

Committee Bay Resources Ltd.

Consolidated Financial Statements

**For the three month periods ended December 31, 2006 and 2005
(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, 2006 and 2005 have not been reviewed by the company's auditors.

Committee Bay Resources Ltd.
Consolidated Balance Sheets

As at	December 31 2006 (unaudited)	September 30 2006 (audited)
Assets		
Current		
Cash and cash equivalents	\$ 4,447,947	\$ 5,921,969
Accounts receivable	452,996	764,991
Prepaid expenses and deposits	47,242	115,358
	4,948,185	6,802,318
Performance bonds	603,724	546,749
Investments (note 5)	470,001	210,001
Property, plant, and equipment (note 6)	1,172,479	1,228,406
Mineral interests (note 7)	35,106,211	33,698,804
	\$ 42,300,600	\$ 42,486,278
Liabilities and shareholders' equity		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,153,285	\$ 1,266,333
Asset retirement obligation	337,402	305,560
Future income taxes	3,017,719	3,017,719
	4,508,406	4,589,612
Shareholders' equity		
Share capital (note 8)	38,555,216	38,579,054
Contributed surplus (note 9)	5,326,284	5,198,284
Deficit	(6,349,306)	(5,880,672)
Other comprehensive income	260,000	-
	37,792,194	37,896,666
	\$ 42,300,600	\$ 42,486,278

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 2006 (unaudited)	December 31 2005 (unaudited)
Expenses		
Amortization (note 6)	\$ 41,785	\$ 30,292
Conferences and travel	94,443	54,592
Corporate filing fees	2,209	2,519
Office and administration	57,694	51,467
Professional fees	70,385	23,715
Promotion and investor relations	41,379	46,862
Stock-based compensation (note 8)	128,000	220,403
Wages and consulting fees	203,966	103,246
	<u>639,861</u>	533,096
Recoveries	(14,005)	-
Loss from operations	<u>(625,856)</u>	(533,096)
Other income and expenses		
Interest	57,644	95,796
Gain on foreign currency exchange	99,578	5,941
	<u>157,222</u>	101,737
Net loss for the period	(468,634)	(431,359)
Deficit, beginning of period	<u>(5,880,672)</u>	(4,235,386)
Deficit, end of period	\$ (6,349,306)	\$ (4,666,745)
Basic and diluted loss per share (note 8)	\$ (0.01)	\$ (0.01)

Committee Bay Resources Ltd.
Consolidated Statement of Comprehensive Loss

Three months ended	December 31 2006 (unaudited)	December 31 2005 (unaudited)
Net loss for the period	(468,634)	(431,359)
Other comprehensive income		
Change associated with marketable securities (note 5)	260,000	-
Total comprehensive loss	<u>(208,634)</u>	(431,359)

Committee Bay Resources Ltd.
Consolidated Statements of Cash Flows

Three months ended	December 31 2006 (unaudited)	December 31 2005 (unaudited)
Cash flows used in operating activities		
Net loss	\$ (468,634)	\$ (431,359)
Adjustments for:		
Amortization	41,785	30,293
Stock-based compensation	128,000	220,403
	<u>(298,849)</u>	<u>(180,663)</u>
Changes in non-cash balance sheet items:		
Performance bond	(56,975)	4,802
Asset retirement obligation	31,842	-
Working capital items (note 11a)	288,793	(583,130)
	<u>(35,189)</u>	<u>(758,991)</u>
Cash flows used in investing activities		
Purchase of property, plant and equipment	(1,018)	(9,601)
Expenditures on mineral interests	(1,392,247)	(991,441)
Cash acquired on Arrangement (note 3)	-	1,987,205
Arrangement costs (note 3)	-	(80,440)
Convertible debenture	-	(48,170)
Changes in non-cash working capital items (note 11a)	(21,730)	560,704
	<u>(1,414,995)</u>	<u>1,418,257</u>
Cash flows from financing activities		
Cash share issue costs	(23,838)	(31,000)
Net increase (decrease) in cash and cash equivalents	(1,474,022)	628,266
Cash and cash equivalents:		
Beginning of period	<u>5,921,969</u>	<u>5,231,930</u>
End of period	<u>\$ 4,447,947</u>	<u>\$ 5,860,196</u>

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

Committee Bay Resources Ltd.

Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2006 and 2005

1. **Nature of operations**

Committee Bay Resources Ltd. ("CBR" or the "Company") is a development-stage enterprise and is currently exploring its mineral interests in Nunavut, Canada, Western Australia, Australia, and San Juan 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, 2006 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, 2006 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.

Beginning with the three month period ended December 31, 2006, the Company has been required to adopt the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections: 1530 "Comprehensive Income"; 1651 "Foreign Currency Translation"; 3051 "Investments"; 3251 "Equity"; 3855 "Financial Instruments – Recognition and Measurement"; and 3861 "Financial Instruments – Disclosure and Presentation" which were issued on January 1, 2005.

Under these new standards, a new financial statement, the Consolidated Statement of Comprehensive Loss has been introduced which provides for certain gains and losses, including amounts arising from changes in fair value temporarily recorded outside of the income statement. In addition, all financial instruments are to be included in the Company's Consolidated Balance Sheet and measured, in most cases, at fair values

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

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2006 and 2005

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 and 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 the 3,703,498 warrants of \$748,890 and the estimated fair value of the 328,500 stock options of \$157,365 were calculated based on the Black-Scholes option valuation model.

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
	<hr/>
	14,608,024
<hr/>	
Less liabilities assumed:	
Accounts payable and accrued liabilities	1,190,419
Convertible debenture payable to CBR	5,861,410
Future income tax liability	2,020,135
Asset retirement obligation	317,019
	<hr/>
	9,388,983
	<hr/>
Net assets acquired	\$ 5,219,041
<hr/>	
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

Committee Bay Resources Ltd. Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2006 and 2005

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 6 in a manner consistent with the requirements for segmented information. Disclosure of segmented capitalized mineral interest expenditures and acquisition costs is contained in note 7.

The following table reconciles total assets by segment to the Company's total assets:

	December 31 2006	September 30 2006
Canada	\$ 24,237,402	\$ 25,379,495
Australia	17,021,296	16,411,378
Argentina	1,041,902	695,405
Company total	\$ 42,300,600	\$ 42,486,278

5. Investments

	December 31, 2006		September 30, 2006	
	Cost	Market	Cost	Market
Underground Drilling and Services Pty Ltd (16.5% interest)	\$ 1	\$ N/A	\$ 1	\$ N/A
Indicator Minerals Inc. 1,000,000 common shares	210,000	470,000	210,000	790,000
	\$ 210,001	\$ 470,000	\$ 210,000	\$ 790,000

Due to the change in accounting policy described in note 2, the Company has, at December 31, 2006, adjusted its carrying value of its investment in Indicator Minerals Inc., a public company listed on the TSX Venture exchange, to its quoted market value as at December 31, 2006. The resulting gain has been recorded as a component of Other Comprehensive Income in the Consolidated Statement of Comprehensive Loss.

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. Therefore, the Company has recorded this investment at its cost of \$1.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2006 and 2005

6. **Property, plant, and equipment**

	<u>December 31, 2006</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Canadian Operations			
Furniture and office equipment	\$ 68,257	\$ 21,261	\$ 46,996
Leasehold improvements	12,724	6,360	6,364
Computer equipment	174,658	77,624	97,034
Computer software	87,776	87,776	-
Mobile equipment	157,071	83,569	73,502
Camp and field equipment	160,261	61,309	98,952
	<u>660,747</u>	<u>337,899</u>	<u>322,848</u>
Argentine Operations			
Mobile equipment	<u>25,776</u>	<u>11,589</u>	<u>14,187</u>
Australian Operations			
Field and office equipment	116,782	29,247	87,535
Three Mile Hill gold processing mill	595,663	113,154	482,509
Mobile equipment	72,756	17,137	55,619
Spare parts	209,781	-	209,781
	<u>994,982</u>	<u>159,538</u>	<u>835,444</u>
	<u>\$ 1,681,505</u>	<u>\$ 509,026</u>	<u>\$ 1,172,479</u>

	<u>September 30, 2006</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Canadian Operations			
Furniture and office equipment	\$ 68,257	\$ 18,788	\$ 49,469
Leasehold improvements	12,724	5,723	7,001
Computer equipment	174,658	69,756	104,902
Computer software	87,776	87,776	-
Mobile equipment	157,071	77,609	79,462
Camp and field equipment	160,261	56,100	104,161
	<u>660,747</u>	<u>315,752</u>	<u>344,995</u>
Argentine Operations			
Mobile equipment	<u>25,776</u>	<u>10,439</u>	<u>15,337</u>
Australian Operations			
Field and office equipment	115,764	22,853	92,911
Three Mile Hill gold processing mill	595,663	89,425	506,238
Mobile equipment	72,756	13,612	59,144
Spare parts	209,781	-	209,781
	<u>993,964</u>	<u>125,890</u>	<u>868,074</u>
	<u>\$ 1,680,487</u>	<u>\$ 452,081</u>	<u>\$ 1,228,406</u>

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2006 and 2005

6. 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:

Three months ended December 31, 2006

	Amortization Capitalized	Amortization Expense	Total Amortization
Canada	\$ 11,168	\$ 10,977	\$ 22,145
Argentina	1,150	-	1,150
Australia	2,842	30,808	33,650
	\$ 15,160	\$ 41,785	\$ 56,945

Three months ended December 31, 2005

	Amortization Capitalized	Amortization Expense	Total Amortization
Canada	\$ 15,024	\$ 14,704	\$ 29,728
Argentina	1,643	-	1,643
Australia	10,257	15,588	25,845
	\$ 26,924	\$ 30,292	\$ 57,216

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2006 and 2005

7. 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	
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
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

**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	
Acquisition	\$ 5,179	\$ -	\$ -	\$ 9,358	\$ 1,461	\$ -	\$ -	\$ 15,998
Claims and land use	330	-	-	283	55	59	-	727
Fieldwork	12,068	166	-	3,705	321	583	-	16,843
Geological consulting	2,391	35	12	-	-	379	8	2,825
Option and other income	(453)	-	-	-	-	-	-	(453)
Operator recoveries	(625)	-	-	-	-	-	-	(625)
Impairment and abandonment	-	(201)	-	-	-	-	(8)	(209)
Balance, December 31, 2006	\$ 18,890	\$ -	\$ 12	\$ 13,346	\$ 1,837	\$ 1,021	\$ -	\$ 35,106

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2006 and 2005

8. Share capital

Authorized

Unlimited number of common shares

Common shares issued

	Number	Amount
Balance, September 30, 2006	69,513,342	\$ 37,563,497
Share issue costs		(23,838)
Balance, December 31, 2006	69,513,342	\$ 37,539,659

Warrants

Balance, September 30, 2006 and December 31, 2006	\$ 1,015,557
Common shares at December 31, 2006	\$ 37,539,659
Warrants at December 31, 2006	1,015,557

Share capital, December 31, 2006 **69,513,342** **\$ 38,555,216**

Share purchase warrants

	Warrants	Weighted avg. exercise price
Outstanding warrants, September 30, 2006 and December 31, 2006	12,673,606	\$ 0.80

	Exercise Price	Number of Warrants	Weighted average remaining contractual life in years
	\$ 1.00	2,699,999	0.6
	0.69	2,879,998	0.2
	0.80	1,066,666	0.5
	0.75	4,590,445	1.6
	0.80	1,408,998	1.6
	0.75	27,500	1.7
	\$ 0.80	12,673,606	1.0

Per share calculations

The exercise of stock options and warrants would be anti-dilutive for the three month periods ended December 31, 2006 and 2005 as the Company was in a loss position. For the period ended December 31, 2006, the basic weighted average number of shares was 69,513,342 (2005 - 32,666,387).

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2006 and 2005

8. Share capital, continued

Stock options

	Number	Weighted avg. exercise price
Outstanding September 30, 2006	4,860,424	1.19
Granted in the period	400,000	0.50
Expired in the period	(480,000)	1.69
Outstanding December 31, 2006	4,780,424	1.08

Exercise prices	Number outstanding	Weighted average remaining contractual life in years	Number exercisable
\$ 0.25	540,875	0.8	540,875
0.52	911,049	1.6	911,049
1.80	105,000	2.0	105,000
1.80	2,000,000	2.6	2,000,000
0.56	22,500	0.8	22,500
0.31	216,000	2.9	216,000
0.81	585,000	4.1	585,000
0.50	400,000	4.9	400,000
\$ 1.08	4,780,424	2.6	4,780,424

The Company has recorded stock based compensation in the amount of \$128,000 (2005 - \$220,403) 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 \$0.32 (2005 - \$0.58) 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.

9. Contributed surplus

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

Balance, September 30, 2006	\$ 5,198,284
Stock options granted	128,000
Balance, December 31, 2006	\$ 5,326,284

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2006 and 2005

10. Related party transactions

During the period ended December 31, 2006, the Company incurred consulting expenses of \$39,333 (2005 - \$40,125) and capitalized mineral interest geological consulting services of \$12,250 (2005 - \$16,375) related to management and technical services provided by directors or companies controlled by directors. Of these amounts, \$3,000 (2005 – nil) was unpaid at year end and included in accounts payable.

During the comparative period ended December 31, 2005, the Company purchased office furniture from a company controlled by a director for the sum of \$4,000.

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.

11. Supplemental cash flow information

a) Changes in non-cash working capital

Three months ended December 31	2006	2005
Accounts receivable	\$ 311,995	\$ 293,472
Prepaid expenses	68,116	(14,457)
Accounts payable and accrued liabilities	(113,048)	(301,441)
	\$ 267,063	\$ (22,426)

Change in non-cash working capital relating to:

Operating activities	\$ 288,793	\$ (583,130)
Investing activities	(21,730)	560,704
Financing activities	-	-
	\$ 267,063	\$ (22,426)

b) Other cash flow information

Interest paid	\$ -	\$ -
---------------	------	------

12. Subsequent events

On February 15, 2007, the Company announced that it had closed a bought deal private placement (the "Placement") for gross proceeds of \$15,122,000 by the issuance of an aggregate 18,300,000 units ("Units") at a price of \$0.55 per Unit, and 7,780,000 flow-through common shares ("FT Shares") at a price of \$0.65 per FT Share. Each Unit consists of one common share of CBR ("Common Share") and one half of one transferable share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to subscribe for one additional common share of the Company at a price of \$0.75 within 36 months of issuance.

Committee Bay Resources Ltd.
Notes to the Consolidated Financial Statements

For the three month periods ended December 31, 2006 and 2005

12. Subsequent events, continued

Underwriters for the Placement received cash commissions of \$1,209,760 (equal to 8% of the gross proceeds of the Placement) together with non-transferable compensation warrants to acquire up to 2,086,400 Common Shares (equal to 8% of the number of Units and FT Shares sold in the Placement) at an exercise price of \$0.60 per Common Share within 24 months of issuance. The Company also paid the Underwriter's reasonable costs and expenses related to the offer and sale of the FT Shares and Units.