Gulf International Minerals Ltd.

Consolidated Financial Statements for the year ended

31 December 2009

Gulf International Minerals Ltd.
Directors' Report

The directors present their report and accounts for the year ended 31 December 2009.

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maintenance of appropriate licences, concessions, leases, permits and regulatory consents which could subsequently be withdrawn or made subject to limitations.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$1,125,611 (2008: profit C$45,266).

The directors do not recommend the payment of a dividend (2008: 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)	7000
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 2009 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:

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 2009 with a carrying value of C$5,117,024 or physically verify the fixed assets with a carrying value of C$4,287,773. 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$461,494 cannot be verified.

- 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 C$474,072.

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 2009 and of its loss 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 2009
(stated in Canadian Dollars)

	Notes	2009	2008
Turnover	2	14,680,574	12,079,047
Cost of sales		(12,170,130)	(11,007,576)
Gross profit		2,510,444	1,071,471
Administrative expenses		(2,241,584)	(1,555,098)
Operating profit/(loss)	3	268,860	(483,627)
Exceptional items:			
Provision for diminution in value		(1,235,267)	609,113
Loss on sale of shares		(159,204)	(80,054)
		(1,125,611)	45,432
Interest payable	4	-	(166)
(Loss)/profit for the year		(1,125,611)	45,266
Attributable to:			
Minority interest		(353,820)	280,274
Members of the parent company		(771,791)	(235,008)
		(1,125,611)	45,266

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 for the above two financial years.

Gulf International Minerals Ltd.
Consolidated Balance Sheet
as at 31 December 2009
(stated in Canadian Dollars)

	Notes		2009		2008
Fixed assets					
Intangible assets	5		461,494		878,570
Tangible assets	6		4,287,773		6,861,965
Investments	7		71,350		71,350
			4,820,617		7,811,885
Current assets					
Stocks	8	5,117,024		7,354,577	
Debtors	9	150,429		167,835	
Investments held as current assets	10	-		320,600	
Cash at bank and in hand		757,494		163,871	
		6,024,947		8,006,883	
Creditors: amounts falling due within one year	11	(4,396,627)		(6,414,033)	
Net current assets			1,628,320		1,592,850
Net assets			6,448,937		9,404,735
Capital and reserves					
Called up share capital	12		52,954,119		52,954,119
Profit and loss account	13		(49,688,705)		(48,563,094)
			3,265,414		4,391,025
Minority Interest	14		3,183,523		5,013,710
Shareholders' funds	15		6,448,937		9,404,735

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Oliver Vaughan
Director
Approved by the board on

Gulf International Minerals Ltd.
Company Balance Sheet
as at 31 December 2009
(stated in Canadian Dollars)

	Notes		2009		2008
Fixed assets					
Tangible assets	6		163,414		242,947
Investments	7		5,508,573		5,508,573
			5,671,987		5,751,520
Current assets					
Stocks	8	253,583		377,000	
Debtors	9	67,787		554,155	
Investments held as current assets	10			320,600	
Cash at bank and in hand		603,888		17	
		925,258		1,251,772	
Creditors: amounts falling due within one year	11	(1,768,001)		(913,184)	
Net current (liabilities)/assets			(842,743)		338,588
Net assets			4,829,244		6,090,108
Capital and reserves					
Called up share capital	12		52,954,119		52,954,119
Profit and loss account	13		(48,124,875)		(46,864,011)
Shareholders' funds	15		4,829,244		6,090,108

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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 2009
(stated in Canadian Dollars)

	Notes	2009	2008
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit/(loss)		268,860	(483,627)
Loss on sale of shares		(159,204)	(80,054)
Provision for diminution in value		(1,235,267)	609,113
Decrease/(increase) in stocks		2,237,553	(2,258,954)
Decrease in debtors		17,405	306,558
Increase/(decrease) in creditors		(2,809,191)	2,199,355
Increase/(decrease) in minority interest		(1,830,187)	895,555
Net cash inflow from operating activities		(3,510,031)	1,187,946

	Notes	2009	2008
CASH FLOW STATEMENT			
Net cash inflow from operating activities		(3,510,031)	1,187,946
Returns on investments and servicing of finance			
Interest payable		-	(166)
Capital expenditure	16	2,991,268	(1,436,133)
		(518,763)	(248,353)
		(518,763)	(248,353)
Financing - loans received		924,019	-
Increase/(decrease) in cash		405,256	(248,353)

	Notes	2009	2008
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		598,141	147,674
Decrease/(increase) in debt and lease financing		127,715	(236,027)
Decrease in liquid resources		(320,600)	(160,000)
Change in net debt	17	405,256	(248,353)
Net debt at 1 January		(380,870)	(132,517)
Net funds/(net debt) at 31 December		24,386	(380,870)

Gulf International Minerals Ltd.
Notes to the Accounts
for the year ended 31 December 2009

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 2009

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 Operating profit

	2009	2008
This is stated after charging:		
Depreciation of owned fixed assets	19,718	13,925

4 Interest payable

	2009	2008
Bank loans	-	166

5 Intangible fixed assets

Deferred development costs

Cost	
At 1 January 2009	878,570
Reclassification	(417,076)
At 31 December 2009	461,494
Net book value	
At 31 December 2009	461,494
At 31 December 2008	878,570

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 cost.

6 Tangible fixed assets - Group

	Total
Cost	
At 1 January 2009	12,030,046
Reclassification	(2,574,192)
At 31 December 2009	9,455,854
Depreciation	
At 1 January 2009	5,168,081
At 31 December 2009	5,168,081
Net book value	
At 31 December 2009	4,287,773
At 31 December 2008	6,861,965

Tangible fixed assets - Company

	Total
Cost	
At 1 January 2009	242,947
Reclassification	(79,533)
At 31 December 2009	163,414
Net book value	
At 31 December 2009	163,414
At 31 December 2008	242,947

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.

7 Investments-company

	Subsidiary investments	Other investments	**Total**
Cost			
At 1 January 2009	5,437,223	71,350	5,508,573
At 31 December 2009	**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 Tajik Services Limited	Cyprus	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	6,935,967	1,001,608
Gulf Tajik Services Limited	(102,392)	(12,984)

Investments-Group	**2009**	**2008**
Unlisted investments	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.

Gulf International Minerals Ltd.
Notes to the Accounts
for the year ended 31 December 2009

8	**Stocks - Group**	**2009**	**2008**
	Raw materials and goods for resale	5,117,024	7,354,577
	Stocks - Company	**2009**	**2008**
	Raw materials and goods for resale	253,583	377,000
9	**Debtors - Group**	**2009**	**2008**
	Trade debtors	38,480	45,522
	Other debtors	44,162	54,526
	Reclamation and security bonds	45,649	45,649
	Rent deposit	22,138	22,138
		150,429	167,835
	Debtors - Company	**2009**	**2008**
	Amounts owed by group undertakings and undertakings in which the company has a participating interest	-	486,368
	Reclamation and security bonds	45,649	45,649
	Rent deposit	22,138	22,138
		67,787	554,155
10	**Investments held as current assets**	**2009**	**2008**
	Listed investments	-	320,600

11 Creditors: amounts falling due within one year - Group	**2009**	**2008**
Bank loans (see Note B below)	733,108	865,341
Convertible loan notes (see Note A below)	600,000	-
Other loans	324,019	-
Trade creditors	1,081,684	2,520,433
Other creditors	908,675	1,457,961
Accruals and deferred income	275,069	216,911
Net wages	474,072	820,863
Advance payments from customers	-	532,524
	4,396,627	6,414,033

Creditors: amounts falling due within one year - Company	**2009**	**2008**
Convertible loan notes (see note A below)	600,000	-
Other loans	324,019	-
Trade creditors	134,516	73,714
Amounts owed to group undertakings and undertakings in which the company has a participating interest	138,783	-
Other creditors	570,683	809,628
Net wages	-	29,842
	1,768,001	913,184

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.

12 Share capital	**2009 No**	**2008 No**	**2009**	**2008**
Allotted Common Shares	126,237,667	126,237,667	52,954,119	52,954,119

13 Profit and loss account	**2009**
At 1 January 2009	(48,563,094)
Loss for the financial year	(1,125,611)
At 31 December 2009	(49,688,705)

14 Minority interest

	2009	2008
Balance brought forward	(5,013,710)	(4,118,155)
Loss attributable to minority interest	1,830,187	(895,555)
Total Minority Interest	(3,183,523)	(5,013,710)

15 Reconciliation of movement in shareholders' funds

	2009	2008
At 1 January	9,404,735	8,463,914
(Loss)/profit for the financial year	(1,125,611)	45,266
Loss attributable to minority interest	(1,830,187)	895,555
At 31 December	6,448,937	9,404,735

16 Gross cash flows

	2009	2008
Capital expenditure		
Payments to acquire intangible fixed assets	417,076	(65,955)
Payments to acquire tangible fixed assets	2,574,192	(1,370,178)
	2,991,268	(1,436,133)

17 Analysis of changes in net debt

	At 1 Jan 2009	Cash flows	At 31 Dec 2009
Cash at bank and in hand	163,871	593,623	757,494
Debt due within 1 year	(865,341)	132,233	(733,108)
Current asset investments	320,600	(320,600)	-
Total	(380,870)	405,256	24,386

18 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.