

Committee Bay Resources Ltd.

Consolidated Financial Statements

Three and Six Months ended June 30, 2004 and 2003

(unaudited – prepared by management)

Committee Bay Resources Ltd.
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NOTICE TO READER

To: The Shareholders of
Committee Bay Resources Ltd.

The interim balance sheet of Committee Bay Resources Ltd. as at June 30, 2004 and the interim statements of loss and deficit and of cash flows for the three and six month periods ended June 30, 2004 and 2003 have been compiled by management.

No audit or review to verify the accuracy or completeness of such information has been performed. Readers are cautioned that these statements may not be appropriate for their purposes.

Edmonton, Alberta
August 20, 2004

Committee Bay Resources Ltd.
Consolidated Balance Sheets
(unaudited – prepared by management)

	June 30, 2004	December 31, 2003
Assets		
Current		
Cash	\$ 1,290,921	\$ 1,899,746
Accounts receivable	1,023,486	375,875
Guaranteed investment certificates (note 3)	4,890,765	350,000
	7,205,172	2,625,621
Guaranteed investment certificates (note 3)	4,050,000	185,000
Prospecting permit deposits (note 4)	-	243,820
Investment in Indicator Minerals Inc. (note 5)	400,000	
Equipment	204,807	74,390
Mineral interests (note 6)	1,100,890	1,447,425
	\$ 12,960,869	\$ 4,576,256
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities	\$ 692,432	\$ 178,854
Advances from Gold Fields	145,314	
	837,746	178,854
Shareholders' equity		
Share capital (note 7)	12,835,208	4,948,494
Contributed surplus	703,827	246,000
Deficit	(1,415,912)	(797,092)
	12,123,123	4,397,402
	\$ 12,960,869	\$ 4,576,256

Approved By The Board

Director (signed by) "John Williamson"

Director (signed by) "Sean Mager"

Committee Bay Resources Ltd.
Consolidated Statements of Loss and Deficit
(unaudited – prepared by management)

For the three and six months ended June 30	2004 (3 months)	2003 (3 months)	2004 (6 months)	2003 (6 months)
Expenses				
Advertising and promotion	\$ 31,113	\$ 7,363	\$ 70,690	\$ 16,398
Amortization	13,195	-	19,965	-
Conferences and meetings	78,857	26,598	156,824	35,026
Corporate filing fees	9,530	12,986	19,087	15,306
Interest and bank charges	476	260	747	313
Investor relations	22,755	63,072	34,987	63,072
Office and administration	1,632	410	20,782	1,039
Professional fees	31,510	29,576	32,490	31,595
Rent	5,460	3,500	11,900	3,500
Stock-based compensation	131,100	-	262,200	-
Telephone and utilities	4,800	711	12,927	711
Wages and consulting fees	96,971	57,122	178,814	87,122
	427,399	201,598	821,413	254,082
Operator recoveries	(83,775)	-	(152,524)	-
Loss from operations	343,624	201,598	668,889	254,082
Other income				
Interest	46,266	55	50,069	55
Loss before income taxes	(297,358)	(201,543)	(618,820)	(254,027)
Future income tax recovery	-	-	-	-
Net loss for the period	(297,358)	(201,543)	(618,820)	(254,027)
Deficit, beginning of period	(1,118,554)	(294,359)	(797,092)	(241,875)
Deficit, end of period	\$ (1,415,912)	\$ (495,902)	\$ (1,415,912)	\$ (495,902)
Basic and diluted loss per share (note 7)	\$ (0.012)	\$ (0.016)	\$ (0.030)	\$ (0.022)
Weighted average number of shares	25,633,387	12,905,584	20,879,347	11,630,455

Committee Bay Resources Ltd.
Consolidated Statements of Cash Flows
(unaudited – prepared by management)

For the three and six months ended June 30	2004 (3 months)	2003 (3 months)	2004 (6 months)	2003 (6 months)
Cash flows from operating activities				
Net loss	\$ (297,358)	\$ (201,543)	\$ (618,820)	\$ (254,027)
Adjustments for:				
Amortization	13,195	-	19,965	-
Stock-based compensation	131,100	-	262,200	-
	<u>(153,063)</u>	(201,543)	<u>(336,655)</u>	(254,027)
Change in non-cash working capital items				
Accounts receivable	(315,816)	(227,285)	(403,791)	(234,679)
Accounts payable and accrued liabilities	(131,909)	51,489	513,578	459,982
Advances from Gold Fields	(748,200)	-	145,314	-
	<u>(1,348,988)</u>	(377,339)	<u>(81,554)</u>	(28,724)
Cash flows from investing activities				
Guaranteed investment certificates	(8,355,765)	-	(8,405,765)	-
Prospecting permit deposits	-	-	-	-
Purchase of equipment	(49,430)	(57,419)	(150,382)	(57,419)
Expenditures on mineral interests	1,943	18,246	(53,465)	(11,983)
	<u>(8,403,252)</u>	(39,173)	<u>(8,609,612)</u>	(69,402)
Cash flows from financing activities				
Issuance of share capital	6,877,614	1,250,854	8,082,341	1,251,610
Net increase (decrease) in cash	(2,874,626)	834,342	(608,825)	1,153,484
Cash, beginning of period	4,165,547	404,100	1,899,746	84,958
Cash, end of year	\$1,290,921	\$1,238,442	\$1,290,921	\$1,238,442
Other information				
Interest received	\$ 19,121	\$ 55	\$ 19,915	\$ 55

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements
(unaudited – prepared by management)

June 30, 2004 and 2003

1 Nature of operations

Committee Bay Resources Ltd. ("CBR" or the "Company") is a development stage enterprise and is currently exploring its mineral interests in Nunavut, Canada 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 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 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 and conform to the significant accounting policies summarized below.

2 Basis of presentation

The accompanying unaudited financial statements have been prepared by the Company following the same accounting policies and methods as those disclosed in the audited financial statements for the year ended December 31, 2003. 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 financial statements should be read in conjunction with the December 31, 2003 audited 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.

3 Guaranteed investment certificates

Alberta Treasury Branches guaranteed investment certificates ("GICs") bear interest at rates ranging from 1.75% to 4.05% maturing between July 26, 2004 and April 23, 2009.

The Company has provided \$150,000 of GICs as security to the Company's bank for electronic funds transfer services and corporate Mastercard liabilities. The Company has provided \$35,000 of GICs as security for an irrevocable letter of credit of the same amount expiring March 7, 2005, 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.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements
(unaudited – prepared by management)

June 30, 2004

4 Prospecting permit deposits

Prospecting permit deposits paid in the amount of \$0.10 per acre are recoverable at the rate of \$0.10 per acre of exploration spending within the first year of permit ownership upon filing of requisite geological assessment reports. If the spending commitments are not met the deposits are forfeited. The deposits relate to the following areas of interest:

	<u>June 30, 2004</u>	<u>Dec. 31 2003</u>
Committee Bay Greenstone Belt	\$ 85,798	\$ 85,798
Boothia Peninsula	95,804	95,804
Baffin Island	62,218	62,218
	<u>243,820</u>	<u>243,820</u>
To be reimbursed by Indicator Minerals Inc.	(243,820)	-
	<u>\$ -</u>	<u>\$ 243,820</u>

Indicator Minerals Letter of Intent

On April 22, 2004, the Company signed a letter of intent ("LOI") with Indicator Minerals Inc. ("Indicator"), a company with common directors and management, whereby Indicator can earn up to a 70% interest in only the diamond rights of the Company's areas of interest (note 6). Consideration to be received from Indicator includes reimbursement of prospecting permit deposits totaling \$243,820 and 1,000,000 common shares of Indicator valued at \$400,000. The prospecting permit deposits will be reimbursed by Indicator upon regulatory approval. Accordingly, the amount to be received is included in accounts receivable at the end of the period.

Under the terms of the LOI Indicator can earn a 50% interest by spending \$3,000,000 on exploration by December 31, 2006, including a committed expenditure of \$500,000 by December 31, 2004. An additional 20% interest can be earned by spending a further \$2,000,000 by December 31, 2007. The properties are subject to a gross over riding royalty of up to 2%.

The LOI is subject to the following conditions being met by September 15, 2004, extended from June 15, 2004:

- a) Indicator securing sufficient financing;
- b) Approval by both companies Board of Directors; and
- c) Regulatory approval

At the period end all conditions have been satisfied except regulatory approval which Management expects shortly.

5 Investment in Indicator Minerals Inc.

Investment in 1,000,000 common shares of Indicator Minerals Ltd. is carried at cost and reduced for declines in value that are other than temporary. Quoted market value at June 30, 2004 was \$400,000.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements
(unaudited – prepared by management)

June 30, 2004

6 Mineral interests

	2004		
	Balance, beginning of 2004	2004 costs	Balance, June 30, 2004
<i>Committee Bay Greenstone Belt</i>			
Acquisition costs	\$ 53,707	\$ -	\$ 53,707
Claims and staking	45,116	44,774	89,890
Fieldwork	1,254,665	65,810	1,320,475
Geological consulting	167,018	67,336	234,354
Option income	(56,785)	(319,595)	(376,380)
Operator recoveries	(114,231)	(211,261)	(325,492)
Total	1,349,490	(352,936)	996,554
<i>Committee Bay Diamond</i>			
Fieldwork	62,873	-	62,873
Assaying	-	5,845	5,845
Geological consulting	11,687	-	11,687
Option income	-	(80,405)	(80,405)
Total	74,560	(74,560)	-
<i>Boothia Peninsula</i>			
Fieldwork	-	80,961	80,961
Geological consulting	11,687	-	11,687
Total	11,687	80,961	92,648
<i>Baffin Island</i>			
Geological consulting	11,688	-	11,688
	\$ 1,447,425	\$ (346,535)	\$ 1,100,890
			2003
	Balance, beginning of 2003	2003 costs	Balance June 30, 2003
<i>Committee Bay Greenstone Belt</i>			
Acquisition costs	\$ 53,707	\$ -	\$ 53,707
Claims and staking	39,088	-	39,088
Fieldwork	1,101,346	64,712	1,166,058
Option income	(56,785)	-	(56,785)
Total	\$ 1,137,356	\$ 64,712	\$ 1,202,068

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements
(unaudited – prepared by management)

June 30, 2004

6 Mineral interests, continued

The Company has taken steps to verify title to resource properties in which it has an interest. However, these procedures do not guarantee the Company's title as property title may be subject to unregistered prior agreements and potential non-compliance with exploration expenditure and reporting requirements.

a) Committee Bay Greenstone Belt

The Company has mineral interests at December 31, 2003 of 528,824 acres near Committee Bay, Nunavut, consisting of 304,956 acres of mineral claims and 223,868 acres of prospecting permits. Each acre of mineral claims requires expenditures 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 8.3 years. There are \$787,426 in excess credits from mineral exploration programs prior to January 1, 2003 which can be applied towards certain of these expenditure obligations. The work program summaries reporting the expenditures incurred in 2003 have not yet been filed, though management estimates that such expenditures will contribute towards the overall expenditure commitment. In order to keep the prospecting permits in good standing, the Company must incur \$43,924 in expenditures during 2004 and \$89,597 in 2005. Portions of the property are subject to a 1% net smelter royalty ("NSR").

On April 1, 2003 the Company entered into an Option Agreement with Gold Fields Exploration BV ("Gold Fields") to grant Gold Fields an option to earn up to a 55% interest in the Committee Bay Gold property by funding exploration expenditures of US\$1,750,000 by April 1, 2004, US\$1,000,000 by April 1, 2005 and US\$2,250,000 by April 1, 2007. Gold Fields may acquire an additional 10% interest by funding a further US\$1,000,000 by April 1, 2008, US\$1,000,000 by April 1, 2009, US\$1,000,000 by April 1, 2010 and US\$2,000,000 by April 1, 2011. The funds must be advanced in CDN\$ and the amount in US\$ is obtained by converting the amount advanced by the exchange rate on the day the funds are received. The funds advanced must be maintained in a separate bank account and are restricted in use to payment of qualifying expenditures. Upon earning a 55% interest Gold Fields will retain a 1% diamond royalty on the property.

b) Committee Bay Diamond

Costs related to diamond exploration work on the Committee Bay Gold property are recorded as a separate area of interest. Shares of Indicator Minerals Inc. ("Indicator") valued at \$400,000 to be received under the letter of intent have been recorded as option income thereby reducing Committee Bay Diamond property by \$80,405 and Committee Bay Greenstone Belt by \$319,595.

c) Boothia Peninsula

The Company received prospecting permits for 958,043 acres in the area of interest north of the Committee Bay Greenstone belt. The related deposits of \$0.10 per acre are recoverable if the Company spends a minimum of \$0.10 per acre on exploration within one year and have been reimbursed by Indicator (note 4).

d) Baffin Island

The Company received prospecting permits for 622,173 acres in this area of interest. The related deposits of \$0.10 per acre have been reimbursed by Indicator (note 4).

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements
(unaudited – prepared by management)

June 30, 2004

7 Share capital

Authorized

Unlimited number of common shares

Common shares issued

	Number	Amount
Balance December 31, 2001	11,047,887	\$ 805,255
Common shares pursuant to business combination (a)	(3,797,887)	209,771
Common shares for finder's fees on business combination (a)	367,500	91,875
Common shares on private placements (b)	1,666,000	416,500
Flow through common shares on private placements (c)	1,010,000	252,500
Common shares for finder's fees on private placements	15,000	3,750
Common shares on exercise of share options	28,500	5,700
Common shares on exercise of agents warrants	2,520	504
Income tax effect of flow-through shares	-	(99,089)
Share issue costs	-	(215,690)
Balance December 31, 2002	10,339,520	1,471,076
Common shares on private placement (d)	2,005,000	701,750
Common shares on private placement (e)	1,333,333	399,999
Common shares on private placement (f)	2,500,000	1,875,000
Common shares on exercise of share options	264,300	66,075
Common shares on exercise of agents warrants	238,560	56,820
Common shares on exercise of share purchase warrants	2,048,498	764,924
Common shares issued for finder's fees	435,216	148,565
Share issue costs	-	(535,715)
Balance December 31, 2003	19,164,427	\$ 4,948,494
Flow through common shares on exercise of warrants	1,400,000	350,000
Common shares on private placement (g)	3,515,000	7,381,500
Common shares on exercise of warrants	1,574,333	718,383
Common shares on exercise of share options	466,394	138,594
Common shares on exercise of agents warrants	166,000	122,800
Contributed surplus adjustment on exercise of options and warrants	-	119,373
Share issue costs	-	(943,936)
Balance June 30, 2004	26,286,154	\$ 12,835,208

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements
(unaudited – prepared by management)

June 30, 2004

7 Share capital, continued

- (a) Pursuant to the reverse take over on July 15, 2002 (note 2), the Company's shares were exchanged for shares of Arta, resulting in a total of 7,617,500 shares outstanding.
- (b) In private placements on July 29 and October 29, 2002, the Company issued an aggregate of 1,666,000 units at \$0.25 per unit. Each unit comprised one common share and one warrant to acquire one common share at \$0.30 per share which expire between July 29 and October 28, 2004. The Company paid finders fees of 15,000 common shares at \$0.25 per share.
- (c) In private placements on July 29 and October 29, 2002, the Company issued an aggregate of 1,010,000 flow-through common shares at \$0.25 per share. The entire \$252,500 of flow-through expenditures were incurred and renounced in 2002.
- (d) In a private placement on April 15, 2003, the Company issued 2,005,000 units at \$0.35 per unit. Each unit comprised one common share and one-half warrant. Each whole warrant entitles the holder to purchase one common share at \$0.45 per share expiring October 15, 2003. All warrants were exercised prior to expiry.
- (e) In private placements on May 5 and June 4, 2003, the Company issued an aggregate 1,333,333 units to Gold Fields at \$0.30 per unit. Each unit comprised one common share and one warrant to purchase one common share at \$0.40 per share. 1,000,000 warrants expire on May 30, 2004 and 333,333 warrants expire June 30, 2004. The Company paid finders fees of 395,216 shares at \$0.30 per share. All warrants were exercised prior to expiry.
- (f) On September 26, 2003, the Company issued 2,500,000 units at \$0.75 per unit. Each unit comprised one common share and one-half warrant. Each whole warrant entitles the holder to purchase one common share at \$0.85 per share expiring March 26, 2005. The Company paid finders fees of 40,000 units and 200,000 warrants to purchase 200,000 common shares at \$0.75 per share expiring March 26, 2005.
- (g) On April 16, 2004, the Company issued 3,500,000 units at \$2.10 per unit. Each unit comprised one common share and one-half warrant. Each whole warrant entitles the holder to purchase one common share at \$2.75 per share expiring April 16, 2005. The Company paid fees of \$514,500 cash, 15,000 units and 350,000 warrants to purchase 350,000 common shares at \$2.25 per share expiring April 16, 2005.

Contributed surplus has been reduced and share capital increased by \$119,373 related to the exercise of stock options and agent's warrants accounted for under the fair value method.

An aggregate of 1,349,580 (2003 - 2,249,296) common shares are subject to escrow restrictions and held on deposit with Olympia Trust Company, pursuant to an escrow agreement. These shares are to be released in semi-annual installments over the course of the 36-month period beginning August 8, 2002.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements
(unaudited – prepared by management)

June 30, 2004

7 Share capital, continued

Share purchase warrants

	Warrants	Weighted avg. exercise price
Outstanding warrants, December 31, 2001	-	\$ -
Issued	3,066,000	0.28
Outstanding warrants, December 31, 2002	3,066,000	0.28
Issued	3,585,831	0.57
Exercised	(2,048,498)	0.37
Outstanding warrants, December 31, 2003	4,603,333	\$ 0.46
Issued	1,757,500	2.75
Exercised	(2,974,333)	0.36
Outstanding warrants, June 30, 2004	3,386,500	\$ 1.74

		Weighted average remaining contractual life in years
Number of Warrants	Exercise Price	
584,000	0.30	.30
1,045,000	0.85	.70
1,757,500	2.75	.80
3,386,500	1.74	.70

Per share calculations

For the period ended June 30, 2004, the basic weighted average number of common shares outstanding was 23,112,508 (2003 - 11,630,455). The exercise of options and warrants would not be dilutive for the periods ended March 31, 2004 and 2003 as the Company was in a loss position.

8 Right to participate agreement

During 2003, the Company granted Gold Fields the right to participate in any issue of common shares, securities convertible into common shares and preference shares, except for issuances related to the exercise of stock options, acquisitions of mineral interests or take over of another entity.

Gold Fields may participate in accordance with its then percentage equity interest in the Company as calculated in accordance with the agreement to a maximum participation level of 9.9% provided their interest is 5% or more of the then issued common shares as defined by the agreement.

This right will continue to be in effect provided Gold Fields' interest, as calculated by the agreement, is at least 5%. Once their interest is less than 5% the right ceases and can not be reinstated. During the Quarter, Gold Fields' interest decreased below 5%.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements
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June 30, 2004

9 Stock options

The Company has established a stock option plan (the "Plan") for directors, employees, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Plan, provided that at the time of the grant, the total number of shares so reserved for issuance by the Board shall not exceed the greater of 20% of the issued and outstanding listed shares (on a non-diluted basis) and 5,245,230 shares; the aggregate number of options granted to consultants shall not exceed 2% of the outstanding listed shares; and the aggregate number of shares so reserved for issuance to any one optionee that is an officer, director or employee shall not exceed 5% of the outstanding shares (on a non-diluted basis). In the case of an optionee that is a consultant, the aggregate number of shares shall not exceed 1% of the issued and outstanding shares (on a non-diluted basis) at the time of grant. The shares so reserved by the Board under the Plan shall be authorized but unissued shares.

The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, officer, manager, consultant or employee of the corporation 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. Pursuant to the policies of the TSX Venture Exchange ("TSXV"), options granted pursuant to the Plan in excess of 10% of the issued and outstanding Common Shares at the time of the grant must be subject to vesting.

	Number	Weighted avg. exercise price
Outstanding December 31, 2001	-	-
Arta options assumed on business combination	250,000	\$ 0.20
Granted	1,300,000	0.25
Exercised	(28,500)	0.20
Expired	(116,500)	0.20
	1,405,000	0.24
Outstanding December 31, 2002	1,405,000	0.24
Granted	1,100,000	0.51
Exercised	(264,300)	0.25
	2,240,700	\$ 0.38
Outstanding December 31, 2003	2,240,700	\$ 0.38
Granted	210,000	1.80
Exercised	(466,394)	0.30
	1,984,306	\$ 0.56
Outstanding June 30, 2004	1,984,306	\$ 0.56

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements
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June 30, 2004

9 Stock options, continued

Pursuant to the Company's reverse take over of Arta (note 2), the Company incorporated all 250,000 outstanding stock options into its stock option plan. All options granted in 2002 vested immediately. Of the 1,100,000 options granted in 2003, 314,286 were vested as at December 31, 2003 and the remainder vest at the rate of 157,143 every three months and will be fully vested by February 15, 2005. Options granted in the first Quarter of 2004 vest at a rate of 35,000 options per Quarter beginning in the first quarter of 2004.

The Company has recorded stock based compensation in the amount of \$262,200 as an expense in the consolidated statement of loss and an increase to contributed surplus. The compensation expense has been determined based on the fair value of the options at the grant date and does not include any options issued prior to January 1, 2003. The weighted average grant date fair value of \$1.86 (2003 - \$0.42) per stock option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2004	2003
Estimated risk-free rate	3.75%	3.91%
Expected volatility	110%	115%
Estimate annual dividend yield	0.0%	0.0%
Expected life of options	5 years	5 years

Exercise prices	Number outstanding	Weighted average remaining contractual life in years	Number exercisable
0.20	105,000	2.00	105,000
0.25	660,875	3.30	660,875
0.42	72,715	4.10	42,857
0.52	935,716	4.10	428,571
1.80	210,000	4.30	35,000
Total	1,984,306	3.76	1,272,304

The options expire between August 3, 2006 and August 12, 2008. The weighted average exercise price of options exercisable at December 31, 2003 is \$0.30.

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10 Agents warrants

	Warrants	Weighted avg. exercise price
Outstanding warrants, December 31, 2001	150,000	\$ 0.20
Granted	97,080	0.30
Exercised	(2,520)	0.20
Outstanding warrants, December 31, 2002	244,560	0.24
Granted	220,000	0.76
Exercised	(238,560)	0.24
Outstanding warrants, December 31, 2003	226,000	0.75
Granted	350,000	2.25
Exercised	(166,000)	0.74
Outstanding warrants, June 30, 2004	410,000	\$ 2.03

60,000 agents warrants expire March 26, 2005 and the remainder expire April 16, 2005. The Company has recorded \$114,000 related to the estimated fair value of warrants granted in 2003 and \$315,000 in 2004. The amount is recorded as share issue costs and contributed surplus. The weighted average grant date fair value of \$0.90 per warrant issued in 2004 is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions; estimated risk-free rate of 0.93%, expected volatility of 110%, expected annual dividend yield of 0.0% and expected life of 1 year.

11 Related party transactions

During the period, the Company incurred consulting expenses of \$75,500 (2003 - \$62,500) and capitalized mineral interest - geological consulting services of \$12,500 (2003 - nil) related to management services provided by companies controlled by directors.

During the period, the Company incurred consulting expenses of \$9,000 (2003 - nil) and capitalized mineral interest – geological consulting services of \$9,000 related to management services provided by a company with common management.

These 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.

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June 30, 2004

12 Income taxes

The components of future income tax balances are as follows:

	June 30, 2004	Dec. 31, 2003
Future income tax asset		
Non-capital loss carry-forwards	\$ 356,554	\$ 356,554
Share issue costs	180,677	180,677
Other	4,909	4,909
Future income tax liability		
Mineral interests in excess of tax basis	(50,459)	(50,459)
	491,681	491,681
Valuation allowance	(491,681)	(491,681)
	\$ -	\$ -

13 Financial instruments

Financial instruments consist of recorded amounts of accounts receivable and guaranteed investment certificates, which will result in future cash receipts, as well as accounts payable and accrued liabilities, which will result in future cash outlays.

a) Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to a significant concentration of credit risk as virtually all of the accounts receivable at the year end are due from two parties; Gold Fields for exploration cash calls and CCRA for the goods and services tax recoverable.

b) Fair Value

The carrying values of the financial instruments noted above approximate their fair values due to their short term nature.

14 Subsequent events

On July 23, 2004, the Company granted stock options to officers, directors and employees to acquire 2,620,000 shares at an exercise price of \$1.80. 1,465,091 options vested immediately and the remainder vest at a rate of 192,486 options per Quarter beginning October 23, 2004.

15 Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.