Gulf International Minerals Ltd.

Consolidated Financial Statements for the year ended

31 December 2010

Gulf International Minerals Ltd.
Directors' Report

The directors present their report and accounts for the year ended 31 December 2010.

Principal activities and review of the business
The group is engaged in the acquisition, exploration and development of gold mineral properties. Its trading activities are based mainly in the Republic of Tajikistan. The group also holds mining claims in British Columbia in respect of exploration work undertaken in previous years.

The company has been through difficult times since the Autumn of 2004 when the company ran out of cash and was unable to pay its salaries. In February 2006 the company was delisted from the Toronto Stock Exchange.
Its main subsidiary, Joint Tajik-Canadian LLC, Aprelevka has continued to trade throughout the period under local management. The group has not been able to provide the subsidiary with Western expertise in order to develop the business. It has, however, been able to repay holding company loans which has allowed the holding company to meet its creditor payments.

RISKS AND UNCERTAINTIES

General risks
The operations of the Group may be disrupted by a variety of risk and hazards which are beyond the control of the company, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, explosions and other acts of God.

Gold prices
The market price of gold can be volatile and is affected by numerous factors which are beyond the Group's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events, as well as a range of other market forces.

Governmental regulations and general political risks
The Group's intended exploration activities will be dependent upon the grant and maintenance of appropriate licences, concessions, leases, permits and regulatory consents which could subsequently be withdrawn or made subject to limitations. There can also be no assurance that they will be renewed.
Existing political conditions are subject to the introduction of new legislation, amendments to existing legislation, or the interpretation of those laws by the Tajikistan government .
These risks are mitigated through good communication procedures with the relevant authorities in Tajikistan

Currency risk
Currency fluctuations may affect the cash flow that the Company may realise from its operations, as mineral production is usually sold in the world market in US Dollars. Certain costs to the Company are likely to be denominated in currencies other than US Dollars, for example Pounds Sterling and Tajikistan Somoni.

RESULTS AND DIVIDENDS
The profit for the year amounted to C$556,945 (2009: loss of C$1,125,611).
The directors do not recommend the payment of a dividend (2009: nil).

Gulf International Minerals Ltd.
Directors' Report

Directors

The directors who held office during the year and their interests, as defined by the Companies Act, in the shares of the company at the beginning and end of the year were as follows:

	Number of shares held
Oliver Vaughan	
Lloyd Lamont Gordon	3,475,000
Robin Woodbine-Parish	150,000

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board on…………………

………………………………
Oliver Vaughan
Director

Registered Office
2900-550 Burrard Street
Vancouver
British Columbia
V6C 0AR

Gulf International Minerals Ltd.
Statement of Directors' Responsibilities

The directors are responsible for preparing the report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006. 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.

Gulf International Minerals Ltd.
Independent auditors' report
to the shareholders of Gulf International Minerals Ltd.

We have audited the accounts of Gulf International Minerals Ltd. for the year ended 31 December 2010 which comprise the Group Profit and Loss Account, the Group Balance Sheet, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Section 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the 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 explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the accounts.

Opinion on the accounts: disclaimer on view given by the financial statements and disagreement about accounting treatment:

The audit evidence available to us was limited because of the following:

- Our appointment as auditors was confirmed on 7 January 2011. Consequently, we were unable to observe the counting of the physical stock at 31 December 2010 with a carrying value of C$5,837,449 or physically verify the fixed assets with a carrying value of C$7,863,206. Due to this limitation placed by the directors on the scope of our work , we were unable to obtain sufficient appropriate evidence regarding the stock quantities and hence the valuation included in the accounts, or to undertake fixed asset verification, by using other audit procedures.
- Exploration expenditure deferred in the year is included as an intangible asset in the accounts. We have not been able to obtain appropriate evidence to support the nature of the costs deferred or to audit the amortisation policy in respect of such deferred costs. Consequently, intangible assets amounting to C$367,707 cannot be verified.
- At 1 January 2010 the subsidiary company Joint Tajik-Canadian LLC, revalued its fixed assets on the basis of a government directive. We have not obtained adequate audit evidence for the basis of this revaluation.
- Included in fixed asset investments at the year end is an amount of C$107,547 in respect of contributions to assist with construction of a new power station in Tajikistan. This was a requirement imposed on the company by the government. It has not been possible to verify the carrying value of this investment at the year end. A full provision against the carrying value of this investment would reduce the profit and net assets of the company by C$107,547.
- Group loans outstanding at 31 December 2010 amounting to C$1,770,109 fall due for repayment within the next twelve months. At the year end, the group does not have the finance available to meet these liabilities as they fall due. Since the year end, the directors have obtained an offer for the shares in its wholly owned subsidiary Gulf International Minerals Limited which holds the group's 49% interest in the Joint Tajik-Canadian LLC, Aprelevka. In the directors' opinion the terms of the offer will enhance the prospects of the group's ability to realise a return on its investment. This offer is conditional upon the approval of the shareholders and other matters outside the control of the company and its directors. Notwithstanding the offer, the directors are unable to provide projections for the next twelve months which demonstrate an ability to continue to trade. Should approval not be obtained, the directors do not have alternative finance arrangements to meet the company's debt obligations.

These circumstances indicate a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements (and the notes thereto) do not disclose this fact and have been prepared on the going concern basis.

- Included in creditors at the subsidiary company, Joint Tajik-Canadian LLC Aprelevka, is a balance in respect of unpaid wages relating to prior years. We have not been able to establish the reasons for the existence, nor evidence to support the value of this liability. Should this balance not be payable, creditors would be overstated and the profit for the year would be understated by C$632,968.

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements:

- Give a true and fair of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception where the Companies Act 2006 requires us to report to you:

- Returns adequate for our audit have not been received from branches not visited by us;
- We were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made.

Emyr Evans
(Senior Statutory Auditor)
for and on behalf of Agincourt Ltd
Accountants and Statutory Auditors
……………………………………

9 Deryn Court
Pentwyn Business Centre
Wharfedale Road
Cardiff
CF23 7HA

Gulf International Minerals Ltd.
Consolidated Profit and Loss Account
for the year ended 31 December 2010
(stated in Canadian Dollars)

	Notes	2010	2009
Turnover	2	**16,203,468**	14,680,574
Cost of sales		**(13,459,002)**	(12,170,130)
Gross profit		**2,744,466**	2,510,444
Administrative expenses		**(2,868,533)**	(2,241,584)
Operating (loss)/profit		**(124,067)**	268,860
Exceptional items:			
Provision for diminution in value		**683,366**	(1,235,267)
Loss on sale of shares		**-**	(159,204)
		559,299	(1,125,611)
Interest payable	3	**(2,354)**	-
Profit/(loss) for the financial year		**556,945**	(1,125,611)
Attributable to:			
Minority interest		**(371,740)**	(353,820)
Members of the parent company		**928,685**	(771,791)
		556,945	(1,125,611)

Continuing operations
None of the company's activities were acquired or discontinued during the above two financial years.

Statement of total recognised gains and losses
The company has no recognised gains or losses other than the profit/(loss) for the above two financial years.

Gulf International Minerals Ltd.
Consolidated Balance Sheet
as at 31 December 2010
(stated in Canadian Dollars)

	Notes		2010		2009
Fixed assets					
Intangible assets	4		**367,707**		461,494
Tangible assets	5		**7,863,206**		4,287,773
Investments	6		**178,897**		71,350
			8,409,810		4,820,617
Current assets					
Stocks	7	**5,837,449**		5,117,024	
Debtors	8	**131,641**		150,430	
Cash at bank and in hand		**412,835**		757,494	
		6,381,925		6,024,948	
Creditors: amounts falling due within one year	9	**(5,344,396)**		(4,396,628)	
Net current assets			**1,037,529**		1,628,320
Total assets less current liabilities			**9,447,339**		6,448,937
Creditors: amounts falling due after more than one year	10		**(155,243)**		-
Net assets			**9,292,096**		6,448,937
Capital and reserves					
Called up share capital	11		**52,954,119**		52,954,119
Profit and loss account	12		**(49,131,760)**		(49,688,705)
			3,822,359		3,265,414
Minority Interest	13		**5,469,737**		3,183,523
Shareholders' funds	14		**9,292,096**		6,448,937

……………………………
Oliver Vaughan
Director
Approved by the board on

Gulf International Minerals Ltd.
Company Balance Sheet
as at 31 December 2010
(stated in Canadian Dollars)

	Notes		2010		2009
Fixed assets					
Tangible assets	5		**163,515**		163,414
Investments	6		**3,508,573**		5,508,573
			3,672,088		5,671,987
Current assets					
Stocks	7	**240,438**		253,583	
Debtors	8	**127,241**		67,787	
Cash at bank and in hand		**12,087**		603,888	
		379,766		925,258	
Creditors: amounts falling due within one year	9	**(2,611,538)**		(1,768,001)	
Net current liabilities			**(2,231,772)**		(842,743)
Total assets less current liabilities			**1,440,316**		4,829,244
Creditors: amounts falling due after more than one year	10		**(155,243)**		-
Net assets			**1,285,073**		4,829,244
Capital and reserves					
Called up share capital	11		**52,954,119**		52,954,119
Profit and loss account	12		**(51,669,046)**		(48,124,875)
Shareholders' funds	14		**1,285,073**		4,829,244

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Oliver Vaughan
Director
Approved by the board on

Gulf International Minerals Ltd.
Cash Flow Statement
for the year ended 31 December 2010
(stated in Canadian Dollars)

	Notes	2010	2009
Reconciliation of operating profit to net cash inflow from operating activities			
Operating (loss)/profit		**(124,067)**	268,860
Provision of diminution in value		**683,366**	(1,235,267)
Loss on sale of shares			(159,204)
(Increase)/decrease in stocks		**(720,425)**	2,237,553
Decrease in debtors		**18,789**	17,405
Increase/(decrease) in creditors		**604,512**	(2,809,191)
Increase/(decrease) in minority interest		**2,286,214**	(1,830,187)
Net cash inflow/(outflow) from operating activities		**2,748,389**	(3,510,031)

CASH FLOW STATEMENT

	Notes	2010	2009
Net cash inflow/(outflow) from operating activities		**2,748,389**	(3,510,031)
Returns on investments and servicing of finance			
Interest payable		**(72,354)**	-
Capital expenditure	15	**(3,589,193)**	2,991,268
		(913,158)	(518,763)
Financing - loans received		**1,001,333**	924,019
Increase in cash		**88,175**	405,256

Reconciliation of net cash flow to movement in net debt

	Notes	2010	2009
(Decrease)/increase in cash in the period		**(344,879)**	598,141
Decrease in debt and lease financing		**433,054**	127,715
Decrease in liquid resources		**-**	(320,600)
Change in net debt	16	**88,175**	405,256
Net funds/(net debt) at 1 January		**24,386**	(380,870)
Net funds at 31 December		**112,561**	24,386

Gulf International Minerals Ltd.
Notes to the Accounts
for the year ended 31 December 2010

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. They include the accounts of the Company's wholly owned subsidiaries and that of Aprelevka in which it has effective control.

All material inter-company transactions have been eliminated on consolidation.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Office and other equipment	20% straight line

Stocks

Stocks of gold and silver in process, and finished goods, are valued at lower of cost or net realisable value. Mine materials stock are valued at the lower of cost or net realisable value.

Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes.

Deferred tax is calculated at the tax rates which are expected to apply in the periods when the timing differences will reverse, and discounted to reflect the time value of money using rates based on the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with similar maturity dates.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Mineral Properties and Related Exploration Expenditures

The company records its interest in mineral properties at cost. Exploration expenditures relating to mineral properties are deferred until the properties are brought to commercial production or written off if abandoned. Carrying values are assessed annually and reduced where appropriate.

When a project achieves commercial production, the deferred exploration expenditures are amortised into operations over the estimated life of the mine. The amounts shown for mineral properties represent costs to date and do not necessarily reflect present or future values.

Gulf International Minerals Ltd.
Notes to the Accounts
for the year ended 31 December 2010

2 Turnover

Gold revenue is recognised upon shipment to third party gold refineries, when the sales price is fixed and title has passed to the customer.

3 Interest payable

	2010	2009
Bank loans	2,354	-

4 Intangible fixed assets

Deferred development expenditure:

Cost	
At 1 January 2010	461,494
Reclassification	(93,787)
At 31 December 2010	367,707
Net book value	
At 31 December 2010	367,707
At 31 December 2009	461,494

Amortisation balances and charge for the year were not identifiable and have not been included in the analysis above. Any amortisation charged in the year is assumed to be included within cost.

5 Tangible fixed assets - Group

	Total
Cost	
At 1 January 2010	9,455,854
Reclassification	3,575,433
At 31 December 2010	13,031,287
Depreciation	
At 1 January 2010	5,168,081
At 31 December 2010	5,168,081
Net book value	
At 31 December 2010	7,863,206
At 31 December 2009	4,287,773

Tangible fixed assets - Company

	Total
Cost	
At 1 January 2010	163,414
Reclassification	101
At 31 December 2010	163,515
Net book value	
At 31 December 2010	163,515
At 31 December 2009	163,414

The analysis of fixed assets by category is not readily available and has not been reproduced above.

Also, the depreciation charge for the year is unknown and not separately identifiable. It is assumed that the accumulated depreciation together with the charge for the year is included within the cost values included above.

6 Investments-company

	Subsidiary companies	Other investments	Total
Cost			
At 1 January 2010	5,437,223	71,350	5,508,573
Additions	-	-	-
Provision for diminution in value	-2,000,000	-	-2,000,000
At 31 December 2010	3,437,223	71,350	3,508,573

The company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
The Joint Tajik-Canadian Limited Liability Company-Aprelevka	Tajikistan	Statute Fund	49
Gulf Tajik Services Limited	Cyprus	Ordinary	100
Gulf International Minerals Limited	England/Wales	Ordinary	100

The aggregate share capital and reserves and profit/(loss) for the year of the subsidiaries were as follows:

	Aggregate share capital and reserves	Profit/(loss)
The Joint Tajik-Canadian Limited Liability Company-Aprelevka	11,453,878	756,112
Gulf Tajik Services Limited	117,863	(20,883)
Gulf International Minerals Limited	(10,022)	772

Investments-group	**2010**	**2009**
Unlisted investments	178,897	71,350

This balance represents acquisition costs and deferred exploration costs for the Company's Canadian mineral properties which are located in the Iskut River area, Liard Mining Division of the Province of British Columbia. The addition in the year represents the Jt Tajik-Canadian LLC Aprelevka's investment in a local power station as directed by the Government of the Republic of Tajikistan.

7 Stocks - Group	**2010**	**2009**
Raw materials and goods for resale	5,837,449	5,117,024

Stocks - Company	**2010**	**2009**
Raw materials and goods for resale	240,438	253,583

8 Debtors - Group	**2010**	**2009**
Trade debtors	25,618	38,480
Other debtors	38,236	44,163
Reclamation and security bonds	45,649	45,649
Rent deposit	22,138	22,138
	131,641	150,430

Debtors - Company	**2010**	**2009**
Amounts owed by group undertakings and undertakings in which the company has a participating interest	39,612	-
Other debtors	19,842	-
Reclamation and security bonds	45,649	45,649
Rent deposit	22,138	22,138
	127,241	67,787

9	**Creditors: amounts falling due within one year - Group**	**2010**	**2009**
	Bank loans (see Note B below)	300,274	733,108
	Convertible loan notes (see Note A below)	1,000,000	600,000
	Other loans	770,109	324,019
	Trade creditors	1,267,066	1,081,684
	Other creditors	847,766	908,675
	Accruals and deferred income	398,340	275,070
	Net wages	632,968	474,072
	Advance payments from customers	127,873	-
		5,344,396	4,396,628

Creditors: amounts falling due within one year - Company	**2010**	**2009**
Convertible loan notes (see Note A below)	1,000,000	600,000
Other loan	770,109	324,019
Trade creditors	113,424	134,516
Amounts owed to group undertakings and undertakings in which the company has a participating interest	-	138,783
Other creditors	728,005	570,683
	2,611,538	1,768,001

Note A - The convertible loan notes were issued on 4 December 2009 at par value. The notes are convertible into common shares of the company at any time between the date of issue of the notes and the date of redemption which was extended by one year to 31 December 2011 on 31 December 2010. The loan notes attract interest at 7%pa on a daily basis until redemption. The loan notes are also secured on the future profits generated from the Inel Claims and all the rights, entitlements and interests in these claims.

Note B - Bank loans are secured on the various plant and equipment of the Joint Tajik-Canadian LLC.

10	**Creditors: amounts falling due after one year - Group**	**2010**	**2009**
	Convertible loan notes (see Note C - below)	155,243	-

Creditors: amounts falling due after one year - Company	**2010**	**2009**
Convertible loan notes (see Note C - below)	155,243	-

Note C - The convertible loan notes were issued on 30 July 2010 at par value. The loan notes are interest free until redemption on 31 December 2020. The terms of the loan notes also state that in the event of a sale of the Group interest in the Jt Tajik-Canadian LLC, Aprelevka, an additional payment of £500,000 would be payable on the redemption of the loan notes.

Gulf International Minerals Ltd.
Notes to the Accounts
for the year ended 31 December 2010

11	**Share capital**	**2010 No**	**2009 No**	**2010**	**2009**
	Allotted Common Shares	126,237,667	126,237,667	52,954,119	52,954,119

12	**Profit and loss account**	**2010**
	At 1 January 2010	(49,688,705)
	Profit for the financial year	556,945
	At 31 December 2010	(49,131,760)

13	**Minority interest**	**2010**	**2009**
	Balance brought forward	(3,183,523)	(5,013,710)
	Loss attributable to minority interest	(2,286,214)	1,830,187
	Balance carried forward	(5,469,737)	(3,183,523)

14	**Reconciliation of movement in shareholders' funds**	**2010**	**2009**
	At 1 January	6,448,937	9,404,735
	Profit/(loss) for the financial year	556,945	(1,125,611)
	Loss attributable to minority interest	2,286,214	(1,830,187)
	At 31 December	9,292,096	6,448,937

15	**Gross cash flows**	**2010**	**2009**
	Capital expenditure		
	Payments to acquire intangible fixed assets	93,787	417,076
	Payments to acquire tangible fixed assets	(3,575,433)	2,574,192
	Payments to acquire investments	(107,547)	-
		(3,589,193)	2,991,268

16 Analysis of changes in net debt

	At 1 Jan 2010	Cash flows	At 31 Dec 2010
Cash at bank and in hand	757,494	(344,659)	412,835
Debt due within 1 year	(733,108)	432,834	(300,274)
Total	24,386	88,175	112,561

17 Contingent liabilities

Environmental obligations.

As substantially all tailings and old mine workings relate to the previous mining operations undertaken by the Government of Tajikistan, at Aprelevka, there is uncertainty as to the extent, if any, of remedial work which might be required at the end of the current mine life. Discussions with Government indicate that strategically they might require the sites to remain unattended. As a result no provision for reclamation has been made to date.