

2010 ANNUAL MEETING CHAIRMAN'S ADDRESS

For Heritage, one of the most important company making events occurred in December last year when we were granted a mining permit by the New Zealand government. It was a long time coming, but it does transform your company from being a simple explorer.

There also has been a very important and positive change in attitude both by the New Zealand government and also by global groups about the prospectivity of New Zealand, particularly for precious metals. The possibility of a resource rent tax and continuing political uncertainty over who is running their country has also engendered interest from across the Tasman.

Gold last week reached a historical high of US \$1270 an ounce. Craigs Investment Partners' September newsletter forecasts the gold price will be US \$1337 at the end of 2010 and US \$1425 at the end of 2011. There is even speculation that the price may reach US \$2000 an ounce in the future.

In New Zealand dollar terms, gold increased in value over the last 12 months by roughly 23.2% or NZ \$330 an ounce (see chart below). Silver over the same period increased from NZ \$20.00 to NZ \$28.50 an ounce. This will have a significant impact on the economics of developing our gold and silver resources.

Our current objective is to delineate approximately 500,000 resource/reserve ounces of gold, which should enable us to complete a bankable feasibility study and justify the capital cost of establishing a new operation at the Talisman. Having said that, the current gold price has significantly improved the underlying fundamentals and value of this important New Zealand resource. It is worth remembering that over 1,000,000 ounces has already been produced historically from this rich mining area.

During the year management has been focusing on putting in place the necessary processes and approvals which are required in New Zealand to undertake mining. These include gaining access approval and identifying the resource consents needed under the Resource Management Act.

We have also been updating an earlier scoping study and have appointed Auckland investment bankers Campbell MacPherson to assist us to find a suitable joint venture partner.

We see getting Talisman into production as our primary focus in New Zealand. In addition, we will continue our exploration efforts as set out more fully in the annual report.

BROKEN HILL PROSPECTING LIMITED

Another area where we have been busy is at our 28% owned Broken Hill base metal project at Thackaringa, which we manage. The discovery in 2009 of Broken Hill-style mineralisation on our licence has significantly increased the prospectivity and potential of our investment. You will have seen our recent announcement, which included confirmation of the JORC-compliant inferred cobalt resource at Thackaringa which further exploration should increase.

We have agreed with the Board of Broken Hill Prospecting Limited (BHPL) to list the company. As a prelude to this BHPL raised approximately A\$800,000 last month in pre-IPO funding to allow for the cost of bringing the company to market and also to expand our current exploration program aimed at delineating further Broken Hill-style silver lead zinc mineralisation and cobalt resources.

Interestingly, BHPL is a New Zealand incorporated company and, as we foreshadowed last year, shareholders of Heritage Gold will be offered priority entitlement in the forthcoming new issue for Broken Hill Prospecting Limited.

Application will be made to list BHPL on the New Zealand as well as the Australian stock exchange.

We will be writing to you shortly with further details, however at this stage we envisage raising approximately A \$5 million through the issue of 25 million A \$0.20 shares with attaching options. Both myself and Peter Atkinson will remain directors of BHPL.

Listing of BHPL will add significantly to the value of Heritage Gold's investment and raising capital specifically for Broken Hill Prospecting's needs will reduce the joint venture demand for funds.

We expect to issue a prospectus in October and raise funds for listing in November.

Peter Atkinson will update you on Heritage and its investment in Broken Hill Prospecting.

During the year, as a result of the relative lack of interest by international investors in New Zealand gold projects, the board took the view that we should be expanding our horizons. We decided to look for possible large-scale high grade epithermal gold targets in which, together with our consultants, we have significant expertise.

We have identified New Guinea, both Indonesian New Guinea and Papua New Guinea, as having potential for large-scale high value gold exploration targets. The company is currently looking at two projects which we believe could be very attractive and would add value and market interest in Heritage Gold's shares. We hope to be in a position to make a further announcement once our negotiations are complete.

Small public companies such as Heritage suffer from a lack of market interest as we are mostly below the radar of professional investors. Nevertheless, the significant value in our underlying assets is recognised by major mineral groups and, it is to be hoped, as we develop them, by the local markets.

Finally, I would like to thank our Managing Director for his efforts on behalf of the company and our shareholders for their wholehearted support of our capital raising last December. We remain in a sound financial position with funds of approximately NZ \$1.5 million.

Westpac Bank Gold Price NZ\$ from Q3 2008 to Q3 2010



Geoffrey G Hill
Chairman
23 September 2010