

# **Committee Bay Resources Ltd.**

Unaudited Consolidated Interim Financial Statements  
**September 30, 2003**

**Committee Bay Resources Ltd.**  
 Unaudited Consolidated Balance Sheets  
 As at September 30, 2003 and December 31, 2002

---

	Sep. 30, 2003 \$	Dec. 31 2002 \$
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash	3,472,584	84,958
Due from joint venture partner	526,068	-
Accounts receivable	140,650	50,505
Work deposits	35,000	-
Other deposits and prepaid expenses	5,736	-
	<u>4,180,037</u>	<u>135,463</u>
<b>Equipment</b>	66,155	1,245
<b>Mineral interests (note 4)</b>	<u>1,287,162</u>	<u>1,137,356</u>
	<u>5,533,354</u>	<u>1,274,064</u>
<b><u>Liabilities and Shareholders' Equity</u></b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,087,252	44,863
Funds held in trust for share issuance	46,886	-
	<u>1,134,138</u>	<u>44,863</u>
<b>Shareholders' Equity</b>		
Share capital (note 5)	4,939,488	1,471,076
Contributed Surplus	21,567	
Deficit	<u>(561,839)</u>	<u>(241,875)</u>
	<u>4,399,216</u>	<u>1,229,201</u>
	<u>5,533,354</u>	<u>1,274,064</u>

**Approved by the Board of Directors**

\_\_\_\_\_  
 "John Williamson" Director

\_\_\_\_\_  
 "Sean Mager" Director

# Committee Bay Resources Ltd.

Unaudited Consolidated Interim Statements of Loss and Deficit

For the three and nine month periods ending September 30, 2003 and 2002

---

	<b>Three Months Ending Sep. 30, 2003</b>	Three Months Ending Sep. 30, 2002	<b>Nine Months Ending Sep. 30, 2003</b>	Nine Months Ending Sep. 30, 2002
	\$	\$	\$	\$
<b>Expenses</b>				
Wages and consulting fees	<b>110,282</b>	43,412	<b>203,237</b>	88,311
Professional fees	<b>656</b>	42,318	<b>86,525</b>	68,708
Exploration Costs	<b>1,520</b>	(540)	<b>1,753</b>	549
Conferences and meetings	<b>32,073</b>	-	<b>67,099</b>	-
Transfer agent and filing fees	<b>13,657</b>	21,000	<b>36,787</b>	20,774
Advertising and promotion	<b>14,171</b>	3,389	<b>33,639</b>	7,318
Office and general	<b>2,040</b>	81	<b>3,080</b>	2,279
Rent	<b>2,000</b>	-	<b>5,500</b>	-
Telephone and utilities	<b>1,608</b>	-	<b>2,318</b>	-
Amortization	-	-	-	-
Interest and bank charges	<b>475</b>	109	<b>788</b>	109
	<b>178,482</b>	109,769	<b>440,725</b>	188,048
<b>Other Income (expenses)</b>				
Recovery of Overhead	<b>134,112</b>	1,328	<b>142,273</b>	1,328
Interest	-	-	<b>55</b>	-
Qualifying transaction non-refundable deposit	-	-	-	20,000
Write-off of mineral property	-	-	-	-
Share compensation	<b>(21,567)</b>	-	<b>(21,567)</b>	-
	<b>(65,937)</b>	(108,441)	<b>(319,964)</b>	(166,720)
<b>Income (loss) before income taxes</b>	<b>(65,937)</b>	(108,441)	<b>(319,964)</b>	(166,720)
<b>Future income tax recovery</b>	-	-	-	-
	<b>(65,937)</b>	(108,441)	<b>(319,964)</b>	(166,720)
<b>Net loss for the period</b>	<b>(65,937)</b>	(108,441)	<b>(319,964)</b>	(166,720)
<b>Deficit – Beginning of period</b>	<b>(495,902)</b>	(229,665)	<b>(241,875)</b>	(171,386)
	<b>(561,839)</b>	(338,106)	<b>(561,839)</b>	(338,106)
<b>Deficit – End of period</b>	<b>(561,839)</b>	(338,106)	<b>(561,839)</b>	(338,106)
<b>Loss per share</b>	<b>(0.004)</b>	(0.013)	<b>(0.025)</b>	(0.028)
<b>Weighted avg. # shares</b>	<b>15,126,459</b>	8,271,567	<b>12,808,596</b>	5,880,298

# Committee Bay Resources Ltd.

## Unaudited Consolidated Interim Statements of Cash Flow

For the three and nine month periods ending September 30, 2003 and 2002

	<b>Three Months Ending Sep. 30, 2003 \$</b>	<b>Three Months Ending Sep. 30, 2002 \$</b>	<b>Nine Months Ending Sep. 30, 2003 \$</b>	<b>Nine Months Ending Sep. 30, 2002 \$</b>
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net loss for the period	(65,937)	(108,441)	(319,964)	(166,720)
<b>Add back non cash items:</b>				
Share compensation expense	21,567	-	21,567	-
Amortization	-	-	-	-
Future income taxes	-	-	-	-
	<u>(44,370)</u>	<u>(108,441)</u>	<u>(298,397)</u>	<u>(166,720)</u>
<b>Change in non-cash working capital items:</b>				
Due from joint venture partner	(383,675)	-	(526,068)	-
Accounts receivable	(35,598)	(28,055)	(90,145)	(17,152)
Work deposits	-	-	(35,000)	-
Loans receivable	-	-	-	(1,300)
Deposits and prepaid expenses	(2,997)	-	(5,736)	10,847
Accounts payable and accrued liabilities	582,407	76,160	1,042,389	113,277
Total working capital items	<u>160,138</u>	<u>48,095</u>	<u>385,441</u>	<u>105,672</u>
	<u>(115,768)</u>	<u>(60,346)</u>	<u>87,044</u>	<u>(61,048)</u>
<b>Financing activities</b>				
Issuance of shares	2,216,802	330,500	3,468,412	330,500
Funds held in trust for share issuance	46,886	-	46,886	-
	<u>2,263,688</u>	<u>330,500</u>	<u>3,515,298</u>	<u>330,500</u>
<b>Investing activities</b>				
Cash acquired from Arta Enterprises Inc.	-	199,984	-	199,984
Purchase of equipment	(7,491)	-	(64,910)	-
Increase in mineral interests	(137,823)	(269,671)	(149,806)	(287,091)
	<u>(145,314)</u>	<u>(69,687)</u>	<u>(214,716)</u>	<u>(87,107)</u>
<b>Increase (Decrease) in cash</b>	<b>2,234,142</b>	<b>200,467</b>	<b>3,387,626</b>	<b>182,345</b>
<b>Cash – Beginning of period</b>	<b>1,238,442</b>	<b>319</b>	<b>84,958</b>	<b>18,441</b>
<b>Cash – End of period</b>	<b>1,273,442</b>	<b>200,786</b>	<b>3,472,584</b>	<b>200,786</b>

# Committee Bay Resources Ltd.

Notes to the Unaudited Consolidated Interim Financial Statements

**For the three and nine month periods ending September 30, 2003 and 2002**

---

## 1. Business Combination

On July 15, 2002 Arta Enterprises Inc. ("Arta") acquired 51.4% of the common shares of CBR and 100% of the shares of 895924 Alberta Ltd. ("Holdco"), which held the remaining 48.6% of the common shares of CBR. The consideration paid by Arta was the issuance of an aggregate of 4,750,000 common shares of Arta ("Common Shares") and warrants to acquire an aggregate of 1,400,000 flow through Common Shares at a price of \$0.25 per Common Share at any time within two years of issuance. In addition, Arta issued 230,000 Common Shares to Research Capital Corporation and 137,500 Common Shares to Tarman Inc. as finders fees. The companies then proceeded with a corporate restructuring and amalgamation, continuing under the name Committee Bay Resources Ltd.

The business combination of Arta, CBR and Holdco has been accounted for using the reverse takeover method of purchase accounting. CBR was deemed to be the acquirer and deemed to have purchased the assets and liabilities of Arta because the shareholders of CBR and Holdco, as a group, became owners of more than 64% of the voting shares of Arta on a fully diluted basis following the business combination. The results of operations of Arta are included in the consolidated financial statements from July 15, 2002, the date of the business combination. For accounting purposes, the company is considered to be a continuation of CBR, except with regard to the authorized and issued share capital, which is that of the legal parent company, Arta. **The financial position of CBR as at December 31, 2001 and the results of operations and cash flows for the periods prior to July 15, 2002 presented in these financial statements are of CBR only.** Details of the business combination are as follows:

	Net Assets Acquired
Cash	\$ 199,984
Goods and Services tax Recoverable	9,787
Fair value of net assets acquired or Carrying value of net assets sold	\$ 209,771
Consideration paid (received) Common Shares	\$209,771

## 2. Nature of Operations

Committee Bay Resources Ltd. ("CBR" or the "Company") was incorporated under the Canada Business Corporations Act on December 17, 1996 as 3328147 Canada Inc. and remained inactive until June 30, 1998. On September 18, 1998 the company changed its name to Committee Bay Resources Ltd. The company operates as an exploration mining company with activities in Nunavut, Canada.

# Committee Bay Resources Ltd.

Notes to the Unaudited Consolidated Interim Financial Statements

**For the three and nine month periods ending September 30, 2003 and 2002**

---

The company is in the business of identifying and exploring mineral properties located primarily in Canada, which have the potential of being economically recoverable. The measurement of certain assets and liabilities is dependant upon future events, therefore preparation of these financial statements requires the use of estimates, which may vary from actual results. In particular, the recoverability of amounts shown for the mineral interests is dependant upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interests in the property, the ability of the company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from disposition of the mineral interests. The amounts shown for the mineral interest represents net costs incurred to date and do not represent present or future values.

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 non-compliance with regulatory requirements.

### 3. 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, 2002. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in Canada have been omitted. These interim financial statements should be read in conjunction with the December 31, 2002 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.

### 4. Mineral Properties

	<u>Cumulative</u>			<u>Sep.30, 2003</u>	<u>Dec. 31,2002</u>
	<u>Acquisition costs</u>	<u>Exploration costs</u>	<u>Recovered &amp; recoverable</u>	<u>Net carrying amount</u>	<u>Net carrying amount</u>
	\$	\$	\$	\$	\$
Committee Bay, Nunavut Territory	99,852	2,941,565	(1,754,255)	1,287,162	1,137,356

CBR holds greater than 528,000 acres of land with prospective geology in the Committee Bay area west of Melville Peninsula, Nunavut.

Gold Fields Limited, through a subsidiary, is funding all gold exploration on the Committee Bay Project as part of its option to earn a 55 % interest in the property by spending \$7. 5 million over the next 4 years. An additional 10% can be earned by spending another \$7. 5 million. Committee Bay Resources Ltd. is the operator.

# Committee Bay Resources Ltd.

Notes to the Unaudited Consolidated Interim Financial Statements

For the three and nine month periods ending September 30, 2003 and 2002

---

## 5. Share Capital

(a) Authorized:

Unlimited number of common voting shares without nominal or par value

(b) Common shares issued:

	Number	Amount \$
<b>Balance at Dec 31, 2002</b>	<b>10,339,520</b>	<b>1,471,076</b>
For cash on exercise of agents options @ 0.20 – Feb 20	3,780	756
For cash on private placement @ 0.35 – Apr 15	2,000,000	700,000
Finders fee on private placement @ 0.35 – Apr 15	5,000	1,750
For cash on private placement @ 0.30 – May 5	1,000,000	300,000
Finders fee on private placement @ 0.30	115,385	34,616
For cash on exercise of agents options @ 0.20 – May 7	119,900	23,980
For cash on private placement @ 0.30 – Jun 4	333,333	100,000
For cash on exercise of agents options @ 0.20 – Jun 9	23,800	4,760
For cash on exercise of directors options @ 0.25 – Jun 24	120,000	30,000
For cash on exercise of warrants @ 0.30 – Jun 24	285,000	85,500
For cash on exercise of agents warrants @ 0.30 – Jun 24	42,540	12,762
For cash on exercise of warrants @ 0.30 – Jul 2	108,000	32,400
For cash on exercise of warrants @ 0.30 – Jul 4	200,000	60,000
For cash on exercise of warrants @ 0.30 – Jul 7	120,000	36,000
For cash on exercise of warrants @ 0.30 – Jul 10	84,000	25,200
For cash on exercise of warrants @ 0.30 – Aug 13	34,000	10,200
Finders fee on agreement with Gold Fields@ 0.30 – Aug 22	279,831	83,949
For cash on exercise of options @ 0.25 – Aug 25	66,000	16,500
For cash on exercise of warrants @ 0.45 – Aug 27	85,000	38,250
For cash on exercise of warrants @ 0.45 and 0.30 – Sep 4	92,500	32,625
For cash on exercise of agents warrants @ 0.30 – Sep 15	48,500	14,550
For cash on exercise of warrants @ 0.30 – Sep 15	20,000	6,000
For cash on exercise of warrants @ 0.45 – Sep 15	81,999	36,900
For cash on exercise of warrants @ 0.45 and 0.30 – Sep 22	134,000	54,000
For cash on private placement @ 0.75 – Sep 26	2,500,000	1,875,000
Finders fee on private placement @ 0.75 – Sep 25	40,000	30,000
For cash on exercise of warrants @ 0.45 – Sep 26	256,035	115,216
Share issuance costs	-	(292,502)
<b>Balance at Sep. 30, 2003</b>	<b>18,538,163</b>	<b>4,939,488</b>

(c) Escrow:

An aggregate of 2,699,154 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 instalments over the course of the 36 month period following July 19, 2002, the Initial Release date.

# Committee Bay Resources Ltd.

Notes to the Unaudited Consolidated Interim Financial Statements

For the three and nine month periods ending September 30, 2003 and 2002

---

(d) Options:

The company has established a stock option plan for the benefit of 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 twenty (20%) percent of the issued and outstanding listed shares (on a non-diluted basis); 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 five (5%) percent of the outstanding Shares (on a non-diluted basis). In the case of an Optionee that is a Consultant, the aggregate number of shares to be issued shall not exceed one (1%) percent of the issued and outstanding Shares (on a non-diluted basis) at the time of the grant. The Shares so reserved by the Board under the Plan shall be authorized but unissued Shares.

The options are non-transferrable 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 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.

Prior to the Qualifying Transaction, the directors of Arta Enterprises Inc. were granted 250,000 incentive stock options, which were to expire on the earlier of 90 days from the date each director ceases to be a director, of the company, or August 3, 2006. Of these, non-continuing directors exercised 28,500 prior to expiry and 105,000 remain outstanding as the Optionee has continued in his capacity as director of the corporation after the Qualifying Transaction was completed.

The following table summarizes stock options outstanding during the period, excluding agents options:

	Number	Avg. Exercise Price	Expiry
Directors Options	1,300,000	0.25	Oct 30, 2007
Directors Options	105,000	0.20	Aug 3, 2006
Outstanding at Dec 31, 2002	1,405,000	0.25	
Exercised – second quarter	(120,000)	0.25	Oct 30, 2007
Issued to IR manager	100,000	0.42	Aug 12, 2008
Issued to Directors, Officers & Consultants	1,000,000	0.52	Aug 12, 2008
Exercised – third quarter	(66,000)	0.25	
<b>Balance – end of quarter</b>	<b>2,319,000</b>	<b>0.37</b>	

The Company's accounting policy does not recognize any compensation expense when stock options are granted as the exercise price equals or exceeds the market price of the common shares on the date of grant. The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model with the followings assumptions used for the grants in 2003: term of 5 years, zero dividend yield; expected volatility of 48.4% and a risk-free interest rate of 4.0%. As a result, the weighted average fair value of the options granted during the year was \$0.24 per option.

Had the Company accounted for stock options granted during the year using the fair value method, the Company's pro-forma net loss and loss per share would have increased by \$36,600 (\$0.00 per share). These pro-forma earnings reflect this compensation cost amortized over the vesting period of the stock options.

(e) Agent's Option Agreements:

Prior to the Qualifying Transaction, Arta granted 150,000 Agent's Options (the "Agent's Options") to Research Capital Corporation and Canaccord Capital Corporation, all exercisable at \$0.20 per share. The Agent's Options were to expire 18 months from the date of listing of the common shares of the Corporation on the TSX (V). All outstanding Agents Options were exercised prior to expiry.

(f) Warrants:

	Number	Avg. Price	Expiry
<b>Balance at December 31, 2002</b>	<b>3,163,080</b>	<b>0.28</b>	
Issuance:			
Common share warrants – Apr 15	1,002,498	0.45	Oct 15, 2003
Common share warrants – May 5	1,000,000	0.40	May 5, 2004
Common share warrants – Jun 4	333,333	0.40	Jun 4, 2004
Common share warrants – Sep 26	200,000	0.75	Mar 26, 2005
Common share warrants – Sep 26	1,270,000	0.85	Mar 26, 2005
Exercised:			
Exercised for common during Q2	(327,540)	0.30	
Exercised for common during Q3	(716,540)	0.30	
Exercised for common during Q3	(547,534)	0.45	
<b>Balance – end of quarter</b>	<b>5,377,297</b>	<b>0.47</b>	

## 6. Subsequent Events

As of October 31, 2003, Dynamic Mutual Fund Ltd. of Toronto, Ontario, on behalf of one or more of the mutual funds or other client accounts managed by it, has acquired an aggregate of 1,850,000 common shares and 125,000 warrants of Committee Bay Resources Ltd. This represents an approximate 9.98% interest in Committee on an undiluted basis or 10.58% assuming the conversion of all warrants held.

December 3, 2003, the company announced the appointment of Mr. John Robins as the Chairman of the Board. John Robins is a graduate in geological sciences from the University of British Columbia and brings over 20 years of experience in mineral exploration in Canada, the United States, and Latin America as an independent exploration geologist and entrepreneur. Mr. Robins has extensive experience working with public companies, most recently as President of Northern Empire Minerals Ltd. and currently as Co-Chairman of Stornoway Diamond Corporation. John Robins has been an active Director with Committee Bay Resources Ltd. since its inception.