



# Consolidated Financial Statements

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*Formerly Infinity Alliance Ventures Inc.  
An Exploration Stage Company*

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For the period ended September 30,  
2009

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NOTICE OF NO AUDITOR REVIEW OF  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, "Continuous Disclosure Obligations", Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The Company's external auditors, BDO Dunwoody LLP, have not performed a review of these interim financial statements.

Signed  
*"Alan Charuk"*  
President

# CBM Asia Development Corp.

Formerly Infinity Alliance Ventures Inc.

(Unaudited)

An Exploration Stage Company

## Consolidated Balance Sheets at September 30, 2009 and December 31, 2008

	September 30 2009 (Unaudited)	December 31 2008 (Audited)
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,137,808	\$ 3,198,530
GST receivable	82,883	45,069
Prepaid expenses	17,875	13,750
Investment in Asset Backed Commercial Paper (Note 4)	<u>-</u>	<u>601,776</u>
	2,238,566	3,859,125
<b>Oil and gas project advance (Note 5)</b>	314,575	2,121,962
<b>Oil and gas projects (Note 5)</b>	2,234,877	-
<b>Equipment (Note 6)</b>	<u>13,884</u>	<u>19,955</u>
	<u>\$ 4,801,902</u>	<u>\$ 6,001,042</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 10)	<u>\$ 198,529</u>	<u>\$ 726,987</u>
<b>Shareholders' Equity</b>		
Share capital (Note 8)	6,614,940	6,504,755
Subscriptions receivable (Note 8)	-	(113,250)
Contributed surplus (Note 8)	1,997,430	1,713,061
Deficit	<u>(4,008,997)</u>	<u>(2,830,511)</u>
	<u>4,603,374</u>	<u>5,274,055</u>
	<u>\$ 4,801,902</u>	<u>\$ 6,001,042</u>

Nature of operations and ability to continue as a going concern (Note 1)

Commitments (Notes 5 and 11)

Subsequent event (Note 12)

APPROVED BY THE DIRECTORS:

<u>"Alan Charuk"</u>	Director	<u>"Clint Sharples"</u>	Director
Alan Charuk		Clint Sharples	

The accompanying notes are an integral part of these financial statements

# CBM Asia Development Corp.

Formerly Infinity Alliance Ventures Inc.

(Unaudited)

An Exploration Stage Company

## Consolidated Statements of Operations and Comprehensive Loss and Deficit For the three and nine months ended September 30, 2009 and 2008

	<i>Unaudited</i>		<i>Unaudited</i>	
	three months ended		nine months ended	
	September 30, 2009	2008	September 30, 2009	2008
<b>General and administrative expenses</b>				
Accounting and audit fees	7,748	\$ 19,621	36,299	\$ 37,464
Administrative services	185	-	20,116	487
Amortization expense	1,973	2,379	6,071	2,379
Bank charges and interest	1,523	1,051	28,411	2,038
Communications and telephone (Note 10)	10,790	35,303	36,007	46,879
Consulting fees (Note 10)	143,089	138,434	410,643	292,760
Executive and board compensation (Note 10)	4,500	45,000	13,500	45,000
Filing fees	13,579	49,397	35,368	50,332
Information technology	39,850	-	75,123	-
Insurance	4,125	-	12,375	-
Investor relations and marketing	35,964	10,000	75,643	20,000
Legal fees	53,450	(37,880)	69,166	3,040
Management fees (Note 10)	75,000	43,625	215,000	67,863
Office and miscellaneous	21,776	8,386	45,164	15,712
Rent (Note 10)	14,566	11,748	42,603	39,286
Salaries and employee benefits	55,869	41,525	196,520	90,009
Stock based compensation (Note 8)	(328,745)	-	284,369	-
Technical & analytical, and conferences	16,631	-	25,652	-
Travel and accommodation (Note 10)	52,192	22,867	127,876	58,275
<b>Loss before other items</b>	<b>(224,065)</b>	<b>(389,956)</b>	<b>(1,755,906)</b>	<b>(771,523)</b>
<b>Other items:</b>				
Interest income	109	5,007	45,506	8,575
Foreign exchange loss	(4,457)	-	(8,774)	-
Recovery on oil and gas project (Note 5)	145,000	-	145,000	-
Recovery of ABCP (Note 4)	-	-	398,224	-
Write-down of oil and gas project (Note 5)	-	-	(2,536)	-
<b>Net loss and comprehensive loss for the period</b>	<b>(83,413)</b>	<b>(384,949)</b>	<b>(1,178,486)</b>	<b>(762,948)</b>
<b>Deficit, beginning of the period</b>	<b>(3,925,584)</b>	<b>(434,187)</b>	<b>(2,830,511)</b>	<b>(56,188)</b>
<b>Deficit, end of the period</b>	<b><u>\$4,008,997</u></b>	<b><u>\$(819,136)</u></b>	<b><u>\$4,008,997</u></b>	<b><u>\$(819,136)</u></b>
<b>Basic and diluted loss per share</b>	<b><u>\$ (0.11)</u></b>	<b><u>\$ (0.10)</u></b>	<b><u>\$ (0.11)</u></b>	<b><u>\$ (0.10)</u></b>
<b>Weighted average number of shares outstanding</b>	<b>37,245,211</b>	<b>8,571,126</b>	<b>37,245,211</b>	<b>8,571,126</b>

The accompanying notes are an integral part of these financial statements

# CBM Asia Development Corp.

Formerly Infinity Alliance Ventures Inc.

(Unaudited)

An Exploration Stage Company

## Consolidated Statements of Cash Flows

For the three and nine months ended September 30, 2009 and 2008

	<i>Unaudited</i>		<i>Unaudited</i>	
	three months ended		nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Operating Activities				
Net Loss for the period	\$ (83,413)	\$ (384,984)	\$ (1,178,486)	\$ (762,948)
Items not involving cash:				
Amortization	1,973	-	6,071	-
Non-cash consulting	(17,352)	-	(80,577)	-
Stock based compensation	(328,475)	-	284,369	-
Write-down of oil and gas projects	<u>-</u>	<u>-</u>	<u>2,537</u>	<u>-</u>
	(427,266)	(384,984)	(966,085)	(762,948)
Changes in non-cash working capital				
GST receivable	(11,827)	(8,579)	(37,814)	(19,239)
Prepaid expenses	4,125	-	12,375	4,000
Accounts payable and accrued liabilities	<u>(17,635)</u>	<u>(487,702)</u>	<u>(528,458)</u>	<u>(203,840)</u>
<b>Cash provided by (used in) operating activities</b>	<b><u>(452,603)</u></b>	<b><u>(881,265)</u></b>	<b><u>(1,519,982)</u></b>	<b><u>(982,027)</u></b>
Investing Activities				
Recovery of asset backed commercial paper	-	-	1,000,000	-
Acquisition of equipment	-	-	-	(7,324)
Oil and gas project advance	(314,575)	-	(314,575)	-
Oil and gas project expenditures	(30,364)	(302,069)	(112,915)	(611,412)
Short term investments	<u>-</u>	<u>(2,892,473)</u>	<u>-</u>	<u>(3,821,971)</u>
<b>Cash used in investing activities</b>	<b><u>(344,939)</u></b>	<b><u>(3,194,542)</u></b>	<b><u>572,510</u></b>	<b><u>(4,440,707)</u></b>
Financing Activities				
Subscriptions receivable	-	-	(113,250)	-
Issuance of securities, net of share issue costs	<u>-</u>	<u>4,374,840</u>	<u>-</u>	<u>4,711,724</u>
<b>Cash provided by (used in) financing activities</b>	<b><u>-</u></b>	<b><u>4,374,840</u></b>	<b><u>(113,250)</u></b>	<b><u>4,711,724</u></b>
<b>Increase (decrease) in cash during period</b>	<b>(797,542)</b>	<b>299,033</b>	<b>(1,060,722)</b>	<b>(640,868)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b><u>2,935,350</u></b>	<b><u>181,237</u></b>	<b><u>3,198,530</u></b>	<b><u>\$ 1,121,138</u></b>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 2,137,808</u></b>	<b><u>\$ 480,270</u></b>	<b><u>\$ 2,137,808</u></b>	<b><u>\$ 480,270</u></b>

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The accompanying notes are an integral part of these financial statements

# CBM Asia Development Corp.

Formerly Infinity Alliance Ventures Inc.

(Unaudited)

An Exploration Stage Company

Continued

## Consolidated Statements of Cash Flows For the nine months ended September 30, 2009 and 2008

	<i>Unaudited</i>	
	for the nine months ended	
	September 30,	
	2009	2008
Cash and cash equivalents represented by:		
Cash	\$ 1,382,626	\$ 178,191
Term deposit	<u>755,182</u>	<u>-</u>
	<u><b>\$ 2,137,808</b></u>	<u><b>\$ 178,191</b></u>
Supplementary disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

# CBM Asia Development Corp.

*(Formerly Infinity Alliance Ventures Inc)*

*An Exploration Stage Company*

## Notes to Consolidated Financial Statements

September 30, 2009 and December 31, 2008

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### **Note 1 Nature of Operations and Ability to Continue as a Going Concern**

Infinity Alliance Ventures Inc. (“Infinity” or the “Company”) was incorporated on April 26, 2006 under the British Columbia Business Corporations Act. On February 23, 2007, Infinity completed its initial public offering and began trading on the TSX Venture Exchange (the “Exchange”) under the symbol “IAV.P” as a capital pool company.

On August 12, 2008, the Company acquired all of the issued and outstanding common shares of CBM Asia Development Corp (“CBM Asia”) in exchange for 17,822,159 common shares of the Company. As a result of this transaction, the shareholders of CBM Asia acquired more than 50% of the Company’s issued and outstanding common shares and the transaction was accounted for as a reverse takeover (“RTO”). Upon completion of the RTO, the shareholders of CBM Asia obtained control of the consolidated entity. Under the purchase method of accounting CBM Asia has been identified as the acquirer, and accordingly the entity is considered to be a continuation of CBM Asia with the net assets of Infinity at the date of the RTO deemed to have been acquired by CBM Asia (Note 7). The consolidated financial statements for the period ended March 31, 2009 of the Company include the results of operations of CBM Asia from January 1, 2008 and of the Company from August 12, 2008, the date of the RTO.

Effective November 18, 2008, following regulatory approval, the Company changed its name from Infinity Alliance Ventures Inc. to CBM Asia Development Corp. The Company will continue to trade on the Exchange under the symbol TCF. On November 17, 2008, the wholly-owned subsidiary CBM Asia Development Corp. changed its name to CBM Asia Operations Corp.

The Company is engaged in the exploration and development of its oil and gas properties in Indonesia and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for the oil and gas projects are dependent upon the discovery of economically recoverable reserves and confirmation of the Company’s interest in the underlying properties, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the sale thereof.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next twelve months. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2009 the Company had not yet achieved profitable operations, had accumulated losses of \$4,008,996 since inception, had a working capital of \$2,040,038 which may or may not be sufficient to sustain operations over the next twelve months and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on oil and gas properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. If the going concern assumption was not used then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these financial statements.

### **Note 2 Change in Accounting Policies and Recent Release Canadian Accounting Standards**

On January 1, 2008, the Company adopted four new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, Handbook Section 3863, Financial Instruments – Presentation and Handbook Section 1400, Assessing Going Concern. The requirements of these new standards are for disclosure purposes only and have not impacted the financial results of the Company.

# CBM Asia Development Corp.

(Formerly Infinity Alliance Ventures Inc)

An Exploration Stage Company

## Notes to Consolidated Financial Statements

September 30, 2009 and December 31, 2008

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### **Note 2 Change in Accounting Policies and Recent Release Canadian Accounting Standards (cont'd)**

#### **i) Capital Disclosure, Section 1535**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its oil and gas properties. Therefore, the Company monitors the level of risk incurred in its oil and gas properties expenditures relative to its capital structure which is comprised of working capital and 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. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. As the earn-in requirements are to be undertaken at the sole discretion of the Company, the Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the period ended March 31, 2009.

#### **ii) Financial Instruments – Disclosure and Presentation, Section 3862 and 3863**

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk, foreign currency risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

#### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents are exposed to credit risk. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions. As at September 30, 2009, the Company is not exposed to any significant credit risk.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liability. The Company measures its liquidity risk by comparing its current working capital with future capital requirements. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. As at September 30, 2009, the Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash. The Company believes that these sources will be sufficient to cover the expected short and long term cash requirements.

#### **Foreign Currency Risk**

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rate. The Company's operations in Indonesia and Canada make it subject to foreign currency fluctuations. The Company's operating expenses are incurred in United States dollars ("US dollars") and Canadian dollars, and the fluctuation of the US dollar in relation to these currencies will have an impact upon the profitability of the Company and may also affect the

# CBM Asia Development Corp.

(Formerly Infinity Alliance Ventures Inc)

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## Notes to Consolidated Financial Statements

September 30, 2009 and December 31, 2008

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### **Note 2 Change in Accounting Policies and Recent Release Canadian Accounting Standards (cont'd)**

#### **Interest Rate Risk**

value of the Company's assets and amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the period in the financial statements is interest income on Canadian dollar cash. As at September 30, 2009, the Company's cash is subject to or exposed to interest rate risk. The Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash in order to maintain liquidity. Fluctuations in interest rates affect the value of cash and cash equivalents.

#### **iii) Assessing Going Concern**

The Canadian Accounting Standards Board ("AcSB") AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The adoption of this Section did not result in any changes on the disclosure within the financial statements.

#### **Recently Released Canadian Accounting Standards**

##### **Goodwill and Intangible Assets**

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. The Company is currently evaluating the impact of the adoption of this new section on its financial statements.

##### **Business Combinations, Consolidated Financial Statements and Non-controlling Interests**

In January 2009, the CICA issued Section 1582, "Business Combinations", Sections 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which replaces existing guidance. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. 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 beginning on or after January 1, 2011, with earlier adoption permitted. If the Company chooses to adopt any one of these Sections, the other sections must also be adopted at the same time. The Company is currently evaluating the impact of the adoption of these new sections on its financial statements.

##### **International Financial Reporting Standards ("IFRS")**

In 2006, 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 date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

# CBM Asia Development Corp.

(Formerly Infinity Alliance Ventures Inc)

An Exploration Stage Company

## Notes to Consolidated Financial Statements

September 30, 2009 and December 31, 2008

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### **Note 3 Significant Accounting Policies**

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may differ from these estimates.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

#### **a) Principles of Consolidation**

These financial statements include the accounts of the Company and its wholly-owned subsidiary, CBM Asia Operations Corp. All significant inter-company balances and transactions have been eliminated.

#### **b) Cash and Cash Equivalents**

Cash equivalents are highly liquid Canadian dollar investments that are readily convertible to cash with maturities of or redemption provisions three months or less from the date of acquisition.

#### **c) Equipment**

Equipment consists of computer equipment, software and office furnishings and is recorded at costs less accumulated amortization. Amortization of computer equipment and software is recorded using the straight-line method at annual rates of 33%. Amortization of office furnishings is recorded using the straight-line method at annual rates of 20%.

#### **d) Oil and Gas Properties**

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are initially capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling and overhead charges directly related to acquisition and exploration activities.

Costs capitalized, together with the costs of production equipment, are depleted and amortized on the unit-of-production method based on the estimated gross proven reserves. Petroleum products and reserves are converted using a common unit of measure, using 6MCF of natural gas to one barrel of oil. Costs of acquiring and evaluating unproven properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proven reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

Proceeds from the sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would alter the rate of depletion by more than 20%. Royalties paid net of any tax credits received are netted with oil and gas sales.

In applying the full cost method, the Company performs a ceiling test on properties which restricts the capitalized costs less accumulated depletion from exceeding an amount equal to the estimated undiscounted value of future net revenues from proven oil and gas reserves, based on sales prices achievable under existing contracts and posted average reference prices, in effect at the end of the year and current costs, after deducting estimated future general and administrative expense, production related expenses, financing costs, future site restoration costs and income taxes.

# CBM Asia Development Corp.

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## Notes to Consolidated Financial Statements

September 30, 2009 and December 31, 2008

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### Note 3 Significant Accounting Policies – (cont'd)

#### e) Deferred Costs

Deferred costs represent legal fees incurred in respect of the RTO (Note 7). These costs were charged to share capital upon the completion of the RTO.

#### f) Environment Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessment and /or remedial efforts are probable and the costs can be reasonably estimated.

#### g) Stock-Based Compensation

The fair value of all share purchase options granted is expensed over their vesting or service period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. 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.

#### h) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period it is incurred, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At September 30, 2009 the Company cannot reasonably estimate the fair value of the resource properties' site restoration costs, if any.

#### i) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company 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. During the period ended December 31, 2008, the Company wrote-down the Sangatta Property and further wrote-down the property during the period ended March 31, 2009 (Note 5).

#### j) Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti dilutive. Basic and diluted loss per share are the same for the periods presented.

For the period ended September 30, 2009 potentially dilutive common shares (relating to options and warrants outstanding at September 30, 2009) totaling 8,477,997 (December 31, 2008: 7,450,477) were not included in the computation of loss per share because their effect was anti-dilutive.

# CBM Asia Development Corp.

(Formerly Infinity Alliance Ventures Inc)

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## Notes to Consolidated Financial Statements

September 30, 2009 and December 31, 2008

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### **Note 3 Significant Accounting Policies – (cont'd)**

#### **k) Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

#### **l) Foreign Currency Translation**

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the rates of exchange in effect at the balance sheet date. Non monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred unless they have been reduced to fair value, in which case the rates at the balance sheet date are used. Foreign currency denominated revenue and expense items are translated using the rate in effect on the date of the transaction. Gains or losses arising from the translations are included in operations.

#### **m) Financial Instruments**

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured on the transaction date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available-for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed as incurred.

The Company has made the following designations of its financial instruments: cash and cash equivalents as held-for-trading, investment in asset backed commercial paper as held-to-maturity and accounts payable and accrued liabilities as other financial liabilities.

#### **n) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and expenses for the periods reported. Actual results could differ from those estimates.

#### **o) Agent Warrants and Warrants**

Warrants issued to agents in connection with a financing are recorded at fair value using the Black-Scholes option pricing model and charged to share issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are valued using the relative fair value method whereby warrants are fair valued using the Black-Scholes option pricing model and the proceeds are allocated to the shares and warrants based on their relative fair values.

# CBM Asia Development Corp.

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### **Note 4 Investment in Asset Backed Commercial Paper**

The Company's Investment in Canadian Asset Backed Commercial Paper ("ABCP") holdings, rated R-1 (high) by Dominion Bond Rating Service (DBRS) at the time it was purchased, was issued by limited purpose trusts sponsored and managed by non-bank entities. As of December 31, 2008, the Company has \$1,106,607 (2007 – \$1,099,856) invested in ABCP, held at Canaccord Capital Inc. This ABCP typically has terms of less than 365 days, and the repayment of maturing ABCP is dependent on the cash generated by the trust's underlying assets and the ability of the trust to issue new ABCP. ABCP last traded on an active market in Canada in August 2007 and there are currently no market quotations available for ABCP.

In September, 2007, a number of significant holders of ABCP, including Canaccord Capital Inc., convened to seek options for the equitable restructuring of ABCP conduits. In March 2008 this committee filed proceedings for a plan of compromise and arrangement (the "ABCP Plan") under the *Companies Creditors Arrangement Act* (Canada) with the Ontario Superior Court (the "Court"). The Court granted an order which continued a standstill in the ABCP market which had been in effect since August 2007 and set April 25, 2008 as the date for a meeting of ABCP noteholders to approve the ABCP Plan. At such meeting, the noteholders approved the ABCP Plan by the required majorities. On June 5, 2008, the ABCP Plan was approved by the Court and a sanction order (the "Sanction Order") was made. The Sanction Order has been affirmed by the Ontario Court of Appeal and a subsequent application for leave to appeal same to the Supreme Court of Canada has been denied.

On April 9, 2008 the Canaccord Capital Inc. announced a program (the "Canaccord Relief Program") under which Canaccord Capital Inc. will repurchase, at maturity value, ABCP from clients who hold \$1.0 million or less of such ABCP. The Canaccord Relief Program has since been extended to include certain other persons and clients, including the Company, who hold more than \$1.0 million but less than \$1.31 million of such ABCP and agree to sell their entire holdings for \$1.0 million. The Canaccord Relief Program is conditional on the successful implementation of the ABCP Plan.

As there is presently no active market for the ABCP that the Company holds and any potential funds available under the Canaccord Relief Program will not be accessible until such time as the ABCP Plan has been implemented or some alternative acceptable solution is found, the Company is unable to definitively determine when an appropriate resolution may occur. The Company's investment in ABCP was initially scheduled to mature in October 2007 but remains outstanding as at December 31, 2008, as a result of current market conditions.

Pursuant to Section 3855 of the CICA Handbook, management estimated the fair value impairment on its investment in ABCP held by using a discounted cash flow approach based on its best estimate of a range of possible outcomes which are then discounted.

Based on management's best-effort fair-value estimation, Infinity wrote down the carrying value of the investment to \$601,776 by recording an impairment charge in the amount of \$498,080 in 2007 prior to the reverse takeover.

During the three months ended March 31, 2009 the Company received \$1,000,000 face value of the note and \$40,000 in interest under the Canaccord Relief Program and recorded the recovery in the amount of \$398,224.

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### Note 5 Oil and Gas Projects

	September 30, 2009	December 31, 2008
Kutai and Kutai West Projects	\$ 2,234,877	\$ 2,121,961
Sangatta Project, net of write-down	1	1
<b>Unproved properties</b>	<b>\$ 2,204,514</b>	<b>\$ 2,121,962</b>

Title to oil and gas projects involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequent ambiguous conveyance history characteristic of many oil and gas properties. The Company has investigated title to its oil and gas projects and, to the best of its knowledge, title to its projects are in good standing. However, this should not be construed as a guarantee to title. The concessions may be subject to prior claims, agreements or transfer and rights of ownership may be affected by undetected defects.

#### a) Kutai Block

Pursuant to a Participation Agreement dated January 17, 2007, as amended April 18, 2008 and April 16, 2009, between the Company, a company incorporated in the British Virgin Islands and a Colorado company, the Company has the right to earn a 40% participating interest in a project to explore, appraise and develop potential coalbed methane reserves covered under a Production Sharing Contract ("PSC") in the Kutai Basin, East Kalimantan, Indonesia.

The project will be carried out in three phases: a Study Phase, a Proposal Phase and a Pilot Project Phase. As of September 30, 2009, the Company and its partners were engaged in the Pilot Project Phase.

Under the terms of the Participation Agreement, the Company has the following earn-in commitments:

1. Cash consideration of US\$120,000 as follows:
  - a) US\$20,000 (CAD\$24,492) upon execution of the agreement (paid);
  - b) US\$40,000 (CAD\$48,984) in expenses to cover the participating partner's share of the Study Phase costs (paid); and
  - c) US\$60,000 (CAD\$73,476) upon award of a cooperation contract, prior to the start of the Pilot Project Phase (paid);
  - d) Cash payments of US\$10,000 (CAD\$12,246) per month for a period not to exceed 24 months (paid US\$240,000 at December 31, 2008 (CAD\$259,773).
2. In the Study Phase, the Company shall have full control and direction over the allocation of the expenses it incurs up to the Study Phase cap of US\$1,000,000 (CAD\$ 1,224,600); fund the full costs of the Study Phase until completion of the Study Phase or until the Study Phase cap is reached, whichever is first and fund two-thirds of the Study Phase costs in excess of the Study Phase cap. The Study Phase has completed.
3. In the Proposal Phase, the Company shall fund two-thirds of the costs of the Proposal Phase until completion of the Proposal Phase or until an earn-in cap of US\$18,000,000 (CAD\$18,334,800) is reached whichever is earlier; and shall fund the Proposal Phase costs in excess of the earn-in cap to the extent of its participating interest. The Proposal Phase has completed.
4. In the Pilot Project Phase the Company shall fund two-thirds of the costs of the Pilot Project Phase or until the earn-in cap is reached, whichever is earlier, and shall fund its share of the Pilot Project Phase costs in excess of the earn-in cap to the extent of its participating interest.

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### Note 5 Oil and Gas Projects – (cont'd)

#### b) Kutai West Block

Pursuant to an amendment to the Participation Agreement dated January 17, 2007, as amended on April 18, 2008, the PSC area held pursuant to the Participation Agreement has been expanded to include additional area (the “Kutai West Block”) that partially or completely overlaps the Kutai Block currently held. For acreage included under this amendment, the terms of the amendment provide that an additional unrelated company will have a 55% participating interest in the additional areas, such that the Company will have a participating interest in 40% of the remaining 45% (18%) in the additional areas. This unrelated company must pay for 55% of the costs of the Study Phase and the Proposal Phase, up to a maximum of US\$110,000 (CAD\$134,706). The earn-in cap will be adjusted to reflect the increase in acreage.

On November 13, 2008 a PSC has been granted to Kutai West CBM Inc. (“Kutai West”) and a company incorporated in the British Virgin Islands for the additional area. Kutai West has a 45% interest in the PSC.

Pursuant to a shareholder’s agreement dated April 16, 2009 between the Company and a company incorporated in the British Virgin Islands, the Company has a 40% interest in Kutai West.

Under the terms of the PSC, Kutai West and a company incorporated in the British Virgin Islands (the “parties”) have an initial term of six years for the exploration period, subject to a one time extension of four year. The term of the contract is thirty years. On the anniversary of the third and sixth years, the parties must relinquish ten percent of the contract area. In addition, once the plan of development is approved by the Government of Indonesia (the “GOI”), the parties must offer a ten percent participating interest to a local government owned Company in exchange for ten percent of the sum of operating costs. The parties agreed to incur exploration expenditures totaling US\$6,515,000 over a period of six years including the drilling of core holes and exploration wells on the Kutai West Block. The parties shall pay the following commitments, totaling US\$3,350,000 (CAD\$ 4,102,410) to the GOI:

US\$ 1,000,000 (CAD\$ 1,224,600) signing bonus on or before December 13, 2008; and,

- a) US\$ 25,000 (CAD\$ 30,615) to provide equipment and services within the first year; and,
- b) US\$75,000 (CAD\$ 91,845) before the beginning of each annual work program as an advance to the GOI for providing facilities, supplies and personnel. Any amounts unspent will be returned to the parties upon termination of the PSC; and,
- c) US\$ 500,000 (CAD\$ 612,300) within 30 days after cumulative CBM production reached two hundred and fifty billion standard cubic feet; and,
- d) US\$ 750,000 (CAD\$ 918,450) within 30 days after cumulative CBM production has reached five hundred billion standard cubic feet; and,
- e) US\$ 1,000,000 (CAD\$ 1,224,600) within 30 days after cumulative CBM production has reached one thousand billion standard cubic feet.

Under the terms of its existing Participation Agreement on the Kutai Block, the Company has the right to earn an 18% overall interest in the newly awarded PSC. The Company shall fund 30% of the PSC, as to two-thirds of the costs of Kutai West’s 45% interest in the PSC.

Under the terms of the PSC, the Company is responsible for 30% of the Kutai West Block commitments and the following commitments:

- a) US\$ 300,000 (CAD\$367,380) bank guarantee for a period of three years (paid);
- b) US\$ 100,000 (CAD\$122,460) bank guarantee for a period of two months (paid).

The parties shall be obligated to supply for the consumption of the domestic market in Indonesia 25% of the parties CBM produced. The GOI shall be entitled to 19.6429% of the CBM production in each year. In addition, all equipment purchased by the parties pursuant to a work program shall become the property of the GOI.

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### Note 5 Oil and Gas Projects – (cont'd)

#### c) Sangatta

Pursuant to a Participation Agreement dated May 26, 2008 between the Company and a company incorporated in the British Virgin Islands, the Company has the right to earn up to a 40% participating interest in a project to explore, appraise and develop potential coalbed methane reserves covered under a Production Sharing Contract ("PSC") in the Sangatta Basin, East Kalimantan, Indonesia.

The project will be carried out in phases including a Joint Study Phase. To date, the Company and its participating partner are engaged in the Study Phase.

Under the terms of the Participation Agreement, the Company has the following earn-in commitments:

1. Fund US\$250,000 (CAD\$306,150) in costs of the Joint Study Phase and be liable for two-thirds of any costs in excess of US \$250,000 (CAD\$306,150);
2. Cash payments of US\$15,000 per month (CAD\$18,369) for a period not to exceed 24 months (paid US\$180,000) and at December 31, 2008 (CAD\$216,871);
3. The Company shall fund two-thirds of the costs of the project until an earn-in cap of US\$9,000,000 (CAD\$11,021,400) is reached and shall fund the project costs in excess of the earn-in cap to the extent of its participating interest.

The Indonesian government passed a bill in late 2008 to disallow properties in excess of 5000 hectares and thus split the property into three blocks. The Company declined the right to pursue one of the blocks, and has retained its right to pursue the remaining two blocks which are of greater interest. All funds invested in the property that was declined are recoverable against future expenditures on the remaining two blocks.

The Company entered into a letter of intent dated June 24, 2007 with a company whereby this company would identify and acquire coal bed methane property in East Kalimantan, Indonesia on behalf of the Company.

During the year ended December 31, 2008, the Company wrote-off the Sangatta project with total costs of \$467,551. During the three months ended March 31, 2009 the Sangatta project was further written-down \$2,537.

The Company recovered US\$134,721 on September 15, 2009 from joint venture partners and has elected not to further pursue investigations on the Sangatta project.

#### c) Sekayu

On August 21, 2009, further revised on October 16, 2009, the Company entered into a binding Letter of Intent ("LOI") with Batavia Energy Inc. to acquire 24 percent of South Sumatra Energy Inc. ("SSE") which, together with PT Medco CBM Sekayu ("PT Medco"), holds a Production Sharing Contract ("PSC") for coalbed methane on a 58,349 hectare block located in the South Sumatra Basin (the "Sekayu Block PSC"), Indonesia. Under the Sekayu Block PSC, the Company will have a net 12 per cent interest. A deposit of US\$250,000 (CAD\$275,375) has been made with the intention to finalize a formal purchase and sale agreement. US \$208,283 of this deposit was forwarded to Pt Medco CBM Sekayu on September 7, 2009 for drilling costs. The Company is obligated to make cash payments of US\$15,000 (paid US\$45,000) for a period of four months, a US\$1,000,000 cash payment on closing and expenditures of US\$3,243,500 for a period of three years.

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## Notes to Consolidated Financial Statements

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### Note 6 Equipment & Furnishings

	Cost	Amortization	Net
Computer equipment and software	\$23,302	\$4,202	\$19,100
Furnishings	1,005	150	855
<b>At December 31, 2008</b>	<b>\$24,307</b>	<b>\$4,352</b>	<b>\$19,955</b>
Computer equipment and software	\$23,302	\$10,124	\$13,178
Furnishings	1,005	299	706
<b>At September 30, 2009</b>	<b>\$24,307</b>	<b>\$8,450</b>	<b>\$13,884</b>

### Note 7 Reverse Takeover

Effective August 12, 2008 the Company completed the acquisition of all the outstanding common shares of CBM Asia Development Corp. ("CBM Asia") in exchange for common shares of Infinity. Infinity issued 17,822,159 shares with a fair value of \$610,587. As a result, the shareholders of CBM Asia obtained control of the Company by obtaining 61% of the common shares of the combined entity and the transaction was accounted for as a reverse takeover. The RTO is considered to be a capital transaction, whereby CBM Asia acquired the assets and liabilities of the Company and is considered to be the continuing entity for accounting purposes. Concurrently with the completion of the RTO, the Company completed a private placement financing of \$4,900,702. See Note 8.

The net assets and liabilities acquired by CBM Asia effective August 12, 2008 are as follows:

Cash	\$	124,667
Receivables		2,362
Deferred acquisition costs		35,585
Investment in commercial paper		601,776
Accounts payable and accrued liabilities		(21,803)
Loan payable		(132,000)
<b>Net value of assets acquired</b>	<b>\$</b>	<b>610,587</b>
<b>Consideration</b>		
17,822,159 Infinity common shares	\$	610,587

The operations of the Company are included in the consolidated statement of operations from August 12, 2008, the effective date of the acquisition, totaling a net loss of \$793,927.

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### Note 8 Share Capital

#### a) Authorized Share Capital

Unlimited Number of Common Shares, Voting, Without Par value;

Unlimited Number of Class A Preference Shares, With a Par value of \$1.00 each; and

Unlimited Number of Class B Preference Shares, With a Par value of \$5.00 each.

#### b) Common Shares Issued and Outstanding and Contributed Surplus – (cont'd)

	Common Shares	Amount	Contributed Surplus
<b>Balance, December 31, 2007</b>	<b>16,030,495</b>	<b>1,732,574</b>	<b>212,658</b>
Issued During the Year:			
For Cash pursuant to subscription agreements			
- at \$0.055	400,000	22,000	-
- at \$0.30	1,391,664	417,499	-
Pursuant to the acquisition of Infinity	(17,822,159)	-	-
Exchange of shares	17,822,159	-	-
Shares issued for reverse takeover	11,489,331	610,587	-
For cash pursuant to private placement of units			
- at \$0.60 per unit	8,167,837	4,323,415	577,287
Agent's shares issued	833,333	431,817	-
Agent's units - Corporate Finance Fee	50,000	26,466	3,534
Less: issue costs - fair value of agent's options	-	(157,288)	157,288
- agent's shares – at \$0.60	-	(431,817)	-
- agent's units – at \$0.60	-	(30,000)	-
- cash	-	(587,876)	-
For cash on exercise of options – at \$0.15	980,000	147,000	
For cash on exercise of warrants – at \$0.15	2,520	378	
Fair value attributed to stock options granted	-	-	762,294
<b>Balance, December 31, 2008</b>	<b>39,345,180</b>	<b>\$ 6,504,755</b>	<b>\$ 1,713,061</b>
For cash on exercise of warrants – at \$0.15	771,480	115,722	
Less issue costs		(5,537)	
Fair value attributed to stock options granted			642,532
Fair value of options surrendered and forfeited			(358,163)
<b>Balance, September 30, 2009</b>	<b>40,116,660</b>	<b>\$ 6,614,940</b>	<b>\$ 1,997,430</b>

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## Notes to Consolidated Financial Statements

September 30, 2009 and December 31, 2008

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### Note 8 Share Capital (cont'd)

#### c) Financings

During the year ended December 31, 2008:

The Company issued 400,000 common shares at \$0.055 per common share for gross proceeds of \$22,000 and issued 1,391,664 common shares at \$0.30 per common share for gross proceeds of \$417,499 pursuant to subscriptions agreements.

On August 12, 2008, the Company issued 8,167,837 units (the "Units") at a price of \$0.60 per Unit for gross proceeds of \$4,900,702 pursuant to a Private Placement. Each Unit consisted of one common share and one-half of one transferable share purchase warrant; each whole warrant entitling the holder thereof to purchase an additional common share at a price of \$0.90 exercisable on or before August 12, 2010. A value of \$577,287 (\$0.141 per warrant) has been attributed to these warrants using the Black-Scholes option pricing model and has been credited to contributed surplus in shareholders' equity.

In conjunction with the Private Placement, the Company issued agent's options to purchase up to a total of 571,748 agent's units (the "Agent's Units") at a price of \$0.60 per Agent's Unit exercisable on or before August 12, 2010. Each Agent's Unit consists of one common share and one-half of one agent's warrant; each whole agent's warrant entitling the holder to purchase one additional share at a price of \$0.90 within 24 months from the issuance date. A value of \$157,288 (\$0.275 per option) has been attributed to these options using the Black-Scholes option pricing model and has been credited to contributed surplus in shareholders' equity.

Concurrently with the completion of the RTO and the Private Placement the Company paid a finder's fee of 833,333 common shares to the agent. The Company also paid the agent 50,000 corporate finance units in connection with the Private Placement, each unit consisting of one common share and one-half of one corporate finance warrant. Each whole corporate finance warrant entitles the holder to purchase one additional common share at a price of \$0.90 exercisable on or before August 12, 2010. A value of \$3,534 (\$0.141 per warrant) has been attributed to these warrants using the Black-Scholes option pricing model and has been credited to contributed surplus in shareholders' equity.

The assumptions used in the option pricing model for each of the above warrants are as follows: risk-free interest rate – 2.7%; expected life – 2.0 years; expected volatility – 83%; and expected dividends – nil.

The company paid \$587,876 in fees associated with the Private Placement made up of the agent's commission of 7% of the gross proceeds as well as sponsorship fees, administration fees, legal fees, disbursements and expenses.

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### Note 8 Share Capital (cont'd)

#### d) Warrants

The changes in share purchase warrants during the year ended December 31, 2008 and the five months ended December 31, 2007 are as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, December 31, 2007 and 2006</b>	-	-
From Infinity:		
Agent's warrants	774,000	\$0.15
Issued:		
Share purchase warrants (transferable)	4,083,918	\$0.90
Corporate finance warrants	25,000	\$0.90
Exercised	(2,520)	\$0.15
<b>Balance, December 31, 2008</b>	<b>4,880,398</b>	\$0.90
Exercised	(771,480)	\$0.15
<b>Balance, September 30, 2009</b>	<b>4,108,918</b>	\$0.90

A summary of the Company's outstanding and exercisable share purchase warrants are as follows.

Number of Warrants	Exercise Price	Expiry Date
4,108,918	\$0.90	August 12, 2010

#### e) Stock Options

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Stock options vest on grant date, except for certain investor relations consultants.

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### Note 8 Share Capital (cont'd)

#### e) Stock Options (cont'd)

During the three months ended September 30, 2009, the Company recorded stock-based compensation expense of \$128,691 (year ended December 31, 2008: \$762,294) with respect to share purchase options granted during the year. The weighted average fair value of share purchase options granted during the period ended September 30, 2009 of \$0.39 (year ended December 31, 2008: \$0.40) per option was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>2009</u>	<u>2008</u>
a) risk-free interest rate	1.86 - 3.08%	3.08%
b) expected life	2 - 5 years	5 years
c) expected volatility	83%	83%
d) expected dividends	Nil	Nil

The changes in share purchase options during the nine months ended September 30, 2009 and the year ended December 31, 2008 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life
<b>Balance, exercisable, December 31, 2006 and 2007</b>	-	-	-
From Infinity:			
Directors and Officers *	980,000	\$0.15	
Charitable Organizations *	113,331	\$0.15	
Exercised	(980,000)	\$0.15	
Granted:			
Directors and Officers	975,000	\$0.60	
Employees	110,000	\$0.60	
Consultants	<u>800,000</u>	\$0.60	
<b>Balance, exercisable, December 31, 2008</b>	<b><u>1,998,331</u></b>	\$0.57	4.8 years
Granted	1,899,000	\$0.28	
Forfeited	(650,666)	\$0.60	
Surrendered	(235,000)	\$0.60	
Granted	500,000	\$0.30	
Granted	<u>125,000</u>	\$0.28	
<b>Balance, exercisable, September 30, 2009</b>	<b><u>3,636,665</u></b>	\$0.37	3.6 years

\* The options from Infinity were granted prior to the reverse takeover and the terms remain unchanged.

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### Note 8 Share Capital (cont'd)

#### e) Stock Options (cont'd)

A summary of the Company's outstanding share purchase options are as follows.

Number of Options	Exercise Price	Expiry Date
125,000	\$0.28	April 23, 2011
500,000	\$0.30	June 9, 2011
999,334	\$0.60	August 12, 2013
949,000	\$0.28	January 5, 2014
950,000	\$0.28	January 8, 2014
<u>113,331</u>	\$0.15	February 23, 2017
<u><u>3,636,665</u></u>		

During the period of March 31, 2009, the Company granted 1,868,000 share purchase options for a period of five years at an exercise price of \$0.28 per share.

During the period of June 30, 2009, the Company granted 500,000 share purchase options for a period of two years at an exercise price of \$0.30 per share.

As at December 31, 2008, in addition to the outstanding share purchase options discussed above, the Company has 571,748 Agent's Options outstanding which entitles the Agent to purchase 571,748 units expiring August 12, 2010 at a price of \$0.60 per unit. Each unit entitle will consist of one common share and one-half of one warrant exercisable at a price of \$0.90 for a period of 24 months from the issuance date.

On April 23, 2009, the Company granted stock options to an investor relations consultant to purchase up to an aggregate of 500,000 common shares of the Company for a period of two years at an exercise price of \$0.28 per share. The options vest 25% every three months following the grant date.

#### f) Escrow Shares

As at September 30, 2009, the number of shares held in escrow was 4,927,400 (December 31, 2008 - 7,391,100). The escrow shares are to be released as to 15% every three months.

#### g) Share Subscription Receivable

As at December 31, 2008, the Company had executed share purchase option agreements for the issuance of 755,000 common shares at \$0.15 per share totaling \$113,250 for which the payment had not been received. These subscriptions were received during the period March 31, 2009.

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### Note 9 Income Taxes

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<u>2008</u>	<u>2007</u>
Statutory tax rate	31.0%	34.1%
Loss for the period before income tax	\$ (2,561,665)	\$ (215,789)
Expected income tax recovery	\$ 794,000	\$ 74,000
Stock-based compensation and other	(244,000)	-
Share issue costs	153,000	-
Effect of change in tax rate	(89,000)	(14,000)
Change in valuation allowance	(614,000)	(60,000)
<b>Total income taxes</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's net future income tax assets and liabilities are as follows:

	<u>2008</u>	<u>2007</u>
Future income tax assets		
Share issue costs	\$ 160,000	\$ -
Oil and gas projects and related deferred exploration	99,000	(23,000)
Non-capital losses carried forward	482,000	56,000
Other	65,000	(1,000)
	806,000	32,000
Valuation allowance for future income tax assets	(806,000)	(32,000)
<b>Future income tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The Company recorded a valuation allowance against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward periods to utilize all the future tax assets.

Losses that reduce future income for tax purposes expire as follows:

2026	\$ 11,000
2027	348,000
2028	1,493,000
	<b>\$ 1,852,000</b>

In addition to the tax losses listed above the Company has accumulated foreign resources expenditures of \$2,503,000 (2007 - \$668,000) available to reduce taxable income of future years

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### Note 10 Related Party Transactions

During the nine months ended September 30, 2009 and the year ended December 31, 2008, the Company incurred the following expenses with directors of the Company:

	2009	2008
Consulting fees	\$ 274,500	\$ 29,570
Management fees	104,500	70,300
Rent	9,169	10,000
Meetings	5,505	-
Communications and telephone	2,933	2,500
Executive and board compensation	13,500	7,000
	<b>\$ 410,107</b>	<b>\$ 119,370</b>

At December 31, 2008, oil and gas projects costs included \$377,373 (2007 - \$67,871) with respect to costs charged by directors and officers of the Company and companies controlled by directors and officers of the Company.

These expenditures were measured by the exchange amount, which are the amounts agreed upon by the transacting parties.

Included in accounts payable and accrued liabilities at September 30, 2009 is \$5,750 (year ended 2008 - \$87,589) owing to a director of the Company.

Included in consulting fees is \$264,218 of consulting fees paid to the former Director and CEO of Infinity Alliance Ventures Inc. and companies he controls. He is not considered a related party of the Company.

### Note 11 Commitment

By an agreement dated, March 19, 2008, the Company entered into a five year office lease commencing May 1, 2008 with payments of \$3,360 per month, as follows:

2009	\$ 10,080
2010	40,320
2011	40,320
2012	40,320
2013	13,440
	<b>\$ 144,480</b>

# CBM Asia Development Corp.

*(Formerly Infinity Alliance Ventures Inc)*

*An Exploration Stage Company*

## Notes to Consolidated Financial Statements

September 30, 2009 and December 31, 2008

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### **Note 12 Subsequent Events**

- a) On October 6, 2009, the Company issued 11,000,000 units (the "Units") at a price of \$0.30 per Unit for gross proceeds of \$3,300,000 pursuant to a Private Placement. Each Unit consisted of one common share and one transferable share purchase warrant; each warrant entitling the holder thereof to purchase an additional common share at a price of \$0.40 exercisable on or before October 6, 2012 provided that if the Company's shares trade at CDN\$1.25 per Share or more for 20 consecutive days on a weighted average basis, the Company shall have the right to accelerate the expiry date of the warrants upon 30 days notice.