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18 June 2002

Research Report

The attached research report was prepared by independent mining analyst Keith Goode of Eagle Research Advisory Pty Ltd, Sydney and commissioned by Heritage Gold.

The report focuses on Heritage Gold's major epithermal gold projects in the Waihi gold district of New Zealand, highlighting their mineral resource and cashflow potential.

It should be noted that whilst the Company commissioned the report the observations, opinions, conclusions, deductions or estimates contained in this general advice report are those of Keith Goode only and are not those of Heritage Gold NZ Ltd.

A copy of the report is available through the Company's website www.heritagegold.co.nz or by contacting the Company's office:

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HERITAGE GOLD NZ LTD

Peter Atkinson
Managing Director



Gold : Heritage Gold NZ Limited (HTM)

Market Statistics	VISITS TO NEW ZEALAND PROJECTS		17 June 2003
Year Low/High:	A\$0.020 - 0.032	Shares :	Recommendation
Diluted No. Shares	73.8m	73.8m ords	Share Price
Diluted Mkt Cap :	A\$2m	3.73m options	Net Cash (31 Mar 03)
By : Eagle Research (Keith Goode)		36.2m warrants	www.heritagegold.co.nz
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Heritage Gold NZ Ltd (HTM) – *Given An Unexpected Opportunity to Potentially Achieve Gold Production*

- **Heritage is a North Island NZ gold exploration company that was established in 1984 by Peter Atkinson and has the opportunity to toll treat ore through Newmont's Waihi Gold (or Martha Mine), following the discovery of the Favona mineralisation and extension of Waihi's life to ~2015 at 300,000t and >100,000ozpa.**
- **Newmont's expected >1moz Favona gold mineralisation was discovered using geophysics, following up the relationship between vent breccias and gold mineralisation that HTM had proven at its Onemana project. HTM are applying similar geophysical techniques (and the same consultant) at its Waihi North project, located almost on the edge of the Waihi open-cut and extending through to the old Golden Cross mine.**
- **Heritage initially uses an inverted aeromag technique to target potential gold mines in its main project areas of Waihi North and Karangahake, before following up with geophysics. The inverted aeromag technique highlights epithermal alteration that can be shown as identifying the historical gold mining districts (adjacent to HTM's projects) of Waihi and Golden Cross.**
- **Apart from Onemana, all HTM's exploration projects are located within about a 10km radius of the Waihi gold mine. At Karangahake, Heritage are using the inverted aeromag technique and a recently completed 3-D perspective of the old workings, development and stopes, so as to prioritise where to explore with a view to attaining early cashflow.**
- **At adjacent Rahu, HTM have identified a hidden potentially mineralised system through applying geophysics, that can now be drilled with a focus on attaining early cashflow by potentially using the spare capacity in Waihi's 1.3mtpa mill.**

OTHER KEY POINTS:

- **The key issue behind Heritage's current drive towards production** is based on the fact that Newmont's Waihi gold operation was currently scheduled to close in 2007, but is now expected to extend to 2015 at a lower mill throughput rate than 1.3mtpa (it appears to have already dropped closer to 0.9mtpa).
- **The Waihi mill underwent a \$2m upgrade to handle harder ore** by April 2003. The projected 300,000tpa from Favona, leaves abundant room to toll treat Heritage ores, and Waihi have indicated that they are willing to discuss treating any HTM ore.
- **Initial gold production could come** from re-opening and exploration clean-up in a number of areas both underground and on surface at Karangahake.
- **Heritage recently received over \$1m** through divesting its hitech subsidiaries such as the Cadmus Eftpos system.
- **A dramatic improvement in favour of mining in New Zealand** has occurred since the opposition of the mid-1990's due to the socio-economic impact on areas like Waihi, and as illustrated by Reefton locals marching in favour of reopening the old Reefton mines.

Corporate Overview

Peter Atkinson formed Heritage Gold NZ Ltd in 1984 as an exploration company focusing on the old goldfield regions of the Coromandel Peninsula in New Zealand's North Island. Heritage has 73.8m ordinary shares in issue that are currently trading in Australia as HTM at about A\$0.025 to A\$0.032 or with higher volumes and more regularity in New Zealand as HGD at about NZ\$0.025 to NZ\$0.038 (1 A\$ is worth approximately 1.1 NZ\$). There are about 3.4m options in issue that are currently out-of-the-money at a strike price of NZ\$0.14 and NZ\$0.16, and 36.2m warrants.

The warrants (of which 32m were underwritten) were offered under a rights issue in May 2002 with an initial take-up payment of NZ\$0.01. Warrant holders must pay a further NZ\$0.01 by 26 June 2003 (or their holdings lapse), and then NZ\$0.07 by June 2007. The warrants trading on the NZX (under the code HGDCA) and Newcastle Stock Exchange (under HGDXHA). Heritage made investments in two high-tech companies which it has since sold (in March 2003) generating net revenue from Cadmus Technology (Eftpos transactions) of almost NZ\$1m, resulting in net cash of A\$1m, which is to be used on exploration.

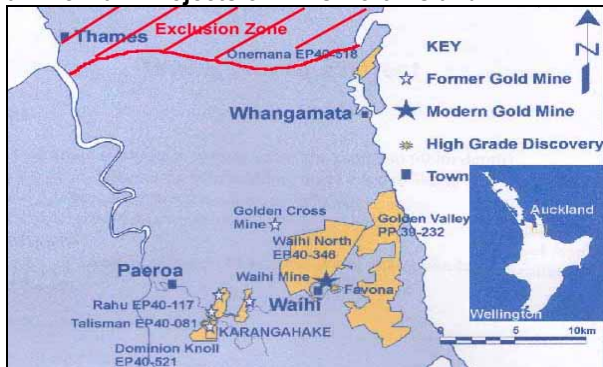
Heritage had some projects in the North Coromandel that were excised in November 1997 into an exclusion zone as an amendment to the Crown Minerals Act of 1991, and on which HTM lodged a claim against the Crown in April 2003 for compensation on the NZ\$8m that it had spent in the area up to the amendment. The Coromandel area is renowned in the mining industry for eliciting opposition against mining, however, **the attitudes towards mining in NZ appear to have dramatically improved.**

It appears that opposition against mining in NZ began to wane with the enactment of the exclusion zone (shown in Figure 1a), and with the wealth from rising property values in the northern Coromandel, a demographic change has occurred favouring mining, due to the positive impact it is having on town economies such as Waihi. About 25% of Waihi's population is now reliant on the mine's success and does not want it to close or be curtailed. A further example was the demonstration march on Parliament in August 2001 by more than 600 Reefton locals in favour of Macraes being allowed to reopen Reefton in the northern part of South Island, and which resulted in approval being given to Macraes later that year.

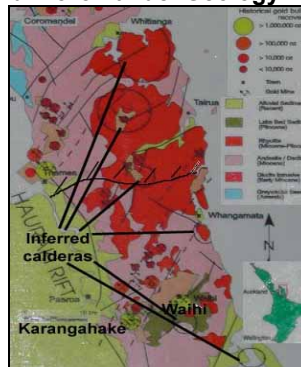
Heritage also had a joint venture with Highlands Gold from 1993 over its Onemana project, but funding was curtailed post Bre-X by MIM/Highlands in 1997. However, it is due to its Onemana project and the recent Favona discovery by Newmont SE of the Waihi gold mine that has revived HTM onto its current course, focusing mainly on 3 projects shown in Figure 1a, namely Karangahake, Rahu and Waihi North.

Figure 1. Location of Heritage's Main Projects

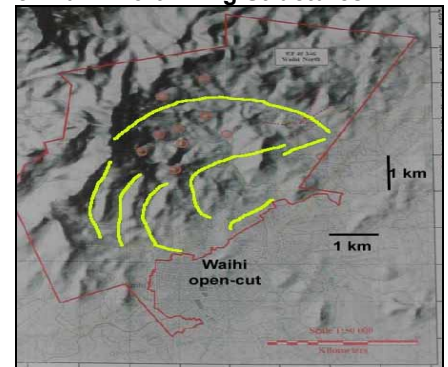
a. The Main Projects on NZ's North Island



b. Coromandel Geology



c. Waihi North Ring Structures

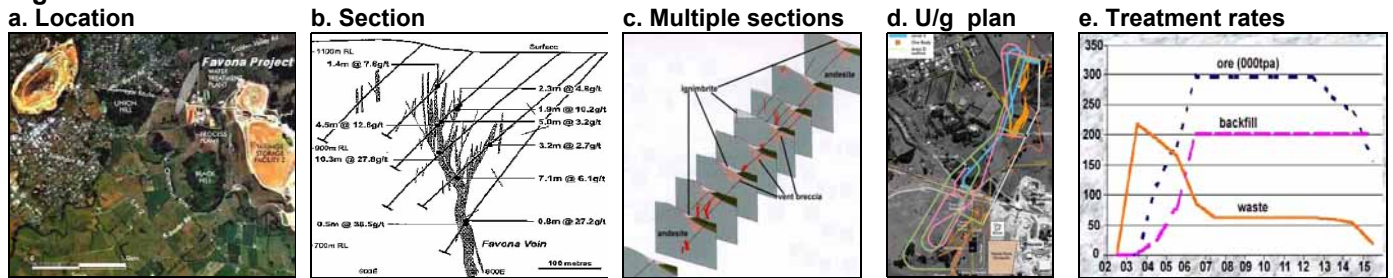


Geology and Interpretation

The geology of the Coromandel in Figure 1b has been dominated by a number of significant volcanoes up to 10km in diameter as shown by the inferred calderas. The volcanism occurred mainly from 25 million to 12 million years ago and initially resulted in andesitic flows, breccias, tuffs and occasional sediments. The volcanism gradually became more rhyolitic with lava flows and pumice ash-like deposits such as ignimbrite (like Vesuvius and Pompeii, and the Mt St Helens eruptions) with associated geothermal (hot-springs like activity). Ring-like effects can be interpreted as in HTM's Waihi North prospect in Figure 1c.

The key issue behind HTM's current drive towards production is based on the fact that Newmont's Waihi gold operation was scheduled to close in 2007, and mill throughput already appears to have dropped from 1.3mtpa closer to 0.9mtpa. However, the hidden high grade Favona orebody was found using geophysics based on the relationship between hydrothermal eruption breccias and underlying mineralisation as shown in Figures 2a and 2b (as had been determined at Onemana). The 10g/tAu (Ag:Au is 4:1) or so Favona ore (top cut at 170g/t) was expected to peak at 300,000tpa and has reputedly been extended beyond its 600m strike and depth for the 2.7mt treated in the profile from mid-2004 as shown in Figure 2e.

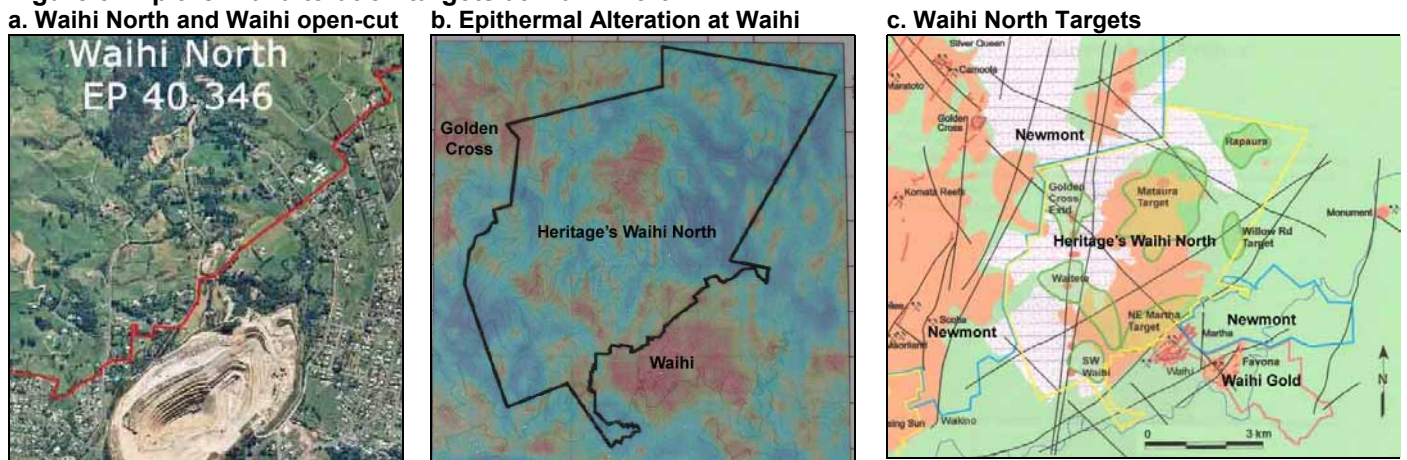
Figure 2. Waihi Gold's Favona mineralisation



Waihi North

Heritage have found that the epithermal alteration can be graded using historic aeromag, and interpreted it using an algorithm to highlight the alteration. The results clearly show the positions of the Waihi and Golden Cross mines in Figure 3 and the resulting target areas within HTM's Waihi North project, with the Matura target in the central area of similar visible tenor to Waihi and Golden Cross.

Figure 3. Epithermal alteration targets at Waihi North



The Waihi mineralisation was believed to have been truncated along its northern boundary by a major fault, and old cross-cuts and drives exposed in the open-cut (albeit apparently in the hanging-wall) in Figure 4a. In the old plan in Figure 4b, there does not appear to have been much exploration beyond the northern boundary into the Waihi North exploration prospect owned by Heritage. Although Figure 3b infers that the interpreted boundary fault may not simply truncate the mineralisation.

Figure 4. Waihi open-cut and potential for Waihi North



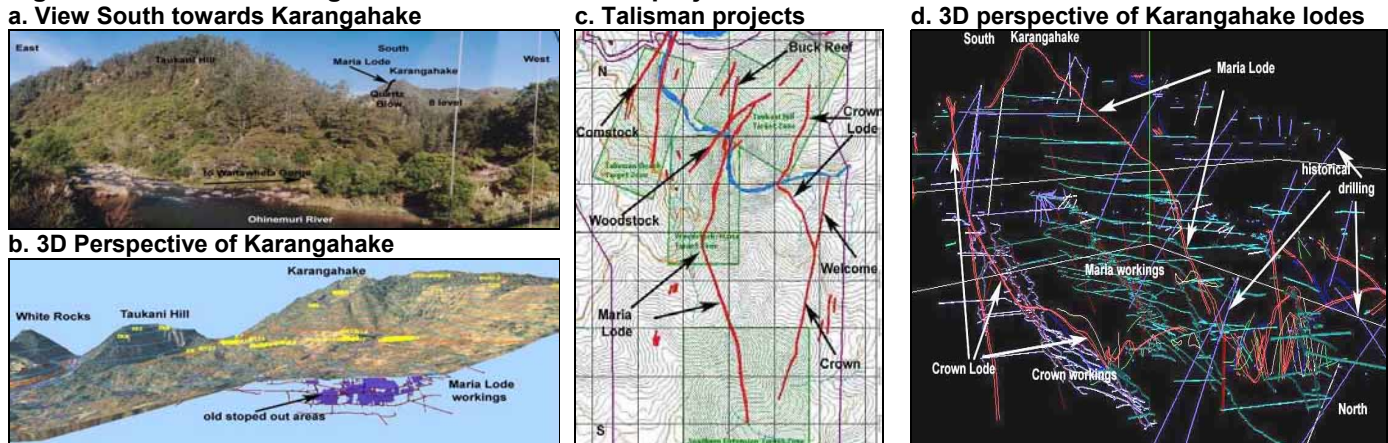
The current Waihi open-cut shown in Figure 4a extends to a depth of 200m and has exposed 6 of the original 15 levels of the old Waihi underground mine. The old Waihi underground extracted 5.6moz of gold and 37moz of silver up to 1952 from 7 shafts. The open-cut which started in 1987 has extracted a further 1.2moz Au, but is only scheduled to mine down to a depth of 250m below surface and expose 8 levels. Current production was quoted as 113kozpa Au and 870kozpa Ag from treating at a rate of 930ktpa.

The initial focus for Heritage at its Waihi North project is possible extensions into Waihi's north wall, and following recent geophysics along roads adjacent to the open-cut and in Waihi North ground, a number of drillhole positions have been identified, and diamond drilling has already commenced, with the second drillhole near the chicken farm in progress in June 2003. After the possible north wall extensions, the next target area could be Matura or the link towards Golden Cross based on the aeromag of Figure 3b using the possible locations in Figure 1c, and geophysics to focus on drilling positions.

Karangahake

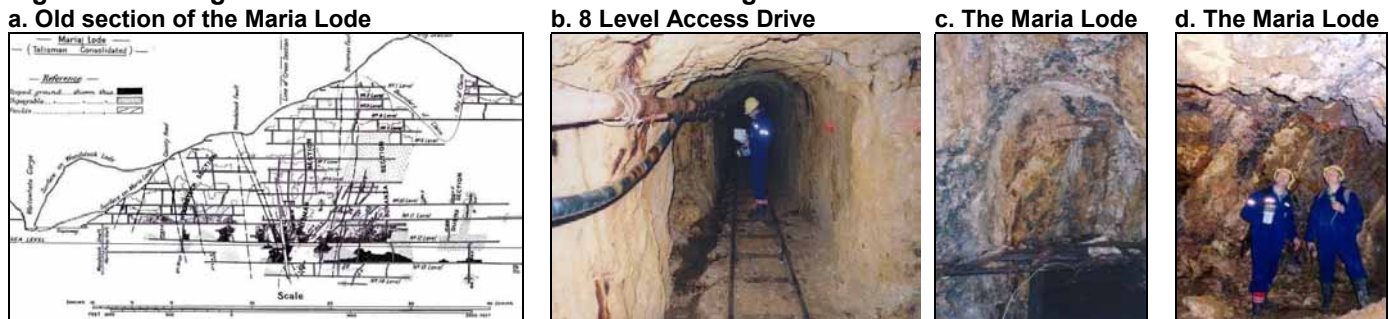
The heyday of Karangahake in the Ohinemuri goldfield (about 10km west of Waihi) was from 1875 to 1919 when almost 4moz were mined mainly from the Maria lode or vein (also referred to as the Talisman after the original mine) at 3.5moz (averaging 27.8g/t Au & 129g/t Ag), the Crown lode at 350,000oz (15.6g/t Au & 12.2g/tAg) and Woodstock lode at 140,000oz (15.3g/t Au & 72g/t Ag). There was some further small scale mining from 1930 to 1944 reputedly near the surface and later in the late 1980's to 1992 by Southern Gold Ltd in the Woodstock section and BM37 drillhole vicinity on 8 level. Southern Gold failed to convert their old mining licence into a new one under the Crown Minerals Act of 1991, leaving Heritage to stake its Talisman exploration permit over it and some adjacent areas as shown in Figure 1a.

Figure 5. Views of Karangahake and the Talisman projects



Given the tourist activities and the Department of Conservation (DOC), access is and can be an issue. When Taukani Hill was drilled historically by Cyprus, it was accessed from the south on the other side of the hill shown in Figure 5a. Looking at the old sections there appears to have been little mining to the south on the Maria because it was classified as “unpayable” in the section shown in Figure 6a, however, it should be recognised that “unpay” in that era could have been 10g/t to 15g/t and the Dubbo section was mined at an average gold grade of 185g/t.

Figure 6. Karangahake’s Maria Lode in section and underground conditions on 8 Level



The Crown lode was also called the Crown-Welcome lode, and some old sections show what is usually called the Crown lode as the Welcome lode. However, we have left the nomenclature as the Crown lode. The sections also infer that there were shoots of varying payability (or grade) within the plane of each lode, and the lodes themselves seemed to have a number of splays and offsets which we noticed on the underground visit along the old Number 8 Level. The lodes were distinctive, usually carrying black chert, and the 2-3m wide Maria lode had a clearly identifiable footwall through to a brecciated hangingwall.

Up to closure in 1992, Southern Gold were mining in the vicinity of a Cyprus drillhole called BM37 on 8 level at an average grade of 401g/t where the intersection has been quoted as 1.8m at 656 g/t Au and 2080 g/t Ag (although even those appears to be cut values). The BM37 vicinity would be an obvious target with apparently minor rehab to access it. BM37 and the Woodstock lode are both contained in the Woodstock/Maria target zone of Figure 5c, with the Southern Extension target also perceived as easier to access, and possible containing the inferred coalescing of the Maria and Crown lodes.

Karangahake is renowned for being the first mine to use cyanidation in 1890 which improved the recoveries from 65% to 90% for gold and 35% to 80% for silver. Recoveries are thought to have improved further since the 90% recovery refers to a 1911 report, and testwork in the early 1990's refers to averages “well over 90%”, although cyanide consumption was apparently high in some samples at grades of 900g/t to 4,000g/t gold !, due to copper. Base metal contents are believed to increase with depth, (and there appears to be little mining below sea-level), but should not pose an unsurmountable recovery problem.

Site Visit

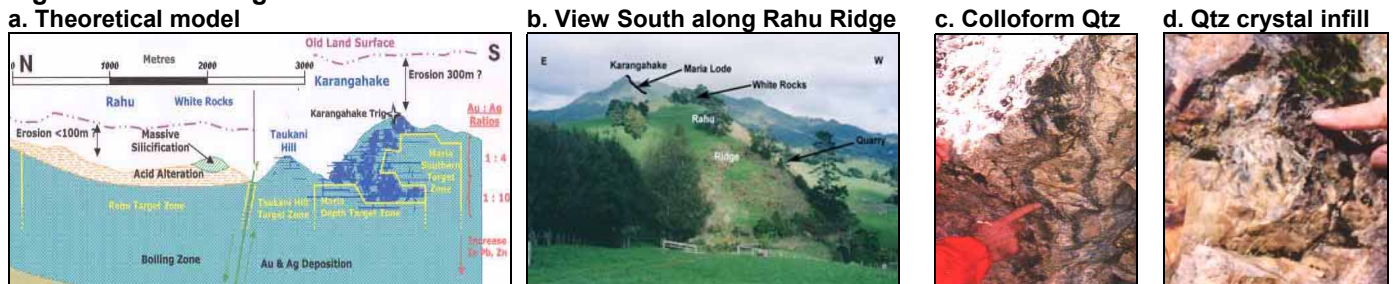
Apart from a visit to the Waihi Gold mine and location of Favona, we visited the surface exploration at Waihi North, Onemana and Rahu, examined drill core, visited the old surface workings on Taukani Hill (of which there was surprisingly little construction left), and saw where the Crown lode had been mined within the very steep-sided Waitawheta Gorge and where it and the Maria crossed over into Taukani Hill.

We also examined the road access and the old Number 8 level of Karangahake which was last mined by Southern Gold in 1992. Underground conditions look relatively good and appeared capable of being reopened and reworked, with a reasonable air-flow already from natural ventilation. There were clearly a number of phases of mining at different periods and resurveying and mapping would be required, which could highlight additional mineralisation such as the Mystery lode between the Crown and Maria lodes. Apart from the BM37 target, there appeared to be a number of potentially payable and readily accessible ore sources from filled old stopes, filled rock passes, surface stockpiles, and exposed lodes or veins.

Rahu

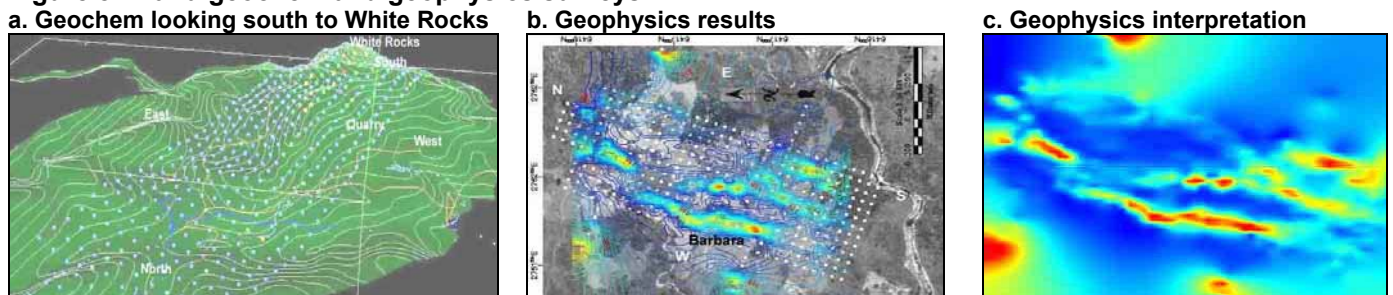
Rahu appears to be an overlooked on-strike extension of the Karangahake or Talisman mineralisation system. Heritage postulated that Rahu had simply been downthrown as shown in Figure 7a and evidenced by veining in river-bank rocks on the northern side of the Ohinemuri river opposite Taukani Hill. We saw further evidence of “boiling textures” in an old quarry (within the Barbara anomaly) north of White Rocks, with banded colloform quartz (the main host mineralisation at Waihi) and multiple quartz-crystal infilled structures as shown in Figure 7.

Figure 7. Rahu Ridge theoretical model and evidence



There is also other evidence such as kaolinite alteration (in which Amoco achieved an intersection of 50m at 1.2g/t), quartz-vein stockworks, eruption brecciation (like Favona and Onemana), andesites and rhyolites, lake sediments and ash-like ignimbrite which are characteristic of the Waihi and Karangahake epithermal gold systems. Based on the theory, Heritage conducted a geochem survey over Rahu Ridge which identified an anomalous zone of mainly 0.02 to 0.20 g/t samples and a peak value of 1.72g/t.

Figure 8. Rahu geochem and geophysics surveys



A geophysical survey was then conducted and interpreted, from which HTM recently received results showing the three distinct north-south zones shown in Figure 8b, and some apparent hidden structures in Figure 8c. Having completed this study, drilling is due to commence at Rahu.

Additional Upside Potential

In addition to its 3 main projects, Heritage also has 3 other projects that are currently classified as being of lesser importance due to their perceived ability to generate early cashflow based on how advanced they are or their proximity to Waihi's mill.

Onemana, which has Favona like similarities in that it has vent breccia and has had some reasonable gold intersections (in about 4 diamond holes about 100m or so apart) such as 6m at 5.7g/t gold and 237g/t silver at a depth of about 50m and does have a drilling programme already demarcated, but at ~20km from Waihi, is the furthest away. *Golden Valley* located to the east of Waihi and Waihi North is early stage exploration, as too is *Owharoa* which also contains some old underground workings from which about 75,000oz were extracted, as a parallel limb east of Rahu.

Other Projects

Heritage is also manager and 33% holder of the Thackaringa cobalt project with SoCo Limited at Broken Hill (NSW). Some biox testwork has occurred, but the project requires further work.

Management

Board of Directors

Peter Atkinson – Chairman and Managing Director since 1984. Peter founded Heritage and has a strong background in geology, exploration management and corporate finance. Peter is also the President of the NZ Minerals Industry Association and a director of Prophecy Mining Ltd.

Ralph Stagg – Executive Director since 1999. Ralph has over 30 years' experience in economic geology having worked on a wide range of mineral projects in several countries. Ralph also has managerial experience in listed and unlisted exploration and mining companies.

David Williams – Non-Executive Director since 1984. David is a commercial lawyer with over 30 years' experience advising on business, resources and corporate matters. He is also a director of Teck and Sipa.

James (Murray) McKee – Non-Executive Director since 1995. Murray is a management consultant who has held senior managerial positions in the Coal Corporation of NZ Ltd for 18 years to 1995. Murray was also a former Chairman of the West Coast Conservation Board.

Geoffrey Hill – Non-Executive Director since 1998. Geoff has participated at the executive level of funds management since 1973 and has specialised in corporate mergers and acquisitions. Geoff has been Chairman of Auspine and Pacific Strategic Investments, and a director of Hills Industries Ltd.

Technical Team

Murray Stevens – Consulting Geologist. Murray was Heritage's exploration manager for 10 years. He has over 25 years' experience at senior management level in mineral exploration in Australasia and the Asia-Pacific region with expertise in epithermal gold and porphyry gold-copper deposits. Murray has taken a number of projects from grass roots through to advanced feasibility including financial analysis.

Paul Vidanovich – Consulting Geophysicist. Paul has over 17 years' experience in epithermal exploration in NZ, the South Pacific and South America. He has expertise in image processing techniques using geophysical data sets and was involved in the Heritage's Onemana discovery and in Newmont's recent high grade epithermal Favona gold discovery by the Waihi Gold Company.

Graeme Fulton – Consulting Mining Engineer. Graeme has more than 18 years' practical experience in coal, diamond and gold mines (mainly in South Africa) including geological and mining consultancy over a wide range of mineral deposits throughout Australasia, PNG, Malaysia, Canada and Southern Africa. He also has mining information system expertise and developed HTM's Karangahake 3-D Datamine model.

Chart of Heritage over the past year (June 2002 to June 2003) (Source : www.yahoo.com)

Heritage has...

...been trading sideways in a narrow band...

...mainly between A\$0.025 and A\$0.032



Disclosure

Heritage Gold NZ Limited commissioned Keith Goode (who holds a Proper Authority with State One Equities Ltd ACN 064 904 650, and is a consultant with Eagle Research Advisory Pty Ltd ACN 098 051 677) to compile this report, for which Eagle Research Advisory Pty Ltd has received a consultancy fee. At the date of this report Keith Goode and his associates do not hold interests in shares issued by Heritage Gold NZ Limited.

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