Gulf International Minerals Ltd.

Consolidated Financial Statements for the year ended

31 December 2005

Gulf International Minerals Ltd.
Directors' Report

The directors present their report and accounts for the year ended 31 December 2005.

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maintenance of appropriate licences, concessions, leases, permits and regulatory consents which could subsequently be withdrawn or made subject to limitations.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 loss for the year after taxation amounted to C$16,931,453 (2004: C$5,878,169).
The directors do not recommend the payment of a dividend (2004: 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
John F Gillan (resigned 7 September 2009)	7,000
Oliver Vaughan	
Lloyd Lamont Gordon	3,475,000
Robin Woodbine-Parish	150,000

Disclosure of information to auditors
So far as each director at the date of approval of this report is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are 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). The accounts are required by law to 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 proper accounting records that 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 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.

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 2005 which comprise the Group Profit and Loss Account, the Group and company Balance Sheet, the Group Cash Flow Statement and the related notes. These accounts have been prepared under 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 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

The directors' responsibilities for preparing the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts.

In addition we report to you if, in our opinion, 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 directors' remuneration and other 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. However, the 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 2005 with a carrying value of C$2,834,890 or physically verify the fixed assets with a carrying value of C$6,987,148. 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$4,061,722 cannot be verified.

- In respect of the subsidiary company, Joint Tajik-Canadian LLC Aprelevka, we have been informed by the holding company directors that the detailed accounting records to support the accounts for the year no longer exist. This significant limitation placed by the directors on the scope of our work , has not enabled us to carry out appropriate audit procedures on the accounts of the subsidiary for the year ended 31 December 2005.

- 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 and the loss for the year would be overstated by 363,536.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion on the accounts: disclaimer on view given by the financial statements:

Because of the potential significance, to the accounts, of the combined effect of the limitation in evidence available to us as referred to above, we were unable to form an opinion as to whether the financial statements:

- Give a true and fair view of the state of the group and the company's affairs as at 31 December 2005 and of its loss for the year then ended;
- Have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the limitation of our work referred to above:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- We were unable to determine whether proper accounting records have been maintained.

Notwithstanding our disclaimer of an opinion on the financial statements, in our opinion the information given in the Directors' Report is consistent with the financial statements.

Agincourt, Chartered Accountants
Registered 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 2005
(stated in Canadian Dollars)

	Notes	2005	2004
Turnover	2	8,766,992	2,339,348
Cost of sales		(7,452,167)	(3,579,687)
Gross profit/(loss)		1,314,825	(1,240,339)
Administrative expenses		(2,168,656)	(4,147,997)
Other operating income		219	-
Operating loss		(853,612)	(5,388,336)
Exceptional items:			
Provision for diminution in value		(15,902,087)	-
Cost of share issue written off		(184,120)	
		(16,939,819)	(5,388,336)
Share in loss in Aprelevka		-	(631,346)
Interest receivable		9,412	141,513
Interest payable	3	(1,046)	-
Loss for the year		(16,931,453)	(5,878,169)
Attributable to:			
Minority interest		(17)	(522,509)
Members of the parent company		(16,931,436)	(5,355,660)
		(16,931,453)	(5,878,169)

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 loss for the above two financial years.

Gulf International Minerals Ltd.
Consolidated Balance Sheet
as at 31 December 2005
(stated in Canadian Dollars)

	Notes		2005		2004
Fixed assets					
Intangible assets	4		4,061,722		2,574,947
Tangible assets	5		6,987,148		117,612
Investments	6		71,350		21,465,170
			11,120,220		24,157,729
Current assets					
Stocks	7	2,834,890		2,428,342	
Debtors	8	1,106,751		608,073	
Cash at bank and in hand		74,912		1,437,617	
		4,016,553		4,474,032	
Creditors: amounts falling due within one year	9	(4,024,948)		(1,458,758)	
Net current (liabilities)/assets			(8,395)		3,015,274
Net assets			**11,111,825**		**27,173,003**
Capital and reserves					
Called up share capital	10		52,954,119		49,550,128
Share premium	11		-		1,689,738
Profit and loss account	12		(47,277,323)		(30,345,870)
			5,676,796		20,893,996
Minority interest	13		5,435,029		6,279,007
Shareholders' funds	14		**11,111,825**		**27,173,003**

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

Gulf International Minerals Ltd.
Company Balance Sheet
as at 31 December 2005
(stated in Canadian Dollars)

	Notes		2005		2004
Fixed assets					
Tangible assets	5		154,704		
Investments	6		5,508,573		
			5,663,277		-
Current assets					
Stocks	7	137,475			
Debtors	8	1,123,415			
Cash at bank and in hand		47,794			
		1,308,684		-	
Creditors: amounts falling due within one year	9	(595,094)			
Net current assets			713,590		-
Net assets			**6,376,867**		**-**
Capital and reserves					
Called up share capital	10		52,954,119		
Share premium	11		-		
Profit and loss account	12		(46,577,252)		
Shareholders' funds	14		**6,376,867**		**-**

Note; accounting information in respect of the comparatives for 2004 were unavailable and have therefore not been included in the balance sheet above.

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

Gulf International Minerals Ltd.
Consolidated Cash Flow Statement
for the year ended 31 December 2005
(stated in Canadian Dollars)

	Notes	2005
Reconciliation of operating profit to net cash inflow from operating activities		
Operating loss		(16,939,819)
Provision for diminution in value		15,956,597
Increase in stocks		(406,548)
Increase in debtors		(498,678)
Increase in creditors		2,566,190
Increase/(decrease) in minority interest		(843,978)
Net cash outflow from operating activities		(166,236)
CASH FLOW STATEMENT		
Net cash outflow from operating activities		(166,236)
Returns on investments and servicing of finance	15	8,366
Capital expenditure	15	(2,919,088)
		(3,076,958)
Financing	15	1,714,253
Decrease in cash		**(1,362,705)**
Reconciliation of net cash flow to movement in net debt		
Decrease in cash in the period		(1,362,705)
Change in net debt	16	**(1,362,705)**
Net funds at 1 January		1,437,617
Net funds at 31 December		74,912

2004 comparatives are not reproduced above as the analysis necessary to compare with 2005 is not available.

Gulf International Minerals Ltd.
Consolidated Notes to the Accounts
for the year ended 31 December 2005
(stated in Canadian Dollars)

1 Accounting policies

Accounting convention

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 the JointTajik-Canadian LLC,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 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.

Deferred development costs

Deferred costs relating to mine development are capitalised and are amortised over the time based on mining rate of recoverable ore.

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.

(stated in Canadian Dollars)

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

	2005	2004
Bank loans	1,046	-

4 Intangible fixed assets - Group

Deferred development costs

Cost	
At 1 January 2005	2,574,947
Reclassification	1,486,775
At 31 December 2005	4,061,722
Net book value	
At 31 December 2005	4,061,722
At 31 December 2004	2,574,947

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

5 Tangible fixed assets - Group

	Total
Cost	
At 1 January 2005	173,650
Reclassification	6,869,536
At 31 December 2005	7,043,186
Depreciation	
At 1 January 2005	56,038
At 31 December 2005	56,038
Net book value	
At 31 December 2005	6,987,148
At 31 December 2004	117,612

(stated in Canadian Dollars)

Tangible fixed assets - Company

	Total
Cost	
At 1 January 2005	154,704
At 31 December 2005	154,704
Net book value	
At 31 December 2005	154,704
At 31 December 2004	154,704

The reclassification of fixed assets above arises as a result of consolidating the group assets under each category in 2005. This was previously included in the Investment note in 2004.

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.

Comparative figures for the company are unavailable.

6 Investments-company

	Investments in subsidiary undertakings £	Other investments £	Total £
Cost			
At 1 January 2005	21,393,820	71,350	21,465,170
Provision for diminution in value	(15,956,597)	-	(15,956,597)
At 31 December 2005	**5,437,223**	**71,350**	**5,508,573**

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 International Minerals (Jersey) Limited	Jersey	Ordinary	100
Greenback Procurement Limited	England and Wales	Ordinary	100
Gulf Tajik Services Limited	Cyprus	Ordinary	100

(stated in Canadian Dollars)

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	10,656,886	55,870
Gulf International Minerals (Jersey) Limited	(50,876)	(21,923)
Greenback Procurement Limited	(384,680)	(227,472)
Gulf Tajik Services Limited	(49,150)	(53,757)

Investments-group	**2005**	**2004**
Mineral properties and related deferred exploration	71,350	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.

7 Stocks - Group	**2005**	**2004**
Raw materials and goods for resale	2,834,890	2,428,342

Stocks - Company	**2005**
Raw materials and goods for resale	137,475
	137,475

Comparative figures for the company are unavailable.

8 Debtors - Group	**2005**	**2004**
Trade debtors	386,424	540,286
Other debtors	420,558	-
Prepayments and accrued income	15,371	-
Reclamation and security bonds	45,649	45,649
Rent deposit	41,275	22,138
Payments in advance	197,474	-
	1,106,751	608,073

(stated in Canadian Dollars)

Debtors - Company	**2005**
Amounts owed by group undertakings and undertakings in which the company has a participating interest	1,055,625
Other debtors	3
Reclamation and security bonds	45,649
Rent deposit	22,138
	1,123,415

The company holds term deposits which are pledged as reclamation and security bonds with the British Columbia Ministry of Mines.

Comparative figures for the company are unavailable.

9 Creditors: amounts falling due within one year - Group	**2005**	**2004**
Trade creditors	2,066,746	1,458,758
Bank loans (see note below)	658,263	-
Other creditors	899,463	-
Accruals and deferred income	36,940	-
Net wages	363,536	-
	4,024,948	1,458,758

Creditors: amounts falling due within one year - Company	**2005**
Trade creditors	85,835
Other creditors	509,259
	595,094

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

Comparative figures for the company are unavailable.

10 Share capital

	2005 No	**2004 No**	**2005**	**2004**
Allotted Common Shares	126,237,667	108,477,167	52,954,119	49,550,128

On 17 March 2005, 17,750,000 shares were issued at $0.10 per share. Total gross proceeds received amounted to $1,750,000

Gulf International Minerals Ltd.
Consolidated Notes to the Accounts
for the year ended 31 December 2005
(stated in Canadian Dollars)

11 Share premium

	2005
At 1 January 2005	1,689,738
Expenses of issue	(1,689,738)
At 31 December 2005	-

12 Profit and loss account

	2005
At 1 January	(30,345,870)
Loss for the financial year	(16,931,453)
At 31 December 2005	(47,277,323)

13 Minority Interest

	2005	2004
Balance brought forward	(6,279,007)	(10,479,636)
Loss of Aprelevka attributable to minority interest	843,978	522,509
Receivable from minority interest	-	3,678,120
Balance carried forward	(5,435,029)	(6,279,007)

14 Reconciliation of movement in shareholders' funds

	2005	2004
At 1 January	27,173,003	34,402,104
Loss for the financial year	(16,931,453)	(5,355,660)
Shares issued	1,777,253	2,390,188
Shares redeemed	(63,000)	(63,000)
Loss of Aprelevka attributable to minority interest	(843,978)	(522,509)
Receivable from minority interest	-	(3,678,120)
At 31 December	11,111,825	27,173,003

Gulf International Minerals Ltd.
Consolidated Notes to the Accounts
for the year ended 31 December 2005
(stated in Canadian Dollars)

15 Gross cash flows

	2005
Returns on investments and servicing of finance	
Interest received	9,412
Interest paid	(1,046)
	8,366
Capital expenditure	
Payments to acquire intangible fixed assets	(1,486,775)
Payments to acquire tangible fixed assets	(6,869,536)
Receipts from sales of investments	5,437,223
	(2,919,088)
Financing	
Issue of share capital	3,466,991
Redemption of share capital	(63,000)
Expenses paid in connection with share issue	(1,689,738)
	1,714,253

16 Analysis of changes in net debt

	At 1 Jan 2005	Cash flows	At 31 Dec 2005
Cash at bank and in hand	1,437,617	(1,362,705)	74,912
Total	1,437,617	(1,362,705)	74,912

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.