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Newcastle Stock Exchange  
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**AUSTRALIA**

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**FOR PUBLIC RELEASE**

**Quarterly Report to 30 September 2006**

The directors of Heritage Gold are pleased to present the company's quarterly report for the three months to 30 September 2006. During the period Heritage undertook the first steps to restructure and recapitalise the company. This included a proposal to spin off of the New Zealand gold properties to a new company called Mid-Earth Minerals Limited, the issue of new shares in Heritage to sophisticated shareholders in Australia, and the Company's launch of a 1 for 4 pro rata renounceable rights issue.

Highlights include:

- Mid-Earth Minerals spin-off
  - NZ\$5 million capital raising planned
  - Managing Director appointed
  - Prospectus in preparation
- Heritage Gold rights issue
  - Rights trading: ASX 18 Oct - 15 Nov 2006  
NZSX 25 Oct - 20 Nov 2006
  - Issue closes 22 November 2006
- Matthew Geoffrey Hill appointed as Director
- New opportunities for Heritage

**MID-EARTH MINERALS LIMITED**

During the quarter Heritage Gold commenced the spin-off of its New Zealand gold properties into a special purpose subsidiary, Mid-Earth Minerals Limited.

Mr. Paul Cranney, who will head up Mid-Earth Minerals, returned to New Zealand earlier this year after 20 years in the Australian mining industry. He brings a wealth of experience to Mid-Earth including a strong technical background in exploration and mining, and a depth of experience in project generation, evaluation, feasibility studies, and overseeing production and major acquisitions. Mid-Earth Minerals is currently establishing a skilled management team under Mr Cranney's direction.

Following the rights issue, Heritage shareholders will be given an entitlement to shares in Mid-Earth Minerals, which will apply for listing on the New Zealand Stock Exchange in conjunction with a NZ\$5 million capital raising.

Heritage shareholders will receive shares in Mid-Earth Minerals through a reclassification of their shares in Heritage, and then redemption of those shares in exchange for ordinary shares in Mid-Earth Minerals. The capital raising will enable Mid-Earth Minerals to escalate exploration and evaluation work in the Waihi district, focussing initially on the advanced Karangahake project.

Heritage is currently preparing the offer documents for the proposed issue of shares in Mid-Earth Minerals and is finalising the details of the spin-out, including the proposed amount of the capital raising.

## **HERITAGE RIGHTS ISSUE**

At the end of the quarter Heritage announced a 1 for 4 pro rata renounceable rights issue to shareholders at an issue price of AU\$0.025 or NZ\$0.029 per ordinary share to raise NZ\$1.0-1.2 million. Heritage has dispatched the combined Investment Statement, Short Form Prospectus and Transaction Specific Prospectus for the rights issue to shareholders and warrant holders. The document has been registered in New Zealand and also lodged with the Australian Securities and Investments Commission (ASIC) under Section 713 of the Australian Corporations Act 2001.

Up to 37,062,433 new shares will be offered to all existing shareholders with registered addresses in New Zealand or Australia at 5pm (NZ time) on 24 October 2006. Shareholders are being offered one new share for every four ordinary shares they held in the Company on 24 October 2006.

Payment for the new shares will be NZ\$0.029 or AU\$0.025 for each new share accepted.

An application to participate in the event of a shortfall may be made by a shareholder or warrant holder in New Zealand or Australia, although other persons may apply for the shortfall subject to the relevant securities laws. The Directors of Heritage will 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.

Entitlements to the new shares are renounceable and holders of existing shares who do not wish to subscribe for some or all of the new shares under the rights issue may sell their rights. Holders of existing shares may also purchase additional rights. Trading of rights will commence on the ASX on Wednesday 18 October 2006 and on the NZX 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 NZX).

The offer is partially underwritten by Rundle Capital Partners Limited on terms that allow Heritage to call upon the underwriter to subscribe for 18,531,216 new shares less the number of new shares under the offer that 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 Heritage to Rundle Capital Partners.

If all entitlements are taken up Heritage will raise NZ\$1,074,811 and up to 37,062,433 new shares will be issued. There is no minimum amount to be raised.

The funds raised under the 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, to progress the Thackeringa cobalt project, and for working capital.

Applications for new shares close at 5pm (NZ time) on Wednesday 22 November 2006 and the shares will be allotted by Friday 24 November 2006.

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

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

Heritage has continued to review its programmes for the next 12 months and update the existing digital database with the most recent exploration data from the permit areas.

As part of this process an application to amend the work requirements for the Talisman permit has recently been submitted to the Ministry of Economic Development. This is designed to align the work requirements with the optimum programme determined for the project.

In conjunction with prospectus preparation to spin-off Mid-Earth Minerals Limited, the company is reviewing and updating its resource estimate for the Talisman mine.

### **Other Gold Projects (100%)**

Current exploration work at Waitete and Golden Valley has been completed and the data is now being

evaluated for follow up programmes to identify drilling targets.

### **Northland Project (100%)**

Northland Minerals Limited (NML), a subsidiary of Heritage, has two prospecting permit applications in the Northland region.

Although the region has favourable geology and very significant exploration potential it has attracted very little modern exploration attention.

NML has identified potential for epithermal gold-silver and porphyry copper deposits, as well as gold-rich volcanogenic massive sulphide base metal deposits in the region. The Hikurangi permit application area is prospective for epithermal gold-silver deposits, similar to those found in the Coromandel volcanic zone which hosts the 7.3 Moz Martha gold deposit. The area is also prospective for porphyry copper deposits.

The Tangihua application area has potential for gold-rich volcanogenic massive sulphide base metal deposits, indications of which have been noted by previous explorers, although no recent systematic exploration for major deposits has been undertaken.

Heritage is planning a comprehensive prospecting programme including airborne geophysics, geological mapping, geochemical sampling and computer-aided deposit modelling to delineate areas of mineralisation for detailed evaluation.

### **BROKEN HILL COBALT LIMITED (New South Wales) (33%)**

BHCL has consolidated its tenement interests in the Thackeringa district. Exploration licence 6622 now covers all of the area held under earlier licences and the area held previously under option from Western Metals Copper Limited.

A programme of exploration (including drilling) for the next 12 months, to evaluate the extent and grade of the cobalt mineralisation, is being prepared and opportunities for further funding are being considered.

### **ANNUAL MEETING**

The company's Annual Meeting on 29 September 2006 concluded with all resolutions successfully passed. This included a resolution to approve the placement of up to 16.7 million shares to sophisticated Australian investors. No related party or director of Heritage participated in the placement. At an issue price of AU\$0.25 per share, Heritage raised AU\$416,475. The placement was arranged to provide continued funding of Heritage's projects.

### **NEW DIRECTOR**

During the quarter, Heritage Gold was pleased to appoint Matthew Geoffrey Hill to the Board. As a result, Mr Hill will cease to act as an alternate Director for Mr Geoffrey Guild Hill. Mr Matthew Hill has an extensive background in the Australian and international equities markets and specialises in the fields of corporate financial advice, mergers, acquisitions and restructuring. Members of the Board look forward to working with Mr Hill to implement the Company's strategy.

### **OUTLOOK**

Heritage will look to acquire further strategic projects to enhance the company's long-term asset flow. In considering new opportunities Heritage will reduce its near total exposure to gold by looking at base metals. Heritage has proven expertise in identifying favourable projects, adding value to these assets and then either entering joint ventures or spinning the assets off to companies with expertise to take evaluation to the next level.

For further information please contact:

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

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

## **About Heritage Gold**

Heritage listed on NZX in 1986 and has a current market capitalisation of NZ\$5.6 million. Heritage is also listed on the ASX and the Newcastle stock exchange. The company has valuable gold interests in the Waihi district of New Zealand, where it is a major tenement holder. Heritage owns 33% of Broken Hill Cobalt Ltd, which holds the Thackeringa cobalt project in New South Wales (Australia), and has applied for permits to prospect for gold, copper, and base metals in Northland, about 150km north of Auckland (NZ).