

# **COLUMBUS GOLD CORPORATION**

**(formerly Purple Vein Resources Ltd.)**

**(A Development Stage Company)**

**September 30, 2005 and 2004 and December 31, 2003**

**CONSOLIDATED FINANCIAL STATEMENTS**

**(Canadian Funds)**

## AUDITORS' REPORT

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### To the Directors of Columbus Gold Corporation:

We have audited the consolidated balance sheet of Columbus Gold Corporation (A Development Stage Company) as at September 30, 2005 and the consolidated statement of operations and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at September 30, 2004 and December 31, 2003 and for the years then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated November 5, 2004.

***“Staley, Okada & Partners”***

Vancouver, B.C.  
December 14, 2005

STALEY, OKADA & PARTNERS  
CHARTERED ACCOUNTANTS

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**Columbus Gold Corporation**  
**(formerly Purple Vein Resources Ltd.)**

(A Development Stage Company)

Statement 1

Consolidated Balance Sheets

As at

(Canadian Funds)

	September 30, 2005	September 30, 2004	December 31, 2003
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,526,061	\$ 327,230	\$ 268,307
Prepays	63,946	-	15,069
Receivables	44,135	17,698	1,886
Due from related parties (note 7)	-	23,574	-
	<b>1,634,142</b>	<b>368,502</b>	<b>285,262</b>
<b>Advances to a related party</b> (note 7)	<b>115,195</b>	-	-
<b>Deferred issuance costs</b> (note 3)	<b>58,662</b>	-	48,760
<b>Property and equipment, net</b> (note 4)	<b>1,982</b>	-	1,225
<b>Mineral properties</b> (note 5)	<b>1,290,852</b>	<b>471,329</b>	<b>339,018</b>
	<b>\$ 3,100,833</b>	<b>\$ 839,831</b>	<b>\$ 674,265</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 60,845	\$ 12,893	\$ 2,000
Due to related parties (note 7)	4,580	76,983	50,832
	<b>65,425</b>	<b>89,876</b>	<b>52,832</b>
<b>Shareholders' equity</b>			
Share capital (note 6)	4,562,315	388,680	283,680
Special warrants (note 6)	-	977,450	498,700
Deficit	(1,526,907)	(616,175)	(160,947)
	<b>3,035,408</b>	<b>749,955</b>	<b>621,433</b>
	<b>\$ 3,100,833</b>	<b>\$ 839,831</b>	<b>\$ 674,265</b>

Nature and continuance of operations (note 1)

Commitments (note 10)

**Approved by the Board of Directors:**

***"Ken Judge"***

Ken Judge - Director

***"Robert Giustra"***

Robert Giustra - Director

The accompanying notes are an integral part of these consolidated financial statements

**Columbus Gold Corporation**  
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Statement 2

Consolidated Statements of Operations and Deficit  
(Canadian Funds)

	For the year ended September 30, 2005	For the nine months ended September 30, 2004	From May 14, (Inception) to December 31, 2003
<b>EXPENSES</b>			
Administration	\$ 41,840	\$ 29,973	\$ 23,512
Amortization	576	775	216
Bad debts	17,899	-	-
Consulting fees	216,548	123,500	-
Corporate administration fees	59,619	-	-
Director fees	36,000	30,000	-
Finance fees	-	-	34,090
Foreign exchange loss (gain)	23,542	1,215	(677)
General exploration	301,607	-	-
Investor relations	6,092	-	-
Management fees	50,000	63,000	94,500
Professional fees	177,529	114,548	1,030
Travel, advertising and promotion	8,726	43,824	8,292
<b>Net loss before the following</b>	<b>(939,978)</b>	<b>(406,835)</b>	<b>(160,963)</b>
Interest income	29,246	817	16
Write-off deferred issuance costs	-	(48,760)	-
Write-off of equipment	-	(450)	-
<b>Net loss for the year</b>	<b>(910,732)</b>	<b>(455,228)</b>	<b>(160,947)</b>
<b>Deficit, beginning of year</b>	<b>(616,175)</b>	<b>(160,947)</b>	<b>-</b>
<b>Deficit, end of year</b>	<b>\$ (1,526,907)</b>	<b>\$ (616,175)</b>	<b>\$ (160,947)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.08)</b>	<b>\$ (0.08)</b>	<b>\$ (6.54)</b>
<b>Weighted average number of common shares outstanding</b>	<b>11,042,158</b>	<b>5,849,768</b>	<b>24,605</b>

The accompanying notes are an integral part of these consolidated financial statements

**Columbus Gold Corporation**  
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Statement 3

Consolidated Statements of Cash Flows  
(Canadian Funds)

	For the year ended September 30, 2005	For the nine months ended September 30, 2004	From May 14, (Inception) to December 31, 2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the year	\$ (910,732)	\$ (455,228)	\$ (160,947)
Add: Amortization	8,726	775	216
Write-off of deferred issuance costs	-	48,760	-
Write-off of equipment	-	450	-
Shares for services	30,000	115,000	-
Special warrants issued for finders' fees	-	18,750	-
Changes in non-cash working capital items:			
Increase in receivables	(26,437)	(15,812)	(1,886)
Increase in accounts payable and accrued liabilities	47,952	10,893	2,000
Decrease / (Increase) in prepaid expenses	(63,946)	15,069	(15,069)
Decrease / (Increase) in amounts due from related parties	23,574	(23,574)	-
Decrease / (Increase) in amounts due to related parties	(72,403)	26,151	50,832
Net cash used in operating activities	(963,266)	(258,766)	(124,854)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share issuance costs incurred	(35,186)	-	-
Proceeds from the issuance of share capital	2,836,371	450,000	502,380
Deferred share issuance costs	(58,662)	-	(48,760)
Net cash provided by financing activities	2,742,523	450,000	453,620
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of equipment	(2,558)	-	(1,441)
Acquisition of mineral property interests	(33,810)	(132,311)	(59,018)
Advance of exploration funds to Cordex	(115,195)	-	-
Mineral property exploration and development costs	(420,713)	-	-
Net cash used in investing activities	(572,276)	(132,311)	(60,459)
Change in cash and cash equivalents during the year	1,206,981	58,923	268,307
Cash and cash equivalents, beginning of year	327,230	268,307	-
Cash and cash equivalents, end of year	\$ 1,534,211	\$ 327,230	\$ 268,307

Supplemental Cash Flow Information - Note 8

The accompanying notes are an integral part of these consolidated financial statements

## **1. Nature of Operations**

Columbus Gold Corporation (formerly Purple Vein Resources Ltd., the “Company”) was incorporated on May 14, 2003 under the laws of the Province of Saskatchewan, Canada and continued on to British Columbia, Canada on December 29, 2003. During the prior year, the Company changed its fiscal year end from December 31 to September 30 and effective December 20, 2004 the Company changed its name to Columbus Gold Corporation. Its principal business activities are the exploration and development of resource properties. All of the Company’s resource properties are located in the United States.

The Company is in the process of exploring and developing its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Its ability to continue as a going concern is dependent upon the continued support of the related parties, the ability of the Company to raise equity financing, the discovery of economically recoverable reserves and the attainment of profitable operations. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

## **2. Significant Accounting Policies**

These consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

### **(a) Basis of presentation**

These consolidated financial statements are presented in accordance with generally accepted accounting principles (“GAAP”) applicable in Canada. These consolidated financial statements include the accounts of Columbus Gold Corporation and its wholly owned subsidiary Columbus Gold (U.S.) Corporation. All inter-company transactions and balances have been eliminated upon consolidation. Columbus Gold (U.S.) Corporation was incorporated on March 17, 2005.

**2. Significant Accounting Policies (con't...)**

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

(c) Cash and cash equivalents

Cash equivalents usually consist of highly liquid investments which are readily convertible into cash with maturities of three months or less when purchased.

(d) Mineral properties

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the property is put into commercial production, sold or abandoned. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

If the property is put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the property is sold or abandoned, then the expenditure will be charged to operations. The Company does not accrue the estimated future costs of maintaining in good standing its mineral properties.

In the event that reserves are determined, the carrying values of a mineral property interest, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, then the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized is dependent upon the identification of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and to realize profitable production and proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment will be based on current conditions. However, it is possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future write-downs of the capitalized property carrying values.

General exploration costs consist of exploration expenditures incurred in the process of evaluating potential property acquisitions. These costs are expensed as incurred unless the property is subsequently acquired and then the expenses are deferred.

**2. Significant Accounting Policies (con't...)**

(e) Deferred issuance costs

Costs related to shares not yet issued are recorded as deferred issue costs. Deferred issue costs consist primarily of corporate finance fees and professional fees. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued. Any financing costs which do not directly relate to the issuance of shares are expensed as incurred.

(f) Stock-based compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. Accordingly, the fair value of the options at the date of the grant is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(g) Foreign currency translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rate for the year. Exchange gains and losses arising on translation are included in the statement of operations.

(h) Future income taxes

Future income taxes are recorded using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.



**2. Significant Accounting Policies (con't...)**

(i) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Diluted loss per common share has not been presented separately as this calculation proved to be anti-dilutive.

Basic and diluted loss per common share are calculated using the weighted average number of shares outstanding during the year.

(j) Share capital

*i)* The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.

*ii)* Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

(k) Risk management

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company is at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate significant environmental remediation costs or liabilities in respect of its current operations.

The Company is not exposed to significant credit concentration risk. The Company is not exposed to significant interest rate risk.

The Company's functional currency is the Canadian dollar. The Company operates in foreign jurisdictions, giving rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

## **2. Significant Accounting Policies (con't...)**

### **(l) Asset retirement obligations**

The Company's mineral exploration and development activities are subject to various laws and regulations regarding protection of the environment. As a result the Company incurs expenses from time to time to discharge its obligations under these laws and regulations. Certain of these expenses meet the definition of an asset and other expenses do not meet this definition. The assets are capitalized and the other costs are expensed as incurred.

When estimating the costs that are expected to be incurred, there are many factors to be considered such as the extended period over which the costs are to be incurred, the discount factors, and significant judgments and estimates. As such the fair value of the retirement obligations could change materially from year to year. In addition, changes in laws and regulations could cause significant changes in the expected costs and the related fair value.

During the year, management determined that there was no change to the estimates for asset retirement.

### **(m) Variable interest entities - Change in Accounting Policy**

The Accounting Standards Board (AcSB) issued Accounting Guideline AcG 15 "Consolidation of Variable Interest Entities", to harmonize the Guideline with the equivalent FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities" ("VIE"). The Guideline provides criteria for identifying VIEs and further criteria for determining what entity, if any, should consolidate them. The Guideline is effective for annual and interim periods beginning on or after November 1, 2004, and upon adoption, will not materially impact the Company's results of operations and financial position.

## **3. Deferred Charges**

The Company incurred \$58,662 in costs relating to its initial public offering during the year. Costs related to the current initial public offering are recorded as deferred issuance costs and will be charged against the gross proceeds raised from the initial public offering or charged to operations if the offering does not complete. The balance consisted of \$51,497 in legal fees and \$7,165 in audit and accounting fees.

During 2003, the Company incurred \$48,760 in costs relating to its initial public offering. These costs were initially recorded as deferred issuance costs, but were subsequently charged to earnings after the offering was not completed.

**Columbus Gold Corporation**  
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Notes to Consolidated Financial Statements  
September 30, 2005 and 2004 and December 31, 2003  
(Canadian Funds)

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**4. Property and Equipment**

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value	2003 Net Book Value
Computer Equipment – 30%	\$ 2,558	\$ 576	\$ 1,982	\$ -	\$ 1,225

**5. Mineral Properties**

**Title to Resource Properties**

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties is in good standing.

A summary of resource properties and deferred exploration costs is as follows:

	September 30, 2004	Acquisition Cost	Deferred Exploration	Write-down/ Depreciation	September 30, 2005
Golden Mile	\$ 100,002	\$ 15,000	\$ 27,107	\$ -	\$ 142,109
Utah Clipper	346,003	-	118,798	-	464,801
Dutch Flat	1,053	6,048	67,727	-	74,828
Chert Cliff	1,251	-	10,447	-	11,698
Silver District	14,846	-	27,755	-	42,601
Four Metals	8,174	-	33,430	-	41,604
Crestview	-	70,000	25,528	-	95,528
Blue Spider	-	70,000	2,177	-	72,177
Laura	-	140,000	1,887	-	141,887
Orbit	-	70,000	33,925	-	103,925
Linka	-	10,810	7,433	-	18,243
Red Bird	-	16,952	1,187	-	18,139
Clanton Hills	-	-	2,367	-	2,367
Clara	-	-	39,462	-	39,462
Pete's Summit	-	-	21,483	-	21,483
Total American Properties	\$ 471,329	\$ 398,810	\$ 420,713	\$ -	\$ 1,290,852

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Notes to Consolidated Financial Statements  
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**5. Mineral Properties (con't...)**

	December 31, 2003	Acquisition Cost	Deferred Exploration	Write-down/ Depreciation	September 30, 2004
Golden Mile	\$ 47,681	\$ -	\$ 52,321	\$ -	\$ 100,002
Utah Clipper Project	266,013	-	79,990	-	346,003
Dutch Flat Project	1,053	-	-	-	1,053
Chert Cliff Project	1,251	-	-	-	1,251
Silver District	14,846	-	-	-	14,846
Four Metals Project	8,174	-	-	-	8,174
Total American Properties	\$ 339,018	\$ -	\$ 132,311	\$ -	\$ 471,329

  

	May 14, 2003	Acquisition Cost	Deferred Exploration	Write-down/ Depreciation	December 31, 2003
Golden Mile	\$ -	\$ 40,256	\$ 7,425	\$ -	\$ 47,681
Utah Clipper Project	-	266,013	-	-	266,013
Dutch Flat Project	-	1,053	-	-	1,053
Chert Cliff Project	-	1,251	-	-	1,251
Silver District	-	14,846	-	-	14,846
Four Metals Project	-	8,174	-	-	8,174
Total American Properties	\$ -	\$ 331,593	\$ 7,425	\$ -	\$ 339,018

	Amount
Balance – December 31, 2003	\$ 339,018
Acquisition	79,191
Geological consultants	53,120
	132,311
Balance – September 30, 2004	\$ 471,329
Acquisition	398,810
Administration	143,012
Assays	5,405
Claim renewals	83,667
Geological consultants	14,618
Geophysics	147,286
Travel and promotion	26,725
	819,523
Balance – September 30, 2005	\$ 1,290,852

## **5. Mineral Properties (con't...)**

### **Golden Mile Property**

Pursuant to a mineral lease agreement (the “agreement”), dated December 9, 2003, between the Company and Nevada Mine Properties II Inc. (“Nevada Mine”), the Company acquired the right to earn a 100% interest in the Golden Mile Property located in Nevada, U.S.A. which includes the CMA, MA, Martin and Walsh claims. As consideration, the Company must issue and pay the following:

#### Shares

- 150,000 common shares (issued);
- 75,000 common shares on the first anniversary of the agreement (issued);
- 75,000 common shares on the second anniversary of the agreement; and

#### Cash (USD)

- \$2,500 on the first anniversary of the agreement (paid);
- \$5,000 on the second anniversary of the agreement;
- \$7,500 on the third anniversary of the agreement;
- \$25,000 on the fourth anniversary of the agreement and thereafter until production commences.

The above payments can be deducted from subsequent production royalties.

In addition, the Company has agreed to:

- Pay for all charges incurred on the Golden Mile Property;
- A 3.5% net smelter returns royalty (“NSR”) from sale of gold on the CMA and MA claims; and
- A 0.5% NSR from sale of gold on the Martin and Walsh claims.

The Company can buy up to 2% of the royalty for the CMA and MA claims for \$1,750,000 per percentage point upon completion of a bankable feasibility study or when ore production occurs.

As part of the agreement with Nevada Mine, the Company is responsible for all underlying advance royalty obligations owed on Martin and Walsh claims. The Company must pay the following advance royalties (in USD) under the Martin agreement:

- \$15,000 on the second anniversary of the agreement (paid);
- \$20,000 on the third anniversary of the agreement;
- \$50,000 on the fourth anniversary of the agreement;
- \$50,000 (adjusted by changes in the consumer price index) on the fifth anniversary of the agreement and thereafter until production commences.

## **5. Mineral Properties (con't...)**

Martin is subject to a 4.75% NSR from the sale of gold on the Martin claims, and the above payments can be deducted from these production royalties.

The Company must pay the following advance royalties (in USD) under the Walsh agreement:

- \$7,500 on the third anniversary of the agreement (paid);
- \$7,500 on the fourth anniversary of the agreement (paid);
- \$10,000 (adjusted by changes in the consumer price index) on the fifth anniversary of the agreement and thereafter until production commences.

Walsh is subject to a 3.00% NSR from the sale of gold on the Walsh claims, and the above payments cannot be deducted from these production royalties.

## **The Lands Properties**

The Company entered into an agreement dated March 10, 2003, with Hidefield Gold plc (“Hidefield”) to acquire certain mineral properties in Nevada and Arizona, known as the Lands Properties. Hidefield shares two common directors with the Company. As consideration, the Company was required to raise \$250,000 and issue 2,500,000 common shares (issued). The following properties were acquired:

- Utah Clipper Project (100% interest)
- Dutch Flat Project (83% interest)
- Chert Cliff Project (100% interest)
- Silver District (100% interest)
- Four Metals Copper Project (50% interest)

These properties are subject to a 1.5% NSR. Additionally, a total of 166 claims within the Utah Clipper Project are subject to an underlying 1% NSR.

On May 31, 2005, the Company obtained the option to acquire the remaining 17% interest in the Dutch Flat Project in exchange for USD\$5,000 (paid) and the issuance of 20,000 common shares (issued subsequent to year end).

## **5. Mineral Properties (con't...)**

### **Nevada Sunrise Agreement**

On June 30, 2005, the Company entered into an agreement with Nevada Sunrise LLC ("Nevada Sunrise") pursuant to which the Company acquired by quitclaim deed from Nevada Sunrise eleven unpatented mineral claims comprising 220 acres for USD\$10,000 (paid) for reimbursement of past costs. The agreement obligates the Company to maintain the properties, and grants to Nevada Sunrise a 1% NSR over all the Dutch Flat Project claims. It also provides that if the Company fails or elects not to maintain the properties, then it will quitclaim the properties back to Nevada Sunrise.

### **Belaustegui Lease**

On April 18, 2005, the Company entered into an agreement with third parties (the "lessors") whereby the Company leased an additional 7 patented lode claims in Lander County, Nevada for a term of 20 years to conduct exploration and mining operations. These claims, which are contiguous to the existing Utah Clipper claims, are subject to a 3% NSR, and provide for the payment of specified advance minimum royalty payments on an annual basis as follows:

<b>Date</b>	<b>Amount (in USD)</b>
Execution of Agreement	\$5,000 (Paid)
1 <sup>st</sup> Anniversary	\$5,000
2 <sup>nd</sup> Anniversary	\$5,000
3 <sup>rd</sup> Anniversary	\$7,500
4 <sup>th</sup> Anniversary	\$7,500
5 <sup>th</sup> Anniversary	\$7,500
6 <sup>th</sup> and subsequent Anniversaries*	\$10,000

\*On the 7<sup>th</sup> and subsequent anniversaries, payments will be adjusted to inflation.

In the event that the Company disposes of the mining claims to the US Bureau of Land Management, it will pay two-thirds of the proceeds realized to the lessors.

## **5. Mineral Properties (con't...)**

### **Golden West Agreement**

On September 5, 2005, the Company entered into an assignment agreement with Golden West Resources Ltd. ("Golden West"), whereby Golden West agreed to assign to the Company all of its rights, title and interest in and to certain lease agreements respecting certain mineral properties in Nevada known as the Orbit Property, the Crestview Property, the Blue Spider Property and the Laura Property (the "Golden Properties"). As consideration for the assignment, the Company agreed to pay to Golden West US\$25,000 (paid), reimburse Golden West for a total of US\$61,400 (paid) in past costs, assume US\$8,875 (paid) in obligations to the underlying lessors and issue 1,000,000 common shares (issued) of the Company. All of the properties are subject to a 3% NSR.

The shares are subject to a pooling agreement to be released as follows:

<b>Date</b>	<b>Number of Shares</b>
Upon closing of the agreement	100,000 (released)
6 months after the IPO	225,000
12 months after the IPO	225,000
18 months after the IPO	225,000
24 months after the IPO	225,000

The lease agreements acquired from Golden West are for a term of ten years and can be renewed for three additional terms of ten years, each so long as the conditions of the lease are met and a fee of \$50,000 is paid to the lessor upon the beginning of each successive term. Quarterly lease payments, subject to annual CPI adjustment, are due as follows:

<b>Property</b>	<b>Lease payment</b>
Orbit Property	\$3,000
Crestview Property	\$1,800
Blue Spider Property	\$1,500
Laura Property	\$1,800

### **Other Properties**

During the period, the Company staked additional properties in Nevada and Arizona, including the Linka Property, the Redbird Property, the Clanton Hills Property, the Clara Property and the Pete's Summit Property. Initial work has begun on these properties.



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**6. Share Capital**

	Number of Shares	Amount
<b>Authorized *</b>		
Unlimited common shares without par value		
Unlimited Class A preferred shares without par value		
Common shares issued for cash	3,580,100	\$ 3,680
Acquisition of resource properties	2,800,000	280,000
<b>Balance, as at December 31, 2003</b>	<b>6,380,100</b>	<b>283,680</b>
In exchange for services rendered	800,000	105,000
<b>Balance, as at September 30, 2004</b>	<b>7,180,100</b>	<b>388,680</b>
Consolidation of shares at 2:1 ratio **	(3,590,050)	-
Common shares issued for cash <sup>1 and 2</sup>	2,769,954	1,763,986
Conversion of \$0.20 special warrants to shares	2,637,250	527,450
Exercise of warrants at \$0.50 per share	2,144,750	1,072,385
Shares issued as settlement of acquisition of mineral properties – non-cash	1,075,000	365,000
In exchange for services rendered	100,000	30,000
Conversion of \$0.30 special warrants to shares	1,500,000	450,000
Share issuance costs	-	(35,186)
<b>Balance, as at September 30, 2005</b>	<b>13,817,004</b>	<b>\$ 4,562,315</b>

\* During the year, the Company changed its authorized share structure from 100,000,000 common shares without par value and 100,000,000 preference shares without par value, to unlimited common shares without par value and unlimited Class A preference shares without par value.

\*\* Effective December 20, 2004, the Company consolidated its share capital on the basis of 2:1. All special warrants issued prior to this date have been restated for the current period.

1. During the year, the Company completed a private placement of 696,620 common shares at a per unit price of \$0.30 with total proceeds of \$208,986.
2. During the year, the Company completed a private placement of 2,073,334 common shares at a per unit price of \$0.75 with total proceeds of \$1,555,000

## 6. Share Capital (con't...)

### Escrow Shares

Pursuant to an escrow agreement dated as of June 21, 2005 between the Company, Computershare Investor Services (the “escrow agent”) and the certain principals of the Company, the principals agreed to deposit in escrow their common shares totaling 3,987,121 shares with the escrow agent. The escrow agreement provides that the escrow shares will be released from escrow in equal blocks of 15% of the principal’s escrow shares at 6 month intervals over the 36 months following the issue of the final receipt of the Initial Public Offering Prospectus, with 10% of each principal’s holdings being exempt from the escrow provisions.

### Special Warrants

During the year ended September 30, 2005, the Company did not issue any Special Warrants (September 30, 2004 – 3,000,000 at \$0.15 per special warrant for cash and 287,500 at \$0.10 per special warrant for services, December 31, 2003 – 4,987,000 at \$0.10 per special warrant for cash).

	Number of Special Warrants	Amount
<b>Special Warrants Issued</b>		
For cash at \$0.10 per special warrant	4,987,000	\$ 498,700
<b>Balance, as at December 31, 2003</b>	4,987,000	498,700
For cash at \$0.15 per special warrant	3,000,000	450,000
In exchange for services rendered at a deemed price of \$0.10	287,500	28,750
<b>Balance, as at September 30, 2004</b>	8,274,500	977,450
Consolidation of special warrants on a 2:1 basis *	(4,137,250)	-
Exercise of \$0.20 special warrants during period	(2,637,250)	(527,450)
Exercise of \$0.30 special warrants during period	(1,500,000)	(450,000)
<b>Balance, as at September 30, 2005</b>	-	\$ -

\* Effective December 20, 2004, the Company consolidated its share capital on the basis of 2:1. All special warrants issued prior to this date have been restated for the current period.

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**6. Share Capital (con't...)**

**(b) Stock Options**

A summary of stock options outstanding as at September 30, 2005 is set out below:

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
1,565,000	\$ 0.85	5 Years from date of exchange listing

A summary of the changes in the Company's stock options is set out below:

	<b>Options outstanding</b>	<b>Weighted average exercise price per share</b>
Balance – September 30, 2004 and December 31, 2003	-	\$ -
Granted during the year	1,565,000	0.85
Exercised during the year	-	-
Cancelled during the year	-	-
Balance – September 30, 2005	1,565,000	\$ 0.85

The Company granted 1,565,000 share options to directors and employees at an exercise price of \$0.85 for a term of 5 years from the date the Company's common shares are listed on a recognized stock exchange. These options are not exercisable until the Company completes its initial public offering, therefore, no stock based compensation has been recognized during the year.

Subsequent to year end, the Company granted 50,000 options to a consultant under the same terms and conditions as above.

**(c) Warrants**

A summary of share purchase warrants outstanding as at September 30, 2005 is set out below:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
442,500	\$ 0.50	December 31, 2005

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**6. Share Capital (con't...)**

A summary of the changes in the Company's share purchase warrants is set out below:

	<b>Warrants outstanding</b>	<b>Weighted average exercise price</b>
Balance – September 30, 2004 and December 31, 2003	2,587,250	\$ -
Issued during the year	-	-
Exercised during the year	2,144,750	0.50
Balance – September 30, 2005	442,500	\$ 0.50

**7. Related Party Transactions**

The following are related party transactions for the years ended September 30, 2005 and 2004 and December 31, 2003:

	Corp Admin and Prof fees	Consulting fees	Management fees	Director fees
John Prochnau ( <i>Director</i> )	\$ -	\$ 25,548	\$ -	\$ 9,000
Hamilton Capital Ltd. ( <i>Company with Director in common</i> )	-	191,000	-	9,000
Robert Giustra ( <i>President and Director</i> )	-	-	50,000	9,000
Gil Atzmon ( <i>Director</i> )	-	-	-	9,000
Cordex ( <i>Company with Officer in common</i> )	-	37,500	-	-
RWA Management Ltd. ( <i>Company with Officer in common</i> )	93,566	-	-	-
Balance, year ending Sept. 30, 2005	\$ 93,566	\$ 254,048	\$ 50,000	\$ 36,000

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**7. Related Party Transactions (con't...)**

	Prof. and Admin fees	Consulting fees	Management fees	Director fees
William Fyvie (former President and Director)	\$ -	\$ -	\$ 63,000	\$ 10,000
Ron Bader (former Director)	-	-	-	10,000
John Anderson (former Director)	-	52,500	-	-
Nick Ferris (former Director)	-	52,500	-	-
James O'Brien (former Director)	-	19,750	-	10,000
Balance, year ending Sept. 30, 2004	\$ -	\$ 124,750	\$ 63,000	\$ 30,000
	Prof. and Admin fees	Consulting fees	Management fees	Director fees
William Fyvie (former President and Director)	\$ -	\$ -	\$ 94,500	\$ -
Balance, year ending December 31, 2003	\$ -	\$ -	\$ 94,500	\$ -

By agreement dated March 1, 2005 with Hamilton Capital Partners Limited ("Hamilton") the Company agrees to pay Hamilton 100,000 shares (issued) and \$125,000 (paid) as consideration for Hamilton's role in the restructuring and reorganizing of the Company.

At September 30, 2005, \$4,580 (2004 - \$76,983, December 31, 2003 - \$50,832) was due to directors of the Company for reimbursement of expenses and acquisition costs of resources properties, directors and management fees. The amount due bears no interest and is due on demand.

At September 30, 2005, a total of \$115,195 (2004 - \$nil, December 31, 2003 - \$nil) was advanced to Cordex, a Company with an officer in common, for planned future exploration expenditures on the Company's resource properties.

At September 30, 2004, a total of \$23,574 was owed from former Directors of the Company. During the year, a total of \$5,675 was repaid and the balance of \$17,899 was written off, as collectability was not assured.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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**8. Supplemental Cash Flow Information**

	2005	2004	2003
Cash paid for interest	\$ 8	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -	\$ -

Other Non-Cash Investing and Financing Activities:

2005

The Company issued 1,000,000 common shares at a price of \$0.35 per share (\$350,000) as part of the Golden West acquisition agreement for the Laura, Orbit, Blue Spider and Crestview properties.

The Company issued 100,000 common shares at a price of \$0.30 per share (\$30,000) for services rendered in accordance with the Hamilton Capital Partner agreement.

The Company issued 75,000 common shares at a price of \$0.20 per share (\$15,000) as part of the Golden Mile acquisition agreement.

2004

The Company issued 800,000 common shares at a price of \$0.13 per share (\$105,000) for services rendered.

2003

The Company issued 2,800,000 common shares at a price of \$0.10 per share (\$280,000) as part of the Golden Mile and Lands Properties acquisition.

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**9. Income Taxes**

The significant components of the Company's future income tax assets and liabilities are as follows:

	2005	2004	2003
Estimated non-capital losses available	\$ 1,528,285	\$ 613,306	\$ 160,947
Estimated corporate income tax rate	35.8%	35.8%	35.8%
Potential future income tax assets	547,126	219,564	57,619
Less: Valuation allowance	(547,126)	(219,564)	(57,619)
Future Income Tax Asset (Liability)	\$ -	\$ -	\$ -

At September 30, 2005, the Company has non-capital losses remaining to be carried forward of approximately \$1,528,285 (2004: \$613,306, December 2003: \$160,947) which may be available to offset future income for income tax purposes but which expire over the next ten years. As the criteria for recognizing future income tax assets have not been met due to the uncertainty of realization, a valuation allowance of 100% has been recorded for the current and prior years.

The Company has certain resource related deductions of approximately \$1,290,852 which may be available to be offset against future taxable income in the United States. The benefits of these deductions are not reflected in these financial statements. The realization of these tax benefits in future years will be recorded as an adjustment to the corporate tax provision in the year realized.

**10. Commitments**

- a) In January 2005, the Company entered into an exclusive three year agreement with Cordilleran Exploration Co. ("Cordex"), a company that shares a common officer with Columbus Gold (US) Corporation, to design, initiate and carry out generative mineral activities in Nevada, and elsewhere in the United States on behalf of the Company with the objective of identifying, acquiring and exploring new mineral properties and operating exploration programs on the Company's current portfolio of properties. The Company has agreed that Cordex will be provided general operating costs, exclusive of third party contractor expenses, of US\$30,000 per month including a management fee to Cordex of US\$12,500.

Cordex will also receive for properties they bring to the Company a 2% NSR on staked claims, for claims or mineral rights acquired from third parties which include an existing NSR it shall be the difference between a 4% and the third party royalty provided, however, it shall be no less than 1% and not greater than 2%.

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**10. Commitments (con't...)**

An area of influence of two miles will exist for all properties acquired by the Company and Cordex becomes subject to this agreement for these properties.

- b) The Company entered into a service agreement (amended April 1, 2005) with a company controlled by an officer of the Company. Pursuant to the terms of the agreement, the Company will pay a monthly service fee of \$9,400 (previously \$6,500) until December 2008. Either party can terminate the agreement with prior written notice.

**11. Initial Public Offering**

The Company is planning to offer, by way of Initial Public Offering ("IPO") on the TSX Venture Exchange ("the Exchange"), a minimum of 2,352,942 and a maximum of 5,882,352 units (the "Units") at a price of \$0.85 per Unit (the "Offering") for total gross proceeds of between \$2,000,000 to \$5,000,000. Each Unit consists of one common share of the Company and one warrant (a "Warrant"). Each warrant will entitle the holder to acquire one additional common share at an exercise price of \$1.25 per share for a period of eighteen (18) months from the closing of the Offering.

The Company has entered into an agency agreement with Global Securities Corporation (the "Agent") to assist the Company in distribution of its securities in connection with the IPO. The Agent is entitled to a cash commission equal to 10% of the gross proceeds of the sale of the first 3,529,411 Units and 2% of the gross proceeds of the sale of any additional Units. Further, the Agent is entitled to Agent's Warrants equal to the lesser of 10% of the number of Units sold under the Offering and 352,941, at a price of \$1.25 per Agent's Warrant Share for a period of eighteen (18) months following the closing date and a \$25,000 (plus GST) non-refundable corporate finance fee.

**12. Segmented Information**

	2005	2004	2003
<b>Total Assets</b>			
Canada	\$ 1,809,981	\$ 368,502	\$ 335,247
USA	1,290,852	471,329	339,018
<b>Total</b>	<b>\$ 3,100,833</b>	<b>\$ 839,831</b>	<b>\$ 674,265</b>
<b>Net Loss</b>			
Canada	\$ 609,125	\$ 455,228	\$ 160,947
USA	301,607	-	-
<b>Total</b>	<b>\$ 910,732</b>	<b>\$ 455,228</b>	<b>\$ 160,947</b>