



Incorporated in New Zealand / ABN 009 474 702

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3 November 2003

Dear Shareholder

Attached is Notice of a Special Meeting of Shareholders to be held on 20 November 2003, and Explanatory Notes.

At the start of this year, the company appointed Mr. Ralph Stagg as Executive Director with responsibility for investor relations and fundraising. Subsequently, Mr. Stagg met with stockbrokers and investors in several states of Australia to raise the profile of Heritage and introduce the company to new investors. Mr. Stagg's services agreement with Heritage expires on 31 December 2003.

In line with the Board's strategy to enhance shareholder value the company has entered into a consultancy services agreement with Mr. Patrick Elliott of Sydney to develop the company's profile in the investment community and to seek out expansion opportunities for Heritage in Australia and elsewhere.

Mr. Elliott has had extensive corporate finance experience in the mineral resources sector in Australia and overseas, and his skills will be beneficial to Heritage.

The consultancy agreement provides for the issue (subject to shareholder approval) of share options to Mr. Elliott, as explained in the documents accompanying this letter. There are no fees payable to Mr. Elliott. The options represent his sole incentive to achieve the objectives agreed with the Board.

The other purpose of the 20 November meeting is to ratify and approve a recent placement of 7,200,000 fully paid shares to a third party investor at an issue price of NZ5cents per share on the terms set out in the accompanying documents.

The Directors recommend that you vote in favour of both resolutions.

Yours faithfully
Heritage Gold NZ Ltd

Peter Atkinson
Chairman

HERITAGE GOLD NZ LIMITED
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Heritage Gold NZ Limited (“the Company”) advises that a **Special Meeting of Shareholders will be held in the Pukekawa Room, First Floor, Jubilee Building, 545 Parnell Road, Parnell, Auckland, New Zealand on Thursday 20 November 2003 commencing at 10:00 am.**

The business of the meeting will be:

1 Grant of Options

To consider and, if thought fit, to pass the following ordinary resolution pursuant to NZX Listing Rule 7.3.1 and the Company’s constitution:

“That shareholders ratify, confirm and approve the grant by Heritage Gold NZ Limited of two equal tranches of share options in Heritage Gold NZ Limited to Patrick James Dymock Elliott, in consideration for the provision of consultancy services to Heritage Gold NZ Limited by Mr Elliott, of which 3.6 million share options will have a term of four years and be exercisable from the end of year 1 to the end of year 4 (from the date of issue) at a price of NZ\$0.08 per option, while the remaining 3.6 million options will have a term of five years and be exercisable from the end of year 2 to the end of year 5 (from the date of issue) at a price of NZ\$0.12 per option and on the other terms set out in the Explanatory Notes, and authorise the Directors to execute all documents and do all things necessary to grant such share options.”

2 Share Placement

To consider and, if thought fit, to pass the following ordinary resolution pursuant to NZX Listing Rule 7.3.1 and the Company’s constitution:

“That shareholders ratify, confirm and approve, for the purposes of NZX Listing Rule 7.3.5(b)(iii), the issue on 15 October 2003 of 7.2 million ordinary shares in the Company to a third party investor at an issue price of NZ\$0.05 per share on the terms set out in the Explanatory Notes.”

Explanatory Notes

Explanatory Notes on resolution 1 and 2 are set out on the following pages.

Directors’ recommendation

The Directors recommend that you vote in favour of both of the resolutions.

Voting Restriction

By virtue of NZX Listing Rule 9.3, any person who has been issued, or has acquired ordinary shares pursuant to the placement of ordinary shares referred to in resolution 2 shall not be entitled to vote in respect of resolution 2 and any votes cast by such persons in respect of resolution 2 will be disregarded by the Company (unless such votes are cast by such person acting as a proxy to a person entitled to vote on resolution 2 and in accordance with that person’s express instructions).

Proxies and representatives

You may exercise your right to vote at the meeting either by being present in person or by appointing a proxy to attend and vote in your place. A proxy need not be a shareholder of the Company. A body corporate shareholder may appoint a representative to attend the meeting on its behalf.

A proxy form is attached to this notice. If you wish to vote by proxy you must complete the form and produce it to the Company at its registered office, Nathan House, 541 Parnell Road, Parnell, Auckland, New Zealand so as to ensure that it is received at least 48 hours before the meeting.

By order of the Board

Sue Sangster

Company Secretary

3rd November 2003

EXPLANATORY NOTES

Resolution 1 (Grant of Options)

The Company has entered into a Consultancy Agreement with Patrick James Dymock Elliott, a corporate financier with extensive experience in the resources sector in Australia and overseas. Subject to shareholder approval under resolution 1, Mr Elliott will be compensated for the provision of consultancy services under the Consultancy Agreement by way of a non-cash inducement, being the grant of two equal tranches of share options in the Company (“the Options”).

The current issued share capital of the Company (excluding the number of warrants on issue) is 82,009,400 ordinary shares. Assuming the exercise of all of the Options, and assuming that the Company does not in the meantime issue further ordinary shares, the shares issued on the exercise of the Options would represent 8.07% (rounded) of the diluted share capital of the Company. Under NZX Listing Rule 7.3, an issue of Equity Securities such as the Options requires the approval of the shareholders of the Company by ordinary resolution. Approval for the issue of the Options is therefore sought under resolution 1.

The principal terms of the Options are as follows:

- (a) Each Option entitles the holder (subject to any adjustments as outlined below) to subscribe for one ordinary share in the Company.
- (b) The exercise price of 3.6 million of the Options is NZ\$0.08 per option (“8 cent Options”). The exercise price of the remaining 3.6 million of the Options is NZ\$0.12 cents per option (“12 cent Options”).
- (c) The term of the 8 cent Options is 4 years from the date of issue. The term of the 12 cent Options is 5 years from the date of issue.
- (d) The 8 cent Options may only be exercised in the period between the end of year 1 and the end of year 4 from the date of issue of the Options. The 12 cent Options may only be exercised in the period between the end of year 2 and the end of year 5 from the date of issue of the Options. Any Options not exercised by the end of each respective exercise period will lapse.
- (e) In the event the Consultancy Agreement is terminated within 24 months of the date of commencement of Mr Elliott’s appointment for any reason (other than termination by the Company where Mr Elliott has committed a breach of the provisions of the Consultancy Agreement which is not capable of being remedied within 7 days from service of notice to remedy same), all outstanding unexercised Options will be cancelled immediately.
- (f) In the event the Consultancy Agreement is terminated by the Company within 24 months of the date of commencement of Mr Elliott’s appointment because Mr Elliott has committed a breach of the provisions of the Consultancy Agreement which is not capable of being remedied within 7 days from service of notice to remedy same, the Company shall apply the following formula to the number of then outstanding unexercised Options of each class and shall immediately cancel the resulting numbers of 8 cent Options and 12 cent Options:

$$A = \frac{B}{C} \times D$$

Where:

A = the number of unexercised 8 cent Options and 12 cent Options (as the case may be) to be cancelled;

B = the number of completed months of the consultancy under the Consultancy Agreement;

C = 36; and

D = the number of outstanding unexercised 8 cent Options and 12 cent Options (as the case may be) at the date of any termination of the Consultancy Agreement.

- (g) Ordinary shares issued upon the exercise of any Options shall be credited as fully paid and shall rank equally in all respects with ordinary shares on issue at the relevant exercise date (except for any dividend in respect of which the record date occurred prior to the exercise date).
- (h) The Options are not transferable.
- (i) On any consolidation, subdivision or other reconstruction of ordinary shares of the Company, the exercise price of the Options will be adjusted in proportion to the reconstruction.
- (j) On exercise, Options will rank for any bonus issue made since the date of grant, but will not be entitled to any bonus securities before exercise.
- (k) The Options entitle the holder to participate in any pro-rata cash issue of securities to holders of the Company's ordinary shares with any entitlement to any new securities in any pro rata cash issue of securities calculated by reference to the number of then unexercised Options (as if such number of unexercised Options had been exercised).
- (l) In the event that a general takeover offer is made to the holders of the Company's ordinary shares under the Takeovers Code and the Directors recommend such offer for acceptance or choose to make no recommendation, any Options shall become immediately exercisable notwithstanding any other term throughout the period of the offer.
- (m) In any compulsory acquisition of the Company's ordinary shares under the New Zealand Takeovers Code, or under Australian Takeovers Law if applicable, any Options shall become immediately exercisable notwithstanding any other term. If the Options are not exercised within 10 working days of notice to the holder of the compulsory acquisition, they will lapse.

If shareholders approve the grant, the grant of the Options will be completed as soon as practicable after the meeting and in any event within 6 months of the shareholder approval.

Resolution 2 - Share Placement

On 15 October 2003 the Board issued 7.2 million ordinary shares in the Company to Bestfield Company, a Hong Kong company, at a price of NZ\$0.05 per share under NZX Listing Rule 7.3.5 (Issues within 10% limit). The placement was made to raise further working capital. This placement represented 9.62% of the Company's then 74,809,400 shares on issue. The Company now seeks shareholder ratification of this placement. The effect of shareholders ratifying and approving this placement will be to give the Company flexibility to issue further shares under NZX Listing Rule 7.3.5, should this be deemed necessary.

PROXY FORM

SECTION 1: SHAREHOLDER DETAILS (PLEASE PRINT CLEARLY)

Full name:.....

Full address:.....

If shares are held jointly, enter details of other joint holders:

Full name:.....

Full address:.....

SECTION 2: APPOINTMENT OF PROXY (This section must be completed)*

I appoint: Full name:.....

Full address:

as my proxy to exercise my vote at the Special Meeting of the shareholders of the Company to be held on 20 November 2003 in the Pukekawa Room, First Floor, Jubilee Building, 545 Parnell Road, Parnell, Auckland, New Zealand, and at any adjournment of that meeting. If the person I have appointed is unable to be my proxy then I appoint

Full name:.....

Full address:.....

I acknowledge that the Company may rely on the vote or action of my proxy as being my vote or action, whether or not the proxy is acting in accordance with the instructions in Section 3 of this form.

SECTION 3: VOTING INSTRUCTIONS

I direct my proxy to vote in the following manner:

(Tick the box that applies)

		For	Against
(1)	Approval of issue of Options to Patrick Elliott	<input type="checkbox"/>	<input type="checkbox"/>
(2)	Ratification of Share Placement	<input type="checkbox"/>	<input type="checkbox"/>

SIGNED BY EACH SHAREHOLDER NAMED IN SECTION 1

Date:

Notes

- 1 As a shareholder you may attend the meeting and vote, or you may appoint a proxy to attend the meeting. A proxy need not be a shareholder of the Company.
*** The Chairman of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose, if so indicated in section 2 above.**
- 2 If you are joint holders of shares each of you must sign this proxy form. If you are a company this proxy form must be signed on behalf of the company by a person acting under the company's express or implied authority.
- 3 For this proxy form to be valid, you must complete it and produce it to the Company at the Company's Registered Office, Nathan House, 541 Parnell Road, Parnell, Auckland, New Zealand so as to ensure that it is received at least 48 hours before the meeting. If it has been signed under a power of attorney please send a copy of the power of attorney (unless already deposited with the Company) and a signed certificate of non-revocation of the power of attorney with this proxy form.
- 4 If you return this form without directing the proxy how to vote on any particular matter, the proxy will vote as he or she thinks fit.