

2003



ANNUAL REPORT

Heritage Gold NZ Ltd
Waihi North
EP 40 346



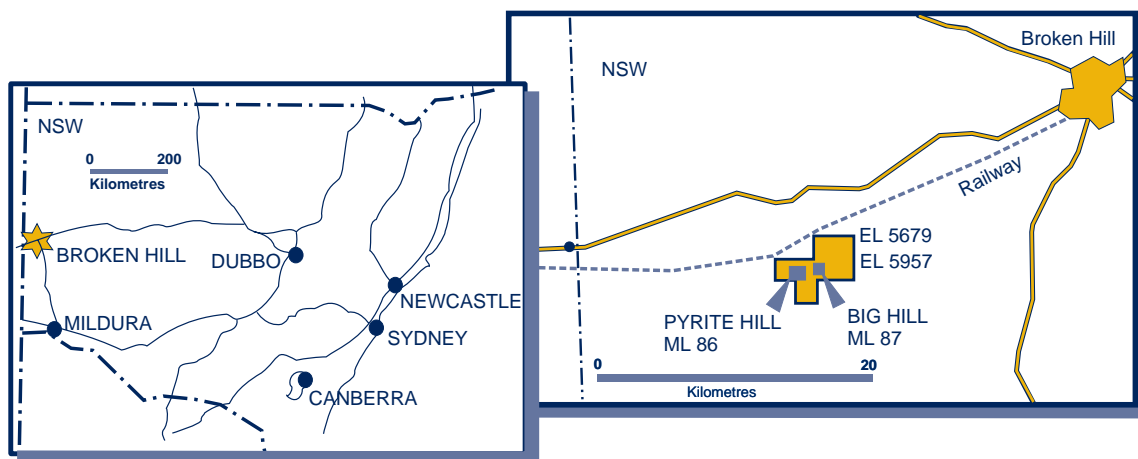
INDEX

THE BOARD OF DIRECTORS	1
DIRECTORS' REPORT	2
TENEMENT LOCATIONS	4
AUDITORS' REPORT	5
FINANCIAL STATEMENTS	6
NOTES TO FINANCIAL STATEMENTS	9
ADDITIONAL INFORMATION	14
COMPANY DIRECTORY	Back Page

COVER

Aerial Photograph of Waihi showing Martha mine owned by Newmont and part of EP40-346 held by Heritage Gold.

THACKARINGA COBALT PROJECT - AUSTRALIA



THE BOARD OF DIRECTORS

Peter Robert Atkinson BSc, FAusIMM

Chairman and Managing Director.

Peter Atkinson has broad experience in economic geology, exploration management, and has negotiated joint ventures with major mining groups in New Zealand and Australia. Mr Atkinson also has experience in corporate planning, capital raising, and the stock exchange listing of new companies. He is a substantial shareholder in Heritage Gold.

Mr Atkinson is a Director of Prophecy Mining Limited, 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.

Mr Williams is also a director of Teck Cominco Australia Pty Limited and of public listed Sipa Resources International Limited.

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

Non-executive Director

A Merchant Banker, Geoffrey Hill has been involved in the Securities Industry since 1972. He 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. He is Chairman of Republic Securities Limited. He formed International Pacific Securities Limited in 1987 and Geoffrey Hill & Associates in 1996. Mr Hill is Managing Director and a Principal of Pitt Capital Partners

Professional directorships include Chairmanship of Pacific Strategic Investments Limited and Directorships of Huntley Investment Company Limited and Hills Industries 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, Mr McKee is a former Chairman of the West Coast Conservation Board (1992-93) and Councillor of the New Zealand Minerals Industry Association (1993-95).

Ralph Nicholas Stagg BSc, MSc, DIC

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 a director of So Co Limited, an unlisted public company with a substantial shareholding in Heritage Gold. So Co also has other investments in resources and technology.

Matthew Geoffrey Hill

Alternate Director for Geoffrey Hill

Matthew Hill has extensive experience in the South Pacific region specialising in telecommunications. He completed an MBA at the University of the South Pacific while working as Managing Director of Pacsat Telecommunications Limited.

Mr Hill is Managing Director of Connect Cafes, a joint venture between ATH and the Waterfront Group of Fiji.

DIRECTORS' REPORT

for the year ended 31 March 2003

Over 5 years ago Heritage faced problems common to most junior companies at that time – a depressed gold sector, little investor interest, and a difficult climate for fund raising. The Company had lost some of its key assets following an amendment to the Crown Minerals Act in November 1997, now the subject of a claim for compensation.

Following acquisition of an interest in the Thackaringa Cobalt Project near Broken Hill, the Directors elected to look at the high tech sector for fund raising opportunities. To this end the Company made a small share placement at the end of 1999 for working capital and in April 2000 floated a technology company on the NZX, followed by another in November 2000. This diversification enabled Heritage to earn substantial fees and retain equity in the new listings.

In the past 9 months Heritage has raised over \$1,000,000 by disposing of most of its technology interests, without the need to dilute shareholders' equity. This has helped fund exploration in the Waihi gold district.

A year ago Heritage also raised \$367,263 (less expenses) for working capital through a pro rata issue of Warrants paid to 1 cent each. A further voluntary 1 cent payment is due by 26 June 2003, with a final payment of 7 cents by 26 June 2007 to convert each Warrant into a fully paid ordinary share in the Company.

During this 5 year period your Directors remained focussed on the Company's main objective, which has led to the drilling programmes in the Waihi gold district that are currently under way.

GOLD PROJECTS (NEW ZEALAND)

Heritage has concentrated its attention on the Waihi gold district, within an 18km radius of the Martha mine, the country's largest and richest producer (over 6.5M oz of gold historically).

In mid-2001 the discovery of the Favona high grade deposit at Waihi by Normandy Mining again highlighted the major potential of this under explored district, where the major tenement holders are now Heritage and Newmont (following its takeover of Normandy).

In the second half of calendar 2002 Heritage undertook detailed exploration at its Karangahake and Waihi North projects that was designed to lead to selection of drilling targets. Further detailed work earlier this year identified drilling targets in the Rahu permit (Karangahake Project) and at the southern end of the Waihi North permit (just to the north of the Martha mine).

The small diamond drilling programme under way at Waihi North at the date of this report will be followed by a reverse circulation drilling programme at Rahu. Both projects have largely untested potential, with numerous targets that justify drilling.

The Martha mine will close in 2007 and the Favona high grade deposit, where a decline is currently being sunk, is expected to produce only sufficient ore to operate Newmont's Waihi treatment plant at about 25 – 30% of its rated capacity of 1.3M tonnes per annum.

This factor plus the potentially long life of the Waihi plant is a strong incentive for further gold discoveries near Waihi.

Karangahake

The Karangahake Project includes the Talisman, Rahu and Dominion Knoll exploration permits.

Heritage has reprocessed airborne geophysical and ground geophysical survey data, geologically mapped areas of interest, completed rock sampling, and carried out detailed soil geochemical and ground geophysical surveys to delineate several drilling targets.

The mapped area of hydrothermal alteration covers approximately 15 square kilometres, within which Heritage has outlined a number of individual veins and vein zones, ranging from 1 to 100 metres in width. The overall strike length of the quartz vein zones is about 4 kilometres.

During the year the Company also digitised all available historic exploration and mining data and added results of work in progress to the digital database. This has enabled the development of 3D computer models for data interpretation.

Drilling on the Rahu permit will be directed at several geochemical and geophysical anomalies that have been outlined in a 2 kilometre long zone, interpreted as the downthrown northern extension of the historically rich Talisman ore body. The Talisman mine contributed the bulk of the 1M oz historical gold (+3M oz silver) production at Karangahake.

The project has potential for a resource of around 2M oz of contained gold (+silver).

Waihi North

This exploration permit adjoins the Martha gold mine, extending north to the now-closed Golden Cross mine. Over the past year Heritage has reprocessed airborne geophysical data, and completed ground geophysical surveys, geochemical sampling and geological mapping in several areas of strong alteration.

Initially, aeromagnetic survey data was reprocessed using new computer modelling software which delineated 7 separate areas of strong hydrothermal alteration, adjacent to the Martha mine and the old Golden Cross mine, as well as elsewhere in the permit.

Ground surveys assisted in the identification of anomalies likely to be due to quartz veining and/or silicification. The area where drilling commenced in May is largely unexplored,

with no records of drilling in the last 50 years.

The Waihi North permit has the potential to host a resource of more than 1M oz of contained gold (+silver).

Golden Valley

In the September quarter 2002 reprocessing of aeromagnetic survey data from an area east of the Favona discovery gave signatures similar to that of the main gold deposits in the Waihi gold district. An application for a prospecting permit was lodged and was subsequently granted in the March quarter 2003.

The Company is developing techniques for discriminant analysis of the aerial geophysical anomalies identified to date.

Onemana

After granting of a new permit in the September 2002 quarter, Heritage reviewed all of the exploration data for the property to assist planning of the future exploration programme. This included a review of interpreted structural controls of mineralisation encountered in earlier diamond drilling which yielded several attractive gold/silver intersections in a vent breccia.

The resource potential of the property is estimated to be 1M oz of contained gold (+silver).

COBALT PROJECT (AUSTRALIA)

After balance date, the price of 99.8% cobalt product rose to US\$10.00/lb from a 2002 low of around US\$6.00/lb. The Company is now actively considering testwork proposals, having previously deferred this expenditure until the cobalt price improved.

The Thackaringa Cobalt Project near Broken Hill has inferred resources of more than 15M tonnes at 0.10% cobalt (Pyrite Hill and Big Hill deposits), with potential along strike and at depth for a much larger resource.

Broken Hill Cobalt Limited (Heritage 33%) holds two mining leases covering the Pyrite Hill resource and most of the Big Hill resource. It also holds an option to purchase a surrounding exploration licence from Western Metals Limited for AU\$100,000 (or AU\$50,000 plus a royalty). Heritage is manager of the project.

After balance date Heritage negotiated with Western Metals for an extension of the option to 31 May 2004 on payment of AU\$5,000 with the right to extend it to 31 May 2005 for a further AU\$5,000.

Metallurgical testwork by Heritage using various processes has been aimed at reducing potential processing and capital costs, and improving potential revenue.

Following success in Australia by others in the bio-oxidation

of nickel and other sulphides using heap bio-leaching, a laboratory that has successfully piloted a cobalt extraction process of this type may undertake testwork this year if suitable Thackaringa sample material can be made available.

COMPENSATION

Heritage continues to progress its claim against the Crown for expenditure incurred on several mineral projects sterilised by a 1997 amendment to the Crown Minerals Act. The Company had previously spent approximately \$8 million on these projects.

The parties have now completed discovery of documents, but Heritage has been advised it is unlikely the case will proceed to trial before the first or second quarter of 2004.

INVESTMENTS

The Company has sold all its shares in Cadmus Technology Limited. The proceeds have been applied to working capital and to advance exploration leading to the current drilling programmes at Waihi North and Karangahake.

FUNDING

Over the past 12 months the Company has raised about \$1.4 million from the sale of shares and the issue of Warrants in June 2002.

STOCK EXCHANGE LISTING

Heritage is listed on the New Zealand Stock Exchange (NZX: HGD), the Australian Stock Exchange (ASX: HTM) and the Stock Exchange of Newcastle (NSX: HTM). The Company's Warrants are listed on the NZX and the NSX.

WEBSITE

The Company's website at www.heritagegold.co.nz is being updated to provide additional useful information to investors and shareholders.

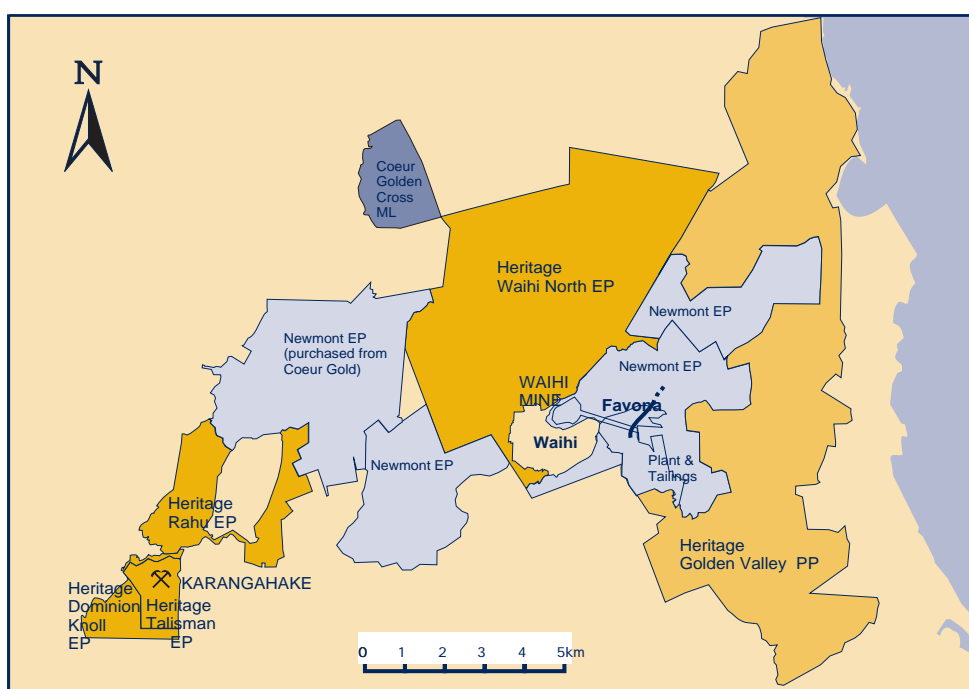
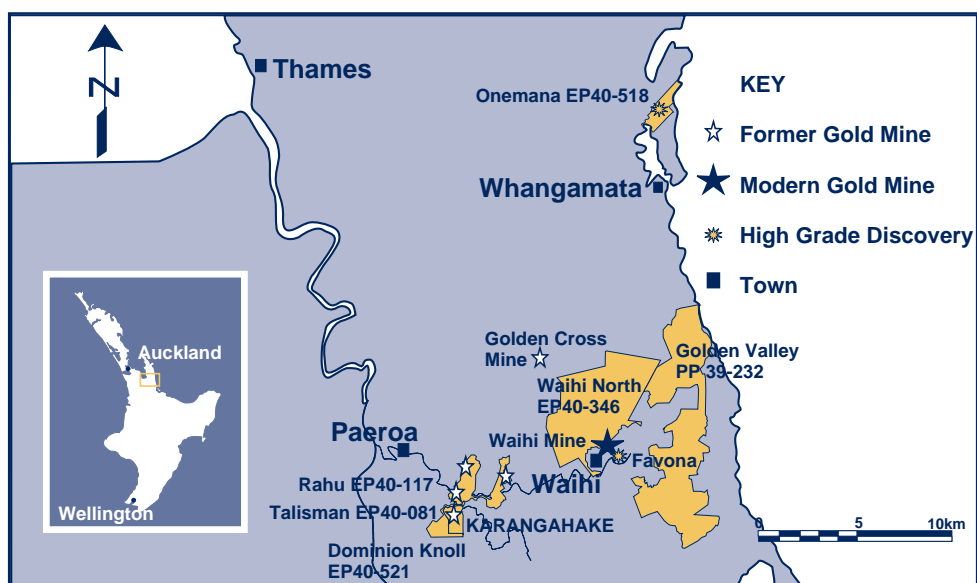
The Board is encouraged by the improved gold price (US\$361/oz on 9 June) and the greater interest being shown by investors in junior companies, compared with a year ago. The Company's objective is to find an economic gold deposit in its world class properties and this will be actively pursued in the coming year.

The Financial Report was authorised for issue by the Board on 10 June 2003.



Peter Atkinson
Managing Director
10 June 2003

GOLD PROJECTS - COROMANDEL, NEW ZEALAND



SCHEDULE OF HERITAGE GOLD TENEMENTS

Granted Exploration Permits

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

Granted Prospecting Permits

39-232	Golden Valley
--------	---------------

Exploration Permit Application

40 644	Waitete
--------	---------

AUDITOR'S REPORT

for the year ended 31 March 2003



AUDIT REPORT 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 2003. 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 2003 and of the results of operations and cash flows for the year ended 31 March 2003.

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 provide tax advice to the Group.

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 2003 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 10 June 2003 and our unqualified opinion is expressed as at that date.

A handwritten signature in blue ink that reads "Carlton D.F.K."

CARLTON - DFK
AUCKLAND

10 June 2003

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2003

	Note	Consolidated 31 Mar 2003 \$	Parent 31 Mar 2003 \$	Consolidated 31 Mar 2002 \$	Parent 31 Mar 2002 \$
REVENUE					
Interest received		15,826	15,826	14,949	14,949
Other income		2,833	2,833	1,780	1,780
Gain on sale of share investments	3	1,039,368	-	-	-
Reduction in provision for doubtful debts	7	-	1,039,368	-	-
TOTAL OPERATING REVENUES	4	1,058,027	1,058,027	16,729	16,729
EXPENDITURE					
Depreciation		4,079	4,079	4,753	4,753
Remuneration of directors	2	32,400	32,400	26,400	26,400
Rent and leasing		15,692	15,692	14,982	14,982
Interest expense		662	662	418	418
Audit fees – auditing financial statements		8,800	8,800	4,200	4,200
— other services		2,330	2,330	232	232
Operating expenses		258,893	258,893	180,815	180,815
Write-off field expenses	8	-	-	38,857	38,857
Foreign exchange loss		23	23	2	2
Loss on sale of share investments		3,798	3,798	5,062	5,062
Revaluation loss on share investments		-	-	17,629	17,629
TOTAL EXPENDITURE		326,677	326,677	293,350	293,350
Net surplus/(deficit) for the year		731,350	731,350	(276,621)	(276,621)
Share of retained surplus/(deficit) of associated company after income tax	12	(116,348)	-	9,114	-
Net surplus/(deficit) attributable to parent company shareholders		615,002	731,350	(267,507)	(276,621)
Add accumulated deficit brought forward		(5,991,271)	(5,998,014)	(5,723,764)	(5,721,393)
Accumulated deficit at end of year		(5,376,269)	(5,266,664)	(5,991,271)	(5,998,014)

STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 31 March 2003

	Note	Consolidated 31 Mar 2003 \$	Parent 31 Mar 2003 \$	Consolidated 31 Mar 2002 \$	Parent 31 Mar 2002 \$
Equity at beginning of year		8,132,856	6,059,221	8,945,381	6,335,842
Net surplus/(deficit) for the year		615,002	731,350	(267,507)	(276,621)
Total recognised revenues & expenses for the period		615,002	731,350	(267,507)	(276,621)
Warrants issued		351,929	351,929	-	-
Increase/(decrease) in revaluation reserve		(1,890,365)	-	(545,018)	-
Equity at end of year	13	7,209,422	7,142,500	8,132,856	6,059,221

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

STATEMENT OF FINANCIAL POSITION

as at 31 March 2003

	Note	Consolidated 31 Mar 2003 \$	Parent 31 Mar 2003 \$	Consolidated 31 Mar 2002 \$	Parent 31 Mar 2002 \$
EQUITY					
Share capital (73,809,400 ordinary shares)		11,762,350	11,762,350	11,762,350	11,762,350
Warrants		351,929	351,929	-	-
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		176,527	-	2,066,892	-
	13	12,585,691	12,409,164	14,124,127	12,057,235
Less accumulated deficit		(5,376,269)	(5,266,664)	(5,991,271)	(5,998,014)
Total shareholders' equity		7,209,422	7,142,500	8,132,856	6,059,221
Represented by:					
NON CURRENT ASSETS					
Fixed assets	6	10,647	10,647	5,515	5,515
Share investments	3	188,830	12,303	2,133,272	66,380
Investment in associated companies	12	1,070,395	1,180,000	1,186,743	1,180,000
Total non current assets		1,269,872	1,202,950	3,325,530	1,251,895
INTANGIBLE ASSETS					
Deferred expenditure:					
Capitalised prospecting expenditure	8	4,845,076	4,845,076	4,629,743	4,629,743
Total intangible assets		4,845,076	4,845,076	4,629,743	4,629,743
CURRENT ASSETS					
Cash		6,910	6,910	1,988	1,988
Short term deposits		1,135,418	1,135,418	206,617	206,617
Debtors	7	9,540	9,540	4,893	4,893
Accrued income		3,549	3,549	705	705
Total current assets		1,155,417	1,155,417	214,203	214,203
Total assets		7,270,365	7,203,443	8,169,476	6,095,841
LESS CURRENT LIABILITIES					
Creditors	7	56,392	56,392	34,579	34,579
Employee entitlements		4,551	4,551	2,041	2,041
Total current liabilities		60,943	60,943	36,620	36,620
		7,209,422	7,142,500	8,132,856	6,059,221

For and on behalf of the Board:
DIRECTOR



P.R. Atkinson
Dated: 10 June 2003

DIRECTOR



J.M. McKee
Dated: 10 June 2003

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 2003

	Note	Parent & Consolidated 31 Mar 2003 \$	31 March 2002 \$
Cash was provided from:			
Receipts from customers		2,133	1,480
Interest received		12,982	20,477
		15,115	21,957
Cash was disbursed to:			
Payments to suppliers		(211,147)	(134,853)
Payments to employees		(100,417)	(68,863)
Interest paid		(47)	-
		(311,611)	(203,716)
Net cash inflows/(outflows) from operating activities	14	(296,496)	(181,759)
CASHFLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of equity investments		1,089,646	111,937
		1,089,646	111,937
Cash was applied to:			
Prospecting expenditure		(204,091)	(148,985)
Purchase of fixed assets		(4,804)	(266)
		(208,895)	(149,251)
Net cash inflows/(outflows) from investing activities		880,751	(37,314)
CASHFLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Issue of securities (Warrants)		351,929	-
		351,929	-
Cash was applied to:			
Repayment of short term loan		(2,419)	(1,952)
		(2,419)	(1,952)
Net cash inflows/(outflows) from financing activities		349,510	(1,952)
Net increase/(decrease) in cash held		933,765	(221,025)
Exchange gain/(loss)		(41)	(1)
Cash at start of year		208,605	429,631
Cash at end of year		1,142,328	208,605
Cash comprises:			
Cash		6,910	1,988
Short term deposits		1,135,418	206,617
		1,142,328	208,605

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 2003

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 (NZX), 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 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	30-36%
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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2003

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 using the equity method, 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

	2003	2002
	\$	\$
PR Atkinson	90,000*	90,000*
DJ Williams	-	-
JM McKee	7,500	7,500
GG Hill	-	-
RN Stagg	13,500	7,500
MG Hill (alternate)	-	-

*of which \$11,400, (2002: \$11,400) 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 2003	Parent 2003	Consolidated 2002	Parent 2002
Investment in listed companies	179,731	3,204	2,124,173	57,281
Investment in other companies	9,099	9,099	9,099	9,099
Total share investments	\$188,830	\$12,303	\$2,133,272	\$66,380

Listed shares have been valued at market value.

The Parent Company's subsidiary, Coromandel Gold Limited, 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. At balance date 1,500,000 call options had been exercised for a total exercise price of \$15,000. Subsequent to balance date on 16 May 2003 the remaining 1,500,000 call options were exercised for a total exercise price of \$15,000.

Coromandel Gold Limited, the Company's subsidiary, during the year sold 39,452,466 shares in Cadmus Technology Limited and 1,570,000 shares in E-cademy Holdings Limited and realised a gain on the sale of \$1,039,368. This amount has been used to repay the intercompany loan from Heritage to Coromandel Gold Limited. (See note 7 also).

4. SEGMENT INFORMATION

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

5. TAXATION

The company has estimated mining taxation losses available to carry forward to offset against future mining income of \$4,984,572 (2002: \$4,769,239). There are non-mining taxation losses of \$5,096,200 (2002: \$4,868,573) to carry forward. Such losses will only be available to be offset if:

- 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;
- The Company continues to comply with the conditions for deductibility imposed by the law;
- 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 (2002 : NIL).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2003

6. FIXED ASSETS

<i>Fixed Assets</i>	<i>Consolidated & Parent 2003</i>			<i>Consolidated & Parent 2002</i>		
	<i>At Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>At Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>
Fixtures and fittings	2,002	656	1,346	1,410	433	977
Office equipment	8,407	3,144	5,263	4,000	1,920	2,080
Computer hardware	10,206	6,325	3,881	5,995	4,734	1,261
Computer software	4,093	3,936	157	4,093	2,896	1,197
Total \$	24,708	14,061	10,647	15,498	9,983	5,515

7. RELATED PARTY TRANSACTIONS

Payments for consulting services to companies in which Directors have a substantial interest amounted to \$629, (2002:\$1,761) (refer also to note 2.) Williams & Hughes provided legal services totalling \$629 at normal commercial rates.

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

Following the sale of investment shares by Heritage's subsidiary, Coromandel Gold repaid part of the intercompany loan. As a result, the parent company was able to reverse part of the provision previously made against this loan. (See also note 3).

8. DEFERRED EXPENDITURE

	<i>Consolidated & Parent 2003</i>	<i>2002</i>
Total prospecting cost and mining tenements	14,148,860	13,933,527
Less prospects written-off	9,303,784	9,303,784
Total	\$4,845,076	\$4,629,743

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 prospective 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. The prospects have been written off by the Company. Costs incurred and expensed during the year amounted to \$6,544 (2002:\$3,001), in relation to the claim.

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 overdraft 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 5.76% as at 31 March 2003, 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 2003.

Operating Lease Commitments

Lease commitments under non-cancellable operating leases

	<i>Consolidated & Parent</i>	
	2003	<i>2002</i>
Not later than one year	\$22,728	\$20,958
Later than one year but not later than two years	\$8,523	NIL

11. SUBSIDIARY COMPANIES

Coromandel Gold Limited is a 100% owned subsidiary of Heritage Gold.

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. The Group's share of Broken Hill Cobalt's deficit is based on audited financial statements to 30 June 2002 and unaudited interim financial information for the 9 months to 31 March 2003.

INVESTMENTS IN ASSOCIATED COMPANIES

	31 March 2003	31 March 2002
Share of associates' surplus/(deficit)	(116,348)	9,114
Income tax	-	-
Dividend received from associates	-	-
	(116,348)	9,114
Share of associates' equity at beginning of year	1,186,743	1,177,629
Total share of increase/(decrease) in associates' equity since acquisition	(109,605)	6,743
Cost of investment	1,180,000	1,180,000
Equity carrying value of investments	1,070,395	1,186,743

13. EQUITY

Share Capital and Reserves

On 26 June 2002 Heritage issued 36,726,287 Warrants for an initial payment of 1 cent each, the net proceeds being \$351,929. An additional voluntary payment of 1 cent per Warrant is due for payment on 26 June 2003. Further payment of 7 cents each to convert the Warrants to fully paid ordinary shares will be required within 5 years of the issue date, ie 26 June 2007.

Revaluation Reserve

	2003	2002
Opening balance	2,066,892	2,611,910
Revaluation of listed share investments	(1,890,365)	(545,018)
Closing balance	176,527	2,066,892

Options

On 28 August 2000 shareholders approved an employee share option plan. 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. The first tranche has expired with no options having been exercised.

	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			

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

	2003	2002
Net deficit after taxation and before including share of retained deficit of associates	731,350	(276,621)
Add non-cash items:		
Depreciation	4,079	4,753
Loss/(gain) on sale of share investments	(1,039,442)	
Decrease/(increase) in share valuation	3,872	22,691
Write off field expenditure	-	38,857
Exchange loss	23	2
	(1,031,468)	66,303
Add/(deduct) movement in working capital:		
Decrease/(increase) in debtors	(719)	(392)
Increase/(decrease) in creditors	5,931	(1,501)
Increase/(decrease) in short term loan	2,510	6,292
Decrease/(increase) in prepayments	-	16,019
Increase/(decrease) in accrued income	(2,844)	6,233
Decrease/(increase) in GST	(1,257)	1,908
	3,621	28,559
Net cashflows from operating activities	(296,497)	(181,759)

ADDITIONAL INFORMATION

DIRECTORS' INFORMATION

<i>DIRECTORS' INFORMATION</i>	
<i>Name of Director</i>	<i>Ordinary shares in which Director has a relevant interest 31 March 2003</i>
PR Atkinson	8,301,560
DJ Williams	62,514
GG Hill	nil
MG Hill (alternate)	nil
RN Stagg	nil

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 2004.

DIRECTORS' DISCLOSURES OF INTERESTS

The following general disclosures of interests were received in relation to the year ended 31 March 2003.

Name of Director	Entity	Status
PR Atkinson	Prophecy Mining Limited	Director and shareholder
	Up Minister Limited	Director and shareholder
	Broken Hill Cobalt Limited	Director
	Coromandel Gold Limited	Director
DJ Williams	Prophecy Mining Limited	Director and shareholder
	Williams & Hughes	Partner
GG Hill	SoCo Limited	Director
	Geoffrey Hill & Associates Pty Limited	Director and shareholder
	Pitt Capital Partners Limited	Director
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. Ralph Stagg was appointed as an executive director on 1 January 2003.

SHAREHOLDING STATISTICS AS AT 5 June 2003

TWENTY LARGEST SHAREHOLDERS					
<i>Name</i>	<i>Shares</i>	<i>%</i>	<i>Name</i>	<i>Shares</i>	<i>%</i>
SoCo Limited	20,000,000	27.10	FH Nominees Pty Ltd	522,000	0.71
Peter Robert Atkinson	8,301,560	11.25	Peter William Hall	500,000	0.68
Prophecy Mining Limited	4,000,000	5.42	Jane Hammond Williams	447,130	0.61
Troyward Pty Limited	3,000,000	4.07	Glenstall Investments Pty Limited	430,000	0.58
Warwick McArthur Harvey	2,027,700	2.75	Li Guan	410,304	0.56
Captain Starlight Nominees Pty Ltd	1,326,325	1.80	Terence Cornelius McManus	400,080	0.54
Relativity Pty Limited	949,000	1.29	Republic Securities Limited	393,400	0.53
Graeme Bruce Douglas & Craig David Barry	800,000	1.08	Dorothy Lorraine Franklin	380,000	0.52
Basil Courtney McGirr	748,526	1.01	Ianaki Semerdziev	373,126	0.51
ANZ Nominees Limited	731,330	0.99			
John A Nimmo	564,410	0.77	Total	46,304,891	62.74
			Total shares	73,809,400	

DISTRIBUTION OF SHAREHOLDINGS

<i>Size of Holding</i>	<i>Holders</i>	<i>Shares</i>	<i>%</i>
1 - 1,000	30	24, 081	0.03
1,001 – 5,000	222	771,763	1.05
5,001 - 10,000	192	1,691, 509	2.29
10,001 – 100,000	397	14,510,095	19.66
100,001 and over	74	56,811,952	76.97
Total	915	73,809,400	100.00

Ordinary fully paid shares have one vote per share.

SUBSTANTIAL SECURITY HOLDERS

As at 5 June 2003 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 5 June 2003: 73,809,400.

WARRANT HOLDING STATISTICS AS AT 5 June 2003

<i>Name</i>	<i>Warrants</i>	<i>%</i>	<i>Name</i>	<i>Warrants</i>	<i>%</i>
TWENTY LARGEST WARRANT HOLDERS					
John Mowbray	4,596,000	12.51	Talex Investments Pty Ltd	1,000,000	2.72
Captain Investments Ltd	4,274,000	11.64	ASB Nominees Limited	850,000	2.31
Ross Asset Management Limited	4,137,000	11.26	Relativity Pty Ltd	632,666	2.11
Widespread Portfolios Limited	4,000,000	10.89	Mr Ralph Stagg	500,255	1.67
Wells Investments Limited	2,000,000	5.45	John Reader Mowbray	500,000	1.36
Forbar Custodians Limited	1,500,000	4.08	Peter William Hall	500,000	1.36
I E Properties Pty Ltd	1,248,000	3.40	Pritchard & Partners Pty Limited	500,000	1.67
Roy Richard Jackson	1,062,000	2.89	Frederick Kilner Stone &		
Stuart Maxwell Mowbray &			Florence Vivian Stone	366,666	1.00
Richard Francis Oldham	1,000,000	2.72	Basil Courtney McGirr	352,750	0.96
Warwick McArthur Harvey	1,000,000	2.72	Keith Richard Frankum	343,333	0.94
TOTAL FOR TOP 20				30,362,670	83.67
TOTAL WARRANTS				36,726,287	

DISTRIBUTION OF WARRANT HOLDINGS

<i>Size of Holding</i>	<i>Holders</i>	<i>Shares</i>	<i>%</i>
1 - 1,000	0	0	0.00
1,001 - 5,000	65	169,475	0.46
5,001 - 10,000	38	280,149	0.76
10,001 - 100,000	89	3,246,227	8.84
100,001 and over	36	33,030,436	89.94
Totals	228	36,726,287	100.00

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, Newcastle and Australian Stock Exchanges.

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 6 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.

OTHER INFORMATION

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.

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.



COMPANY DIRECTORY

Directors

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

Alternate Director

Matthew G Hill (alternate to GG Hill)

Company Secretary

Mrs Sue Sangster

Registered (Head) Office

541 Parnell Road, Parnell
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

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

www.heritagegold.co.nz



