

**Committee Bay Resources Ltd.**

Consolidated Financial Statements

For the three months ended December 31, 2008 and 2007

Committee Bay Resources Ltd.

Notice of Non-review of Interim Financial Statements

The attached interim financial statements for the three months ended December 31, 2008 and 2007 have not been reviewed by the Company's auditors.

**Committee Bay Resources Ltd.**  
Consolidated Balance Sheets

<b>As at</b>	<b>December 31, 2008 (unaudited)</b>	September 30, 2008 (audited)
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (note 5)	\$ 3,230,516	\$ 5,312,338
Accounts receivable and other current assets	<u>907,580</u>	<u>1,334,613</u>
	<b>4,138,096</b>	6,646,951
Deferred acquisition costs	-	641,695
Restricted cash (note 5)	85,000	85,000
Performance bonds (note 6)	1,333,314	40,465
Investments and advances (note 7)	2,623,576	3,414,106
Property, plant and equipment (note 8)	3,747,750	2,594,440
Convertible debentures (note 9)	1,710,000	9,480,130
Mineral interests (note 10)	<u>57,130,586</u>	<u>33,036,762</u>
	<b>\$ 70,768,322</b>	<b>\$ 55,939,549</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 2,353,041	\$ 1,629,135
Asset retirement obligation (note 11)	790,871	34,673
Income taxes payable	290,729	378,676
Future income taxes	<u>3,646,318</u>	<u>3,850,629</u>
	<b>7,080,959</b>	5,893,113
Shareholders' equity	<u>63,687,363</u>	<u>50,046,436</u>
	<b>\$ 70,768,322</b>	<b>\$ 55,939,549</b>

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 three months ended December 31, 2008 and 2007

	2008	2007
Expenses		
Amortization	\$ 122,224	\$ 19,047
Conferences and travel	85,221	106,862
Office and administration	204,708	140,510
Professional fees	78,631	46,036
Promotion and investor relations	23,115	23,448
Stock-based compensation (note 12)	-	448,274
Wages and consulting fees	268,325	172,019
Drilling costs	462,909	-
	<u>(1,245,133)</u>	<u>(956,196)</u>
Drilling revenue	537,949	-
Recoveries	6,301	2,208
	<u>(700,883)</u>	<u>(953,988)</u>
Loss from operations		
Other income and expenses		
Interest	93,909	65,976
Loss on foreign exchange	(491,061)	(64,978)
	<u>(1,098,035)</u>	<u>(952,990)</u>
Net loss before income taxes		
Future income taxes	74,475	112,719
	<u>(1,023,560)</u>	<u>(840,271)</u>
Net loss from continuing operations		
Discontinued operations (note 17)	-	(50,323)
	<u>\$ (1,023,560)</u>	<u>\$ (890,594)</u>
Net income (loss) for the year		
Basic and diluted net loss from continuing operations per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Basic and diluted net (loss) from discontinued operations per common share	<u>\$ -</u>	<u>\$ (0.00)</u>
Basic and diluted net (loss) per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Basic and diluted weighted average number of common shares outstanding	<u>145,947,865</u>	<u>96,003,907</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
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	96,134,217	\$50,093,231	\$ 6,994,156	\$ (4,378,634)	\$(2,662,317)	\$ 50,046,436
Other comprehensive loss:						
Unrealized loss on investments (net of \$204,311 in future income tax)	-	-	-	-	(348,020)	(348,020)
Net loss for the year	-	-	-	(1,023,560)	-	(1,023,560)
Comprehensive loss	-	-	-	-	-	(1,371,580)
Acquisition of Niblack Mining Corp. (note 3)	<u>49,813,648</u>	<u>14,445,958</u>	<u>566,550</u>	<u>-</u>	<u>-</u>	<u>15,012,508</u>
	<u>49,813,648</u>	<u>14,445,958</u>	<u>566,550</u>	<u>(1,023,560)</u>	<u>(348,020)</u>	<u>13,640,928</u>
December 31, 2008	<u>145,947,865</u>	<u>\$64,539,189</u>	<u>\$ 7,560,706</u>	<u>\$ (5,401,236)</u>	<u>\$(3,010,337)</u>	<u>\$ 63,687,363</u>

**Committee Bay Resources Ltd.**

Consolidated Statements of Cash Flows

For the three months ended December 31, 2008 and 2007

<b>Cash provided by (used in)</b>	<b>2008</b>	<b>2007</b>
<b>Operating activities</b>		
Net loss from continuing operations	\$ (1,023,560)	\$ (840,271)
Adjustments for:		
Amortization	122,224	35,159
Stock-based compensation	-	448,274
Future income taxes	-	(112,719)
	<u>(901,336)</u>	<u>(469,557)</u>
Changes in non-cash balance sheet items:		
Working capital items	<u>1,268,483</u>	<u>(1,946,265)</u>
Cash (used) provided by continuing operations	<u>367,147</u>	<u>(2,415,822)</u>
Cash (used) by discontinued operations	<u>-</u>	<u>(50,323)</u>
	<u>367,147</u>	<u>(2,466,145)</u>
<b>Investing activities</b>		
Purchase of property, plant, and equipment	(136,882)	(50,672)
Mineral interest expenditures	(1,095,806)	(1,489,811)
Working capital acquired from Niblack (note 3)	<u>(1,216,281)</u>	<u>-</u>
	<u>(2,448,969)</u>	<u>(1,540,483)</u>
<b>Financing activities</b>		
Issuance of share capital (note 12)	<u>-</u>	<u>103,219</u>
	<u>-</u>	<u>103,219</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,081,822)</b>	<b>(3,903,409)</b>
<b>Cash and cash equivalents - beginning of period</b>	<b><u>5,397,338</u></b>	<b><u>8,368,607</u></b>
<b>Cash and cash equivalents - end of period</b>	<b><u>\$ 3,315,516</u></b>	<b><u>\$ 4,465,198</u></b>
<b>Cash and cash equivalents consist of:</b>		
Cash on deposit with financial institutions	\$ 2,230,516	\$ 2,380,198
Guaranteed investment certificates	1,000,000	2,000,000
Restricted cash	<u>85,000</u>	<u>85,000</u>
	<u>\$ 3,315,516</u>	<u>\$ 4,465,198</u>

The Company did not pay any interest or income taxes during the three months ended December 31, 2008 and 2007.

The non-cash transactions described in notes 3 and 9 have been excluded from the consolidated statements of cash flows.

# Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2008 and 2007

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## 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, 2008 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, 2008 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.

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.

### Changes in accounting policies

The following new accounting policies have been adopted by the Company effective October 1, 2008:

#### *General Standards of Financial Statement Presentation*

The CICA has amended CICA Section 1400 *General Standards of Financial Statement Presentation* of the CICA Handbook to include requirements to assess and disclose the Company's ability to continue as a going concern. This new accounting standard has been adopted by the Company as of October 1, 2008. The new standard does not have an impact on the Company's consolidated financial statements.

#### *Goodwill and Intangible Assets*

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 adoption of this standard does not have an impact on the Company's consolidated financial statements.

## Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2008 and 2007

### 3. Business combination

On October 1, 2008, pursuant to an announcement on May 22, 2008, (the "Announcement") the Company and Niblack Mining Corp. ("Niblack") agreed to a statutory plan of arrangement (the "Transaction") whereby the Company acquired 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. 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 purchase price has been allocated to the Niblack assets and liabilities in accordance with business combination accounting using fair values as at October 1, 2008 as follows:

Net assets acquired:	
Cash	\$ 106,559
Accounts receivable and other current assets	35,325
Performance bonds	1,297,917
Property, plant and equipment	1,168,457
Mineral interests	22,968,214
Accounts payable and accrued liabilities	(1,358,165)
Convertible debenture	(7,805,130)
Asset retirement obligation	(755,474)
<b>Net assets acquired</b>	<b>\$ 15,657,703</b>
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	645,195
<b>Total consideration</b>	<b>\$ 15,657,703</b>

- 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%.

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 three months ended December 31, 2008 and 2007

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### 4. Segmented information

The Company's operations are managed on a regional basis. The three regional operational units are North America, Australia, and Argentina. Property, plant and equipment is disclosed in note 8 in a manner consistent with the requirements for segmented information. Disclosure of segmented capitalized mineral interest expenditures and acquisition costs is contained in note 10.

The following table allocates assets by segments:

As at	December 31, 2008	September 30, 2008
North America	\$ 60,416,630	\$ 40,771,953
Australia	9,494,995	14,313,084
Argentina	856,697	854,512
Total assets	<u>\$ 70,768,322</u>	<u>\$ 55,939,549</u>

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

Three months ended	December 31, 2008	December 31, 2007
North America	\$ (298,842)	\$ (779,294)
Australia	(724,718)	(60,977)
Australia - discontinued operations	-	(50,323)
Net income (loss)	<u>\$ (1,023,560)</u>	<u>\$ (890,594)</u>

### 5. 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 December 31, 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.

## Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2008 and 2007

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### 6. Performance bonds

The Company has performance bonds of \$31,334 (2007 - \$36,464) to guarantee environmental reclamation work on its Jaurdi Hills property and performance bonds of \$1,301,980 (2007 – nil) related to the Niblack property. In the prior year, the Company held performance bonds of \$768,771 related to the Redemption property. Performance bonds are released as reclamation work is performed and assessed by regulatory authorities.

### 7. Investments and advances

<b>As at December 31, 2008</b>	<b>Fair value</b>	<b>Carrying value</b>
Marketable securities	\$ 2,595,820	\$ 2,595,820
Gold nuggets (41 oz.)	43,670	27,756
	<hr/>	<hr/>
	\$ 2,639,490	\$ 2,623,576
	<hr/>	<hr/>
<b>As at September 30, 2008</b>		
Marketable securities	\$ 3,386,350	\$ 3,386,350
Gold nuggets (41 oz.)	38,437	27,756
	<hr/>	<hr/>
	\$ 3,424,787	\$ 3,414,106
	<hr/>	<hr/>

### 8. Property, plant, and equipment

<b>As at December 31, 2008</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
<b>North American operations</b>			
Drilling equipment	\$ 315,190	\$ 67,372	\$ 247,818
Furniture and office equipment	68,257	38,179	30,078
Leasehold improvements	12,724	11,449	1,275
Computer equipment	218,427	137,054	81,373
Mobile equipment	999,718	121,055	878,663
Camp and field equipment	564,431	109,582	454,849
	<hr/>	<hr/>	<hr/>
	2,178,747	484,691	1,694,056
	<hr/>	<hr/>	<hr/>
<b>Argentine operations</b>			
Mobile equipment	25,776	18,824	6,952
	<hr/>	<hr/>	<hr/>
<b>Australian operations</b>			
Drilling equipment	1,895,191	243,507	1,651,684
Mobile equipment	401,243	67,593	333,650
Field and office equipment	70,981	9,573	61,408
	<hr/>	<hr/>	<hr/>
	2,367,415	320,673	2,046,742
	<hr/>	<hr/>	<hr/>
	\$ 4,571,938	\$ 824,188	\$ 3,747,750
	<hr/>	<hr/>	<hr/>

## Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2008 and 2007

### As at September 30, 2008

	Cost	Accumulated Amortization	Net
<b>North American operations</b>			
Drilling equipment	\$ 315,190	\$ 42,278	\$ 267,912
Furniture and office equipment	68,257	35,596	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>
<b>Argentine operations</b>			
Mobile equipment	<u>25,776</u>	<u>18,261</u>	<u>7,515</u>
<b>Australian operations</b>			
Field and office equipment	70,981	5,137	65,844
Drilling equipment	1,766,128	153,536	1,612,592
Mobile equipment	390,467	45,048	345,419
	<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>

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
<b>Three months ended December 31, 2008</b>			
Canada	\$ 29,805	\$ 8,731	\$ 38,536
Argentina	564	-	564
Australia	3,458	113,493	116,951
	<u>\$ 33,827</u>	<u>\$ 122,224</u>	<u>\$ 156,051</u>
<b>Three months ended December 31, 2007</b>			
Canada	\$ 8,338	\$ 8,499	\$ 16,837
Argentina	805	-	805
Australia	3,407	10,548	13,955
Australia – discontinued operations	-	16,112	16,112
	<u>\$ 12,550</u>	<u>\$ 35,159</u>	<u>\$ 47,709</u>

### 9. Convertible debentures

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 (\$1,710,000) 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.

The convertible debenture of \$7,805,130 held at September 30, 2008 was acquired and subsequently cancelled with the Transaction with Niblack (note 3).

## Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2008 and 2007

### 10. Mineral interests

Additions (In thousands of dollars)	North America			Australia		Argentina	Total
	Committee Bay	Baffin Island	Niblack	Redemption	Jaurdi Hills	Argentina	
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
Acquisition costs	-	-	23,146	-	-	-	23,146
Claims and land use	20	-	64	-	-	3	87
Drilling	-	-	113	-	-	-	113
Assay and analysis	55	-	69	-	-	-	124
Geological consulting	140	-	223	-	-	-	363
General fieldwork	7	-	-	-	(10)	-	(3)
Mine development	-	-	264	-	-	-	264
<b>Balance, December 31, 2008</b>	<b>29,863</b>	<b>12</b>	<b>23,879</b>	<b>-</b>	<b>2,534</b>	<b>843</b>	<b>57,131</b>
Balances							
(In thousands of dollars)							
Acquisition	5,179	-	23,146	9,379	1,461	-	39,165
Claims and land use	559	-	64	513	152	71	1,349
Exploration	24,135	12	405	7,371	921	772	33,616
Mine development	-	-	264	1,113	-	-	1,377
Sale of property (note 17)	-	-	-	(18,376)	-	-	(18,376)
<b>Balance, December 31, 2008</b>	<b>29,863</b>	<b>12</b>	<b>23,879</b>	<b>-</b>	<b>2,534</b>	<b>843</b>	<b>57,131</b>

#### Niblack Property

The Niblack Property is located on southern Prince of Wales Island, about fifty kilometers southwest of Ketchikan, Alaska. Committee Bay inherited a 100% interest in the Property as a result of the Transaction with Niblack (note 3).

The Company also inherited the underlying agreements on the Property, which include a 15% net profits interest on certain mineral claims to a regional native corporation, a sliding scale 1-3% net smelter return royalty on certain mineral claims, and, if the Property is placed into commercial production, the Company will make a \$1,000,000 payment in cash or stock ("the Payment"), at the discretion of the Company, to a third party. In certain cases where the Company wishes to sell or option the Property before the Payment is satisfied, the third party is entitled to early payment rights.

## Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2008 and 2007

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### 11. Asset retirement obligations

The Company has recognized asset retirement obligations (“ARO’s”) for expected reclamation and abandonment of the Jaurdi Hills and Niblack properties related to activities prior to acquisition. The ARO’s have been estimated based on management’s assessment of the costs to rehabilitate the properties in the case of abandonment. The Company has not discounted the ARO’s as there are currently no estimates for the time of retirement of the assets and accretion of the liability.

The following table shows a continuity of the ARO’s:

	Three months ended December 31, 2008	Year ended September 30, 2008
Balance, beginning of period	\$ 34,673	\$ 134,447
Acquisition of Niblack (note 3)	755,474	-
Sale of property (note 17)	-	(104,185)
Effect of foreign currency translation	724	4,411
	<hr/>	<hr/>
Balance, end of year	\$ 790,871	\$ 34,673

### 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:

#### 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, 2008	11,236,400	0.68
Issued to acquire Niblack (note 3)	850,000	0.83
	<hr/>	
<b>Outstanding warrants, December 31, 2008</b>	<b>12,086,400</b>	<b>0.69</b>

A summary of the warrants outstanding at December 31, 2008 is as follows:

Exercise price (\$)	Number of warrants	Remaining contractual life (years)
0.60	2,086,400	0.1
1.04	400,000	0.2
0.65	450,000	1.0
0.70	9,150,000	1.1
	<hr/>	<hr/>
<b>0.69</b>	<b>12,086,400</b>	<b>0.9</b>

## Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2008 and 2007

### 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, 2008	7,296,000	0.74
Issued to acquire Niblack (note 3)	4,508,750	0.59
Expired	<u>(3,708,750)</u>	0.61
<b>Outstanding options, December 31, 2008</b>	<b><u>8,096,000</u></b>	<b>0.67</b>

A summary of the options outstanding at December 31, 2008 is as follows:

Exercise price (\$)	Number of options	Remaining contractual life (years)
0.25	105,000	0.1
0.25	200,000	0.6
1.80	1,800,000	0.6
0.25	356,250	0.7
0.32	25,000	0.8
0.31	216,000	0.9
0.25	18,750	1.2
0.50	125,000	2.0
0.25	190,000	2.1
0.81	390,000	2.1
0.85	125,000	2.2
0.25	395,000	2.9
0.90	150,000	3.1
0.25	1,000,000	3.6
0.45	2,600,000	3.6
0.40	400,000	3.9
<b>0.67</b>	<b><u>8,096,000</u></b>	<b><u>2.3</u></b>

All of the Company's options were exercisable on December 31, 2008 (2007 – 4,612,049 exercisable).

During the three month period ended December 31, 2007, the Company recorded stock-based compensation in the amount of \$340,274 relating to the 4,500,000 options which vested in July 2008.

During the three month period ended December 31, 2007, the Company recorded stock-based compensation in the amount of \$108,000 relating to 400,000 options issued during the period which vested immediately. The weighted average fair value of options granted during the period ended December 31, 2007 was \$0.40. The fair value of each option granted is estimated on the date of grant or vesting using the Black-Scholes option pricing model.

## **Committee Bay Resources Ltd.**

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2008 and 2007

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### **13. Related party transactions**

Included in accounts receivable is \$106,382 (2007 - \$57,902) and in accounts payable is \$6,300 (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.

During the three months ended December 31, 2007 the Company paid UDS \$62,483 for drilling services provided on the Redemption property.

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.

### **14. Commitments**

The Company has a monthly lease commitment of AUD 2,771 (\$2,369) 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.

### **15. Financial instruments**

#### 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.

## **Committee Bay Resources Ltd.**

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2008 and 2007

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### 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. The Company had approximately \$3.3 Million in cash and cash equivalents at December 31, 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 debenture which the Company held at December 31, 2008 is subject to a certain amount of credit risk in that the issuer of the convertible debenture may not have the resources to settle the convertible debenture in cash. The credit risk associated with the Focus Debenture is partially mitigated by the conversion feature of the instrument, whereby the Company has the option to 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 and the United States of America are denominated in Australian Dollars and US Dollars, respectively. 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 December 31, 2008 is \$1.8 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 \$290,729. This obligation is expected to be funded with current working capital allocated for that purpose.

## Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2008 and 2007

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### 16. Comparative figures

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

### 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. As a result, 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:

<b>Three months ended December 31</b>	<b>2008</b>	<b>2007</b>
Expenses	\$ -	\$ (100,169)
Revenue	-	49,846
Net income (loss) from discontinued operations	<u>\$ -</u>	<u>\$ (50,323)</u>