

HALF YEARLY REPORT
to 30 September 2011



Unlocking world class mining opportunities

DIRECTORS' REPORT

The Directors are pleased to present to shareholders the half yearly report for the six months ended 30 September 2011.

Development of New Zealand's resources is supported by the efforts of the government to seek opportunities to benefit from the mineral endowment of the country.

Highlights

- Bonanza gold grades discovered in surface rock samples at Taukani Hill (Karangahake, NZ)
- Scoping study of Karangahake project being updated
- New geophysical survey indicates higher grade gold feeder veins at depth at Rahu
- Drilling at Thackaringa, NSW, by 21.7%-owned Broken Hill Prospecting expands cobalt resource by 55% to 16.4 million tonnes at 1.83 lb/tonne cobalt
- Application made for exploration permit to cover a copper prospect near Whangarei, NZ
- Interest registered with the Papua New Guinea Government for an epithermal gold prospect in the eastern Highlands.
- Experienced exploration geologist and mine developer Dr Ian Pringle appointed to the company's board.

Gold Projects

(Waihi, New Zealand)

Karangahake Gold Project (100%)

1) Talisman Mine

The company advanced its joint venture discussions with a number of parties and arranged field visits, meetings with government agencies and access to further digital data to assist the due diligence process. These discussions were ongoing at the end of the period.

At the same time Heritage kept other options open, including developing the mine itself or with a contractor under a mining alliance agreement.

The company is seeking a mining engineer to manage the Karangahake project as a Heritage development or in a joint venture with another group.

The previous scoping study is being reviewed and updated by Australian mining consultants and their report is now expected before Christmas.

Further discussions were held with the relevant government agencies about the development of the mining permit.

A highlight of work north of the mine, at Taukani Hill, was the discovery of bonanza gold grades in surface rock samples.

The sampling was directed at quartz veins likely to be extensions of those found in the Talisman mine – the Maria, Woodstock, Welcome and Mystery.

Gold values ranged from a trace to 345 grams per tonne (g/t). Repeat assays of the highest grade samples showed variability typical of the "nugget" effect in bonanza zones in the district.

Further rock sampling and detailed mapping are planned to enable correlation of the Taukani Hill veins with those in the mine, and assist expansion of the resource potential.

2) Rahu

The Talisman vein system is interpreted to extend northwards into the Rahu exploration permit for about 2 kilometres.

Earlier work led to development of a geological model that suggested higher gold grades are likely to be encountered at depth, below previous drilling that was limited to a vertical depth of about 100 metres. The shallow drilling intersected broad intervals of generally low-medium grade gold/silver mineralisation in silicified breccias.

A Controlled Source Audio Magneto Telluric (CSAMT) geophysical survey achieved a penetration depth of around 300 metres where the narrowing of the surface disseminated mineralisation into what appear to be more confined higher grade mineralised feeder zones was indicated.

Expert advice on the origin of the breccias encountered in shallow drilling has strengthened the geological model and provided further direction for follow-up deeper drilling.

Rahu has excellent medium term potential to supplement resources for the Talisman mine.

Golden Valley Project (100%)

The 25 square kilometre exploration permit extends along the eastern boundary of Newmont's mines at Waihi.

Heritage has undertaken airborne and ground magnetometer surveys, mapping, soil geochemical surveys and seismic surveys which identified several anomalies. Fill-in sampling is planned to aid selection of drill holes to test the main anomalies.

Copper Project (Northland, New Zealand)

Northland Project (100%)

Northland Minerals Ltd, a wholly owned subsidiary of Heritage, applied for an exploration permit for 1188 hectares over a copper prospect about 30 kilometres west of Whangarei.

The prospect was mined on a small scale for fertiliser many years ago and has had little exploration in the past 30 years. It is prospective for base metals and gold.

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

Thackaringa

Heritage holds a strategic 21.7% interest in Broken Hill Prospecting Ltd (BHPL) which is listed on the Australian and New Zealand stock exchanges (Code: BPL).

Drilling of deeper holes by BHPL during the reporting period extended the Pyrite Hill cobalt-bearing zone at least 300 metres down dip and it remains open at depth.

After the end of the reporting period, BHPL advised that the Pyrite Hill deposit's size was increased by 55% to an inferred resource of 16.4 million tonnes at 1.83 lb/tonne cobalt.

Geological potential has been defined for 14–24 million tonnes of cobalt mineralisation of similar grade at Pyrite Hill.

The combined inferred resource at Pyrite Hill and nearby Big Hill is now 20.8 million tonnes at 1.87 lb/tonne cobalt.

BHPL also holds the surrounding exploration licence where it has found a number of attractive Broken Hill-style base metal prospects.

Further details at www.bhpl.biz

Other Prospects

Heritage is looking in the south-west Pacific for possible large-scale high-grade epithermal gold targets.

The company has indicated its interest in a gold prospect in the eastern Highlands of Papua New Guinea to the Minister for Mining.



Independent Director

Dr Ian Pringle was appointed to the Heritage Board on 2 August 2011.

Following a long career in exploration and mine development in Australia, south-east Asia and the south-west Pacific, he brings additional expertise to the Board of Heritage.

Ian is also Managing Director of Broken Hill Prospecting Ltd.

Peter Atkinson
Executive Director
8 December 2011

Competent Person Statement

The information in this report that relates to gold exploration results is based on information compiled by or supervised by Mr Peter Atkinson. Mr Atkinson is a consulting geologist who is a Fellow of the AusIMM. Mr Atkinson 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 Atkinson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.



Heritage Gold NZ Limited

Consolidated Statement of Financial Position As at 30 September 2011

	Note	30-Sep-11 \$	31-Mar-11 \$	30-Sep-10 \$
Equity				
Attributable to parent company shareholders	5	9,756,468	10,087,613	10,697,363
Current liabilities				
Payables		86,922	98,796	146,631
Employee entitlements		2,578	5,284	5,348
Total current liabilities		89,500	104,080	151,979
Total equity and liabilities		9,845,968	10,191,693	10,849,342
Current assets				
Cash		778,446	1,244,128	1,506,563
Receivables and prepayments		66,932	24,944	24,240
Advances to related parties		-	-	107,861
Total current assets		845,378	1,269,072	1,638,664
Non-current assets				
Property, plant & equipment		9,882	11,216	14,935
Intangible assets	6	7,894,126	7,701,089	7,897,710
Investments		33,905	45,205	38,906
Investment in associate using equity method	4	1,062,677	1,165,111	1,259,127
Total non-current assets		9,000,590	8,922,621	9,210,678
Total assets		9,845,968	10,191,693	10,849,342
Net Tangible Assets per Security		0.6 cent	0.7 cent	0.8 cent

For and on behalf of the Board:



P R Atkinson
Dated: 8 December 2011



J M McKee
Dated: 8 December 2011

The accompanying notes form part of these financial statements

Heritage Gold NZ Limited

Consolidated Statement of Comprehensive Income For six months ended 30 September 2011

	Note	6 Months 30-Sep-11	6 Months 30-Sep-10
Continuing Operations		\$	\$
Interest received		19,281	41,178
Other operating income		-	120
Administrative expenses		(247,992)	(297,278)
Loss from operations		(228,711)	(255,980)
Share of results of associates using equity method		(102,434)	14,439
Loss before tax		(331,145)	(241,541)
Income tax expense			
Comprehensive Income/(Loss) for the period		(331,145)	(241,541)
Attributable to:			
Owners of the parent		(331,145)	(241,541)
Earnings per share			
Basis earnings/(loss) per share		(0.10) cents	(0.07) cents
Diluted earnings/(loss) per share		(0.10) cents	(0.07) cents

Heritage Gold NZ Limited

Consolidated Statement of Changes in Equity For six months ended 30 September 2011

	Note	6 months 30-Sep-11	6 months 30-Sep-10
		\$	\$
Net loss		(331,145)	(241,541)
Transactions with owners		(331,145)	(241,541)
Equity at beginning of period		10,087,613	10,938,904
Equity at end of period		9,756,468	10,697,363

The accompanying notes form part of these financial statements

Heritage Gold NZ Limited
Consolidated Cash Flow Statement
For six months ended 30 September 2011

	Note	6 months 30-Sep-11 \$	6 months 30-Sep-10 \$
Cash flows from operating activities			
Cash inflows		19,146	16,256
Cash outflows		(291,998)	(240,087)
Net cash outflows from operating activities	10	(272,852)	(223,831)
Cash flows from investing activities			
Cash inflows		6,390	-
Cash outflows		(197,998)	(323,402)
Net cash outflows from investing activities		(191,608)	(323,402)
Cash flows from financing activities			
Cash inflows		-	-
Cash outflows		-	-
Net cash inflows from financing activities		-	-
Net increase /(decrease) in cash held		(464,460)	(547,233)
Exchange gain/(loss)		(1,222)	66
Cash at start of period		1,244,128	2,053,730
Cash at end of period		778,446	1,506,563
CASH COMPRISES:			
Cash		13,271	1,292
Short term deposits		765,175	1,505,271
		778,446	1,506,563

The accompanying notes form part of these financial statements

Notes to the interim financial statements

1. 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 2011. 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.

2. 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.

3. Seasonality of operations

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

6. Significant transactions and events

Prospecting costs & mining tenements	6 months 30-Sep-11 \$	Year ended 31 Mar 11 \$	6 months 30-Sep-10 \$
Opening balance	7,701,089	7,710,238	7,710,238
Development expenditure	193,037	376,330	213,088
Less prospects written off during the period	-	(385,479)	(25,616)
Carrying amount	7,894,126	7,701,089	7,897,710

7. Commitments

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

8. Contingent liabilities

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

4. Associate company

The Company holds 17,929,000 shares (21.7%) in Broken Hill Prospecting Limited, an associate. In accordance with NZ IAS 28, the Company has recorded the carrying value of the investments at original cost in the parent company (\$1.503M) and on an equity accounting basis in the group (\$1.062M). Market value of the shares at balance date is \$1.934M. The Company also holds 8,464,500 options in Broken Hill Prospecting Limited. These are exercisable at A\$0.20 any time up to 17 February 2016 and restricted for 24 months until 17 February 2013.

5. Debt and equity securities

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

9. Going concern

The financial report has been prepared on a going concern basis. The directors are looking at a number of fund raising initiatives and are engaged in negotiations with potential investors in respect of the Talisman mine project. The validity of the going concern basis is dependent on the success of these initiatives.

10. Reconciliation of net deficit and operating cash flow

	6 months Sep 2011 \$	6 months Sep 2010 \$
Net deficit after taxation	(228,711)	(241,541)
Add non-cash items:		
Depreciation	450	1,444
Unrealised revaluation (gain)/loss	11,300	Nil
Exchange (gain)/loss	974	(66)
Write off capital expenditure	Nil	Nil
	12,724	1,378
Add (less) movement in working capital:		
Decrease (increase) in debtors	(41,989)	(2,952)
Increase (decrease) in creditors	(14,442)	19,284
Decrease (increase) in accrued income	(134)	Nil
Decrease (increase) in GST	(300)	Nil
	(56,865)	16,332
Net cashflows from operating activities	(272,852)	(223,831)

Company Directory

Directors

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

Company Secretary

Mrs Sue Sangster

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Bankers

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Solicitors

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

Securities Listed

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

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Managing your shareholding online:

To change your address, update your payment instructions and view your investment portfolio including transactions please visit

www.computershare.co.nz/investorcentre

General enquiries can be directed to:

enquiry@computershare.co.nz

Please assist our registrar by quoting your CSN or shareholder number



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HERITAGE GOLD NZ LIMITED

Report on the consolidated financial report

We have audited the consolidated interim financial report of Heritage Gold NZ Limited and its subsidiaries, on pages 4 to 7, which comprise the condensed consolidated statement of financial position as at 30 September 2011, the condensed consolidated income statement, condensed statement of changes in equity and condensed cash flow statement for the period then ended, and selected explanatory information

Directors' responsibilities for the consolidated financial statements

The directors are responsible for the preparation of a consolidated financial report in accordance with generally accepted accounting practice in New Zealand and which gives 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on the consolidated financial report 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 consolidated financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial report that gives 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 consolidated financial report.

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 consolidated interim financial report on pages 4 to 7:

- complies with generally accepted accounting practice in New Zealand;
- complies with International Financial Reporting Standards; and
- gives a true and fair view of the financial position of Heritage Gold NZ Limited group as at 30 September 2011 and the financial performance and cash flows of the group for the period ended on that date.

Emphasis of matter

Going concern

We draw attention to note 9 in the interim consolidated financial statements which describes uncertainty in relation to future funding. The directors are looking at a number of fund raising initiatives and are engaged in negotiations with potential investors in respect of the Talisman mine project. The financial report has been prepared on a going concern basis, the validity of which depends on the success of these initiatives. The financial statements do not include any adjustments that may be necessary if the initiatives 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 the Heritage Gold NZ Limited as far as appears from our examination of those records.


CARLTON – DFK
Chartered Accountants
AUCKLAND

8 December 2011

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 2011:
 - (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 2011 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

8 December 2011