

# HPD EXPLORATION PLC

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INTERIM STATEMENT  
for the six months ended 31 March 2003

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## CHAIRMAN'S STATEMENT

HPD has, in less than one year, established itself as a significant minerals exploration group in three areas of operations: South America, North America and New Zealand.

In South America we have focused efforts through our 50 per cent. interest in Patagonia Gold S.A. The company has built up a substantial portfolio of 34 exploration properties in Argentinean and Chilean Patagonia covering 2,708km<sup>2</sup> with a further 783km<sup>2</sup> of properties under option. In the first eight months of operations, five teams of geologists undertook first pass sampling and mapping of 28 properties and the results from 19 of these properties warrant further exploration. Some of the most significant discoveries were as follows:

- An epithermal vein was discovered at Cerro Crespo in the Argentinean province of Chubut with samples taken containing up to 8.5g/t gold from a gossanous barite structure over 1km in length.
- Another epithermal vein was discovered at Cerro Nelson also in Chubut with samples taken containing up to 33.4g/t gold and 875g/t silver.
- At Cerro Mogote and Cerro Aguja in Chile anomalous path finder elements and geology prospective for high sulphidation systems have been identified. Such systems are characteristic of multi-million ounce high tonnage-low grade deposits.

In addition, Patagonia Gold entered into an option agreement to acquire up to 75 per cent. interest in the Coyhaique Gold Project in Chile. The project hosts several significant visible veins and bonanza grades have been reported on samples taken on the Lilly vein, containing up to 176.5g/t gold and 2,750g/t silver. The company is currently planning an extensive exploration programme throughout Patagonia which will include 10,000 metres of drilling at Coyhaique due to commence in October 2003.

Landore Resources Inc., in which HPD has a 40 per cent. interest, completed a successful 18 hole 2,370 metre drilling programme in April 2003 at its Miminiska Lake gold properties in Ontario, Canada. Significant drill intersections included 40.2g/t gold over 2.3 metres and 9.7g/t gold over 4.3 metres. The results identified a high-grade gold bearing structure, potentially an auriferous shoot such as that found at Placer Dome's Musslewhite mine located 80km to the west of Miminiska. Landore will be focusing efforts in the coming 6 months exploration programme on Miminiska Lake together with work on its palladium-platinum Junior Lake properties. Both these areas are considered to have excellent potential for further exploration.

In New Zealand our wholly owned subsidiary HPD New Zealand Limited has been granted exploration and prospecting permits covering 2,663km<sup>2</sup>. New Zealand represents a significant investment opportunity as it has experienced only limited hard-rock gold exploration in modern times despite the existence of highly prospective geology. Mapping and sampling began in the Otago district of South Island in April 2003 in properties adjacent to the GRD Macraes gold mine.

A total of £4 million has been raised during the six month period: £2.3 million through a private placing in October 2002 and £1.7 million through an open offer and private placing coinciding with our move from Ofex to AIM in March 2003. HPD is well funded and will be able to complete all of the above programmes from current resources. Shareholders will be kept informed with regular progress reports as the Directors continue to focus ongoing exploration activities on the most prospective properties in our portfolio and as new business opportunities are evaluated.

Richard Prickett  
*Chairman*

30 June 2003

**UNAUDITED CONSOLIDATED PROFIT AND  
LOSS ACCOUNT**

FOR THE SIX MONTHS ENDED 31 MARCH 2003

	Six months to 31 March 2003 £	Six months to 31 March 2002 £	Year to 30 Sept 2002 £
AIM listing expenses	(297,798)	—	—
Administrative expenses including exploration costs	(364,833)	(26,956)	(191,387)
Amortisation of goodwill	(18,894)	(11,569)	(23,247)
Other operating income	—	6,330	6,529
<b>OPERATING LOSS</b>	<b>(681,525)</b>	<b>(32,195)</b>	<b>(208,105)</b>
Share of operating loss in Canadian associate	(108,108)	(45,802)	(2,702)
Share of operating loss in Argentinean joint venture	(151,451)	—	(19,614)
<b>TOTAL OPERATING LOSS: GROUP AND SHARE OF JOINT VENTURES AND ASSOCIATES</b>	<b>(941,084)</b>	<b>(77,997)</b>	<b>(230,421)</b>
Loss on dilution of interest in Canadian associate	—	—	(621)
Interest receivable:			
– Group	20,421	10,736	16,886
– Share of Canadian associate	1,794	3,453	1,456
	<u>22,215</u>	<u>14,189</u>	<u>18,342</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>(918,869)</b>	<b>(63,808)</b>	<b>(212,700)</b>
<b>TAX ON LOSS ON ORDINARY ACTIVITIES</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>RETAINED LOSS FOR THE PERIOD/YEAR</b>	<b>(918,869)</b>	<b>(63,808)</b>	<b>(212,700)</b>
<b>LOSS PER SHARE</b>	<b>(0.7p)</b>	<b>(0.1p)</b>	<b>(0.2p)</b>
<b>DILUTED LOSS PER SHARE</b>	<b>(0.7p)</b>	<b>(0.1p)</b>	<b>(0.2p)</b>

**UNAUDITED STATEMENT OF TOTAL RECOGNISED  
GAINS AND LOSSES**

	Six months to 31 March 2003 £	Six months to 31 March 2002 £	Year to 30 Sept 2002 £
Loss attributable to shareholders of HPD Exploration Plc	(918,869)	(63,808)	(212,700)
Unrealised exchange rate movements	15,136	7,155	(10,822)
<b>TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD/YEAR</b>	<b>(903,733)</b>	<b>(56,653)</b>	<b>(223,522)</b>

# UNAUDITED CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2003

	31 March 2003 £	31 March 2002 £	30 Sept 2002 £
<b>FIXED ASSETS</b>			
Intangible fixed assets	694,338	431,908	446,313
Tangible fixed assets	8,597	—	9,500
Investments:			
– Share of net assets/(liabilities) in Canadian associate	50,617	(3,856)	18,650
– Other investments	—	1	1
	50,617	(3,855)	18,651
Investment in Argentinean joint venture:			
– Share of gross assets	164,264	—	—
– Share of gross liabilities	(9,505)	—	—
	154,759	—	—
<b>TOTAL FIXED ASSETS</b>	<b>908,311</b>	<b>428,053</b>	<b>474,464</b>
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due in less than one year	42,821	59,297	92,529
Cash at bank and in hand	3,226,238	523,888	530,850
	3,269,059	583,185	623,379
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>(37,572)</b>	<b>(14,388)</b>	<b>(30,868)</b>
<b>NET CURRENT ASSETS</b>	<b>3,231,487</b>	<b>568,797</b>	<b>592,511</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>4,139,798</b>	<b>996,850</b>	<b>1,066,975</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Investment in Argentinean joint venture:			
– Share of gross assets	—	—	17,125
– Share of gross liabilities	—	—	(56,397)
	—	—	(39,272)
Provisions	(28,270)	—	(27,492)
	(28,270)	—	(66,764)
<b>NET ASSETS</b>	<b>4,111,528</b>	<b>996,850</b>	<b>1,000,211</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	1,345,389	960,253	1,047,073
Share premium account	3,965,845	165,701	249,111
Profit and loss account	(1,199,706)	(129,104)	(295,973)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	<b>4,111,528</b>	<b>996,850</b>	<b>1,000,211</b>

## Notes

This report is prepared on the basis of the accounting policies set out in the most recent set of annual financial statements.

The report was approved by the Board of Directors on 30 June 2003.

The comparative figures for the year ended 30 September 2002 are not the Group's statutory accounts for the financial year. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.