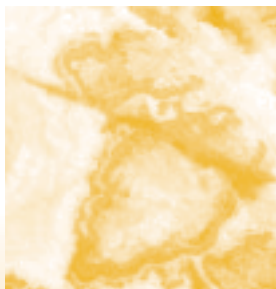


2002



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# THE BOARD OF DIRECTORS

## **Peter Robert Atkinson BSc, FAusIMM**

### *Chairman and Managing Director*

Peter Atkinson has a strong background in geology, exploration management, corporate planning and capital raising. Mr Atkinson is also a Director of Prophecy Mining Limited, the President of the New Zealand Minerals Industry Association, and a life member of the Association of Mining and Exploration Companies (Western Australia).

## **David John Williams LLB , FAICD**

### *Non-executive (Independent) Director*

David Williams is a commercial lawyer and partner of West Australian law firm Williams & Hughes. He has over 30 years experience advising on business, resources and corporate matters and is past State Councillor of the Australian Institute of Company Directors. He is also a director of Teck Cominco Australia Pty Limited and of public listed Sipa Resources International Limited.

## **James Murray McKee BA (Hons)**

### *Non-executive (Independent) Director*

Murray McKee is a management consultant who previously held senior management positions in Coal Corporation of New Zealand Limited (1987-1995) and was Chairman of the Coal Research Association of New Zealand (1995). A former Ministerial Appointee to the New Zealand Conservation Authority, he is also a former Chairman of the West Coast Conservation Board (1992-93) and Councillor of the New Zealand Minerals Industry Association (1993-95).

## **Geoffrey Guild Hill BEcon (Syd); MBA (NSW); ASIA; FCPA; FAICD**

### *Non-executive Director*

Geoffrey Hill has participated in funds management at executive level since 1973, and has specialised in mergers and acquisitions. Career highlights include the restructuring of Bell Resources, the facilitation of a merger between GJ Coles Limited and Myers Limited, the sale of National Brewing Holdings to Lion Nathan and the sale of the Reg Grundy group to Pearson Television.

Mr Hill has been a member of the Securities Institute of Australia since 1969 and holds a current Dealers License through Republic Securities Limited. He formed International Pacific Securities Limited in 1987 and Geoffrey Hill & Associates in 1996.

Professional directorships include chairmanship of Auspine Limited and Pacific Strategic Investments Limited and Directorships of Huntley Investment Company Limited and Hills Industries Limited.

## **Ralph Nicholas Stagg**

### *Non-executive Director*

Ralph Stagg has 30 years experience in economic geology including project generation, exploration planning, managerial experience in listed and unlisted exploration and mining companies, preparation of ore reserve estimates and technical studies.

Mr Stagg has worked on a wide range of mineral projects in several countries. He is currently a director of SoCo Limited, which is unlisted. The company has investments in resources.

## **Matthew Geoffrey Hill**

### *Alternate Director for Geoffrey Hill*

Matthew Hill has had extensive experience in the South Pacific region specializing in telecommunication. He completed an MBA at the University of the South Pacific while working as managing director of Pacsat Telecommunications Limited.

# DIRECTORS' REPORT

for the year ended 31 March 2002

## INTRODUCTION

The downturn in the minerals industry in the past 5 years has inspired numerous mergers and takeovers of larger producing companies to create a group of very large mining companies, a smaller number of middle sized producers and a much smaller exploration sector.

The recent strength in the gold price has begun to revive interest in the mining sector which may lead, increasingly, to opportunities for funding evaluation of worthwhile projects by junior companies, and subsequent development.

Heritage is fortunate in having very prospective areas in the major gold producing district of Waihi in New Zealand - a district that has had relatively little exploration over the last 15 years.

## GOLD PROJECTS (NEW ZEALAND)

After balance date the Company's remaining exploration permit applications in the Coromandel region were granted by the Ministry of Economic Development.

The Company's projects are centred on the Waihi District and lie within an 18km radius of New Zealand's largest and richest gold mine – the Martha mine at Waihi.

The recent discovery by Normandy Mining Limited of a high grade underground gold ore body (called Favona) near the Martha mine has generated new interest in the district. The Martha mine, the Favona deposit and several exploration permits nearby are now owned by Newmont Mining Corporation, following their takeover of Normandy.

With the Martha mine due to close in 2007 further discoveries will be needed to maintain throughput at the Waihi gold treatment plant.

Heritage's properties have been carefully selected and include former producing high grade mines, highly prospective ground adjacent to old mines, and a grassroots discovery.

Work to date has significantly advanced the geological knowledge of the Karangahake (Talisman, Rahu and Dominion Knoll permits), Waihi North and Onemana projects.

The Company's most recent exploration data is now being collated and interpreted, prior to undertaking the next phase of exploration which is planned to lead to drilling programmes.

## Karangahake

The project covers a major epithermal gold deposit which was historically the second largest gold/silver producer in New Zealand, yielding 4 million ounces of gold and silver. It was last mined, on a small scale, in 1993.

Although historical mining focussed on single quartz veins, the Company's exploration work has located a number of wide vein zones over extensive strike lengths, which have not previously been tested by modern techniques.

The Company's consultants believe the project has potential for a deposit of around 2 million ounces of contained gold.

## Waihi North

The permit is immediately north of the Martha mine and extends northwest to the former Golden Cross mine.

Extensive zones of alteration have been mapped in the permit and several major structures identified, which are believed to be favourable for mineralisation and may replicate those seen at the Martha, Golden Cross, and Karangahake mines.

## Onemana

The permit is about 18km north of Waihi and hosts a discovery made by Heritage, where a previous drilling programme encountered attractive gold/silver intersections in an epithermal explosion breccia. Establishing structural controls of this mineralisation will lead to a further drilling programme.

## Oturehua

During the year this South Island permit was relinquished, when exploration work indicated there was insufficient strike length of the gold mineralisation to host a worthwhile deposit.

## Cobalt Project (Australia)

The Thackaringa Cobalt Project near Broken Hill in New South Wales, has a resource base of 10.6M tonnes at 0.10% cobalt (Pyrite Hill deposit) within 100 metres of the surface, including 5.0M tonnes at 0.14% cobalt. At Big Hill drilling by a previous explorer has outlined an inferred resource of about 5M tonnes at similar grade to Pyrite Hill. The mineralisation is open at depth and along strike, indicating potential for a much larger resource.

Broken Hill Cobalt Limited ("BHC") owns 2 mining leases covering the project and holds an option to purchase a surrounding exploration licence from Western Metals Limited for AU\$100,000 (or AU\$50,000 plus a royalty).

After balance date the option was extended to 31 May 2003 on payment of AU\$5,000.

Heritage is a 33% shareholder in BHC and manager of the project. During the year metallurgical testwork has been undertaken, focussing on the potential to reduce capital and operating costs, reflecting the reduction in the cobalt price.



The metallurgical test work carried out in Canada using a microwave process showed potential for recovering the cobalt, with the possibility of sulphur (from pyrite) as a by-product. Sulphur is used for the production of acid for some nickel laterite projects. Revenue from these sales plus lower cost processing of the cobalt mineralisation could enhance the project economics.

The Company has also reviewed bio-oxidation processes to find a successful low cost technique, such as heap leaching, following the success by other companies in the bio-oxidation of nickel and other sulphides using heap leaching techniques, in Western Australia and the Northern Territory. As a result of this review further testwork will be undertaken this year by a laboratory that has assisted in similar developments of this nature. The objective is to lower capital and operating costs without significantly affecting cobalt recoveries and hence revenue.

### COMPENSATION

Heritage is advancing its claim that the Crown is liable to reimburse it for expenditure on projects effectively terminated by an amendment to the Crown Minerals Act in 1997. The Company spent about NZ\$8,000,000 in the area prior to the amendment being passed by Parliament.

The Company's legal advisors are assisting the preparation of information required to progress the claim in the New Zealand High Court.

### INVESTMENTS

The Company owns 19,546,233 shares in New Zealand public listed company Cadmus Technology Limited (NZSE:CTL). Cadmus has developed sophisticated payment systems technology and is now manufacturing terminals of its own design, mainly for markets in Australia and South East Asia.

Heritage also owns 30,412,487 shares in New Zealand public listed company E-cademy Holdings Limited (NZSE:ECH). E-cademy has developed an interactive learning system which is being marketed in Australia and New Zealand, mainly to professional and industry training organisations. It recently acquired a privately owned Australian registered training organisation, giving it access to a larger number of clients and additional course content.

### FUNDING

After balance date the Company announced a 2 for 3 pro-rata renounceable rights issue of up to 49,301,125 Warrants to all shareholders on the register at 5pm on 24 May 2002, to raise working capital.

NZ\$0.01 was payable on application. Warrant holders may choose to make further payments of NZ\$0.01 within 12 months and NZ\$0.07 within 5 years of the date of issue of the Warrants.

Should all such payments be made (total NZ\$0.09) the Warrants will convert to fully paid ordinary shares in the Company. If any such payments are not made, the Warrants will lapse. Warrant holders cannot be compelled by the Company to make any such payments.

Prior to conversion, the Warrants will carry no participatory rights in the Company and Warrant holders will have the right to attend but not vote at general meetings of shareholders of the Company.

### STOCK EXCHANGE LISTING

The Company continues to maintain its listing on the New Zealand Stock Exchange (NZSE:HGD) and from 1 July 2002 is also listed on the General List of the Australian Stock Exchange (ASX:HTM) and on the Newcastle Stock Exchange (NSX:HTM). The Warrants issued by the Company are listed on the NZSE and the NSX.

### FUTURE DIRECTION

The Board have resolved to focus the Company's efforts on its minerals projects, particularly the epithermal gold projects near Waihi, New Zealand. The exploration programmes for the current year are planned to lead to drilling programmes on two of the projects.

To enable shareholders to keep abreast of Company developments a website has been established at: [www.heritagegold.co.nz](http://www.heritagegold.co.nz)

The site currently displays mainly statutory reports to the stock exchange, but it will be upgraded during the year with additional information of interest to shareholders.

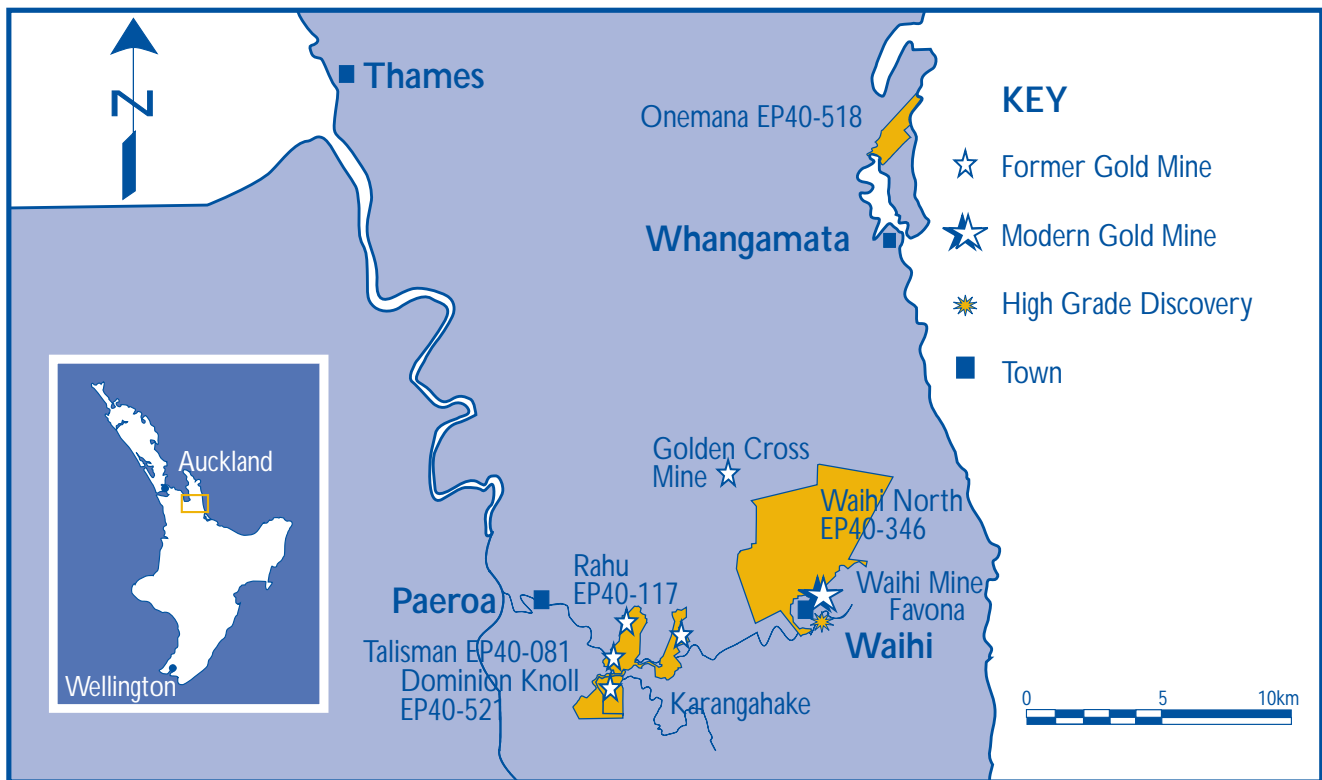
Given the recent improvement in the gold price and the attractive properties held by the Company, the Board expects encouraging results from exploration work this year.

The Financial Report was authorised for issue by the Board on 27 June 2002.



Peter Atkinson  
Managing Director  
15 July 2002

# GOLD PROJECTS - COROMANDEL, NEW ZEALAND

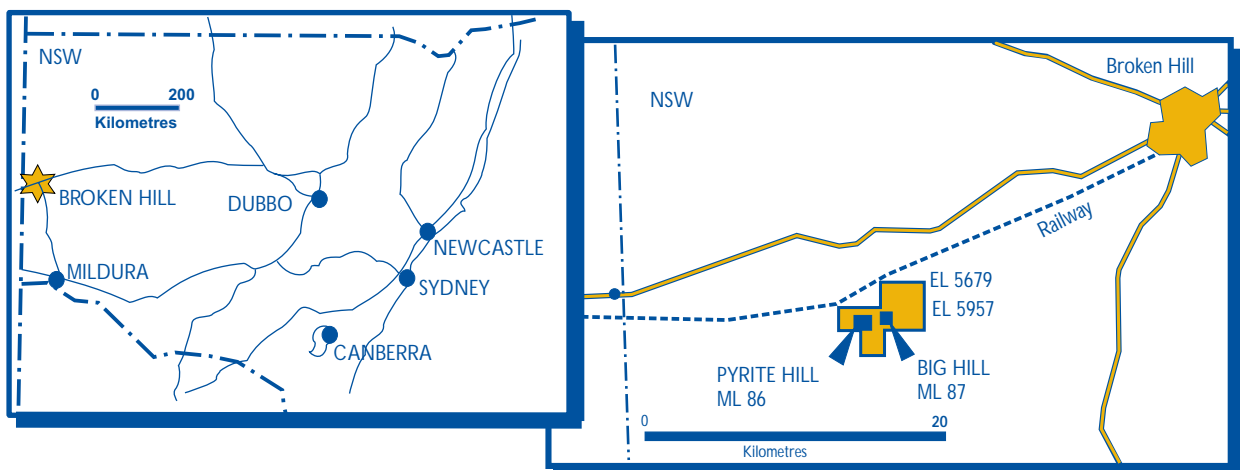


## SCHEDULE OF HERITAGE'S GOLD TENEMENTS

### Granted Exploration Permits

40-081	Talisman
40-117	Rahu
40-346	Waihi North
40-518	Onemana
40-521	Dominion Knoll

## THACKARINGA COBALT PROJECT -Broken Hill, NSW, Australia



## TO THE SHAREHOLDERS OF HERITAGE GOLD NZ LIMITED

We have audited the financial statements on pages 6 to 13. The financial statements provide information about the past financial performance of the Company and Group and their financial position as at 31 March 2002. This information is stated in accordance with the accounting policies set out on pages 9 and 10.

## BOARD OF DIRECTORS' RESPONSIBILITIES

The Board is responsible for the preparation of financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2002 and of the results of operations and cash flows for the year ended 31 March 2002.

## AUDITORS' RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial statements presented by the Board and report our opinion to you.

## BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgments made by the Board in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with, or interests in, the Company or its subsidiaries.

## UNQUALIFIED OPINION

We have obtained all the information and explanations that we have required.

In our opinion :

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements on pages 6 to 13:
  - comply with generally accepted accounting practice;
  - give a true and fair view of the financial position of the Company and Group as at 31 March 2002 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 15 July 2002 and our unqualified opinion is expressed as at that date.



Carlton-DFK  
AUCKLAND  
15 July 2002

# STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2002

	Note	Consolidated 31 Mar 2002 \$	Parent 31 Mar 2002 \$	Consolidated 31 Mar 2001 \$	Parent 31 Mar 2001 \$
REVENUE					
Interest received		14,949	14,949	36,461	36,461
Other income		1,780	1,780	421,665	421,665
Gain on sale of fixed assets		-	-	707	707
TOTAL OPERATING REVENUES	4	16,729	16,729	458,833	458,833
EXPENDITURE					
Depreciation		4,753	4,753	6,360	6,360
Remuneration of directors	2	26,400	26,400	25,500	25,500
Rent and leasing		14,982	14,982	14,886	14,886
Interest expense		418	418	278	278
Audit fees - auditing financial statements		4,200	4,200	4,200	4,200
- other services		232	232	2,005	2,005
Operating expenses		180,815	180,815	130,038	130,038
Write-off field expenses	8	38,857	38,857	213,221	213,221
Foreign exchange loss		2	2	50	50
Loss on sale of share investments		5,062	5,062	-	-
Revaluation loss on share investments		17,629	17,629	110,591	110,591
TOTAL EXPENDITURE		293,350	293,350	507,129	507,129
Net deficit for the year		(276,621)	(276,621)	(48,296)	(48,296)
Share of retained surplus/(deficit) of associated company after income tax		9,114	-	(2,371)	-
Net deficit attributable to parent company shareholders		(267,507)	(276,621)	(50,667)	(48,296)
Add accumulated deficit brought forward		(5,723,764)	(5,721,393)	(5,673,097)	(5,673,097)
Accumulated deficit at end of year		(5,991,271)	(5,998,014)	(5,723,764)	(5,721,393)

# STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 31 March 2002

	Note	Consolidated 31 Mar 2002 \$	Parent 31 Mar 2002 \$	Consolidated 31 Mar 2001 \$	Parent 31 Mar 2001 \$
Equity at beginning of year		8,945,381	6,335,842	6,384,138	6,384,138
Net surplus/(deficit) for the year		(267,507)	(276,621)	(50,667)	(48,296)
Total recognised revenues & expenses for the period		(267,507)	(276,621)	(50,667)	(48,296)
Increase/(decrease) in revaluation reserve		(545,018)	-	2,611,910	-
Equity at end of year		8,132,856	6,059,221	8,945,381	6,335,842

Notes on pages 9 to 13 form part of, and are to be read in conjunction with, these financial statements.



# STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2002

	Note	Consolidated 31 Mar 2002 \$	Parent 31 Mar 2002 \$	Consolidated 31 Mar 2001 \$	Parent 31 Mar 2001 \$
<b>EQUITY</b>					
Share capital (73,809,400 ordinary shares)		11,762,350	11,762,350	11,762,350	11,762,350
Capital reserve		123,750	123,750	123,750	123,750
Share premium reserve		70,235	70,235	70,235	70,235
Asset revaluation reserve		100,900	100,900	100,900	100,900
Revaluation reserve – share investments		2,066,892	-	2,611,910	-
	13	14,124,127	12,057,235	14,669,145	12,057,235
Less accumulated deficit		(5,991,271)	(5,998,014)	(5,723,764)	(5,721,393)
Total shareholder's equity		8,132,856	6,059,221	8,945,381	6,335,842
<b>Represented by:</b>					
<b>NON CURRENT ASSETS</b>					
Fixed assets	6	5,515	5,515	10,002	10,002
Share investments	3	2,133,272	66,380	2,812,918	201,008
Investment in associated companies	12	1,186,743	1,180,000	1,177,629	1,180,000
Total non current assets		3,325,530	1,251,895	4,000,549	1,391,010
<b>INTANGIBLE ASSETS</b>					
<b>Deferred expenditure:</b>					
Capitalised prospecting expenditure	8	4,629,743	4,629,743	4,523,045	4,523,045
Total intangible assets		4,629,743	4,629,743	4,523,045	4,523,045
<b>CURRENT ASSETS</b>					
Cash		1,988	1,988	917	917
Short term deposits		206,617	206,617	428,714	428,714
Debtors	7	4,893	4,893	6,938	6,938
Accrued income		705	705	6,233	6,233
Intercompany loan		-	-	6,292	6,292
Prepayments		-	-	16,019	16,019
Total current assets		214,203	214,203	465,113	465,113
Total assets		8,169,476	6,095,841	8,988,707	6,379,168
<b>LESS CURRENT LIABILITIES</b>					
Creditors	7	34,579	34,579	42,144	42,144
Employee entitlements		2,041	2,041	1,182	1,182
Total current liabilities		36,620	36,620	43,326	43,326
		8,132,856	6,059,221	8,945,381	6,335,842

For and on behalf of the Board:  
DIRECTOR



P.R. Atkinson  
Dated: 15 July 2002

DIRECTOR



J.M. McKee  
Dated: 15 July 2002

Notes on pages 9 to 13 form part of, and are to be read in conjunction with, these financial statements.

# STATEMENT OF CASH FLOWS

for the year ended 31 March 2002

	Note	Parent & Consolidated	
		31 Mar 2002	31 March 2001
		\$	\$
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from customers		1,480	850,500
Interest received		20,477	34,385
		<b>21,957</b>	<b>884,885</b>
Cash was disbursed to:			
Payments to suppliers		(134,853)	(504,631)
Payments to employees		(68,863)	(41,410)
		<b>(203,716)</b>	<b>(546,041)</b>
Net cash inflows (outflows) from operating activities	14	<b>(181,759)</b>	<b>338,844</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Proceeds from sale of fixed assets		-	820
Proceeds from sale of equity investments		111,937	-
		<b>111,937</b>	<b>820</b>
Cash was applied to:			
Prospecting expenditure		(148,985)	(138,291)
Purchase of fixed assets		(266)	(7,767)
Equity investments		-	(285,910)
		<b>(149,251)</b>	<b>(431,968)</b>
Net cash outflows from investing activities		<b>(37,314)</b>	<b>(431,148)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Cash was applied to:			
Repayment of short term loan		(1,952)	-
		<b>(1,952)</b>	<b>-</b>
Net cash outflows from financing activities		<b>(1,952)</b>	<b>-</b>
Net increase/(decrease) in cash held		<b>(221,025)</b>	<b>(92,304)</b>
Exchange gain/(loss)		(1)	(50)
Cash at start of year		<b>429,631</b>	<b>521,985</b>
Cash at end of year		<b>208,605</b>	<b>429,631</b>
Cash comprises:			
Cash		1,988	917
Short term deposits		206,617	428,714
		<b>208,605</b>	<b>429,631</b>

Notes on pages 9 to 13 form part of, and are to be read in conjunction with, these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

## 1. STATEMENT OF ACCOUNTING POLICIES

### Reporting Entity

Heritage Gold NZ Limited is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZSE), the Australian Stock Exchange (ASX) and the Newcastle Stock Exchange (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 subsidiaries and associates.

### Measurement Base

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

### Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and financial position, have been applied.

#### Prospecting Costs

Acquisition, exploration and development costs of prospects held by the Company at balance date are capitalised as deferred expenditure.

#### Mining Tenements

The total carrying value of prospecting expenditure and mining tenements is supported by an independent valuation prepared by Mr Richard Barker on 8 May 2001. When a tenement is capable of sustaining commercial mining operations, the value or cost will be amortised 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 will be written off immediately.

#### Fixed Assets

Fixed assets are initially recorded at cost.

#### Depreciation

Depreciation is provided at rates calculated to reduce the cost of fixed assets to their respective residual values during their estimated useful lives. For this purpose, the Company has adopted the depreciation rates set by the Inland Revenue Department.

Rates used during the year were:

Computer software and hardware	Straight line	36%
Field equipment	Straight line	13.5%
Fixtures and fittings	Straight line	12-18.6%
Office equipment	Straight line	24%

#### Taxation

Heritage Gold NZ Limited is a mining company for New Zealand tax purposes. All exploration and development expenditure, including the cost of mining assets, is tax deductible in the year the expenditure is incurred. Any mining losses can be set off against non-mining income in the ratio 3:2. Deferred taxation is not adopted whilst there are significant tax loss benefits not recognised in the accounts. Tax benefits arising from income tax losses are recognised only if there is virtual certainty of realisation.

#### Share Investments

Share investments in listed companies are to be revalued annually to market value. Any revaluation surplus above cost is transferred directly to the revaluation reserve and a revaluation deficit in excess of the revaluation reserve balance is recognised 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 recognised as revenue.

#### Receivables

Receivables are stated at their estimated realisable value.

#### Cashflows

For the purpose of the statement of cashflows, cash includes cash on hand and deposits held at call.

#### Employee Entitlements

The liability for annual leave is accrued and recognised in the statement of financial position.

#### Foreign Currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these translations are included in the Statement of Financial Performance.

#### Leases

Heritage group leases certain equipment, land and buildings. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased item, are included in the determination of the operating profit in equal instalments over the lease term.

Finance leases, which effectively transfer the risks and benefits of ownership, are capitalised at the present value of the minimum lease payments. Leased assets are recognised at cost and depreciated over their respective estimated useful lives.

### Basis of Consolidation

The consolidated accounts include the Company and its subsidiaries accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation. In the parent Company's financial statements, the investment in subsidiaries is recognised at the lower of cost or written down value.

### Associated Companies

The 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.

### Changes in Accounting Policies

There were no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

## 2. DIRECTORS' AND EMPLOYEES' REMUNERATION

	2002	2001
	\$	\$
PR Atkinson	90,000*	84,000*
DJ Williams	-	-
JM McKee	7,500	7,500
GG Hill	-	-
RN Stagg	7,500	7,500
MG Hill (alternate)	-	-

\*of which \$11,400, (2001: \$10,500) is expensed and the remainder is capitalised in the Statement of Financial Position as part of field expenditure. No employee received remuneration and other benefits exceeding \$100,000.

## 3. SHARE INVESTMENTS

	Consolidated 2002	Parent 2002	Consolidated 2001	Parent 2001
Investment in listed companies	2,124,173	57,281	2,803,819	191,909
Investment in other companies	9,099	9,099	9,099	9,099
Total share investments	\$2,133,272	\$66,380	\$2,812,918	\$201,008

Listed shares have been valued at market value.

The Parent Company's subsidiary, Coromandel Gold Limited, has granted call options to third parties, exercisable at any time between 17 May 2002 and 17 May 2003 over 3 million shares it holds in Cadmus Technology Limited, for a total exercise price of \$30,000, as part of the initial funding arrangements for Cadmus.

### Subsequent Event

At the date of this report, 1,500,000 of the above call options had been exercised.

## 4. SEGMENT INFORMATION

During the current year the Company had only one business segment: mineral exploration within New Zealand.

	Mineral Exploration		Promoter of Capital Ventures		Consolidated	
	31-Mar-02	31-Mar-01	31-Mar-02	31-Mar-01	31-Mar-02	31-Mar-01
Revenue from customers	-	-	-	850,000	-	850,000
Intersegment sales	-	-	-	-	-	-
Unallocated revenue	-	-	-	-	16,729	37,418
TOTAL REVENUE	-	-	-	850,000	16,729	887,418
Segment result	(38,857)	(213,221)	-	421,415	(38,857)	208,194
Unallocated expenses					(237,764)	(256,490)
Group operating deficit (before equity accounting)					(276,621)	(48,296)
Segment assets	4,629,743	4,523,045	-	-	4,629,743	4,523,045
Unallocated assets					3,539,733	4,465,662
Total assets					8,169,476	8,988,707



## 5. TAXATION

The company has estimated mining taxation losses available to carry forward to offset against future mining income of \$4,769,239 (2001:\$4,662,541). There are non-mining taxation losses of \$4,868,573 (2001: \$4,625,999) to carry forward. Such losses will only be available to be offset if:

(a)The Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deduction for the losses to be realised;

(b)The Company continues to comply with the conditions for deductibility imposed by the law;

(c)There are no changes in tax legislation which adversely affect the Company in realising the benefit from the deduction for the losses.

In accordance with the Company's policy, timing differences in relation to taxation are not recognised.

There have been no movements through the imputation credit account, the balance of which is NIL (2001 : NIL).

## 6. FIXED ASSETS

Fixed Assets	Consolidated & Parent 2002			Consolidated & Parent 2001		
	At Cost	Accumulated Depreciation	Book Value	At Cost	Accumulated Depreciation	Book Value
Field equipment	-	-	-	5,959	5,959	-
Fixtures and fittings	1,410	433	977	26,919	25,748	1,171
Office equipment	4,000	1,920	2,080	16,924	13,884	3,040
Computer hardware	5,995	4,734	1,261	5,995	2,575	3,420
Computer software	4,093	2,896	1,197	3,826	1,455	2,371
<b>Total \$</b>	<b>15,498</b>	<b>9,983</b>	<b>5,515</b>	<b>59,623</b>	<b>49,621</b>	<b>10,002</b>

## 7. RELATED PARTY TRANSACTIONS

Payments for consulting services to companies in which Directors have a substantial interest amounted to \$1,761 (2001: \$26,759 ) (refer also to note 2.) Williams & Hughes provided legal services totalling \$1,761 at normal commercial rates. At balance date, debtors included NIL (2001 : NIL) owing by companies in which directors had an interest. At balance date, creditors had NIL owing to companies in which directors had an interest.

No related party debts have been written off during the year.

## 8. DEFERRED EXPENDITURE

	2002	2001
Total prospecting cost and mining tenements	13,933,527	13,787,972
Less prospects written-off	9,303,784	9,264,927
<b>Total</b>	<b>\$4,629,743</b>	<b>\$4,523,045</b>

The net value of prospecting costs is supported by an independent valuation, prepared by Mr Richard Barker, dated 8 May 2001. The ultimate value of this asset is dependent on further development and successful commercial extraction and realisation of the respective areas.

### Compensation Claim

The Company is claiming compensation from the Crown in respect of expenditure on properties now excluded from mining by an amendment to the Crown Minerals Act 1991 and written off. Costs incurred and expensed during the year amounted to \$3,001.

## 9. FINANCIAL INSTRUMENTS

### Credit Risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. The Company places its surplus funds with trading banks and other financial institutions. Maximum exposure to credit risk at balance date is represented by the carrying value of the financial instruments. The Company is not exposed to any concentration of credit risk. The Company's use of over-draft facilities has been negligible.

### Currency and Interest Rate Risk

The Company is not exposed to any concentration of currency or interest rate risk. The effective interest rate for short term deposits is 4.66% as at 31 March 2002, calculated using the weighted average method.

### Fair Value

There is no material difference between the carrying amounts and estimated fair values of the Company's financial assets and liabilities.

## 10. COMMITMENTS

### Joint Venture Commitments:

The Company had no Joint Venture commitments at 31 March 2002.

### Operating Lease Commitments

Lease commitments under

non-cancellable operating leases	2002	2001
Not later than one year	\$20,958	\$20,958
Later than one year but not later than two years	NIL	NIL

## 11. SUBSIDIARY COMPANIES

Coromandel Gold Limited is a 100% owned subsidiary of Heritage Gold and did not trade during the year.

## 12. ASSOCIATED COMPANIES

The group owns a 33% interest in Broken Hill Cobalt Limited. Broken Hill Cobalt owns the exploration rights to cobalt deposits in Australia. Its balance date is 30 June. E-cademy Holdings Limited ceased to be an associated company on 4 July 2001 when E-cademy issued further shares.

### INVESTMENTS IN ASSOCIATED COMPANIES

	31 March 2002	31 March 2001
Share of associates' surplus/(deficit)	9,114	(2,371)
Income tax	-	-
Dividend received from associates	-	-
	9,114	(2,371)
Share of associates' equity at beginning of year	1,177,629	1,180,000
Total share of increase/(decrease) in associates' equity since acquisition	6,743	(2,371)
Cost of investment	1,180,000	1,180,000
Equity carrying value of investments	\$1,186,743	\$1,177,629

## 13. EQUITY

### Share Capital and Reserves

There have been no changes in share capital.

### Options

On 28 August 2000 shareholders approved a share option plan for employees and directors. Under the plan the pool of 6,000,000 options are not quoted or tradeable and are issued at the discretion of the directors for no consideration. The options have exercise dates from 1 July 2001 to 30 June 2004 and exercise prices of 12 to 16 cents each.

	Number of options issued	Exercise price	Exercise date	Expiry date
Employee 1st Tranche	1,866,666	12c	1 July 2001	30 June 2002
Employee 2nd Tranche	1,866,667	14c	1 July 2002	30 June 2003
Employee 3rd Tranche	1,866,667	16c	1 July 2003	30 June 2004
Total	5,600,000			

### Revaluation Reserve

	2002	2001
Opening balance	2,611,910	-
Revaluation of listed share investments	(545,018)	2,611,910
Closing balance	2,066,892	2,611,910



## 14. RECONCILIATION OF OPERATING CASHFLOW AND CONSOLIDATED NET PROFIT AFTER TAXATION

	<i>Parent &amp; Consolidated</i>	
	<b>2002</b>	<b>2001</b>
Net deficit after taxation and before including share of retained deficit of associates	<b>(276,621)</b>	(48,296)
Add non-cash items:		
Depreciation	<b>4,753</b>	6,360
Decrease/(increase) in share valuation	<b>22,691</b>	110,591
Write off field expenditure	<b>38,857</b>	213,221
Exchange loss	<b>2</b>	-
	<b>66,303</b>	330,172
Add/(less) movement in working capital:		
Decrease/(increase) in debtors	<b>(392)</b>	540
Increase/(decrease) in creditors	<b>(1,501)</b>	(77,820)
Decrease/(increase) in prepayments	<b>16,019</b>	136,726
Increase in accrued income	<b>6,233</b>	(2,075)
Decrease/(increase) in GST	<b>1,908</b>	5,889
Decrease/(increase) in loan	<b>6,292</b>	(6,292)
	<b>28,559</b>	56,968
Net cashflows from operating activities	<b><u>\$(181,759)</u></b>	<b><u>\$338,844</u></b>

## 15. SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

### *Warrants*

After balance date the Company announced a 2 for 3 pro-rata renounceable rights issue of up to 49,301,125 Warrants to all shareholders on the register at 5pm on 24 May 2002.

NZ\$0.01 was payable on application. Warrant holders could choose to make further payments of NZ\$0.01 within 12 months and NZ\$0.07 within 5 years of the date of issue of the Warrants.

Should all such payments be made (total NZ\$0.09) the Warrants will convert to fully paid ordinary shares in the Company. If any such payments are not made, the Warrants will lapse. Warrant holders cannot be compelled by the Company to make any such payments.

Prior to conversion, the Warrants will carry no participatory rights in the Company. Warrant holders will have the right to attend but not vote at general meetings of shareholders of the Company.

The funds raised will be used for working capital.

# ADDITIONAL INFORMATION

## DIRECTORS' INFORMATION

Name of Director	Ordinary shares in which Director has an interest 31 March 2002	Ordinary shares in which associated person has an interest 31 March 2002	Options in which Directors have an interest		
			Exercise dates		
			1/7/01 - 30/6/02	1/7/02 - 30/6/03	1/7/03 - 30/6/04
PR Atkinson	8,301,560	4,000,000	666,666	666,667	666,667
DJ Williams	62,514	4,447,130	200,000	200,000	200,000
GG Hill	nil	20,393,400	200,000	200,000	200,000
MG Hill (alternate)	nil	20,393,400	200,000	200,000	200,000
RN Stagg	nil	20,000,000	200,000	200,000	200,000
JM McKee	nil	nil	200,000	200,000	200,000

The management services contract dated 27 May 1999 between the Company and Up Minister Limited was extended for a further period of one year, ending 31 March 2003.

## DIRECTORS' DISCLOSURES OF INTERESTS

The following general disclosures of interests were received in relation to the year ended 31 March 2002.

Name of Director	Entity	Status
PR Atkinson	Prophecy Mining Limited	Director and shareholder
	Up Minister Limited	Director and shareholder
	E-cademy Holdings Limited	Shareholder
	Cadmus Technology Limited	Director and shareholder
DJ Williams	Prophecy Mining Limited	Director and shareholder
	Williams & Hughes	Partner
GG Hill	SoCo Limited	Director
	Republic Securities Limited	Director
	Geoffrey Hill & Associates Pty Limited	Director and shareholder
MG Hill	Nil	Nil
RN Stagg	SoCo Limited	Director
	Project Geoscience Pty Limited	Director
JM McKee	Broad Horizons Limited	Director

## CHANGES IN DIRECTORS

There were no changes in directors during the year.

## SHAREHOLDING STATISTICS AS AT 25 June 2002 TWENTY LARGEST SHAREHOLDERS

Name	Shares	%	Name	Shares	%
SoCo Limited	20,000,000	27.10	John A Nimmo	564,410	0.77
Peter Robert Atkinson	8,301,560	11.25	FH Nominees Limited	522,000	0.71
Prophecy Mining Limited	4,000,000	5.42	Craig David Barry	500,000	0.68
Troyward Pty Limited	3,000,000	4.07	Peter William Hall	500,000	0.68
Captain Starlight Nominees Pty	1,326,325	1.80	Li Guan	450,304	0.61
Relativity Pty Limited	949,000	1.29	Jane Hammond Williams	447,130	0.61
Basil Courtney McGirr	871,341	1.18	Glenstall Investments Pty Limited	430,000	0.58
John Mowbray	806,000	1.09	Terence Cornelius McManus	400,080	0.54
Graham Bruce Douglas & Craig David Barry	800,000	1.08	Republic Securities Limited	383,400	0.53
ANZ Nominees Limited	731,330	0.99	National Nominees Limited	385,000	0.52
			Total	45,377,880	61.48
			Total shares	73,809,400	



## DISTRIBUTION OF SHAREHOLDINGS AS AT 15 JUNE 2002

<i>Size of Holding</i>	<i>Holders</i>	<i>Shares</i>	<i>%</i>
1 - 1,000	30	25,170	0.03
1,001 – 5,000	223	774,763	1.05
5,001 - 10,000	198	1,745,809	2.37
10,001 – 100,000	416	15,668,317	21.23
100,001 and over	73	55,595,341	75.32
<b>Total</b>	<b>940</b>	<b>73,809,400</b>	<b>100.00</b>

Ordinary fully paid shares have one vote per share.

## SUBSTANTIAL SECURITY HOLDERS

As at 25 June 2002 the following holders have given notice, in accordance with the Securities Amendment Act 1998, that they are substantial security holders in the Company. The number of voting securities shown below is as last advised to the Company.

Geoffrey Guild Hill	20,393,400	Registered Holder and non-beneficial owner
SoCo Limited	20,000,000	Registered Holder and beneficial owner
Peter Robert Atkinson	8,301,560	Registered Holder and beneficial owner
Prophecy Mining Limited	4,000,000	Registered Holder and beneficial owner

Total voting securities on issue as at 25 June 2002: 73,809,400.

## WARRANT HOLDING STATISTICS AS AT 15 JULY 2002 TWENTY LARGEST WARRANT HOLDERS

<i>Name</i>	<i>Warrants</i>	<i>%</i>	<i>Name</i>	<i>Warrants</i>	<i>%</i>
Roy Richard Jackson	4,700,000	13.16	Relativity Pty Ltd	632,666	1.77
Mr John Mowbray	4,596,000	12.86	Peter William Hall	500,000	1.40
Captain Investments Ltd	4,274,000	11.96	Frederick Kilner Stone	366,666	1.03
Ross Asset Management Limited	4,137,000	11.58	Basil Courtney McGirr	352,750	0.99
Widespread Portfolios Limited	4,000,000	11.20	John Mowbray	337,333	0.94
Wells Investments Limited	2,000,000	5.60	Keith Richard Frankum	283,333	0.79
I E Properties Pty Ltd	1,248,000	3.49	Ianaki Semerdziev	248,750	0.70
Stuart Maxwell Mowbray	1,000,000	2.80	Susan Joy Fox	180,000	0.50
Talex Investments Pty Ltd	1,000,000	2.80	Mentern Nominees Pty Limited	168,000	0.47
ASB Nominees Limited	850,000	2.38	Forbar Custodians Limited	149,333	0.42
			<b>Total</b>	<b>27,805,000</b>	<b>77.83</b>
			<b>Total Warrants</b>	<b>35,726,032</b>	<b>100.00</b>

## DISTRIBUTION OF WARRANT HOLDINGS AS AT 15 JULY 2002

<i>Size of Holding</i>	<i>Holders</i>	<i>Total Units</i>	<i>%</i>
1 - 1,000	0	0	0.00
1,001 - 5,000	65	169,475	0.47
5,001 - 10,000	37	272,149	0.76
10,001 - 100,000	88	3,288,226	9.20
100,001 and over	28	31,996,182	89.56
<b>Totals</b>	<b>218</b>	<b>35,726,032</b>	<b>100.00</b>

Warrant holders do not have voting rights

## CORPORATE GOVERNANCE

The Company was incorporated at Auckland, New Zealand and is registered in New Zealand under the Companies Act 1993 and in Australia as a foreign corporation under ABN 009 474 702 and is listed on the New Zealand, Australian and Newcastle Stock Exchanges.

The Company is not subject to Chapters 6, 6A, 6B and 6C of the (Australian) Corporations Act dealing with the acquisition of shares (ie, substantial holdings and takeovers). However, the Company is subject to the New Zealand Takeovers Code which is broadly similar in effect to Chapters 6, 6A, 6B, and 6C of the Australian Corporations Act.

### *Takeovers Code*

In New Zealand, the Takeovers Code prohibits a person or group of associated persons from acquiring 20% or more of the voting rights in Heritage Gold NZ Limited except in compliance with the Code. The permitted compliance methods include:

- (i) full or partial takeover offers made in accordance with the procedures set out in the Code;
- (ii) acquisition or allotment of voting securities with the approval of an ordinary resolution of shareholders of Heritage Gold NZ Limited;
- (iii) a 5% creep option for a person that already holds or controls more than 50% of the voting securities; and
- (iv) compulsory purchase options which are triggered upon the acquisition of 90% of the voting securities.

Further information about the Takeovers Code can be obtained at the New Zealand Takeovers Panel's website at [www.takeovers.govt.nz](http://www.takeovers.govt.nz).

### *Overseas Investment Regulations*

The New Zealand Overseas Investment Act 1973 and the Overseas Investment Regulations 1995 control foreign investment in New Zealand. An application to the Overseas Investment Commission (OIC) must be made by non-residents and overseas controlled companies planning to purchase an equity share of 25% or more in a New Zealand company having assets of NZ\$50 million or more, or to purchase directly or indirectly certain categories of sensitive land, which may be relevant to Heritage Gold's mining activities.

Further information on the overseas investment regime can be obtained from the OIC's website at [www.oic.govt.nz](http://www.oic.govt.nz).

## The Board of Directors

The Board of Heritage Gold NZ Limited is responsible for control of the Company's activities on behalf of its shareholders, including setting of strategic direction and policy, and approval of the annual budget. Responsibility for the regular operations of the Company is delegated to the Managing Director who is accountable to the Board.

## Governance

1. The Board meets annually to approve the strategic plan and annual budget and thereafter regularly during the year to review normal operations. During the year the Board held 5 meetings by telephone and 4 circulatory resolutions were passed.
2. The Board has a remuneration committee, consisting of two non-executive directors, to approve the terms of remuneration for senior executives of the Company.
3. The Board has an Audit Committee which meets to review the financial data produced, and the controls in place to ensure risk minimisation. The committee is comprised of 4 Directors and the Company Secretary. During the year the Audit Committee met twice.
4. Directors are permitted to obtain independent professional advice at the expense of the Company, in connection with their Director's duties and responsibilities.
5. All Directors have endorsed the Insider Trading Procedure, as issued under the Securities Amendment Act 1988, which controls any dealings in securities by company directors and employees.
6. Sources of potential risk to the Company such as legal compliance and financial health, are monitored through regular reporting by the Managing Director and Company Secretary to the Board.





[www.heritagegold.co.nz](http://www.heritagegold.co.nz)



# COMPANY DIRECTORY

## Directors

Peter R Atkinson (Chairman)  
Geoffrey G Hill  
David J Williams  
J Murray McKee  
Ralph N Stagg

## Alternate Director

Matthew G Hill (alternate to GG Hill)

## Company Secretary

Ms Alison J Griffiths

## Registered (Head) Office

541 Parnell Road, Parnell  
Auckland, New Zealand  
Telephone (+64 9)303-1893  
Facsimile (+64 9)303-1612  
Email: [hmining@extra.co.nz](mailto:hmining@extra.co.nz)  
Website: [www.heritagegold.co.nz](http://www.heritagegold.co.nz)

## Principal Office in Australia

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

## Bankers

WestpacTrust Bank, Auckland  
National Australia Bank, West Perth

## Auditors

Carlton DFK  
Carlton DFK Centre  
135 Broadway, Newmarket, Auckland

## Solicitors

Chapman Tripp Sheffield Young, Auckland  
Simpson Grierson Law, Auckland  
Williams & Hughes, Perth

## Share Registrars

New Zealand:  
BK Registries Limited  
138 Tancred Street  
Ashburton, New Zealand  
Telephone(+64 3) 308-8887  
Australia:  
Registries Limited  
28 Margaret Street, Sydney  
NSW 2000, Australia  
Telephone(+61 2)9279-0677

## Shares Listed

New Zealand Stock Exchange  
Code: Shares HGD  
Warrants HGDCA  
Australian Stock Exchange  
Code: Shares HTM  
Newcastle Stock Exchange  
Code: Shares HTM  
Warrants HGDCHA



