

Committee Bay Resources Ltd.

Consolidated Financial Statements

For the year ended September 30, 2006 and the nine months ended September 30, 2005

Collins Barrow Calgary LLP
1400 First Alberta Place
777 - 8th Avenue S.W.
Calgary, Alberta, Canada
T2P 3R5

T. 403.298.1500
F. 403.298.5814

email: calgary@collinsbarrow.com

Auditors' Report

To the Shareholders
Committee Bay Resources Ltd.

We have audited the consolidated balance sheets of Committee Bay Resources Ltd. as at September 30, 2006 and 2005 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "Collins Barrow Calgary LLP"
CHARTERED ACCOUNTANTS

Calgary, Alberta
January 12, 2007

Committee Bay Resources Ltd.
Consolidated Balance Sheets

As at September 30	2006	2005
Assets		
Current		
Cash and cash equivalents (note 5)	\$ 5,921,969	\$ 5,231,930
Accounts receivable	764,991	483,536
Prepaid expenses and deposits	115,358	31,350
	6,802,318	5,746,816
Performance bonds (note 6)	546,749	-
Investments (note 7)	210,001	210,000
Convertible debenture (note 8)	-	5,813,240
Property, plant, and equipment (note 9)	1,228,406	420,069
Mineral interests (note 10)	33,698,804	10,914,464
	\$ 42,486,278	\$ 23,104,589
Liabilities and shareholders' equity		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,266,333	\$ 687,988
Asset retirement obligation (note 11)	305,560	-
Future income taxes (note 12)	3,017,719	-
	4,589,612	687,988
Shareholders' equity		
Share capital (note 13)	38,579,054	22,613,374
Contributed surplus (note 15)	5,198,284	4,038,613
Deficit	(5,880,672)	(4,235,386)
	37,896,666	22,416,601
	\$ 42,486,278	\$ 23,104,589

Commitments (notes 10,13, 17)

Approved by the board

Director (signed by) "John Williamson"

Director (signed by) "Sean Mager"

Committee Bay Resources Ltd.
Consolidated Statements of Loss and Deficit

	Year ended September 30 2006	Nine month period ended September 30, 2005
Expenses		
Amortization (note 9)	\$ 167,600	\$ 52,243
Conferences and travel	203,019	192,834
Corporate filing fees	24,593	20,743
Office and administration	355,530	104,810
Professional fees	213,442	67,423
Promotion and investor relations	236,611	124,387
Stock-based compensation (note 14)	773,606	863,947
Wages and consulting fees (note 16)	461,968	205,402
	<u>2,436,369</u>	1,631,789
Administrative recoveries	(77,000)	-
Operator recoveries	(42,278)	(2,226)
	<u>(2,317,091)</u>	(1,629,563)
Loss from operations		
Other income and expenses		
Interest	218,484	263,424
Write down of mineral interests (note 10b)	(208,989)	-
Write down on investment (note 7)	-	(190,000)
Gain on sale of investments	12,311	-
Gain on disposal of property, plant, and equipment	2,538	-
Loss on foreign currency exchange	(126,155)	(5,243)
	<u>(101,811)</u>	68,181
Loss before income taxes	(2,418,902)	(1,561,382)
Future income tax recovery (note 12)	773,616	219,608
	<u>773,616</u>	<u>219,608</u>
Net loss for the period	(1,645,286)	(1,341,774)
Deficit, beginning of period	(4,235,386)	(2,893,612)
Deficit, end of period	\$ (5,880,672)	\$ (4,235,386)
Basic and diluted loss per share (note 13)	\$ (0.03)	\$ (0.04)

Committee Bay Resources Ltd.
Consolidated Statements of Cash Flows

	Year ended September 30, 2006	Nine Months ended September 30, 2005
Cash flows used in operating activities		
Net loss	\$ (1,645,286)	\$ (1,341,774)
Adjustments for:		
Amortization	167,600	52,243
Stock-based compensation	773,606	863,947
Gain on sale of investments	(12,311)	-
Gain on disposal of property, plant and equipment	(2,538)	-
Future income taxes	(773,616)	(219,608)
Write down of mineral interests	208,989	-
Write down on investment	-	190,000
Other	(11,459)	-
	(1,295,015)	(455,192)
Changes in non-cash balance sheet items:		
Performance bond	20,503	-
Working capital items (note 19a)	117,892	530,579
	(1,156,620)	75,387
Cash flows used in investing activities		
Cash acquired on Arrangement (note 3)	1,951,470	-
Arrangement costs (note 3)	(80,440)	-
Convertible debenture	-	(5,813,240)
Guaranteed investment certificates	-	235,000
Purchase of property, plant and equipment	(104,744)	(259,729)
Proceeds on disposal of property, plant, and equipment	5,348	-
Expenditures on mineral interests	(6,986,868)	(8,035,103)
Proceeds on sale of investments	85,682	-
Changes in non-cash working capital items (note 19a)	(898,133)	(475,068)
	(6,027,685)	(14,348,140)
Cash flows from financing activities		
Issuance of share capital	8,684,640	8,843,690
Cash share issue costs	(810,296)	(780,527)
Change in non-cash working capital items (note 19a)	-	43,938
	7,874,344	8,107,101
Net increase (decrease) in cash and cash equivalents	690,039	(6,165,652)
Cash and cash equivalents:		
Beginning of period	5,231,930	11,397,582
End of period (note 5)	\$ 5,921,969	\$ 5,231,930

The non-cash transactions described in notes 3 and 19b have been excluded from the consolidated statements of cash flows.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 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 and La Rioja provinces, 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.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP").

(a) Cash and cash equivalents

Cash and cash equivalents is comprised of cash deposits in bank and Guaranteed Investment Certificates.

(b) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Committee Bay North Ltd., Minera La Huella S.A., and, from December 1, 2005 (note 3), Matador Exploration Inc., and its wholly-owned subsidiaries Graveltech Inc., 791837 Alberta Ltd., Matador Mining Pty Ltd., Toro Mining Pty Ltd., and Redemption Management Pty Ltd.

(c) Property, plant & equipment

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

Furniture and office equipment	20 %
Leasehold improvements	20 %
Computer equipment	30 %
Computer software	100 %
Mobile equipment	17% -30 %
Three Mile Hill gold processing mill	5% - 33%
Field and office equipment	8% - 33%
Camp and field equipment	20 %

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

2. Significant accounting policies, continued

(d) Asset retirement obligation

Effective January 1, 2005, the Company adopted the recommendations of CICA Handbook Section 3110, Asset Retirement Obligations. This new section requires recognition of a liability for legal obligations relating to retirement of property, plant, and equipment and mineral interests and arising from the acquisition, construction, exploration, development, or normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred. Fair value is estimated using the present value of the estimated future cash outflows to restore and rehabilitate the mining, smelting, and refining sites at the Company's credit-adjusted risk-free interest rate. The calculation of these estimates requires assumptions such as the application of environmental legislation, plant and mine closure dates, available technologies, and engineering cost estimates. The fair value is added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. The liability is accreted against income until it is settled or the property is sold and is included as a component of amortization. Actual restoration expenditures are charged to the accumulated obligation as incurred.

(e) Flow through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow through share arrangements are renounced to investors in accordance with tax legislation. A future tax liability is recorded and share capital is reduced by the cost of future taxes on the date when the expenditures are renounced to the holder of these shares.

(f) Foreign currency translation

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

(g) Future income taxes

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

(h) Impairment of long-lived assets

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

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

2. Significant accounting policies, continued

(i) Loss per share

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

(j) Measurement uncertainty

The valuation of mineral interests is based on management's best estimate of the future recoverability of these assets. The amounts recorded for asset retirement obligations are based on estimates described in note 2(d). The amounts computed with respect to stock-based compensation are based on estimates as to the expected life of options and warrants granted and the volatility of the underlying stock during the period. The fair value of shares, warrants, and options issued as consideration in the business combination disclosed in note 3 have been based on management's estimate of the market value of the Company's shares.

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

(k) Mineral interests

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

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

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

Title to resources properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resources properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

2. Significant accounting policies, continued

(l) Operator recoveries

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

(m) Investments

Portfolio investments are carried at cost. If management determines that there has been a decline in value, other than a temporary decline of value, the investment is written down to market value.

(n) Stock-based compensation

Stock based compensation is accounted for using the fair value method whereby compensation expense related to these programs is recorded in the consolidated statement of loss and deficit with a corresponding increase to contributed surplus. The fair value of options granted are determined at the date of grant and expensed over the vesting period.

The fair value of warrants issued to agents are recorded as share issue costs with a corresponding increase to contributed surplus.

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

(o) Joint ventures

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

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.

The estimated fair value of the share consideration given of \$4,232,346 has been determined based on the Company's estimate of fair market value as at the date of public announcement of the Arrangement on July 12, 2005, deemed to be \$0.65 per share. The estimated fair value of

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

3. Business combination, continued

the 3,703,498 warrants of \$748,890 was calculated based on the Black-Scholes option valuation model using the following weighted average assumptions, which were determined as of the date of the Announcement:

Risk free interest rate	2.83%
Expected hold period prior to exercise (years)	1.1
Expected volatility	80%
Dividend yield per share	0%

The estimated fair value of the 328,500 stock options of \$157,365 was calculated based on the Black-Scholes option pricing model using the following weighted average 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 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	\$ 1,951,470
Accounts receivable	245,466
Performance bond	567,252
Investments	73,372
Property, plant, and equipment	967,253
Mineral interests	10,803,211
	14,608,024
Less liabilities assumed:	
Accounts payable and accrued liabilities	1,190,419
Convertible debenture payable to CBR (note 8)	5,861,410
Future income tax liability	2,020,135
Asset retirement obligation	317,019
	9,388,983
Net assets acquired	\$ 5,219,041

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

3. Business combination, continued

Consideration given:	
Fair value of 6,511,301 common shares issued	\$ 4,232,346
Fair value of 3,703,498 warrants issued	748,890
Fair value of 328,500 stock options issued	157,365
Arrangement costs	80,440
<hr/>	
Total consideration	\$ 5,219,041

The Company has not recognized a benefit arising from Canadian non-capital losses aggregating \$1,007,000 acquired with Matador as management expects these losses to expire prior to the availability of taxable income against which to utilize the losses.

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:

	September 30, 2006	September 30, 2005
Canada	\$ 25,379,495	\$ 22,561,909
Australia	16,411,378	-
Argentina	695,405	542,680
<hr/>		
Company total	\$ 42,486,278	\$ 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 (2005 - \$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") at Alberta Treasury Branches ("ATB") bearing interest at rates ranging from 3.74% to 4.05% maturing between April 23, 2008 and April 23, 2009 (2005 - 2.82% 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 year ended September 30, 2006, 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 year ended September 30, 2006 therefore reflects a clawback of previously accrued interest.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

5. Cash and cash equivalents, continued

The Company has available a revolving line of credit to a maximum of \$1,000,000 bearing interest at prime. At September 30, 2006, the Company did not have any amount outstanding under this facility.

6. Performance bonds

The Company has acquired performance bonds in the amount of \$546,749 (AU\$657,150) for possible environmental reclamation work on areas of the Company's Australian properties (note 10). Performance bonds are released as reclamation is performed and assessed by regulatory authorities.

7. Investments

	2006		2005	
	Cost	Market	Cost	Market
Underground Drilling and Services Pty Ltd (16.5% interest)	\$ 1	\$ N/A	\$ -	\$ -
Indicator Minerals Inc. 1,000,000 common shares	210,000	790,000	210,000	370,000
	\$ 210,001	\$ 790,000	\$ 210,000	\$ 370,000

The market value of the Company's investment in Underground Drilling and Services Pty Ltd. ("UDS") is not practicable to determine because the shares of UDS are not listed on an exchange.

During the period ended September 30, 2005, the Company wrote down its investment in Indicator Minerals Inc. by \$190,000 to adjust for a decline in value that was determined to be other than temporary.

8. Convertible debenture

On July 12, 2005, the Company and 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

For the year ended September 30, 2006 and the period ended September 30, 2005

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:

Year ended September 30, 2006

	Amortization Capitalized	Amortization Expense	Total Amortization
Canada	\$ 60,095	\$ 67,434	\$ 127,529
Argentina	6,573	-	6,573
Australia	26,582	100,166	126,748
	\$ 93,250	\$ 167,600	\$ 260,850

Period ended September 30, 2005

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

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

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	-	-	9,358	1,461	-	-	15,929
Claims and land use	(135)	-	-	201	49	14	-	129
Fieldwork	2,809	-	-	2,872	293	56	-	6,030
Geological consulting	890	-	-	-	-	94	-	984
Operator recoveries	(79)	-	-	-	-	-	-	(79)
Impairment and abandonment	-	(201)	-	-	-	-	(8)	(209)
Balance, September 30, 2006	\$ 18,779	\$ -	\$ 12	\$ 12,431	\$ 1,803	\$ 674	\$ -	\$ 33,699

**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	\$ -	\$ -	\$ 9,358	\$ 1,461	\$ -	\$ -	\$ 15,998
Claims and land use	310	-	-	201	49	59	-	619
Fieldwork	12,064	166	-	2,872	293	267	-	15,662
Geological consulting	2,304	35	12	-	-	348	8	2,707
Option and other income	(453)	-	-	-	-	-	-	(453)
Operator recoveries	(625)	-	-	-	-	-	-	(625)
Impairment and abandonment	-	(201)	-	-	-	-	(8)	(209)
Balance, September 30, 2006	\$ 18,779	\$ -	\$ 12	\$ 12,431	\$ 1,803	\$ 674	\$ -	\$ 33,699

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 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 September 30, 2006 of 827,613 acres (2005 – 1,643,330) near Committee Bay, Nunavut, consisting of: 613,007 acres (2005 – 630,058) of mineral claims; 183,974 acres (2005 – 1,012,762) of prospecting permits; and 30,632 acres of mining leases. 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 6.9 years (2005 – 7.9 years). The work program summaries reporting the expenditures incurred in 2005 have been filed and the work program summaries reporting the expenditures incurred in 2006 will be filed in early 2007. 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").

In April 2005, the Company reached an agreement with Gold Fields Exploration BV ("Gold Fields") 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.

On February 15, 2006, the Company announced that 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 a reasonable number of days before and after the date of public announcement of the conversion.

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 September 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 year ended September 30, 2006, the land area of the permits comprising the Baffin Island property has reduced to 508,240 acres from 622,173 acres.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

10. **Mineral interests, continued**

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 and the Three Mile Hill processing mill 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 mill 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 a 50% interest in the Redemption Plant and Equipment (Mill) Joint Venture ("Mill JV") and a 10% interest in the Redemption Exploration Joint Venture ("Exploration JV") The Company can earn up to a 50% interest in the Exploration JV by sole funding AU\$8,000,000 (approximately CA\$6,620,800 at September 30, 2006) of exploration within a three year period in stages with a guaranteed AU\$2,666,667 (approximately CA\$2,206,934) expenditure commitment in the first year, of which approximately AU\$1.26 Million (approximately CA\$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 Exploration JV to 20%.

The share of assets, liabilities, revenue, and expenses of the jointly controlled operations which are included in the consolidated financial statements for the year ended September 30, 2006 are as follows:

Consolidated balance sheet

Assets

Current

Cash and cash equivalents	\$ 72,617
Accounts receivable	115,372
Prepaid expenses and deposits	5,824
	<u>193,813</u>

Investments

	1
Property, plant & equipment	633,384
Performance bond	512,304
Mineral interests	6,568,331
	<u>7,714,020</u>

Total assets **\$ 7,907,833**

Liabilities

Current

Accounts payable	\$ 469,251
Asset retirement obligation	271,117
	<u>281,822</u>

Total liabilities **\$ 740,368**

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

10. **Mineral interests, continued**

Consolidated statement of loss

Operator recoveries	\$ 36,211
Interest revenue	13,652
Other revenue	8,398
	<u>58,261</u>
Amortization	(64,936)
Other expenses	<u>(303,598)</u>
Net loss	<u>\$ (310,273)</u>

Consolidated statement of cash flows

Cash flows used in:

Operating activities, net	\$ (125,409)
Investing activities, net	<u>\$ (3,400,429)</u>

e) *Jaurdi Hills*

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

f) *Argentina*

The Company has filed mineral claims covering 85,782 ha (2005 – 23,785 ha) in the San Juan and La Rioja provinces in Argentina. The Company is actively pursuing a grassroots exploration project on these properties.

11. **Asset retirement obligation**

The Company has recognized an asset retirement obligation ("ARO") for expected reclamation and abandonment of the Redemption and Jaurdi Hills properties related to activities prior to acquisition. The ARO has been estimated based on the Government of Western Australia's assessment of the costs to rehabilitate the tenements in the case of abandonment. The Company has performance bonds (note 6) on deposit with the required authorities representing 50% of the bonds required to rehabilitate the Redemption property (including the Three Mile Hill gold processing mill) and 100% of the performance bonds required to rehabilitate the Jaurdi Hills property. The Company has recognized its share of the ARO based on its legal liability for reclamation activities under the Exploration JV and Mill JV agreements (20%), and has recorded the ARO at the amount estimated to rehabilitate the assets acquired with Matador at the reporting date. The Company has not discounted the ARO as there is currently no estimate for the time of retirement of the asset; there is therefore no accretion of the liability. During the year ended September 30, 2006, the Company did not undertake any activities requiring this estimate to be revised.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

11. Asset retirement obligation, continued

The following table is a continuity of ARO:

Opening balance	\$ -
Acquired from Matador (note 3)	317,019
Effect of change in foreign currency	<u>(11,459)</u>
Asset retirement obligation, September 30, 2006	<u>\$ 305,560</u>

12. Income taxes

a) The components of future income tax balances are as follows:

	<u>2006</u>	<u>2005</u>
Future income tax asset (liability)		
Undeducted share issue costs	\$ 563,076	500,972
Investments	32,414	32,414
Mineral interests and property, plant and equipment in excess of tax basis	(6,626,209)	(931,385)
Other temporary differences	-	28,780
Non-capital loss carry-forwards	<u>3,356,600</u>	<u>671,140</u>
	(2,674,119)	301,921
Valuation allowance	<u>(343,600)</u>	<u>(301,921)</u>
	<u>\$ (3,017,719)</u>	<u>\$ -</u>

b) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the combined statutory income tax rate of approximately 33.77% (2005 – 34.12%) to the loss before income taxes for the years as follows:

	<u>2006</u>	<u>2005</u>
Expected tax recovery	\$ (816,863)	\$ (532,744)
Difference resulting from:		
Stock-based compensation	261,247	294,779
Other	-	18,357
Future tax benefit not previously recognized	<u>(218,000)</u>	<u>-</u>
Future income tax recovery	<u>\$ (773,616)</u>	<u>\$ (219,608)</u>

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

12. Income taxes, continued

- c) As stated in note 3, the Company has not recognized the benefit of Canadian non-capital tax losses carried forward acquired with Matador. These losses expire as follows:

2007	78,000
2008	78,000
2009	60,000
2010	150,000
2014	123,000
2015	438,000
2026	80,000
	\$ 1,007,000

13. 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 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 issued in private placements	(13a)	10,666,666	7,733,333
Common shares issued as compensation to agents	(13a)	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	22,346,707
Common shares issued to acquire Matador	(3, 13b)	6,511,301	4,232,346
Common shares on exercise of warrants		823,500	461,000
Common shares on exercise of options		295,000	73,900
Common shares issued to Gold Fields Exploration BV	(10a)	7,000,000	5,110,000
Common shares issued in private placements	(13c,d)	14,344,980	8,149,739
Common shares issued as compensation to agents	(13c)	90,909	50,000
Contributed surplus adjustment on exercised options and warrants	(15)	-	53,100
Share issue costs, net of future tax benefits of \$276,000		-	(866,095)
Tax benefits renounced to flow-through share purchasers		-	(2,047,200)
Balance, September 30, 2006		69,513,342	\$ 37,563,497

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

13. Share capital, continued

Warrants

Balance, December 31, 2004		\$	-
Issued	(13a)		266,667
Balance, September 30, 2005			266,667
Issued to acquire Matador	(3)		748,890
Balance, September 30, 2006		\$	<u>1,015,557</u>
Common shares at September 30, 2006		\$	37,563,497
Warrants at September 30, 2006		\$	<u>1,015,557</u>
Share capital, September 30, 2006		69,513,342	\$ 38,579,054

- 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 valued at \$0.65 per common share and one transferable common share purchase warrant valued at \$0.10 per 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 of qualifying expenditures to renounce to holders of the 8,000,000 flow-through shares. These qualifying expenditures were made prior to September 30, 2006.
- b) Pursuant to the Arrangement (note 3), the Company issued 6,511,301 common shares at a deemed price of \$0.65 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 and 328,500 stock options with a weighted average exercise price of \$0.33 and a weighted average remaining contractual life of 3.9 years.
- c) On July 31, 2006, the Company announced that it had closed a brokered private placement of an aggregate of 9,089,982 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 valued at \$0.55 per share and one half of a transferable share purchase warrant ("Warrant") valued at \$nil, 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 and 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 (note 15). In addition, the Company paid \$50,000 in agents' expenses and legal fees and issued 90,909 units at a deemed price of \$0.55 per unit totaling \$50,000. Net cash proceeds to the Company were \$7,349,528.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

13. Share capital, continued

Due to this flow through offering the Company is required to incur \$3,000,000 of qualifying expenditures to renounce to holders of the 5,000,000 flow-through shares. Expenditures totaling approximately \$1,400,000 under this flow-through obligation were expended up to September 30, 2006.

- d) On September 19, 2006, the Company closed a non-brokered private placement of 55,000 units ("Units") at a price of \$0.55 per Unit and 199,998 flow-through common shares ("FT Shares") at a price of \$0.60 per FT Share for total gross proceeds of \$150,249. Each Unit consisted of one common share valued at \$0.55 per share and one half of a common share purchase warrant valued at nil, with each whole warrant exercisable at a price of \$0.75 per common share for a period of two years from issuance.

Due to this flow through offering the Company is required to incur approximately \$120,000 of qualifying expenditures to renounce to holders of the 199,998 flow-through shares. As of September 30, 2006, the Company has not incurred any of these qualifying expenditures under this flow-through obligation.

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
Issued in private placements	4,617,945	0.75
Issued to agents	1,408,998	0.80
Exercised	(823,500)	0.56
Expired	(2,247,498)	2.64
	<u>12,673,606</u>	<u>\$ 0.80</u>
Outstanding warrants, September 30, 2006	12,673,606	\$ 0.80

Exercise Price	Number of Warrants	Weighted average remaining contractual life in years
\$ 1.00	2,699,999	0.8
0.69	2,879,998	0.4
0.80	1,066,666	0.8
0.75	4,590,445	1.8
0.80	1,408,998	1.8
0.75	27,500	2.0
\$ 0.80	12,673,606	0.8

The Company has recorded stock based compensation relating to agents' warrants granted in the amount of \$281,800 (2005 - \$288,000) as a cost of share issuance and an increase to contributed surplus. The compensation expense has been determined based on the fair value of the agents' warrants at the grant date.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

13. Share capital, continued

The fair value of each agents' warrant 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:

	2006	2005
Risk free interest rate	4.12%	3.04%
Expected hold period prior to exercise (years)	2	2
Expected volatility	80%	81%
Dividend yield per share	0%	0%

The weighted average fair value of agents' warrants granted during the year was \$0.20 (2005 - \$0.27) per agents' warrant.

Per share calculations

The exercise of stock options and warrants would be anti-dilutive for the year ended September 30, 2006 and for the nine-month period ended September 30, 2005 as the Company was in a loss position. For the year ended September 30, 2006, the basic weighted average number of shares was 53,092,758 (2005 - 32,666,387).

14. Stock options

Pursuant to a new Stock Option Plan (the "Plan") for directors, officers, employees, and consultants approved by shareholders on August 9, 2006, the Corporation 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, manager, consultant or employee 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.

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 in the period	640,000	0.81
Exercised in the period	(295,000)	0.25
Expired in the period	(128,215)	1.50
Outstanding September 30, 2006	<u>4,860,424</u>	<u>\$ 1.19</u>

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

14. Stock options, continued

Exercise prices	Number outstanding	Weighted average remaining contractual life in years	Number exercisable
\$0.25	540,875	1.1	540,875
0.52	911,049	1.9	911,049
1.80	130,000	2.3	130,000
1.80	2,400,000	2.8	2,400,000
0.56	22,500	1.0	22,500
0.31	216,000	3.2	216,000
0.81	640,000	4.3	640,000
\$1.19	4,860,424	2.6	4,860,424

The Company has recorded stock based compensation in the amount of \$773,606 (2005 - \$863,947) as an expense in the consolidated statement of loss and an increase to contributed surplus.

The weighted average fair value of options granted during the period was \$0.52 (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:

	2006	2005
Risk free interest rate	3.88%	3.99%
Expected hold period prior to exercise (years)	5	5
Expected volatility	80%	91.5%
Dividend yield per share	0%	0%

Subsequent to September 30, 2006, the Company issued 400,000 stock options to non-insider employees and consultants under the Plan. The options are exercisable at \$0.50 per common share for a period of 2 years from issuance.

15. Contributed surplus

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

	2006	2005
Balance, beginning of period	\$ 4,038,613	\$ 2,902,273
Stock options vesting in the period (note 14)	440,806	863,947
Stock options granted in the period (notes 3, 14)	490,165	-
Agents warrants granted in the period (note 13)	281,800	288,000
Exercise of options and warrants	(53,100)	(15,607)
Balance, end of period	\$ 5,198,284	\$ 4,038,613

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

16. Related party transactions

During the year, the Company incurred consulting expenses of \$160,630 (2005 - \$86,375) and capitalized mineral interest geological consulting services of \$81,941 (2005 - \$71,125) related to management and technical services provided by directors or companies controlled by directors. Of this amount, \$2,993 (2005 – nil) was unpaid at year end and included in accounts payable.

In addition, the Company purchased office furniture from a company controlled by a director for the sum of \$4,000 during the year ended September 30, 2006.

During the year, the Company charged Indicator Minerals Inc., a company with common directors, \$75,000 (2005 – nil) for the use of the Company's landing strip in Nunavut.

Included in accounts receivable is \$416,801 (2005 – nil) of expenses to be reimbursed by companies with common directors and officers. The full amount was received subsequent to September 30, 2006.

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.

17. Lease commitments

The Company has entered into a lease agreement expiring January 31, 2011 as a tenant in common with another company for its Vancouver office space. The Company has agreed to pay 33% of the total lease commitment but, in the event of default by the other tenant, would be responsible for the entire amount of the lease. The minimum annual commitment for the entire lease contract, exclusive of operating costs is as follows:

2007	\$ 47,616
2008	54,891
2009	55,552
2010	55,552
2011	<u>4,629</u>
	<u>\$ 218,240</u>

18. Financial instruments

Financial instruments consist of recorded amounts of accounts receivable, guaranteed investment certificates, deposits, performance bonds, and investments 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 credit risk to the extent of accounts receivable at the year end of \$476,731 (2005 – \$209,935) are due from companies in the same industry as the Company and are exposed to the same economic risks as the Company.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

18. Financial instruments, continued

b) Fair Value

The carrying values of the financial instruments noted above approximate their fair values due to their short term nature except for investments, the fair values of which are disclosed in note 7.

c) Foreign currency exchange risk

Operations conducted in foreign jurisdictions use foreign currencies as the operating currency. A portion of the Company's cash, accounts payable, and accounts receivable is denominated in foreign currencies; consequently the Company is subject to the risk of fluctuating exchange rates.

19. Supplemental cash flow information

a) Changes in non-cash working capital

	Year ended September 30, 2006	Nine month period ended September 30, 2005
Accounts receivable	\$ (35,989)	\$ 337,083
Prepaid expenses	(84,008)	(31,350)
Accounts payable and accrued liabilities	(660,244)	(206,284)
	\$ (780,241)	\$ 99,449

Change in non-cash working capital relating to:

Operating activities	\$ 117,892	\$ 530,579
Investing activities	(898,133)	(475,068)
Financing activities	-	43,938
	\$ (780,241)	\$ 99,449

b) In addition to the items as disclosed in notes 3 and 9, the following non-cash items are excluded from the statements of cash flows:

	2006	2005
Shares issued to Gold Fields (note 10a)	\$ 5,110,000	\$ -
Agents' warrants	281,800	288,000
Corporate finance shares (note 13c)	50,000	25,000
Contributed surplus adjustment on exercise of options and warrants (note 15)	(53,100)	(15,607)

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the year ended September 30, 2006 and the period ended September 30, 2005

19. **Supplemental cash flow information, continued**

c) Other cash flow information

Interest paid	\$ 7,424	\$ 8,249
---------------	----------	----------

20. **Comparative figures**

Certain figures in the comparative financial statements have been reclassified to conform with the presentation adopted in the current year