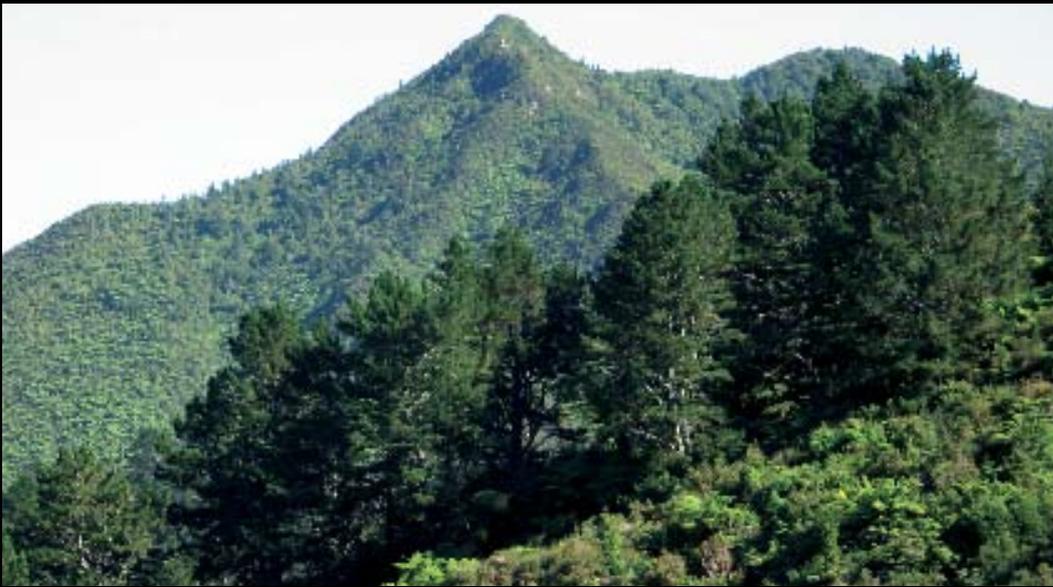


# Heritage Gold NZ Limited Annual Report 2009



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



*Unlocking world class mining opportunities*

## Highlights

**Talisman Scoping Study completed**  
**Joint Venture discussions advanced**  
**Thackaringa drilling encouraging**



## Contents

Directors' Report	3
Board of Directors	5
Tenement Schedule	5
Audit Report	6
Financial Statements	7
Notes to the Financial Statements	10
Additional Information	15
Company Directory	19
Glossary of Terms	19

# Directors' Report

## For the year ended 31 March 2009

The directors are pleased to present the annual report for Heritage Gold for the year ended 31 March 2009.

### OVERVIEW

With the collapse of the capital markets in early 2008, the Board recognised that cash conservation was paramount and throughout the year undertook only the exploration activity necessary to meet tenement commitments, while preserving sufficient funds to see the company through to 2010.

Subsequently, Heritage began approaching parties likely to be interested in a New Zealand gold investment. The company is continuing discussions with companies in Australia, Canada and Asia to seek a joint venture partner for our Talisman mine project and negotiations have reached the preliminary due diligence stage.

The sustained increase in the price of gold has made the Talisman project more attractive in terms of its payback and net present value.

It is important to remember that we have a delineated JORC resource of 205,000 ounces (oz) gold and 800,000 oz silver in this project (ASX/NZSE release 31 October 2008 and 11 May 2005) and have identified a geological potential of between 827,000 oz gold/2.47 million oz silver and 3.3 million oz gold/9.88 million oz silver (ASX/NZSE release 31 October 2008).

(NOTE: Geological potential is conceptual in nature and insufficient exploration has been completed to allow estimation of a mineral resource as defined in the JORC Code. It is uncertain whether further exploration will result in the determination of a mineral resource.)

### BOARD

In September 2008 Mr Trent Lash advised his resignation as Managing Director and left the company in March 2009.

Responsibility for day to day operations of Heritage has been assumed by Mr Peter Atkinson, a director of the company.

### WAIHI GOLD PROJECTS (New Zealand) (100%)

#### Karangahake Gold Project

##### Rahu

Further diamond core drilling of resistivity anomalies at Rahu was completed, with two holes testing depth extensions of mineralised hydrothermal breccias.

Broad intervals of highly anomalous gold and silver values were encountered in quartz veining, silicification and breccia zones. Quartz vein fragments in breccias from nearby holes have previously been shown to have significant gold values of up to 7.6g/t and are interpreted as fragments of deeper feeder veins.

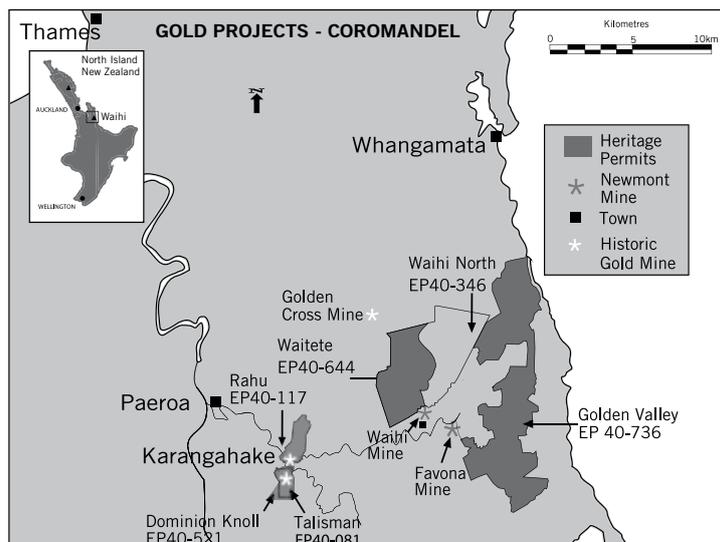
After the second hole, the company postponed the drilling while it reviewed and advanced the knowledge of the structural geology as a guide to ore in the area, to ensure the best possible targets for further drill holes.

The database for the project has been updated with additional XRD analysis of drill core and relogging of several critical sections of core in earlier holes has begun. Development of a structural model is also under way, based on 3D analysis of geological and structural data.

##### Talisman Mine Project

In October 2008, Heritage completed a Scoping Study for the Karangahake Gold Project which includes the Talisman mine and contiguous Rahu and Dominion Knoll permits.

Following an independent review by Gemell Mining Engineers (Australia),



Heritage made recommended improvements to the scoping study as the basis for next stage development.

Our work plan for the area has been approved until September 2010 by the Department of Conservation and the company's application for a mining permit over the Talisman and Dominion Knoll exploration permits is being processed by Crown Minerals.

While the mining centre has produced 1 million oz gold and 3 million oz silver, the company has reported resources of 205,000 oz gold and 800,000 oz silver in the Talisman mine.

The scoping study targeted geological potential ranging from 827,000 oz gold/2.47 million oz silver to 3.3 million oz gold/9.88 million oz silver, as noted above.

More recently the scoping study has generated joint venture interest from several overseas groups and discussions have advanced beyond field inspections to the preliminary due diligence stage.

#### Waihi North

Following encouraging results the company applied for an appraisal extension for the exploration permit. As previously reported, the application was declined and the company is considering its options.

#### Waitete

During the year Heritage undertook drilling of geophysical anomalies and re-evaluated previous results in light of new data from the adjoining Waihi North permit.

#### Golden Valley

Ground and aerial geophysical surveys have located anomalies favourable for mineralisation. These are supported by anomalies found by high resolution geochemical soil sampling for gold and pathfinder elements in areas of unmineralised cover rocks.

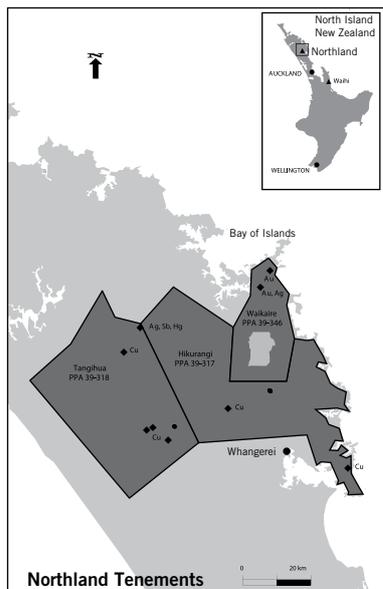
The effectiveness of seismic techniques in determining the thickness of cover rocks is being evaluated as an aid in selection of drilling targets.

### GOLD AND BASE METALS PROJECT (Northland, New Zealand) (100%)

An airborne geophysical survey of the tenements held by Northland Minerals Ltd (a wholly-owned subsidiary) in the Northland region of New Zealand is being evaluated.

# Directors' Report

For the year ended 31 March 2009



A combination of magnetic and radiometric techniques is proposed, which are well suited to mapping the hydrothermal alteration systems associated with epithermal deposits and were successfully used in 2008 over Heritage's Waihi tenements.

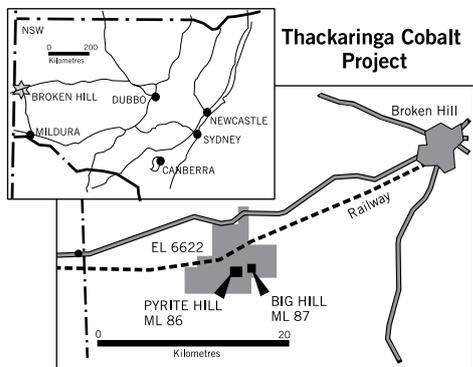
The Company is reviewing the specifications for the survey and investigating the cost and effectiveness of using either fixed wing or rotary wing (helicopter) aircraft.

Data compilation, geological mapping and geochemical sampling of the permits have been carried out by Heritage.

The Far North District Council has announced funding of \$100,000 to support exploration for minerals in the district. The Otago Regional Council pioneered this approach in 2006 with an investment in regional exploration that has contributed to further investment by exploration companies.

## BROKEN HILL COBALT LIMITED (NSW, AUSTRALIA) (Heritage 33%)

Based on several earlier detailed mapping and sampling programmes of gossan horizons, Broken Hill Cobalt Limited (BHCL) completed preparations for RAB drilling of strike extensions of sulphide gossans



anomalous for base metals and/or gold, which have been identified on the Thackaringa licence.

Most of the gossans discovered have not been reported previously and suggest excellent potential for Broken Hill-style base metal and other deposits, with

anomalous silver, lead, zinc, copper, cobalt and gold.

A field inspection by Heritage and BHCL personnel in November provided the basis for the drilling campaign which was largely completed by financial year end and intersected anomalous metal values. A report on the results is in preparation.

## DUNMARRA BASIN, URANIUM PROJECT (Northern Territory, Australia)

In December, Heritage relinquished its exploration licences in the Dunmarra Basin on the basis of the results of reconnaissance drilling at its Beetaloo licence area and withdrew from the joint venture.

## COLLABORATIVE RESEARCH

Heritage has supported collaborative research projects at the University of Auckland as part of a research programme that is largely funded by the New Zealand Foundation for Research, Science and Technology.

Recently completed projects include work on the geochemistry and mineralogy of veins and altered rocks in the southern Hauraki Goldfield. These studies provide useful techniques to help assess the intensity of hydrothermal alteration, which typically increases near known orebodies, and therefore can provide a useful vector towards mineralisation.

Work currently underway is designed to test whether laboratory analyses of the fluids and gases that were trapped in quartz veins when they formed can distinguish barren from gold-rich vein structures. The results of this work may provide key information to help guide future gold exploration.

## OUTLOOK

The Board is actively pursuing a joint venture for our Talisman Gold Project while prudently managing cash reserves and maintaining our tenements.

We acknowledge and appreciate the continued support of shareholders.

On behalf of the Board,

Peter Atkinson  
Executive Director  
10 June 2009

## DISCLOSURE:

- The information in this report that relates to exploration results is based on information compiled by Mr Murray Stevens. Mr Stevens is an independent consulting geologist who is a corporate member of the AusIMM. Mr Stevens has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Stevens consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.
- The statement referring to geological potential in the Talisman Project Scoping Study is based on the recognition that only part of the geological potential will be realised. The figures quoted range from 25% realisation to full realisation of the geological potential. This gives the range of 3.84 million tonnes at 6.7 g/t gold and 20 g/t silver, for 827,000 ounces gold and 2.47 million ounces silver to 15.37 million tonnes at 6.7 g/t gold and 20 g/t silver, for 3.3 million ounces gold and 9.88 million ounces silver.

# The Board Of Directors

At 31 March 2009

## Geoffrey Guild Hill BEcon (Syd) MBA (NSW) FFIN FCPA FAICD

### Chairman and Non-executive Director

Geoffrey Hill is a merchant banker based in Hong Kong and is currently Chairman of International Pacific Securities, and Principal of Debt Management Corporation. He has over 30 years experience in the Merchant Banking Industry. Career highlights include the formation of Bancorp Holdings, appointment to the board of Morgan Grenfell and Co Plc and the merger of his merchant banking business to form Pitt Capital Partners, with W H Soul Pattinson Partners in 2002.

Professional directorships include Hills Industries Limited, Brickworks Investments Limited, Metals Finance Limited, Centrex Limited, International Pacific Securities Limited and SoCo Limited.

Mr Hill has served as a Director of Heritage Gold for almost 10 years after being appointed on 28 July 1999.

## James Murray McKee BA (Hons) Deputy Chairman and Non-executive (Independent) Director

Murray McKee practices as a public policy and risk management adviser in Wellington. He previously held operations management positions with a US offshore oil and gas exploration company (1975-1987) and senior management positions with Coal Corporation of New Zealand Limited (1987-1995). He was Chairman of the Coal Research Association of New Zealand (1995) and a councillor on the New Zealand Minerals Industry Association (1993-1995).

He was a ministerial appointee to the New Zealand Conservation Authority for two terms and has served on both the West Coast and Tongariro/Taupo Conservation Boards.

Mr McKee has served on the Heritage Gold Board for 13 years, being appointed a Director on 16 March 1996.

## Peter Robert Atkinson BSc, FAusIMM Executive Director

Peter Atkinson is a New Zealand resident with 40 years of broad experience in the mining industry in Australasia, mainly on the boards of listed companies. He has been involved in joint ventures with international mining groups, the listing of mining companies on the New Zealand and Australian stock exchanges and the raising of risk capital in Australia, New Zealand and the United Kingdom.

Mr Atkinson has served on government advisory committees in New Zealand and Australia, is past president of the NZ Minerals Industry Association, and has managed the stock exchange listing of e-commerce companies in New Zealand.

He is also a director of Coromandel Gold Limited, Broken Hill Cobalt Limited and Prophecy Mining Limited.

Mr Atkinson has served as a Director on the Heritage Gold Board since his appointment on 23 August 1985.

## Matthew Geoffrey Hill MBA, MAICD Non-executive Director

Matthew Hill's expertise lies in investment banking matters. Mr Hill is currently working for Pitt Capital Partners Limited in their corporate finance division in Melbourne.

Pitt Capital Partners is the in-house merchant bank for WH Soul Pattinson Group and managers of Souls Private Equity Limited, a private equity fund with over AU\$160 million in assets under management.

Mr Hill has previous experience in the Media and Venture Capital sectors. More recently Mr Hill was Business Manager of Souls Private Equity Limited.

Mr Hill was appointed as Alternate Director to Geoffrey Hill on 1 December 1999, and has since been appointed a Director on 10 October 2006.

## Warwick Robert Grigor BEc, LLB, MAusIMM, FAICD Non-executive (Independent) Director

Warwick Grigor is a graduate of the Australian National University having completed degrees in law and economics. He went straight from university to Hamersley Iron Pty Ltd in Perth before being employed as a senior mining analyst and research partner with stockbroking firms in Sydney.

Mr Grigor retired from County Natwest Securities Australia in 1991 to found Far East Capital Limited ("FEC"), a specialist research-based mining company financier and corporate adviser.

In April 2008 Mr Grigor backed the FEC business into BGF Equities Pty Ltd, a newly established boutique stockbroker based in Melbourne, and has been appointed Research Director.

Mr Grigor was appointed a Director on 19 April 2007.

## SCHEDULE OF HERITAGE GOLD TENEMENTS

### Granted Exploration Permits, Coromandel, New Zealand

40 081	Talisman	40 117	Rahu
40 521	Dominion Knoll	40 644	Waitete
40 736	Golden Valley		

### Granted Prospecting Permits (Northland Minerals Ltd)

39 317	Hikurangi	39 318	Tangihua
39 346	Waikaire		

### Granted Exploration Licence, New South Wales, Australia

6622	Pine Ridge Extended
------	---------------------



# Audit Report

## TO THE SHAREHOLDERS OF HERITAGE GOLD NZ LIMITED

We have audited the financial statements on pages 7 to 14. The financial statements provide information about the past financial performance of the Company and Group and their financial position as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 10 and 11.

### 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 2009 and of the results of operations and cash flows for the year ended 31 March 2009.

### AUDITORS' RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial statements presented to 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 New Zealand auditing standards. 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 the information in the financial statements.

Other than in our capacity as auditors we provide tax advice to the Group.

#### *Fundamental Uncertainty*

In forming our unqualified opinion we have considered the adequacy of the disclosures made in the financial report regarding the sufficiency of funding. The financial report has been prepared on a going concern basis. The continuing validity of the going concern basis depends on the ability of the directors to secure sufficient funding for future operations and or entering a joint venture. The financial report does not include any adjustments that would result from an inability to secure funding for future operations.

Further details of the circumstances relating to this fundamental uncertainty are described in note 18.

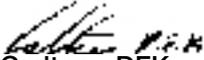
### UNQUALIFIED OPINION

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 7-14.
  - comply with generally accepted accounting practice;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of the Company and Group as at 31 March 2009 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 10 June 2009 and our unqualified opinion is expressed as at that date.

  
**Carlton - DFK**  
 Chartered Accountants  
 AUCKLAND

# Heritage Gold NZ Limited

## Statement of Comprehensive Income

For year ended 31 March 2009

	Note	Group Year 2009 \$	Group Year 2008 \$	Parent Year 2009 \$	Parent Year 2008 \$
<b>Continuing Operations</b>					
Other operating income		290,297	116,059	290,297	116,059
Administrative expenses	2, 7, 16	(559,429)	(993,219)	(559,369)	(880,119)
Exploration costs written off	8, 17	(2,315,399)	-	(2,315,399)	-
<b>Loss from operations</b>		<b>(2,584,531)</b>	<b>(877,160)</b>	<b>(2,584,471)</b>	<b>(764,060)</b>
Share of results of associates	12	(31,590)	(100,197)	-	-
<b>Net profit/(loss) for the year</b>		<b>(2,616,121)</b>	<b>(977,357)</b>	<b>(2,584,471)</b>	<b>(764,060)</b>
<b>Total comprehensive income/(loss)</b>		<b>(2,616,121)</b>	<b>(977,357)</b>	<b>(2,584,471)</b>	<b>(764,060)</b>
<b>Net profit/(loss) attributable to:</b>					
Company shareholders		(2,616,121)	(977,357)	(2,584,471)	(764,060)
<b>Comprehensive profit/(loss) attributable to:</b>					
Company shareholders		(2,616,121)	(977,357)	(2,584,471)	(764,060)
<b>Earnings per share</b>					
<b>Basic earnings/(loss) per share</b>					
From continuing operations		(0.91) cents	(0.41) cents	(0.90) cents	(0.32) cents
<b>Diluted earnings/(loss) per share</b>					
From continuing operations		(0.79) cents	(0.35) cents	(0.78) cents	(0.27) cents

# Heritage Gold NZ Limited

## Statement of Changes in Equity

As at 31 March 2009

	Note	Group 2009				Group 2008			
		Share Capital \$	Capital Reserves \$	Retained Earnings \$	Total Equity \$	Share Capital \$	Capital Reserves \$	Retained Earnings \$	Total Equity \$
Total comprehensive income/(loss)		-	-	(2,616,121)	(2,616,121)	-	-	(977,357)	(977,357)
Shares issued	13	-	-	-	-	5,062,564	-	-	5,062,564
Equity at beginning of year		22,339,695	335,341	(10,428,133)	12,246,903	17,277,131	335,341	(9,450,776)	8,161,696
Equity at end of year		22,339,695	335,341	(13,044,254)	9,630,782	22,339,695	335,341	(10,428,133)	12,246,903
		Parent 2009				Parent 2008			
		Share Capital \$	Capital Reserves \$	Retained Earnings \$	Total Equity \$	Share Capital \$	Capital Reserves \$	Retained Earnings \$	Total Equity \$
Total comprehensive income/(loss)		-	-	(2,584,471)	(2,584,471)	-	-	(764,060)	(764,060)
Shares issued	13	-	-	-	-	5,062,564	-	-	5,062,564
Equity at beginning of year		22,339,695	297,641	(10,144,618)	12,492,718	17,277,131	297,641	(9,380,558)	8,194,214
Equity at end of year		22,339,695	297,641	(12,729,089)	9,908,247	22,339,695	297,641	(10,144,618)	12,492,718

The accompanying notes form part of these financial statements

# Heritage Gold NZ Limited

## Balance Sheet

As at 31 March 2009

		Group		Parent	
	Note	2009 \$	2008 \$	2009 \$	2008 \$
<b>Equity</b>					
Attributable to parent company shareholders	13	9,630,782	12,246,903	9,908,247	12,492,718
Attributable to minority interest	13	-	-	-	-
		9,630,782	12,246,903	9,908,247	12,492,718
<b>Current liabilities</b>					
Payables	7	76,158	385,458	76,158	385,457
Employee entitlements	7	19,802	35,587	19,802	35,588
<b>Total current liabilities</b>		95,960	421,045	95,960	421,045
<b>Total equity and liabilities</b>		9,726,742	12,667,948	10,004,207	12,913,763
<b>Current assets</b>					
Cash		807,114	3,240,884	807,114	3,240,884
Receivables and prepayments		22,142	65,350	22,142	65,350
Advances to related parties	7	295,754	246,342	375,356	276,451
<b>Total current assets</b>		1,125,010	3,552,576	1,204,612	3,582,685
<b>Non-current assets</b>					
Property, plant & equipment	6	30,164	33,211	30,164	33,211
Intangible assets	8	7,652,632	8,132,817	7,573,090	8,102,708
Investments	3	35,191	34,009	16,341	15,159
Investment in subsidiary	11	-	-	-	-
Investment in associate	12	883,745	915,335	1,180,000	1,180,000
<b>Total non current assets</b>		8,601,732	9,115,372	8,799,595	9,331,078
<b>Total assets</b>		9,726,742	12,667,948	10,004,207	12,913,763

For and on behalf of the Board:



P R Atkinson  
Dated: 10 June 2009



J M McKee  
Dated 10 June 2009

The accompanying notes form part of these financial statements

# Heritage Gold NZ Limited

## Cash Flow Statement

For year ended 31 March 2009

	Note	Group		Parent	
		Year 2009 \$	Year 2008 \$	Year 2009 \$	Year 2008 \$
<b>Cash flows from operating activities</b>					
<i>Cash was provided from:</i>					
Interest received		99,330	96,212	99,330	96,212
Other		-	-	-	-
		99,330	96,212	99,330	96,212
<i>Cash was disbursed to:</i>					
Payments to suppliers		(665,825)	(769,079)	(665,825)	(769,079)
Payments to and on behalf of employees		(117,670)	(78,665)	(117,670)	(78,665)
		(783,495)	(847,744)	(783,495)	(847,744)
<b>Net cash outflows from operating activities</b>	14	(684,165)	(751,532)	(684,165)	(751,532)
<b>Cash flows from investing activities</b>					
<i>Cash was applied to:</i>					
Prospecting expenditure		(1,893,087)	(1,144,421)	(1,893,087)	(1,144,421)
Purchase of property, plant and equipment		(10,842)	(27,448)	(10,842)	(27,448)
Purchase of investments		-	(157,568)	-	(157,568)
		(1,903,929)	(1,329,437)	(1,903,929)	(1,329,437)
<b>Net cash outflows from investing activities</b>		(1,903,929)	(1,329,437)	(1,903,929)	(1,329,437)
<b>Cash flows from financing activities</b>					
<i>Cash was provided from:</i>					
Issue of shares		-	4,586,157	-	4,586,157
		-	4,586,157	-	4,586,157
<i>Cash was applied to:</i>					
Issue of shares		-	(69,093)	-	(69,093)
<b>Net cash inflows from financing activities</b>		-	4,517,064	-	4,517,064
<b>Net increase /(decrease) in cash held</b>		(2,588,094)	2,436,095	(2,588,094)	2,436,095
Exchange gain/(loss)		154,324	17,475	154,324	17,475
Cash at start of year		3,240,884	787,314	3,240,884	787,314
Cash at end of year		807,114	3,240,884	807,114	3,240,884
<b>CASH COMPRISES:</b>					
Cash		391,081	2,947,121	391,081	2,947,121
Short term deposits		416,033	293,763	416,033	293,763
		807,114	3,240,884	807,114	3,240,884

The accompanying notes form part of these financial statements

# Notes To The Financial Statements

For the year ended 31 March 2009

## 1. STATEMENT OF ACCOUNTING POLICIES

### Reporting entity

Heritage Gold NZ Limited is a company incorporated in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX).

The Company is an issuer for the purposes of the Financial Reporting Act 1993 and the financial statements of the company and group have been prepared in accordance with the Financial Reporting Act 1993. The group consists of Heritage Gold NZ Limited and its subsidiaries and associate.

### Measurement base

The accounting principles adopted are those recognised as appropriate for the measurement and reporting of earnings and financial position on the historical cost basis modified by the revaluation of certain assets.

These consolidated and parent financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with International Financial Reporting Standards (IFRS). For this purpose, the company has designated itself as profit-oriented. The financial statements comprise the consolidated financial statements of the group and the separate financial statements of the parent company. The information is presented in New Zealand dollars.

### 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

Prospecting expenditure and mining tenements are initially recorded at cost. 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 is immediately recognised as an expense in the income statement.

### Property plant and equipment

All property, plant and equipment is initially recorded at cost. When an item of property, plant and equipment is disposed of, the gain or loss is recognised in the income statement and is calculated as the difference between the sale price and the book value.

### Depreciation

Depreciation is provided at rates calculated to allocate the difference between the cost and residual values of each asset over its estimated useful life. For this purpose, the Company has adopted the depreciation rates set by the Inland Revenue Department as appropriate.

Rates used during the year were:

Computer software and hardware	Straight line	30-36%
Field equipment	Straight line	10-50%
Fixtures and fittings	Straight line	10-67%
Office equipment	Straight line	18-24%

### Impairment

If the recoverable amount of an item of property, plant and equipment is less than its carrying amount, the item is written down to its recoverable amount and the write down recognised as an expense in the income statement.

### Segment Information

Operating segments are reported if:

- Revenue is 10% or more of combined operating segment revenues;
- The absolute value of profit or loss is greater than 10% of the combined reported profits or losses of all operating segments, whichever is greater;
- Assets are 10% or more of the combined assets of all operating segments; or
- Information about the segment would be useful to users of the financial statements.

### Taxation

The company 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. Mining losses can be set off against non-mining income in the ratio 3:2. Deferred taxation assets are recognised in the financial statements only to the extent that it is probable that there will be future taxable profit to utilise them.

### Share capital

Ordinary shares and options are classified as equity. Direct costs of issuing shares and options are deducted from the proceeds of the issue.

### Cashflows

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

### Employee entitlements

The liability for annual leave is accrued and recognised in the balance sheet.

### Foreign currencies

Transactions in foreign currencies are converted into NZ currency at the 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 resulting from these translations are recognised in the income statement.

### 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 net surplus 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 financial statements include the parent company and its subsidiaries accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation. In the parent company's separate financial statements, the investment in subsidiaries is stated at cost less any impairment losses.

### Associate companies

Associate companies are companies in which the group holds a substantial shareholding and in whose commercial and financial policy decisions it participates. Associate companies have been reflected in the consolidated financial statements on an equity accounting basis, which shows group's share of retained surpluses in the consolidated income statement and its share of post acquisition increases or decreases in net assets in the consolidated balance sheet.

# Notes To The Financial Statements

For the year ended 31 March 2009

In the parent company's separate financial statements, investment in associates is stated at cost less any impairment losses.

## Financial instruments

Financial instruments recognised in the balance sheet include cash balances, receivables, payables, investments in and loans to others and borrowing.

Financial instruments are stated at market value. Any gain or loss is recognised in the income statement.

(1) Receivables and payables

Receivables and payables are initially recorded at fair value. Due allowance is made for impaired receivables (doubtful debts).

(2) Share investments

Share investments in listed companies are designated as financial assets at fair value. They are initially recorded at cost and subsequently to market value. Gains or losses are recorded in the income statement. Share investments in unlisted companies cannot be reliably valued. They are therefore carried at cost less any impairment losses. Impairment losses, once recognised, are not reversed.

## Changes in accounting policies

Accounting policies have been applied on bases consistent with those used in previous years.

## 3. SHARE INVESTMENTS

	Group 2009 \$	Group 2008 \$	Parent 2009 \$	Parent 2008 \$
Investment in listed companies	26,092	24,910	7,242	6,060
Investment in unlisted companies	9,099	9,099	9,099	9,099
Total share investments	35,191	34,009	16,341	15,159

Unlisted shares are held for the long term because fair value cannot be reliably measured.

## 4. SEGMENT INFORMATION

During the current period, the Company had only one business segment - mineral exploration, within New Zealand and Australia. Exploration assets in Australia are below the threshold of significance.

## 5. TAXATION

No income tax has been charged to the income statement. The company has estimated mining taxation losses available to offset against future mining income of \$10,300,412 (2008:\$11,207,696) and non-mining taxation losses of \$12,199,798 (2008:\$9,619,474) 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

## 2. DIRECTORS' AND EMPLOYEES' REMUNERATION

	2009 \$	2008 \$
PR Atkinson	67,500*	90,000*
JM McKee	20,000	13,750
GG Hill	14,000	-
MG Hill	20,000	-
WR Grigor	28,998	27,136
TW Lash	204,380*	100,000*

\*of which \$160,041 (2008:\$93,067) is expensed and the remainder is capitalised in the Balance Sheet as part of field expenditure.

## Remuneration of Employees

The number of employees, who are not directors, whose remuneration and benefits exceeded \$100,000 in the financial year was:

	Group	Parent
\$110,001-\$120,000	1	1

amount sufficient to enable the benefit of the losses to be realised;  
(b) The Company continues to comply with the conditions for deductibility imposed by the law;  
(c) There are no adverse changes in tax legislation or tax rates which affect the Company in realising the benefit from the deduction for the losses.

Tax effect accounting is applied on a comprehensive basis to all timing differences using the liability method but deferred tax will not be recognised unless future taxable profit is probable.

There have been no movements through the imputation credit account, the balance of which is Nil (2008:Nil).

## 6. PROPERTY, PLANT & EQUIPMENT

Group	Fixtures & fittings	Office equipment	Field equipment	Motor vehicle	Total
1 April 2008					
Cost	1,928	19,194	18,416	18,000	57,538
Accum depreciation	1,754	10,549	11,709	315	24,327
Carrying amount	174	8,645	6,707	17,685	33,211
Year ended 31 Mar 2009					
Additions	-	166	10,309	-	10,475
Depreciation	104	3,478	6,160	3,780	13,522
	(104)	(3,312)	4,149	(3,780)	(3,047)
31 March 2009					
Cost	1,928	19,360	28,725	18,000	68,013
Accum depreciation	1,858	14,027	17,869	4,095	37,849
Carrying amount	70	5,333	10,856	13,905	30,164

# Notes To The Financial Statements

For the year ended 31 March 2009

## 7. RELATED PARTY TRANSACTIONS

Payments for consulting services to companies in which directors have a substantial interest amounted to \$312,378 (2008:\$9,985). At balance date, amounts owing to related parties included in creditors was \$13,053 (2008:\$287,234); debtors included \$Nil (2008:\$844). No related party debts were written off during the period.

## 8. INTANGIBLE ASSET

	Group		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Prospecting costs &amp; mining tenements</b>				
Opening balance	8,132,817	6,585,547	8,102,708	6,574,769
Development expenditure	1,835,214	1,547,270	1,785,781	1,527,939
Less prospects written-off during the year	(2,315,399)	-	(2,315,399)	-
Carrying amount	7,652,632	8,132,817	7,573,090	8,102,708

The carrying amount is stated at cost. The net value of prospecting costs is supported by an independent valuation of the Company's tenements, prepared by Mr Richard Barker, dated 5 June 2009. The ultimate value of this asset is dependent on further development, successful commercial extraction and realisation of the respective areas. As there is no active market for these assets, the valuation was determined using other valuation techniques. Prospects written off represent the Dunmarra Basin uranium licence which was relinquished during the first half, and Waihi North, for which the Company's exploration permit expired during the year.

## 9. FINANCIAL INSTRUMENTS

### Credit Risk

Financial instruments which potentially subject the company to credit risk principally consist of bank balances and receivables. Surplus funds are placed on short term deposit with major trading banks and the company does not anticipate non-performance by those parties. Maximum exposure to credit risk at balance date is represented by the carrying value of the financial instruments. No collateral is held on these assets and the balances are stated net of recognised impairment losses. All bank deposits were held with one bank and represented 100% of cash. 93% of receivables represents an advance to an associate company. No other receivables exceed 10% of total receivables.

### Currency Risk

The company has exposure to foreign exchange risk as a result of transactions from normal trading activities mainly denominated in Australian currencies.

### Liquidity Risk

Management supervises liquidity by carefully controlling expenditure from existing cash reserves.

### Interest Rate Risk

The company has exposure to interest rate risk to the extent that it invests for fixed terms at fixed rates.

### Fair Values

As stated in Note 3, the fair value of unlisted shares cannot be reliably measured. Except for unlisted shares, there is no material difference between the carrying amounts and estimated fair values of the company's financial assets and liabilities.

## 10. COMMITMENTS

Operating lease commitments

Lease commitments under non-cancellable operating leases:

	Group & Parent	
	2009 \$	2008 \$
Not later than one year	24,650	9,883
Later than one year but not later than two years	9,883	-
	34,533	9,883

The group has capital commitments of \$Nil (2008:\$550,593).

## 11. SUBSIDIARY COMPANIES

	2009	2008	Incorporated in	Balance Date	Activity
Coromandel Gold Limited investment	100%	100%	NZ	31 March	Share
Northland Minerals Limited exploration	100%	100%	NZ	31 March	Minerals

All subsidiaries are direct subsidiaries of the company and the investment in each subsidiary is recorded at cost (\$Nil).

## 12. ASSOCIATE COMPANY

The group owns a 33% interest in Broken Hill Cobalt Limited, an unlisted company incorporated in New Zealand. Broken Hill Cobalt owns 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 unaudited financial statements to 31 December 2008.

# Notes To The Financial Statements

For the year ended 31 March 2009

## Investment in associate company

	Group		Details of associate at 31 December 2008	
	2009 \$	2008 \$		\$
Share of associate's surplus/(deficit)	(31,590)	(100,197)	Assets	337,986
Income tax	-	-	Liabilities	706,080
Share of recognised revenue and expenses	(31,590)	(100,197)	Revenue	-
Shares at cost	1,180,000	1,180,000	Loss for the period	95,727
Share of surplus/(deficit)	(264,665)	(164,468)		
Opening balance	915,355	1,015,532		
Share of recognised revenue and expenses	(31,590)	(100,197)		
Balance at year end	883,745	915,335		

## 13. EQUITY & RESERVES

Equity	Group 2009 \$	Group 2008 \$	Parent 2009 \$	Parent 2008 \$
Share capital	22,339,695	22,339,695	22,339,695	22,339,695
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	40,456	40,456	2,756	2,756
Accumulated deficit	(13,044,254)	(10,428,133)	(12,729,089)	(10,144,618)
Total parent shareholder equity	9,630,782	12,246,903	9,908,247	12,492,718
Minority interest	-	-	-	-
	9,630,782	12,246,903	9,908,247	12,492,718

The group's capital is managed with the objectives of maintaining adequate working capital so that all obligations can be met on time. All components of equity are regarded as "capital". All internal capital management objectives have been met. This has not changed since last year.

Accumulated deficit	Group 2009 \$	Group 2008 \$	Parent 2009 \$	Parent 2008 \$
Opening balance	(10,428,133)	(9,450,776)	(10,144,618)	(9,380,558)
Net loss for year	(2,616,121)	(977,357)	(2,584,471)	(764,060)
Closing balance	(13,044,254)	(10,428,133)	(12,729,089)	(10,144,618)

## Share capital

	Consolidated & Parent			
	2009 Number	2009 \$	2008 Number	2008 \$
Opening Balance	287,703,320	22,339,695	193,817,821	17,277,131
Shares Issued	-	-	93,885,499	4,485,771
Warrants cancelled	-	-	-	576,793
Closing Balance	287,703,320	22,339,695	287,703,320	22,339,695

All authorised shares have been issued; there are no outstanding calls. All shares have equal voting rights and will share equally in dividends and surplus on winding up. The shares have no par value.

## Options – Listed

The 23,490,000 Options issued per Prospectus dated 19 September 2005 expired on 30 September 2008.

Pro-rata rights issue per Prospectus dated 26 October 2006:

	Number of options	Exercise price	Issue Date	Expiry Date
Issued	35,825,129	AU\$0.08	Nov 07 – Jan 08	20 Nov 2009

# Notes To The Financial Statements

For the year ended 31 March 2009

## Options - Unlisted

The following options have been issued to directors:

Issued to	Number of options issued	Exercise price	Issue Date	Expiry date
WR Grigor	3,000,000	AU\$0.035	13 Apr 2007	13 Apr 2009
T Lash	3,000,000	\$0.09	7 Sep 2007	22 Dec 2009
Total	6,000,000			

Options issued to WR Grigor and TW Lash will not participate in pro-rata rights issues.

## 14. RECONCILIATION OF OPERATING CASHFLOW AND CONSOLIDATED DEFICIT

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Net deficit after taxation and before including share of retained deficit of associates	(2,584,531)	(877,160)	(2,584,471)	(764,060)
Add non-cash items:				
Depreciation	3,582	3,658	3,582	3,658
Unrealised revaluation (gain)/loss	-	109,784	-	109,784
Write off field expenditure	2,315,399	-	2,315,399	-
Exchange (gain)/loss	(168,572)	(16,576)	(168,572)	(16,576)
	2,150,409	96,866	2,150,409	96,866
Add (less) movement in working capital:				
Decrease (increase) in debtors	1,415	153,263	1,415	153,263
Increase (decrease) in creditors	(290,280)	(108,621)	(290,340)	(221,721)
Decrease (increase) in accrued income	3,220	(2,927)	3,220	(2,927)
Decrease (increase) in GST	35,602	(12,953)	35,602	(12,953)
	(250,043)	28,762	(250,103)	(84,338)
Net cashflows from operating activities	(684,165)	(751,532)	(684,165)	(751,532)

## 15. CONTINGENT LIABILITIES

	Consolidated & Parent	
	Mar 2009	Mar 2008
	\$	\$
Contingent liabilities	-	2,000

## 16. OPERATING EXPENSES BY NATURE

	Group		Parent	
	Mar 2009	Mar 2008	Mar 2009	Mar 2008
Audit fees	10,693	20,909	10,693	20,909
Depreciation	3,582	3,658	3,582	3,658
Directors fees	82,998	40,886	82,998	40,886
Directors remuneration	160,041	93,067	160,041	93,067
Employee salaries	112,227	90,433	112,227	90,433
Loss on share revaluation	-	113,100	-	-
Rental & lease costs	30,841	23,310	30,841	23,310
Other	159,047	607,856	158,987	607,856
Total operating costs	559,429	993,219	559,369	880,119

## 17. SIGNIFICANT EVENTS SINCE BALANCE DATE

An application for extending the exploration permit over the Waihi North tenement was declined by the Ministry of Economic Development in May 2009. Since the permit had expired prior to balance date, the capitalised exploration expenditure relating to the tenement was written off to the income statement for the year ended 31 March 2009.

## 18. GOING CONCERN

The financial report has been prepared on a going concern basis. Funds raised from the rights issue in November 2007 were largely dedicated to advancing the exploration of the Company's exploration tenements but the Directors retained sufficient funds to ensure that financial obligations can continue to be met for more than 12 months. The Directors are currently engaged in negotiations with potential joint venture partners in respect of the Talisman mine project and are optimistic of a successful outcome.

# Additional Information

## DIRECTORS' INFORMATION

Name of Director	Securities in which Director has a relevant interest at 31 March 2009		
	Ordinary Shares	Options Listed	Options Unlisted
P R Atkinson	16,201,950	-	-
W R Grigor	2,000,000	-	3,000,000
G G Hill	33,618,770	851,172	-
M G Hill	-	-	-
J M McKee	-	-	-

The management services contract dated 27 May 1999 between the company and Up Minister Limited was extended for a further period of six months, ending 30 September 2009.

## DIRECTORS DISCLOSURE OF INTERESTS

The following general disclosures of interest were received in relation to the year ended 31 March 2009.

Name of Director	Entity	Status
<b>P R Atkinson</b>	Broken Hill Cobalt Limited	Director
	Coromandel Gold Limited	Director
	Prophecy Mining Limited	Director and Shareholder
	Up Minister Limited	Director and Shareholder
<b>W R Grigor</b>	Peninsula Minerals Limited	Director
<b>G G Hill</b>	Brickworks Investment Company Limited	Director
	Broken Hill Cobalt Limited	Director
	Centrex Limited	Director
	Debt Management Corporation	Director
	Hills Industries Limited	Director
	International Pacific Securities Group	Director
	Intl Pacific Strategic Investments Limited	Director
	So Co Limited	Director
Metals Finance Limited	Director	
<b>M G Hill</b>	So Co Limited	Director
	Broken Hill Cobalt Limited	Director
<b>J M McKee</b>	Broad Horizons Limited	Director

## SHAREHOLDING STATISTICS AS AT 3 JUNE 2009

Name	Shares	Percentage
So Co Limited	20,000,000	6.95%
Fortis Clearing Nominees Pty Limited	12,693,206	4.41%
Peter Robert Atkinson	10,901,950	3.79%
Bestfield Company	9,700,000	3.37%
HFT Nominees Ltd	7,230,085	2.51%
International Pacific Capital Limited	6,388,685	2.22%
Hamish Edward Elliot Brown	6,000,000	2.09%
Basil Courtney McGirr	5,464,905	1.90%
Prophecy Mining Limited	5,300,000	1.84%
Peter William Hall	5,000,000	1.74%
Brett Anthony Phillips	4,750,000	1.65%
Elinora Investments Pty Ltd	4,500,000	1.56%
James Lee McGirr	3,249,794	1.13%
Troyward Pty Ltd	3,000,000	1.04%
Relativity Pty Ltd	2,849,904	0.99%
Pacific Gold Resources Limited	2,790,000	0.97%
Feoh Pty Ltd	2,700,000	0.94%
Relativity Pty Ltd	2,676,904	0.93%
I E Properties Pty Ltd	2,519,999	0.88%
Eastern Porphry Pty Ltd	2,500,000	0.87%
<b>TOTAL FOR TOP 20</b>	<b>120,215,432</b>	<b>41.78%</b>
<b>TOTAL SHARES</b>	<b>287,703,320</b>	<b>100%</b>

# Additional Information

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holding	Holders	Shares	Percentage
1 - 1,000	36	23,614	0.01%
1,001 - 5,000	213	748,313	0.26%
5,001 - 10,000	236	1,994,564	0.69%
10,001 - 100,000	779	31,373,318	10.90%
100,001 and over	349	253,563,511	88.14%
<b>TOTAL</b>	<b>1,613</b>	<b>287,703,320</b>	<b>100.00%</b>

## OPTION HOLDING STATISTICS AS AT 3 JUNE 2009 – EXPIRING 20/11/2009

Name	Options	Percentage
Michael John Smit	2,534,767	7.08%
Elinora Investments Pty Ltd	2,250,000	6.28%
Goffacan Pty Ltd	1,500,000	4.19%
Fortis Clearing Nominees Pty Limited	1,473,668	4.11%
Feoh Pty Ltd	1,350,000	3.77%
Relativity Pty Ltd	1,167,619	3.26%
I E Properties Pty Ltd	1,157,499	3.23%
Clodene Pty Ltd	1,125,000	3.14%
Karkoram No 2 Pty Ltd	1,100,000	3.07%
Enn Tohver	1,100,000	3.07%
Transition Metals Pty Ltd	1,100,000	3.07%
Jalonex Pty Ltd	1,000,000	2.79%
Thomas Herbert Tebbs Gothorp	882,224	2.46%
Gul Chandiram Mahtani & Aveen Gul Mahtani & Manjit Kaur	600,000	1.67%
Tromso Pty Ltd	574,999	1.61%
Inhowse Pty Ltd	550,000	1.54%
Australis Finance Pty Ltd	500,000	1.40%
Blackmort Nominees Pty Ltd	500,000	1.40%
Calama Holdings Pty Ltd	500,000	1.40%
John Darroch & Gloria Darroch & Richard Darroch & Helen Darroch	500,000	1.40%
Creagh O'Connor & Patricia O'Connor	500,000	1.40%
Kent Swick	500,000	1.40%
<b>TOTAL FOR TOP 22</b>	<b>22,465,776</b>	<b>62.74%</b>
<b>TOTAL OPTIONS</b>	<b>35,825,129</b>	<b>100%</b>

## DISTRIBUTION OF OPTION HOLDINGS

Size of Holding	Holders	Options	Percentage
1 - 1,000	95	56,403	0.16%
1,001 - 5,000	130	329,411	0.92%
5,001 - 10,000	48	362,970	1.01%
10,001 - 100,000	101	3,730,195	10.41%
100,001 and over	57	31,346,150	87.50%
	<b>431</b>	<b>35,825,129</b>	<b>100.00%</b>

# Corporate Governance

In accordance with the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* ("ASX Principles and Recommendations") and the NZX Corporate Governance Best Practice Code (the "NZX Code"), Heritage Gold NZ Ltd ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Principles and Recommendations and the NZX Code, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations or the NZX Code, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice, as set out below.

Further information about the Company's corporate governance practices and policies is set out on the Company's website at [www.heritagegold.co.nz](http://www.heritagegold.co.nz). In accordance with the ASX Principles and Recommendations, information published on the Company's website includes charters (for the board and its committees), the Company's code of conduct and other policies and procedures relating to the Board and its responsibilities.

## EXPLANATIONS FOR DEPARTURES FROM ASX BEST PRACTICE RECOMMENDATIONS

During the Company's 2008/2009 financial year ("Reporting Period") the Company has followed each of the ASX Principles and Recommendations, other than in relation to the matters specified below.

### Principle 2

#### Recommendation 2.1: A majority of the Board should be independent directors

##### Notification of Departure

The board does not have a majority of independent directors. For the Reporting Period, two directors were considered independent.

##### Explanation for Departure

The Board considers that it continues to be of a suitable structure to govern the Company's affairs in a manner that is in the best interests of shareholders. The Board has put in place appropriate safeguards, in particular, where the financial affairs of the Company are concerned. The Audit Committee is made up of the two independent directors who had the opportunity to meet separately with the external auditor in respect of the financial reports. The Audit Committee monitors and makes recommendations for improvement of the Company's internal controls. The Board also relied on the sign-off of senior management with respect to the financial reports, which sign-off has been provided in respect of the Company's 2008/2009 accounts.

### Principle 2

#### Recommendation 2.2: The chairperson should be an independent director

##### Notification of Departure

The Chair is not an independent director.

##### Explanation for Departure

The Company has been chaired by Mr Geoffrey Hill who is not independent. The Board believes that Mr Hill is the most appropriate person for the position as chair at this time because of the extent of his experience. The only matter that precludes Mr Geoffrey Hill from being independent is his substantial shareholding. The Board believes

however that Mr Geoffrey Hill has consistently demonstrated that he is able to make decisions that are in the best interests of the Company.

### Principle 4

#### Recommendation: 4.2: Structure the Audit Committee so that it consists of only non-executive directors, a majority of independent directors, an independent chairperson who is not chairperson to the Board, and at least 3 members.

##### Notification of Departure

The Audit Committee is comprised of two members.

##### Explanation for Departure

The Audit Committee is comprised of the two independent directors of the Board. The Board considers the Audit Committee to be comprised of the most appropriate mix of skills and expertise in order to carry out the function of the Audit Committee. The Board has adopted, and the Audit Committee applies, an Audit Committee Charter.

## EXPLANATIONS FOR DEPARTURES FROM NZX CODE

During the Reporting Period the corporate governance principles adopted or followed by the Company materially differed from the NZX Code only in the following respects:

### NZX Code Requirement 2.6

#### Director remuneration packages should be recommended to shareholders

##### Notification of Departure:

The Remuneration Committee is governed by a charter in respect of the method by which director remuneration packages are to be determined however the Remuneration Committee does not comply with principle 2.6 of the NZX Code in that the Remuneration Committee does not recommend the remuneration packages to shareholders.

##### Explanation of Departure:

See comment under the explanation for the departure from NZX Code Requirement 2.7 below.

### NZX Code Requirement 2.7

#### Directors should be encouraged to take a portion of remuneration under a performance based equity security compensation plan

##### Notification of Departure:

The remuneration policies of the Company did not comply with principle 2.7 of the NZX Code in that the directors were not encouraged to take a portion of their remuneration under either a performance based equity plan or to invest a portion of their remuneration in equity securities of the Company.

##### Explanation of Departure:

Under the Charter adopted by the Board the Remuneration Committee meets once a year to review the Company's executive compensation programme. Subject to NZX Listing Rule Requirements, the Board presently considers that such matters are more efficiently determined by the Remuneration Committee itself rather than by way of recommendation to shareholders.

### NZX Code Requirement 3.10

#### A nomination committee should recommend director appointments to the Board and a majority of the nomination committee should be independent directors

##### Notification of Departure:

The composition of the nomination committee did not comply with

# Corporate Governance

principle 3.10 of the NZX Code in that it did not comprise a majority of Independent Directors (i.e. only one out of the two directors was an Independent Director, which does not constitute a majority).

## Explanation of Departure:

Although there was not strict compliance with principle 3.10 of the NZX Code, the board considers that the existing nomination committee has the best and most suitable composition to effectively carry out its functions. The board considers that no efficiencies would be achieved by having an additional Independent Director on the nomination committee.

Except as disclosed the Company adheres to the NZX Code.

## SKILLS, EXPERIENCE, EXPERTISE AND TERM OF OFFICE OF EACH DIRECTOR

A profile of each director containing the skills, experience, expertise and term of office of each director is set out in the director profiles.

## IDENTIFICATION OF INDEPENDENT DIRECTORS

### ASX requirements

In considering independence of directors, the Board refers to the criteria for independence as set out in Box 2.1 of the ASX Principles and Recommendations ("**Independence Criteria**"). To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the Company's website.

Applying the Independence Criteria, during the reporting period, the independent directors of the Company were Murray McKee and Warwick Grigor.

### NZX requirements

Mr Murray McKee and Mr Warwick Grigor were determined Independent Directors pursuant to NZX Listing Rule 3.3.2. Peter Atkinson, Geoffrey Hill and Matthew Hill were determined as not being Independent Directors for the purposes of NZX Listing Rule 3.3.2.

## STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

## CONFIRMATION WHETHER PERFORMANCE EVALUATION OF THE BOARD AND ITS MEMBERS HAVE TAKEN PLACE AND HOW CONDUCTED

During the Reporting Period an evaluation of the Board was carried out. The evaluation process occurred during the Board Strategy meeting on 25 September 2008. The evaluation was conducted by the chairman and was comprised of an informal round table discussion between the board members.

## RISK MANAGEMENT

The company has continued to develop its strategies for risk management during the Reporting Period, particularly where internal controls are concerned. The Company's internal controls are reviewed by the external auditor twice a year, and are monitored regularly by the independent directors.

The Company has adopted a Risk Management Policy (available on the Company's website). Under the Policy, the Board delegates day-to-day management of risk to the Chief Executive Officer or equivalent. The Policy sets out the role of the Chief Executive Officer or equivalent

and accountabilities. It also contains the Company's risk profile and describes some of the policies and practices the Company has in place to manage specific business risks.

## ASSURANCES TO THE BOARD

The Chief Executive Officer or equivalent and the Chief Financial Officer or equivalent have provided a declaration in accordance with Section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

## REMUNERATION

Details of remuneration are contained in the Notes to the Financial Statements forming part of this report.

Of the non-executive directors:

- Peter Atkinson received a fixed fee for his consulting services to the company;
- Murray McKee received a fixed fee for his services as director;
- Warwick Grigor received a fixed fee for his services as a director;
- Matthew Hill received fees for his services relating to Broken Hill Cobalt Ltd and did not receive a separate fee for his services as a director; and
- Geoffrey Hill received a fixed fee for his services as a director.

Of the executive directors:

- During this Reporting Period Trent Lash received a fixed monthly fee for providing consultancy services in respect of his role as managing director.

There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievement of key performance indicators.

There are no termination or retirement benefits for directors.

## REMUNERATION COMMITTEE

The Remuneration Committee members are Mr Murray McKee and Mr Warwick Grigor. During the Reporting Period the Remuneration Committee held one meeting and both members attended the meeting.

## NOMINATION COMMITTEE

The Nomination Committee members are Mr Murray McKee and Mr Matthew Hill. During the Reporting Period the Nomination Committee held one meeting and both members attended the meeting.

## AUDIT COMMITTEE

### Names and Qualifications of Audit Committee Members

During the Reporting Period, the Audit Committee members were: Murray McKee (Independent, Chair); Warwick Grigor (Independent).

Details of each of the director's qualifications are included in the Board of Director's Profiles. While neither of the Audit Committee members have specific financial qualifications, both members consider themselves to be financially literate and have financial experience and industry knowledge. Mr McKee has gained significant financial experience from his careers in management consulting and senior management over the past 30 years. Mr Grigor has extensive experience as a senior mining analyst and research partner with stock broking firms specialising in mining.

### Number of Audit Committee Meetings and Names of Attendees

During the Reporting Period the Audit Committee held three meetings. Mr McKee and Mr Grigor attended all three meetings.

# Company Directory

## Directors

Geoffrey G Hill (Chairman)  
Murray McKee (Deputy Chairman)  
Peter R Atkinson  
Matthew G Hill  
Warwick R Grigor

## 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

Westpac Bank, Auckland  
National Australia Bank, West Perth

## Auditors

Carlton DFK  
Carlton DFK Centre  
135 Broadway  
Newmarket  
Auckland

## Solicitors

Chapman Tripp, Auckland  
Simpson Grierson, Auckland  
Williams & Hughes, Perth

## Share Registrars

### New Zealand:

Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road  
Takapuna, Auckland  
Telephone (+64 9) 488 8777

### Australia:

Computershare Investor Services Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford Victoria 3067, Australia  
Telephone 1300 850 505  
Overseas callers (+61 3) 9415 4000

## Securities Listed

New Zealand Stock Exchange  
Code: Shares HGD  
Options HGDOB

Australian Stock Exchange  
Code: Shares HTM  
Options HTMOA

## GLOSSARY

**Alteration:** a change to the mineral composition of a rock, typically brought about by the action of hydrothermal fluids

**Anomaly:** value higher or lower than the expected or norm

**Breccia:** a rock composed of angular fragments of rock

**Epithermal:** a term applied to those mineral deposits formed in and along fissures or other openings in rocks at shallow depths from ascending solutions of moderate temperature

**g/t:** grams per tonne (same as ppm or parts per million)

**Geochemistry:** the study of the abundances of elements in rocks

**Geophysics:** exploration techniques which rely upon physical contrasts between rock or mineral species

**Gossan:** a leached, oxidised surface expression of mineralisation

**Hydrothermal:** pertaining to hot emanations of magma, rich in water

**Magnetic techniques:** measure a magnetic anomaly which generally indicates the presence of some object with either residual magnetisation or high magnetic susceptibility (the measure of the response of the material to a magnetic field). A change in rock type or the presence of a magnetic ore body may be indicated by such anomalies

**Mineralisation:** the group of minerals of interest; generally taken to be sulphide or precious metal minerals

**Ore:** material which can be mined and treated at a profit

**Pathfinder elements:** elements which, when found in anomalous concentrations, may indicate the presence nearby of economic minerals

**Quartz:** silica or silicon dioxide, a very common mineral

**RAB drilling:** rotary air blast drilling that uses high-velocity compressed air to blow rock particles cut by the drill bit up to the surface

**Resistivity:** geophysical technique measuring electrical conductivity of rock

**Resource:** a mineral occurrence from which valuable minerals may be recovered; with varying levels of confidence, a resource may be classified as measured, indicated or inferred

**Seismic techniques:** a seismic detector receives seismic impulses generated by an explosive or dropping a heavy weight on the ground and converts them into readable signals. These can be interpreted to show different rock layers at various depths

**Soil sampling:** systematic collection of soil samples at a series of different locations to study the distribution of soil geochemical values for a variety of elements

**Strike:** the course or bearing of the rock outcrop of an inclined bed on a level surface

**XRD analysis:** X-ray diffraction analysis can identify clay minerals in rock and soil, which can assist the location of concentrations of economic minerals



**HERITAGE**  
GOLD NZ LIMITED  
Incorporated in New Zealand / ABN 009 474 702

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

## Director's Statement

The directors of the company declare that:

1. The financial statements and notes, as set out in the Annual Report to 31 March 2009:
  - (a) Comply with New Zealand International Financial Reporting Standards (IFRS), and
  - (b) give a true and fair view of the economic entity's financial position as at 31 March 2009 and of its performance for the year ended on that date.
2. In the directors opinion there are reasonable grounds to believe that the company will be able to pay it's debts as and when they become due and payable.



---

Peter Atkinson  
Executive Director

10 June 2009