

Committee Bay Resources Ltd.

Consolidated Financial Statements

**For the three month periods ended December 31, 2005 and 2004
(unaudited)**

Committee Bay Resources Ltd.

Notice of Non-review of Interim Financial Statements

The attached interim financial statements for the three months ended December 31, 2005 and 2004 have not been reviewed by the company's auditors.

Committee Bay Resources Ltd.
Consolidated Balance Sheets

As at	December 31 2005 (unaudited)	September 30 2005 (audited)
Assets		
Current		
Cash and cash equivalents (note 4)	\$ 5,860,196	\$ 5,231,930
Accounts receivable	405,343	483,536
Prepaid expenses	71,809	31,350
	6,337,348	5,746,816
Performance bond (note 5)	526,713	-
Investments (note 6)	283,372	210,000
Convertible debenture (note 7)	-	5,813,240
Property, plant, and equipment (note 8)	1,090,762	420,069
Mineral interests (note 9)	20,371,499	10,914,464
	\$ 28,609,694	\$ 23,104,589
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities	\$ 1,361,808	\$ 687,988
Shareholders' equity		
Share capital (note 11)	27,465,850	22,613,374
Contributed surplus (note 13)	4,448,781	4,038,613
Deficit	(4,666,745)	(4,235,386)
	27,247,886	22,416,601
	\$ 28,609,694	\$ 23,104,589

Approved By The Board

Director (signed by) "John Williamson"

Director (signed by) "Sean Mager"

Committee Bay Resources Ltd.
Consolidated Statements of Loss and Deficit

Three months ended	December 31 2005 (unaudited)	December 31 2004 (audited)
Expenses		
Amortization	\$ 30,292	\$ 16,227
Conferences and travel	54,592	42,654
Corporate filing fees	2,519	1,942
Exploration	1,467	15,021
Mill expenses	25,973	-
Office and administration	37,747	12,754
Professional fees	23,715	49,741
Promotion and investor relations	46,862	33,000
Stock-based compensation (note 12)	220,403	311,676
Wages and consulting fees (note 14)	89,526	(72,320)
	<u>533,096</u>	<u>410,695</u>
Operator recoveries	-	53,661
Loss from operations	<u>(533,096)</u>	<u>(464,356)</u>
Other income and expenses		
Interest	95,796	57,369
Gain (loss) on foreign exchange	5,941	2,540
	<u>101,737</u>	<u>59,909</u>
Loss before income taxes	<u>(431,359)</u>	<u>(404,447)</u>
Future income taxes (note 10)	-	974,592
Net income (loss) for the period	<u>(431,359)</u>	<u>570,145</u>
Deficit, beginning of period	<u>(4,235,386)</u>	<u>(3,463,757)</u>
Deficit, end of period	<u>\$ (4,666,745)</u>	<u>\$ (2,893,612)</u>
Basic earnings (loss) per share (note 11)	<u>\$ (0.01)</u>	<u>\$ 0.02</u>
Diluted earnings (loss) per share (note 11)	<u>\$ (0.01)</u>	<u>\$ 0.02</u>

Committee Bay Resources Ltd.
Consolidated Statements of Cash Flows

Three months ended	December 31 2005	December 31 2004
Cash flows from operating activities		
Net income (loss)	\$ (431,359)	\$ 570,145
Adjustments for:		
Amortization	30,293	16,227
Stock-based compensation	220,403	311,676
Future income taxes	-	(974,592)
	<u>(180,663)</u>	<u>(76,544)</u>
Accounts receivable	293,472	-
Prepaid expenses	(14,457)	-
Accounts payable & accrued liabilities	(862,145)	-
Changes in non-cash working capital items	-	(105,788)
	<u>(763,793)</u>	<u>(182,332)</u>
Cash flows from investing activities		
Cash acquired on Arrangement (note 3)	1,987,205	-
Performance bond	4,802	-
Guaranteed investment certificates	-	339,741
Prospecting permit deposits	-	243,820
Property, plant, and equipment – net additions	(9,601)	(84,797)
Convertible debenture	(48,170)	-
Proceeds on disposal of equipment	-	5,620
Expenditures on mineral interests	(991,441)	(802,925)
Change in non-cash working capital items	560,704	181,711
	<u>1,503,499</u>	<u>(116,830)</u>
Cash flows from financing activities		
Issuance of share capital	-	4,076,097
Share issue costs	(111,440)	(866,488)
	<u>(111,440)</u>	<u>3,209,609</u>
Net increase in cash and cash equivalents	628,266	2,910,447
Cash and cash equivalents, beginning of period	5,231,930	1,816,914
Cash and cash equivalents, end of period	\$ 5,860,196	\$ 4,727,361
Other information		
Interest paid	\$ -	\$ 8,249

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

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 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 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.

3. **Business combination**

On November 30, 2005, pursuant to an announcement on July 12, 2005 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.

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 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 estimated fair values as at November 30, 2005 as follows:

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

3. Business combination, continued

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	718,309
Mineral interests	8,438,670
	11,990,352
Less liabilities assumed:	
Accounts payable and accrued liabilities	975,261
Convertible debenture payable to CBR	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 options issued	189,765
Total consideration	\$ 5,153,681

The allocation of the purchase price is based on the unaudited consolidated financial position of Matador as at November 30, 2005.

4. Cash and cash equivalents

The Company has provided \$200,000 (2004 - \$200,000) of cash as security to the Company's bank for corporate Mastercard liabilities. The Company has provided \$35,000 of cash as security for an irrevocable letter of credit of the same amount expiring March 7, 2006, 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 \$4,000,000 held in Guaranteed Investment Certificates. Alberta Treasury Branches ("ATB") guaranteed investment certificates ("GICs") bear interest at rates ranging from 2.82% to 4.05% maturing between April 25, 2006 and April 23, 2009 (2004 - 1.75% to 4.05% maturing between March 9, 2005 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 \$4,000,000 in GIC's have been classified as current due to management's intention to utilize these funds to fund exploration and administration prior to maturity.

Also included in cash a term deposit of \$35,414 (Aus\$41,400) bearing interest at 5.3% and maturing March 7, 2006 and every six months thereafter. The Company has provided the term deposit as security for a AUS\$40,000 letter of credit. The letter of credit was provided as a

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

4. Cash and cash equivalents, continued

guarantee for possible reclamation work at the Kinver mine site.

The company has a revolving line of credit authorized to a maximum of \$1,000,000 bearing interest at 5.25% and secured against a \$1,000,000 GIC.

5. Performance bond

The Company has acquired a performance bond in the amount of \$526,713 (AUS\$615,750) for possible environmental reclamation work on areas of the Redemption property. Performance bonds are released as reclamation is performed and assessed by regulatory authorities.

6. Investments

	December 31, 2005		September 30, 2005	
	Cost	Market	Cost	Market
Indicator Minerals Inc.				
1,000,000 common shares	\$ 210,000	\$ 255,000	\$ 210,000	\$ 370,000
Ramelius Resources Ltd.				
100,000 shares	11,222	10,265	-	-
250,000 options exercisable at \$.20 until December 31, 2007	10,790	8,554	-	-
Focus Minerals Ltd. (Formerly Ausminex Pty Ltd.)				
1,190,000 shares	51,360	50,896	-	-
	<u>\$ 283,372</u>	<u>\$ 324,715</u>	<u>\$ 210,000</u>	<u>\$ 370,000</u>

During the period ended September 30, 2005, the cost of the investment in Indicator Minerals Inc. was adjusted for a decline in value that was determined to be other than temporary.

Shares and options of Ramelius Resources Ltd. and shares of Focus Minerals Ltd. are traded on the Australian Stock Exchange (ASX) and their market values at December 31, 2005 are adjusted to Canadian dollars using the foreign exchange rate in effect on that date.

7. 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 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
Accumulated interest	96,760
	<u>\$ 5,861,410</u>

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 three month periods ended December 31, 2005 and 2004

8. Property, plant, and equipment

	2006		
	Cost	Accumulated Amortization	Net
Furniture and office equipment	\$ 51,522	\$ 11,142	\$ 40,380
Leasehold improvements	12,724	3,815	8,909
Computer equipment	129,189	44,307	84,882
Computer software	87,776	70,686	17,090
Mobile equipment	182,847	57,577	125,270
Camp and field equipment	207,959	38,954	169,005
Mill & mill assets	598,074	14,952	583,122
Redemption exploration equipment	69,976	7,872	62,104
	\$ 1,340,067	\$ 249,305	\$ 1,090,762
	2005		
	Cost	Accumulated Amortization	Net
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	182,847	47,419	135,428
Camp and field equipment	160,261	30,060	130,201
	\$ 612,157	\$ 192,088	\$ 420,069

Amortization of camp and field equipment in the amount of \$26,924 (2005 - \$48,926) has been capitalized in mineral interest – field costs during the period.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

9. Mineral interests

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

	Committee Bay Greenstone Belt	Redemption	Jaurdi Hills	Argentina	Boothia Peninsula	Baffin Island	Prospective properties	Total
Balance, December 31, 2004	\$ 2,381	\$ -	\$ -	\$ 181	\$ 200	\$ 12	\$ 56	\$ 2,830
Additions in 2005:								
Claims and land use	378	-	-	45	-	-	-	423
Fieldwork	6,495	-	-	130	1	-	(56)	6,570
Geological consulting	984	-	-	153	-	-	8	1,145
Option and other income	(53)	-	-	-	-	-	-	(53)
Operator recoveries	-	-	-	-	-	-	-	-
Balance, September 30, 2005	10,184	-	-	510	201	12	8	10,915
Additions:								
Acquisition cost	-	6,788	1,650	-	-	-	-	8,438
Claims and land use	9	-	-	3	-	-	-	12
Fieldwork	(24)	822	22	38	-	-	-	858
Geological consulting	107	-	-	41	-	-	-	148
Balance, December 31, 2005	\$ 10,276	\$ 7,610	\$ 1,672	\$ 592	\$ 201	\$ 12	\$ 8	\$ 20,371

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

	Committee Bay Greenstone Belt	Redemption	Jaurdi Hills	Argentina	Boothia Peninsula	Baffin Island	Prospective properties	Total
Acquisition	\$ 69	\$ 6,788	\$ 1,650	\$ -	\$ -	\$ 12	\$ -	\$ 8,519
Claims and land use	454	-	-	48	-	-	-	502
Fieldwork	9,232	822	22	248	166	-	-	10,490
Geological consulting	1,521	-	-	295	35	-	8	1,859
Option and other income	(453)	-	-	-	-	-	-	(453)
Operator recoveries	(546)	-	-	-	-	-	-	(546)
Balance, December 31, 2005	\$ 10,276	\$ 7,610	\$ 1,672	\$ 592	\$ 201	\$ 12	\$ 8	\$ 20,371

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

9. Mineral interests, continued

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

a) Committee Bay Greenstone Belt

The Company has mineral interests at December 31, 2005 of 1,643,330 acres (2004 – 1,620,854) near Committee Bay, Nunavut, consisting of 630,568 acres (2004 – 539,002) of mineral claims and 1,012,762 acres (2004 – 1,081,851) 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 7.9 years (2004 – 8.1 years). The work program summaries reporting the expenditures incurred in 2005 have not yet been filed, though 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 will be required during 2006.

In April 2005, the Company reached an agreement with 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 a deemed price of \$1.25 per share. 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.

Subsequent to the period, Gold Fields provided notice to the company that it has agreed to convert its 55% interest in the CBJV into common shares of CBR. This conversion gives CBR the opportunity to regain 100% of the Committee Bay Project ("Project"), and makes GF a major equity partner in Committee Bay Resources Ltd.

b) 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

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

9. Mineral interests, continued

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\$6,843,200 at Dec 31, 2005 exchange rate ("Current Rate")) of exploration within a three year period in stages with a guaranteed AUS\$2,666,667 (approximately CDN\$2,281,067 at Current Rate) expenditure commitment in the first year, of which approximately AUS\$1.26 Million (approximately CDN\$1.08 at Current Rate) had been spent by the acquired enterprise at the date of the Arrangement.

c) 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\$299,390 at Current Rate) (2004 - AUS\$481,200 (approximately CDN 411,618 at Current Rate)) 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.

d) Argentina

During 2004 and 2005 the Company 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.

e) Boothia Peninsula

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

f) Baffin Island

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

g) Committee Bay Diamond

Costs related to diamond exploration work on the Committee Bay Gold property are recorded as a separate area of interest. Shares of Indicator Minerals Inc. ("Indicator") valued at \$400,000 received under the letter of intent have been recorded as option income in 2004, thereby reducing the Committee Bay Diamond property by \$80,405 and the Committee Bay Greenstone Belt by \$319,595.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

10. **Income taxes**

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

	2005		2004
Future income tax asset (liability)			
Non-capital loss carry-forwards	\$ 638,726	\$	372,000
Financing costs	500,972		365,000
Property, plant & equipment	24,215		-
Other eligible capital property	4,565		-
Other long-term assets	64,828		-
Other	-		2,392
Mineral interests in excess of tax basis	(931,385)		(959,000)
	301,921		(219,608)
Valuation allowance	(301,921)		-
	\$ -	\$	(219,608)

For income tax purposes, the Company has losses carried forward from prior years which can be applied to reduce future years' taxable income. These losses expire as follows:

2006	\$ 63,000
2007	89,000
2008	67,000
2009	180,000
2010	584,000
2014	92,000
2015	797,000
	\$ 1,872,000

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

11. Share capital

Authorized

Unlimited number of common shares

Common shares issued

	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 (a)	2,666,666	2,000,000
Flow through common shares on private placement (a)	8,000,000	6,000,000
Common shares issued to agents (a)	33,333	24,999
Stock-based compensation on exercised options and warrants (note 10)	-	15,607
Share issue costs	-	(1,072,427)
Balance September 30, 2005	40,447,652	22,613,374
Common shares issued to acquire Matador (b)	6,511,301	4,883,476
Share issue costs	-	(31,000)
Balance, December 31, 2005	46,958,953	\$ 27,465,850

- 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 (\$3,791,073 has been incurred to December 31, 2005) 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 1.0 years.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

11. Share capital, continued

Share purchase warrants

	Warrants	Weighted avg. exercise price
Outstanding warrants, December 31, 2004	3,260,946	\$ 2.08
Issued	3,766,665	0.94
Exercised	(946,782)	0.85
Expired	(66,666)	0.85
Outstanding warrants, September 30, 2005	6,014,163	1.58
Issued to acquire Matador	3,703,500	0.66
Expired	(140,000)	2.25
Outstanding warrants, December 31, 2005	<u>9,577,663</u>	<u>\$ 1.21</u>

Exercise Price	Number of Warrants	Weighted average remaining contractual life in years
\$ 2.75	1,757,498	0.30
2.25	350,000	0.30
1.00	2,699,999	1.60
0.80	1,066,666	1.50
0.56	823,500	0.10
0.69	2,880,000	1.20
\$ 1.21	9,577,663	1.05

In the period ended September 30, 2005, Company recorded stock based compensation relating to agent's warrants granted in the amount of \$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 and does not include any agents' warrants issued prior to January 1, 2003.

The fair value of each agent's 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:

	2005	2004
Risk free interest rate	3.04%	1.50%
Expected hold period prior to exercise (years)	2	1
Expected volatility	81%	100%
Dividend yield per share	0%	0%

The weighted average calculated fair value of agents' warrants granted during the period ended September 30, 2005 was \$0.27 per agents' warrant. 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.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

11. Share capital, continued

Per share calculations

For the period ended December 31, 2005, the basic weighted average number of common shares outstanding was 42,641,677 (2004 – 28,177,184). The exercise of options and warrants would be anti-dilutive for the three month period ended December 31, 2005 as the Company was in a loss position. For the three month period ended December 31, 2004, the diluted number of shares using the treasury stock method is 28,870,228.

12. Stock options

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

The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, employee, officer, or consultant of the Company for reasons other than death, one year after the death of an optionee and on the fifth anniversary of the date the option was granted. Pursuant to the policies of the TSX Venture Exchange ("TSXV"), options granted pursuant to the Plan in excess of 10% of the issued and outstanding Common Shares at the time of the grant must be subject to vesting.

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 December 31, 2003	2,240,700	\$ 0.38
Granted	2,830,000	1.80
Exercised	(510,894)	0.31
Outstanding December 31, 2004	4,559,806	1.27
Exercised	(44,667)	0.40
Expired	(200,000)	1.80
Outstanding September 30, 2005	4,315,139	1.25
Granted to acquire Matador	328,500	0.33
Outstanding December 31, 2005	4,643,639	\$ 1.19

Of the 2,620,000 options granted in 2004, 1,465,091 vested immediately and the remainder vest at a rate of 192,484 every three months and will be fully vested by January 23, 2006.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

12. Stock options, continued

Exercise prices	Number outstanding	Weighted average remaining contractual life in years	Number exercisable
0.20	105,000	0.60	105,000
0.25	640,875	1.80	640,875
0.42	28,215	2.60	28,215
0.52	911,049	2.60	911,049
1.80	130,000	3.00	130,000
1.80	2,500,000	3.60	2,316,331
0.56	22,500	1.80	22,500
0.31	306,000	3.90	306,000
Total	4,643,639	3.08	4,459,970

The Company has recorded stock based compensation in the amount of \$220,403 (2004 - \$311,676) as an expense in the consolidated statement of loss and an increase to contributed surplus for previously granted stock options vesting in the period. The compensation expense has been determined based on the fair value of the options at the grant date and does not include any options issued prior to January 1, 2003. The fair value of each option granted is estimated on the date of grant or vesting using the Black-Scholes option pricing model.

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 \$0.58 (2004 - nil) per option. 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.

13. Contributed surplus

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

	December 31 2005	September 30 2005
Balance, beginning of period	\$ 4,038,613	\$ 2,902,273
Stock options vesting (note 12)	220,403	863,947
Stock options granted (notes 3, 12)	189,765	-
Agents warrants granted (note 11)	-	288,000
Exercise of options and warrants	-	(15,607)
Balance, end of period	\$ 4,448,781	\$ 4,038,613

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

14. Related party transactions

During the year, the Company incurred consulting expenses of \$40,125 (2004 - \$43,500) and capitalized mineral interest - geological consulting services of \$16,375 (2004 - \$49,000) related to management services provided by companies controlled by directors. In addition, the Company paid directors' fees in the amount of Aus\$1,000 to a director of the Company, and purchased office furnishings from a company controlled by a director for \$4,000. Of these amounts, nil (2004 - \$13,375) was unpaid at year end and 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.

15. 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:

2006	\$ 47,616
2007	47,616
2008	54,891
2009	55,552
2010	55,552
2011	<u>4,629</u>
	<u>\$ 265,856</u>

16. Financial instruments

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

a) Credit Risk

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

b) Fair Value

The carrying values of the financial instruments noted above approximate their fair values due to their short term nature except for Investments which have a quoted market value of \$324,715 at December 31, 2005.

c) Foreign currency exchange risk

A portion of the Company's cash, accounts payable, and investments are denominated in foreign currencies; consequently the Company is subject to the risk of fluctuating exchange rates.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2005 and 2004

17. Comparative figures

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

18. Subsequent events

Goldfields converts 55% interest in Committee Bay Joint Venture to equity in CBR

Subsequent to the period, Gold Fields provided notice to the company that it has agreed to convert its 55% interest in the CBJV into common shares of CBR. CBR regained 100% of the Committee Bay Project ("Project") on February 21, 2006 when this conversion was executed, making Gold Fields a major equity partner in Committee Bay Resources Ltd.

CBR issues stock options

On January 16, 2006, the Company announced that, subject to regulatory approval, the Board of Directors had approved a grant of stock options, pursuant to the Company's stock option plan, to acquire an aggregate of 640,000 common shares of the Company of which stock options to acquire an aggregate of 590,000 Common Shares were granted to insiders of the Corporation. The options will have an exercise price of \$0.81 per Common Share.