

**HIDEFIELD GOLD PLC  
(PREVIOUSLY HIDEFIELD PLC)**

Company No. 3993112

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30TH SEPTEMBER 2004**

# Hidefield Gold plc

## **Directors**

K.P. Judge  
J.F. Prochnau  
K.W. Bone  
The Hon. F.P.H. Johnstone  
R.N. Ashley

## **Secretary**

J.M. Bottomley

## **Registered Office**

30 Farringdon Street  
London  
EC4A 4HJ

## **Auditors**

Kingston Smith  
Chartered Accountants  
Devonshire House  
60 Goswell Road  
London EC1M 7AD

## **Solicitors**

Field Fisher Waterhouse  
35 Vine Street  
London  
EC3N 2AA

## **Bankers**

Barclays Bank Plc  
7th Floor  
United Kingdom House  
180 Oxford Street  
London  
W1D 1EA

## **Nominated Advisers and Joint Brokers**

Westhouse Securities LLP  
Clements House  
14-18 Gresham Street  
London  
EC2V 7NN

## **Joint Brokers**

Durlacher Corporation Plc  
Moorgate Hall  
155 Moorgate  
London  
EC2M 6XB

# Hidefield Gold plc

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# Hidefield Gold plc

## Chairman's Statement

The year to 30 September 2004 saw the Company change its name to Hidefield Gold plc and with it, the commencement of significant exploration on the Cata Preta gold project in Minas Gerais, Brazil which is held in joint venture with Brazilian Diamonds Ltd, one of the company's largest shareholders. In addition, the Company commenced a number of corporate actions intended to either release or demonstrate the value of the exploration assets held in Canada and the USA.

The results for this heightened level of activity show a loss on ordinary activities of £1,209,048. This represents a significant increase over the same period last year, reflecting the accelerated level of exploration activity at "Cata Preta" and the Board's generally conservative approach to the expensing, capitalisation and valuation of exploration assets and costs.

### South America

Following drilling confirmation of the strike extension of the mineralisation of the Carvoeira gold deposit at Cata Preta, recent exploration has focused on the systematic drilling required for deposit expansion and a revised resource estimate. The drilling programme, together with engineering and metallurgical investigations have formed the basis for an economic scoping study at Cata Preta with completion of the study expected during the second quarter of 2005.

The Company has also actively pursued a programme to consolidate a second property position in the Sumidouro Dome area just east of Mariana and the historic Passagem gold mine which is reported to have produced more than two million ounces of gold and is approximately 20km south of the "Cata Preta" project.

The Sumidouro Dome project includes exploration licences acquired outright or gold rights leased from BHP Billiton, totalling 2,680 hectares. The licences cover numerous historic gold occurrences, on which no modern exploration has been conducted. Our initial prospecting on the licences has identified over thirty historic gold pits and underground mine workings on which the Company recently commenced a programme to drill and evaluate a number of the recently identified targets.

The activities at Cata Preta and Sumidouro Dome are being undertaken under the terms of the Brazilian Diamonds joint venture in which Hidefield had, at the date of this report, earned a 50% interest following completion of the recent work programme at Cata Preta.

Since the balance sheet date and following lengthy negotiations, the Company has now concluded an agreement to form an exploration joint venture and provide Hidefield with rights to acquire a 50% interest in up to sixteen mineral exploration licences in the highly prospective Patagonia region of Argentina. The Company is optimistic that with a combination of this initial licence portfolio and our partners' important local connections, we should be well placed to economically acquire properties of considerable exploration merit.

### North America

The Company has been very active in pursuing a number of important corporate initiatives in Canada designed to release or demonstrate the substantial value in Hidefield's project inventory which has included properties in Canada and the USA.

This initiative has already resulted in the conclusion of an agreement with Alto Ventures Limited (TSX : ATV), under which the Company has sold its 100% interests in the Greenoaks and Dog Lake gold projects, Ontario, and its 50% interest in the Oxford Lake gold project, Manitoba in exchange for Alto shares. This transaction was not formally approved by the TSX until after the balance sheet date and, in accordance with our accounting policies, is not reflected in these accounts. However, the transaction has now increased the Company's shareholding in Alto, which stood at approximately 18% following the earlier sale of the Company's Coldstream project, to approximately 36% following several placements which raised approximately C\$2.8 million to fund Alto's exploration activities. These transactions have both increased the value of the Company's shareholding in Alto and provided our shareholders with a separately funded exposure to an aggressive exploration programme designed to materially upgrade the gold resources originally identified on Alto's "Despinassy" project.

## Hidefield Gold plc Chairman's Statement

Hidefield's gold and silver projects in the United States have also been sold to the unlisted Purple Vein Resources Limited (now Columbus Gold Corporation) resulting in the Company owning an approximate 35% shareholding in Columbus Gold, a reserved 1.5% net smelter royalty and various reversionary rights. Columbus Gold is in discussion with various investment banks and stockbrokers as it considers various financing alternatives, including the possibility of a listing by way of an IPO on the Toronto Venture Exchange in the second quarter of 2005. This transaction and investment has been designed to fund Columbus Gold's exploration activities on Hidefield's former properties and provide the investment community with a reference valuation for the Can\$2-4m fund raising by Columbus Gold.

Since the end of the 2004 financial year, the Company has signed and announced the acquisition of a 22% investment in Piper Capital which is listed on the TSX Venture Exchange and is engaged in the exploration of the "Golden Zone" project gold in Alaska. Under the terms of the Piper Capital agreement, Piper has granted Hidefield the right to acquire up to a 50% interest in the "Golden Zone" project through a combination of exploration expenditures and share issues totalling US\$1.5 million over the next three years. Following several recent financings, Piper Capital is now financed to permit commencement of an aggressive drilling programme in May 2005, designed to confirm and add to existing mineral resources identified on the property.

### **Financial Resources**

All of these activities have only been made possible with the continuing and strong support of our shareholders which was reaffirmed in June 2004 when the Company completed a private placement to London based investors which raised an additional £2.1 million in new funding. Subsequent to the year end, Hidefield further added to its financial resources with the sale of a minority interest in two coal licences in British Columbia, Canada, thereby ensuring that it entered the new financial year well prepared to take advantage of resource acquisition and exploration farm in opportunities, as and when they are identified.

It remains the Directors' objective to create value for our shareholders through the acquisition of undervalued mineral resources leading to the possible development of new projects either alone or in joint venture with other companies sharing the same vision. We are encouraged by the improved industry and investment climate and look forward to successfully executing our exciting plans for the year ahead.

Kenneth P. Judge  
Chairman  
31 March 2005

# Hidefield Gold plc

## Report of the Directors

The directors have pleasure in presenting their report and financial statements for the year ended 30th September 2004.

### Principal Activities

The group carried on activities of identification, acquisition and exploration of gold and other mineral resources during the year.

### Business review

During the year under review, the Board continued to pursue opportunities to acquire further major gold projects in addition to the joint venture agreement in the Cata Preta gold project in Minas Gerais, Brazil. The Group held a 20% stake in this project at the year end which has increased to 50% after the year end.

Other opportunities that have arisen during the year include the Group's developing relationship with Alto Ventures Limited, a gold exploration company listed on the Toronto Venture Exchange. This resulted in the Company increasing their stake to 20.9% by the year end, which has subsequently increased to 35.8%.

During the year, the Group also acquired a 34.9% stake in Columbus Gold Corporation (Previously Purple Vein Resources Limited), a Company registered in British Columbia, Canada.

In addition, efforts have continued to increase and realise value from existing non-core projects.

For the foreseeable future, the Board intends to continue with the development of its gold projects in North and South America as well as reviewing further opportunities both to increase and develop its other assets. The Directors will make a decision whether to continue with the exploration work in the Cata Preta Tenements in the near future.

### Results and Dividend

The results of the group for the year are shown on page 7. The directors do not recommend the payment of a dividend.

### Share Capital

The issued share capital of the company was increased during the year by £480,088 by way of issue of 48,008,773 ordinary shares of 1p each; this total was split between 18,000,000 at a premium of 4p, 29,571,426 at a premium of 6p and 437,347 at a premium of 5.125p.

### Payment Policy to Suppliers

As no significant trading activities were carried out during the year a payment policy to trade creditors has yet to be formulated.

### Directors and their Interests

The directors who served the company during the year together with their interests (including family interests) in the shares of the company were as follows:

	Ordinary Shares of 1p each	
	At 30th September 2004	At 30th September 2003
J.F. Prochnau	5,000,000	5,000,000
K.W. Bone	25,000	25,000
K. P. Judge (appointed 09/10/2003)	867,347	-
R.N. Ashley (appointed 01/01/2004)	235,000	-
The Hon. F.P.H. Johnstone (appointed 01/01/2004)	535,000	-
C.N. Middleton (resigned 14/01/04)		
H.N. de la Poer Beresford (resigned 31/12/03)		

The Directors had share options in place at the year end as follows:

Option holder	Number of options	Option price	Final exercise date
J.F. Prochnau	1,000,000	6.5 pence	06/08/2014
K.W. Bone	500,000	6.5 pence	06/08/2014
K. P. Judge	1,500,000	6.5 pence	06/08/2014
R.N. Ashley	250,000	6.5 pence	06/08/2014
The Hon F.P.H. Johnstone	250,000	6.5 pence	06/08/2014

# Hidefield Gold plc

## Report of the Directors

### Substantial Shareholdings

At 30th September 2004, the following held in excess of 3% of the ordinary share capital of the company:

BSG Investment Inc	17.4%
Willbro Nominees Limited	10.7%
The Bank of New York (Nominees) Limited	7.0%
HSBC Global Custody Nominees (UK) Limited	5.6%
Web Sharesop Limited	5.3%
Morstan Nominees Limited	4.8%
Chase Nominees Limited	4.7%
T Hoare Nominees Limited	4.7%
Pershing Keen Nominees Limited	4.4%
Capita Trust Company Limited	3.3%
J.F. Prochnau	3.3%

### Material post balance sheet events

The Group acquired a further 10,700,000 shares in Alto Ventures Limited on 30 December 2004. The terms of this transaction were agreed during the year under review, however the transaction was not finalised by the Toronto stock exchange until 30 December 2004, thus creating no obligation to the Group at the year end. This acquisition increased the Group's stake in Alto Ventures Limited to 35.8%.

Other significant post balance sheet events are shown in note 17 to the accounts.

### Auditors

Kingston Smith have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors to the company for the ensuing year.

**On Behalf of the Board**

.....  
**K.W. Bone**  
Director

30 Farringdon Street  
London EC4A 4HJ

31 March 2005

# **Hidefield Gold plc**

## **Directors' Responsibilities and Report of the Auditors**

### **Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Independent Auditors' Report to the Shareholders of Hidefield Gold plc**

We have audited the financial statements of Hidefield Gold plc for the year ended 30th September 2004 which comprise the Consolidated Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheets, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of mining rights and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective Responsibilities of Directors and Auditors**

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of Audit Opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Hidefield Gold plc

## Report of the Auditors (Continued)

### **Going Concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the directors' confidence in their ability to raise further capital. In view of the significance of the fact that the preparation of the financial statements on the going concern basis assumes a successful outcome to such efforts, we consider that this disclosure should be brought to your attention. Our opinion is not qualified in this respect.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's and group's affairs as at 30th September 2004 and of the group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Devonshire House  
60 Goswell Road  
London EC1M 7AD

**Kingston Smith**  
Chartered Accountants  
and Registered Auditors

Date: 31 March 2005

**Hidefield Gold plc**  
**Consolidated Profit and Loss Account**  
**For the year ended 30th September 2004**

	Note	2004 £	2003 £
Administrative expenses - continuing activities		(1,184,552)	(236,244)
Other operating income		<u>4,863</u>	<u>3,363</u>
<b>Operating loss</b>	2	(1,179,689)	(232,881)
Share of operating loss in Associates		(61,227)	-
Loss on sale of investments		-	(23,751)
Other interest receivable and similar income			
Group		31,868	-
Associates		<u>-</u>	<u>-</u>
<b>Loss on ordinary activities before taxation</b>		(1,209,048)	(256,632)
Taxation	4	<u>(38,683)</u>	<u>-</u>
<b>Retained loss for the year</b>		<u><u>(1,247,731)</u></u>	<u><u>(256,632)</u></u>
Loss per share	12	(1.0p)	(0.5p)
Diluted loss per share	12	(0.9p)	(0.5p)

**Consolidated Statement of Total Recognised Gains and Losses**  
**For the year ended 30th September 2004**

	2004 £	2003 £
Loss for the financial year	(1,247,731)	(256,632)
Currency translation differences on foreign currency net investments	<u>(147,836)</u>	<u>(108,658)</u>
Total recognised gains and losses relating to the year	<u><u>(1,395,566)</u></u>	<u><u>(365,290)</u></u>

**Hidefield Gold plc**  
**Consolidated Balance Sheet at 30th September 2004**

	Note	2004 £	2004 £	2003 £	2003 £
<b>Fixed Assets</b>					
Negative goodwill	6		(149,513)		(317,936)
Other intangible assets	6		799,215		1,957,028
Tangible assets	7		-		2,736
Investments	8		<u>1,940,297</u>		<u>1,453,069</u>
			2,589,999		3,094,897
<b>Current Assets</b>					
Debtors	9	49,875		11,168	
Cash at bank		<u>2,711,811</u>		<u>786,411</u>	
		2,761,686		797,579	
<b>Creditors - amounts falling due within one year</b>	10		<u>(77,338)</u>		<u>(93,449)</u>
<b>Net Current Assets</b>			<u>2,684,348</u>		<u>704,130</u>
<b>Net Assets</b>			<u><u>5,274,347</u></u>		<u><u>3,799,027</u></u>
<b>Capital and Reserves</b>					
Called up share capital	11		1,520,088		1,040,000
Share premium account	13		7,162,337		4,771,538
Revaluation reserve	13		62,317		62,317
Profit and loss account	13		<u>(3,470,395)</u>		<u>(2,074,828)</u>
<b>Shareholders' Funds</b>			<u><u>5,274,347</u></u>		<u><u>3,799,027</u></u>

Approved by the board of directors on 31 March 2005.

.....  
**K.W. Bone**  
 Director

**Hidefield Gold plc**  
**Company Balance Sheet at 30th September 2004**

	Note	2004 £	2004 £	2003 £	2003 £
<b>Fixed Assets</b>					
Tangible assets	7		-		2,736
Investments	8		<u>2,778,890</u>		<u>3,423,038</u>
			2,778,890		3,425,774
<b>Current Assets</b>					
Debtors	9	294,198		79,334	
Cash at bank		<u>2,711,810</u>		<u>786,411</u>	
		3,006,008		865,745	
<b>Creditors - amounts falling due within one year</b>	10	<u>(30,187)</u>		<u>(94,111)</u>	
<b>Net Current Assets</b>			<u>2,975,821</u>		<u>771,634</u>
<b>Net Assets</b>			<u>5,754,711</u>		<u>4,197,408</u>
<b>Capital and Reserves</b>					
Called up share capital	11		1,520,088		1,040,000
Share Premium account	13		7,162,337		4,771,538
Profit and loss account	13		<u>(2,927,713)</u>		<u>(1,614,130)</u>
<b>Shareholders' Funds</b>			<u>5,754,712</u>		<u>4,197,408</u>

Approved by the board of directors on 31 March 2005

.....  
**K.W. Bone**  
 Director

**Hidefield Gold plc**  
**Consolidated Cash Flow Statement**  
**For the year ended 30th September 2004**

	2004	2003
	£	£
<b>Net Cash Outflow from Operating Activities (Note 1)</b>	(722,275)	(156,232)
<b>Returns on investments and servicing of finance</b>		
Bank interest received	31,868	-
<b>Capital Expenditure and Financial Investment</b>		
Payments to acquire investments	(228,569)	(69,896)
Payments to acquire mining rights	-	(19,861)
Payments to acquire tangible fixed assets	(2,309)	-
Sale of mining rights	-	19,861
Sale of investments	-	-
	<u>(921,286)</u>	<u>(226,128)</u>
<b>Financing</b>		
Capital raising costs	(125,900)	-
Issue of ordinary share capital for cash	2,970,000	820,288
Cash received from Alto Ventures Limited	2,585	-
	<u>1,925,399</u>	<u>594,160</u>
<b>Increase in Cash (Note 2)</b>	<u>1,925,399</u>	<u>594,160</u>

**Notes to the Cash Flow Statement**

<b>1 Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Operating loss	(1,179,689)	(232,881)
(Decrease)/increase in creditors	(54,147)	78,407
Decrease in debtors	(38,707)	13,877
Depreciation and amortisation	(163,378)	(15,635)
Provision for impairment	686,858	-
Directors remuneration paid by issue of shares	4,287	-
Bonus issue of shares	22,500	-
	<u>(722,275)</u>	<u>(156,232)</u>
Net Cash Outflow from Operating Activities	<u>(722,275)</u>	<u>(156,232)</u>
<b>2 Reconciliation of Net Cash Flow to Movement in Net Funds</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Increase in cash during the year	1,925,399	594,160
Movement in net funds in the year	1,925,399	594,160
Net funds at start of year	786,411	192,251
	<u>2,711,810</u>	<u>786,411</u>
Net funds at end of the year	<u>2,711,810</u>	<u>786,411</u>

**Hidefield Gold plc**  
**Consolidated Cash Flow Statement**  
**For the year ended 30th September 2004**

3 Analysis of Changes in Net Funds	At 30.09.03	Cash Flows	Other Changes	At 30.09.04
	£	£	£	£
Cash at bank	<u>786,411</u>	<u>1,925,399</u>	<u>-</u>	<u>2,711,810</u>

**4 Major Non Cash Transactions**

The following major non-cash transactions took place during the year:

**a) Acquisition of 2,500,000 PVR shares**

On 31st December 2003, the Group acquired 2,500,000 shares in PVR in exchange for 5 mining properties at Utah Valley, Four Metals, Silver District, Chert Cliff and Dutch Flats. There was therefore no cash effect from this transaction. The value of the above mining rights at 30 September 2003 was £1,009,329.

**b) Issue of shares as consultancy bonus and directors remuneration**

Hamilton Capital Partners Limited were issued 367,347 shares in September 2004, which resulted in a £22,500 expense in the profit and loss account.

R.N. Ashley and F.P.H. Johnstone were each issued with 35,000 shares in September 2004 as remuneration for their services as directors, which resulted in a £4,288 expense in the profit and loss account.

# Hidefield Gold plc

## Notes to the Financial Statements

### For the year ended 30th September 2004

#### 1 Accounting Policies

The significant accounting policies of the group are shown below:

##### **Basis of Accounting**

The financial statements have been prepared under the historical cost convention as modified for the revaluation of mining rights and in accordance with applicable accounting standards.

##### **Basis of Consolidation**

The group accounts include the accounts of the company and its subsidiary undertakings. Foreign subsidiaries have been consolidated using the closing rate method in accordance with SSAP20 Foreign Currency Translation.

Results of associated undertakings have been consolidated using equity accounting, in accordance with FRS 9 Associates and joint ventures.

##### **Basis of Preparing the Financial Statements**

The accounts have been prepared on the going concern basis. The appropriateness of the going concern basis is dependent on the success of the Directors' ongoing investigation, evaluation and generation of revenue from mineral projects.

The company meets its day to day operating expenses from its existing liquid resources, in the absence of an ongoing income stream. The directors continue to explore ways of raising further capital and will instigate further cost saving measures as necessary. The directors have complete confidence in their ability to raise further capital on the strength of the company's mining potential and that these efforts will generate sufficient ongoing cash flow to meet the company's outgoings for the foreseeable future and, in any event, until the company is in a position to generate revenues from its mineral projects. On this basis the directors believe it is appropriate to prepare these financial statements on a going concern basis.

##### **Investments and Investment Income**

Fixed asset and current asset investments are included at cost less amounts written off. Amounts are written off when in the opinion of the directors there has been an impairment. Income from investments, other than from subsidiary undertakings, is included, net of related tax credits, in the profit and loss account in the accounting period in which it is received.

##### **Deferred Tax**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes in accordance with FRS 19 Deferred Taxation.

No provision has been made for deferred tax on gains recognised on revaluing mining rights to their market value as the company does not intend to sell the revalued assets.

##### **Foreign Currencies**

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year.

##### **Goodwill**

Negative goodwill arose on the Company restructuring in the year ended 30 September 2001. It represents the difference between the cost of the mining rights acquired in The Other Mining Company Inc. and the value of the shares issued in the parent as consideration.

Negative goodwill arising on acquisitions was previously released to the profit and loss account over 20 years.

This policy was reviewed during the year and adjusted to reflect the percentage of the mining rights remaining in the Group relative to the mining rights acquired on the Company restructuring which effectively generated the negative goodwill in 2001. Goodwill adjustments all pass through the profit and loss account.

##### **Mining Rights**

Exploitable mineral rights are stated at valuation as described in note 6. Mining rights are not depreciated until mining commences. However, the Directors evaluate the mining rights each year for indications of impairment and if this indicates a negative variation a provision for impairment is made. Otherwise a professional valuation is undertaken every three years.

**Hidefield Gold plc**  
**Notes to the Financial Statements**  
**For the year ended 30th September 2004 (Continued)**

**1 Accounting Policies (continued)**

**Depreciation**

Depreciation on fixed assets is provided at rates estimated to write off the cost, less estimated residual value of each asset over its expected useful life as follows:

Computer equipment	3 years
Office equipment	5 years

The Directors also estimate the value of the fixed assets at each year end and adjust the net book value through the depreciation charge as appropriate.

**2 Operating Loss**

	2004	2003
	£	£
Operating loss is stated after charging:		
Auditors' remuneration	10,000	8,500
Depreciation	5,045	2,796
Amortisation of negative goodwill	(168,423)	(18,431)
Net foreign exchange movements	(26,367)	-
Operating lease rentals - other assets	-	2,500
	<u>-</u>	<u>2,500</u>

**3 Staff and Directors**

The average number of employees during the period was 4 (2003 - 4). Due to the size of the company there is no formal classification of duties.

	2004	2003
	£	£
Their total remuneration was:		
Wages and salaries	17,500	4,000
Social security costs	705	257
	<u>18,205</u>	<u>4,257</u>
Directors' emoluments:		
Gross salaries	17,500	4,000
Fees	172,815	51,911
Compensation for loss of office	15,000	-
	<u>205,315</u>	<u>55,911</u>
Directors' emoluments disclosed above include the following payments made to the highest paid director:	<u>97,750</u>	<u>40,911</u>

**4 Taxation**

	2004	2003
	£	£
Foreign tax	<u>38,683</u>	<u>-</u>

There is no UK tax charge due to the loss in the year. The Company has management expenses of £1,152,920 carried forward at the balance sheet date which can be set off against future taxable profits.

**5 Loss for the Financial Year**

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the company is not presented as part of these financial statements. The group loss for the financial year of £1,247,731 (2003 - £256,632 loss) includes a loss of £1,302,190 (2003 - £223,847 loss) attributable to the company.

**Hidefield Gold plc**  
**Notes to the Financial Statements**  
**For the year ended 30th September 2004 (Continued)**

**6 Intangible Assets**

<b>Group</b>	<b>Negative Goodwill</b>	<b>Mining Rights</b>	<b>Total</b>
<b>Cost or Valuation</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1st October 2003	(368,621)	1,957,028	1,588,407
Additions	-	-	-
Disposals	-	(1,009,329)	(1,009,329)
Revaluation	-	-	-
Foreign exchange rate fluctuations	-	(148,484)	(148,484)
	<u>(368,621)</u>	<u>799,215</u>	<u>430,594</u>
<b>At 30th September 2004</b>	<b>(368,621)</b>	<b>799,215</b>	<b>430,594</b>
<b>Depreciation</b>			
At 1st October 2003	50,685	-	50,685
Amortisation	168,423	-	168,423
	<u>219,108</u>	<u>-</u>	<u>219,108</u>
<b>At 30th September 2004</b>	<b>219,108</b>	<b>-</b>	<b>219,108</b>
<b>Net Book Value</b>			
At 30th September 2004	<u>(149,513)</u>	<u>799,215</u>	<u>649,702</u>
At 30th September 2003	<u>(317,936)</u>	<u>1,957,028</u>	<u>1,639,092</u>

The mining rights held at the previous year end were revalued by Robert Weicker (P.Geo) of Kleinebar Resources Limited on 21st October 2002 on an individual property basis and the directors do not consider that there has been any material change since that date. The assets held at the year end were originally brought into the Group accounts at fair value of £947,593 (2003: £1,680,876).

**7 Tangible Assets**

<b>Group and Company</b>	<b>Computer Equipment</b>	<b>Office Equipment</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1st October 2003	6,530	3,206	9,736
Additions	2,309	-	2,309
	<u>8,839</u>	<u>3,206</u>	<u>12,045</u>
<b>At 30th September 2004</b>	<b>8,839</b>	<b>3,206</b>	<b>12,045</b>
<b>Depreciation</b>			
At 1st October 2003	5,400	1,600	7,000
Charge for the year	3,439	1,606	5,045
	<u>8,839</u>	<u>3,206</u>	<u>12,045</u>
<b>At 30th September 2004</b>	<b>8,839</b>	<b>3,206</b>	<b>12,045</b>
<b>Net Book Value</b>			
At 30th September 2004	<u>-</u>	<u>-</u>	<u>-</u>
At 1st October 2003	<u>1,130</u>	<u>1,606</u>	<u>2,736</u>

**Hidefield Gold plc**  
**Notes to the Financial Statements**  
**For the year ended 30th September 2004 (Continued)**

8 Investments	Group		Company	
	2004	2003	2004	2003
a)	£	£	£	£
Shares in group undertakings	-	-	2,010,000	2,010,000
Investments in joint ventures	700,000	-	700,000	-
Shares in associated undertakings (note 8b)	1,232,663	-	63,439	-
Shares in participating interests	-	-	-	-
Other Investments				
- Listed	2,183	58,174	-	18,143
- Unlisted	5,451	1,392,309	5,451	1,392,309
Other loans	-	2,586	-	2,586
	<u>1,940,297</u>	<u>1,453,069</u>	<u>2,778,890</u>	<u>3,423,038</u>

**b) Group's share of associates and joint ventures**

	Joint Venture	Associates		Total
	Cata Preta Holdings Limited	Columbus Gold Corporation	Alto Ventures Limited	
	£	£	£	£
Turnover	-	-	-	-
Loss before tax	-	61,227	-	61,227
Taxation	-	-	-	-
Loss after tax	-	61,227	-	61,227
Fixed Assets	700,000	71,830	37,786	109,616
Current Assets	-	56,160	48,364	104,524
Liabilities due within one year	-	(13,697)	(36,906)	(50,603)
Liabilities due after one year or more	-	-	-	-
Goodwill on acquisition	-	975,347	93,779	1,069,126
	<u>700,000</u>	<u>1,089,640</u>	<u>143,023</u>	<u>1,232,663</u>

**i) Cata Preta Holdings joint venture**

The investment in Cata Preta Holdings Limited of £700,000 relates to a joint venture with Brazilian Diamonds Limited, a company listed on the Toronto Stock Exchange as well as the London AIM market, concerning the Cata Preta Tenements, Minas Gerais, Brazil. Under the terms of the agreement, Hidefield Gold plc is able to acquire an interest of up to 80% in the Cata Preta properties by a combination of share issues and work requirements.

The initial 20% interest in the properties was earned by the issue of 20 million shares by Hidefield in the previous financial year, together with \$250,000 of exploration expenditure, which was satisfied during the year under review. The first option within the agreement enabled Hidefield to earn a further 30% interest by issuing ordinary shares to the value of \$500,000 (this was done in the previous financial year) and incurring an additional US\$500,000 exploration costs by 31st December 2004. As the exploration costs had not reached this level by 30 September 2004, Hidefield had not earned the further 30% interest and these accounts therefore reflect a 20% interest only. However, the expenditure requirements were met by 31 December 2004 and Hidefield's interest at that date was 50%.

The directors have considered the carrying value of the investment in Cata Preta and have made a provision for impairment to reduce the balance sheet value to £700,000.

**Hidefield Gold plc**  
**Notes to the Financial Statements**  
**For the year ended 30th September 2004 (Continued)**

**8 Investments (Continued)**

**ii) Columbus Gold Corporation associate**

Columbus Gold Corporation became an associate undertaking on 31st December 2003 when 2,500,000 shares were received in exchange for mining rights held by The Other Mining Company Inc with a book value at 30 September 2003 of £1,009,329. Since that date further shares have been acquired resulting in a holding at the year end of 34.9%.

**iii) Alto Ventures Limited associate**

Alto Ventures Limited, a company listed on the Toronto Venture Exchange, became an associate undertaking on 15 September 2004. For the purposes of consolidation Alto's results will be included in the group accounts from 1 October 2004.

**c) Details of Group Undertakings**

The following details relate to the company's subsidiary undertakings:

<b>Name</b>	<b>Place of Incorporation</b>	<b>Percentage of Shares Held</b>	<b>Class</b>	<b>Method of Accounting</b>	<b>Activity</b>
Rio Gold Limited	England and Wales	100%	Ordinary	Acquisition	Dormant
The Other Mining Company Inc. (a subsidiary of Rio Gold Ltd.)	USA	100%	Ordinary	Acquisition	Identification, acquisition and exploration of mineral resources
Hidefield International Gold Holdings Limited	British Virgin	100%	Ordinary	Acquisition	Investment holding

Hidefield International Gold Holdings Limited ("HIGH") was incorporated during the year to hold some of the Group's investments. Since its incorporation, shares have been transferred to HIGH from both Hidefield Gold plc and The Other Mining Company Inc.

**d) Details of associated undertakings and joint ventures**

<b>Name</b>	<b>Place of Incorporation</b>	<b>Percentage of Shares Held</b>	<b>Class</b>	<b>Method of Accounting</b>	<b>Activity</b>
Columbus Gold Corporation (Previously Purple Vein Resources Limited)	Province of British Columbia	34.9%	Common	Equity	Mining
Alto Ventures Limited	Province of British Columbia	20.9%	Common	Equity	Mining
Cata Preta Holdings Limited	British Virgin Islands	20.0%	Common	Equity	Investment holding

**Hidefield Gold plc**  
**Notes to the Financial Statements**  
**For the year ended 30th September 2004 (Continued)**

**8 Investments (Continued)**

**e) *Movements in group investments***

	Investments in joint ventures	Shares in associated undertakings	Other Investments		Other Loans	Total
	£	£	Listed £	Unlisted £	£	£
Cost at 1st October 2003	-	-	60,184	1,447,589	2,586	1,510,359
Reclassifications	1,386,858	55,991	(55,991)	(1,386,858)	-	-
Additions	-	1,237,899	-	-	-	1,237,899
Share of retained loss for the year	-	(61,227)	-	-	-	(61,227)
Cost at 30th September 2004	<u>1,386,858</u>	<u>1,232,663</u>	<u>4,193</u>	<u>60,731</u>	<u>2,586</u>	<u>2,687,031</u>
Amounts written off at 1st October 2003	-	-	2,010	55,280	-	57,290
Written off in the year	686,858	-	-	-	2,586	689,444
Amounts written off at 30th September 2004	<u>686,858</u>	<u>-</u>	<u>2,010</u>	<u>55,280</u>	<u>2,586</u>	<u>746,734</u>
Net book value at 30th September 2004	<u>700,000</u>	<u>1,232,663</u>	<u>2,183</u>	<u>5,451</u>	<u>-</u>	<u>1,940,297</u>
Net book value at 30th September 2003	<u>-</u>	<u>-</u>	<u>58,174</u>	<u>1,392,309</u>	<u>2,586</u>	<u>1,453,069</u>
Market value of listed investments (2003: £83,967)			<u>2,183</u>			

**f) *Movements in company investments***

	Subsidiary Undertakings	Investments in joint ventures	Shares in associated undertakings	Other Investments		Other Loans	Total
	£	£	£	Listed £	Unlisted £	£	£
Cost at 1st October 2003	2,010,000	-	-	20,153	1,447,589	2,586	3,480,328
Reclassifications	-	1,386,858	18,143	(18,143)	(1,386,858)	-	-
Additions	-	-	45,296	-	-	-	45,296
Cost at 30th September 2004	<u>2,010,000</u>	<u>1,386,858</u>	<u>63,439</u>	<u>2,010</u>	<u>60,731</u>	<u>2,586</u>	<u>3,525,624</u>
Amounts written off at 1st October 2003	-	-	-	2,010	55,280	-	57,290
Written off in the year	-	686,858	-	-	-	2,586	689,444
Amounts written off at 30th September 2004	<u>-</u>	<u>686,858</u>	<u>-</u>	<u>2,010</u>	<u>55,280</u>	<u>2,586</u>	<u>746,734</u>
Net book value at 30th September 2004	<u>2,010,000</u>	<u>700,000</u>	<u>63,439</u>	<u>-</u>	<u>5,451</u>	<u>-</u>	<u>2,778,890</u>
Net book value at 30th September 2003	<u>2,010,000</u>	<u>-</u>	<u>-</u>	<u>18,143</u>	<u>1,392,309</u>	<u>2,586</u>	<u>3,423,038</u>
Market value of listed investments (2003: £31,222)				<u>-</u>			

**Hidefield Gold plc**  
**Notes to the Financial Statements**  
**For the year ended 30th September 2004 (Continued)**

9 Debtors	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Amounts owed by group undertakings	-	-	269,125	68,166
Amounts owed by undertakings in which the company has a participating interest	24,802	-	-	-
Prepayments	4,100	4,508	4,100	4,508
Other debtors	20,973	6,660	20,973	6,660
	<u>49,875</u>	<u>11,168</u>	<u>294,198</u>	<u>79,334</u>

10 Creditors: Amounts falling due within one year	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade creditors	1,142	81,949	1,142	81,949
Amounts owed to group undertakings	-	-	662	662
Amounts owed to undertakings in which the company has a participating interest	9,130	-	-	-
Corporate Taxes	38,683	-	-	-
Other creditors	7,411	-	7,411	-
Accruals	20,972	11,500	20,972	11,500
	<u>77,338</u>	<u>93,449</u>	<u>30,187</u>	<u>94,111</u>

11 Share Capital	2004	2003
a)	£	£
Share capital comprises:		
Authorised:		
200,000,000 / 150,000,000 Ordinary shares of 1p each	<u>2,000,000</u>	<u>1,500,000</u>
Called up, allotted and fully paid:		
152,008,773 Ordinary shares of 1p each (2003 - 104,000,000)	<u>1,520,088</u>	<u>1,040,000</u>

Shares issued in the year, together with the use of funds, are shown below:

Date	Number of shares issued	Value of issue (including premium)	Issue price	Use of funds
10/10/2003	18,000,000	900,000	5p	Working capital
03/06/2004	29,571,426	2,070,000	7p	Working capital
08/09/2004	70,000	4,287	6.125p	Payment of Directors' Remuneration
08/09/2004	367,347	22,500	6.125p	Hamilton Capital Partners Limited - consulting bonus
	<u>48,008,773</u>	<u>2,996,787</u>		

Except as disclosed in note 11(b), no shares have been issued in the Company after the year end.

**Hidefield Gold plc**  
**Notes to the Financial Statements**  
**For the year ended 30th September 2004 (Continued)**

**11 Share Capital (continued)**

**b) Share warrants**

No warrants were exercised during the year.

At the year end share warrants granted but not exercised were as follows:

<b>Shares</b>	<b>Warrant Price</b>	<b>Exercise Period (between)</b>
250,000	2 pence	16th December 2002 and 11th February 2005
1,000,000	6 pence	20th January 2003 and 19th January 2006
3,000,000	6 pence	15th September 2003 and 30th September 2005
9,000,000	7 pence	15th October 2003 and 30th September 2005

The 250,000 warrants exercisable by 11 February 2005 were exercised in January 2005.

**c) Share options**

No options were exercised during the year.

There were share options in place at the year end as follows:

<b>Number of options</b>	<b>Option price</b>	<b>Final exercise date</b>
1,500,000	5 pence	31/01/2009
3,800,000	6.5 pence	06/08/2014

**12 Loss per Share**

Computation of loss per share:	<b>2004</b>	<b>2003</b>
Net loss	£(1,247,731)	£(256,632)
Weighted average number of shares outstanding	130,724,418	55,202,740
Basic loss per share	(1.0p)	(0.5p)
Weighted average number of dilutive share options and warrants	1,070,431	196,004
Diluted loss per share	(0.9p)	(0.5p)

**Hidefield Gold plc**  
**Notes to the Financial Statements**  
**For the year ended 30th September 2004 (Continued)**

13 Shareholders' Funds	Share Premium Account	Revaluation Reserve	Profit and Loss Account
	£	£	£
<b>The Group</b>			
At 1st October 2003	4,771,538	62,317	(2,074,828)
Retained loss for the year	-	-	(1,247,731)
Currency translation differences on foreign currency net investments	-	-	(147,836)
Capital raising costs	(125,900)	-	-
Premium on issue of shares	<u>2,516,699</u>	-	-
At 30th September 2004	<u><u>7,162,337</u></u>	<u><u>62,317</u></u>	<u><u>(3,470,395)</u></u>
<b>The Company</b>			
At 1st October 2003	4,771,538	-	(1,614,130)
Retained loss for the year	-	-	(1,302,190)
Currency translation on conversion of US subsidiary loan	-	-	(11,393)
Capital raising costs	(125,900)	-	-
Issue of new share capital	<u>2,516,699</u>	-	-
At 30th September 2004	<u><u>7,162,337</u></u>	<u><u>-</u></u>	<u><u>(2,927,713)</u></u>
<b>14 Reconciliation of Movements in Shareholders' Funds</b>		<b>2004</b>	<b>2003</b>
		£	£
<b>The Group</b>			
Loss for the financial year		(1,247,731)	(256,632)
New share capital subscribed		2,996,787	2,172,500
Capital raising costs		(125,900)	(27,212)
Other recognised gains and losses relating to the year (net)		<u>(147,836)</u>	<u>(108,658)</u>
Net addition to shareholders' funds		1,475,320	1,779,998
Opening shareholders' funds		<u>3,799,027</u>	<u>2,019,029</u>
Closing shareholders' funds		<u><u>5,274,347</u></u>	<u><u>3,799,027</u></u>
<b>The Company</b>			
Loss for the financial year		(1,302,190)	(223,847)
New share capital subscribed		2,996,787	2,172,500
Capital raising costs		(125,900)	(27,212)
Currency translation on conversion of US subsidiary loan		<u>(11,393)</u>	-
Net addition to shareholders' funds		1,557,304	1,921,441
Opening shareholders' funds		<u>4,197,408</u>	<u>2,275,967</u>
Closing shareholders' funds		<u><u>5,754,712</u></u>	<u><u>4,197,408</u></u>

**Hidefield Gold plc**  
**Notes to the Financial Statements**  
**For the year ended 30th September 2004 (Continued)**

**15 Controlling Party**

In the opinion of the directors, since there are several shareholders with interests of similar sizes, there is no ultimate controlling party.

**16 Related Party Transactions**

**a) Alto Ventures Limited ("Alto")**

Both K.P Judge and J. Prochnau are Directors of Alto.

On 3rd September 2004, Hidefield International Gold Holdings ("HIGH"), a 100% owned subsidiary of Hidefield Gold plc, acquired 365,675 shares in Alto for £15,946.

On 15th September 2004, HIGH acquired a further 1,750,000 shares and 1,750,000 C\$0.2 warrants (exercisable by 16 September 2005) in Alto for £71,085. This increased the Group's holding in Alto at 30 September 2004 to 20.9%. Of this consideration, there was an amount of £9,130 outstanding to Alto at the year end; this amount is shown in 'Amounts owed to undertakings in which the company has a participating interest'.

**b) Cata Preta Tenements ("Cata Preta")**

Both K.P Judge and J. Prochnau are Directors of Brazilian Diamonds Limited, who own the Cata Preta investment. During the year, the Company incurred £326,275 exploration costs on this project in return for a 20% stake via a 29% stake in Cata Preta Holdings Limited, a subsidiary of Brazilian Diamonds Limited which owns 70% of Ouro Preto Mineracao LTDA, the Company that holds the rights to the project.

**c) Columbus Gold Corporation**

Both K.P Judge and J. Prochnau were appointed as Directors of Columbus Gold Corporation during the year.

Prior to the acquisition of any shares in Columbus Gold Corporation, Hidefield Gold plc acquired 1,000,000 share warrants in the company for £45,296 in November 2003.

TOMC Inc. acquired 2,500,000 ordinary shares on 31st December 2003 in exchange for 5 mining properties at Utah Valley, Four Metals, Silver District, Chert Cliff and Dutch Flats with a value on disposal of £1,009,329. This shareholding was subsequently transferred to HIGH in August 2004.

HIGH then acquired a further 1,897,170 shares in Columbus Gold Corporation in August 2004 for £138,338. This gave the group a 34.9% shareholding in Columbus Gold Corporation at 30th September 2004.

Following the transaction on 30 December 2003, TOMC Inc. provided a £24,802 interest free loan to Columbus Gold Corporation which is shown in 'Amounts owed by undertakings in which the company has a participating interest' in note 9.

**d) Directors' consultancy**

Consultancy fees are paid to J. Prochnau, K. Judge and K. Bone. K. Judge's fees are paid to Hamilton Capital Partners Limited, a company in which K. Judge has an interest. Consultancy fees paid to the three Directors during the year were £54,510, £97,750 and £20,555 (2003: £39,911, £nil and £12,000) respectively.

All the above transactions were approved by the Board of Directors.

**Hidefield Gold plc**  
**Notes to the Financial Statements**  
**For the year ended 30th September 2004 (Continued)**

**17 Post Balance Sheet Events**

The following non-adjusting post balance sheet events have taken place:

**a) Cata Preta**

Hidefield Gold plc completed, by 31 December 2004, the additional US\$85,618 of exploration expenditure necessary to exercise the second option in the Cata Preta agreement with Brazilian Diamonds Limited, as outlined in note 8(b)(i) taking the company's interest to 50%.

The directors have obtained an extension, to 30 June 2005, to consider whether to exercise the second option under the agreement, which requires the issue of shares and further exploration expenditure in order to obtain a further 20% interest in the project.

**b) Alto**

A signed agreement was reached on 4th June 2004 for the sale of TOMC Inc.'s mining properties in Green Oaks, Dog Lake and Oxford Lake, with an aggregate book value at 30 September 2004 of £185,223, to Alto in exchange for 10,700,000 ordinary shares. This transaction was not approved by the Toronto stock exchange until 30 December 2004 and has therefore not been included in the 30 September 2004 financial statements. This transaction increased the Group's shareholding in Alto to 14,115,675 units, representing 35.8% of the company's share capital.

HIGH subscribed for a further 1,111,111 shares in Alto in December 2004 for C\$0.18.

**c) Piper Capital Inc. ("Piper")**

Hidefield Gold plc acquired 2,500,000 shares in Piper for C\$500,000 on 13th December 2004. This represented 22% of the Company's issued share capital at this date. Each share includes half a warrant, exercisable at C\$0.25 within one year of issue.

**d) Property sales**

Properties in TOMC Inc. at Groundhog and Trefi with a valuation in the Group accounts of £72,723 were sold to Anglo Pacific Group plc on 17th December 2004 for C\$1,000,000, with the Group retaining a 5% stake in these properties.