

31 October 2002

Newcastle Stock Exchange  
384 Hunter Street  
Newcastle  
NSW 2300  
AUSTRALIA

**PAGES: 7**

**FOR PUBLIC RELEASE**

**Quarterly Report to 30 September 2002**

**Gold Projects (New Zealand)**

**Karangahake Project**

Interpretation of recent exploration data and results was completed during the quarter.

The work covered 3 zones (Rahu Ridge – White Rocks, Taukani Hill, Maria – Welcome Veins southern extensions) and outlined extensive hydrothermal alteration with evidence of strong mineralisation, and structural features favorable to the discovery of further mineralisation.

The Rahu Ridge – White Rocks zone is believed to be the northern extension of the Karangahake vein system, with excellent potential for significant gold mineralisation at moderate depths.

Taukani Hill contains the northern extensions of the Maria, Woodstock, Welcome and Crown vein zones and the Buck Reef. The vein zones are 50 – 160 metres wide and can be traced along strike for about 1 kilometre.

The southern extensions of the Maria – Welcome veins are associated with extensive hydrothermal alteration, silicification and quartz veining.

Re-interpretation of geophysical data for the project was completed, including recent ground magnetic data from the Rahu Ridge – White Rocks zone. It shows that the Karangahake epithermal system is outlined by nearly 16 square kilometres of hydrothermal alteration, containing prominent structural trends and faulting related to gold mineralisation.

Faulting evidence suggests that the Rahu Ridge – White Rocks zone is most likely downthrown relative to the Talisman mine, and preservation of the upper levels of this epithermal system have enhanced the zone's prospectivity.

The Company is currently digitising all of the historic and recent exploration data available for the Karangahake Project in order to develop 3D models which will aid delineation of drill targets.

This work will be completed in the current quarter.

**Waihi North**

Geological mapping, geochemical sampling and ground magnetometer traverses were completed over the permit and aided the delineation of a high level hydrothermal alteration system, about 5.0 square kilometres in area. Further work is in progress to interpret the data collected to date.

**Other Gold Tenements**

Planning is underway for exploration work on recently granted permits at Dominion Knoll (Karangahake Project) and Onemana (where previous drilling intersected significant gold/silver mineralisation in hydrothermal breccia).

**New Application**

During the period an application was made for a Prospecting Permit at Golden Valley to the east of the Waihi gold mine. The Ministry of Economic Development has confirmed the Company's application has priority.

The area has drawn attention recently from other companies, following up on the success of Newmont's Favona discovery about 1.5km south of the Waihi gold mine.

**Cobalt Project (Australia)**

Heritage is a 33% shareholder in Broken Hill Cobalt Limited (BHC) and Manager of the project. Broken Hill Cobalt owns 2 mining leases at the Thackaringa Cobalt Project, ML 86 and 87, and has 2 Exploration Licences in a Joint Venture with Western Metals Ltd, EL5679 and EL5957. The latter EL was granted on 24 June 2002.

Heritage is examining opportunities for reducing potential processing costs, coupled with additional revenue from by-products.

Following a review of previous testwork by a major European organisation experienced in biotechnology, Heritage is negotiating with an Australian company for further testing of drill hole material using Bio-Leach technology.

Other discussions are underway on recently developed processes which may also be applicable to the Thackaringa Cobalt Project.

**Compensation**

The Company is researching information required to support the claim against the Crown. This relates to expenditure incurred by Heritage prior to November 1997, on projects that were later sterilised by an amendment to the Crown Minerals Act.

**Investments**

The Company has sold 570,000 shares in Cadmus Technology Limited since the end of the September quarter.

**Annual Meeting**

The Annual Meeting of shareholders was held in Auckland on 30 August 2002 and all resolutions were passed.

**Disclosure:** Relevant sections in the above statement are based on information compiled by a corporate member of The Australasian Institute of Mining and Metallurgy with over five years relevant experience.



Alison Griffiths  
**Company Secretary**

# For release to the Newcastle Stock Exchange

## Mining exploration entity quarterly report

Name of entity

HERITAGE GOLD NZ LIMITED

ABN

009 474 702

Quarter ended ("current quarter")

30 SEPTEMBER 2002

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (.6...months)
	\$NZ	\$NZ
1.1 Receipts from product sales and related debtors	400	1,100
1.2 Payments for (a) exploration and evaluation	(74,670)	(107,758)
(b) development		
(c) production		
(d) administration	(147,365)	(204,116)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	2,681	4,784
1.5 Interest and other costs of finance paid	-	(47)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(218,954)</b>	<b>(306,037)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments	10,000	15,000
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>10,000</b>	<b>15,000</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(208,954)</b>	<b>(291,037)</b>

## Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(208,954)	(291,037)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	351,930	346,930
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(488)	(976)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	351,442	345,954
<b>Net increase (decrease) in cash held</b>			
		142,488	54,917
1.20	Cash at beginning of quarter/year to date	121,029	208,605
1.21	Exchange rate adjustments to item 1.20	(17)	(22)
1.22	<b>Cash at end of quarter</b>	263,500	263,500

## Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

	Current quarter \$NZ
1.23 Aggregate amount of payments to the parties included in item 1.2	22,500
1.24 Aggregate amount of loans to the parties included in item 1.10	0

1.25 Explanation necessary for an understanding of the transactions

Payment to associated companies for consulting services - Up Minister Ltd	22,500
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## Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

**Financing facilities available***Add notes as necessary for an understanding of the position.*

	Amount available \$NZ	Amount used \$NZ
3.1 Loan facilities	N/A	N/A
3.2 Credit standby arrangements	N/A	N/A

**Estimated cash outflows for next quarter**

	\$NZ
4.1 Exploration and evaluation	70,000
4.2 Development	0
<b>Total</b>	<b>70,000</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$NZ	Previous quarter \$NZ
5.1 Cash on hand and at bank	(14,921)	(3,983)
5.2 Deposits at call	180,922	27,512
5.3 Bank overdraft	NIL	NIL
5.4 Other (provide details) <b>Bond and Term deposits</b>	97,500	189,000
<b>Total: cash at end of quarter</b> (item 1.22)	<b>263,500</b>	<b>121,029</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Surrendered	N/A			
6.2 Interests in mining tenements acquired or increased				

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	NIL			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A			
7.3 <b>*Ordinary securities</b>	38,623,000 10,000,000 20,000,000 5,000,000 186,400	38,623,000 10,000,000 20,000,000 5,000,000 186,400	25c 3.8c 5.9c 10c 25c	25c 3.8c 5.9c 10c 25c
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	N/A			
7.5 <b>*Convertible debt securities</b> <i>(description)</i>	NIL			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7 <b>Options</b> <i>(description and conversion factor)</i> These options are not quoted and not transferable <b>Warrants</b> – quoted on NZSE & NSX; not quoted on ASX	1,866,667 1,866,667 36,221,366		Exercise price 14c 16c 9c	Expiry date 1/7/02 to 30/6/03 1/7/03 to 30/6/04 27/6/2007
7.8 Issued during quarter	NIL			
7.9 Exercised during quarter	NIL			
7.10 Expired during quarter	NIL			
7.11 <b>Debentures</b> <i>(totals only)</i>	NIL			
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	NIL			

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to NSX.
- 2 This statement does ~~/does not\*~~ *(delete one)* give a true and fair view of the matters disclosed.



Sign here:

(~~Director~~/Company secretary)

Date: ...31 October 2002

Print name:

.....Alison Griffiths.....