

Committee Bay Resources Ltd.

Consolidated Financial Statements

**For the three and nine month period ended June 30, 2006 and 2005
(unaudited)**

Committee Bay Resources Ltd.
Consolidated Balance Sheets

As at	June 30 2006 (unaudited)	September 30 2005 (audited)
Assets		
Current		
Cash and cash equivalents (note 5)	\$ 2,858,211	\$ 5,231,930
Accounts receivable	245,959	483,536
Prepaid expenses	20,786	31,350
	3,124,956	5,746,816
Performance bond (note 6)	509,595	-
Investments (note 7)	210,000	210,000
Convertible debenture (note 8)	-	5,813,240
Property, plant, and equipment (note 9)	1,247,758	420,069
Mineral interests (note 10)	28,265,602	10,914,464
	\$ 33,357,911	\$ 23,104,589
Liabilities and shareholders' equity		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,411,517	\$ 687,988
Deferred operator recoveries	55,102	-
Future income tax liability	1,444,965	-
	2,911,584	687,988
Shareholders' equity		
Share capital (note 12)	31,036,734	22,613,374
Contributed surplus (note 14)	4,948,884	4,038,613
Deficit	(5,539,291)	(4,235,386)
	30,446,327	22,416,601
	\$ 33,357,911	\$ 23,104,589

Committee Bay Resources Ltd.
Consolidated Statements of Income, Loss and Deficit
(Unaudited)

Three and nine months ended June 30	2006 (3 months)	2005 (3 months)	2006 (9 months)	2005 (9 months)
Expenses				
Amortization	\$ 32,102	\$ 13,877	\$ 93,566	\$ 45,756
Conferences and travel	55,495	71,937	152,859	179,364
Corporate filing fees	1,944	6,595	16,679	20,035
Mill expenses	120,671	-	212,116	-
Office and administration	45,282	30,337	153,559	75,613
Professional fees	16,536	6,990	155,518	72,795
Promotion and investor relations	34,973	47,409	132,877	124,639
Stock-based compensation (note 13)	-	283,482	773,606	944,640
Wages and consulting fees (note 15)	50,446	86,425	240,826	73,781
	357,449	547,052	1,931,606	1,536,623
Administrative recoveries	(77,000)	-	(77,000)	-
Operator recoveries	(23,491)	-	(16,024)	66,456
Loss from operations	(256,958)	(547,052)	(1,838,582)	(1,603,079)
Other income (expense)				
Interest	40,758	67,784	150,751	169,983
Write down of mineral interests (note 10b)	-	-	(208,989)	-
Write down on investment	-	(190,000)	-	(190,000)
Gain on sale of investments	6,635	-	6,635	-
Loss on foreign currency translation	(1,117)	-	(15,411)	-
Gain (loss) on foreign exchange	(259)	(255)	(544)	2,285
Total other income	46,017	(122,471)	(67,558)	(17,732)
Loss before income taxes	(210,941)	(669,523)	(1,906,140)	(1,620,811)
Future income tax recovery	602,235	219,608	602,235	1,194,200
Net income (loss) for the period	391,294	(449,915)	(1,303,905)	(426,611)
Deficit, beginning of period	(5,930,585)	(3,440,453)	(4,235,386)	(3,463,757)
Deficit, end of period	\$ (5,539,291)	\$ (3,890,368)	\$ (5,539,291)	\$ (3,890,368)
Basic income (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.03)	\$ (0.01)
Diluted income (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.03)	\$ (0.01)
Basic weighted average number of shares	54,843,574	29,747,653	49,287,717	28,966,758
Diluted weighted average number of shares	55,842,912	29,747,653	49,287,717	28,966,758

Committee Bay Resources Ltd.
Consolidated Statements of Cash Flows
(Unaudited)

Three and nine months ended June 30	2006 (3 months)	2005 (3 months)	2006 (9 months)	2005 (9 months)
Cash flows from operating activities				
Net income (loss)	\$ 391,294	\$ (449,915)	\$ (1,303,905)	\$ (426,611)
Adjustments for:				
Amortization	32,102	13,877	93,566	45,756
Stock-based compensation	-	283,482	773,606	944,640
Gain on sale of investments	(6,635)	-	(6,635)	-
Future income tax recovery	(602,235)	(219,608)	(602,235)	(1,194,200)
Write down of mineral interests	-	-	208,989	-
Write down on investment	-	190,000	-	190,000
	(185,474)	(182,164)	(836,614)	(440,415)
Changes in non-cash balance sheet items:				
Accounts receivable	113,686	250,861	452,856	449,477
Deferred operator recoveries	(8,888)	217,468	55,102	-
Prepaid expenses	52,659	-	36,566	-
Performance bond	5,295	-	21,920	-
Accounts payable and accrued liabilities	1,541,866	-	281,102	(916,274)
	1,519,144	286,165	10,932	(907,212)
Cash flows from investing activities				
Cash acquired on Arrangement (note 3)	-	-	1,987,205	-
Arrangement costs (note 3)	-	-	(80,440)	-
Prospecting permit deposits	-	-	-	243,820
Property, plant and equipment	(27,870)	(37,982)	(56,051)	(219,527)
Convertible debenture	-	-	(48,170)	-
Expenditures on mineral interests	(1,665,203)	(3,726,608)	(4,158,353)	(5,608,349)
Proceeds on sale of investments	80,007	-	80,007	5,620
Changes in non-cash balance sheet items	(1,079,716)	1,294,689	(532,833)	1,476,400
	(2,692,782)	(2,469,901)	(2,808,635)	(4,102,036)
Cash flows from financing activities				
Issuance of share capital	27,901	(56,666)	488,900	4,892,029
Share issue costs	(2,643)	(33,439)	(64,916)	(908,552)
	25,258	(90,105)	423,984	3,983,477
Net decrease in cash	(1,148,380)	(2,273,841)	(2,373,719)	(1,025,771)
Cash and cash equivalents:				
Beginning of period	4,006,591	10,309,946	5,231,930	9,061,876
End of period	\$ 2,858,211	\$ 8,036,105	\$ 2,858,211	\$ 8,036,105

The non-cash transactions described in notes 3 and 16 have been excluded from the consolidated statements of cash flows.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine month periods ended June 30, 2006 and 2005

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, Western Australia, Australia, and San Juan Province, 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.

The Company has changed the ending date of its financial year from December 31 to September 30, commencing with the nine month period ended September 30, 2005. There was no impact on the financial results reported for 2004.

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, 2005. 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, 2005 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.

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Committee Bay North Ltd., Matador Exploration Inc., Graveltech Inc., 791837 Alberta Ltd., Matador Mining Pty Ltd., Toro Mining Pty Ltd., Redemption Management Pty Ltd., and Minera La Huella S.A..

3. Business combination

On November 30, 2005, pursuant to an announcement on July 12, 2005 (the "Announcement") and shareholder and regulatory approval, the Company and Matador Exploration Inc. ("Matador") agreed to a statutory plan of arrangement (the "Arrangement") whereby the Company acquired all of Matador's 9,043,474 issued and outstanding shares in exchange for shares of the Company at a rate of 0.72 shares of the Company for each share of Matador resulting in the issuance of 6,511,301 CBR shares. In addition, the Company issued 3,703,498 share purchase warrants with weighted average exercise price of \$0.66 and a weighted average remaining contractual life of 1.1 years (at the date of issuance), and 328,500 stock options with weighted exercise price of \$0.33 and a weighted average remaining contractual life of 3.9 years.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three and nine month periods ended June 30, 2006 and 2005

3. Business combination, continued

The estimated fair value of the share consideration given of \$4,883,476 has been determined based on the average share trading price of the Company as at the date of public announcement of the Arrangement on July 12, 2005, calculated at \$0.75 per share. The estimated fair value of the 452,650 stock options of \$189,765 was calculated based on the Black-Scholes option valuation model using the following assumptions, which were determined as of the date of the Announcement:

Risk free interest rate	3.14%
Expected hold period prior to exercise (years)	4.3
Expected volatility	80%
Dividend yield per share	0%

The Arrangement was approved by shareholders on November 18, 2005 and became effective November 30, 2005.

The purchase price has been allocated to the Matador net assets and liabilities in accordance with business combination accounting using fair values as at November 30, 2005 as follows:

Assets acquired:	
Cash	\$ 1,987,205
Accounts receivable	215,279
Prepaid expenses	26,002
Performance bonds	531,515
Investments	73,372
Property, plant, and equipment	946,220
Mineral interests	8,210,759
	11,990,352
Less liabilities assumed:	
Accounts payable and accrued liabilities	975,261
Convertible debenture payable to CBR (note 8)	5,861,410
	6,836,671
Net assets acquired	\$ 5,153,681
Consideration given:	
6,511,301 common shares at a deemed value of \$0.75 per share	\$ 4,883,476
Arrangement costs	80,440
Fair value of 456,250 stock options issued	189,765
Total consideration	\$ 5,153,681

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

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4. 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 9 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 reconciles total assets by segment to the Company's total assets:

	June 30 2006 (unaudited)	September 30 2005 (unaudited)
Canada	\$ 24,572,424	\$ 22,561,909
Australia	8,081,408	-
Argentina	704,079	542,680
Company total	\$ 33,357,911	\$ 23,104,589

5. Cash and cash equivalents

The Company has provided \$50,000 (2005 - \$150,000) of cash as security to the Company's bank for corporate credit card liabilities. The Company has provided \$35,000 of cash as security for an irrevocable letter of credit of the same amount expiring March 7, 2007, 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.

Cash and cash equivalents includes \$2,000,000 (2005 - \$4,000,000) held in guaranteed investment certificates ("GIC's"). Alberta Treasury Branches ("ATB") GIC's bear interest at rates ranging from 3.74% to 4.05% maturing between April 23, 2008 and April 23, 2009 (2005 - 1.75% to 4.05% maturing between April 23, 2006 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 are therefore classified as current on the consolidated balance sheet. During the period, one GIC in the amount of \$1,000,000 was redeemed prior to maturity, resulting in a reduced yield. The interest income as reported in the nine months ended June 30, 2006 therefore reflects a clawback of previously accrued interest.

Also included in cash is a term deposit of \$34,263 (AU\$41,400) bearing interest at 5.3% and maturing September 7, 2006 and every six months thereafter. The Company has provided the term deposit as security for a AU\$40,000 letter of credit. The letter of credit was provided as a guarantee for possible reclamation work at the Kinver mine site (note 10e) in the Jaurdi Hills property.

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6. Performance bond

The Company has acquired a performance bond in the amount of \$509,595 (AUS\$615,750) for possible environmental reclamation work on areas of the Redemption property (note 10). Performance bonds are released as reclamation is performed and assessed by regulatory authorities.

7. Investments

	June 30, 2006		September 30, 2005	
	Cost	Market	Cost	Market
Underground Drilling and Services Pty Ltd (16.5% equity interest – nil cost)	-	-	-	-
Indicator Minerals Inc. 1,000,000 common shares	\$ 210,000	\$ 700,000	\$ 210,000	\$ 370,000

8. Convertible debenture

On July 12, 2005, the Company and Matador Exploration Inc. (“Matador”) signed a letter of agreement whereby the Company agreed, subject to conditions, to provide financing to Matador by way of a \$6,000,000 debenture (“Convertible Debenture”) convertible to shares of Matador on a basis of one common share of Matador for each \$0.55 of principal converted, bearing interest at 5% and secured by certain assets located in the Coolgardie gold district of Western Australia (note 10d) as well as shares held in and guarantees provided by a Matador subsidiary.

The balance of the Convertible Debenture at November 30, 2005 was composed of the following:

Principal	\$ 5,764,650
Accrued interest to September 30, 2005	48,590
	5,813,240
Accrued interest to November 30, 2005	48,170
	\$ 5,861,410

Upon enacting the Arrangement discussed in note 3, the Convertible Debenture was cancelled.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

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9. **Property, plant, and equipment**

	2006		
	Cost	Accumulated Amortization	Net
Canadian operations			
Furniture and office equipment	\$ 55,854	\$ 15,825	\$ 40,029
Leasehold improvements	12,724	5,087	7,637
Computer equipment	142,694	59,464	83,230
Computer software	87,775	82,078	5,697
Mobile equipment	157,071	69,095	87,976
Camp and field equipment	160,261	49,590	110,671
	616,379	281,139	335,240
Argentine Operations			
Mobile equipment	25,776	8,796	16,980
Australian Operations			
Camp and field equipment	51,278	7,272	44,006
Three Mile Hill gold processing mill	621,288	45,720	575,568
Mobile equipment	71,767	23,714	48,053
Spare parts inventory	227,911	-	227,911
	972,244	76,706	895,538
	\$ 1,614,399	\$ 366,641	\$ 1,247,758
			2005
	Cost	Accumulated Amortization	Net
Canadian Operations			
Furniture and office equipment	\$ 41,215	\$ 9,016	\$ 32,199
Leasehold improvements	12,724	3,179	9,545
Computer equipment	127,723	37,425	90,298
Computer software	87,387	64,989	22,398
Mobile equipment	157,071	43,553	113,518
Camp and field equipment	160,261	30,060	130,201
	586,381	188,222	398,159
Argentine Operations			
Mobile equipment	25,776	3,866	21,910
	\$ 612,157	\$ 192,088	\$ 420,069

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

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9. Property, plant, and equipment, continued

The following table denotes amortization of exploration-related equipment which has been capitalized in mineral interests – field costs during the period:

Nine months ended June 30, 2006

	Amortization Capitalized	Amortization Expense	Total Amortization
Canada	\$ 45,072	\$ 47,846	\$ 92,918
Argentina	4,930	-	4,930
Australia	<u>30,985</u>	<u>45,720</u>	<u>76,705</u>
	<u>\$ 80,987</u>	<u>\$ 93,566</u>	<u>\$ 174,553</u>

Period ended September 30, 2005

	Amortization Capitalized	Amortization Expense	Total Amortization
Canada	\$ 45,060	\$ 52,243	\$ 97,303
Argentina	<u>3,866</u>	<u>-</u>	<u>3,866</u>
	<u>\$ 48,926</u>	<u>\$ 52,243</u>	<u>\$ 101,169</u>

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

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10. Mineral interests

**Mineral interest additions by area of interest
(In thousands of dollars)**

	Canada			Australia		Argentina	Other	Total
	Committee Bay Greenstone Belt	Boothia Peninsula	Baffin Island	Redemption	Jaurdi Hills	Argentina	Prospective properties	
Note	10(a)	10(b)	10(c)	10(d)	10(e)	10(f)		
Balance, December 31, 2004	\$ 2,381	\$ 200	\$ 12	\$ -	\$ -	\$ 181	\$ 56	\$ 2,830
Claims and land use	378	-	-	-	-	45	-	423
Fieldwork	6,494	1	-	-	-	131	(56)	6,570
Geological consulting	984	-	-	-	-	153	8	1,145
Option and other income	(53)	-	-	-	-	-	-	(53)
Operator recoveries	-	-	-	-	-	-	-	-
Balance, September 30, 2005	10,184	201	12	-	-	510	8	10,915
Acquisition cost	5,110	-	-	6,560	1,650	-	-	13,320
Claims and land use	(185)	-	-	-	-	10	-	(175)
Fieldwork	1,111	-	-	2,765	127	54	-	4,057
Geological consulting	347	-	-	-	-	90	-	437
Operator recoveries	(79)	-	-	-	-	-	-	(79)
Impairment and abandonment	-	(201)	-	-	-	-	(8)	(209)
Balance, June 30, 2006	\$ 16,488	\$ -	\$ 12	\$ 9,325	\$ 1,777	\$ 664	\$ -	\$ 28,266

**Mineral interest balances by category
(In thousands of dollars)**

	Canada			Australia		Argentina	Other	Total
	Committee Bay Greenstone Belt	Boothia Peninsula	Baffin Island	Redemption	Jaurdi Hills	Argentina	Prospective properties	
Note	10(a)	10(b)	10(c)	10(d)	10(e)	10(f)		
Acquisition	\$ 5,179	\$ -	\$ 12	\$ 6,560	\$ 1,650	\$ -	\$ -	\$ 13,401
Claims and land use	260	-	-	-	-	55	-	315
Fieldwork	10,365	166	-	2,765	127	265	-	13,688
Geological consulting	1,762	35	-	-	-	344	8	2,149
Option and other income	(453)	-	-	-	-	-	-	(453)
Operator recoveries	(625)	-	-	-	-	-	-	(625)
Impairment and abandonment	-	(201)	-	-	-	-	(8)	(209)
Balance, June 30, 2006	\$ 16,488	\$ -	\$ 12	\$ 9,325	\$ 1,777	\$ 664	\$ -	\$ 28,266

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three and nine month periods ended June 30, 2006 and 2005

10. 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 June 30, 2006 of 1,643,330 acres (2005 – 1,643,330) near Committee Bay, Nunavut, consisting of 630,568 acres (2005 – 630,058) of mineral claims and 1,012,762 acres (2005 – 1,012,762) 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 7.5 years (2005 – 7.9 years). The work program summaries reporting the expenditures incurred in 2005 have been filed and management estimates that such expenditures will contribute towards the overall expenditure commitment and that the property will be maintained at its current size in the near term. Portions of the property are subject to a 1% net smelter royalty ("NSR").

Of the 259 mineral claims held by the Company at Committee Bay, 16 are approaching their 10 year anniversary and were legally surveyed in 2005. Of these claims, 7 (BLUFF 1-7) at Three Bluffs were taken to lease as of October 12, 2005.

In order to keep the prospecting permits in good standing, expenditures of \$261,144 were required during 2005 and \$343,193 are required during 2006. The 2006 expenditure requirement has been met as of June 30, 2006 through camp mobilization and exploration activities.

In April 2005, the Company reached an agreement with Gold Fields Exploration BV ("Gold Fields"), subject to regulatory approval, to convert Gold Fields' 55% interest in the Committee Bay Greenstone Belt joint venture mineral interest ("CBJV") into 7,000,000 common shares of the Company. At the earlier of two years or the Company providing notice of having incurred \$10,000,000 in project expenditures ("Trigger Date"), Gold Fields will have a one time right to forego the equity conversion and retain its undivided interest in the CBJV by committing to fund new project expenditures of 150% of the project expenditures incurred by the Company. Gold Fields may elect to trigger the acquisition at any time before the Trigger Date and will have the right to maintain its post acquisition interest in the Company by participating in certain future financings to the extent that its post placement holdings remain less than 20% of the outstanding common shares. The right to participate will terminate if there is a change of control of Gold Fields' ultimate holding Company, or if Gold Fields holdings fall below 10% of the outstanding common shares.

On February 15, 2006, the Company announced that, subject to regulatory approval, Gold Fields agreed to convert its 55% interest in the CBJV into 7,000,000 common shares of CBR. Issuance of these shares has been recorded at a value of \$0.73 per share for a total consideration valued at \$5,110,000. The value of the shares given as consideration was determined by taking the average closing market price of the Company's shares over an 11 day period centered on the date of public announcement of the conversion.

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10. Mineral interests, continued

b) Boothia Peninsula

The Company received prospecting permits for 958,043 acres in the area of interest north of the Committee Bay Greenstone belt. During the period ended June 30, 2006, the permits were allowed to lapse as Management has determined that the property lacks merit relative to other opportunities and deferred expenditures are not expected to be recovered. The carrying value of the property of \$201,386 has been charged to the current period's net loss.

c) Baffin Island

During the period, the land area of the permits comprising the Baffin Island property has reduced to 508,240 acres from 622,173 acres.

d) Redemption Joint Venture

As part of the Arrangement (note 3) the Company acquired an option agreement to acquire a 50% interest in the Coolgardie Gold Project ("CGP") and the Three Mile Hill processing plant by funding up to AUS\$10,750,000 of acquisition and exploration expenditures. The acquired initial joint venture interest is 50% in the Three Mile Hill processing plant and a 10% interest in the Coolgardie tenements are combined with a 10% interest in most of the tenements of the Company's partner, Focus Minerals Ltd. (formerly Ausminex Pty Ltd.), to comprise the Redemption Joint Venture. The Company can earn up to a 50% interest in the combined tenements by sole funding AUS\$8,000,000 (approximately CDN\$6,620,800 at June 30, 2006) of exploration within a three year period in stages with a guaranteed AUS\$2,666,667 (approximately CDN\$2,206,934) expenditure commitment in the first year, of which approximately AUS\$1.26 Million (approximately CDN\$1.04 Million) had been spent by the acquired enterprise at the date of the Arrangement. On April 19, 2006, the Company announced that it had completed the first year earn-in commitment, thereby increasing its interest in the Coolgardie tenements to 20%.

e) Jaurdi Hills

The Company owns a land package of approximately 23,000 acres in the Jaurdi Hills of Western Australia with a requirement to spend AUS\$350,000 (approximately CDN\$289,660) (2004 - AUS\$481,200 (approximately CDN\$398,241)) within one year to maintain title to the properties. The Company's interest in Jaurdi Hills is 100%, though certain tenements are subject to an agreement granting the alluvial rights and a conditional 10% participating interest.

f) Argentina

The Company has filed mineral claims covering 23,785 hectares in 5 *cateos* in San Juan Province in Argentina. The Company is actively pursuing a grassroots exploration project on these properties.

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11. Income taxes

For income tax purposes, the Company has losses carried forward from prior years which can be applied to reduce future years' taxable income. The Company's Australian subsidiaries have an aggregate of \$9,074,588 in tax losses, which are carried forward indefinitely. The Canadian losses expire as follows:

Year of expiry	Losses carried forward
2007	194,000
2008	246,000
2009	349,000
2010	745,000
2014	215,000
2015	1,235,000
2016	<u>1,160,000</u>
	<u>\$ 2,969,000</u>

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12. Share capital

Authorized

Unlimited number of common shares

Common shares issued

	Note	Number	Amount
Balance December 31, 2004		28,756,204	\$ 14,822,604
Common shares on exercise of share options		44,667	17,826
Common shares on exercise of agents' warrants		10,000	8,500
Common shares on exercise of warrants		936,782	796,265
Common shares on private placement	(12a)	2,666,666	2,000,000
Flow through common shares on private placement	(12a)	8,000,000	6,000,000
Common shares issued to agents	(12a)	33,333	24,999
Contributed surplus adjustment on exercised options and warrants		-	15,607
Share issue costs		-	(1,072,427)
Balance September 30, 2005		40,447,652	22,613,374
Common shares issued to acquire Matador	(3)	6,511,301	4,883,476
Common shares on exercise of warrants		823,500	461,000
Common shares on exercise of options		90,000	27,900
Common shares issued to Gold Fields Exploration BV	(10a)	7,000,000	5,110,000
Contributed surplus adjustment on exercised options and warrants	(14)	-	53,100
Share issue costs		-	(64,916)
Tax benefits renounced to flow-through share purchasers			(2,047,200)
Balance, June 30, 2006		54,872,453	\$ 31,036,734

- a) On July 29, 2005, the Company issued 8,000,000 flow through common shares at \$0.75 per share and 2,666,666 non-flow through units at \$0.75 per unit for gross proceeds of \$8 million. Each unit consists of one non-flow through common share and one transferable common share purchase warrant exercisable for one additional common share at \$1.00 expiring on July 29, 2007. The Company paid cash commissions of \$560,000, agents' warrants to purchase 1,066,666 common shares at a price of \$0.80 per share expiring July 29, 2007, and a corporate finance fee payable in 33,333 corporate finance units, each of which consists of one common share and one common share purchase warrant exercisable into one common share at \$1.00 per share until July 29, 2007. Due to this flow through offering the Company was required to incur \$6,000,000 (\$5,244,000 has been incurred to June 30, 2006) of qualifying expenditures to renounce to holders of the 8,000,000 flow-through shares.
- b) Pursuant to the Arrangement (note 3), the Company issued 6,511,301 common shares at a deemed price of \$0.75 to acquire all of the issued and outstanding shares of Matador. In addition, the Company issued 3,703,500 common share purchase warrants with a weighted average exercise price of \$0.66 and a weighted average remaining contractual life of 1.1 years.

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Notes to the Consolidated Financial Statements

For the three and nine month periods ended June 30, 2006 and 2005

12. **Share capital, continued**

Share purchase warrants

	Warrants	Weighted avg. exercise price
Outstanding warrants, September 30, 2005	6,014,163	\$ 1.58
Issued to acquire Matador (note 3)	3,703,498	0.66
Exercised	(823,500)	0.56
Expired	(2,247,498)	2.64
Outstanding warrants, June 30, 2006	6,646,663	\$ 0.83

Exercise Price	Number of Warrants	Weighted average remaining contractual life in years
\$ 1.00	2,699,999	1.1
0.80	1,066,666	1.0
0.69	2,879,998	0.7
\$ 0.83	6,646,663	0.9

Per share calculations

The exercise of stock options and warrants would be anti-dilutive for the nine month period ended June 30, 2006 and for the three and nine month periods ended June 30, 2005 as the Company was in a loss position. For the three month period ended June 30, 2006, the diluted weighted average number of shares using the treasury stock method is 55,842,912.

13. **Stock options**

Options granted under the terms of the Arrangement (note 3) to acquire Matador Exploration Inc. are not part of the Plan. Terms of these options are dictated solely by the terms of the Arrangement.

	Number	Weighted avg. exercise price
Outstanding September 30, 2005	4,315,139	1.25
Granted to acquire Matador (note 3)	328,500	0.33
Granted	640,000	0.81
Exercised	(90,000)	0.31
Expired	(128,215)	1.50
Outstanding June 30, 2006	5,065,424	\$ 1.15

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Notes to the Consolidated Financial Statements

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13. Stock options, continued

Exercise prices	Number outstanding	Weighted average remaining contractual life in years	Number exercisable
0.20	105,000	0.1	105,000
0.25	640,875	1.3	640,875
0.52	911,049	2.1	911,049
1.80	130,000	2.5	130,000
1.80	2,400,000	3.1	2,400,000
0.56	22,500	1.3	22,500
0.31	216,000	3.5	216,000
0.81	640,000	4.6	640,000
1.15	5,065,424	2.8	5,065,424

The Company has recorded stock based compensation in the amount of \$773,606 (2005 - \$944,640) as an expense in the consolidated statement of loss and an increase to contributed surplus.

The 328,500 options granted as part of the Arrangement (note 3) have a calculated fair value of \$189,765 and are recorded as an increase to the consideration paid for Matador Exploration Inc. and an increase to contributed surplus.

The weighted average fair value of options granted during the period was \$0.54 (2005 - nil) 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 with weighted average assumptions for grants as follows:

Risk free interest rate	3.88%
Expected hold period prior to exercise (years)	5
Expected volatility	80%
Dividend yield per share	0%

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility.

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Notes to the Consolidated Financial Statements

For the three and nine month periods ended June 30, 2006 and 2005

14. Contributed surplus

Contributed surplus arises from the recognition of estimated fair value of stock options and agents warrants as follows:

	June 30 2006	September 30 2005
Balance, beginning of period	\$ 4,038,613	\$ 2,902,273
Stock options vesting (note 12)	440,806	863,947
Stock options granted (notes 3, 12)	522,565	-
Agents warrants granted (note 11)	-	288,000
Exercise of options and warrants	(53,100)	(15,607)
Balance, end of period	\$ 4,948,884	\$ 4,038,613

15. Related party transactions

During the period, the Company incurred consulting expenses paid to a director or company controlled by a director of \$135,938 (2005 - \$97,750), capitalized mineral interest - geological consulting services paid to a director or company controlled by a director of \$57,525 (2005 - \$71,600) and purchased office furnishings from a company controlled by a director for \$4,000 (2005 - nil). Of these amounts, \$2,712 (2005 - \$56,710) was unpaid at June 30, 2006 and is included in accounts payable and accrued liabilities.

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 based on standard commercial terms.

16. Comparative figures

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

17. Supplemental cash flow information

In addition to the items given as consideration for, and acquired in relation to, the business combination as disclosed in note 3, the following non-cash items have been excluded from the statements of cash flows:

	2006 (3 months)	2005 (3 months)	2006 (9 months)	2005 (9 months)
Shares issued on property Acquisition (note 10)	\$ -	\$ -	\$ 5,110,000	\$ -
Contributed surplus adjustment on exercise of options and agents' warrants	53,100	5,000	53,100	30,800
	\$ 53,100	\$ 5,000	\$ 5,163,100	\$ 30,800

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three and nine month periods ended June 30, 2006 and 2005

18. Subsequent events

On July 31, 2006, the Company announced that it had closed a brokered private placement of an aggregate of 9,090,982 units ("Units") and 5,000,000 flow-through common shares ("FT Shares") for gross proceeds of \$7,999,490. Each unit was sold at a price of \$0.55 and consisted of one common share of the Company ("Common Share") and one half of a transferable share purchase warrant ("Warrant"), with each whole Warrant entitling the holder to acquire one additional common share at a price of \$0.75 per Common Share within two years of issuance. Each FT Share was sold at a price of \$0.60.

In connection with the financing, the Company paid cash commissions of \$578,442, a finder's fee of \$21,520, and non-transferable agents' warrants to acquire up to 1,408,998 Common Shares at an exercise price of \$0.80 per Common Share within 2 years of issuance with an aggregate estimated fair value of \$281,800. In addition, the Company paid \$50,000 in agents' expenses and legal fees. Net cash proceeds to the Company were \$7,349,528.