

Committee Bay Resources Ltd.

Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006

Committee Bay Resources Ltd.

Notice of Non-review of Interim Financial Statements

The attached interim financial statements for the three months ended December 31, 2007 and 2006 have not been reviewed by the Company's auditors.

Committee Bay Resources Ltd.

Consolidated Balance Sheets

| As at | December 31, 2007 (unaudited) | September 30, 2007 (audited) |
|---|-------------------------------------|------------------------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents (note 4) | \$ 4,465,198 | \$ 8,368,607 |
| Accounts receivable, prepaids, and deposits | <u>754,079</u> | <u>759,301</u> |
| | 5,219,277 | 9,127,908 |
| Restricted cash (note 4) | 85,000 | 85,000 |
| Performance bonds (note 5) | 805,235 | 818,772 |
| Investments and advances (note 6) | 913,226 | 1,023,840 |
| Property, plant and equipment (note 7) | 1,071,270 | 1,072,810 |
| Mineral interests (note 8) | <u>46,048,699</u> | <u>44,548,654</u> |
| | <u>\$ 54,142,707</u> | <u>\$ 56,676,984</u> |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 1,093,682 | \$ 3,072,552 |
| Asset retirement obligation (note 9) | 132,131 | 134,447 |
| Future income taxes | <u>2,571,472</u> | <u>2,702,522</u> |
| | 3,797,285 | 5,909,521 |
| Shareholders' equity | <u>50,345,422</u> | <u>50,767,463</u> |
| | <u>\$ 54,142,707</u> | <u>\$ 56,676,984</u> |

Approved by the Board

Director (signed by) "John Williamson"

Director (signed by) "Sean Mager"

Committee Bay Resources Ltd.
Consolidated Statements of Net Loss and Deficit

| Three months ended | December 31, 2007 (unaudited) | December 31, 2006 (unaudited) |
|---|--|--|
| Expenses | | |
| Amortization (note 7) | \$ 35,159 | \$ 41,785 |
| Conferences and travel | 106,862 | 94,443 |
| Office and administration | 171,176 | 59,903 |
| Professional fees | 46,036 | 70,385 |
| Promotion and investor relations | 23,448 | 41,379 |
| Stock-based compensation (note 10) | 448,274 | 128,000 |
| Wages and consulting fees | 225,410 | 203,966 |
| | <u>1,056,365</u> | <u>639,861</u> |
| Recoveries | <u>(36,938)</u> | <u>(14,005)</u> |
| Loss from operations | <u>(1,019,427)</u> | <u>(625,856)</u> |
| Other income and expenses | | |
| Interest | 81,092 | 57,644 |
| Loss on disposal of property, plant, and equipment | (4,503) | - |
| Gain (loss) on foreign currency exchange | (60,475) | 99,578 |
| | <u>16,114</u> | <u>157,222</u> |
| Loss before income taxes | (1,003,313) | (468,634) |
| Future income tax recovery | <u>112,719</u> | <u>-</u> |
| Net loss for the period | (890,594) | (468,634) |
| Deficit, beginning of period | <u>(6,792,100)</u> | <u>(5,880,672)</u> |
| Deficit, end of period | <u>\$ (7,682,694)</u> | <u>\$ (6,349,306)</u> |
| Basic and diluted net loss per common share (note 10) | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> |

Committee Bay Resources Ltd.
Consolidated Statements of Changes in Shareholders' Equity

| (unaudited) | # of common shares | Share capital | Contributed surplus | Deficit | Accumulated other comprehensive income | Total shareholders' equity |
|---|-----------------------|---------------|------------------------|----------------|---|----------------------------------|
| September 30, 2007 | 95,721,342 | \$51,355,402 | \$ 6,061,361 | \$ (6,792,100) | \$ 142,800 | \$ 50,767,463 |
| Other comprehensive loss: | | | | | | |
| Unrealized loss on available for sale assets (net of \$17,060 in future income tax) | - | - | - | - | (82,940) | (82,940) |
| Net loss for the period | - | - | - | (890,594) | - | (890,594) |
| Comprehensive loss | - | - | - | (890,594) | (82,940) | (973,534) |
| Exercise of options (note 10) | 412,875 | 103,219 | - | - | - | 103,219 |
| Options vesting (note 10) | - | - | 448,274 | - | - | 448,274 |
| | 412,875 | 103,219 | 448,274 | (890,594) | (82,940) | (422,041) |
| December 31, 2007 | 96,134,217 | \$51,458,621 | \$ 6,509,635 | \$ (7,682,694) | \$ 59,860 | \$ 50,345,422 |
| September 30, 2006 | 69,513,342 | 38,579,054 | 5,198,284 | (5,880,672) | - | 37,896,666 |
| Transition adjustments for unrealized gain on available for sale assets (net of \$92,800 in future income tax) | - | - | - | - | 487,200 | 487,200 |
| October 1, 2006 | 69,513,342 | 38,579,054 | 5,198,284 | (5,880,672) | 487,200 | 38,383,866 |
| Other comprehensive loss: | | | | | | |
| Unrealized loss on available for sale assets (net of \$51,200 in future income tax) | - | - | - | - | (268,800) | (268,800) |
| Net loss for the period | - | - | - | (468,634) | - | (436,634) |
| Comprehensive loss | - | - | - | (468,634) | (268,800) | (737,434) |
| Options vesting (note 10) | - | - | 128,000 | - | - | 128,000 |
| Share issuance costs (net of \$7,682 in future income tax) | - | (16,210) | - | - | - | (16,210) |
| | - | (16,210) | 128,000 | (468,634) | (268,800) | (625,644) |
| December 31, 2006 | 69,513,342 | \$38,562,844 | \$ 5,326,284 | \$ (6,349,306) | \$ 218,400 | \$ 37,758,222 |

Committee Bay Resources Ltd.

Consolidated Statements of Cash Flows

| Three months ended | December 31, 2007 (unaudited) | December 31, 2006 (unaudited) |
|--|-------------------------------------|-------------------------------------|
| Cash flows used in operating activities | | |
| Net loss | \$ (890,594) | \$ (468,634) |
| Adjustments for: | | |
| Amortization | 35,159 | 41,785 |
| Future income taxes | (112,719) | - |
| Stock-based compensation | 448,274 | 128,000 |
| Loss on disposal of property, plant, and equipment | 4,503 | - |
| | <u>(515,377)</u> | <u>(298,849)</u> |
| Changes in non-cash balance sheet items: | | |
| Performance bond | 13,537 | (56,975) |
| Investments and advances | 10,614 | - |
| Asset retirement obligation | - | 31,842 |
| Future income taxes | (1,271) | - |
| Working capital items (note 13) | 255,228 | 288,793 |
| | <u>(237,269)</u> | <u>(35,189)</u> |
| Cash flows used in investing activities | | |
| Purchase of property, plant, and equipment | (50,672) | (1,018) |
| Mineral interest expenditures | (1,489,811) | (1,392,247) |
| Changes in non-cash working capital (note 13) | (2,228,876) | (21,730) |
| | <u>(3,769,359)</u> | <u>(1,414,995)</u> |
| Cash flows from financing activities | | |
| Issuance of share capital (note 10) | 103,219 | - |
| Cash share issue costs | - | (23,838) |
| | <u>103,219</u> | <u>(23,838)</u> |
| Net decrease in cash and cash equivalents | (3,903,409) | (1,474,022) |
| Cash and cash equivalents: | | |
| Beginning of period | <u>8,368,607</u> | <u>5,921,969</u> |
| End of period (note 4) | <u>\$ 4,465,198</u> | <u>\$ 4,447,947</u> |

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006 (unaudited)

1. Nature of operations

Committee Bay Resources Ltd. (“CBR” or the “Company”) 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.

2. Basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared by the Company following the same accounting policies and methods as those disclosed in the audited consolidated financial statements for the year ended September 30, 2007 unless otherwise stated. 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, 2007 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. Certain figures in the comparative financial statements have been reclassified to conform to presentation adopted in the current period.

Change in accounting policies

On October 1, 2007, the Company adopted the following new Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections:

a) Section 3862, “Financial Instruments – Disclosures”, describes the required disclosure for the assessment of the significance of financial instruments for an entity’s financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, “Financial Instruments – Presentation” replaced Section 3861, “Financial Instruments – Disclosure and Presentation”.

b) Section 3863, “Financial Instruments – Presentation”, establishes standards for presentation of financial instruments and non-financial derivatives.

c) Section 1535, “Capital Disclosures”, establishes standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure requirements of the entity’s objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance.

The additional disclosures, required as a result of the adoption of these standards, have been included in note 12.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006 (unaudited)

Future accounting changes

The CICA has amended Section 1400, "General Standards of Financial Statement Presentation", which is effective for interim periods beginning on or after October 1, 2008, to include requirements to assess and disclose the Company's ability to continue as a going concern. The adoption of this new section is not expected to have an impact on the consolidated financial statements.

3. 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 8 in a manner consistent with the requirements for segmented information. Disclosure of segmented capitalized mineral interest expenditures and acquisition costs is contained in note 9.

The following table allocates assets by segments:

| As at | December 31, 2007 | September 30, 2007 |
|--------------------------------------|----------------------|-----------------------|
| Canada | \$ 29,181,926 | \$ 30,861,283 |
| Australia – Redemption Joint Venture | 20,002,506 | 20,437,111 |
| Australia – Other | 4,112,379 | 4,535,066 |
| Argentina | 845,896 | 843,524 |
| Total assets | <u>\$ 54,142,707</u> | <u>\$ 56,676,984</u> |

The following table allocates net loss by segment:

| Three months ended | December 31, 2007 | December 31, 2006 |
|--------------------------------------|----------------------|----------------------|
| Canada | \$ (779,294) | \$ (239,635) |
| Australia – Redemption Joint Venture | (60,851) | (164,007) |
| Australia – Other | (50,449) | (64,992) |
| Argentina | - | - |
| Net loss | <u>\$ (890,594)</u> | <u>\$ (468,634)</u> |

4. Cash and cash equivalents

Cash includes \$2,000,000 (2006 - \$2,000,000) 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. 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 sheets.

The Company has provided \$50,000 (2006 - \$50,000) of cash as security to the ATB for corporate credit card liabilities.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006 (unaudited)

The Company has provided \$35,000 (2006 - \$35,000) of cash as security for an irrevocable letter of credit of the same amount expiring March 31, 2008, 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. These items, totaling \$85,000, have been classified as a non-current asset due to the restrictions disclosed above.

5. Performance bonds

The Company has acquired performance bonds in the amount of \$805,235 (2006 - \$603,724) to the Department of Industry and Resources of Western Australia to guarantee environmental reclamation work on areas of the Company's Australian mineral properties (note 8). Performance bonds are released as reclamation work is performed and assessed by regulatory authorities.

6. Investments and advances

| As at December 31, 2007 | Cost | Fair value | Carrying value |
|---|---------------------------|-------------------|-----------------------|
| Indicator Minerals Inc. 1,000,000 common shares (2% interest) | \$ 210,000 | \$ 280,000 | \$ 280,000 |
| Gold nuggets 41 oz. | \$ 27,756 | \$ 34,297 | \$ 27,756 |
| Equity investment in Underground Drilling and Services Pty Ltd. (50% interest) | \$ 1 | N/A | - |
| Advances to Underground Drilling and Services Pty Ltd. | \$ 605,470 ⁽¹⁾ | \$ 605,470 | \$ 605,470 |
| | | | <u>\$ 913,226</u> |
| As at September 30, 2007 | | | |
| Indicator Minerals Inc. 1,000,000 common shares (2% interest) | \$ 210,000 | \$ 380,000 | \$ 380,000 |
| Gold nuggets 41 oz. | \$ 27,756 | \$ 30,463 | \$ 27,756 |
| Equity investment in Underground Drilling and Services Pty Ltd. (50% interest) | \$ 1 | N/A | - |
| Advances to Underground Drilling and Services Pty Ltd. | \$ 616,083 | \$ 616,083 | \$ 616,083 |
| | | | <u>\$ 1,023,840</u> |

(1) Adjusted for change due to foreign currency translation

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006 (unaudited)

7. Property, plant, and equipment**As at December 31, 2007**

| | Cost | Accumulated Amortization | Net |
|---|---------------------|-----------------------------|---------------------|
| Canadian operations | | | |
| Furniture and office equipment | \$ 68,257 | \$ 30,660 | \$ 37,597 |
| Leasehold improvements | 12,724 | 8,904 | 3,820 |
| Computer equipment | 180,887 | 108,322 | 72,565 |
| Mobile equipment | 157,071 | 105,620 | 51,452 |
| Camp and field equipment | 160,262 | 81,099 | 79,163 |
| | <u>579,201</u> | <u>334,605</u> | <u>244,596</u> |
| Argentine operations | | | |
| Mobile equipment | <u>25,776</u> | <u>15,845</u> | <u>9,931</u> |
| Australian operations | | | |
| Field and office equipment - Redemption | 186,327 | 50,325 | 136,002 |
| Field and office equipment - Other | 2,951 | 344 | 2,607 |
| Mill - Redemption | 805,444 | 203,987 | 601,457 |
| Mobile equipment - Redemption | 110,288 | 33,611 | 76,677 |
| | <u>1,105,010</u> | <u>288,267</u> | <u>816,743</u> |
| | <u>\$ 1,709,987</u> | <u>\$ 638,717</u> | <u>\$ 1,071,270</u> |

As at September 30, 2007

| | Cost | Accumulated Amortization | Net |
|--------------------------------|---------------------|-----------------------------|---------------------|
| Canadian operations | | | |
| Furniture and office equipment | \$ 68,257 | \$ 28,681 | \$ 39,576 |
| Leasehold improvements | 12,724 | 8,268 | 4,456 |
| Computer equipment | 180,888 | 102,439 | 78,449 |
| Mobile equipment | 157,071 | 101,448 | 55,623 |
| Camp and field equipment | 160,261 | 76,933 | 83,328 |
| | <u>579,201</u> | <u>317,769</u> | <u>261,432</u> |
| Argentine operations | | | |
| Mobile equipment | <u>25,776</u> | <u>15,040</u> | <u>10,736</u> |
| Australian operations | | | |
| Field and office equipment | 166,080 | 50,538 | 115,542 |
| Mill | 805,444 | 182,899 | 622,545 |
| Mobile equipment | 91,789 | 29,234 | 62,555 |
| | <u>1,063,313</u> | <u>262,671</u> | <u>800,642</u> |
| | <u>\$ 1,668,290</u> | <u>\$ 595,480</u> | <u>\$ 1,072,810</u> |

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006 (unaudited)

The following table denotes amortization of exploration-related equipment which has been capitalized as a component of mineral interests – field work during the year:

| | Amortization capitalized | Amortization expense | Total amortization |
|--------------------------------------|-----------------------------|-------------------------|-----------------------|
| Three months ended December 31, 2007 | | | |
| Canada | \$ 8,338 | \$ 8,499 | \$ 16,837 |
| Argentina | 805 | - | 805 |
| Australia | 3,407 | 26,660 | 30,067 |
| | <u>\$ 12,550</u> | <u>\$ 35,159</u> | <u>\$ 47,709</u> |
| Three months ended December 31, 2006 | | | |
| Canada | \$ 11,168 | \$ 10,977 | \$ 22,145 |
| Argentina | 1,150 | - | 1,150 |
| Australia | 2,842 | 30,808 | 33,650 |
| | <u>\$ 15,160</u> | <u>\$ 41,785</u> | <u>\$ 56,945</u> |

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006 (unaudited)

8. Mineral interests

| Additions (In thousands of dollars) | Canada | | Australia | | Argentina | Total |
|--|---------------|---------------|---------------|--------------|------------|---------------|
| | Committee Bay | Baffin Island | Redemption | Jaurdi Hills | Argentina | |
| Balance, September 30, 2006 | 18,779 | 12 | 12,431 | 1,803 | 674 | 33,699 |
| Claims and land use | 20 | - | 82 | 6 | - | 108 |
| Fieldwork | 4 | - | 833 | 28 | 316 | 1,181 |
| Geological consulting | 87 | - | - | - | 31 | 118 |
| Balance, December 31, 2006 | 18,890 | 12 | 13,346 | 1,837 | 1,021 | 35,106 |
| Acquisition cost | - | - | 20 | - | - | 20 |
| Claims and land use | 120 | - | 212 | 54 | 6 | 392 |
| Drilling | 1,147 | - | 1,048 | 9 | - | 2,204 |
| Assay and analysis | 212 | - | 207 | 120 | 6 | 545 |
| Geological consulting | 433 | - | 1,186 | 37 | 38 | 1,694 |
| General fieldwork | 4,261 | - | 128 | 61 | (250) | 4,200 |
| Mine development | - | - | 388 | - | - | 388 |
| Balance, September 30, 2007 | 25,063 | 12 | 16,535 | 2,118 | 821 | 44,549 |
| Claims and land use | 18 | - | 18 | 52 | 3 | 91 |
| Drilling | 168 | - | 268 | - | - | 436 |
| Assay and analysis | 129 | - | 40 | - | - | 169 |
| Geological consulting | 97 | - | 342 | 3 | - | 442 |
| General fieldwork | (25) | - | 348 | 12 | 5 | 340 |
| Mine development | - | - | 22 | - | - | 22 |
| Balance, December 31, 2007 | 25,450 | 12 | 17,573 | 2,185 | 829 | 46,049 |
| Balances | | | | | | |
| (In thousands of dollars) | | | | | | |
| Acquisition | 5,179 | - | 9,379 | 1,461 | - | 16,019 |
| Claims and land use | 467 | - | 513 | 160 | 68 | 1,208 |
| Exploration | 19,804 | 12 | 7,271 | 564 | 761 | 28,412 |
| Mine development | - | - | 410 | - | - | 410 |
| Balance, December 31, 2007 | 25,450 | 12 | 17,573 | 2,185 | 829 | 46,049 |

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006 (unaudited)

9. 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 management’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 by the Department of Industry and Resources relating to the Redemption property (including the Three Mile Hill Gold Processing Mill) and 100% of the performance bonds required by the Department of Industry and Resources relating to 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 (50%), 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.

The following table shows a continuity of the ARO:

| | Three months ended December 31, 2007 | Year ended September 30, 2007 |
|--|---|--|
| Balance, beginning of period | \$ 134,447 | \$ 305,560 |
| Change in estimate | - | (189,549) |
| Effect of foreign currency translation | (2,316) | 18,436 |
| | <u>132,131</u> | <u>134,447</u> |
| Balance, end of period | \$ 132,131 | \$ 134,447 |

10. Share capital

The Company’s bylaws authorize an unlimited number of common shares.

Per share calculations

The exercise of dilutive securities would be anti-dilutive for the three month periods ended December 31, 2007 and 2006 as the Company was in a loss position. For the year ended December 31, 2007, the basic weighted average number of shares was 96,003,907 (2006 – 69,513,342).

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006 (unaudited)

Share purchase warrants

A summary of share purchase warrant activity in the period is as follows:

| | Number of warrants | Weighted average exercise price \$ |
|--|-----------------------|---|
| Outstanding warrants, September 30, 2007 | 17,263,343 | 0.71 |
| Outstanding warrants, December 31, 2007 | 17,263,343 | 0.71 |

A summary of the warrants outstanding at December 31, 2007 is as follows:

| Exercise price (\$) | Number of warrants | Remaining contractual life (years) |
|------------------------|--------------------|--|
| 0.75 | 4,590,445 | 0.6 |
| 0.80 | 1,408,998 | 0.6 |
| 0.75 | 27,500 | 0.7 |
| 0.60 | 2,086,400 | 1.1 |
| 0.70 | 9,150,000 | 2.1 |
| 0.71 | 17,263,343 | 1.5 |

Stock options

Pursuant to a new stock option plan (the "Plan") for directors, officers, employees, and consultants approved by shareholders on November 7, 2007, the Company 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, employee 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.

A summary of stock option activity in the years is as follows:

| | Number of options | Weighted average exercise price \$ |
|---|----------------------|---|
| Outstanding options, September 30, 2007 | 9,147,424 | 0.78 |
| Granted | 400,000 | 0.40 |
| Exercised | (412,875) | 0.25 |
| Expired | (22,500) | 0.56 |
| Outstanding options, December 31, 2007 | 9,112,049 | 0.79 |

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006 (unaudited)

A summary of the options outstanding at September 30, 2007 is as follows:

| Exercise price (\$) | Number of options | Number exercisable | Remaining contractual life (years) |
|----------------------------|--------------------------|---------------------------|---|
| 0.52 | 911,049 | 911,049 | 0.6 |
| 1.80 | 105,000 | 105,000 | 1.0 |
| 1.80 | 2,000,000 | 2,000,000 | 1.6 |
| 0.31 | 216,000 | 216,000 | 1.9 |
| 0.81 | 580,000 | 580,000 | 3.1 |
| 0.50 | 400,000 | 400,000 | 3.9 |
| 0.45 | 4,500,000 | - | 4.5 |
| 0.40 | 400,000 | 400,000 | 4.9 |
| 0.79 | 9,112,049 | 4,612,049 | 3.3 |

During the three month period ended December 31, 2007, the Company has recorded stock-based compensation in the amount of \$340,274 relating to the 4,500,000 options vesting in July 2008.

During the three month period ended December 31, 2007, the Company has recorded stock-based compensation in the amount of \$108,000 (2006 - \$128,000) relating to 400,000 (2006 - 400,000) options issued during the period which vested immediately. The weighted average fair value of options granted during the period was \$0.40 (2006 - \$0.32) 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.

11. Related party transactions

During the three months ended December 31, 2007, the Company incurred consulting expenses included in wages and consulting fees of \$37,375 (2006 - \$39,333) and capitalized mineral interest geological consulting services of \$3,125 (2006 - \$12,250) related to management and technical services provided by directors or companies controlled by directors. Of this amount, nil (2006 - \$3,000) was unpaid at year end and included in accounts payable.

During the three months ended December 31, 2007, the Company paid UD&S, a company which is 50% owned by the Company, the amount of \$62,483 (2006 - nil) for drilling services provided on the Redemption property.

Included in accounts receivable is \$57,902 (2006 - \$14,180) of expenses to be reimbursed by companies with certain common directors and officers.

These amounts 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.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006 (unaudited)

12. Financial instruments

Risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

Capital risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain title to and explore its mineral properties. The capital structure of the Company consists of cash and share capital.

Credit risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed to or owing by the Company. Management's assessment of the Company's exposure to credit risk is low despite a substantial amount of the Company's accounts receivable and deposits are concentrated with the Government of Canada and the Commonwealth of Australia for the reimbursement of goods and services tax input tax credits.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals, mainly gold. Additionally, a portion of the Company's assets, liabilities and equity is denominated in foreign currencies; therefore the Company is subject to currency risk. The Company's investment in Indicator Minerals Inc. (note 6) is subject to market and liquidity risk.

Foreign currency sensitivity

The Company is mainly exposed to fluctuations in the Australian dollar. The impact on net income due to a hypothetical 10% strengthening of the Australian dollar against the Canadian dollar would be an additional loss of \$7,688. Comparatively, a 10% weakening of the Australian dollar against the Canadian dollar would have an equal and opposite impact.

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006 (unaudited)

13. Supplemental cash flow information

Changes in non-cash working capital:

| Three months ended December 31 | 2007 | 2006 |
|---|-------------------|-------------------|
| Accounts receivable, prepaids, and deposits | \$ 5,222 | \$ 380,111 |
| Accounts payable and accrued liabilities | <u>250,006</u> | <u>(113,048)</u> |
| | <u>\$ 255,228</u> | <u>\$ 267,063</u> |

Change in non-cash working capital relating to:

| | | |
|----------------------|-------------------|-------------------|
| Operating activities | \$ (1,973,648) | \$ 288,793 |
| Investing activities | <u>2,228,876</u> | <u>(21,730)</u> |
| | <u>\$ 255,228</u> | <u>\$ 267,063</u> |

14. Comparative figures

These consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

15. Subsequent events

Subsequent to the period, the Company acquired full control of a drilling services business (formerly Underground Drilling and Services Pty Ltd., of which CBR previously held a 50% interest) for cash consideration of AU \$464,864. Under the terms of the deal, the Company has agreed to provide drilling services to the vendor for a period of two years, at a 15% discount to the prevailing market rate for such services.

On January 30, 2008, the Company announced that it had entered into an Exclusivity Agreement to negotiate the terms of the proposed sale of CBR's 50% interest in the Redemption Joint Venture Project ("RJV") with its joint venture partner, Focus Minerals Ltd. (FML: ASX) ("Focus Minerals"). In consideration for entering this agreement, the Company received an AU \$1,000,000 non-refundable cash payment from Focus Minerals which may be deducted from any subsequent purchase price.