



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Kaminak Gold Corporation

We have audited the accompanying consolidated financial statements of Kaminak Gold Corporation which comprise the consolidated balance sheets as at September 30, 2011 and 2010 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Kaminak Gold Corporation as at September 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada
January 23, 2012

Chartered Accountants



Kaminak Gold Corporation
(An Exploration Stage Company)
Consolidated Balance Sheets
As at September 30
(Expressed in Canadian Dollars)

ASSETS	2011	2010
Current		
Cash and cash equivalents	\$ 10,974,259	\$ 12,466,401
Interest and other receivables	67,189	19,893
Marketable securities <i>(Note 3)</i>	24,800	673,250
HST recoverable	2,356,567	723,047
Prepaid expenses	49,305	76,607
Short-term investments <i>(Note 2(d))</i>	56,467	52,426
	13,528,587	14,011,624
Restricted Cash <i>(Note 2(c))</i>	52,607	50,000
Equity Investments <i>(Note 5)</i>	8,732	81,932
Property and Equipment <i>(Note 4)</i>	634,433	141,811
Resource Property Costs <i>(Note 6 and Property Schedule)</i>	40,425,860	11,788,616
	\$ 54,650,219	\$ 26,073,983
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 2,721,814	\$ 690,967
Future Income Tax Liability <i>(Note 12)</i>	3,915,842	-
	6,637,656	690,967
SHAREHOLDERS' EQUITY		
Share Capital	54,895,537	31,448,983
Contributed Surplus	12,972,977	6,978,937
Accumulated Other Comprehensive Loss <i>(Note 3)</i>	(40,000)	(233,500)
Deficit	(19,815,951)	(12,811,404)
	48,012,563	25,383,016
	\$ 54,650,219	\$ 26,073,983

Nature of Operations and Going Concern *(Note 1)*
 Commitments *(Note 11)*
 Subsequent Events *(Note 14)*

APPROVED ON BEHALF OF THE BOARD:

"Robert Carpenter", President & CEO, Director

"James Paterson", Director

- The accompanying notes are an integral part of these consolidated financial statements -

Kaminak Gold Corporation*(An Exploration Stage Company)***Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended September 30***(Expressed in Canadian Dollars)*

	2011	2010
Expenses		
Accounting and legal	\$ 184,449	\$ 146,174
Bank charges and interest	8,122	5,546
Depreciation	92,669	33,625
Investor relations	120,327	87,103
Listing and filing fees	104,605	65,395
Office and sundry	133,018	67,438
Rent	91,195	25,011
Salaries and consulting fees	587,306	420,302
Stock-based compensation <i>(Note 7)</i>	6,284,168	6,241,912
Transfer agent fees	26,366	18,370
Travel and conference	342,768	257,308
Loss before the undernoted	(7,974,993)	(7,368,184)
Other Income (Expenses)		
Interest income	190,904	28,344
Gain on optioning of resource property	-	9,965
Equity loss	(73,200)	(61,599)
Gain on disposition of equity investments	-	221,984
Loss on disposition of marketable securities	(310,756)	-
Write-off of resource property costs	(16,148)	(1,728,779)
	(209,200)	(1,530,085)
Loss before income taxes	(8,184,193)	(8,898,269)
Future income tax recovery <i>(Note 12)</i>	1,179,646	478,500
Loss For The Year	\$ (7,004,547)	\$ (8,419,769)
Loss For The Year	\$ (7,004,547)	\$ (8,419,769)
Changes in fair value of marketable securities	193,500	160,250
Total Comprehensive Loss For The Year	\$ (6,811,047)	\$ (8,259,519)
Basic and Diluted Loss per Common Share	\$ (0.11)	\$ (0.18)
Weighted Average Number of Common Shares Outstanding	65,735,009	47,659,825

- The accompanying notes are an integral part of these consolidated financial statements -

Kaminak Gold Corporation

(An Exploration Stage Company)

Consolidated Statement of Shareholders' Equity For the Years Ended September 30, 2011 and 2010

(Expressed in Canadian Dollars)

	Share Capital		Contributed surplus	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
	Number of shares	Amount				
Balance, September 30, 2009	40,984,829	\$ 11,885,816	\$ 1,880,714	\$ (4,391,635)	\$ (393,750)	\$ 8,981,145
Issued for cash:						
Private placements – non flow-through	5,335,000	8,002,500	-	-	-	8,002,500
Private placements – flow-through	5,709,600	7,915,285	-	-	-	7,915,285
Exercise of options	2,127,500	976,550	-	-	-	976,550
Exercise of warrants	4,124,309	2,268,370	-	-	-	2,268,370
Fair value of options exercised	-	1,296,336	(1,296,336)	-	-	-
Fair value of warrants exercised	-	424,218	(424,218)	-	-	-
Issued for resource property	800,000	654,500	-	-	-	654,500
Flow-through income tax renunciation	-	(478,500)	-	-	-	(478,500)
Stock-based compensation	-	-	6,241,912	-	-	6,241,912
Share issuance costs - cash	-	(919,227)	-	-	-	(919,227)
Share issuance costs – warrants	-	(576,865)	576,865	-	-	-
Share issuance costs - shares	113,118	76,920	-	-	-	76,920
Share issuance costs – shares	-	(76,920)	-	-	-	(76,920)
Fair value adjustment on marketable securities	-	-	-	-	160,250	160,250
Loss for the year	-	-	-	(8,419,769)	-	(8,419,769)
Balance, September 30, 2010	59,194,356	31,448,983	6,978,937	(12,811,404)	(233,500)	25,383,016
Issued for cash:						
Private placements – non flow-through	1,917,050	5,751,150	-	-	-	5,751,150
Private placements – flow-through	4,939,950	17,783,820	-	-	-	17,783,820
Exercise of options	1,202,500	696,504	-	-	-	696,504
Exercise of warrants	464,602	752,655	-	-	-	752,655
Fair value of options exercised	-	596,399	(596,399)	-	-	-
Fair value of warrants exercised	-	487,689	(487,689)	-	-	-
Issued for resource property	1,250,000	4,817,500	-	-	-	4,817,500
Flow-through income tax renunciation	-	(5,560,401)	-	-	-	(5,560,401)
Stock-based compensation	-	-	6,284,168	-	-	6,284,168
Share issuance costs - cash	-	(1,549,715)	-	-	-	(1,549,715)
Tax benefit on share issuance costs	-	464,913	-	-	-	464,913
Share issuance costs – warrants	-	(793,960)	793,960	-	-	-
Fair value adjustment on marketable securities	-	-	-	-	193,500	193,500
Loss for the year	-	-	-	(7,004,547)	-	(7,004,547)
Balance, September 30, 2011	68,968,458	\$ 54,895,537	\$ 12,972,977	\$ (19,815,951)	\$ (40,000)	\$ 48,012,563

- The accompanying notes are an integral part of these consolidated financial statements -

Kaminak Gold Corporation
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
For the Years Ended September 30,
(Expressed in Canadian Dollars)

	2011	2010
Cash Flows from Operating Activities		
Net loss for the year	\$ (7,004,547)	\$ (8,419,769)
Items not affecting cash:		
Depreciation	92,669	33,625
Future income tax recovery	(1,179,646)	(478,500)
Gain on optioning of resource property	-	(9,965)
Gain on disposition of equity investments	-	(221,984)
Loss on disposition of marketable securities	310,756	-
Equity loss	73,200	61,599
Stock-based compensation	6,284,168	6,241,912
Write-off of resource property costs	16,148	1,728,779
Changes in non-cash working capital:		
Interest and other receivables	(49,903)	(19,893)
HST recoverable	(1,633,520)	(524,705)
Cash call receivable	-	11,056
Prepaid expenses	27,302	(69,361)
Accounts payable and accrued liabilities	(7,437)	5,218
	(3,070,810)	(1,661,988)
Cash Flows from Investing Activities		
Proceeds from disposition of equity investments and marketable securities	531,194	250,250
Resource property costs	(21,797,608)	(9,301,827)
Property and equipment	(585,291)	(167,973)
Short-term investments	(4,041)	(20,841)
Restricted Cash	-	(50,000)
	(21,855,746)	(9,290,391)
Cash Flow from Financing Activity		
Issuance of share capital, net of share issue costs	23,434,414	18,243,478
Net Increase (Decrease) in Cash and Cash Equivalents		
	(1,492,142)	7,291,099
Cash and Cash Equivalents- Beginning of Year	12,466,401	5,175,302
Cash and Cash Equivalents- End of Year	\$ 10,974,259	\$ 12,466,401
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Resource property costs included in accounts payable	\$ 2,660,297	\$ 622,013
Receipt of shares and warrants as property option payments, net of gains on optioning of resource properties	\$ -	\$ 180,000
Fair value of agents' warrants	\$ 793,960	\$ 576,865
Fair value of options and warrants exercised	\$ 1,084,088	\$ 1,720,554
Shares issued for resource properties	\$ 4,817,500	\$ 654,500
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

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Kaminak Gold Corporation

(An Exploration Stage Company)

Consolidated Schedule of Resource Property Costs

For the Years Ended September 30,

(Expressed in Canadian Dollars)

	2011			2010
	Acquisition Costs	Deferred Exploration	Total	Total
Mineral Interests				
<i>Bathurst, Nunavut</i>				
Recording and staking	\$ 9,713	\$ -	\$ 9,713	\$ 9,713
Geological consulting	-	-	-	70
	9,713	-	9,713	9,783
<i>Churchill, Nunavut</i>				
Project cost recoveries	-	-	-	(180,000)
Assays	-	-	-	330
	-	-	-	(179,670)
<i>Coffee and Kirkman, Yukon</i>				
Acquisition cost – shares	4,817,500	-	4,817,500	645,500
Acquisition cost – cash	225,000	-	225,000	130,000
Recording and staking	30,705	-	30,705	358,892
Airborne geological	-	177,598	177,598	-
Assays	-	69,220	69,220	294,217
Field and general	-	11,893,447	11,893,447	4,059,936
Geological consulting	-	2,738,544	2,738,544	803,545
Travel and accommodation	-	8,033,625	8,033,625	3,434,286
Governmental assistance	-	-	-	(54,249)
	5,073,205	22,912,434	27,985,639	9,672,127
<i>Hemlo, Ontario</i>				
Field and general	-	903	903	-
Geological consulting	-	142,415	142,415	9,308
	-	143,318	143,318	9,308
<i>Lach, Nunavut</i>				
Recording and staking	-	-	-	14,792
Geological consulting	-	-	-	46
	-	-	-	14,838
<i>Matrix, Nunavut</i>				
Geological consulting	-	-	-	46
<i>Michigan Potash</i>				
Recording and staking	91,149	-	91,149	-
Field and general	-	550	550	-
Geological consulting	-	36,158	36,158	-
	91,149	36,708	127,857	-
<i>Needle, Nunavut</i>				
Geological consulting	-	-	-	81
Balance Forward	\$ 5,174,067	\$ 23,092,460	\$ 28,266,527	\$ 9,526,513

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Kaminak Gold Corporation

(An Exploration Stage Company)

Consolidated Schedule of Resource Property Costs

For the Years Ended September 30,

(Expressed in Canadian Dollars)

	2011			2010
	Acquisition Costs	Deferred Exploration	Total	Total
Balance Brought Forward	\$ 5,174,067	\$ 23,092,460	\$ 28,266,527	\$ 9,526,513
<i>Nevada Gold Properties, Nevada,</i>				
Acquisition costs – cash	-	-	-	79,473
Recording and staking	-	-	-	3,956
Assays	-	-	-	11,326
Field and general	-	-	-	51,035
Geological consulting	-	-	-	3,348
Travel and accommodation	-	-	-	16,748
	-	-	-	165,886
<i>Nizi/Cry Lake, BC</i>				
Recording and staking	-	-	-	4,189
<i>Quebec Nickel, Quebec</i>				
Recording and staking	51,806	-	51,806	710
Field and general	-	903	903	400
Geological consulting	-	2,785	2,785	13,216
Travel and accommodation	-	-	-	8,428
	51,806	3,688	55,494	22,754
<i>Sail, BC</i>				
Recording and staking	69	-	69	205
<i>Sekwi, NWT</i>				
Recording and staking	82,059	-	82,059	-
Field and general	-	62,262	62,262	-
Geological consulting	-	19,458	19,458	-
Travel and accommodation	-	17,709	17,709	-
	82,059	99,429	181,488	-
<i>Sharpe Lake, Manitoba</i>				
Recording and staking	-	-	-	6,273
<i>Sy, Nunavut</i>				
Geological consulting	-	-	-	169
<i>TBN, Ontario</i>				
Airborne geological	-	-	-	6,023
Field and supplies	-	750	750	4,148
Geological consulting	-	173,642	173,642	6,993
Travel and accommodation	-	-	-	6,869
	-	174,392	174,392	24,033
<i>Voigtberg, BC</i>				
Option receipt – shares	-	-	-	(35)
Geological consulting	-	-	-	35
	-	-	-	-
Balance Forward	\$ 5,308,001	\$ 23,369,969	\$ 28,677,970	\$ 9,750,022

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Kaminak Gold Corporation

(An Exploration Stage Company)

Consolidated Schedule of Resource Property Costs

For the Years Ended September 30,

(Expressed in Canadian Dollars)

	2011			2010
	Acquisition Costs	Deferred Exploration	Total	Total
Balance Brought Forward	\$ 5,308,001	\$ 23,369,969	\$ 28,677,970	\$ 9,750,022
<i>Yukon Properties, Yukon</i>				
Recording and staking	6,492	-	6,492	72,159
Field and general	-	17,620	17,620	29,891
Travel and accommodation	-	-	-	40,262
Government assistance	-	(50,000)	(50,000)	-
	6,492	(32,380)	(25,888)	142,312
<i>Generative</i>				
Recording and staking	-	-	-	243
Assays	-	16	16	14,646
Field and supplies	-	-	-	118,054
Geological consulting	-	1,294	1,294	71,741
Travel and accommodation	-	-	-	48,961
	-	1,310	1,310	253,645
Resource Property Costs for the Year	5,314,493	23,338,899	28,653,392	10,145,979
Write-off of Resource Property Costs	(14,792)	(1,356)	(16,148)	(1,728,779)
Balance, Beginning of the Year	1,793,666	9,994,950	11,788,616	3,371,416
Balance, End of the Year	\$ 7,093,367	\$ 33,332,493	\$ 40,425,860	\$ 11,788,616

- The accompanying notes are an integral part of these consolidated financial statements -

Kaminak Gold Corporation

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

September 30, 2011

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Kaminak Gold Corporation ("Kaminak" or "KAM" or the "Company") was incorporated on July 4, 2005 under the Business Corporations Act (British Columbia), and is an exploration stage enterprise focusing on the acquisition, exploration and development of economic gold and other precious and base metal properties.

The Company became a reporting issuer in Alberta and British Columbia on November 9, 2005 by virtue of a reorganization transaction involving the exchange of securities between Shear Minerals Ltd. ("Shear"), the Company and the shareholders of Shear. On November 23, 2005, after completion of its private placements, the Company's shares became publicly trading on the TSX Venture Exchange under the symbol "KAM".

Long-term continuance of the Company's operations is dependent upon achieving profitable operations and obtaining additional equity or debt financing. The recoverability of the carrying values of the Company's resource property interests is dependent upon the existence and discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production from or proceeds from the disposition of resource properties.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. Significant Accounting Policies

a) Basis of Presentation and Principles of Consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries: 0895847 B.C. Ltd., 0862917 B.C. Ltd., 0853750 B.C. Ltd., 974134 N.W.T. Limited, Kaminak Nevada Inc., Finsbury Potash LLC, and Kaminak (US) Gold Corp. Results of operations of 974134 N.W.T. Limited and Finsbury Potash LLC are included in these consolidated financial statements from their dates of acquisition on November 9, 2005 and August 31, 2010, respectively. The results of operations of all other subsidiaries are included in these consolidated financial statements from the date of incorporation. All inter-company balances and transactions were eliminated upon consolidation.

Kaminak Gold Corporation
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
September 30, 2011
(Expressed in Canadian Dollars)

2. Significant Accounting Policies - Continued

b) Foreign Currency Translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

c) Cash and Cash Equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Restricted cash consists of a term deposit held as collateral in relation to the Company's resource properties and is held at the Company's primary financial institution.

d) Short-Term Investments

Short-term investments include Canadian guaranteed investment certificates with original maturities of 12 months with a major Canadian banking institution. These investments are stated at cost plus accrued interest and their carrying value approximates their fair value.

e) Property and Equipment

The Company provides for depreciation at the following annual rates on the declining balance method:

Furniture and Equipment	20%
Computer Hardware	30%
Field Vehicles	30%
Computer Software	100%
Field Equipment	20%

Depreciation of leasehold improvements is calculated straight-line over the term of the lease.

One-half of the rate is taken in the year of acquisition.

f) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings (loss) such as unrealized gains or losses on available-for-sale investments. Other comprehensive income (loss) includes the holding gains and losses from available-for-sale securities which are not included in net income (loss) until realized.

Kaminak Gold Corporation
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
September 30, 2011
(Expressed in Canadian Dollars)

2. Significant Accounting Policies - Continued

g) Resource Property Costs

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain resources or reserves that are economically recoverable.

Resource exploration and development costs are capitalized on an individual area of interest basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the reserves, while costs for the prospects abandoned are written off to operations.

The recoverability of the amount capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resource properties, the ability to obtain the necessary financing to complete their development, successfully complete the regulatory permitting process and future profitable production or proceeds from the disposition thereof.

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

h) Asset Retirement Obligations

The Company recognizes the fair value of legal obligations relating to retirement of resource properties, property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost is recognized at fair value when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. No asset retirement costs have been recognized for the years presented as none of the Company's resource properties or property and equipment are estimated to require any significant remediation or other expenditures upon their retirement.

i) Income Taxes

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on future income taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

Kaminak Gold Corporation
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
September 30, 2011
(Expressed in Canadian Dollars)

2. Significant Accounting Policies - Continued

j) Stock-Based Compensation

All stock-based awards are measured and recognized using a fair value based method. Accordingly, the fair value of the options at the date of the grant is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

k) Basic and Diluted Loss per Common Share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per common share is calculated using the weighted-average number of shares outstanding during the year.

l) Flow-Through Shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If the Company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

m) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Significant areas requiring the use of estimates relate to the determination of impairment of resource property costs, useful lives for depreciation, recognition of future income tax liabilities and estimates relating to the calculation of stock-based compensation and the valuation of warrants. Actual results could differ from those estimates.

Kaminak Gold Corporation
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
September 30, 2011
(Expressed in Canadian Dollars)

2. Significant Accounting Policies - Continued

n) **Impairment of Long-lived Assets**

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be fully recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

o) **Financial Instruments**

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income (loss). Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income (loss) until the instrument is derecognized or impaired.

The Company has classified its cash and cash equivalents, restricted cash, and short-term investments as held-for-trading. Marketable securities are classified as available-for-sale. Interest and other receivables and HST recoverable are classified as loans and receivables and accounts payable and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost.

The Company also provides required disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

The Company has included the required disclosure in Note 9 of the financial statements.

p) **Equity Investments**

The Company accounts for its long-term investments in affiliated companies over which it has significant influence on the equity basis of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received. The excess of the cost of equity investments over the underlying book value at the date of acquisition is amortized over the estimated useful lives of the underlying assets to which it is attributed.

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2. Significant Accounting Policies - Continued

q) **Comparative Figures**

Certain of the comparative year figures have been reclassified to conform to the current year's presentation.

r) **Future Changes in Accounting Standards**

International Financial Reporting Standards ("IFRS")

In February 2008 the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's existing GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of October 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011.

The Company has completed the diagnostic phase of planning for the implementation of IFRS. It has determined that the principal areas of impact will be IFRS 1 – first time adoption; presentation of financial statements; asset retirement obligations; impairment of assets; flow-through shares and share-based payments. The Company completed its detailed analysis of relevant IFRS requirements and of IFRS 1, along with its determination of changes to accounting policies and choices to be made. The Company is prepared to adopt IFRS effective October 1, 2011.

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3. Marketable Securities and Accumulated Other Comprehensive Loss

	September 30, 2011		September 30, 2010	
	Market Value	Cost	Market Value	Cost
Common shares in public companies	\$ 24,800	\$ 64,800	\$ 673,250	\$ 890,500

	Accumulated Other Comprehensive Loss	
Balance, September 30, 2009	\$	(393,750)
Unrealized gain on available-for-sale securities		160,250
Balance, September 30, 2010		(233,500)
Unrealized loss on available-for-sale securities		(77,000)
Realized loss on available-for-sale securities		270,500
Balance, September 30, 2011	\$	(40,000)

4. Property and Equipment

Details for September 30, 2011 are as follows:

	Cost	Accumulated Depreciation	Net Book Value
Furniture and Equipment	\$ 39,625	\$ 6,471	\$ 33,154
Computer Hardware	55,772	23,930	31,842
Computer Software	47,232	41,801	5,431
Field Vehicles	105,039	18,520	86,519
Field Equipment	320,303	48,865	271,438
Leasehold Improvements	54,049	-	54,049
Land	152,000	-	152,000
	\$ 774,020	\$ 139,587	\$ 634,433

Details for September 30, 2010 are as follows:

	Cost	Accumulated Depreciation	Net Book Value
Furniture and Equipment	\$ 4,963	\$ 2,515	\$ 2,448
Computer Hardware	43,028	13,014	30,014
Computer Software	36,371	20,410	15,961
Field Vehicles	10,839	1,626	9,213
Field Equipment	93,528	9,353	84,175
	\$ 188,729	\$ 46,918	\$ 141,811

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5. Equity Investments

The Company accounts for its investment in Kivalliq Energy Corporation (“Kivalliq”) on an equity basis. As at September 30, 2011 the Company held a 3% (September 30, 2010 - 3%) interest in Kivalliq. The Company exercises significant control over the Kivalliq investment via common directors. Accordingly the Company has used the equity method to account for this investment since July 4, 2008, when its interest in Kivalliq was diluted to less than 50%. Prior to July 4, 2008, the Company consolidated the operations of Kivalliq.

6. Resource Property Costs

Details are as follows:

	Acquisition Costs	Exploration Costs	Cumulative as at September 30, 2011	Cumulative as at September 30, 2010
Bathurst, Nunavut	\$ 55,716	\$ 409	\$ 56,125	\$ 46,412
Coffee and Kirkman, Yukon	6,409,638	31,856,539	38,266,177	10,280,538
Hemlo, Ontario	70,682	470,545	541,227	397,909
IME, Nunavut	30,957	60,238	91,195	91,195
Lach, Nunavut	-	-	-	14,838
Matrix, Nunavut	47,066	20,054	67,120	67,120
Michigan Potash, Michigan	91,149	36,708	127,857	-
Needle, Nunavut	-	41,519	41,519	41,519
Needle (Diamond), Nunavut	-	8,999	8,999	8,999
Nizi/Cry Lake, BC	4,189	-	4,189	4,189
Quebec Nickel Properties, Quebec	114,950	126,738	241,688	186,194
Sail, BC	28,731	-	28,731	28,662
Sekwi, NWT	82,059	99,429	181,488	-
Sy, Nunavut	18,379	210,219	228,598	228,598
TBN, Ontario	61,200	363,323	424,523	250,131
Yukon Properties, Yukon	78,651	37,773	116,424	142,312
	\$ 7,093,367	\$ 33,332,493	\$ 40,425,860	\$ 11,788,616

Bathurst, Nunavut

The property is subject to a 2% Net Smelter Royalty (“NSR”) in favour of a third party, Echo Bay Mines Ltd. These federal leases require annual payments to remain in good standing.

Churchill, Nunavut

The Company retains a 20% back-in-right on the non-diamond mineral rights of the Churchill Property owned by Shear. The back-in-right is exercisable anytime up to the completion of an independent bankable feasibility study completed in accordance with National Instrument 43-101. The Company will repay, at cost, all non-diamond expenditures within 90 days of exercising the back-in right. The Churchill property was written off in 2010.

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6. Resource Property Costs – Continued

Coffee and Kirkman, Yukon

The Coffee and Kirkman properties are located in the newly recognized “White” gold district in the west-central Yukon.

The Company earned a 100% interest in the properties from Shawn Ryan of Dawson City, Yukon by incurring exploration expenditures in excess of \$1,800,000, issuing a total of 2,050,000 shares (800,000 shares issued in 2010 and 1,250,000 shares issued in 2011) and making a total cash payment of \$400,000 to Mr. Ryan.

Mr. Ryan retains a 2% NSR subject at anytime to a 1% buy-back for \$2,000,000 with annual advance royalty payments of \$20,000 commencing December 31, 2013.

Hemlo, Ontario

The Hemlo Property consists of claims in the Archean Hemlo Greenstone Belt of Ontario.

IME, Nunavut

The Company holds the non-diamond rights to Bluestone Resources Inc.'s (formerly Indicator Minerals Inc. - “IME”) properties held in Nunavut. These properties are held by IME with the Company having the right of first refusal on assuming any permits which IME chooses not to renew.

Underlying interests are held by the Hunter Exploration Group as to a 2% royalty on all minerals.

Lach, Nunavut

The Lach Property consists of a 100% interest in prospecting permits in the Bathurst Fault Zone of Nunavut. The permits have lapsed and no further work is recommended, so the property has been written off in the current year.

Matrix, Nunavut

The Matrix Project consists of a 100% interest in certain claims near Henik Lakes, southwest of Rankin Inlet, Nunavut.

Underlying interests are held by the Hunter Exploration Group as to a 2% royalty on all minerals.

Michigan Potash, Michigan

The Company has acquired a 100% interest in certain potash claims located in central Michigan.

On December 7, 2011, an option agreement was signed with Michigan Potash Inc. (“MPI”) on the Company's potash assets. MPI has the right to earn a 100% interest in the Company's potash leases by issuing the Company an aggregate of 6,000,000 common shares in MPI and granting the Company a Michigan state-wide 1% gross overriding royalty with respect to all mined products sold from any MPI property.

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6. Resource Property Costs – Continued

Needle, Nunavut

The Company owns 100% of the Needle Lake Gold Property located in the North Slave region of Nunavut Territory. The property is northeast of the city of Yellowknife and strategically located near the proposed Bathurst Inlet Port and Road Project.

The Needle Lake Gold Property is subject to a 1% NSR in favour of the former shareholders of Pinnacle Resources (1996) Ltd.

Nevada Gold Properties, Nevada

During 2010 the Company abandoned their claims located in the state of Nevada and wrote off costs associated with these properties.

Nizi/Cry Lake, British Columbia

The Nizi Creek Gold-Silver Property is located northeast of Dease Lake, British Columbia.

Underlying interests are held by the Hunter Exploration Group as to a 2% royalty on all minerals.

Quebec Nickel Properties, Quebec

The Company owns and controls a 100% interest in a number of copper-nickel-platinum group element properties in the Grenville geological domain of Southern Quebec. Breakwater Resources Ltd. maintains a 1% NSR on the properties.

Sail Property, British Columbia

The Company owns 100% of the Sail VMS property in the Cry Lake area of northwestern, BC.

Sekwi, North West Territories

The Company has acquired the 100% owned NWT Regional properties through staking a land package near the MacMillan pass area.

Sharpe Lake, Manitoba

During 2011 the Company terminated its agreement to acquire a 100% interest in the Sharpe Lake Gold Project, writing off costs associated with this property.

SY, Nunavut

The "SY" property is in the Archean greenstone belt. The Company retains an undivided 100% interest in the property, subject to the Hunter royalty.

Underlying interests are held by the Hunter Exploration Group as to a 2% royalty on all minerals.

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6. Resource Property Costs – Continued

“TBN” Platinum-Palladium, Ontario

The 100% owned “TBN” property is located north of Thunder Bay, Ontario.

The property was staked during the year ended September 30, 2009, as a result of the Company’s agreement with GeoVector Management Inc. (“Geovector”), whereby GeoVector develops grassroots exploration concepts for Kaminak within specified regions of eastern Canada. Initial project ideas are evaluated by Kaminak and any ground acquisition must be approved by Kaminak. GeoVector will design and undertake approved work programs. Kaminak will issue to GeoVector 50,000 common shares for each property acquired (issued) and an additional 50,000 common shares for every property upon which drilling is undertaken. GeoVector will retain a 2% NSR on each property with 1% of this NSR purchasable at anytime by Kaminak for \$500,000. The remaining 1% NSR can be purchased by Kaminak at anytime for \$1,000,000.

Voigtberg, BC

By agreement dated July 11, 2006, the Company granted a third party, BCGold Corp. (“BCGold”), an option to acquire up to a 60% interest in the Voigtberg Gold Project, BC. Under the terms of the Option Agreement, BCGold has the right to initially earn a 60% interest by July 11, 2011 (originally July 11, 2010 – agreement extended by one year on September 11, 2009 with BCGold issuing 100,000 shares to the Company) by making exploration expenditures totaling \$2,000,000 and staged payments totaling 400,000 units (received) to the Company. Each unit consists of one common share and one half of one common share purchase warrant with an exercise price set in accordance with market at the time of issuance of the unit. By July 11, 2011, BCGold had spent at least \$1,000,000, earning a 50% interest. The Company and BCGold are to form a joint venture in accordance with their interests held. BCGold can earn an additional 10% interest in the property by completing a bankable feasibility study, for a total earn-in of 60%.

Underlying interests are held by the Hunter Exploration Group as to a 2% royalty on all minerals.

Yukon Properties, Yukon

During the year ended September 30, 2010, the Company staked claims located in the Yukon. The claims are located south and northwest of the Coffee claim block.

Other

During the year ended September 30, 2011, the Company wrote-off generative costs of \$1,310 (2010 - \$253,645) to operations.

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7. Share Capital

As at September 30, 2011, there were an unlimited number of common voting shares without par value and preferred shares without par value authorized.

a) Private placements

2011

On March 3, 2011, the Company completed a bought deal private placement, issuing 1,917,050 common shares of the Company at a price of \$3.00 per common share and 1,597,350 flow-through common shares at a price of \$3.60 per flow-through common share for aggregate gross proceeds of \$11,501,610.

In connection with this private placement the Company issued 210,864 agent warrants exercisable at a price of \$3.60 per common share to March 3, 2013. Finder's fees consisted of cash payments of \$690,097. The Company has recorded the fair value of these agent warrants as share issuance costs. The agent warrants attached to this issuance have been valued at \$423,368 based upon the Black-Scholes valuation model using the following assumptions noted below.

Risk-free interest rate	1.88%
Expected dividend yield	0%
Expected stock price volatility	107%
Average expected warrant life	2 years

On November 16, 2010, the Company completed a bought deal private placement, issuing 3,342,600 flow-through common shares at a price of \$3.60 per flow-through common share for gross proceeds of \$12,033,360.

In connection with this private placement the Company issued 200,556 agent warrants exercisable at a price of \$3.60 per common share to November 16, 2012. Finder's fees consisted of cash payments of \$757,002. The Company has recorded the fair value of these agent warrants as share issuance costs. The agent warrants attached to this issuance have been valued at \$370,592 based upon the Black-Scholes valuation model using the following assumptions noted below.

Risk-free interest rate	1.57%
Expected dividend yield	0%
Expected stock price volatility	125%
Average expected warrant life	2 years

2010

On July 29, 2010, the Company completed a bought deal private placement, issuing 5,335,000 common shares at a price of \$1.50 per common share and 3,824,300 flow-through common shares at a price of \$1.70 per flow-through common share for gross proceeds of \$14,503,810.

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7. Share Capital – Continued

a) Private placements - *Continued*

In connection with this private placement the Company issued 549,557 agent warrants exercisable at a price of \$1.62 per common share to July 29, 2012. Finder's fees consisted of cash payments of \$919,227. The Company has recorded the fair value of these agent warrants as share issuance costs. The agent warrants attached to this issuance have been valued at \$576,865 based upon the Black-Scholes valuation model using the following assumptions noted below.

Risk-free interest rate	1.53%
Expected dividend yield	0%
Expected stock price volatility	130%
Average expected warrant life	2 years

On December 22, 2009, the Company completed a non-brokered private placement, issuing 1,885,300 flow-through common shares at a price of \$0.75 per flow-through common share for gross proceeds of \$1,413,975. In connection with this financing, a finder's fee of 6% was paid through the issuance of 113,118 common shares valued at \$0.68 per common share.

b) Warrants

Details as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, September 30, 2009	4,124,309	\$0.55
Issued	549,557	\$1.62
Exercised	(4,124,309)	\$0.55
Outstanding warrants, September 30, 2010	549,557	\$1.62
Issued	411,420	\$3.60
Exercised	(464,602)	\$1.62
Outstanding warrants, September 30, 2011	496,375	\$3.26

At September 30, 2011, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
July 29, 2012	\$1.62	84,955	0.83
November 16, 2012	\$3.60	200,556	1.13
March 3, 2013	\$3.60	210,864	1.42
Weighted average of exercise price and remaining contractual life	\$3.26	496,375	1.20

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7. Share Capital – Continued

c) Stock Options

Under the Company's stock option plan, the board of directors may grant options for the purchase of up to 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan vest over time at the discretion of the board of directors and expire no later than five years from the date of issuance. Exercise prices on options granted under the plan cannot be lower than the market price of one share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by TSX Venture Exchange and the minimum exercise price per common share must be at least \$0.10.

The changes in stock options issued are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding options, September 30, 2009	3,115,000	\$0.40
Issued	3,905,000	\$2.28
Exercised	(2,127,500)	\$0.46
Cancelled without exercise	(55,000)	\$0.57
Outstanding options, September 30, 2010	4,837,500	\$1.90
Issued	2,200,000	\$3.64
Exercised	(1,202,500)	\$0.58
Cancelled without exercise	(10,000)	\$1.58
Outstanding options, September 30, 2011	5,825,000	\$2.82

As at September 30, 2011, incentive stock options represent 8.4% (September 30, 2010 – 8.2%) of the issued and outstanding common shares.

At September 30, 2011 the following stock options were outstanding:

Expiry Date	Adjusted Weighted Average Exercise Price	Number of Options	Vested and Exercisable Number of Options	Weighted Average Remaining Life in Years
June 18, 2012	\$0.65	95,000	95,000	0.72
December 5, 2013	\$0.12	285,000	285,000	2.18
January 28, 2015	\$0.70	440,000	440,000	3.33
April 12, 2015	\$1.00	630,000	630,000	3.53
June 29, 2015	\$1.50	20,000	20,000	3.75
September 14, 2015	\$3.12	250,000	250,000	3.96
September 24, 2015	\$3.45	1,925,000	1,925,000	3.99
October 1, 2015	\$3.29	50,000	37,500	4.01
December 9, 2015	\$2.76	200,000	200,000	4.19
January 6, 2016	\$2.77	200,000	100,000	4.27
February 2, 2016	\$2.95	170,000	85,000	4.35
April 8, 2016	\$4.03	1,205,000	1,205,000	4.53
April 26, 2016	\$3.75	20,000	20,000	4.58
July 5, 2016	\$3.69	275,000	-	4.77
August 10, 2016	\$4.03	60,000	-	4.87
	\$2.82	5,825,000	5,292,500	3.93

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7. Share Capital – Continued

c) Stock Options – *Continued*

During the year ended September 30, 2011, the Company granted options to acquire 2,200,000 (2010 – 3,905,000) common shares. Stock-based compensation expense under the Black-Scholes option pricing model of \$6,284,168 (2010 - \$6,241,912) was recorded in relation to options vested in the year. The weighted average fair value of the options granted was \$2.95 (2010 - \$1.80) per option.

The fair value of stock options for all options issued was estimated at the grant date based on the Black-Scholes option pricing model with the following weighted average assumptions:

September 30, 2011	
Risk-free interest rate	2.64%
Expected dividend yield	0%
Expected stock price volatility	114.28%
Average expected option life	5 years

The following weighted average assumptions were used for the valuation of stock options granted during the year ended September 30, 2010:

September 30, 2010	
Risk-free interest rate	2.41%
Expected dividend yield	0%
Expected stock price volatility	120.88%
Average expected option life	5 years

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8. Related Party Transactions

Included in the year ended September 30, 2011 are salaries and consulting fees of \$74,953 (2010 - \$55,216), travel and conference charges of \$3,300 (2010 - \$46,950), office and sundry charges of \$34,725 (2010 - \$26,186), rent charges of \$80,311 (2010 - \$25,011), investor relations charges of \$5,000 (2010 - \$Nil), and resource property costs of \$28,647 (2010 - \$Nil) to a company controlled by directors of the Company.

During the year ended September 30, 2011 the Company incurred \$279,030 (2010 - \$193,310) in consulting fees and \$49,300 (2010 - \$35,450) in accounting fees to directors and officers.

At September 30, 2011, \$58,491 (September 30, 2010 - \$Nil) was due to Kivalliq, \$41,342 (September 30, 2010 - \$Nil) was due to a company controlled by directors and officers of the Company, and \$4,928 (September 30, 2010 - \$9,376) was due to directors and officers of the Company. These amounts are included in accounts payable and accrued liabilities.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

Amounts due to related parties are non-interest bearing, with no fixed terms of repayment.

9. Financial Instruments

Categories of financial assets and liabilities

The fair value of the Company's interest and other receivables, HST recoverable and accounts payable and accrued liabilities approximate carrying value which is the amount recorded on the consolidated balance sheet due to their short term nature. The Company's other financial instruments, cash and cash equivalents, restricted cash, marketable securities and short-term investment, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets and liabilities.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to interest and other receivables and HST recoverable. Management believes that the credit risk concentration with respect to financial instruments included in interest and other receivables and HST recoverable is remote as the balance primarily consists of interest from a major financial institution and HST recoverable from the Government of Canada.

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9. Financial Instruments - Continued

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2011, the Company had a cash and cash equivalents balance of \$10,974,259 (September 30, 2010 - \$12,466,401) to settle current liabilities of \$2,721,814 (September 30, 2010 - \$690,967). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management believes that the Company has sufficient funds to meet its obligations as they become due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2011, the Company had \$10,056,467 (2010 - \$10,052,426) invested in investment-grade short-term deposit certificates, included in short-term investments and cash and cash equivalents.

(b) Foreign currency risk

The Company operates predominately in Canada and is not exposed to any significant foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of the securities.

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10. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met.

There were no changes in the Company's approach to capital management during the year ended September 30, 2011. The Company is not subject to externally imposed capital requirements.

11. Commitments

The Company has entered into agreements for the rental of office space that require minimum payments in the aggregate as follows:

Fiscal 2012	\$ 74,507
Fiscal 2013	73,771
Fiscal 2014	73,771
Fiscal 2015	73,771
Fiscal 2016	43,033
Total Commitments	\$ 338,853

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12. Income Taxes

- a) The income tax provision for the year differs from the amount obtained by applying the statutory Canadian federal and provincial income tax rates as follows:

	For the Year Ended September 30, 2011	For the Year Ended September 30, 2010
Loss before income taxes	\$ (8,184,193)	\$ (8,898,269)
Statutory Canadian federal and provincial tax rates	28.32%	28.88%
Expected tax recovery	(2,317,457)	(2,569,375)
Non-deductible (deductible) expenses		
Stock-based compensation and other	1,759,214	2,717,875
Difference in Canadian tax rate	(74,859)	-
Valuation allowance	(546,544)	(627,000)
Future income tax recovery	\$ (1,179,646)	\$ (478,500)

- b) The components of the future income tax asset (liability) balances are as follows:

	September 30, 2011	September 30, 2010
Future income tax asset (liability)		
Equipment	\$ 41,876	\$ 11,700
Resource property costs	(6,100,897)	(453,000)
Marketable securities and investments	36,070	43,100
Non-capital loss carry-forwards	1,573,730	818,200
Capital losses	46,613	-
Share issuance costs	569,449	207,000
Future income tax asset (liability)	(3,833,159)	627,000
Valuation allowance	(82,683)	(627,000)
Future income tax liability	\$ (3,915,842)	\$ -

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse. For 2011 this rate is estimated to be 30.00% (2010 – 28.88%).

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(Expressed in Canadian Dollars)

12. Income Taxes - Continued

The Company has available for deduction against future taxable income in Canada non-capital losses of approximately \$5,246,000. These losses, if not utilized, will expire between 2015 and 2031. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Additionally, the Company has capital losses of \$304,000 available for deduction against future capital gains. These capital losses have no expiry date. Future tax benefits which may arise as a result of these capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

During the years ended September 30, 2010 and 2011 the Company issued 7,166,900 common shares on a flow through basis for gross proceeds of \$18,534,670, which were renounced during the current year. The flow-through agreement requires the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. Future income taxes of \$5,560,401 of the exploration expenditures to be renounced to shareholders were applied against share capital.

During the years ended September 30, 2009 and 2010 the Company issued 2,885,300 common shares on a flow through basis for gross proceeds of \$1,913,975 which were renounced during the 2010 year. Future income taxes of \$478,500 of the exploration expenditures to be renounced to shareholders were applied against share capital, during the year ended September 30, 2010.

13. Segmented Information

The Company operates in one reportable operating segment, being the acquisition, exploration and development of mineral properties in North America.

The Company allocates its capital assets as follows.

	September 30, 2011	September 30, 2010
Property and equipment		
Canada	\$ 634,433	\$ 141,811
United States	-	-
	634,433	141,811
Resource property costs		
Canada	40,298,003	11,788,616
United States	127,857	-
	\$ 40,425,860	\$ 11,788,616

Kaminak Gold Corporation
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14. Subsequent Events

- a. Subsequent to September 30, 2011, 175,000 options were exercised for gross proceeds of \$131,050.
- b. On October 11, 2011, the Company issued 150,000 options to an employee of the Company with an exercise price of \$2.82 per common share.
- c. On November 8, 2011, the Company completed a bought deal private placement offering of 1,786,000 common shares at a price of \$2.80 per common share, and 2,985,000 flow-through common shares at a price of \$3.35 per flow-through common share, for aggregate gross proceeds of \$15,000,550. The underwriters received 286,260 compensation options at an exercise price of \$3.35.
- d. On December 7, 2011, an option agreement was signed with Michigan Potash Inc. ("MPI") on the Company's potash assets located in central Michigan of the United States. MPI has the right to earn a 100% interest in the Company's potash leases by issuing the Company an aggregate of 6,000,000 common shares in MPI and granting the Company a Michigan state-wide 1% gross overriding royalty with respect to all mined products sold from any MPI property.