing the Company's accounts and providing accounting and tax services to the Company. Carlton DFK may continue to receive fees for other services provided to the Company in accordance with Carlton DFK's normal charge out rates.

Link Market Services Limited has acted as share registry to the Company in relation to the Offer and the Prospectus over the last two years. Link Market Services may continue to receive fees for other services provided to the Company from time to time on normal commercial rates.

Consents

Each of the parties referred to in this section on Interests of Other Persons:

- i) has not authorised or caused the issue of this Disclosure Document;
- ii) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Disclosure Document is based other than as specified in this Section;
- iii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Disclosure Document other than a reference to its name and a statement included in this Disclosure Document with the consent of that party as specified in this Section; and
- iv) has given and has not, before the lodgement of this Disclosure Document with ASIC, withdrawn its consent to be named in the Disclosure Document in the form and context in which it is named.

Link Market Services has given and has not withdrawn its written consent to be named as Share Registrar to the Company.

Carlton DFK have given their written consent to being named as auditor to the Company.

Electronic Disclosure Document

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic Disclosure Document on the basis of a paper Disclosure Document lodged with the ASIC and the issue of New Shares in response to an electronic Application Form subject to compliance with certain provisions. Heritage Gold is relying on this exemption in relation to the offer of Shortfall.

If you have received this Disclosure Document as an Electronic Disclosure Document, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email Heritage Gold at office@heritagegold.co.nz and Heritage Gold will send to you, free of charge, either a hard copy or a further electronic copy of the Disclosure Document or both.

Heritage Gold reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Disclosure Document and any relevant supplementary or replacement Disclosure Document or any of those documents were incomplete or altered. In such case, the application monies received will be dealt with in accordance with section 722 of the Corporations Act.

MAIN TERMS OF OFFER

The main terms of the Offer are set out under the headings “What sort of investment is this?” on pages 5 to 8 of this Disclosure Document and “Who is involved in providing it for me?” on pages 8 to 13 of this Disclosure Document.

PROSPECTS AND FORECASTS

The annual report for the year ended 31 March 2006 has been previously sent out to all holders of Existing Shares and has been registered with this Disclosure Document.

It is intended that the funds raised under this Offer be used for further exploration of the Company's current exploration targets, to advance the spin off of its New Zealand gold properties, to progress the Thackaringa cobalt project, and to provide working capital, as described in more detail on page 23 of this Disclosure Document under the heading “The effect of this offer on the Company”.

As described in more detail above on pages 8 to 10 of this Disclosure Document, the Company separately proposes to undertake a spin-out of its permits covering the Waihi district gold projects. The Directors are of the view that future trading prospects for the Company in respect of its remaining assets (as mentioned in more detail below) following any spin-out of its Waihi gold projects, are likely to be similar to those that have occurred in the past few years. There is an expectation on the part of the Directors that cashflows of the Company in respect of these remaining assets will follow the same pattern as in recent years.

In relation to the future activities of Heritage, the Company has proven expertise in developing and adding value to exploration assets. It plans to gain further strategic land holdings to ensure long term asset flow.

The remaining assets of the Company include a 33% interest in the Thackaringa cobalt project in New South Wales, where the target is 33 million pounds of cobalt, based on interpretation of previous drilling and exploration work. It should be noted, however, that no assurance can be given that: (i) such target amount will be located; (ii) if the target is located that it will be capable of extraction on a viable basis. It should also be noted that the price for cobalt can be viewed as a reasonably volatile price.

The previously drilled mineralisation requires further exploratory work, including drilling, to test extensions and grade along strike and down dip (below 100m depth) to enable a JORC compliant resource to be estimated.

In addition, the Company plans to focus on a wider range of target metals than previously, to reduce commodity price risk. Careful prospect area selection will minimise geological risk.

Heritage plans to undertake regional exploration of its prospecting permit applications in Northland, once they are granted, to validate the interpreted high prospectivity for gold, copper and other base metals of this district.

The Company has the ability to spin-off advanced prospects after it has added value to them by thorough exploration work, or to joint venture such areas. With the spin-off of Mid-Earth Minerals Limited, the Directors consider that Heritage will be better placed to look at new opportunities.

DIRECTORS' STATEMENT

There has not arisen in the period between 31 March 2006 and the date of this Disclosure Document, in the opinion of the Directors, after due enquiry by them, any circumstance that materially adversely affects the trading or profitability of the Company and its subsidiaries or the value of the Company's or its subsidiaries' assets, or the ability of the Company and its subsidiaries to pay their liabilities due within the next twelve months.

PRELIMINARY AND ISSUE EXPENSES

The total expenses of the issue payable by the Company, including all legal costs, accounting fees, printing costs, share registry and other costs, are estimated to be NZ\$50,000 plus GST, excluding the underwriting fee which will be NZ\$21,496.

OTHER TERMS OF OFFER AND SECURITIES

All terms of the New Shares being offered are set out in this Disclosure Document, except for those implied by law or set out in a document that:

- (a) has been registered with a public official; and
- (b) is available for public inspection; and
- (a) is referred to in this Disclosure Document.

Copies of the Company's most recent annual report and financial statements to 31 March 2006 (including a statement of financial position to that date), and the Disclosure Document may be obtained free of charge from the Company's offices in Auckland (New Zealand) and Perth (Australia), which are listed in the Corporate Directory on page 3 of this Disclosure Document, from the Company's website (www.heritagegold.co.nz) and the Disclosure Document and the most recent financial statements of the Company may also be obtained from the public register at the Companies Office in the Ministry of Economic Development, on its website www.companies.govt.nz, which will incur a cost, and this Disclosure Document may also be obtained from the ASIC Service Centre, Level 36, 66 St Georges Terrace, Perth, WA 6005, Australia.

PRO FORMA STATEMENT OF FINANCIAL POSITION/BALANCE SHEET

Profit and Loss

The Rights Issue will have no immediate effect on the Company's financial performance, although the investment of the proceeds of the Rights Issue is expected to eventually have an effect on the financial performance of the Company depending on the success of that investment. The success of that investment is not presently capable of being quantified.

Pro-forma Statement of Financial Position

The Company has lodged with the appropriate reporting entities its Annual Financial Report incorporating the Directors' report and Auditors' Report, for the financial year ended 31 March 2006. This report is available on the Heritage Gold website www.heritagegold.co.nz

Set out below is the Company's pro-forma statement of financial position (referred to as the "balance sheet" in Australia) as at 31 March 2006.

Basis of Preparation

This following statements have been prepared to provide shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by New Zealand Accounting Standards applicable to annual financial statements.

STATEMENT OF FINANCIAL POSITION AND PRO-FORMA FINANCIAL POSITION AS AT 31 MARCH 2006

	Notes	AUDITED CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2006 NZ\$	PRO-FORMA UNAUDITED FINANCIAL STATEMENTS AT 31 MARCH 2006 NZ\$
Current Assets			
Cash	3	516,510	1,519,825
Receivables		111,928	111,928
Total Current Assets		628,438	1,631,753
Non Current Assets			
Fixed Assets		16,206	16,206
Share Investments		51,884	51,884
Investment in Associate	4	1,014,910	1,014,910
Total Non Current Assets		1,083,000	1,083,000
Intangible Assets			
Prospecting Expenditure	5	6,024,369	6,024,369
Total Intangible Assets		6,024,369	6,024,369
Total Assets		7,735,807	8,739,122
Current Liabilities			
Creditors	6	105,698	105,698
Total Current Liabilities		105,698	105,698
Net Assets		7,630,109	8,633,424
Equity			
Shareholders Equity	7	7,630,109	8,633,424
Total Equity		7,630,109	8,633,424

NOTES TO THE STATEMENT OF FINANCIAL POSITION AND PRO-FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2006

1. Statement of Significant Accounting Policies

(a) **Basis of Accounting**

Heritage Gold NZ Limited is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZSX), the Australian Stock Exchange (ASX), and the Stock Exchange of Newcastle (NSX). The Company is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of Heritage Gold NZ Limited have been prepared in accordance with the Financial Reporting Act 1993. The group consists of Heritage Gold NZ Limited and its subsidiary and associate.

The measurement base adopted is that recognized as appropriate for the measurement and reporting of earnings and financial position under the historical cost method modified by the revaluation of certain assets.

- (b) **Exploration, evaluation and development expenditure**
Acquisition, exploration and developments costs of prospects held by the Company at balance date are capitalised as deferred expenditure. Prospecting expenditure and mining tenements are initially recorded at cost. When a tenement is capable of sustaining commercial mining operations, the value or cost will be amortized over the expected productive life of the mine. In the event where exploration demonstrates a permit area is no longer prospective for economically recoverable reserves, the value or cost of the tenement is written off immediately.
- (c) **Impairment**
If the recoverable amount of an item of property, plant and equipment is less than its carrying amount, the item is written down to its recoverable amount and the write down recognized as an expense in the statement of financial performance.
- (d) **Share Investments**
Share investments in listed companies are revalued annually to market value. Any revaluation surplus above cost is transferred directly to the revaluation reserve. A revaluation deficit in excess of the revaluation reserve is recognized as an expense in the period in which it arises. Subsequent revaluation surpluses, to the extent that they reverse revaluation deficits which were expensed, are recognized as revenue.
- (e) **Associated Companies**
Associated companies are companies in which Heritage holds a substantial shareholding and in whose commercial and financial policy decisions it participates. Associated companies have been reflected in the consolidated financial statements on an equity accounting basis, which shows Heritage's share of the retained surpluses in the consolidated statement of financial performance and its share of post acquisition increases or decreases in net assets in the consolidated statement of financial position.
- (f) **Fixed Assets and Depreciation**
Fixed assets are initially recorded at cost. Depreciation is provided at rates calculated to reduce the cost of fixed assets to their residual values during their estimated useful lives. For this purpose Heritage has adopted the depreciation rates set by the Inland Revenue Department.

2. Actual and Proposed Transactions to Arrive at Pro-forma Unaudited Statement of Financial Position

Actual and proposed transactions adjusting the 31 March 2006 Audited Consolidated Statement of Financial Position of the economic entity in the pro-forma Statement of Financial Position of the Economic Entity are as follows:

- (g) The issue of 37,062,433 Ordinary Shares at an issue price of NZ\$0.029/AU\$0.025 per Share.
- (h) The payment of issue costs pursuant to the issue of this Disclosure Document of NZ\$50,000, excluding the underwriting fee which will be NZ\$21,496.

	AUDITED CONSOLIDATED MANAGEMENT ACCOUNTS AT 31 MARCH 2006	PRO-FORMA UNAUDITED CONSOLIDATED MANAGEMENT ACCOUNTS AT 31 MARCH 2006
	NZ\$	NZ\$
3. Cash		
At 31 March 2006	516,510	516,510

Receipt of capital	(a)	-	1,074,811
Share capital raising costs	(b)	-	(71,496)
		<u>516,510</u>	<u>1,519,825</u>

4. Investment in Associate

33% Interest in Broken Hill Cobalt Limited	<u>1,014,910</u>	<u>1,014,910</u>
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5. Exploration Expenditure

Total prospecting cost and mining tenements	<u>6,024,369</u>	<u>6,024,369</u>
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6. Current payables

Trade payables	<u>105,698</u>	<u>105,698</u>
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7. Contributed Equity	Fully Paid Ord Shares	Executive Options	NZ\$
31 March 2006	131,559,399	7,200,000	

Issue of Ordinary Shares	(a)	37,062,433	1,074,811
Issue costs	(b)		(71,496)
		<u>168,621,832</u>	<u>1,003,315</u>

8. Impact of International Financial Reporting Standards

The Company is required to adopt International Financial Reporting Standards (IFRS) in New Zealand from 31 March 2007. Accordingly, the impact of these standards has not been quantified by the Company as at the date of this Prospectus Disclosure Document.

The key potential implications on the consolidated entity of the conversion to IFRS, identified to date, are summarised as follows:

- Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value.
- Income tax will be calculated based on the "balance sheet" approach, which may result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity.
- Impairments of assets will be determined on a discounted basis (with the exception of exploration expenditure), with strict tests for determining whether goodwill and cash-generating operations have been impaired.
- Equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services.
- Provision for mine site restoration and rehabilitation is currently recognised on an incremental undiscounted basis over the mine life. Under IFRS the provision would be recognised in full and be discounted upon initial recognition with a corresponding asset being recognised and included as part of development costs.

DEFINITIONS AND INTERPRETATION

"Application Form" means the combined Entitlement & Acceptance and Shortfall Application Form that accompanies the Disclosure Document for holders of Existing Shares as at the Record Date whose registered address is in New Zealand or Australia.

"ASIC" means the Australian Securities and Investments Commission.

"ASX" means the Australian Stock Exchange Limited or the market that it operates (as the context requires).

"Board" means the board of Directors of the Company.

"Business Day" means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and other day that the relevant Stock Exchange declares is not a business day.

"Closing Date" means the date so described in the table on page 4 of this Disclosure Document.

"Companies Act" means the New Zealand Companies Act 1993.

"Company", "Heritage" and "Heritage Gold" means Heritage Gold NZ Limited (New Zealand Registered Company Number AK 276623, Australian Registered Body Number 009 474 702), including its subsidiaries.

"Constitution" means the constitution of the Company as amended from time to time.

"Corporations Act" means the Australian Corporations Act 2001 (Cth)

"Directors" mean the directors of the Company.

"Disclosure Document" means this combined New Zealand Investment Statement and short form prospectus and Australian transaction specific prospectus dated 25 October 2006 and including the Electronic Disclosure Document.

"Electronic Disclosure Document" means an electronic version of the Disclosure Document.

"Entitlement" means the number of Rights to which Shareholders with a registered address in New Zealand or Australia at 5p.m. (New Zealand time) on the record date are entitled.

"Executive Options" means the unlisted executive options granted by the Company to Patrick James Dymock Elliott on 20 November 2003.

"Existing Share" means a fully paid ordinary share in the Company on issue at 5pm on the Record Date.

"Investment Statement" means the Investment Statement the subject of this Disclosure Document and relating to the Offer.

"JORC" means Joint Ore Reserves Committee.

"Listed Options" means the options convertible into one ordinary share in the Company issued pursuant to the Investment Statement and Transaction Specific Prospectus dated 19 September 2005.

"Listing Rules" means the listing rules of the NZSX or ASX or NSX, as the context requires, as amended from time to time and for so long as the Company is admitted to the official list of such Exchange.

"New Share" means one fully paid ordinary share in the Company, allotted upon payment in full of the Share Price that will rank equally in all respects with existing ordinary shares in the Company in issue at the time of allotment of the New Shares.

"NSX" means the Stock Exchange of Newcastle Limited.

"NZSX" means the main equities exchange operated by NZX;

"NZX" means the New Zealand Exchange Limited.

"Offer" means the offer to subscribe for New Shares pursuant to this Disclosure Document.

"Record Date" means 5pm (New Zealand time) on 24 October 2006.

"Right" means the renounceable right to accept one New Share in the Company pursuant to the terms of this Disclosure Document.

"Rights Issue" means the pro-rata renounceable rights issue under this Disclosure Document of up to 37,062,433 New Shares at an issue price of NZ\$0.029 each or AU\$0.025 each on the basis of one New Share for every four Existing Shares held on the Record Date.

"Rights Trading Period" means:

- (i) in respect of ASX, Wednesday 18 October 2006 to Wednesday 15 November 2006; and
- (ii) in respect of NZSX, Wednesday 25 October 2006 to Monday 20 November 2006.

"Section" means a section of this Disclosure Document.

"Share" means one ordinary fully paid share in the Company, be it an Existing Share or a New Share.

"Share Price" means NZ\$0.029 or AU\$0.025 and is the price payable for subscription for the New Shares on or before 5pm (New Zealand time) on the Closing Date.

"Shareholder" means a holder of Shares.

"Shortfall" means the New Shares forming Rights, or parts of Rights, not accepted by holders of Existing Shares as at the Record Date.

"Stock Exchanges" means the NZX, the ASX and the NSX, for so long as the Company is admitted to the official lists of such exchanges.

"Underwriter" means Rundle Capital Partners Limited (ACN 107 603 878)

"Warrant" means a warrant issued pursuant to an investment statement issued by the Company dated 15 May 2002.

All New Zealand dollar figures in this Disclosure Document have been calculated on the basis of the New Zealand issue price of NZ\$0.029 per New Share, and any references to legislation are references to New Zealand legislation unless stated otherwise.

STATUTORY INDEX

The following index is provided for the purposes of regulation 5(6) of the Securities Regulations 1983. It details the location of matters that are required to be disclosed in this Disclosure Document, in accordance with the First Schedule to those regulations:

	Page number
Main Terms of Offer	28
Prospects and Forecasts	28
Issue Expenses	29
Other Terms of Offer	29
Directors' Statement	29

TERMS, CONDITIONS AND DESCRIPTION OF NEW SHARES

The terms and conditions of the New Shares subject to Offer will be as follows:

The New Shares

The New Shares offered will be fully paid ordinary shares in the Company. Upon allotment and issue, all the New Shares will rank equally with the Existing Shares in the capital of the Company in all respects.

The following description provides shareholders with a summary of the material rights, privileges, restrictions and conditions attaching to the Existing Shares and which (in the absence of any amendment of applicable law or the Constitution) to the Company will attach to the New Shares to be issued upon exercise of Rights and payment of the Share Price. The rights, privileges, restrictions and conditions attaching to Shares are set out in full in the Constitution.

(a) Dividends

Holders of Shares are entitled to dividends as and when declared subject only to rights of holders of other shares from time to time entitled to special or prior rights to dividends. The Directors may declare dividends out of profits available to be distributed as dividends. Investors should note, however, that the Company's present policy is not to pay dividends. As at the date of this Disclosure Document there are no shares entitled to special or prior rights to dividends.

(b) Meetings and Voting rights

Each shareholder is entitled to notice of, and to attend and vote at, general meetings of the Company.

At a general meeting, every shareholder present in person or by proxy or in the case of a corporation by its duly authorised representative has (subject to the Listing Rules) one vote on a show of hands and, on a poll, one vote for each Share held.

(c) Issue of further Shares

Except where required by law or the Constitution and subject to the Listing Rules, the Directors may allot or otherwise dispose of further shares on such terms and conditions as they see fit.

(d) Transfer of Shares

Except where required by law or the Constitution and subject to the Listing Rules, there are no restrictions on the transfer of Shares.

(e) Winding up

In the event of the winding up of the Company, after payment of outstanding debts and subject to the prior rights attaching to any shares from time to time ranking senior to the Shares, the remaining assets of the Company would be applied in paying all surpluses to holders of Shares in proportion to the amount paid up on such Shares held by them. As at the date of this Disclosure Document there are no shares ranking senior to the Shares.

(f) Appointment and retirement of Directors

The Constitution permits there to be not fewer than three or more than eight Directors or such other number as is fixed by ordinary resolution of Heritage Gold. As at the date of this Disclosure Document there are six Directors. The Constitution requires that at the annual meeting of shareholders in every year at least one third of the Directors for the time being (if one third is not a whole number then the nearest whole number) shall retire from office. The Directors to retire at an annual meeting shall be those Directors who have been longest in office since their last election. The retiring Directors are eligible for re-election.

(g) Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of the votes cast by shareholders present and voting at the general meeting. At least 10 business days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(h) Variation of rights attaching to Shares

The rights attached to the Shares may be varied with the approval of shareholders in general meeting by special resolution. It is not a variation of the rights of Shares to issue securities of another class. Such issues may occur subject to the requirements of the Constitution and the Listing Rules.

EXECUTION OF DISCLOSURE DOCUMENT BY LOCAL AGENT OF THE COMPANY

Signed by a local agent of Heritage Gold in accordance with Section 351 of the Corporations Act. Each Director of Heritage Gold has consented in writing to the lodgement and issue of this Disclosure Document.

25 October 2006



David John Williams
Local Agent

SIGNING OF SHORT FORM PROSPECTUS BY THE COMPANY

This Short Form Prospectus has been signed on 25 October 2006 by each of the Directors or a person authorised in writing by him to sign this Short Form Prospectus on his behalf.



Peter Robert Atkinson



Geoffrey Guild Hill
by his agent duly authorised in writing



James Murray McKee
by his agent duly authorised in writing



David John Williams
by his agent duly authorised in writing



Ralph Nicholas Stagg
by his agent duly authorised in writing



Matthew Geoffrey Hill
by his agent duly authorised in writing