



Incorporated in New Zealand ABN 009 474 702

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27 October 2006

Newcastle Stock Exchange  
384 Hunter Street  
Newcastle  
NSW 2300  
**AUSTRALIA**

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**FOR PUBLIC RELEASE**

**Re: Pro Rata Rights Issue**

The Company has dispatched to shareholders a combined New Zealand Investment Statement and Short form Prospectus and Australian transaction specific prospectus, Application form, and a covering letter. The covering letter is reproduced below.

Yours faithfully  
**HERITAGE GOLD NZ LTD**

Sue Sangster  
**Company Secretary**

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Dear Shareholder

**Pro Rata Issue of Shares**

On 9 October 2006, Heritage Gold NZ Limited ("the Company") announced that it would be making a pro rata renounceable offer (the "Offer") of up to 37,062,433 new shares (the "New Shares") to all existing shareholders with a registered address in New Zealand or Australia on the register at 5.00pm (New Zealand time) on 24 October 2006 ("the Record Date") (a "Shareholder"). Shareholders will be offered one New Share for every four ordinary shares ("Existing Shares") you hold in the Company on the Record Date.

**Terms of New Shares**

Should you choose to accept the New Shares to which you are entitled, you will need to pay NZ\$0.029 or AU\$0.025 in respect of each New Share accepted.

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

**Applications for New Shares**

Applications for New Shares should be made by completing the Entitlement and Acceptance sections of the enclosed Application Form, which shows the number of New Shares you are entitled to accept. The Application Form, together with your New Zealand or Australian cheque for payment of NZ\$0.029 or AU\$0.025 for each New Share that you wish to accept, made payable to "Heritage Gold NZ Limited New Share Offer" and crossed "Not Transferable", must reach the Company's New Zealand share registrar, Link Market Services Limited, no later than 5pm (New Zealand time) on Wednesday 22 November 2006.

## **Application to take up Shortfall**

**An application to participate in any shortfall that may arise (the “Shortfall”) may be made 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 of the Company may not participate in the Shortfall.**

**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.**

If applicants wish to participate in any Shortfall under the Rights issue, they should complete the Shortfall Application section of the Application Form and lodge the Application Form with a cheque made payable to “Heritage Gold NZ Limited New Share Offer” and crossed “Not Transferable” for the New Share application and the Shortfall application to Link Market Services. Application forms and cheques must reach Link Market Services by no later than 5pm (New Zealand time) on Wednesday 22 November 2006. ***For the avoidance of doubt, where applicants are submitting an Application Form in respect of both their entitlement to New Shares and in respect of the Shortfall, only one cheque is required to be submitted in respect of both application amounts.***

## **Rights Trading**

Entitlements to New Shares pursuant to the Rights Issue are renounceable (tradeable). 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.

If you do not wish to accept any or all of the New Shares to which you are entitled, you may seek to sell your rights on the NZSX or ASX. 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).

## **Investment Statement and Short Form Prospectus/Transaction Specific Prospectus**

The enclosed New Zealand Investment Statement and Short Form Prospectus and Australian transaction specific prospectus sets out the details of the Offer and the procedure to be followed to take up your New Share entitlement and to apply for New Shares comprised in the Shortfall (if any). You are strongly encouraged to read the New Zealand Investment Statement and Short Form Prospectus and Australian transaction specific prospectus carefully. If you are unsure about what to do, you should consult your share broker or other financial advisor as soon as possible.

In connection with the Offer, the New Zealand Investment Statement and Short Form Prospectus and Australian transaction specific prospectus has been: (a) registered in New Zealand with the New Zealand Companies Office; and (b) lodged under section 713 of the Australian Corporations Act 2001 with the Australian Securities & Investments Commission (“ASIC”), on 13 October 2006, with a replacement of the New Zealand Investment Statement and Short Form Prospectus and Australian transaction specific prospectus having been re-registered in New Zealand and lodged in Australia as aforementioned on 25 October 2006 to reflect revised underwriting arrangements. The current combined New Zealand Investment Statement and Short Form Prospectus/Australian transaction specific prospectus lodged with ASIC and registered in New Zealand can be accessed through the Company’s website: [www.heritagegold.co.nz](http://www.heritagegold.co.nz)

## **Underwriting**

The Offer is partially underwritten by Rundle Capital Partners Limited (ACN 107 603 878) (the “Underwriter”) pursuant to an underwriting agreement between it 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. An underwriting fee of 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).

### **Capital to be Raised**

On the basis of existing Shareholder entitlements and with the rounding up referred to above (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 \$1,074,811 and up to 37,062,433 New Shares would be issued.

There is no minimum amount of funds to be raised.

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.

### **Closing Date for Applications**

Applications for New Shares will close at 5pm (New Zealand time) on Wednesday 22 November 2006. The allotment of Shares will be completed by Friday 24 November 2006.

Yours faithfully

**HERITAGE GOLD NZ LIMITED**

Peter Atkinson  
**Managing Director**