

INTERNATIONAL MINERALS CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**(Expressed in United States Dollars)
(Unaudited – Prepared by Management)**

SIX MONTH PERIOD ENDED

DECEMBER 31, 2009

AND

DECEMBER 31, 2008

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the period ended December 31, 2009.

INTERNATIONAL MINERALS CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS
(Expressed in United States dollars)
(Unaudited – Prepared by Management)

	12/31/2009	6/30/2009
ASSETS		
Current		
Cash and equivalents	\$ 43,183,856	\$ 43,775,995
Receivables	314,659	423,983
Due from related parties (Note 10)	2,554,653	377,328
Prepaid expenses and deposits	275,364	18,921
Securities held-for-trading (Note 5)	<u>250,304</u>	<u>135,816</u>
	46,578,836	44,732,043
Long Term		
Due from related party (Note 10)	75,000	75,000
Property and equipment	465,036	582,878
Investment (Note 7)	31,500	31,500
Investment in joint venture (Note 6)	37,568,188	32,396,735
Resource properties (Note 8)	83,118,369	80,097,809
Environmental bond (Note 9)	<u>74,701</u>	<u>68,352</u>
	\$ 167,911,630	\$ 157,984,317
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable	\$ 340,702	\$ 376,940
Accrued severance and payroll costs	1,736,170	2,274,448
Accrued interest payable on convertible debentures	<u>174,703</u>	<u>158,593</u>
	2,251,575	2,809,981
Long term		
Convertible debentures (Note 11)	<u>35,828,778</u>	<u>31,756,199</u>
	<u>38,080,353</u>	<u>34,566,180</u>
Shareholders' equity		
Capital stock (Note 12)	125,428,590	125,678,141
Contributed surplus (Note 12)	5,624,649	5,326,188
Equity component of convertible debentures (Note 11)	4,945,008	4,945,008
Deficit	<u>(6,166,970)</u>	<u>(12,531,200)</u>
	<u>129,831,277</u>	<u>123,418,137</u>
	\$ 167,911,630	\$ 157,984,317

Nature and continuance of operations (Note 2)

Contingency (Note 17)

Subsequent events (Note 4 and 20)

On behalf of the Board:

"Stephen J. Kay" Director
Stephen J. Kay

"W. Michael Smith" Director
W. Michael Smith

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL MINERALS CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in United States dollars)
(Unaudited – Prepared by Management)

	3-Month Period 12/31/2009	3-Month Period 12/31/2008	6-Month Period 12/31/2009	6-Month Period 12/31/2008
EXPENSES				
Amortization	\$ 42,899	\$ 44,981	\$ 85,798	\$ 77,179
General exploration	6,300	6,993	83,061	45,974
Interest and financing costs	908,033	753,441	1,778,048	1,636,369
Investor relations	189,912	66,691	266,913	119,108
Office and general	91,652	104,334	161,776	152,918
Professional fees	213,283	222,923	298,546	400,112
Salaries and benefits	198,412	210,802	403,012	449,167
Salary charge-outs (Note 10)	(18,070)	(29,131)	(56,210)	(69,891)
Stock-based compensation (Note 12)	-	56,635	793,351	175,558
Transfer agent and listing fees	5,375	17,766	37,539	56,282
Travel	60,813	44,091	78,017	80,240
	<u>(1,698,609)</u>	<u>(1,499,526)</u>	<u>(3,929,851)</u>	<u>(3,123,016)</u>
OTHER ITEMS				
Foreign exchange gain (loss)	(1,009,048)	4,848,747	(2,625,654)	6,065,928
Unrealized gain (loss) on securities held-for-trading (Note 5)	14,879	(76,128)	114,488	(152,506)
Management fee income (Note 10)	179,779	144,555	300,147	282,771
Interest income	77,398	369,569	189,275	736,311
Write-off of resource properties (Note 8)	162	(6,008)	(237,694)	(117,550)
	<u>(736,830)</u>	<u>5,280,735</u>	<u>(2,259,438)</u>	<u>6,814,954</u>
INCOME FROM JOINT VENTURE (Note 6)				
Equity income from joint venture	8,074,727	637,009	13,321,527	950,913
Equity gain on capital contributions in joint venture	-	411,392	-	3,916,672
Joint venture monitoring costs	(105,127)	-	(269,475)	-
Amortization of non-reimbursable costs	(399,245)	-	(498,533)	-
	<u>7,570,355</u>	<u>1,048,401</u>	<u>12,553,519</u>	<u>4,867,585</u>
Net income for the period	5,134,916	4,829,610	6,364,230	8,559,523
Deficit, beginning of period	<u>(11,301,886)</u>	<u>(17,472,272)</u>	<u>(12,531,200)</u>	<u>(21,202,185)</u>
Deficit, end of period	\$ (6,166,970)	\$ (12,642,662)	\$ (6,166,970)	\$ (12,642,662)
Earnings per common share – basic and fully diluted	\$ 0.06	\$ 0.05	\$ 0.07	\$ 0.09
Weighted average number of common shares outstanding	92,921,779	96,030,001	92,951,890	96,030,001

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL MINERALS CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(Expressed in United States dollars)
(Unaudited – Prepared by Management)

	3-Month Period 12/31/2009	3-Month Period 12/31/2008	6-Month Period 12/31/2009	6-Month Period 12/31/2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	\$ 5,134,916	\$ 4,829,610	\$ 6,364,230	\$ 8,559,523
Add non-cash items:				
Amortization	42,899	44,981	85,798	77,179
Stock-based compensation	-	56,635	793,351	175,558
Unrealized foreign exchange (gain) loss	1,222,243	(6,284,375)	3,308,305	(7,234,634)
Unrealized loss (gain) on securities held-for-trading	(14,879)	76,128	(114,488)	152,506
Write-off of resource properties	(162)	5,646	237,694	117,188
Interest and financing costs	(100,884)	753,441	810,821	1,636,369
Equity income from joint venture	(8,074,727)	(637,009)	(13,321,527)	(950,913)
Equity gain on capital contributions in joint venture	-	(411,392)	-	(3,916,672)
Amortization of non-reimbursable costs	399,245	-	498,533	-
Changes in non-cash working capital items:				
Decrease (increase) in receivables	74,843	93,028	109,324	(7,618)
Decrease (increase) in prepaid expense and deposits	(248,597)	(19,624)	(256,443)	(11,371)
Decrease (increase) in accounts payable and accrued liabilities	58,267	(562,217)	125,247	121,874
Due from related parties	<u>(2,009,107)</u>	<u>(57,372)</u>	<u>(2,177,325)</u>	<u>(56,247)</u>
Net cash used in operating activities	<u>(3,515,943)</u>	<u>(2,112,520)</u>	<u>(3,536,480)</u>	<u>(1,337,258)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Due from related party	-	-	-	-
Proceeds from the issuance of capital stock	-	-	-	-
Share buyback	<u>(759,868)</u>	<u>(3,987,983)</u>	<u>(759,868)</u>	<u>(3,987,983)</u>
Net cash (used in) provided by financing activities	<u>(759,868)</u>	<u>(3,987,983)</u>	<u>(759,868)</u>	<u>(3,987,983)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Short-term investments	-	291,466	-	290,076
Resource property expenditures	(1,570,006)	(2,042,096)	(3,938,232)	(5,350,208)
Investments in joint venture	(169)	868,122	(1,298)	574,446
Purchase of property and equipment	(1,689)	(4,061)	(2,751)	(361,972)
Environmental bond	648	-	(6,349)	(13,533)
Recovery of investment in joint venture	-	-	-	-
Dividends received from joint venture	<u>6,424,589</u>	<u>-</u>	<u>7,652,839</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>4,853,373</u>	<u>(886,569)</u>	<u>3,704,209</u>	<u>(4,861,191)</u>
Change in cash and equivalents for the period	<u>577,562</u>	<u>(6,987,072)</u>	<u>(592,139)</u>	<u>(10,186,432)</u>
Cash and equivalents, beginning of period	<u>42,606,294</u>	<u>57,248,625</u>	<u>43,775,995</u>	<u>60,447,985</u>
Cash and equivalents, end of period	<u>\$ 43,183,856</u>	<u>\$ 50,261,553</u>	<u>\$ 43,183,856</u>	<u>\$ 50,261,553</u>

Supplemental disclosure with respect to cash flows (Note 16)

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

1. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries located in the United States and South America.

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual consolidated financial statements. Certain information and footnote disclosure normally included in the annual audited financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These unaudited interim financial statements should be read together with the annual audited consolidated financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to fairly present the interim financial information set forth herein.

2. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the Business Corporations Act (Yukon Territory) and is in the process of exploring, developing and exploiting its mineral resource properties in South America.

At the 40% owned Pallancata silver property in Peru, on June 30, 2006, the Company entered into a joint venture agreement with affiliated companies of Hochschild Mining Plc. ("Hochschild"). In order to earn and retain a 60% joint venture interest, Hochschild funded all necessary costs to bring the Pallancata property into production to a maximum 1,000 tonnes per day ("tpd"), at no cost to the Company and without recoupment of their capital expenditure, except through their own share of profit distributions. Underground production at the mine is currently approximately 3,000 tpd. The expansion of mine production from 1,000 tpd to 3,000 tpd was financed by the cash flow generated by the Peruvian joint venture company which was formed by the Company and Hochschild to hold the Pallancata property. The Company received its initial share of cash dividends from operations in August 2009 (see Note 6).

At the 100% held Rio Blanco gold/silver project, located in Ecuador, the Company completed a feasibility study in January 2006 on the Alejandra North Vein deposit, which confirmed economically viable mineral reserves based on a gold price of \$475 per ounce. An updated capital and operating cost estimate was released in February 2009 and showed that the mineral reserves could be economically mined at a rate of 800 tpd and a gold price of \$750 per ounce. At the current time development remains subject to additional financing in an amount to be determined, permitting and clarification of certain issues under the new Ecuadorian mining law (see Note 18, "Ecuador Mining Law" for more detail).

Other than the Pallancata and Rio Blanco deposits, the Company has not been able to identify a known body of commercial grade ore on its other properties that can be economically produced at the current gold price. The ability of the Company to recover the costs it has incurred to date on its other properties is dependent upon the Company being able to identify commercial ore bodies, to finance their development costs and to resolve any environmental, regulatory or other constraints, which may hinder the successful development and exploitation of the properties.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

2. NATURE AND CONTINUANCE OF OPERATIONS (cont'd...)

To date the Company has not earned significant revenues and is considered to be in the development stage with some of its resource properties and the exploration stage with its other resource properties.

The Company believes it has adequate funds available to meet its operating and administrative obligations for the current fiscal year.

	December 31, 2009	June 30, 2009
Working capital	\$ 44,327,261	\$ 41,922,062

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies adopted by the Company are as follows:

Estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

Significant accounts that require estimates as the basis for determining the stated amounts include securities held-for-trading, resource properties, investment in the Suyamarca (Pallancata) Joint Venture, stock-based compensation, valuation allowance of future income tax assets and foreign currency translation.

Principles of consolidation

These unaudited interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries located in the United States and South America. All inter-company balances and transactions have been eliminated.

Cash and equivalents

Cash is comprised of cash on hand, demand deposits and money market funds. Cash equivalents include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Securities held-for-trading and investments

Securities held-for-trading which are traded on a recognized securities exchange, are recorded at fair values based on quoted closing bid prices at the balance sheet dates or the closing bid prices on the last day the security traded if there were no trades at the balance sheet dates with both realized and unrealized gains and losses recorded in earnings on the statement of operations.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Securities held-for-trading and investments (cont'd...)

Investments in securities of private companies that do not have a quoted market price on a recognized securities exchange are recorded at cost.

Property and equipment

Property and equipment are recorded at cost and are amortized using the straight line method over the estimated useful lives of the individual assets at the following annual rates.

Automobiles and mining equipment	10% to 33%
Furniture and equipment	10% to 20%
Computer equipment	20%
Computer software	33%
Leasehold improvements	20%

Investment in Joint Venture companies

Investment in common shares of Joint Venture companies, over which the Company has significant influence, is accounted for by the equity method, whereby the investment is initially recorded at cost and adjusted to recognize the Company's share of earnings or loss in the investment. When the Company is unable to exercise significant influence, cost is deemed to be the carrying value of the investment at that time.

Resource properties

All costs related to the acquisition, exploration and development of resource properties are capitalized by property. If economically recoverable mineral reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written-off to operations. If, after management review, it is determined that the carrying amount of a resource property is impaired, that property is written down to its estimated net realizable value.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing and permitting to complete the development of the properties, and the future profitable production from the disposition of the metals produced from the properties.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have any significant asset retirement obligations.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Accrued interest costs (cont'd...)

Costs for interest are accrued quarterly for semi-annual payments made in arrears on the convertible debentures at May 31st and November 30th each year.

Deferred finance costs

Deferred financing costs consist of all costs incurred in issuing the convertible debentures and were amortized over the life of this instrument, which was deemed to be five years.

Pursuant to the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, deferred finance costs are applied against the convertible debentures and are measured at amortized cost using the effective interest method.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its estimated fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its specific use and eventual disposition.

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation expense over the six-month vesting period of the stock options.

Earnings (loss) per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants, and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For convertible debentures, the weighted average number of outstanding shares is adjusted for the shares to be issued on conversion. Basic and diluted earnings per share is calculated using the weighted average number of common shares outstanding during the period.

In the six-month period ended December 31, 2009, under the treasury stock method, the basic and diluted loss per share are the same as the effect of common shares issuable upon exercise of stock options and other instruments of the Company would be anti-dilutive.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby 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. Future tax assets and liabilities are measured

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Future income taxes (cont'd...)

using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into United States dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the year. Translation gains and losses are reflected in statement of operations.

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations.

Financial instruments – recognition and measurement

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its financial instruments as follows:

- a) Cash and equivalents, short term investments and securities held-for-trading and investment are classified as held-for-trading.
- b) Receivables and due from related parties are classified as loans and receivables.
- c) Accounts payable and accrued liabilities, accrued interest payable on convertible debentures and convertible debentures are classified as other financial liabilities.
- d) Environmental bond is classified as held to maturity.

Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Recent accounting pronouncements

The CICA has issued recent pronouncements which will affect the financial disclosures and results of operations of the Company for interim and annual periods in the future. The Company will adopt the requirements commencing in the period when the standards become effective and is currently considering the impact these new standards may have on the Company's financial statements.

Business combinations, non-controlling interest and consolidated financial statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Both sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning July 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The changeover date affects interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably determined at this time.

Changes in accounting policy

Effective July 1, 2009, the Company adopted the following new accounting standards issued by the CICA relating to financial instruments. As required by the transitional provisions of these new standards, these new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

Goodwill and intangible assets

This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Credit risk and the fair value of financial assets and liabilities – EIC

The AcSB issued EIC-173 which requires the corporation to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

4. ACQUISITIONS

Ventura Gold Corp. (“Ventura”)

The Company announced on September 23, 2009, the signing of a binding letter agreement to acquire, in an all-share transaction, all of the issued and outstanding shares of Ventura by way of a statutory plan of arrangement. Consideration to be paid to Ventura shareholders comprised approximately 13.7 million shares of the Company.

Ventura received a non interest-bearing loan of up to \$2.0 million from the Company to continue its ongoing drill program at its 51%-owned Inmaculada project in Peru. At December 31, 2009, the Company had advanced Ventura a total of \$1,866,470 on this loan facility. In addition, as at the same date, Ventura owed a total of \$772,083 to the Company under certain management services agreements whereby the Company has managed certain aspects of Ventura’s business (Note 10). These two amounts totalling \$2,638,553 will not be repaid to the Company but will be capitalized in the Mineral Properties balance following closing of the Ventura acquisition.

The transaction was subject to, among other things, receipt of regulatory, court and Ventura shareholder approval. At a special meeting held on December 17, 2009, the approval was received from Ventura shareholders and the transaction closed on January 12, 2010 (Note 20).

With the completion of the Ventura transaction, the Company will add to its existing assets Ventura’s 51% joint venture interest in the Inmaculada gold-silver project in Peru (49% Hochschild). By issuing 200,000 of the Company’s common shares to Hochschild over a five year period and completing a feasibility study at its sole cost by September 2013, the Company could increase its interest to a 70% interest in the property.

Metallic Ventures Gold, Inc. (“Metallic”)

On November 2, 2009, the Company announced it had entered into an arrangement agreement whereby the Company will acquire, in a cash and share transaction, all of the issued and outstanding shares of Metallic by way of a statutory plan of arrangement. Consideration to be paid to Metallic shareholders will consist of \$24 million in cash and 8.5 million common shares of the Company.

A break fee of \$2.5 million is payable by Metallic to the Company in the event that a superior offer is accepted by Metallic or is payable by the Company to Metallic in the event that the Company determines not to proceed with the transaction. Among other things, the transaction is subject to receipt of regulatory, court and Metallic shareholder approvals. The transaction is expected to close on February 26, 2010.

Upon completion of the Metallic acquisition, the Company will add to its existing assets: a 3% net smelter return (“NSR”) royalty (approximately \$3 million per year based on current metals prices) from Barrick Gold’s Ruby Hill gold mine in Nevada; a 100% interest in the Converse gold exploration project which lies in the Battle Mountain/Cortez mineralized trend of Nevada; and a 100% interest in the Goldfield gold exploration project in Central Nevada near the historic gold mining town of Goldfield.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

5. SECURITIES HELD-FOR-TRADING

Securities held-for-trading are comprised of 625,000 common shares of Kernow Resources & Developments Ltd (“Kernow”), Kernow has a director in common with the Company. The Company also holds 504,923 common shares of Ventura at a cost of approximately Cdn\$0.03 per share. Ventura has directors and officers in common with the Company.

The following table sets out the movement of the Company’s securities held-for-trading.

Company Name	Number of Shares	Cost	Market Value December 31 2009	Market Value June 30 2009
Kernow Resources	625,000	\$ 104,446	\$ 50,624	\$ 13,516
Ventura Gold Corp.	504,923	15,000	199,680	122,300
			\$ 250,304	\$ 135,816

6. INVESTMENT IN JOINT VENTURE COMPANY

	December 31 2009	June 30 2009
Pallancata Investment		
Balance, beginning	\$ 31,956,505	\$ 21,390,653
Investment in Pallancata	-	(1,870,533)
Dividends received from Joint Venture	(7,652,839)	-
Additional non-reimbursable costs	-	904,401
Equity gain (loss) on capital contributions of Hochschild / Company	-	4,226,000
Equity income from Joint Venture	13,321,527	8,210,385
Amortization of non-reimbursable costs	(498,533)	(904,401)
	<u>37,126,660</u>	<u>31,956,505</u>
Pacapausa Investment		
Balance, beginning	440,230	1,581,682
Initial investment in Pacapausa	-	-
Additional non-reimbursable costs	1,298	419,815
Payment received from Hochschild	-	(1,561,267)
	<u>441,528</u>	<u>440,230</u>
Balance, ending	\$ 37,568,188	\$ 32,396,735

On June 30, 2006, the Company entered into a Joint Venture Agreement with affiliated companies of Hochschild Plc (“Hochschild”) in Peru. The purpose of the joint venture was to fast-track development, permitting and production of the Company’s Pallancata property in Peru. The Company and Hochschild formed a Peruvian joint venture company, Minera Suyamarca S.A.C. (“Suyamarca”), whose common shares are held 60% by Hochschild and 40% by the Company.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

6. INVESTMENT IN JOINT VENTURE COMPANY (cont'd...)

Hochschild provided to Suyamarca 100% of the capital required to develop, permit and construct a mining operation at Pallancata to a production level of 1,000 tonnes per day (“tpd”) Hochschild could not recover any of its capital investment, except through its 60% share of any profit distribution.

The Company’s adjusted equity gain on capital contributions by Hochschild is \$10,496,237 (representing 40% of Hochschild’s capital that funded 100% of the costs for the expansion of the Pallancata operation from 500 tpd to 1000 tpd).

The mine expansion in excess of 1,000 tpd was required to be funded 60% by Hochschild and 40% by the Company. In January 2008, the Company announced that Hochschild intended to increase production to approximately 2,000 tpd by the end of calendar year 2008. This expansion was achieved and a further expansion to approximately 3,000 tpd was achieved by June 30, 2009. To June 30, 2009, the Company committed its equity earnings in the Joint Venture to fund capital expenditures to increase mine production beyond 1,000 tpd (approximately \$17.6 million).

All Pallancata ore is processed off-site at Hochschild's nearby Selene Mine processing plant and Hochschild charges Suyamarca a toll processing fee based on the plant operating costs. The cost of the additional processing capacity required at the Selene processing plant in order to treat the increase in ore from Pallancata when mining was expanded first to approximately 2,000 tpd and subsequently to approximately 3,000 tpd, was paid 100% by Hochschild and the toll processing cost charged to Suyamarca was adjusted to reflect the additional capital cost incurred by Hochschild.

Hochschild is the manager and operator of the project and since September 9, 2007, has been charging Suyamarca a management services fee of 10% of the operating costs incurred by Suyamarca at Pallancata.

The first cash dividend of approximately \$1.2 million was received by the Company in August 2009 from its 40% joint venture interest in the Pallancata Mine. An additional cash dividend of approximately \$6.4 million was received in November 2009 and the next dividend is expected in late February 2010. The Company will continue to incur certain costs on its own behalf at the Pallancata property in order to monitor and supervise its 40% interest in its investment in the Pallancata joint venture. Such costs had previously been deferred as non-reimbursable costs in the investment account to be amortized over the life of the project which commenced in fiscal 2009. These costs are currently being expensed as joint venture monitoring costs as incurred (See Note 20 “Subsequent Events” regarding additional dividends).

On November 5, 2007, the Company purchased the 25% interest in the Pacapausa property (adjacent to Pallancata) owned by its joint venture partner, IAMGOLD Corp. (“IAMGOLD”), for \$1.0 million, resulting in the Company owning an aggregate 50% interest in the Pacapausa property.

Also on November 5, 2007, the Company transferred its 50% interest in the Pacapausa property to Suyamarca for \$1.2 million (received from Hochschild). Suyamarca agreed to assume the 0.5% NSR royalty obligation to IAMGOLD. In addition a payment was received of \$190,000 for reimbursement of IVA taxes, and \$371,000 for reimbursement of exploration costs. These amounts were credited to the Company’s investment in the Suyamarca joint venture account.

Suyamarca currently holds a 50% interest in the Pacapausa property with Hochschild directly holding the remaining 50%, which it acquired in its acquisition of Southwestern Resources in May 2009. All exploration and other costs associated with advancing the Pacapausa property will be shared as to 50% by Hochschild and 50% by Suyamarca (with Suyamarca’s share funded as to 60% by Hochschild and 40% by the Company). With the recent acquisition of Southwestern Resources, Hochschild effectively owns an 80% interest in the Pacapausa property and the Company owns a 20% interest.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

7. INVESTMENT

Santa Barbara Resources Limited

On October 30, 2007, the Company received 50,000 shares of Santa Barbara Resources Limited ("Santa Barbara") as the initial payment in lieu of a \$25,000 cash payment under the Cañicapa Property Option Agreement in Ecuador.

Santa Barbara is a private company that has directors in common with the Company. The Cañicapa Property Option Agreement was terminated by Santa Barbara on March 24, 2009 and the Company received an additional 40,000 shares of Santa Barbara with a value of \$14,000 as an early termination fee.

The value of the 90,000 shares was written down (at year end June 30, 2009) by \$7,500 for a total value of \$31,500.

8. RESOURCE PROPERTIES

	3-Month Period Ended 12/31/2009	3-Month Period Ended 12/31/2008	Cumulative at 12/31/2009	Cumulative at Year End 6/30/2009
Gaby Property, Ecuador				
Option payments on mining concessions	\$ -	\$ 80,000	\$ 7,228,868	\$ 7,228,868
Drilling contract costs	-	2,948	7,959,643	7,958,803
Field wages, consulting fees and on site costs	237,394	510,373	11,793,919	11,244,676
Feasibility costs	-	50,875	2,532,792	2,530,152
Assaying fees	15,890	26,190	1,999,207	1,963,757
Finder's fee	-	-	275,000	275,000
Amortization	-	-	158,999	158,999
Acquisition costs	-	-	559,395	558,596
Other deferred costs	-	29,659	1,024,471	1,024,604
Total for Gaby	253,285	700,045	33,532,294	32,943,455
Rio Blanco Property, Ecuador				
Option payments on mining concessions	-	-	2,129,861	2,129,861
Post feasibility drilling contract costs	-	-	3,641,690	3,641,690
Field wages, consulting fees and on site costs	606,985	1,672,137	22,722,379	21,446,798
Feasibility drilling/assay costs	15,957	588	4,121,980	4,106,002
Feasibility study/other costs	-	151	8,871,013	8,871,012
Assaying fees	11,719	36,307	654,225	642,505
Heavy equipment purchase	3,473	2,400	481,663	475,790
Finder's fee	-	-	16,667	16,667
Acquisition costs	500	-	1,205,714	1,204,464
Other deferred costs	2,700	-	1,975,669	1,968,919
Total for Rio Blanco	641,334	1,711,583	45,820,861	44,503,708

- Continued -

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

8. RESOURCE PROPERTIES (cont'd...)

	3-Month Period Ended 12/31/2009	3-Month Period Ended 12/31/2008	Cumulative at 12/31/2009	Cumulative at Year End 6/30/2009
2009				
<i>Continued...</i>				
Cañicapa Property, Ecuador				
Option payments on mining concessions	-	-	-	(1,100)
Field wages, consulting fees and on site costs	1,166	(10,677)	4,655	39,651
Other deferred costs	-	-	-	12,887
Write-off	<u>(1,166)</u>	<u>-</u>	<u>(4,655)</u>	<u>(51,438)</u>
Total for Cañicapa	<u>-</u>	<u>(10,677)</u>	<u>-</u>	<u>-</u>
Urbaque Property, Peru				
Field wages, consulting fees and on site costs	103	51,998	1,091,463	1,091,271
Drilling contract costs	-	-	333,154	333,154
Assaying fees	-	214	101,905	101,304
Other deferred costs	<u>-</u>	<u>-</u>	<u>33,325</u>	<u>33,325</u>
Total for Urbaque	<u>103</u>	<u>52,212</u>	<u>1,559,847</u>	<u>1,559,054</u>
Rubi Property, Peru				
Field wages, consulting fees and on site costs	(1,328)	-	233,039	468,992
Write-off	<u>1,328</u>	<u>-</u>	<u>(233,039)</u>	<u>(468,992)</u>
Total for Rubi	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Resource Properties				
Field wages, consulting fees and on site costs	<u>692,662</u>	<u>139,263</u>	<u>2,205,367</u>	<u>1,091,592</u>
Total for Other	<u>692,662</u>	<u>139,263</u>	<u>2,205,367</u>	<u>1,091,592</u>
Total Resource Properties	<u>\$ 1,587,383</u>	<u>\$ 2,592,425</u>	<u>\$ 83,118,369</u>	<u>\$ 80,097,809</u>

9. ENVIRONMENTAL BOND

The Company holds a guaranteed bank certificate in the amount of \$74,701 (2008 - \$68,352) with an Ecuadorian bank as security for any environmental issues that might occur on the Rio Blanco property in Ecuador. The bank certificate was required by the Ministry of Mines and Petroleum in Ecuador.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

10. RELATED PARTY TRANSACTIONS

During the six month ended December 31, 2009, the Company entered into the following transactions with related parties:

- a) Paid or accrued legal and other services of \$209,539 (2008 - \$90,127) provided by firms in which two directors of the Company are partners or principals. As at December 31, 2009, the accounts payable to these firms totalled \$83,900 (2008 - \$20,022).
- b) Charged salaries of \$75,972 (2008 -\$69,891) and management fees of \$302,123 (2008 - \$282,771) to Ventura pursuant to service agreements whereby the Company provides administrative and exploration program management services to Ventura. This public company has officers and directors in common with the Company. In addition, the Company has paid certain costs on behalf of Ventura, totalling \$12,301 (2008 - \$69,446). The amount due from Ventura at December 31, 2009 was \$772,083 (2008 - \$200,950).
- c) Held 504,923 (2008 – 504,923) common shares of Ventura and 90,000 (2008 - 50,000) common shares of Santa Barbara as described in Notes 5 and 7.
- d) Advanced a total for property expenditures for the Reese River project in Nevada of \$340,000 (2008 - \$Nil) to New Dimension Resources, a company which has a director in common with the Company.
- e) Made a loan of \$75,000 to an officer of the Company on May 29, 2009. Annual interest payments based on a 3% rate are paid monthly. Repayment in full is due no later than May 29, 2012.
- f) Advanced \$1,866,470 to Ventura in the form of a loan to continue its ongoing drill program at its Inmaculada project during completion of the Ventura acquisition transaction (Note 4). This amount and the amount in Note 10 (b) above will not be repaid to the Company but will be capitalized in the Mineral Properties balance on closing of the Ventura acquisition.

During the three month ended December 31, 2009, the Company entered into the following transactions with related parties:

- a) Paid or accrued legal and other services of \$144,850 (2008 - \$55,611) provided by firms in which two directors of the Company are partners or principals.
- b) Charged salaries of \$27,951 (2008 -\$29,131) and management fees of \$180,767 (2008 - \$144,555) to Ventura pursuant to service agreements whereby the Company provides administrative and exploration program management services to Ventura. This public company has officers and directors in common with the Company. In addition, the Company has paid certain costs on behalf of Ventura, totalling \$1,269 (2008 - \$27,264).
- c) Held 504,923 (2008 – 504,923) common shares of Ventura and 90,000 (2008 - 50,000) common shares of Santa Barbara as described in Notes 5 and 7.
- d) Advanced a total for property expenditures for the Reese River project in Nevada of \$130,000 (2008 - \$Nil) to New Dimension Resources, a company which has a director in common with the Company.
- e) Advanced \$1,866,470 to Ventura in the form of a loan to continue its ongoing drill program at its Inmaculada during completion of the Ventura acquisition transaction (Note 4). This amount and the amount in Note 10 (b) above will not be repaid to the Company but will be capitalized in the Mineral Properties balance on closing of the Ventura acquisition.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

10. RELATED PARTY TRANSACTIONS (cont'd...)

The summary of amounts payable (to) due from related parties is as follows:

	Period Ended 12/31/2009	Period Ended 6/30/2009
Short term		
Accounts payable to related parties for fees	\$ (83,900)	\$ (18,087)
Amounts due from related parties (Ventura)	772,083	395,415
Advance to related parties (Ventura)	<u>1,866,470</u>	<u>-</u>
	2,554,653	377,328
Long term		
Amount due from related party	<u>75,000</u>	<u>75,000</u>
Due from related parties	<u>\$ 2,629,653</u>	<u>\$ 452,328</u>

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

11. CONVERTIBLE DEBENTURES

The Cdn \$40,000,000 principal amount of convertible debentures ("Debentures") bear interest at an annual rate of 5.50%, payable semi-annually on May 31 and November 30 of each year, commencing November 30, 2006 and mature on May 19, 2012. The Debentures are convertible into common shares of the Company at a conversion price of Cdn\$6.88 per common share.

The Debentures were not redeemable by the Company from May 19, 2006 to May 31, 2009. On or after May 31, 2009, and prior to May 31, 2011, the Debentures may be redeemed by the Company, in whole or in part, at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, provided the market price of the Company's common shares on the Toronto Stock Exchange ("TSX") equals or exceeds 125% of the conversion price for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is given. On or after May 31, 2011, the Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest to the date of redemption. The Company may, at its option and subject to compliance with all legal and regulatory requirements, repay all or a portion of the principal amount of the Debentures on redemption or at maturity, through the issuance of common shares that are freely tradeable in Canada.

Using acceptable pricing models, the Debentures have been segregated based on the respective fair values of their debt and equity components on the date the Debentures were issued. The Debentures were segregated into a debt component of \$30,766,089 and an equity component of \$4,945,008.

The debt component, representing the value allocated to the liability at inception, is recorded as a long-term liability. The remaining component, representing the value ascribed to the holders' option to convert the principal amount into common shares, is classified in shareholders' equity as "equity component of convertible debentures". Over the term of the debt obligation (which is deemed to be five years), the debt component will be accreted to the face value of the Debentures by the recording of additional interest expense.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

11. CONVERTIBLE DEBENTURES (cont'd...)

December 31, 2009	Principal Amount	Effect of Foreign Exchange Rate	Unamortized Accreted Amount	Deferred Finance Costs, Net	Net Carrying Amount
Convertible Debentures	\$ 35,711,097	\$ 2,298,886	\$ (1,588,759)	\$ (592,446)	\$ 35,828,778

June 30, 2009	Principal Amount	Effect of Foreign Exchange Rate	Unamortized Accreted Amount	Deferred Finance Costs, Net	Net Carrying Amount
Convertible Debentures	\$ 35,711,097	\$ (1,043,101)	\$ (2,122,644)	\$ (789,153)	\$ 31,756,199

12. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited number of common shares without par value			
Balance, June 30, 2009	92,982,001	\$ 125,678,141	\$ 5,326,188
Shares returned to Treasury and cancelled*	(199,700)	(342,508)	(453,791)
Issued on exercise of options	15,000	92,957	(41,099)
Stock-based compensation	-	-	793,351
Balance, December 31, 2009	92,797,301	\$ 125,428,590	\$ 5,624,649

*See Share Buyback Program – Note 19.

Stock options

The Company has an incentive stock option plan in place under the rules of the TSX pursuant to which it is authorized to grant options to executive officers directors, employees and consultants, enabling them to acquire up to 10.5 million common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years and vest over a period of 6 months from the date granted.

Stock option transactions and the number of stock options outstanding are summarized as follows:

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

12. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options (cont'd...)

	Number of Options	Weighted Average Exercise Price (\$Cdn)
Balance, June 30, 2009	3,884,500	\$ 4.54
Granted	-	-
Exercised	(15,000)	-
Expired / cancelled	<u>(5,000)</u>	<u>-</u>
Balance, December 31, 2009	<u>3,864,500</u>	<u>\$ 4.54</u>
Options exercisable, December 31, 2009	<u>3,864,500</u>	<u>\$ 4.54</u>
Weighted average fair value of options granted during the period		US\$ -

The following stock options were outstanding at December 31, 2009:

Expiry date	Exercise Price (\$Cdn)	Number of Options	Total Value (Cdn \$)
August 14, 2011	1.00	275,000	275,000
May 22, 2013	1.80	50,000	90,000
February 11, 2014	4.58	250,000	1,145,000
February 1, 2015	4.00	342,000	1,368,000
December 6, 2015	4.48	50,000	224,000
October 4, 2016	4.70	50,000	235,000
November 6, 2016	5.25	300,000	1,575,000
February 26, 2017	5.78	1,065,000	6,155,700
July 10, 2017	5.70	120,000	684,000
August 6, 2017	5.84	250,000	1,460,000
November 2, 2017	5.62	25,000	140,500
June 2, 2018	5.22	100,000	522,000
February 23, 2019	3.73	<u>987,500</u>	<u>3,683,375</u>
		<u>3,864,500</u>	<u>17,557,575</u>

Stock-based compensation

The total stock-based compensation recognized under the fair value method for options granted or extended during the period ended December 31, 2009 was \$Nil (2008 - \$Nil), using the Black-Scholes option-pricing model.

Together with amortization of options awarded in previous periods, the Company expensed a total of \$808,778 (2008 - \$175,558) during the period, leaving an unamortized balance of \$Nil (2008 - \$Nil).

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

12. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock-based compensation (cont'd...)

Stock-based compensation for the options granted during the 3 month period ended December 31, 2009 was \$Nil (2008 – Nil) as no options were granted. Amortization expense for the same period totaled \$Nil (2008 - \$56,635).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted or extended:

	2009	2008
Risk-free interest rate	2.29%	4.30 %
Expected life of options	5.93 years	6.1 years
Annualized volatility	93.82 %	23.98 %
Dividend	0%	0 %

13. CAPITAL RISK MANAGEMENT

The objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders, benefits to other stakeholders and to have sufficient funds on hand to meet the Company's exploration and development plans to ensure the on-going growth of the business .

The Company considers as its capital its shareholders equity, convertible debentures and cash and equivalents. 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. In order to maintain or adjust capital structure, the Company may issue new shares through private placements, repurchase shares, sell assets, incur debt, or return capital to shareholders. As of December 31, 2009, the Company has debt in the form of convertible debentures (see Note 11), but is not subject to externally imposed capital requirements. The Company currently has sufficient capital resources to meet its planned operational and administrative overhead expenses for the current fiscal year. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. Due to the cyclical nature of the industry, there is no guarantee that when the Company needs to raise capital, there will be funds at that time.

14. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity risk

Liquidity risk is managed by the Company by maintaining sufficient cash balances to meet current working capital requirements. The Company is in production in Peru but may require additional funding in order to continue other exploration and development programs in the future. Despite previous success in acquiring this funding, there is no guarantee of obtaining future funding. The Company's cash and cash equivalents are invested in business accounts with quality financial institutions primarily in Canada and the U.S. and are available on demand for the Company's

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

14. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (cont'd...)

Liquidity risk (cont'd...)

programs. Long term investments are held as an interest in a joint venture company managed by an established public mining company in Peru. The Company is not invested in any asset-backed commercial paper.

Credit risk

The Company's credit risk is primarily attributable to its liquid financial assets and would arise from the non-performance by counterparties of contractual financial obligations. The Company limits its exposure to credit risk on liquid assets by maintaining its cash, cash equivalents and environmental reclamation bond with high-credit quality financial institutions. Receivables are minimal at this time and are not considered a material credit risk. Securities held-for-trading are common shares of a junior exploration company, and these securities remain subject to market fluctuations and changing market values.

Currency risk

While the Company's funds are held in both US and Canadian dollars, its operations are in the United States, Ecuador and Peru. Foreign exchange or currency risk results from multiple currencies transactions and the Company's financial statements which are reported in US dollars. The largest risk involves the Company's convertible debentures and the required bi-annual interest payments which are transacted in Canadian dollars. The Company does not use derivative instruments to reduce its currency risk. Ecuador is a US dollar based economy and accordingly there is limited currency risk.

Sensitivity Analysis

The Company is exposed to foreign currency risk on fluctuations related to cash, securities held-for-trading, long term investment, convertible debentures and accounts payable and accrued liabilities that are denominated in Canadian dollars. As at December 31, 2009, net liabilities totalling \$25,719,886 were held in Canadian dollars.

Based on the above net exposure as at December 31, 2009, and assuming all other variables remain constant, a 15% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of approximately \$4,611,622 in the Company's net income.

Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash, cash equivalents and short term investments. Cash has been invested in short-term investments to maintain liquidity and achieve a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of the decrease in the fair value of any banker's acceptance notes, GIC's, money market funds or term deposit included in cash equivalents as they are held with large high-quality credit financial institutions, primarily in Canada and the USA.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

14. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (cont'd...)

Risk management

The Company's largest non-monetary assets are its mineral exploration interests in Ecuador and Peru. The Company could accordingly be at risk to foreign currency fluctuations in Peru and developing legal and political environments in these countries. The Company does not generally maintain significant monetary assets or liabilities in Ecuador and Peru.

Financial assets

The following table sets out the movement of the Company's financial asset instruments, which are accounted for as "held-for-trading" as defined by CICA 3855, Financial Instruments – Recognition and Measurement.

	Securities Held-for-Trading
At June 30, 2009	\$ 135,816
Change in Fair Value	<u>114,488</u>
At December 31, 2009	<u>\$ 250,304</u>

The fair value of securities held-for-trading is based on the market values of the quoted investments.

The estimated fair value of cash and equivalents, environmental bonds and receivables is equal to their carrying values. The exposure of the Company's financial assets to interest rate and currency risk at December 31, 2009, is as follows:

Stated in US Dollars	Canadian Dollar	US Dollar	Peruvian Soles	Total
Floating rate financial assets	\$ 63,258	\$ 22,636,372	\$ 1,381,971	\$ 24,081,601
Fixed rate financial assets	<u>4,927,284</u>	<u>14,174,971</u>	<u>-</u>	<u>19,102,255</u>
Subtotal	<u>4,990,542</u>	<u>36,811,343</u>	<u>1,381,971</u>	<u>43,183,856</u>
Weighted average effective interest rate	2.08 %	0.68 %	-	-
Investment	-	31,500	-	31,500
Receivables	140,914	169,800	3,945	314,659
Due from related parties	<u>262,055</u>	<u>1,613,183</u>	<u>754,415</u>	<u>2,629,653</u>
Total	<u>\$ 5,393,511</u>	<u>\$ 38,625,826</u>	<u>\$ 2,140,331</u>	<u>\$ 46,159,668</u>

Financial liabilities

The estimated fair value of financial liabilities is equal to their carrying values. The weighted average effective interest rate for the Company's convertible debentures issued in May 2006 was calculated by the fair value method using the Black-Scholes model. The conversion feature of the debentures derives an additional ascribed 3.5%

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

14. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (cont'd...)

Financial liabilities (cont'd...)

interest rate which when added to the actual stated interest rate of 5.5% equates to a total effective rate of 9% as shown below. The exposure of the Company's financial liabilities to interest rate and currency risk at December 31, 2009, is as follows:

Stated in US Dollars	Canadian Dollar	US Dollar	Peruvian Soles	Total
Fixed rate debt – Convertible Debentures	\$ 35,828,778	\$ -	\$ -	\$ 35,828,778
Weighted average effective interest rate	9%	-	-	-
Weighted average period for which the rate is fixed in years	2.38	-	-	-
Weighted average period until maturity in years	1.38	-	-	-
Accounts payable and accrued liabilities	13,846	268,248	58,608	340,702
Total	\$ 35,842,624	\$ 268,248	\$ 58,608	\$ 36,169,480

15. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration, development and exploitation of resource properties located in South America. Geographic information is as follows:

	Total Assets	Property and Equipment	Resource Properties	Other Assets
December 31, 2009				
USA	\$ 17,955,255	\$ 247,438	\$ -	\$ 17,707,817
Canada	26,733,152	-	-	26,733,152
Ecuador	79,744,344	217,598	79,353,155	173,591
Peru	43,478,879	-	3,765,214	39,713,665
	\$ 167,911,630	\$ 465,036	\$ 83,118,369	\$ 84,328,225
June 30, 2009				
USA	\$ 8,603,669	\$ 333,235	\$ -	\$ 8,270,434
Canada	36,147,844	-	-	36,147,844
Ecuador	77,852,406	249,643	77,447,163	155,600
Peru	35,380,398	-	2,650,646	32,729,752
	\$ 157,984,317	\$ 582,878	\$ 80,097,809	\$ 77,303,630

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Cash and equivalents in the consolidated statement of cash flows

	December 31 2009	December 31 2008
Cash	\$ 24,081,602	\$ 7,500,419
Equivalents	<u>19,102,254</u>	<u>42,761,134</u>
	<u>\$ 43,183,856</u>	<u>\$ 50,261,553</u>
	December 31 2009	December 31 2008
Cash paid during the period for income taxes	\$ -	\$ -
Cash paid during the period for interest	\$ 1,019,557	\$ 977,587

Significant non-cash transactions for the Company for the six month period ended December 31, 2009, were as follows:

- a) Included in investment in the Pallancata joint venture company are the following: \$9,743 which relates to accounts payable and accrued liabilities and an equity gain of \$13,321,527 (Note 6).
- b) Included in resource properties are the following amounts: \$34,795 which relates to amortization of property and equipment; \$1,861,941 which relates to accounts payable and accrued liabilities; and \$5,000 which relates to due to related parties.

Significant non-cash transactions for the Company for the six month period ended December 31, 2008, were as follows:

- a) Included in investment in the Pallancata joint venture company are the following: \$54,960 which relates to accounts payable and accrued liabilities; an equity gain on capital contributions of \$3,916,672 and an equity gain in joint venture of \$950,913 pertaining to the Pallancata property.
- b) Included in resource properties are the following amounts: \$21,940 (2007-\$74,307) which relates to amortization of property and equipment; \$389,466 which relates to accounts payable and accrued liabilities; and \$10,000 which relates to due to related parties.

17. CONTINGENCY

On June 10, 2008, the Company filed a complaint against UBS Financial Services Inc. ("UBS") of Delaware and certain UBS current or former employees, relating to UBS' misrepresentation and mismanagement of certain investment instruments that were not in compliance with the Company's conservative investment guidelines as provided to UBS by the Company. The investments in question were discontinued in September 2007. This legal action by the Company against UBS has no affect on the current financial position or results of operations of the Company as at December 31, 2009. Commercial arbitration procedures are pending to resolve this dispute. The Company seeks in the complaint an amount of not less than Cdn\$4.1 million (\$3.9 million) in compensatory damages, plus consequential and punitive damages. The prospects for any recovery of such amount(s) remain, at this point, uncertain.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

18. ECUADOR MINING LAW

On April 18th, 2008, Ecuador's Constituent Assembly adopted a Mining Mandate. The Mining Mandate invoked an immediate 180-business day suspension of activities on virtually all mining concessions in Ecuador while a new Mining Law was being drafted and adopted. As required in the Mandate, the Company suspended drilling and other exploration operations in Ecuador. An extensive staff reduction occurred in Ecuador in December 2008, which resulted in substantial employee severance payments, as project activity was not expected to begin again before late 2009.

On January 29th, 2009, Ecuador's President approved the new Mining Law. The mining regulations required to complete the new law's legal framework were scheduled to be issued at the end of May 2009. They were issued on November 4, 2009, but resumption of significant project activity is pending clarification of certain issues under the new Mining Law and regulations.

The Company may be further adversely affected by the Mining Law and related regulations and other requirements planned by the Government of Ecuador, including the possibility of increased government participation in the mining sector, increased royalties, windfall revenue taxes, and possible expropriation or changes in the way concessions are held. These may adversely affect investment and may result in the impairment or loss of all or part of the Company's investment in mineral properties and deferred exploration and development. Management has assessed the impact of these potential developments and does not consider that any impairment has resulted at this time.

19. SHARE BUYBACK PROGRAM

On October 17, 2008, the Company commenced a normal course issuer bid or share repurchase program to purchase, through the market on the Toronto Stock Exchange, 5.0 million of its common shares ("Shares"), representing 5.21% of the Company's 96,030,001 issued and outstanding Shares as at October 8, 2008. Following the end of each quarter, all Shares repurchased are cancelled. The Share buyback program ended October 16, 2009.

Share repurchases during the year ended June 30, 2009, totaled 3,198,000 shares at an average price of Cdn \$2.38 per share for a total value of \$6,209,144 (Cdn\$7,626,438). All of these shares were cancelled.

During the six month period ended December 31, 2009, the Company repurchased 199,700 shares at an average cost of Cdn\$4.22 for a total value of \$811,726 (Cdn\$842,734). All of these shares were cancelled.

20. SUBSEQUENT EVENTS

Subsequent to the period ended December 31, 2009:

- a) The Company issued 144,843 common shares pursuant to the exercise of stock options for gross proceeds of \$500,369 (Cdn\$527,550).
- b) On January 12, 2010, the Company completed the transaction to acquire all of the issued and outstanding shares of Ventura by way of a statutory plan of arrangement. The Company issued 13,740,437 common shares in the all-shares transaction. As of January 12, 2010, former Ventura shareholders own approximately 12% of the Company's issued and outstanding common shares. In addition, a further 1,262,450 common shares of the Company are issuable to holders of Ventura common share purchase warrants and stock options.

The Company acquired Ventura for total consideration of approximately \$58.5 million, including the value of common shares issued and share purchase options and warrants assumed. Mineral properties acquired, mainly

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
AS AT DECEMBER 31, 2009 (Unaudited)

20. SUBSEQUENT EVENTS (cont'd...)

the Inmaculada project, cost approximately \$65.9 million including an allowance for future income tax liability of approximately \$7.4 million. The Company issued approximately \$54.8 million in common shares and recorded \$1.8 million to reflect the deemed issuance of Company options and warrants. Transaction costs are estimated at \$1.0 million and will be included in the financial statements of the Company for the third fiscal quarter ending March 31, 2010.

The pro-forma Net Income impact of the Ventura acquisition will be increased expenses of approximately \$0.3 million per quarter, or \$1.2 million per year, not including losses and gains related to foreign exchange, changes in value of securities held-for-trading and other items. These costs result from non-property, administrative overhead and will likely continue at these levels (see Note 4 for additional details).