

Committee Bay Resources Ltd.

Consolidated Financial Statements

For the years ended September 30, 2008 and 2007



STOUT & COMPANY LLP

CHARTERED ACCOUNTANTS EDMONTON, CANADA

AUDITORS' REPORT

To the Shareholders of **Committee Bay Resources Ltd.**

We have audited the consolidated balance sheets of **Committee Bay Resources Ltd.** as at September 30, 2008 and 2007 and the consolidated statements of net income (loss), changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Canada
December 23, 2008

Chartered Accountants

Committee Bay Resources Ltd.

Consolidated Balance Sheets

As at September 30	2008	2007
Assets		
Current		
Cash and cash equivalents (note 4)	\$ 5,312,338	\$ 8,368,607
Accounts receivable and other current assets	<u>1,334,613</u>	<u>759,301</u>
	6,646,951	9,127,908
Deferred acquisition costs (note 18)	641,695	-
Restricted cash (note 4)	85,000	85,000
Performance bonds (note 5)	40,465	818,772
Investments and advances (note 6)	3,414,106	1,023,840
Property, plant and equipment (note 7)	2,594,440	1,072,810
Convertible debentures (note 8)	9,480,130	-
Mineral interests (note 9)	<u>33,036,762</u>	<u>44,548,654</u>
	\$ 55,939,549	\$ 56,676,984
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,629,135	\$ 3,072,552
Asset retirement obligation (note 10)	34,673	134,447
Income taxes payable	378,676	-
Future income taxes (note 11)	<u>3,850,629</u>	<u>2,702,522</u>
	5,893,113	5,909,521
Shareholders' equity	<u>50,046,436</u>	<u>50,767,463</u>
	\$ 55,939,549	\$ 56,676,984

Approved by the Board

Director (signed by) "John Robins"

Director (signed by) "Sean Mager"

Committee Bay Resources Ltd.

Consolidated Statements of Net Income (Loss)

For the years ended September 30, 2008 and 2007

	2008	2007
Expenses		
Amortization	\$ 261,470	\$ 83,991
Conferences and travel	383,561	218,388
Office and administration	756,582	166,026
Professional fees	185,704	236,034
Promotion and investor relations	114,555	143,252
Stock-based compensation (note 12)	932,795	383,205
Wages and consulting fees	500,811	343,062
Drilling costs	1,163,443	-
	<u>(4,298,921)</u>	<u>(1,573,958)</u>
Drilling revenue	1,091,641	-
Recoveries	37,069	82,277
	<u>(3,170,211)</u>	<u>(1,491,681)</u>
Loss from operations		
Other income and expenses		
Interest	611,630	437,997
Impairment of advances (note 6)	(133,270)	(110,835)
Foreign withholding tax	(315,927)	-
Write down of generative projects	(80,856)	-
Loss on foreign exchange	(46,739)	(154,661)
	<u>(3,135,373)</u>	<u>(1,319,180)</u>
Net loss before income taxes		
Future income taxes (note 11)	(917,422)	877,317
	<u>(4,052,795)</u>	<u>(441,863)</u>
Net loss from continuing operations		
Discontinued operations, net of tax (note 17)	6,466,261	(469,565)
	<u>\$ 2,413,466</u>	<u>\$ (911,428)</u>
Net income (loss) for the year		
Basic and diluted net loss from continuing operations per common share	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>
Basic and diluted net income (loss) from discontinued operations per common share	<u>\$ 0.07</u>	<u>\$ (0.00)</u>
Basic and diluted net income (loss) per common share	<u>\$ 0.03</u>	<u>\$ (0.01)</u>
Basic and diluted weighted average number of common shares outstanding	<u>96,102,503</u>	<u>85,815,019</u>

Committee Bay Resources Ltd.
Consolidated Statements of Changes in Shareholders' Equity

	# of common shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
October 1, 2006	69,513,342	\$ 38,579,054	\$ 5,198,284	\$ (5,880,672)	\$ 487,200	\$ 38,383,866
Other comprehensive loss:						
Unrealized loss on investments (net of \$65,600 in future income tax)	-	-	-	-	(344,400)	(344,400)
Net loss for the year	-	-	-	(911,428)	-	(911,428)
Comprehensive loss						(1,255,828)
Private placements (note 12)	26,080,000	15,121,990	479,872	-	-	15,601,862
Options vesting (note 12)	-	-	383,205	-	-	383,205
Exercise of options (note 12)	128,000	32,000	-	-	-	32,000
Share issuance costs (net of \$415,225 in future income tax)	-	(1,426,042)	-	-	-	(1,426,042)
Future income tax effect on renunciation of flow-through expenditures	-	(951,600)	-	-	-	(951,600)
	<u>26,208,000</u>	<u>12,776,348</u>	<u>863,077</u>	<u>(911,428)</u>	<u>(344,400)</u>	<u>12,383,597</u>
September 30, 2007	95,721,342	\$51,355,402	\$ 6,061,361	\$ (6,792,100)	\$ 142,800	\$ 50,767,463
Other comprehensive loss:						
Unrealized loss on investments (net of \$1,002,203 in future income tax)	-	-	-	-	(2,805,117)	(2,805,117)
Net income for the year	-	-	-	2,413,466	-	2,413,466
Comprehensive loss	-	-	-	-	-	(391,651)
Options vesting (note 12)	-	-	932,795	-	-	932,795
Exercise of options (note 12)	412,875	103,219	-	-	-	103,219
Future income tax effect on renunciation of flow-through expenditures	-	(1,365,390)	-	-	-	(1,365,390)
	<u>412,875</u>	<u>(1,262,171)</u>	<u>932,795</u>	<u>2,413,466</u>	<u>(2,805,117)</u>	<u>(721,027)</u>
September 30, 2008	<u>96,134,217</u>	<u>\$50,093,231</u>	<u>\$ 6,994,156</u>	<u>\$ (4,378,634)</u>	<u>\$(2,662,317)</u>	<u>\$ 50,046,436</u>

Committee Bay Resources Ltd.Consolidated Statements of Cash Flows
For the years ended September 30, 2008 and 2007

Cash provided by (used in)	2008	2007
Operating activities		
Net loss from continuing operations	\$ (4,052,795)	\$ (441,863)
Adjustments for:		
Impairment of advances	133,270	110,835
Amortization	261,470	164,121
Stock-based compensation	932,795	383,205
Future income taxes	917,422	(877,317)
	<u>(1,807,838)</u>	<u>(661,019)</u>
Changes in non-cash balance sheet items:		
Performance bonds	-	(272,023)
Deferred acquisition costs	(641,695)	-
Working capital items	<u>(938,706)</u>	<u>1,929,454</u>
Cash (used) provided by continuing operations	<u>(3,388,239)</u>	<u>996,412</u>
Cash (used) by discontinued operations	<u>(1,300,413)</u>	<u>(469,565)</u>
	<u>(4,688,652)</u>	<u>526,847</u>
Investing activities		
Purchase of investments	(525,000)	(29,942)
Purchase of property, plant, and equipment	(2,204,659)	(75,236)
Mineral interest expenditures	(6,952,047)	(10,955,707)
Convertible debentures (note 8)	(7,805,130)	-
Advances to UDS (note 6)	-	(726,919)
Proceeds on sale of discontinued operations (note 17)	19,016,000	-
	<u>1,529,164</u>	<u>(11,787,804)</u>
Financing activities		
Issuance of share capital (note 12)	103,219	15,153,990
Share issue costs	-	(1,361,395)
	<u>103,219</u>	<u>13,792,595</u>
Net increase (decrease) in cash and cash equivalents	(3,056,269)	2,531,638
Cash and cash equivalents - beginning of year	8,453,607	5,921,969
Cash and cash equivalents - end of year	\$ 5,397,338	\$ 8,453,607
Cash and cash equivalents consist of:		
Cash on deposit with financial institutions	\$ 4,312,338	\$ 6,368,607
Guaranteed investment certificates	1,000,000	2,000,000
Restricted cash	85,000	85,000
	<u>\$ 5,397,338</u>	<u>\$ 8,453,607</u>

The Company did not pay any interest or income taxes during the years ended September 30, 2008 and 2007.

The non-cash transactions described in notes 12 and 17 have been excluded from the consolidated statements of cash flows.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

1. Nature of operations

Committee Bay Resources Ltd. (“CBR” or the “Company”) is currently exploring its mineral interests in Canada, Australia, and Argentina in order to bring the properties to the extraction and processing stage.

The Company is in the process of exploring its mineral properties which have the potential of being economically recoverable. The measurement of certain assets and liabilities is dependent on future events therefore the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. In particular, the recoverability of the amounts shown for mineral interests is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the mineral interests, the ability of the Company to obtain necessary financing to complete development, and upon the future profitable production or proceeds from disposition of the mineral interests. The amounts shown for mineral interests represent net costs incurred to date and do not necessarily represent present or future values. Such estimates have been made using careful judgments, which, in management's opinion, are within reasonable limits of materiality.

2. Significant accounting policies

Principles of consolidation and preparation of financial statements

These consolidated financial statements of CBR are prepared in accordance with accounting principles generally accepted in Canada (“GAAP”).

The consolidated financial statements of the Company include the accounts of the Company, its wholly owned subsidiaries: Committee Bay North Ltd., Minera La Huella S.A., Toro Drilling Services Inc., 0830928 B.C. Ltd., CBR USA Inc., Matador Exploration Inc. and its wholly-owned subsidiaries GravelTech Inc., 791837 Alberta Ltd., Matador Mining Pty. Ltd., Toro Mining Pty. Ltd., and Toro Drilling Services Pty. Ltd., and, until April 30, 2008, Redemption Management Pty. Ltd. which in turn included its proportionate share of revenues, expenses, assets, and liabilities of the Redemption Exploration Joint Venture (“RJV”) and the Redemption Plant and Equipment Joint Venture (“Mill JV”). Intercompany transactions and balances are eliminated on consolidation.

The consolidated financial statements use the Canadian Dollar as the unit of measurement. All amounts are in Canadian Dollars unless otherwise specified. Where foreign currency amounts are disclosed, the International Organization for Standardization currency symbol is used.

Cash and cash equivalents

Cash and cash equivalents is comprised of cash and guaranteed investment certificates. Restricted cash has been presented as a non-current asset.

Comprehensive income and equity

Comprehensive income consists of net income and other comprehensive income (“OCI”). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources. The Company's OCI consists of unrealized gains or losses and changes in fair value of available-for-sale financial assets, presented net of related income taxes. Cumulative changes in OCI are included in accumulated other comprehensive income, which is presented as a category of shareholders' equity in the consolidated statements of changes in shareholders' equity.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

Financial instruments - recognition and measurement

All arm's length financial assets and financial liabilities are initially recorded at fair value on the consolidated balance sheet. Subsequent measurement is determined by the classification of each financial asset and liability according to the following categories:

Financial instrument classification	As classified by CBR	Subsequent measurement of gains or losses at each reporting period end
<ul style="list-style-type: none">• Assets or liabilities held-for-trading	<ul style="list-style-type: none">• Cash and cash equivalents	Fair value; unrealized gains and losses recognized in net income
<ul style="list-style-type: none">• Available-for-sale financial assets	<ul style="list-style-type: none">• Investments	Fair value; unrealized gains and losses recognized in OCI; recognized in net income on sale of the asset or when asset is written down as impaired
<ul style="list-style-type: none">• Loans and receivables	<ul style="list-style-type: none">• Accounts receivable,• Advances• Convertible debentures	Amortized cost using the effective interest rate method; if asset is derecognized or asset is impaired, recognized in net income
<ul style="list-style-type: none">• Other financial liabilities	<ul style="list-style-type: none">• Accounts payable and accrued liabilities	Amortized cost using the effective interest rate method; if liability is derecognized, recognized in net income

For the Company, amortized cost generally corresponds to cost. Certain financial instruments are exempt from the standards, including obligations relating to stock-based compensation and the Company's investment in gold nuggets (note 6).

As at September 30, 2008, the Company has not identified any derivative instruments to which it is a party. In the case of the recognition of a derivative instrument, the derivative instrument will be recorded on the consolidated balance sheet at fair value unless exempted from derivative treatment as normal purchases and sales.

The Company accounts for purchases and sales of financial assets on the trade date, being the date on which the Company commits to buy or sell the asset. Transaction costs related to financial assets or financial liabilities classified as other than held-for-trading will be added to the initial carrying value of the financial asset or liability. Where transaction costs relate to available-for-sale financial assets, they will be charged to OCI immediately.

Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Estimated fair values are designated to approximate amounts at which the financial instruments could be exchanged in a current transaction between willing parties. Fair value for instruments designated as available-for-sale is based on the closing trading price as of the financial statement date.

Foreign currency translation

Monetary assets and liabilities of the Company's integrated foreign operations have been translated into Canadian dollars at the rate of exchange prevailing at the year end. Mineral interests, property, plant, and equipment, and related amortization have been translated at the rates prevailing at the dates of acquisition. Revenue and expense items, other than amortization, are translated at the average rate of exchange for the year.

Recoveries

In the course of operations, the Company recovers costs from other parties for such things as shared office overhead costs, and the use of Company property otherwise not in use. These costs are presented on the consolidated statements of net income (loss) and deficit as a reduction to the period's operating expenses.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

Property, plant and equipment

Property, plant and equipment is recorded at cost. The Company provides for amortization using the declining balance method at rates designed to amortize the cost of individual items over their estimated useful lives. The rates used for each class of property, plant and equipment are as follows:

Drilling equipment	30 %
Furniture and office equipment	20 %
Leasehold improvements	20 %
Computer equipment	30 %
Mobile equipment	17% - 30 %
Camp and field equipment	20 %
Field and office equipment	8% - 33%
Mill	5% - 33%

Asset retirement obligation

The Company periodically updates cost estimates and other assumptions used in the valuation of asset retirement obligations at each of its mineral properties to reflect new events, changes in circumstances, and any new information that is available. Changes in these estimates and assumptions have a corresponding impact on the fair value of the asset retirement obligation.

Asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which it is incurred. Fair value is estimated using the present value of the estimated future cash outflows to restore and rehabilitate the mining sites at the Company's credit-adjusted risk-free interest rate. The calculation of these estimates requires assumptions such as the application of environmental legislation, available technologies, and engineering cost estimates. The fair value is added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. The liability is accreted against income until it is settled or the property is sold and is included as a component of amortization. Actual restoration expenditures are charged to the accumulated obligation as incurred.

Flow through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities in Canada funded by flow through share arrangements are renounced to investors in accordance with tax legislation. A future tax liability is recorded and share capital is reduced by future taxes on the date when the expenditures are renounced to the holder of these shares. In the event that the Company has available previously unrecognized future income tax assets at the date of renunciation, the Company recognizes, to the extent of the lesser of the available future income tax assets previously unrecognized or the future income tax liability created by the renunciation of flow through expenditures, a future income tax recovery. The future tax asset recognized is limited to the amount that is more likely than not to be realized.

Future income taxes

The liability method is used for determining income taxes. Under this method, future tax assets and liabilities are recognized for the estimated tax recoverable or payable that would arise if assets and liabilities were recovered or settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Changes to these balances, including changes due to changes in income tax rates, are recognized in income in the period in which they occur. The amount of the future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

Impairment of long-lived assets

The Company follows CICA Handbook Section 3063, *Impairment of Long-Lived Assets*. This section requires the Company to assess the impairment of long-lived assets, which consist primarily of property, plant, and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of the asset to its fair value. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value. The amount of the impairment is charged to income in the period when the impairment is determined.

Net loss per common share

Basic net income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if stock options or warrants to purchase common shares were exercised and converted to common shares. The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or warrants that are in the money are assumed to be used to purchase common shares of the Company at the average market price during the period. When the Company is in a net loss position, the conversion of convertible securities is considered to be anti-dilutive.

Measurement uncertainty

The valuation of mineral interests is based on management's best estimate of the future recoverability of these assets. The amounts recorded for asset retirement obligations are based on estimates described in the section "Asset retirement obligation". The amounts computed with respect to stock based compensation are based on estimates as to the expected life of options and warrants granted and the volatility of the underlying stock during the period. Future income tax provisions and liabilities are estimated based on the differences between accounting and taxable carrying values and the estimated tax rate and treatment that will be applied when the differences are settled. Amortization for individual items of property, plant, and equipment, is based on management's estimate of the useful economic life of the asset.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Mineral interests

The Company is in the process of exploring its resource properties and determining whether these properties contain reserves that are economically recoverable. Resource exploration and development costs are capitalized on an individual area of interest basis until such time as an economically feasible ore body is defined or the prospect is abandoned. Costs for a producing prospect will be amortized on a unit-of-production method upon commencement of commercial production based on the estimated useful life of the reserves, while costs for prospects abandoned are written off. Mineral interest carrying values do not necessarily represent present or future values.

Where the Company's exploration commitments for an area of interest are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations.

The recoverability of the amount capitalized for the undeveloped resources properties is dependant upon the determination of the economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resources properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof. In addition, the resource property costs are evaluated on an annual basis for impairment and, where impairment occurs, related resource costs are written off.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

Title to resources properties 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 history characteristic of many resources properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Stock-based compensation

Stock-based compensation is accounted for using the fair value method whereby compensation expense related to these programs is recorded in the consolidated statement of net income (loss) and deficit with a corresponding increase to contributed surplus. The fair value of options granted are determined at the date of grant and expensed over the vesting period. The fair value of warrants issued to agents is recorded as share issue costs with a corresponding increase to contributed surplus.

Consideration paid on the exercise of stock options and warrants is credited to share capital. Upon the exercise of the stock options and warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company does not incorporate an estimated forfeiture rate for stock options and agents warrants that may not vest, but accounts for forfeitures as they occur.

Joint ventures

The Company periodically has interests in joint ventures which are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is under joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than establishing a separate entity. The Company recognizes its interest in jointly controlled operations by proportionate consolidation, whereby the Company recognizes its share of the assets, liabilities, expenses, and revenues.

Discontinued operations

Operating results of the Company's components disposed of by sale are reported as discontinued operations if the operations and cash flows of those components have been eliminated from the Company's current operations pursuant to the disposal and if the Company does not have significant continuing involvement in the operations of the component after the disposal transaction. A component of the Company includes operations and cash flows that can be clearly distinguished from the rest of the Company's operations and cash flows.

New accounting policies

Financial instruments – Presentation and Financial instruments – Disclosure

Effective October 1, 2007, the Company has adopted CICA Section 3862 – Financial Instruments - Disclosures and CICA Section 3863 – Financial Instruments – Presentation, to replace Section 3861 – Financial Instruments – Disclosure and Presentation. The new standards place increased emphasis on disclosure of the nature and risks associated with financial instruments and how the entity manages those risks. Disclosure required by this new standard is contained in note 15 to the consolidated financial statements.

Capital disclosures

Effective October 1, 2007, the Company has adopted CICA Section 1535 – Capital Disclosures which establishes standards for disclosing information about how capital is managed in order for a user of the consolidated financial statements to evaluate the Company's objectives, policies, and processes for managing capital. Disclosure required by this new standard is contained in note 15 to the consolidated financial statements.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

Accounting changes

Effective October 1, 2007, the Company has adopted CICA Section 1506 – Accounting Changes. This new standard establishes disclosure requirements for new primary sources of GAAP that have been issued but are not yet effective.

Future accounting changes

The CICA has amended Section 1400 – General Standards of Financial Statement Presentation, to include requirements to assess and disclose the Company's ability to continue as a going concern. The new accounting standard is effective on the Company's interim and annual financial statements beginning October 1, 2008.

The CICA has issued Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 – Goodwill and Other Intangible Assets and Section 3450 – Research and Development Costs. The new accounting standard is effective on the Company's interim and annual financial statements beginning October 1, 2008. This Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In February 2008, the Accounting Standards Board confirmed that Canadian Generally Accepted Accounting Principles for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective for the Company's interim and annual financial statements beginning on October 1, 2011. The Company is currently evaluating the impact of the adoption of IFRS.

3. Segmented information

The Company's operations are managed on a regional basis. The three regional operational units are Canada, Australia, and Argentina. Property, plant and equipment is disclosed in note 7 in a manner consistent with the requirements for segmented information. Disclosure of segmented capitalized mineral interest expenditures and acquisition costs is contained in note 9.

The following table allocates assets by segments:

As at September 30	2008	2007
Canada	\$ 40,771,953	\$ 30,861,283
Australia	14,313,084	24,972,177
Argentina	854,512	843,524
Total assets	<u>\$ 55,939,549</u>	<u>\$ 56,676,984</u>

The following table allocates net income (loss) by segment:

Year ended September 30	2008	2007
Canada	\$ (1,931,013)	\$ (160,303)
Australia	(2,121,782)	(281,560)
Australia - discontinued operations	6,466,261	(469,565)
Net income (loss)	<u>\$ 2,413,466</u>	<u>\$ (911,428)</u>

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

4. Cash and cash equivalents

Cash includes \$1,000,000 (2007 - \$2,000,000) held in guaranteed investment certificates (“GIC’s”) at Alberta Treasury Branches (“ATB”) bearing interest at 4.05% maturing on April 23, 2009 (2007 – 3.74% to 4.05%) maturing between April 23, 2008 and April 23, 2009). The repayment by ATB of money on deposit and interest payable on that money is guaranteed by the Crown in Right of Alberta. The GIC’s are cashable at a reduced interest rate, and is therefore classified as current on the consolidated balance sheets.

The Company has available, at September 30, 2008, a revolving line of credit to a maximum of \$1,000,000 bearing interest at prime, and secured by the GIC’s described above.

The Company has provided \$50,000 (2007 - \$50,000) of cash as security to the ATB for corporate credit card liabilities. The Company has provided \$35,000 (2007 - \$35,000) of cash as security for an irrevocable letter of credit of the same amount expiring March 31, 2009, renewable annually, with respect to the performance of a third party under a land use license. The letter of credit was provided as a guarantee for possible reclamation work in order to facilitate exploration in the area by third party geological consultants. These items, totaling \$85,000, have been classified as a non-current asset due to the restrictions disclosed above.

5. Performance bonds

The Company has performance bonds of \$40,465 (2007 - \$37,380) with the Department of Industry and Resources of Western Australia to guarantee environmental reclamation work on its Jaurdi Hills property and, in the prior year, performance bonds of \$781,392 related to the Redemption property. Performance bonds are released as reclamation work is performed and assessed by regulatory authorities.

6. Investments and advances

As at September 30, 2008	Fair value	Carrying value
Marketable securities	\$ 3,386,350	\$ 3,386,350
Gold nuggets (41 oz.)	38,437	27,756
	<hr/>	<hr/>
	\$ 3,424,787	\$ 3,414,106
As at September 30, 2007		
Marketable securities	\$ 380,000	\$ 380,000
Gold nuggets (41 oz.)	30,463	27,756
Equity investment in Underground Drilling and Services Pty Ltd. (“UDS”)	-	-
Advances to UDS	726,919	726,919
Impairment of advances to UDS	(110,835)	(110,835)
	<hr/>	<hr/>
	\$ 1,026,547	\$ 1,023,840

During the year ended September 30, 2007, a subsidiary of the Company acquired an additional 33.5% equity interest in UDS, for nominal cost. Consequently, management has determined that its investment in UDS is an investment subject to significant influence and has applied equity accounting from June 1, 2007. The Company has not recorded any equity earnings for this investment as UDS operated at a loss.

As a result of the sale of UDS’ assets (note 13) to Toro Drilling Services Pty Ltd., advances in the amount of \$133,270 (2007 - \$110,835) were considered uncollectible and were written off as a charge to net income (loss).

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

7. Property, plant, and equipment**As at September 30, 2008**

	Cost	Accumulated Amortization	Net
Canadian operations			
Drilling equipment	\$ 315,190	\$ 47,278	\$ 267,912
Furniture and office equipment	68,257	36,596	31,661
Leasehold improvements	12,724	10,813	1,911
Computer equipment	217,363	130,543	86,820
Mobile equipment	157,071	118,135	38,936
Camp and field equipment	238,620	102,790	135,830
	<u>1,009,225</u>	<u>446,155</u>	<u>563,070</u>
Argentine operations			
Mobile equipment	25,776	18,261	7,515
Australian operations			
Drilling equipment	1,766,128	153,536	1,612,592
Mobile equipment	390,467	45,048	345,419
Field and office equipment	70,981	5,137	65,844
	<u>2,227,576</u>	<u>203,721</u>	<u>2,023,855</u>
	<u>\$ 3,262,577</u>	<u>\$ 668,137</u>	<u>\$ 2,594,440</u>

As at September 30, 2007

	Cost	Accumulated Amortization	Net
Canadian operations			
Furniture and office equipment	\$ 68,257	\$ 28,681	\$ 39,576
Leasehold improvements	12,724	8,268	4,456
Computer equipment	180,888	102,439	78,449
Mobile equipment	157,071	101,448	55,623
Camp and field equipment	160,261	76,933	83,328
	<u>579,201</u>	<u>317,769</u>	<u>261,432</u>
Argentine operations			
Mobile equipment	25,776	15,040	10,736
Australian operations			
Field and office equipment	166,080	50,538	115,542
Mill	805,444	182,899	622,545
Mobile equipment	91,789	29,234	62,555
	<u>1,063,313</u>	<u>262,671</u>	<u>800,642</u>
	<u>\$ 1,668,290</u>	<u>\$ 595,480</u>	<u>\$ 1,072,810</u>

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

The following table denotes amortization of exploration-related equipment which has been capitalized as a component of mineral interests – general fieldwork during the year:

	Amortization capitalized	Amortization expense	Total amortization
Year ended September 30, 2008			
Canada	\$ 89,822	\$ 38,564	\$ 128,386
Argentina	3,221	-	3,221
Australia	10,685	222,906	233,591
	<u>\$ 103,728</u>	<u>\$ 261,470</u>	<u>\$ 365,198</u>
Year ended September 30, 2007			
Canada	\$ 44,671	\$ 45,121	\$ 89,792
Argentina	4,259	-	4,259
Australia	17,781	38,870	56,651
	<u>66,711</u>	<u>83,991</u>	<u>150,702</u>
Australia – discontinued operations	<u>-</u>	<u>80,130</u>	<u>80,130</u>
	<u>\$ 66,711</u>	<u>\$ 164,121</u>	<u>\$ 230,832</u>

8. Convertible debentures

The following table details the Company's convertible debentures:

	September 30, 2008
Balance, beginning of year	\$ -
Focus Minerals Ltd. (note 17)	1,675,000
Niblack Mining Corp. (note 18)	<u>7,805,130</u>
Balance, end of year	<u>\$ 9,480,130</u>

On April 30, 2008, as partial consideration on the disposition of its interest in the Redemption property to its joint venture partner Focus Minerals Ltd. ("Focus"), the Company received an AUD 2,000,000 (\$1,675,000) debenture bearing interest at 8.25% and convertible into shares of Focus at a rate of AUD 0.075 per share up to April 30, 2009.

On May 22, 2008, the Company entered into a Letter of Agreement with Niblack Mining Corp. ("Niblack") (note 18). As part of the Letter of Agreement, the Company provided financing to Niblack for up to \$10,000,000 by way of a secured convertible debenture ("Debenture") with a 10% interest rate. The Debenture is convertible into units of Niblack at a deemed price of \$0.30, consisting of one common share and one full warrant at an exercise price of \$0.30 expiring two years from the date of issuance, or the maximum period allowed by the Exchange. The Debenture is convertible for a period of two years from the date of issuance and is secured by the mineral properties and equipment of Niblack's wholly owned subsidiaries, Abacus Alaska Inc. and Cape Muzon Barge Inc. Niblack may, at its sole discretion, repay any or all of the principal at any time after December 31, 2008 prior to maturity.

Subsequent to year-end, the Debenture was cancelled pursuant to the transaction with Niblack (note 18).

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

9. Mineral interests

Additions (In thousands of dollars)	Canada		Australia		Argentina	Total
	Committee Bay	Baffin Island	Redemption	Jaurdi Hills	Argentina	
Balance, September 30, 2006	18,779	12	12,431	1,803	674	33,699
Acquisition cost	-	-	20	-	-	20
Claims and land use	140	-	294	60	6	500
Drilling	1,147	-	1,048	9	-	2,204
Assay and analysis	212	-	207	120	6	545
Geological consulting	520	-	1,186	37	69	1,812
General fieldwork	4,265	-	961	89	66	5,381
Mine development	-	-	388	-	-	388
Balance, September 30, 2007	25,063	12	16,535	2,118	821	44,549
Claims and land use	80	-	18	44	3	145
Drilling	788	-	268	27	-	1,083
Assay and analysis	359	-	40	175	-	574
Geological consulting	1,152	-	342	123	-	1,617
General fieldwork	2,199	-	448	57	16	2,720
Mine development	-	-	725	-	-	725
Sale of property (note 17)	-	-	(18,376)	-	-	(18,376)
Balance, September 30, 2008	29,641	12	-	2,544	840	33,037
Balances						
(In thousands of dollars)						
Acquisition	5,179	-	9,379	1,461	-	16,019
Claims and land use	529	-	513	152	68	1,262
Exploration	23,933	12	7,371	931	772	33,019
Mine development	-	-	1,113	-	-	1,113
Sale of property (note 17)	-	-	(18,376)	-	-	(18,376)
Balance, September 30, 2008	29,641	12	-	2,544	840	33,037

Committee Bay Greenstone Belt

The Company has mineral interests at September 30, 2008 of 568,945 acres (2007 – 643,639 acres) near Committee Bay, Nunavut, consisting of 538,363 acres (2007 – 613,007 acres) of mineral claims; and 30,582 acres (2007 – 30,632 acres, subsequently revised by legal survey) of mining leases. During the year ended September 30, 2008, the Company allowed 74,644 acres (2007 - 183,974 acres) of prospecting permits to lapse.

Each acre of mineral claims requires an expenditure of \$2.00 per acre per year over the ten year life of the claim. The claims held by the Company have a weighted average remaining life of 5.2 years (2007 – 5.9 years). The work program summaries reporting the expenditures incurred in 2007 have been filed and the work program summaries for 2008 are expected to be filed in early calendar 2009. Management estimates that such expenditures will contribute towards the overall expenditure commitment and that the property will be maintained at its current size in the near term. Portions of the property are subject to a 1% net smelter royalty.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

Jaurdi Hills

The Company, through its 100% owned subsidiary Toro Mining Pty Ltd., owns a land package of approximately 23,000 acres in the Jaurdi Hills of Western Australia with a current requirement to spend AU\$350,000 per year to maintain title to the properties. The Company's interest in Jaurdi Hills is 100%, although certain tenements are subject to an agreement granting the alluvial rights and a conditional 10% participating interest to an unrelated third party.

Argentina

The Company has filed a number of mineral claims in the San Juan and La Rioja provinces in Argentina. The Company is pursuing grassroots exploration projects on these properties.

10. Asset retirement obligation

The Company has recognized an asset retirement obligation ("ARO") for expected reclamation and abandonment of the Jaurdi Hills property related to activities prior to acquisition. The ARO has been estimated based on management's assessment of the costs to rehabilitate the tenements in the case of abandonment. The Company has performance bonds required by the Department of Industry and Resources relating to the property (note 5) on deposit.

The Company has recognized and recorded the ARO at the amount estimated to rehabilitate the Jaurdi Hills property (2007 – Jaurdi Hills and Redemption properties). The Company has not discounted the ARO as there is currently no estimate for the time of retirement of the asset and accretion of the liability.

The following table shows a continuity of the ARO:

	2008	2007
Balance, beginning of year	\$ 134,447	\$ 305,560
Change in estimate	-	(189,549)
Sale of property (note 17)	(104,185)	-
Effect of foreign currency translation	4,411	18,436
Balance, end of year	\$ 34,673	\$ 134,447

11. Income taxes

(a) The components of the future income tax liability are as follows:

	2008	2007
Undeducted share issue costs	\$ (376,417)	\$ (608,459)
Investments	846,893	(32,414)
Mineral interests and property, plant, and equipment	5,383,444	9,756,779
Non-capital loss carry-forwards	(2,230,187)	(6,932,472)
Valuation allowance	3,623,733	2,183,434
	226,896	519,118
	\$ 3,850,629	\$ 2,702,552

As at September 30, 2008, the Company has estimated tax losses in Argentina of \$840,355, the benefit of which has not been recognized.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

- (b) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the combined statutory income tax rate of approximately 30.50% (2007 – 30.50%) to the net income (loss) before income taxes for the years as follows:

	2008	2007
Expected tax expense (recovery)	\$ (956,289)	\$ (545,567)
Difference resulting from:		
Non deductible expenses	291,737	116,878
Change in valuation allowance	(292,222)	-
Change in tax rates	(401,575)	-
Future income tax benefits not previously recognized	1,735,938	(448,628)
Non-capital losses utilized	539,833	-
	<u>917,422</u>	<u>(877,317)</u>
Income tax expense (recovery)	\$ 917,422	\$ (877,317)

12. Share capital

The Company's bylaws authorize an unlimited number of common shares.

The following describes the material share issuances in the comparative and current years as reconciled in the Consolidated Statements of Changes in Shareholders' Equity:

On February 15, 2007, the Company closed a bought deal private placement (the "Placement") for gross proceeds of \$15,121,990 by the issuance of an aggregate 18,300,000 units ("Units") at a price of \$0.55 per Unit, and 7,780,000 flow-through common shares ("FT Shares") at a price of \$0.65 per FT Share. Each Unit consists of one common share ("Common Share") and one half of one transferable share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to subscribe for one additional common share of the Company at a price of \$0.70 within 36 months of issuance.

Underwriters for the Placement received cash commissions of \$1,209,760 (equal to 8% of the gross proceeds of the placement) together with non-transferable compensation warrants to acquire up to 2,086,400 Common Shares (equal to 8% of the number of Units and FT Shares sold in the Placement) at an exercise price of \$0.60 per Common Share within 24 months of issuance. The Company also paid the Underwriter's reasonable costs and expenses related to the offer and sale of the FT Shares and Units. The Company renounced on December 31, 2007, \$5,057,000 in Canadian exploration expenditures to the purchasers of the flow-through shares. This renouncement resulted in an increase to the future tax liability and a decrease to share capital of \$1,365,390 (2007 - \$951,600).

Share purchase warrants

A summary of share purchase warrant activity in the years is as follows:

	Number of warrants	Weighted average exercise price \$
Outstanding warrants, September 30, 2006	12,673,606	0.80
Issued in private placements	9,150,000	0.70
Issued to agents	2,086,400	0.60
Expired	<u>(6,646,663)</u>	0.83
Outstanding warrants, September 30, 2007	17,263,343	0.71
Expired	<u>(6,026,943)</u>	0.76
Outstanding warrants, September 30, 2008	<u>11,236,400</u>	0.68

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

A summary of the warrants outstanding at September 30, 2008 is as follows:

Exercise price (\$)	Number of warrants	Remaining contractual life (years)
0.60	2,086,400	0.4
0.70	9,150,000	1.4
0.68	11,236,400	1.2

For the year ended September 30, 2008, the Company has not recorded any stock-based compensation expense relating to warrants, as no warrants were issued or vested during the year.

For the year ended September 30, 2007, the Company recorded stock-based compensation relating to agents warrants granted in the amount of \$479,872 as a cost of share issuance and an increase to contributed surplus. The stock-based compensation expense has been determined based on the fair value of the warrants on the grant date. The fair value of each warrant granted is estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions used in the calculation of the fair value of warrants issued in the year include a risk-free interest rate of 4.09%; expected hold prior to exercise of 2 years; expected volatility of 80%; and a dividend yield per share of 0%.

Stock options

Pursuant to a new stock option plan (the "Plan") for directors, officers, employees, and consultants approved by shareholders on November 7, 2007, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares; the exercise price to be determined on the date of issuance of the options.

The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, officer, employee or consultant of the Company for reasons other than death, one year after the death of an optionee and on the fifth anniversary of the date the option was granted.

A summary of stock option activity in the years is as follows:

	Number of options	Weighted average exercise price \$
Outstanding options, September 30, 2006	4,860,424	1.19
Granted under the Plan	4,900,000	0.45
Exercised	(128,000)	0.25
Expired	(485,000)	1.68
Outstanding options, September 30, 2007	9,147,424	0.78
Granted under the Plan	400,000	0.40
Exercised	(412,875)	0.25
Expired	(1,838,549)	0.34
Re-priced	(3,340,000)	0.60
Re-priced	3,340,000	0.25
Outstanding options, September 30, 2008	7,296,000	0.74

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

A summary of the options outstanding at September 30, 2008 is as follows:

Exercise price (\$)	Number of options	Remaining contractual life (years)
0.25	105,000	0.3
0.25	200,000	0.8
1.80	1,800,000	0.8
0.31	216,000	1.2
0.25	190,000	2.3
0.81	390,000	2.3
0.25	395,000	3.1
0.25	1,000,000	3.8
0.45	2,600,000	3.8
0.40	400,000	4.1
0.74	7,296,000	2.7

All of the Company's options were exercisable on September 30, 2008 (2007 – 4,647,424 exercisable).

During the year ended September 30, 2008, the Company received approval from the TSX Venture Exchange to amend the exercise price of all of its outstanding options to \$0.25 per common share. Options which are held by insiders of the Company will not be amended until receipt of shareholder approval.

During the year ended September 30, 2008, the Company recorded stock-based compensation in the amount of \$824,795 (2007 - \$255,205) relating to the 4,500,000 options that vested in July 2008 and \$108,000 (2007 - \$128,000) relating to the 400,000 (2007 - 400,000) options that vested immediately.

The weighted average fair value of options granted during the period was \$0.27 (2007 - \$0.30) per option. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions used in the calculation of the fair value of options issued in the period include a risk-free interest rate of 4.14% (2007 – 4.52%); expected hold prior to exercise of 5 years (2007 – 5 years); expected volatility of 80% (2007 – 80%); and a dividend yield per share of 0% (2007 – 0%).

13. Related party transactions

During the year ended September 30, 2008, the Company paid UDS \$120,067 (2007 – \$223,659) for drilling services provided on the Redemption property and paid Toro Drilling Services Pty Ltd. (“TDS” or “Toro Drilling”) \$21,525 (2007 – nil) for drilling services provided on the Jaurdi Hills property.

Included in accounts receivable is \$133,723 (2007 - \$55,402) and in accounts payable is \$54,016 (2007 – nil) of amounts owed by and owing to companies with common directors and officers relating to the receipt and reimbursement of shared office, staff, and administrative costs.

These amounts are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties based on standard commercial terms.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

On February 15, 2008, Toro Drilling, a wholly owned subsidiary of the Company, acquired all of the assets of UDS for cash consideration of AUD 403,193 (\$366,180), assumption of debt of AUD 61,971 (\$56,282) and reduction of advances of AUD 548,741 (\$498,094). Since the parties to the transaction are related parties and this transaction was not in the normal course of operations, the transaction has been recorded at UDS' carrying amount of the assets acquired.

The purchase price has been allocated to the net assets and liabilities using the carrying values as at February 15, 2008:

Assets acquired:	
Property, plant, and equipment	\$ 784,326
Refundable deposit	<u>136,230</u>
	920,556
Less liabilities assumed:	
Loans payable	<u>(56,282)</u>
Net assets acquired	\$ 864,274
Consideration given:	
Cash	\$ 366,180
Reduction of advances to UDS	<u>498,094</u>
	\$ 864,274

Under the terms of the agreement, TDS will provide drilling services to Focus for a period of two years from the agreement date at a 15% discount to the prevailing market rate for such services, which is the discount established and agreed to based on standard commercial terms.

14. Commitments

The Company has a monthly lease commitment of AUD 2,771 (\$2,320) until October 31, 2012 for corporate office space in Western Australia.

The Company is the guarantor of a lease agreement for office premises expiring January 31, 2011. The total remaining lease payments, exclusive of operational costs are \$129,621. The Company subleases from the tenant to the lease agreement on a month to month basis.

On January 1, 2008, the Company entered into an agreement with 678119 Alberta Ltd. ("678119"), a corporation under the control of the Company's Chief Executive Officer ("CEO"), for the provision of management services at a monthly compensation of up to \$18,750, calculated on a time spent basis. The agreement is for an initial term of two years and is automatically renewable for additional one year terms unless terminated. If the agreement is terminated for any reason other than (a) for cause; (b) the CEO ceasing to be employed by 678119, or (c) the death or incapacity of the CEO, the Company is required to pay \$450,000 to 678119 within thirty days of such termination. The agreement may be terminated by 678119 within six months of a change of control of the Company, in which case the Company is required to pay \$450,000 to 678119.

On January 1, 2008, the Company entered into an agreement with 859053 Alberta Ltd. ("859053"), a corporation under the control of the Company's Chief Financial Officer, with the same terms as the above agreement, differing as to monthly compensation of up to \$12,500 and a termination payment of \$300,000.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

15. Financial instruments

Available-for-sale financial instruments

Investments

During the year ended September 30, 2008, the Company acquired marketable securities for a gross cost of \$7,193,670. These investments have been classified as available-for-sale; consequently these investments are carried at their fair value with unrealized gains and losses recognized as a component of other comprehensive income (loss). The fair value of the marketable securities at September 30, 2008 was \$3,386,350. At September 30, 2007, the fair value of marketable securities held by the Company was \$380,000 with a cost of \$210,000.

Loans and receivables

Advances

At September 30, 2007, the Company had receivable \$616,084 (net of impairments of \$110,835) from an equity investee, UDS. This receivable had been classified by the Company as loans and receivables and was carried at amortized cost, net of impairments. The fair value of the advances approximates its carrying value. This advance was discharged in the transaction with UDS described in note 13. At September 30, 2008, the Company did not have any advances.

Convertible debentures

At September 30, 2008, the Company held two convertible debentures with an aggregate carrying value of \$9,480,130. Of this amount, \$1,675,000 was a convertible debenture from Focus ("Focus Debenture") (notes 8 and 17), and \$7,805,130 was a convertible debenture from Niblack ("Niblack Debenture") (note 8). The carrying value of the Focus Debenture approximates its fair value due to its short term nature. The fair value of the Niblack Debenture is not determinable as no similar instruments exist against which to compare it.

Capital management

The Company's capital consists of: cash and cash equivalents and share capital.

The Company's objectives in managing its capital are to maintain adequate levels of funding to support its operations; to perform mineral exploration activities on its exploration projects; and to seek out and acquire new projects of merit. Funds are secured through debt funding or equity capital. There can be no assurance that the Company will be able to obtain sufficient capital in the case of operating cash deficits.

The Company may, from time to time, invest its capital in short-term, liquid, and highly rated financial instruments held with major financial institutions, or in marketable securities. The Company does not maintain a formal investing strategy.

Risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

Interest risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

The Company had approximately \$5.3 Million in cash and cash equivalents at September 30, 2008, on which it earns variable rates of interest, and is therefore subject to a certain amount of risk, deemed to be immaterial to management of the Company.

Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents, accounts receivable, and convertible debentures.

The Company has assessed its exposure to credit risk and has determined that such risk is minimal. The majority of the Company's cash and cash equivalents are held with financial institutions in Canada and Australia.

A significant portion of the Company's accounts receivable is receivable from the Canadian and Australian governments for the reimbursement of goods and services tax credits. This concentration of credit is not deemed by management to pose any significant risk to the Company.

The convertible debentures which the Company held at September 30, 2008 are subject to a certain amount of credit risk in that the issuers of the convertible debentures may not have the resources to settle the convertible debentures in cash. The Niblack Debenture was discharged at October 1, 2008 and therefore a risk assessment is not necessary. The credit risk associated with the Focus Debenture is partially mitigated by the conversion feature of the instrument, whereby the Company has the option settle the debt for marketable shares of Focus.

Foreign currency risk

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates.

The Company's operations in Australia are denominated in Australian Dollars. The Company's share capital as well as the Company's reporting currency is in Canadian Dollars. The Company has not entered into any hedge contracts to manage this risk and does not maintain a formal strategy for foreign currency movements.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due.

The Company's working capital, (current assets less current liabilities), at September 30, 2008 is \$5.0 Million. Subsequent to the Transaction with Niblack, the Company's estimated working capital at October 1, 2008 is \$3.4 Million. The continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future. The Company may have to seek additional debt or equity financing, and there can be no assurance that such financing will be available on terms acceptable to the Company.

The Company's only non-current cash obligation is income taxes payable in a foreign jurisdiction of \$378,676. This obligation is expected to be funded with current working capital allocated for that purpose.

16. Comparative figures

These consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

17. Discontinued operations

On April 30, 2008, the Company closed the disposition of its interest in the Redemption property to its joint venture partner, Focus. Total sale proceeds were AUD 20,000,000 (\$19,016,000) cash, 140,000,000 shares of Focus at a deemed value of AUD 7,980,000 (\$6,097,000) and an AUD 2,000,000 (\$1,675,000) debenture bearing interest at 8.25% due April 30, 2009 and convertible into shares of Focus at a rate of AUD 0.075 per share (note 8). Total consideration received was AUD 29,980,000 (\$26,788,000).

As a result of the aforementioned, certain 2007 revenues and expenses have been re-classified to discontinued operations in accordance with CICA Handbook Section 3475 – Disposal of Long-Lived Assets and Discontinued Operations. The following table summarizes these reclassifications:

Years ended September 30	2008	2007
Expenses	\$ (955,835)	\$ (557,965)
Revenue	68,914	88,400
Gain on sale of discontinued operations	7,766,674	-
Income taxes	(413,492)	-
	<hr/>	<hr/>
Net income (loss) from discontinued operations	\$ 6,466,261	\$ (469,565)

18. Subsequent events

a) Shareholder Rights Plan

On November 13, 2008, the Board of Directors of the Company (the “Board”) approved a shareholder rights plan (“Rights Plan”) between the Company and Olympia Trust Company. The primary objective of the Rights Plan is to provide the Board with sufficient time to explore and develop alternatives for maximizing shareholder value if a take-over bid is made for the Company and to provide every shareholder with an equal opportunity to participate in such a bid. The Rights Plan was conditionally approved by the Exchange on November 13, 2008 subject to shareholder approval.

b) Acquisition of Niblack Mining Corp.

On May 22, 2008, (the “Announcement Date”) the Company announced that it had entered into a letter of agreement with Niblack providing for a business combination by way of a statutory plan of arrangement (the “Transaction”) whereby the Company would acquire all of the issued and dilutive securities of Niblack on the share exchange ratio of one share of the Company for every one share of Niblack. The Transaction was completed on October 1, 2008. Based on the number of issued shares of Niblack on the Announcement Date, the Company issued 49,813,648 shares of the Company to shareholders of Niblack. In addition, the Company issued 850,000 warrants to warrant holders of Niblack and 4,508,750 options to option holders of Niblack.

The business combination between the Company and Niblack is an acquisition whereby the Company is the accounting acquirer. The net assets of Niblack will be acquired by the Company on the date of acquisition. The purchase price of \$15,654,203 has been determined based on the estimated fair value of Niblack net assets acquired. The final purchase price allocation may differ and will be finalized in 2009. The revenues and expenses from Niblack will be included in the Company’s consolidated statement of net income (loss) and deficit from October 1, 2008.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

The purchase price has been allocated to the Niblack assets and liabilities in accordance with business combination accounting using estimated fair values as at October 1, 2008 as follows:

Net assets acquired:	
Cash	\$ 107,071
Accounts receivable and other current assets	38,719
Performance bonds	1,337,697
Property, plant and equipment	1,189,525
Mineral interests	22,940,346
Accounts payable and accrued liabilities	(1,398,552)
Convertible debenture	(7,805,130)
Asset retirement obligation	(755,473)
Net assets acquired	\$ 15,654,203
Consideration given:	
Fair value of 49,813,648 shares issued (i)	\$ 14,445,958
Fair value of 4,508,750 options issued (ii)	541,050
Fair value of 850,000 warrants issued (iii)	25,500
Acquisition costs (iv)	641,695
Total consideration	\$ 15,654,203

- i. The fair value of the share consideration given of \$14,445,958 has been determined based on the Company's estimate of fair market value as at the Announcement Date, deemed to be \$0.29 per share.
- ii. The fair value of the 4,508,750 options deemed to be \$0.12 per option has been estimated using the Black-Scholes option pricing model using the following weighted average assumptions: expected volatility of 95%; expected life of 2.67 years, and; a risk-free discount rate of 2.37%.
- iii. The fair value of the 850,000 warrants deemed to be \$0.03 per warrant has been estimated using the Black-Scholes option pricing model using the following weighted average assumptions: expected volatility of 103%; expected life of 0.87 years, and; a risk-free discount rate of 2.11%.
- iv. The Company has incurred acquisition costs in the amount of \$641,695 relating to the business combination which are reflected on the balance sheet as deferred acquisition costs.

The Company has not recognized a future tax benefit arising from the assets acquired with Niblack because the recognition does not meet the condition of more likely than not.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

Based on the purchase price allocation, the following is an approximate balance sheet of the Company as at October 1, 2008:

Assets	
Current assets	6,792,741
Mineral interests	55,977,108
Other assets	10,336,233
	<hr/>
	\$ 73,106,082
Liabilities	
Current liabilities	3,406,363
Future income taxes	3,850,629
Other liabilities	790,146
	<hr/>
	8,047,138
Shareholders' equity	65,058,944
	<hr/>
	\$ 73,106,082