

Committee Bay Resources Ltd.

Consolidated Financial Statements

For the three and nine months ended June 30, 2008 and 2007

Committee Bay Resources Ltd.

Notice of Non-review of Interim Financial Statements

The attached interim financial statements for the three and nine months ended June 30, 2008 and 2007 have not been reviewed by the Company's auditors.

Committee Bay Resources Ltd.
Consolidated Balance Sheets

As at	June 30, 2008 (unaudited)	September 30, 2007 (audited)
Assets		
Current		
Cash and cash equivalents (note 4)	\$ 16,969,339	\$ 8,368,607
Accounts receivable and other current assets	854,985	759,301
Deferred acquisition costs	156,971	-
	<u>17,981,295</u>	<u>9,127,908</u>
Restricted cash (note 4)	85,000	85,000
Performance bonds (note 5)	40,324	818,772
Investments and advances (note 6)	6,289,875	1,023,840
Property, plant and equipment (note 7)	2,643,937	1,072,810
Convertible debentures (note 8)	3,058,492	-
Generative projects	21,736	-
Mineral interests (note 9)	30,340,568	44,548,654
	<u>\$ 60,461,227</u>	<u>\$ 56,676,984</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,215,609	\$ 3,072,552
Income taxes payable	1,458,921	-
	<u>2,674,530</u>	<u>3,072,552</u>
Asset retirement obligation (note 10)	40,324	134,447
Future income taxes	3,891,432	2,702,522
	<u>6,606,286</u>	<u>5,909,521</u>
Shareholders' equity	<u>53,854,941</u>	<u>50,767,463</u>
	<u>\$ 60,461,227</u>	<u>\$ 56,676,984</u>

Approved by the Board

Director (signed by) "John Williamson"

Director (signed by) "Sean Mager"

Committee Bay Resources Ltd.Consolidated Statements of Net Income (Loss) and Deficit
(unaudited)

	Three months ended June 30, 2008 \$	Three months ended June 30, 2007 \$	Nine months ended June 30, 2008 \$	Nine months ended June 30, 2007 \$
Expenses				
Amortization (note 7)	120,488	42,418	220,963	126,330
Conferences and travel	46,399	63,676	316,005	197,880
Office and administration	147,636	50,985	488,923	285,559
Professional fees	40,631	(6,856)	92,663	124,550
Promotion and investor relations	26,532	29,947	84,102	117,509
Stock-based compensation (note 11)	290,738	-	1,072,376	128,000
Wages and consulting fees	341,876	142,079	876,578	489,298
Drilling costs	320,395	-	478,039	-
	(1,334,695)	322,249	(3,629,649)	1,469,126
Drilling revenue	371,508	-	553,725	-
Recoveries	7,460	(40,953)	54,062	(83,813)
Loss from operations	(955,727)	(281,296)	(3,021,862)	(1,385,313)
Other income and expenses				
Interest	180,851	160,360	314,367	328,863
Impairment of advances (note 12)	-	-	(133,270)	-
Gain (loss) on sale of property (note 6)	6,873,011	(3,167)	7,759,214	(3,167)
Gain (loss) on foreign exchange	1,912,562	(11,459)	1,957,699	(63,647)
Net income (loss) before income taxes	8,010,697	(135,562)	6,876,148	(1,123,264)
Current income taxes	(1,458,921)	-	(1,458,921)	-
Future income taxes	(471,431)	-	(132,525)	-
Net income (loss) for the period	6,080,345	(135,562)	5,284,702	(1,123,264)
Deficit, beginning of period	(7,587,743)	(6,868,374)	(6,792,100)	(5,880,672)
Deficit, end of period	(1,507,398)	(7,003,936)	(1,507,398)	(7,003,936)
Basic and diluted net income (loss) per common share	0.06	(0.00)	0.05	(0.01)
Basic weighted average number of shares	96,134,217	95,721,342	96,091,815	82,476,623
Diluted weighted average number of shares	96,134,217	95,721,342	96,095,055	82,476,623

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

(unaudited)	# of common shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders' equity
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 available for sale assets (net of \$676,742 in future income tax)	-	-	-	-	(1,647,371)	(1,647,371)
Net income for the period	-	-	-	5,284,702	-	5,284,702
Comprehensive loss						3,637,331
Exercise of options (note 11)	412,875	103,219	-	-	-	103,219
Options vesting (note 11)	-	-	1,072,376	-	-	1,072,376
Future income tax effect on renunciation of flow-through expenditures	-	(1,725,448)	-	-	-	(1,725,448)
	412,875	(1,622,229)	1,072,376	5,284,702	(1,647,371)	3,087,478
June 30, 2008	96,134,217	\$49,733,173	\$ 7,133,737	\$ (1,507,398)	\$(1,504,571)	\$ 53,854,941
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 available for sale assets (net of \$57,224 in future income tax)	-	-	-	-	(283,395)	(283,395)
Net loss for the period	-	-	-	(1,123,264)	-	(1,123,264)
Comprehensive loss						(1,406,659)
Private placements (note 11)	26,080,000	15,121,990	-	-	-	15,121,990
Agents warrants issued (note 11)	-	-	479,872	-	-	479,872
Options vesting (note 11)	-	-	128,000	-	-	128,000
Exercise of options (note 11)	128,000	32,000	-	-	-	32,000
Share issuance costs (net of \$462,388 in future income tax)	-	(1,378,204)	-	-	-	(1,378,204)
Future income tax effect on renunciation of flow-through expenditures	-	(1,064,543)	-	-	-	(1,064,543)
	26,208,000	12,711,243	607,872	(1,123,264)	(283,395)	11,912,456
June 30, 2007	95,721,342	51,290,297	\$ 5,806,156	\$ 7,003,936	\$ 203,805	\$ 50,296,322

Committee Bay Resources Ltd.

Consolidated Statements of Cash Flows

(unaudited)

	Three months ended June 30, 2008 \$	Three months ended June 30, 2007 \$	Nine months ended June 30, 2008 \$	Nine months ended June 30, 2007 \$
Cash flows used in operating activities				
Net income (loss)	6,080,345	(135,562)	5,284,702	(1,123,264)
Adjustments for:				
Amortization	120,488	42,418	220,963	126,330
Future income taxes	471,431	-	132,525	-
Stock-based compensation	290,738	-	1,072,376	128,000
Gain (loss) on sale of property (note 6)	(7,763,811)	3,167	(7,759,214)	3,167
Impairment of advances	-	-	133,270	-
	(800,809)	(89,977)	(915,378)	(865,767)
Changes in non-cash balance sheet items:				
Performance bonds	52,533	(80,969)	-	(149,364)
Asset retirement obligation	(8,596)	282,687	-	320,258
Deferred acquisition costs	(156,971)	-	(156,971)	-
Working capital items	695,338	(133,219)	(493,703)	84,162
	(218,505)	(21,478)	(1,566,052)	(610,711)
Cash flows used in investing activities				
Purchase of property, plant, and equipment	(1,293,608)	(159,513)	(2,158,305)	(164,292)
Purchase of investments	(525,000)	(4,877)	(525,000)	(37,234)
Proceeds on sale of investments	-	12,000	-	12,000
Mineral interest expenditures	(1,344,010)	(2,741,048)	(3,965,826)	(5,522,954)
Generative projects	(21,736)	-	(21,736)	-
Convertible debentures (note 8)	(1,110,492)	-	(1,110,492)	-
Cash disposed on sale of property	(220,276)	-	(220,276)	-
Proceeds on disposal of property (note 6)	18,065,200	-	18,065,200	-
	13,550,078	(2,893,438)	10,063,565	(5,712,480)
Cash flows from financing activities				
Issuance of share capital (note 11)	-	-	103,219	15,153,990
Cash share issue costs	-	(5,539)	-	(1,360,731)
	-	(5,539)	103,219	13,793,259
Net increase (decrease) in cash and cash equivalents	13,331,573	(2,920,455)	8,600,732	7,470,068
Cash and cash equivalents:				
Beginning of period	3,637,766	16,312,492	8,368,607	5,921,969
End of period	16,969,339	13,392,037	16,969,339	13,392,037

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2008 and 2007 (unaudited)

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. Basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared by the Company following the same accounting policies and methods as those disclosed in the audited consolidated financial statements for the year ended September 30, 2007 unless otherwise stated. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada have been omitted. These interim consolidated financial statements should be read in conjunction with the September 30, 2007 audited consolidated financial statements and the notes thereto. In the opinion of management, all adjustments of a normal and recurring nature that are necessary for a fair presentation of the balance sheet, results of operations, and cash flows of those interim periods have been included. Certain figures in the comparative financial statements have been reclassified to conform to presentation adopted in the current period.

Change in accounting policies

On October 1, 2007, the Company adopted the following new Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections:

a) Section 3862, “Financial Instruments – Disclosures”, describes the required disclosure for the assessment of the significance of financial instruments for an entity’s financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, “Financial Instruments – Presentation” replaced Section 3861, “Financial Instruments – Disclosure and Presentation”.

b) Section 3863, “Financial Instruments – Presentation”, establishes standards for presentation of financial instruments and non-financial derivatives.

c) Section 1535, “Capital Disclosures”, establishes standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure requirements of the entity’s objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance.

The additional disclosures, required as a result of the adoption of these standards, have been included in note 13.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2008 and 2007 (unaudited)

Future accounting changes

The CICA has amended Section 1400, "General Standards of Financial Statement Presentation", which is effective for interim periods beginning on or after October 1, 2008, to include requirements to assess and disclose the Company's ability to continue as a going concern. The adoption of this new section is not expected to have an impact on the consolidated financial statements.

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	June 30, 2008	September 30, 2007
Canada	\$ 39,039,277	\$ 30,861,283
Australia	20,568,579	24,972,177
Argentina	853,371	843,524
Total assets	<u>\$ 60,461,227</u>	<u>\$ 56,676,984</u>

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

Nine months ended	June 30, 2008	June 30, 2007
Canada	\$ (1,611,305)	\$ (509,718)
Australia	6,896,007	(613,546)
Argentina	-	-
Net income (loss)	<u>\$ 5,284,702</u>	<u>\$ (1,123,264)</u>

4. Cash and cash equivalents

Cash includes \$1,000,000 (2007 - \$2,000,000) held in a guaranteed investment certificate ("GIC") at Alberta Treasury Branches ("ATB") bearing interest at 4.05% maturing on 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 is cashable at a reduced interest rate, and is therefore classified as current on the consolidated balance sheets.

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.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2008 and 2007 (unaudited)

5. Performance bonds

The Company has acquired performance bonds to the Department of Industry and Resources of Western Australia to guarantee environmental reclamation work on its Jaurdi Hills property in the amount of \$40,324 (2007 - \$37,380). Performance bonds are released as reclamation work is performed and assessed by regulatory authorities.

6. Investments and advances

As at June 30, 2008	Cost	Fair value	Carrying value
Marketable securities (available for sale financial assets)	\$ 8,507,520	\$ 6,262,119	\$ 6,262,119
Gold nuggets 41 oz.	27,756	38,850	27,756
	\$ 8,535,276	\$ 6,300,969	\$ 6,289,875
As at September 30, 2007			
Marketable securities (available for sale financial assets)	\$ 210,000	\$ 380,000	\$ 380,000
Gold nuggets 41 oz.	27,756	30,463	27,756
Equity investment in Underground Drilling and Services Pty Ltd ("UDS"). (50% interest)	1	N/A	-
Advances to Underground Drilling and Services Pty Ltd.	616,084	616,084	616,084
	\$ 853,841	\$ 1,026,547	\$ 1,023,840

As a result of the sale of UDS' assets (note 12) to Toro Drilling Services Pty Ltd., advances in the amount of \$133,270 were considered uncollectible and were written off as a charge to net income.

On April 30, 2008, the Company closed on the sale of its 50% interest in the Redemption Joint Venture Project ("RJV") to its partner Focus Minerals Ltd. (FML: ASX). Total sale proceeds were AU \$20,000,000 (CDN \$18,065,200) cash, 140,000,000 shares of Focus Minerals at a deemed value of \$AU \$7,980,000 (CDN \$7,587,384) and an AU \$2,000,000 (CDN \$1,901,600) debenture bearing interest at 8.25% due April 30, 2009 and convertible into shares of Focus Minerals at a rate of AU \$0.075 per share (note 8). Total consideration received including a non-refundable cash payment of AU \$1,000,000 (CDN \$890,800) was AU \$29,980,000 (CDN \$28,504,984).

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2008 and 2007 (unaudited)

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

	Cost	Accumulated Amortization	Net
Canadian operations			
Furniture and office equipment	\$ 68,257	\$ 34,617	\$ 33,640
Drilling equipment	485,568	36,418	449,150
Leasehold improvements	12,724	10,179	2,545
Computer equipment	205,668	121,948	83,720
Mobile equipment	157,071	113,963	43,108
Camp and field equipment	187,380	92,144	95,236
	<u>1,116,668</u>	<u>409,269</u>	<u>707,399</u>
Argentine operations			
Mobile equipment	<u>25,776</u>	<u>17,456</u>	<u>8,320</u>
Australian operations			
Drilling equipment	1,559,905	77,916	1,481,989
Mobile equipment	401,333	23,218	378,115
Field and office equipment	70,981	2,867	68,114
	<u>2,032,219</u>	<u>104,001</u>	<u>1,928,218</u>
	<u>\$ 3,174,663</u>	<u>\$ 530,726</u>	<u>\$ 2,643,937</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	<u>25,776</u>	<u>15,040</u>	<u>10,736</u>
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 three and nine months ended June 30, 2008 and 2007 (unaudited)

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

	Amortization capitalized	Amortization expense	Total amortization
Nine months ended June 30, 2008			
Canada	\$ 27,726	\$ 63,755	\$ 91,481
Argentina	2,415	-	2,415
Australia	10,685	157,208	167,893
	<u>\$ 40,826</u>	<u>\$ 220,963</u>	<u>\$ 261,789</u>
Nine months ended June 30, 2007			
Canada	\$ 33,503	\$ 33,677	\$ 67,180
Argentina	3,451	-	3,451
Australia	105,761	92,653	198,414
	<u>\$ 142,715</u>	<u>\$ 126,330</u>	<u>\$ 269,045</u>

8. Convertible debentures

The following table details the Company's convertible debentures:

	June 30, 2008
Balance, beginning of period	\$ -
Focus Minerals Ltd. (note 6)	1,948,000
Niblack Mining Corp.	1,110,492
	<u>3,058,492</u>
Balance, end of period	<u>\$ 3,058,492</u>

On May 22, 2008 CBR and Niblack Mining Corp. ("Niblack") announced that they have entered into a Letter of Agreement providing for a business combination whereby CBR will acquire all of the issued securities of Niblack on the share exchange ratio of one share of CBR for every one share of Niblack. The Letter of Agreement also provides that CBR has agreed, subject to certain conditions, to provide financing to Niblack for up to C\$10,000,000 by way of a secured convertible debenture. The debenture will be convertible into units of Niblack at a deemed price of C\$0.30, consisting of one common share and one full warrant at an exercise price of C\$0.30 expiring two years from the date of issuance, or the maximum period allowed by the Exchange. The Debenture will be convertible for a period of two years from the date of issuance.

Subsequent to the period, CBR provided additional financing under the terms of the convertible debenture to Niblack of \$4,514,426 for a cumulative total of \$5,624,918.

The Company has classified its convertible debentures as available for sale financial assets, which are measured at fair value with unrealized gains and losses recognized as a component of comprehensive income. The fair values are estimated to approximate their face values.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2008 and 2007 (unaudited)

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	-	-	324	-	-	324
Claims and land use	39	-	234	66	4	343
General fieldwork	2,046	-	2,488	163	59	4,756
Geological consulting	178	-	-	-	63	241
Balance, June 30, 2007	21,042	12	15,477	2,032	800	39,363
Acquisition cost	-	-	(304)	-	-	(304)
Claims and land use	101	-	60	(6)	2	157
Drilling	1,147	-	1,048	9	-	2,204
Assay and analysis	212	-	207	120	6	545
Geological consulting	342	-	1,186	37	6	1,571
General fieldwork	2,219	-	(1,527)	(74)	7	625
Mine development	-	-	388	-	-	388
Balance, September 30, 2007	25,063	12	16,535	2,118	821	44,549
Claims and land use	68	-	18	67	3	156
Drilling	241	-	268	-	-	509
Assay and analysis	169	-	40	31	-	240
Geological consulting	665	-	342	17	-	1,024
General fieldwork	1,033	-	448	23	10	1,514
Mine development	-	-	725	-	-	725
Disposal (note 10)	-	-	(18,376)	-	-	(18,376)
Balance, June 30, 2008	27,239	12	-	2,256	834	30,341
Balances						
(In thousands of dollars)						
Acquisition	5,179	-	9,379	1,461	-	16,019
Claims and land use	517	-	513	175	68	1,273
Exploration	21,543	12	7,371	620	766	30,312
Mine development	-	-	1,113	-	-	1,113
Disposal (note 10)	-	-	(18,376)	-	-	(18,376)
Balance, June 30, 2008	27,239	12	-	2,256	834	30,341

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2008 and 2007 (unaudited)

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 with the required authorities representing.

The Company has recognized and recorded the ARO at the amount estimated to rehabilitate the assets. The Company has not discounted the ARO as there is currently no estimate for the time of retirement of the asset; there is therefore no accretion of the liability.

The following table shows a continuity of the ARO:

	June 30, 2008	September 30, 2007
Balance, beginning of period	\$ 134,447	\$ 305,560
Change in estimate	-	(189,549)
Sale of Redemption property (note 9)	(104,185)	-
Effect of foreign currency translation	9,972	18,436
	<hr/>	<hr/>
Balance, end of period	\$ 40,234	\$ 134,447

11. Share capital

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

Private placements – current period

There were no private placements in the current period.

Private placements – prior period

On February 15, 2007, the Company announced that it had 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 of CBR (“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 \$0.75 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.

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Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2008 and 2007 (unaudited)

Share purchase warrants

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

	Number of warrants	Weighted average exercise price \$
Outstanding warrants, September 30, 2007	17,263,343	0.71
Outstanding warrants, June 30, 2008	17,263,343	0.71

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

Exercise price (\$)	Number of warrants	Remaining contractual life (years)
0.75	4,590,445	0.1
0.80	1,408,998	0.1
0.75	27,500	0.2
0.60	2,086,400	0.6
0.70	9,150,000	1.6
0.71	17,263,343	1.0

During the nine month period ended June 30, 2008, the Company has recorded stock based compensation relating to agent's warrants granted in the amount of nil (2007 - \$479,872) as a cost of share issuance and an increase to contributed surplus.

The weighted average fair value of agents warrants granted during the nine months ended June 30, 2008 was nil (2007 - \$0.23) per agent warrant. The fair value of each agents warrant granted is estimated on the date of grant or vesting using the Black-Scholes option pricing model.

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.

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Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2008 and 2007 (unaudited)

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

	Number of options	Weighted average exercise price \$
Outstanding options, September 30, 2007	9,147,424	0.78
Granted	400,000	0.40
Exercised	(412,875)	0.25
Expired	(227,500)	0.29
Re-priced	(3,340,000)	0.60
Re-priced	<u>3,340,000</u>	0.25
Outstanding options, June 30, 2008	<u>8,907,049</u>	0.66

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

Exercise price (\$)	Number of options	Number exercisable	Remaining contractual life (years)
0.25	350,000	350,000	0.1
0.52	561,049	561,049	0.1
0.25	105,000	105,000	0.5
0.25	200,000	200,000	1.1
1.80	1,800,000	1,800,000	1.1
0.31	216,000	216,000	1.4
0.25	190,000	190,000	2.6
0.81	390,000	390,000	2.6
0.25	395,000	395,000	3.4
0.25	1,700,000	-	4.1
0.45	2,600,000	-	4.1
0.25	<u>400,000</u>	<u>400,000</u>	<u>4.4</u>
0.66	<u>8,907,049</u>	<u>4,607,049</u>	<u>2.7</u>

On June 30, 2008 the Company received Exchange approval to amend the exercise price of all of its outstanding options to \$0.25 per share. Options which are held by insiders of the Company will not be amended until receipt of shareholder approval.

Subsequent to the period, 700,000 options were cancelled pursuant to the Company's stock option plan and 911,049 options were not exercised before their expiry.

During the nine month period ended June 30, 2008, the Company recorded stock-based compensation in the amount of \$964,376 relating to the 4,500,000 options vesting in July 2008.

During the nine month period ended June 30, 2008, the Company recorded stock-based compensation in the amount of \$108,000 (2007 - \$128,000) relating to the 400,000 (2007 - 400,000) options issued during the period which vested immediately. The weighted average fair value of options granted during the period was \$0.40 (2007 - \$0.32) per option. The fair value of each option granted is estimated on the date of grant or vesting using the Black-Scholes option pricing model.

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12. Related party transactions

During the nine months ended June 30, 2008, the Company incurred consulting expenses included in wages and consulting fees of \$190,375 (2007 - \$104,485) and capitalized mineral interest geological consulting services of \$3,125 (2007 - \$45,555) related to management and technical services provided by directors or companies controlled by directors. As at June 30, 2008, \$3,125 was included in accounts receivable and all amounts were fully paid as at June 30, 2007.

In the prior period, the Company purchased equipment from a company controlled by a director for the sum of \$5,500.

During the period, the Company paid Underground Drilling and Services Pty Ltd. ("UDS"), a company which was 50% owned by CBR prior to February 15, 2008 (see below), the amount of \$120,067 (2007 – nil) for drilling services provided on the Redemption property.

Included in accounts receivable is \$80,931 (2007 - \$36,009) of expenses to be reimbursed by companies with certain common directors and officers.

These above transactions 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.

On February 15, 2008, the Company established Toro Drilling Services Pty Ltd. ("TDS" or "Toro Drilling"), a wholly owned subsidiary, which acquired all of the assets of Underground Drilling and Services Pty Ltd. ("UDS") for cash consideration of AU \$403,193 (CDN \$366,180), assumption of debt of AU \$61,971 (CDN \$56,282) and reduction of advances of AU \$548,741 (CDN \$498,094). Since the parties to the agreement are related and this transaction was not in the normal course of operations, the transaction has been recorded at UDS' carrying amount of the assets acquired on the date of the sale.

The purchase price has been allocated to the net assets and liabilities in accordance with related party transactions using the following carrying values at February 15, 2008:

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

Under the terms of the agreement, TDS will provide drilling services to Focus Minerals Pty Ltd. for a period of two years at a 15% discount to the prevailing market rate for such services.

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Notes to the Consolidated Financial Statements

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13. Financial instruments

Risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic 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.

Capital risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain title to and explore its mineral properties. The capital structure of the Company consists of cash and share capital.

Credit risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed to or owing by the Company. Management's assessment of the Company's exposure to credit risk is low despite a substantial amount of the Company's accounts receivable and deposits are concentrated with the Government of Canada and the Commonwealth of Australia for the reimbursement of goods and services tax input tax credits.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals, mainly gold. Additionally, a portion of the Company's assets, liabilities and equity is denominated in foreign currencies; therefore the Company is subject to currency risk. The Company's investment in Indicator Minerals Inc. (note 6) is subject to market and liquidity risk.

Foreign currency sensitivity

The Company is mainly exposed to fluctuations in the Australian dollar. The impact on net income due to a hypothetical 10% strengthening of the Australian dollar against the Canadian dollar would have increased the Company's net income by \$1,826,870. Comparatively, a 10% weakening of the Australian dollar against the Canadian dollar would have an equal and opposite impact.

14. Comparative figures

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