

HERITAGE

GOLD NZ LIMITED

Incorporated in New Zealand ABN 009 474

HALF YEARLY REPORT to 30 September 2010



DIRECTORS' REPORT

The Directors are pleased to present to shareholders the half yearly report for the six months ended 30 September 2010.

The exploration environment in New Zealand is improving, with better public understanding of the industry and new interest shown by government in supporting mineral initiatives likely to provide substantial economic benefit.

Gold Projects (Waihi, New Zealand)

Karangahake (100%)

Talisman Mine Project

During the period Heritage appointed Auckland investment bank Campbell MacPherson to undertake a global search for a suitable joint venture partner.

The company is working with the investment bank, which has developed a comprehensive list of target companies.

At the end of the reporting period the company's consultants began a review of the previous scoping study to take into account increases in the gold price in the past year and changes in potential development and capital costs.

Rahu

From the Talisman Mine the major north-northeast trending mineralised hydrothermal system extends in a northerly direction for almost the entire length of the Rahu permit – a total strike length of 4 kilometres.

Heritage has drilled a number of holes in the Rahu area and encountered low to moderate gold grades, some over very broad intervals, in most holes.

Based on the geological model Heritage has developed it is likely that higher grade feeder veins will be intersected at depth below the previous drilling.

This concept has been considered in a draft report by a structural geological consultant. At the end of the period the draft report was being peer reviewed to enable its completion and application to selecting favourable drill targets.

Golden Valley (100%)

The exploration permit lies along the eastern side of the Waihi and Favona gold mines, in a north-south direction. Most of the permit is covered by barren cover rocks, which obscure prospective andesite basement.

Previous work identified several areas of demagnetised rock, believed to be caused by intense hydrothermal activity, similar to that at Waihi where it resulted in the formation of a number of gold rich quartz veins that yielded over 7.5Moz of gold.

A soil geochemical survey using new techniques has targeted these favourable areas and located gold anomalies. These were prepared for testing by a seismic survey at the end of the half-year.



Following the seismic survey the company will undertake fill-in geochemical sampling to better define surface anomalies and possibly a gravity survey to assist identification of targets within the anomalous zone.

Gold and Base Metals (Broken Hill, NSW, Australia)

Thackaringa

During the period Broken Hill Prospecting Limited (BHPL), in which Heritage currently holds a 29% interest, raised seed capital of A\$890,000.

Subsequently BHPL prepared a prospectus for registration in Australia, for the issue of up to 25 million shares of A\$0.20 each with one free attaching option for every two shares allotted, exercisable at A\$0.20 at any time within three years from the date of listing of BHPL on the stock exchange. BHPL is seeking a listing on the ASX and NZSX.

After the end of the reporting period the prospectus was distributed to all Heritage shareholders, who have a priority allocation.

Interest in the Broken Hill region is increasing, underpinned by the enormous size and longevity of the Broken Hill ore bodies, which have been mined for over 120 years.

More recently the discovery of a base metals deposit at the Pinnacles Mine, about 9km east of the Thackaringa tenements held by BHPL, has added impetus to the regional search for Broken Hill style mineralisation.

BHPL has done extensive sampling, mapping and rotary air blast (RAB) drilling within its exploration licence and has found 15 significant anomalies, several of which have potential for economic grade mineralisation.

In addition, the company's inferred mineral resource for cobalt at Pyrite Hill and Big Hill was confirmed in accordance with the JORC Code.

Project	Cut-off (lb/t Co)	Mt	lb/t Co
Pyrite Hill	1.1	10.6	2.2
Big Hill	1.1	4.4	2.0

The company's consultants consider there is

potential for extensions of these cobalt deposits and new areas of cobalt mineralisation that could lead to a substantial increase in the resource.

At the end of the period BHPL commenced a RAB drilling programme to test extensions of previously identified surface mineralisation beneath shallow soil cover.

Drill testing of the major targets is planned on completion of the Initial Public Offering (IPO).

Geoffrey G Hill and Peter R Atkinson are Directors of Broken Hill Prospecting Limited.

Other Prospects

Heritage is looking offshore for possible large-scale high-grade epithermal gold targets, using the expertise developed by the company and its consultants.

At the end of the reporting period the company was reviewing several attractive epithermal gold projects.



Peter Atkinson
Executive Director
8 December 2010

Competent Person's Statement

This statement relates to the Directors' Report Half Yearly 2010 (the "Report") to be issued by Heritage Gold NZ Limited.

Mr Alex Trueman, MAusIMM (CP) consents to the inclusion in the Report of the matters based on his information in the form and context in which it appears. Specifically Mr Trueman is Competent Person for and consents to the inclusion of the cobalt Mineral Resource disclosures for Pyrite Hill and Big Hill contained in the Report.

Mr Trueman is independent of Broken Hill Prospecting Limited and Heritage Gold NZ Limited and is a member of the Australasian Institute of Mining and Metallurgy. Mr Trueman 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".

Heritage Gold NZ Limited

Consolidated Statement of Comprehensive Income

For six months ended 30 September 2010

	6 Months 30-Sep-10	6 Months 30-Sep-09
Continuing Operations	\$	\$
Interest received	41,178	7,369
Other operating income	120	6,733
Administrative expenses	(297,278)	(379,425)
Loss from operations	(255,980)	(365,323)
Share of results of associates using equity method	14,439	59,342
Loss before tax	(241,541)	(305,981)
Income tax expense		
Comprehensive Income/(Loss) for the period	(241,541)	(305,981)
Attributable to:		
Owners of the parent	(241,541)	(305,981)
Earnings per share		
Basis earnings/(loss) per share	(0.07) cents	(0.11) cents
Diluted earnings/(loss) per share	(0.07) cents	(0.11) cents

Heritage Gold NZ Limited

Consolidated Statement of Changes in Equity

For six months ended 30 September 2010

	6 months 30-Sep-10	6 months 30-Sep-09
	\$	\$
Net loss	(241,541)	(305,981)
Transactions with owners	(241,541)	(305,981)
Equity at beginning of period	10,938,904	9,630,782
Equity at end of period	10,697,363	9,324,801

Heritage Gold NZ Limited
Consolidated Statement of Financial Position
As at 30 September 2010

	30-Sep-10 \$	31-Mar-10 \$	30-Sep-09 \$
Equity			
Attributable to parent company shareholders	10,697,363	10,938,904	9,324,801
Current liabilities			
Payables	146,631	109,987	91,523
Employee entitlements	5,348	22,708	21,037
Total current liabilities	151,979	132,695	112,560
Total equity and liabilities	10,849,342	11,071,599	9,437,361
Current assets			
Cash	1,506,563	2,053,730	404,579
Receivables and prepayments	24,240	21,308	23,610
Advances to related parties	107,861	107,841	296,435
Total current assets	1,638,664	2,182,879	724,624
Non-current assets			
Property, plant & equipment	14,935	18,500	23,980
Intangible assets	7,897,710	7,710,238	7,704,110
Investments	38,906	39,517	41,560
Investment in subsidiary	-	-	-
Investment in associate using equity method	1,259,127	1,120,465	943,087
Total non current assets	9,210,678	8,888,720	8,712,737
Total assets	10,849,342	11,071,599	9,437,361
Net Tangible Assets per Security	0.8 cent	0.7 cent	0.6 cent

For and on behalf of the Board:



P R Atkinson
Dated: 8 December 2010



J M McKee
Dated: 8 December 2010

Heritage Gold NZ Limited
Consolidated Cash Flow Statement
For six months ended 30 September 2010

	6 months 30-Sep-10 \$	6 months 30-Sep-09 \$
Cash flows from operating activities		
Cash inflows	16,256	8,389
Cash outflows	(240,087)	(222,821)
Net cash outflows from operating activities	(223,831)	(214,432)
Cash flows from investing activities		
Cash inflows	-	1,189
Cash outflows	(323,402)	(188,238)
Net cash outflows from investing activities	(323,402)	(187,049)
Cash flows from financing activities		
Cash inflows	-	-
Cash outflows	-	-
Net cash inflows from financing activities	-	-
Net increase /(decrease) in cash held	(547,233)	(401,481)
Exchange gain/(loss)	66	(1,054)
Cash at start of period	2,053,730	807,114
Cash at end of period	1,506,563	404,579
Cash Comprises:		
Cash	1,292	290,872
Short term deposits	1,505,271	113,707
	1,506,563	404,579

Notes to the interim financial statements

Basis of preparation

These interim financial statements have been prepared in accordance with IAS-34, Interim Financial Reporting and should be read in conjunction with the accounting policies set out in the annual financial statements for the year ended 31 March 2010. The consolidated half year accounts have been audited and the audit report is not qualified. A copy of the audit report can be obtained from the registered office of the Company.

Changes in accounting policies

There have been no changes in accounting policies during the period. The accounting policies and method of computation applied during the previous year were applied on a consistent basis during the current period.

Significant transactions and events

Prospecting costs & mining tenements	6 months 30-Sep-10 \$	Year ended 31 Mar 10 \$	6 months 30-Sep-09 \$
Opening balance	7,710,238	7,652,632	7,652,632
Development expenditure	213,088	348,116	192,410
Less prospects written off during the period	(25,616)	(290,510)	(140,932)
Carrying amount	7,897,710	7,710,238	7,704,110

Commitments

Capital commitments at the end of the period were \$nil.

Contingent liabilities

Contingent liabilities at the end of the period were \$nil.

Seasonality of operations

The results are unaffected to any significant extent by seasonality factors.

Significant transactions

In August 2010, the Company increased its shareholding in Broken Hill Prospecting Limited, an associate, by subscribing for an additional 1 million shares at a cost of \$124,223. Following the issue, Heritage's shareholding decreased from 33% to 29.78%.

Debt and equity securities

No securities have been issued or repaid during this financial period.

Going Concern

The financial report has been prepared on a going concern basis. The directors are engaged in negotiations with potential joint venture partners in respect of the Talisman mine project. The validity of the going concern basis is dependent on the success of this initiative.

Reconciliation of net deficit and operating cash flow

	6 months Sep 2010 \$	6 months Sep 2009 \$
Net deficit after taxation	(241,541)	(365,323)
Add non-cash items:		
Depreciation	1,444	1,601
Unrealised revaluation (gain)/loss	Nil	(6,369)
Exchange gain/(loss)	(66)	(122)
Write off capital expenditure	Nil	140,932
	1,378	136,042
Add (less) movement in working capital:		
Decrease (increase) in debtors	(2,952)	(244)
Increase (decrease) in creditors	19,284	12,035
Decrease (increase) in accrued income	Nil	(1,020)
Decrease (increase) in GST	Nil	4,078
	16,332	14,849
Net cashflows from operating activities	(223,831)	(214,432)

Company Directory

Directors

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

Company Secretary

Mrs Sue Sangster

Registered (Head) Office

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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

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Australia:

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Securities Listed

New Zealand Stock Exchange
Code: Shares HGD
Australian Securities Exchange
Code: Shares HTM

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Heritage Gold NZ Limited

Report on the Financial Statements

We have audited the financial statements of Heritage Gold NZ limited and its subsidiaries on pages 4 to 7 which comprise the statement of financial position as at 30 September 2010, the income statement, statement of changes in equity, cash flow statement and notes to the interim financial statements for the period then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors we have no relationship with or interests in Heritage Gold NZ Limited or any of its subsidiaries.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Heritage Gold NZ Limited (continued)

Opinion

In our opinion, the financial statements on pages 4 to 7

- comply with generally accepted accounting practice in New Zealand,
- comply with International Financial Reporting Standards,
- give a true and fair view of the financial position of Heritage Gold NZ Limited and the group as at 30 September 2010 and its financial performance and its cash flows for the period ended on that date.

Emphasis of matter.

Going concern

We draw attention to page 7 of the notes to the financial statements which describe the uncertainty of the outcome of negotiations with potential joint venture partners to develop the Talisman mine project.

The financial report has been prepared on a going concern basis, the validity of which depends on the success of those negotiations. The financial statements do not include any adjustments that may be necessary if the negotiations were not successful.

Report on Other Legal and Regulatory Requirements.

We have obtained all the information and explanations that we have required.

In our opinion proper accounting records have been kept by Heritage Gold NZ Limited as far as appears from an examination of those records.



Carlton DFK
Chartered accountants
Auckland

8 December 2010

Director's Statement

The directors of the company declare that:

1. The financial statements and notes, as set out in the Half Yearly Report to 30 September 2010:
 - (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 30 September 2010 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 Robert Atkinson
Executive Director
Heritage Gold NZ Limited

8 December 2010