

**Canadian International Minerals Inc.**

**Financial Statements**

**Year ended March 31, 2010**

**in Canadian dollars**

**Auditors' Report**

**To the Shareholders of  
Canadian International Minerals Inc.**

We have audited the balance sheets of Canadian International Minerals Inc. as at March 31, 2010 and 2009, and the statements of operations, comprehensive loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 disclosure in these 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 financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**Vancouver, Canada  
June 14, 2010**

***"MacKay LLP"*  
Chartered Accountants**

**Canadian International Minerals Inc.**  
**Balance Sheets**  
**(in Canadian dollars)**

	March 31, 2010	March 31, 2009
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (note 4)	\$ 622,561	\$ 320,953
Interest and GST receivable	40,535	19,853
Prepaid expenses	5,159	1,431
	668,255	342,237
Resource properties (schedule 1) (note 5)	812,673	206,513
Equipment (note 6)	6,690	9,266
	\$ 1,487,618	\$ 558,016
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 50,099	\$ 48,905
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock		
Authorized		
Unlimited shares of no par value		
Issued and outstanding (note 7)	1,812,694	1,081,756
Contributed surplus (note 8)	742,124	134,558
Deficit	(1,117,299)	(707,203)
	1,437,519	509,111
	\$ 1,487,618	\$ 558,016

Nature of operations (note 1)  
 Commitments (note 10)  
 Subsequent events (note 14)

On behalf of the Board:

"Michael Schuss"  
 Chief Executive Officer

"Thomas Hasek"  
 Chief Financial Officer

**Canadian International Minerals Inc.**  
**Statements of Operations, Comprehensive Loss and Deficit**  
**(in Canadian dollars)**

	Year ended March 31, 2010	Year ended March 31, 2009
<b>Expenses</b>		
Amortization	\$ 2,576	\$ 1,502
Bank charges and interest	2,167	705
Consulting fees (note 9)	30,338	28,690
General exploration costs	17,562	14,084
Management and director's fees (note 9)	77,500	64,500
Office and general	22,363	24,846
Professional fees	85,970	93,315
Rent (note 9)	13,200	8,095
Shareholder liaison and promotion	65,332	7,815
Stock-based compensation (note 7)	134,870	134,558
Transfer agent and filing fees	24,794	19,088
Travel	33,470	24,137
Write off of resource properties (schedule 1, note 5)	66,200	-
<b>Total expenses</b>	<b>576,342</b>	<b>421,335</b>
<b>Other item</b>		
Interest income	-	5,085
	-	5,085
<b>Loss for the year before income taxes</b>	<b>(576,342)</b>	<b>(416,250)</b>
<b>Future income tax recovery (note 11)</b>	<b>166,246</b>	<b>-</b>
<b>Net and comprehensive loss for the year</b>	<b>(410,096)</b>	<b>(416,250)</b>
<b>Deficit, beginning of year</b>	<b>(707,203)</b>	<b>(290,953)</b>
<b>Deficit, end of year</b>	<b>\$ (1,117,299)</b>	<b>\$ (707,203)</b>
<b>Loss per share, basic and diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>
<b>Weighted average shares outstanding</b>	<b>19,014,683</b>	<b>9,475,457</b>

The accompanying notes form an integral part of these financial statements

**Canadian International Minerals Inc.**  
**Statements of Cash Flows**  
**(in Canadian dollars)**

	Year ended March 31, 2010	Year ended March 31, 2009
<b>Operating Activities</b>		
Net loss for the year	\$ (410,096)	\$ (416,250)
Items not involving cash		
Amortization	2,576	1,502
Stock-based compensation	134,870	134,558
Write off of resource properties	66,200	-
Future income tax recovery	(166,246)	-
Changes in non-cash working capital		
Interest and GST receivable	(20,682)	(12,168)
Prepaid expenses	(3,728)	31,436
Accounts payable and accrued liabilities	1,194	12,885
<b>Net cash used in operating activities</b>	<b>(395,912)</b>	<b>(248,037)</b>
<b>Financing Activities</b>		
Shares issued for cash	1,241,630	800,000
Share issue costs	-	(119,189)
<b>Net cash provided from financing activities</b>	<b>1,241,630</b>	<b>680,811</b>
<b>Investing Activities</b>		
Acquisition of equipment	-	(10,768)
Acquisition of resource properties	(200,636)	(73,034)
Deferred exploration costs	(343,474)	(30,232)
<b>Net cash used in investing activities</b>	<b>(544,110)</b>	<b>(114,034)</b>
<b>Change in cash and cash equivalents</b>	<b>301,608</b>	<b>318,740</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>320,953</b>	<b>2,213</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 622,561</b>	<b>\$ 320,953</b>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 576,561	\$ 24,953
Guaranteed investment certificates (Note 4)	46,000	296,000
	<b>\$ 622,561</b>	<b>\$ 320,953</b>

Supplemental cash flow information (Note 3)

**Canadian International Minerals Inc.  
Schedule of Resource Properties  
(in Canadian dollars)**

**Schedule 1**

**Year ended March 31, 2010**

	Copper Mountain Group	Lady Bug	Lanny Claims	Solar Silicon	Carbo Claims	Deadhorse Creek	Excelsior	Cinder Lake	Aley Kat & Big Mack	Total
Balance, beginning of year	\$ 71,285	\$ 10,534	\$ 8,499	\$ 68,695	\$ 47,500	\$ -	\$ -	\$ -	\$ -	\$ 206,513
Acquisition costs										
Cash	24,500	-	-	-	10,000	60,418	100,000	5,718	-	200,636
Shares	17,500	-	-	33,750	35,000	42,000	-	-	-	128,250
	42,000	-	-	33,750	45,000	102,418	100,000	5,718	-	328,886
Deferred exploration expenditures										
Exploration	29,861	1,000	-	1,085	347	18,877	-	28,132	8,036	87,338
Filing and other	4,197	-	-	833	-	19	-	622	-	5,671
Geological consulting	49,628	-	37,004	-	48,268	-	450	4,935	-	140,285
Survey	71,550	-	-	-	-	-	-	-	-	71,550
Technical report	-	-	-	-	18,357	-	-	-	-	18,357
Travel & accomodation	10,436	24	-	4,184	375	2,772	-	1,379	1,103	20,273
	165,672	1,024	37,004	6,102	67,347	21,668	450	35,068	9,139	343,474
Total	278,957	11,558	45,503	108,547	159,847	124,086	100,450	40,786	9,139	878,873
Write-offs	-	(11,558)	(45,503)	-	-	-	-	-	(9,139)	(66,200)
Balance, end of year	\$ 278,957	\$ -	\$ -	\$ 108,547	\$ 159,847	\$ 124,086	\$ 100,450	\$ 40,786	\$ -	\$ 812,673

**Year ended March 31, 2009**

	Copper Mountain	Lady Bug	Lanny Claims	Solar Silicon	Carbo Claims	Total
Balance, beginning of year	\$ 46,997	\$ -	\$ -	\$ -	\$ -	\$ 46,997
Acquisition costs						
Cash	-	10,534	7,500	45,000	10,000	73,034
Shares	-	-	-	18,750	37,500	56,250
	-	10,534	7,500	63,750	47,500	129,284
Deferred exploration expenditures						
Geological consulting	24,288	-	999	4,945	-	30,232
	24,288	-	999	4,945	-	30,232
Total	71,285	10,534	8,499	68,695	47,500	206,513
Write-offs	-	-	-	-	-	-
Balance, end of year	\$ 71,285	\$ 10,534	\$ 8,499	\$ 68,695	\$ 47,500	\$ 206,513

The accompanying notes form an integral part of these financial statements.

## 1. NATURE OF OPERATIONS

Canadian International Minerals Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on March 2, 2006. The Company is engaged in the acquisition and exploration of resource properties in Canada.

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

	March 31, 2010	March 31, 2009
Deficit	\$ (1,117,299)	\$ (707,203)
Working capital	\$ 618,156	\$ 293,332

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. A summary of the significant accounting policies are as follows:

### Cash and equivalents

Cash and cash equivalents include cash on deposit and highly liquid short-term interest bearing guaranteed investment certificates that are readily convertible to known amounts of cash. The Company is exposed to credit risk with respect to its cash and cash equivalents. However, the risk is minimized as they are held at a major Canadian Chartered Bank.

### Equipment

Equipment is stated at cost less accumulated amortization. Amortization is provided for using the declining-balance method at the following rates per annum:

Computer equipment	30%
Furniture and fixtures	20%

Amortization is recorded at one-half the normal rate in the year of acquisition.

### Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3840, "Related Party Transactions".

Subsequent to their initial recognition, financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in operations; financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization; financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in operations. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

## **2. SIGNIFICANT ACCOUNTING POLICIES continued**

The Company has designated its cash and cash equivalents as held-for-trading, which is measured at fair value with changes in fair value recorded in net income. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

### *Amendment to Financial Instruments - Disclosures*

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

See Note 13 for relevant disclosures.

### **Resource properties**

The Company records its interests in resource properties at cost. Where specific exploration programs are planned and budgeted by management, the cost of resource properties and related exploration expenditures are capitalized until the properties are placed into commercial production, sold, abandoned or determined by management to be impaired in value. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned.

The costs include the cash or other consideration paid and the fair value of shares issued, if any, on the acquisition of resource properties. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. For properties held jointly with other parties the Company only records its proportionate share of acquisition and exploration costs. The proceeds from options granted are deducted from the cost of the related property and any excess is deducted from other remaining capitalized property costs. The Company does not accrue estimated future costs of maintaining its resource properties in good standing.

Capitalized costs as reported on the balance sheet represent costs incurred to date and may not reflect actual, present, or future values. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the resource interests. It is reasonably possible, based on existing knowledge that changes in future conditions could require a change in the recognized amounts. Although the Company has taken steps to verify title to resource properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements. Some foreign jurisdictions are subject to political instability and laws and regulations regarding title to mineral properties could change significantly in the near future.

Management evaluates each resource interest on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to which costs are capitalized or charged as impairment charges. Write-downs due to impairment in value are charged to operations.

Resource property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties and general administrative expenses are charged to operations in the year in which they are incurred.

## **2. SIGNIFICANT ACCOUNTING POLICIES continued**

### **Impairment of long-lived assets**

Canadian generally accepted accounting principles require long-lived assets and intangibles held and used by the Company to be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized.

### **Asset retirement obligations**

Asset retirement obligations are recognized for the legal obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. An asset retirement obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value.

### **Stock-based compensation**

The Company follows the CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments, and accounts for all grants of options to employees, non-employees and directors in accordance with the fair value method for accounting for stock-based compensation. The fair value of stock-based compensation awards are calculated using the Black-Scholes option pricing model ("Black-Scholes"). Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate. Compensation expense is recognized in the statement of operations, with an offsetting credit to contributed surplus, over the vesting period. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. Forfeitures are accounted for as they occur.

The Company has a stock-based compensation plan. See Note 7(c) for details with respect to the fair value determination, including assumptions.

### **Basic and diluted loss per share**

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

### **Income taxes**

The Company uses the future income tax method of accounting for income taxes. Under this method, income taxes are recognized for the estimated income taxes payable for the current year and future 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 and loss carryforwards. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply when the asset is realized or 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.

### **Share issue costs**

The Company follows the CICA Handbook Section 3610, expenses related to the issue of capital, are excluded from the determination of net income and shown separately in the statement to which they relate. All costs relating to the issue of share capital are deducted from the proceeds of the share capital issued.

## **2. SIGNIFICANT ACCOUNTING POLICIES continued**

### **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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the determination of impairment of resource property interests and the determination of fair value for stock based transactions. Where estimates have been used financial results as determined by actual events could differ from those estimates.

### **Valuation of equity units issued in private placements**

The Company has adopted a pro rata method with respect to the measurement of shares and warrants issued as private placement units. The pro rata method required each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components.

The fair value of the common shares is based on the closing quoted bid price on the announcement date and the fair value of the common share purchase warrants is determined at the announcement date using the Black- Scholes pricing model. The fair value attributed to the warrants is recorded in warrants.

### **Adoption of new accounting standards**

Effective April 1, 2009, the Company adopted the following accounting standards updates issued by the CICA.

#### **Goodwill and Intangible Assets CICA Section 3064**

CICA Section 3064 Goodwill and Intangible Assets replaces Section 3062 Goodwill and Intangible Assets, and Section 3450 Research and Development Costs, which also resulted in amendments to related guidance contained in AcG-11 Enterprises in the Development Stage and Section 1000 Financial Statement Concepts. This new standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit orientated enterprises. The adoption of this standard had no impact on the Company's financial statements for fiscal 2010.

#### **Amendments to Financial Instruments Disclosures and Presentation – CICA Sections 3862**

Amendments to CICA Section 3862 Financial Instruments – Disclosures. These amendments are applicable to the Company's annual financial statements, requiring additional disclosure about fair value measurements of financial instruments and enhanced liquidity disclosure requirements for publically accountable enterprises. The disclosures required by these new standards are included in Note 13.

### **Credit risk and fair value of financial assets and financial liabilities**

In January 2009, the CICA approved EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated this new standard and determined that adoption of these new requirements had no impact on the Company's financial statements.

### **Recent Accounting Pronouncements**

The following accounting pronouncements are applicable to future reporting periods. The Company is currently evaluating the effects of adopting these standards:

#### **Business Combinations – CICA Section 1582**

The CICA issued Section 1582 Business Combinations, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. The adoption of the revised standard is expected to impact the Company's financial statements only to the extent that business combinations are entered into after the effective date.

**Canadian International Minerals Inc.**  
**Notes to Financial Statements**  
**March 31, 2010**  
**(in Canadian dollars)**

**2. SIGNIFICANT ACCOUNTING POLICIES continued**

Consolidation and Non-Controlling Interests – CICA Section 1601

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted.

The Company is required to adopt Sections 1582, 1601 and 1602 concurrently. At this time the Company does not anticipate adopting these sections prior to the adoption of IFRS and therefore does not expect any impact to the financial statements.

International financial reporting standards (“IFRS”)

In 2006, Canada’s Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The Company will adopt IFRS effective April 1, 2011 and will be required to restate, for comparative purposes, amounts reported by the Company for its year ended March 31, 2011. This initiative is in its early stages as of the date of these annual financial statements. Accordingly, it would be premature to assess the impact of the initiative on the Company at this time.

**3. SUPPLEMENTAL CASH FLOW INFORMATION AND NON-CASH TRANSACTIONS**

	2010	2009
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

The Company incurred non-cash financing and investing activities during the years ended March 31, 2010 and 2009 as follows:

	2010	2009
Non-cash financing activities		
Issue of share capital for:		
Resource properties	\$ 128,250	\$ 56,250
Corporate finance fee	-	8,000
Finders' fees	46,136	-
Share issue costs	(46,136)	(8,000)
	<u>\$ 128,250</u>	<u>\$ 56,250</u>
Non-cash investing activities		
Acquisition of resource properties	\$ (128,250)	\$ (56,250)

**4. GUARANTEED INVESTMENT CERTIFICATES**

The following non-transferable Bank of Montreal investment certificates have been classified as financial instruments held for trading and are accounted for at a fair value of \$46,000 (2009 - \$296,000).

	March 31, 2010	March 31, 2009
Guaranteed Investment Certificate due August 10, 2010, at cost bearing interest at prime rate less 2% per annum	\$ 46,000	\$ 46,000
Guaranteed Investment Certificate due June 22, 2009, at cost bearing interest at 2.50% per annum	-	250,000
	<u>\$ 46,000</u>	<u>\$ 296,000</u>

## **5. RESOURCE PROPERTIES**

### **(a) Copper Mountain Group**

#### **Copper Mountain**

The Company entered into two assignment of mineral title agreements on January 31, 2007. The first agreement was between Michael Schuss (CEO of the Company) and the Company. In consideration of \$10,000 Mr. Schuss assigned and transferred all rights, title and interest in seven claims. The second agreement between Larry Ralph Sostad and the Company assigned and transferred all rights, title and interest in two claims to the Company for consideration of \$6,000 which were written-off during the year ended March 31, 2008 due to unfavorable results. The area is located at the southern end of the Thompson Plateau, overlooking the Similkameen River Canyon 15 km from Princeton, British Columbia.

The Company has acquired a 100% interest in an additional 7 claims in the surveyed area, totalling 231.43 hectares, from a private individual for a total of \$7,000 (paid). Part of the group is also subject to a 2% NSR royalty.

#### **Lyn Property**

On September 1, 2009 the Company entered into an option agreement to purchase a 100% interest in the Lyn Property. The Lyn Property comprises 3 claims located approximately 10 km south of Princeton, British Columbia, in the Similkameen Mining Division.

The terms of the agreement are as follows:

- (1) the payment of \$5,000 (paid) on signing and \$5,000 on December 18, 2009 (paid); and
- (2) the issuance of 100,000 shares (issued at price of \$0.125 per share)

The Vendor will retain a 2% NSR royalty under standard industry terms.

#### **Hilltop Property**

On November 8, 2009 the Company entered into an option agreement to purchase a 100% interest in the Hilltop Property. The Hilltop Property comprises 4 claims located approximately 15 km south of Princeton, British Columbia, in the Similkameen Mining Division.

The terms of the agreement are as follows:

- (i) the payment of \$7,500 (paid)
- (ii) the issuance of 50,000 shares (issued at price of \$0.10 per share)

The Vendor will retain a 2% NSR royalty under standard industry terms.

### **(b) Lady Bug**

The Company acquired a 100% interest in mineral claims located in the Monashee region of east central British Columbia. The acquisition cost was \$10,000 paid to Michael Schuss (CEO of the Company) as a reimbursement of costs. The Company has decided not to proceed with any further work and has written off the costs of these claims.

### **(c) Lanny Claims**

The Company acquired a 100% interest in mineral claims located near Sinclair Mills, British Columbia for the sum of \$7,500 and recording costs. The Company has decided not to proceed with any further work and has written off the costs of these claims.

### **(d) Solar Silicon**

The Company entered into an option agreement on September 3, 2008 to acquire a 100% interest in the Solar claim group located approximately 2 km north east of the town of Golden, British Columbia. The Solar claims are 888 hectares in area.

The Company can earn a 100% interest in the Solar claims by paying, \$45,000 (paid) and issuing 375,000 common shares (issued at a price of \$0.05 per share) on signing, 250,000 common shares in six months (issued at price of \$0.025 per share), and 250,000 common shares in 12 months (issued at price of \$0.11 per share).

**5. RESOURCE PROPERTIES continued**

**(e) Carbo Claims**

On January 15, 2009, the Company entered into an agreement to explore and develop a rare earth element property in central British Columbia. Under the terms of the agreement, the Company will acquire a 75% interest in the Carbo Claims. The property consists of four mineral claims with a total area of 1,464 hectares, located approximately 80 km northeast of Prince George.

The terms of the agreement are as follows:

- (i) the payment of \$30,000;
  - \$10,000 on signing (paid),
  - \$10,000 on January 15, 2010 (paid), and
  - \$10,000 on January 15, 2011.
- (ii) the issuance of 1,500,000 shares:
  - 500,000 shares on approval of the Canadian National Stock Exchange (issued at price of \$0.075 per share),
  - 500,000 shares on January 15, 2010 (issued at price of \$0.07 per share), and
  - 500,000 shares on January 15, 2011.
- (iii) The Company must incur a total of \$198,000 in exploration expenditures within a three-year period.

**(f) Deadhorse Creek**

On July 31, 2009 the Company announced it had entered into an option agreement (the "Agreement") to purchase 100% of the Deadhorse Creek ("DHC Property") rare earth element property. The DHC Property consists of 52 units in Walsh Township in the Thunder Bay mining division, is approximately 25 km northwest of Marathon, Ontario, and is traversed by Provincial Highway 17.

The terms of the Agreement are as follows:

- (1) pay to the Vendors the sum of \$250,000 as follows:
  - (i) \$50,000 on signing (paid),
  - (ii) \$50,000 on the first year anniversary,
  - (iii) \$50,000 on the second year anniversary,
  - (iv) \$50,000 on the third year anniversary,
  - (v) \$50,000 on the fourth year anniversary;
- (2) issue to the Vendors the aggregate of 600,000 common shares:
  - (i) 300,000 of the Shares within five (5) days of the filing of the property acquisition (issued at price of \$0.105 per share),
  - (ii) 300,000 of the Shares on the first year anniversary of the Agreement;
- (3) incur exploration expenditures on the DHC Property totalling \$1,150,000 as follows:
  - (i) \$100,000 in the first year of this Agreement;
  - (ii) \$150,000 in the second year of this Agreement;
  - (iii) \$300,000 in the third year of this Agreement;
  - (iv) \$300,000 in the fourth year of this Agreement;
  - (v) \$300,000 in the fifth year of this Agreement; and
- (4) Pay to the Vendors \$24,000 annually as Pre-Production royalty payments until a 100% interest in the property is earned, deducted against NSR Proceeds.

Upon the Commencement of Commercial Production, the Company will pay to the Vendors a 3% NSR. The Company may elect to purchase 1.5% for \$1,500,000.

A finders fee worth 10% of the cash payments and share issuances over the life of the Agreement in common shares is payable to Zimtu Capital Corp. ("Zimtu"). The Company issued 100,000 shares (issued at price of \$0.105 per share) to Zimtu to satisfy the first year of the finder's fee agreement.

**(g) Excelsior Property**

The Company acquired a 100% interest in the Excelsior claims in north western Yukon for staking and one time vendor costs of \$100,000 on completion (paid).

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5. RESOURCE PROPERTIES continued

(h) Cinder Lake

The Company has been granted a 5,000 hectare Mineral Exploration Licence in the Knee Lake region in central Manitoba. The acquisition cost was \$5,718 paid to Michael Schuss (CEO of the Company) as a reimbursement of costs.

(i) Aley Kat & Big Mack

The Company acquired by staking, a 100% interest in two mineral claims located in north central B.C. The Company has decided not to proceed with any further work and has written off the costs of these claims.

6. EQUIPMENT

	Cost	Accumulated amortization	Net book value
<b>March 31, 2010</b>			
Computer equipment	\$ 8,501	\$ 3,443	\$ 5,058
Furniture and fixtures	2,267	635	1,632
	\$ 10,768	\$ 4,078	\$ 6,690
<b>March 31, 2009</b>			
Computer equipment	\$ 8,501	\$ 1,275	\$ 7,226
Furniture and fixtures	2,267	227	2,040
	\$ 10,768	\$ 1,502	\$ 9,266

7. CAPITAL STOCK

(a) Authorized

Unlimited common shares of no par value

(b) Issued and outstanding

	Shares	Amount
Balance at March 31, 2008	6,430,001	\$ 344,695
Initial public offering	4,000,000	800,000
Shares for corporate finance fee	40,000	8,000
Issue costs	-	(127,189)
Issued for property acquisition (note 5d)	375,000	18,750
Issued for property acquisition (note 5e)	500,000	37,500
Balance at March 31, 2009	11,345,001	1,081,756
Issued for cash		
Private placement - August 2009	6,205,000	310,250
Private placement - September 2009 - flow through	1,230,000	123,000
Private placement - December 2009 - flow through	5,487,000	548,700
Private placement - February 2010	3,246,000	259,680
Issued for finders' fees	736,265	46,136
Issued for property		
Solar Silicon (note 5d)	500,000	33,750
Deadhorse Creek (note 5f)	400,000	42,000
Copper Mountain Group - Lyn property (note 5a)	100,000	12,500
Copper Mountain Group - Hilltop property (note 5a)	50,000	5,000
Carbo Claims (note 5e)	500,000	35,000
Share issue costs	-	(46,136)
Fair value of warrants	-	(472,696)
Future income tax recovery on flow-through	-	(166,246)
Balance at March 31, 2010	29,799,266	\$ 1,812,694

## **7. CAPITAL STOCK continued**

For the year ended March 31, 2010

In February 2010 the Company completed a private placement consisting of 3,246,000 units at a price of \$0.08 per unit. Each unit consists of one common share and one transferable share purchase warrant exercisable into one common share at \$0.20 until February 1, 2011. The fair value of the share purchase warrants is \$121,510 and was included in contributed surplus. The Company issued an additional 122,290 units to finders at a fair value of \$9,783 in consideration of finding certain placees.

In December 2009 the Company completed a private placement consisting of 5,487,000 flow-through units at a price of \$0.10 per unit. Each unit consists of one flow-through common share and one half of one transferable share purchase warrant, each whole warrant exercisable into one non flow-through common share at \$0.20 until December 31, 2010. The fair value of the share purchase warrants is \$129,315 and was included in contributed surplus. The Company issued an additional 188,475 units to finders at a fair value of \$15,078 in consideration of finding certain placees. Each finders' unit consists of one non-flow through common share and one share purchase warrant exercisable into one common share at \$0.20 until December 31, 2010.

In September 2009 the Company completed a flow-through private placement consisting of 1,230,000 units at a price of \$0.10 per unit. Each unit consists of one flow-through common share and one share purchase warrant enabling the holder to purchase one additional common share at \$0.10 in the first year and \$0.15 per share in the second year. The fair value of the share purchase warrants is \$48,405 and was included in contributed surplus. The Company issued an additional 30,000 units to finders at a fair value of \$1,500 in consideration of finding certain placees. Each finders' unit consists of one non-flow through common share and one share purchase warrant exercisable into one common share at \$0.10 in the first year and \$0.15 per share in the second year.

In August 2009 the Company completed a private placement consisting of 6,205,000 units at a price of \$0.05 per unit. Each unit consists of one common share and one share purchase warrant enabling the holder to purchase one additional common share at \$0.10 in the first year and \$0.15 per share in the second year. The fair value of the share purchase warrants is \$153,232 and was included in contributed surplus. The Company issued an additional 395,500 units to finders at a fair value of \$19,775 in consideration of finding certain placees.

As at March 31, 2010, the Company had 1,533,375 shares in escrow. Escrowed shares are released at a rate of 10% on completion of the Initial Public offering (IPO) and 15% every six months after the IPO which was completed on June 13, 2008.

For the year ended March 31, 2009

During the year ended March 31, 2009, the Company issued 375,000 common shares at a price of \$0.05 per share under the option agreement of Solar Silicon project (note 5d), and 500,000 common shares at a price of \$0.075 per share under the option agreement of Carbo Claims (note 5e). The shares were issued at the closing bid price of the previous transaction day.

The Company completed an initial public offering of 4,000,000 shares at \$0.20 per share on June 13, 2008, giving the Company \$680,811 to the treasury after costs. Issue costs include the agent's commission at 8% or \$64,000, a sponsorship fee of \$25,000 and legal and accounting fees of \$30,189. The agent also received 40,000 shares as a corporate finance fee.

### **(c) Stock options**

The Company has a stock option plan which allows for the number of shares reserved for issuance pursuant to the exercise of stock options to be 20% of the issued and outstanding common shares as at the date of its last AGM, being 3,891,100 shares (the "2009 Plan"). The terms of the 2009 Plan comply with the policies of the CNSX and TSX Venture Exchange. Options granted under the Plan may have a maximum term of five (5) years. The exercise price of the options granted under the Plan will not be less than the fair market value of the common stock at the date of grant. The Plan Administrator shall specify the vesting schedule for each stock option granted.

The Company has granted employees, consultants, directors and officers share purchase options.

Using the fair value method for stock-based compensation, stock-based compensation expense of \$134,870 was recorded in the statements of operations and deficit for the year ended March 31, 2010 (2009 - \$134,558).

The current amount was determined using the Black Scholes Option Pricing Model assuming no dividends are to be paid, with a weighted average expected stock option life of 5 years (2009 - 2 years), a weighted average annual volatility of the Company's share price of 241.7% (2009 - 120%) and an average annual risk free interest rate of 2.72% (2009 - 3%).

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7. CAPITAL STOCK continued

(i) The changes in stock options were as follows:

	2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance outstanding, beginning of year	1,000,000	\$ 0.25	-	\$ -
Options granted	1,850,000	0.12	1,000,000	0.25
Options cancelled	(400,000)	0.25	-	-
Balance outstanding, end of year	2,450,000	\$ 0.15	1,000,000	\$ 0.25

As at March 31, 2010, the Company has outstanding stock options, exercisable as follows:

Range of exercise prices	Number outstanding at March 31, 2010	Weighted average remaining contractual life (years)
\$ 0.25	600,000	0.3
0.12	1,850,000	4.8
	2,450,000	

(d) Warrants

(i) The changes in warrants were as follows:

	March 31, 2010	Weighted average exercise price	March 31, 2009	Weighted average exercise price
Balance at beginning of year	-	\$ -	-	\$ -
Warrants issued	14,160,765	0.14	-	-
Balance at end of year	14,160,765	\$ 0.14	-	\$ -

At March 31, 2010 the Company has outstanding warrants, exercisable as follows:

	Number	Exercise Price	Expiry Date
	6,600,500	\$0.10/\$0.15	Aug. 13, 2010/Aug. 13, 2011
	1,260,000	0.10/0.15	Sept. 3, 2010/Sept. 3, 2011
*	2,931,975	0.20	December 31, 2010
*	3,368,290	0.20	February 1, 2011
	14,160,765		

\* All share purchase warrants issued under the financings will be subject to an acceleration clause (the "Acceleration Clause") whereby if at any time after four months and one day following closing of the placements, the closing trading price of the common shares of the Company is \$0.40 or more for a period of 10 consecutive trading days, the Company will have the option to require the earlier exercise of the warrants within 30 days of formal notice from the Company in the form of a press release.

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**8. CONTRIBUTED SURPLUS**

Contributed surplus is as follows:

	<b>March 31, 2010</b>	<b>March 31, 2009</b>
Balance, beginning of year	\$ 134,558	\$ -
Options granted	134,870	-
Fair value of warrants	472,696	134,558
<b>Balance, at end of year</b>	<b>\$ 742,124</b>	<b>\$ 134,558</b>

During the year ended March 31, 2010, the Company issued 13,424,500 (2009 - nil) private placement share purchase warrants. The Company also issued 736,265 (2009 - Nil) agent warrants in relation to these private placements. The fair value of \$452,462 (2009 - \$nil) for the share purchase warrants, and \$20,234 (2009 - \$Nil) for the agent warrants was accounted for as share issue costs, using the Black-Scholes pricing model with the following weighted average assumptions:

	<b>2010</b>	<b>2009</b>
Risk free interest rate	1.43%	-
Expected dividend yield	0%	-
Expected annual stock price volatility	267.50%	-
Expected life of options	1.56 years	-

**9. RELATED PARTY TRANSACTIONS**

The following expenses were incurred with directors and officers of the Company and companies with common directors.

	<b>March 31, 2010</b>	<b>March 31, 2009</b>
Rent - to a company controlled by a former director	\$ -	\$ 1,500
Management fees	77,500	64,500
Consulting fees	23,600	7,900
Deferred exploration costs	20,000	1,600
	<b>\$ 121,100</b>	<b>\$ 75,500</b>

These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

As at March 31, 2010 accounts payable and accrued liabilities included \$4,500 (March 31, 2009 - \$nil) owing to a company with a common director.

**10. COMMITMENTS**

(i) The Company is obligated to make certain payments, issue shares and incur exploration expenditures as described in notes 5(e) and 5(f) in connection with the acquisition of its mineral property interests.

(ii) The Company has entered into flow-through share subscription agreements whereby it is committed to incur on or before December 31, 2010 a total of \$543,213 (of which \$38,440 was spent to March 31, 2010) of qualifying Canadian Exploration Expenses as described in the Income Tax Act of Canada. As at March 31, 2010, the Company has an outstanding \$504,773 obligation to incur qualifying Canadian exploration expenses.

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**11. INCOME TAXES**

The following is a reconciliation of income taxes:	2010	2009
Statutory rates in Canada	29.63%	30.6%
Income taxes at Canadian statutory rates	\$ (170,740)	\$ (127,497)
Effect of reduction in statutory rate	25,929	26,080
Non-deductible expenses for tax purposes	45,521	41,215
	(99,290)	(60,202)
Increase (decrease) in valuation allowance	(66,956)	60,202
Future tax expense recovery	\$ (166,246)	\$ -

Significant components of the Company's future tax assets and liabilities, after applying enacted corporation income tax rates, are as follows:

Future income tax assets (liabilities)	2010	2009
Non-capital losses carried forward	\$ 228,047	\$ 138,678
Resource expenditures	(148,196)	1,560
Share issue costs and other	19,058	25,627
Future income tax assets	98,909	165,865
Valuation allowance	(98,909)	(165,865)
Net future income tax assets	\$ -	\$ -

Management considers it more likely than not that the amounts will not be utilized and accordingly a full valuation allowance has been applied.

The Company has accumulated non-capital losses totaling \$912,189, which are available to offset future years' taxable income. These losses expire as follows:

2027	\$ 90,256
2028	136,518
2029	306,601
2030	378,814
	<u>\$ 912,189</u>

**12. CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments at high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

The Company's overall strategy remains unchanged from the prior year.

### 13. FINANCIAL INSTRUMENTS AND RISKS

As at March 31, 2010, the Company's financial instruments consist of cash and cash equivalents, interest receivable, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values because of their current nature or adjustments to fair value made at each period end.

#### Fair Value

The Company classifies its fair value measurements in accordance with an established hierarchy that priorities the inputs in valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and

Level 3 - Inputs that are not based on observable market data

The following table sets for the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total 2010
Cash and cash equivalents	\$ 622,561	\$ -	\$ -	\$ 622,561

#### Credit Risk

Financial instruments that potentially expose the Company to credit risk are cash and cash equivalents. To minimize the credit risk on cash the Company places the instruments with a high credit quality financial institution. The maximum exposure to loss arising from these instruments is equal to their total carrying amounts.

#### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant market risk. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 12.

The Company monitors its ability to meet its short-term administrative expenditures by matching investment income received to expenditures to be incurred, and by disposing its marketable securities when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

#### Foreign Exchange Risk

The Company's operations are transacted in Canadian dollar and it not exposed to significant foreign exchange risk.

#### Interest Rate Risk

The Company is not exposed to significant interest rate risk as the Company has no interest bearing debt.

### 14. SUBSEQUENT EVENTS

#### Private placement

In June 2010 the Company completed a private placement consisting of 2,061,500 units at a price of \$0.08 per unit. Each unit consists of one common share and one transferable share purchase warrant exercisable into one common share at \$0.20 for a period of one year.

#### Property acquisition

The Company issued 392,500 shares pursuant to the acquisition of the Deadhorse claims (note 5f).