

KAMINAK GOLD CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009
Canadian Dollars

AUDITORS' REPORT

To the Shareholders of
Kaminak Gold Corporation

We have audited the consolidated balance sheets of Kaminak Gold Corporation as at September 30, 2010 and 2009 and the consolidated statements of loss and deficit and comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2010 and 2009 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

Chartered Accountants

January 24, 2011



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

ASSETS	2010	2009
Current		
Cash	\$ 12,466,401	\$ 5,175,302
Accrued interest receivable	19,893	-
Cash call receivable	-	11,056
Marketable securities <i>(Note 4)</i>	673,250	323,000
GST receivable	723,047	198,342
Prepaid expense	76,607	7,246
Short-term investment <i>(Note 2 (d))</i>	52,426	31,585
	14,011,624	5,746,531
Restricted Cash <i>(Note 2 (d))</i>	50,000	-
Investments <i>(Note 6)</i>	81,932	171,797
Equipment, at net book value <i>(Note 5)</i>	141,811	7,463
Resource Property Costs <i>(Note 7) – Schedule</i>	11,788,616	3,371,416
	\$ 26,073,983	\$ 9,297,207
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 690,967	\$ 316,062
SHAREHOLDERS' EQUITY		
Share Capital <i>(Note 8)</i>	31,448,983	11,885,816
Contributed Surplus <i>(Note 9)</i>	6,978,937	1,880,714
Accumulated Other Comprehensive Loss <i>(Note 4)</i>	(233,500)	(393,750)
Deficit	(12,811,404)	(4,391,635)
	25,383,016	8,981,145
	\$ 26,073,983	\$ 9,297,207

Nature of Operations (Note 1)

Subsequent Events (Note 15)

ON BEHALF OF THE BOARD:

"Rob Carpenter", President & CEO, Director

"James Paterson", Director

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

	2010	2009
Expenses		
Accounting and legal	\$ 146,174	\$ 97,877
Amortization	33,625	2,584
Bank charges and interest	5,546	886
Investor relations	87,103	44,561
Listing and filing fees	65,395	24,391
Office and sundry	67,438	27,888
Rent	25,011	19,425
Salaries and consulting fees	420,302	296,698
Stock-based compensation (Note 8 (d))	6,241,912	62,511
Transfer agent fees	18,370	10,041
Travel and conference	257,308	81,852
Loss before the undernoted	(7,368,184)	(668,714)
Other Income (Expenses)		
Interest	28,344	28,407
Cost recoveries	-	52,948
Gain on optioning of resource property	9,965	31,798
Loss on investments (Note 6)	(61,599)	(76,597)
Gain on disposition of investments	221,984	-
Write off of cash call receivable	-	(25,463)
Write-off of resource property costs (Note 7)	(1,728,779)	(346,292)
	(1,530,085)	(335,199)
Loss before income taxes	(8,898,269)	(1,003,913)
Future income tax recovery (Note 13)	478,500	-
Loss For The Year	(8,419,769)	(1,003,913)
Deficit - Beginning of Year	(4,391,635)	(3,387,722)
Deficit – End of Year	\$ (12,811,404)	\$ (4,391,635)
Loss For The Year	\$ (8,419,769)	\$ (1,003,913)
Changes in fair value of marketable securities	160,250	(29,000)
Total Comprehensive Loss For The Year	\$ (8,259,519)	\$ (1,032,913)
Basic and Diluted Loss per Common Share	\$ (0.18)	\$ (0.03)
Weighted Average Number of Common Shares Outstanding	47,659,825	37,609,614

- See Accompanying Notes -

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

	2010	2009
Cash Flows from Operating Activities		
Net loss for the year	\$ (8,419,769)	\$ (1,003,913)
Items not affected by cash:		
Amortization	33,625	2,584
Future income tax recovery	(478,500)	-
Gain on optioning of resource property	(9,965)	(31,798)
Gain on disposition of investments	(221,984)	-
Loss on investments	61,599	76,597
Stock-based compensation	6,241,912	62,511
Write-off of cash call receivable	-	25,463
Write-off of resource property costs	1,728,779	346,292
Changes in non-cash working capital:		
GST receivable	(524,705)	(69,153)
Cash call receivable	11,056	63,323
Accrued interest receivable	(19,893)	17,173
Prepaid expenses	(69,361)	(2,246)
Accounts payable and accrued liabilities	5,218	9,034
	(1,661,988)	(504,133)
Cash Flows from Investing Activities		
Disposition of investments	250,250	-
Resource property costs	(9,301,827)	(967,157)
Equipment	(167,973)	(317)
Short-term investments	(20,841)	-
Restricted Cash	(50,000)	-
	(9,290,391)	(967,474)
Cash Flows from Financing Activities		
Issuance of share capital, net of share issue costs	18,243,478	1,791,254
	18,243,478	1,791,254
Net Increase in Cash	7,291,099	319,647
Cash - Beginning of Year	5,175,302	4,855,655
Cash - End of Year	\$ 12,466,401	\$ 5,175,302
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Accounts payable included in resource property costs	\$ 622,013	\$ 252,326
Transfer of contributed surplus to share capital on warrant exercise	\$ 424,218	\$ -
Transfer of contributed surplus to share capital on option exercise	\$ 1,296,336	\$ -
Receipt of shares and warrants as property option payments, net of gains on optioning of resource properties	\$ 180,000	\$ 42,000
Fair value of agents' warrants	\$ 576,865	\$ -
Shares issued for mineral properties	\$ 654,500	\$ 81,500
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

- See Accompanying Notes -

Kaminak Gold Corporation

(An Exploration Stage Company)

Consolidated Schedule of Resource Property Costs

For the Years Ended September 30,

Canadian Dollars

	2010			2009
	Acquisition Costs	Deferred Exploration	Total	Total
Mineral Interests				
<i>Bathurst, Nunavut</i>				
Claim maintenance	-	-	-	12,085
Recording and staking	9,713	-	9,713	-
Geological consulting	-	70	70	102
	9,713	70	9,783	12,187
<i>Breakwater, Quebec</i>				
Acquisition cost - cash	-	-	-	61,200
Recording and staking	710	-	710	1,196
Field and general	-	400	400	23,455
Geological consulting	-	13,216	13,216	4,172
Travel and accommodation	-	8,428	8,428	1,070
	710	22,044	22,754	91,093
<i>Churchill, Nunavut</i>				
Project cost recoveries	-	(180,000)	(180,000)	-
Assays	-	330	330	-
Field and general	-	-	-	4,950
	-	(179,670)	(179,670)	4,950
<i>Coffee, Cream, Kirkman, Yukon</i>				
Acquisition cost – shares	645,500	-	645,500	63,000
Acquisition cost – cash	130,000	-	130,000	75,000
Recording and staking	358,892	-	358,892	64,040
Airborne geological	-	-	-	32,625
Assays	-	294,217	294,217	66,715
Field and general	-	4,059,936	4,059,936	51,059
Geological consulting	-	803,545	803,545	116,255
Travel and accommodation	-	3,434,286	3,434,286	139,717
Governmental assistance	-	(54,249)	(54,249)	-
	1,134,392	8,537,735	9,672,127	608,411
<i>Hemlo, Ontario</i>				
Field and general	-	-	-	3,742
Geological consulting	-	9,308	9,308	1,772
	-	9,308	9,308	5,514
<i>IME, Nunavut</i>				
Geological consulting	-	-	-	309
	-	-	-	309
<i>Lach</i>				
Recording and staking	14,792	-	14,792	-
Geological consulting	-	46	46	-
	14,792	46	14,838	-
<i>Matrix, Nunavut</i>				
Geological consulting	-	46	46	100
	-	46	46	100
<i>Needle, Nunavut</i>				
Geological consulting	-	81	81	34
	-	81	81	34
Balance Forward	\$ 1,159,607	\$ 8,389,660	\$ 9,549,267	\$ 722,598

- See Accompanying Notes -

Kaminak Gold Corporation

(An Exploration Stage Company)

Consolidated Schedule of Resource Property Costs

For the Years Ended September 30,

Canadian Dollars

	2010			2009
	Acquisition Costs	Deferred Exploration	Total	Total
Balance Brought Forward	\$ 1,159,607	\$ 8,389,660	\$ 9,549,267	\$ 722,598
<i>Nevada Gold Properties, Nevada,</i>				
Acquisition costs – cash	79,473	-	79,473	-
Recording and staking	3,956	-	3,956	10,950
Assays	-	11,326	11,326	-
Field and general	-	51,035	51,035	-
Geological consulting	-	3,348	3,348	-
Travel and accommodation	-	16,748	16,748	-
	83,429	82,457	165,886	10,950
<i>Nizi, BC</i>				
Option receipt – shares	-	-	-	(10,167)
Recording and staking	4,189	-	4,189	(1,400)
	4,189	-	4,189	(11,567)
<i>Sail, BC</i>				
Recording and staking	205	-	205	3,724
	205	-	205	3,724
<i>Sharpe Lake, Manitoba</i>				
Recording and staking	6,273	-	6,273	2,800
	6,273	-	6,273	2,800
<i>Sy, Nunavut</i>				
Field and supplies	-	-	-	69
Geological consulting	-	169	169	69
	-	169	169	138
<i>TBN, Ontario</i>				
Acquisition cost – shares	-	-	-	18,500
Recording and staking	-	-	-	42,700
Airborne geological	-	6,023	6,023	150,880
Field and supplies	-	4,148	4,148	10,342
Geological consulting	-	6,993	6,993	-
Travel and accommodation	-	6,869	6,869	3,676
	-	24,033	24,033	226,098
<i>Voigtberg, BC</i>				
Option receipt – shares	-	(35)	(35)	(35)
Geological consulting	-	35	35	35
	-	-	-	-
<i>Yukon Properties, Yukon</i>				
Recording and staking	72,159	-	72,159	-
Field and general	-	29,891	29,891	-
Travel and accommodation	-	40,262	40,262	-
	72,159	70,153	142,312	-
Balance Forward	\$ 1,325,862	\$ 8,566,472	\$ 9,892,334	\$ 954,741

- See Accompanying Notes -

Kaminak Gold Corporation*(An Exploration Stage Company)***Consolidated Schedule of Resource Property Costs****For the Years Ended September 30,***Canadian Dollars*

	2010			2009
	Acquisition Costs	Deferred Exploration	Total	Total
Balance Brought Forward	\$ 1,325,862	\$ 8,566,472	\$ 9,892,334	\$ 954,741
Generative				
Recording and staking	243	-	243	9,546
Assays	-	14,646	14,646	20,913
Field and supplies	-	118,054	118,054	133,159
Geological consulting	-	71,741	71,741	106,479
Travel and accommodation	-	48,961	48,961	24,648
	243	253,402	253,645	294,745
Resource Property Costs for the Year	1,326,105	8,819,874	10,145,979	1,249,486
Write off of Resource Property Costs	(774,916)	(953,863)	(1,728,779)	(346,292)
Balance, Beginning of the Year	1,422,031	1,949,385	3,371,416	2,468,222
Balance, End of the Year	\$ 1,973,220	\$ 9,815,396	\$ 11,788,616	\$ 3,371,416

- See Accompanying Notes -

Kaminak Gold Corporation

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

September 30, 2010

Canadian Dollars

1. Nature of Operations

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".

2. Significant Accounting Policies

a) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 0853750 B.C. Ltd., 974134 N.W.T. Limited, Kaminak Nevada Inc., and Kaminak (US) Gold Corp. Results of operations of 974134 N.W.T. Limited are included in these consolidated financial statements from the date of acquisition on November 9, 2005. The results of operations of 0853750 B.C. Ltd., Kaminak Nevada Inc., Kaminak (US) Gold Corp are included in these consolidated financial statements from the date of incorporation. All inter-company balances and transactions were eliminated upon consolidation.

b) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

c) Foreign currency transactions

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.

d) 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. As at September 30, 2010, the Company had \$12,466,401 (2009 - \$5,175,302) in cash.

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

e) Short-term investments

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

Kaminak Gold Corporation
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
September 30, 2010
Canadian Dollars

2. Significant Accounting Policies - Continued

f) **Equipment**

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

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

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

g) **Comprehensive Income**

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 loss until realized.

h) **Resource Property Costs**

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain 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.

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 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.

i) **Asset Retirement Obligations**

The Company recognizes the fair value of legal obligations relating to retirement of 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 properties or equipment are estimated to require any remediation or other expenditures upon their retirement.

Kaminak Gold Corporation
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
September 30, 2010
Canadian Dollars

2. Significant Accounting Policies - Continued

j) 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.

k) Share Capital

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

l) 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.

m) Loss per 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 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.

n) Flow-Through Shares

The Company accounts for flow-through shares using the recommendations of the Emerging Issues Committee EIC-146. 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.

Kaminak Gold Corporation
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
September 30, 2010
Canadian Dollars

2. Significant Accounting Policies - Continued

o) 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 amortization and estimates relating to stock-based compensation. Actual results could differ from those estimates.

p) 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 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.

q) 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, restricted cash, and short-term investments as held-for-trading. Marketable securities are classified as available-for-sale. Accrued interest receivable, cash call receivable and GST receivable 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.

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significant. 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.

See Note 11 for relevant disclosures.

Kaminak Gold Corporation
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
September 30, 2010
Canadian Dollars

2. Significant Accounting Policies - Continued

r) **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.

s) **Capital Disclosures**

The Company follows the recommendations of CICA Section 1535, "Capital Disclosures". This section requires the Company to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. The disclosure includes quantitative and qualitative information regarding an entity's objectives, policies and procedures for managing capital.

3. Future Accounting and Reporting Changes

a) **International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own 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, 2011 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 expects its detailed analysis of relevant IFRS requirements and of IFRS 1 will be complete by the end of its fiscal quarter ending June 30, 2011, along with its determination of changes to accounting policies and choices to be made. The Company has not yet reached the stage where a quantified impact of conversion on its financial statements can be measured. The Company expects to complete its quantification of financial statement impacts by the end of its fiscal year ending September 30, 2011.

b) **Business Combinations, Non-controlling Interest and Consolidated Financial Statements**

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted.

Kaminak Gold Corporation
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Notes to Consolidated Financial Statements
September 30, 2010
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3. Future Accounting and Reporting Changes – Continued

b) Business Combinations, Non-controlling Interest and Consolidated Financial Statements - Continued

Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after October 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently. The Company does not expect adoption of these sections to have a significant effect on its financial statements.

4. Marketable Securities and Accumulated Other Comprehensive Loss

	September 30, 2010		September 30, 2009	
	Market Value	Cost	Market Value	Cost
Common shares in public companies received as property payments	\$ 673,250	\$ 890,500	\$ 323,000	\$ 708,500

The Company also holds 100,000 share purchase warrants in a public company at an exercise price of \$0.11 per share exercisable on or before September 15, 2011.

Accumulated Other Comprehensive Loss is a result of the difference between original cost and fair value as at September 30, 2010.

5. Equipment

Details for September 30, 2010 are as follows:

	Cost	Accumulated Amortization	Net Book Value September 30, 2010
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
Vehicles	10,839	1,626	9,213
Field Equipment	93,528	9,353	84,175
	\$ 188,729	\$ 46,918	\$ 141,811

Details to September 30, 2009 are as follows:

	Cost	Accumulated Amortization	Net Book Value September 30, 2008
Computer equipment	\$ 11,343	\$ 6,940	\$ 4,403
Computer software	4,450	4,450	-
Office equipment	4,963	1,903	3,060
	\$ 20,756	\$ 13,293	\$ 7,463

Kaminak Gold Corporation
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Canadian Dollars

6. Investments

The Company accounts for its investment in Kivalliq on an equity basis. As at September 30, 2010 the Company held a 3% (September 30, 2009 - 9%) interest in Kivalliq. The Company exercises significant control over the Kivalliq investment. 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.

7. Resource Property Costs:

Details are as follows:

	Acquisition Costs	Exploration Costs	Cumulative as at September 30, 2010	Cumulative as at September 30, 2009
Bathurst, Nunavut	\$ 46,003	\$ 409	\$ 46,412	\$ 36,628
Breakwater, Quebec	63,144	123,050	186,194	163,440
Churchill, Nunavut	-	-	-	1,252,205
Coffee, Cream and Kirkland, Yukon	1,336,433	8,944,105	10,280,538	608,411
Hemlo, Ontario	70,682	327,227	397,909	388,601
IME, Nunavut	30,957	60,238	91,195	91,195
Lach, Nunavut	14,792	46	14,838	-
Matrix, Nunavut	47,066	20,054	67,120	67,074
Needle, Nunavut	-	41,519	41,519	41,438
Needle (Diamond), Nunavut	-	8,999	8,999	8,999
Nevada Gold Properties, Nevada	-	-	-	10,950
Nizi, BC	-	4,189	4,189	-
Sail, BC	28,662	-	28,662	28,457
Sharpe Lake, Manitoba	-	-	-	219,489
Sy, Nunavut	18,379	210,219	228,598	228,431
TBN, Ontario	61,200	188,931	250,131	226,098
Voigtberg, BC	-	-	-	-
Yukon Properties, Yukon	72,159	70,153	142,312	-
	\$ 1,789,477	\$ 9,999,139	\$ 11,788,616	\$ 3,371,416

General

The Company acquired from Hunter and Shear, related parties, two groups of properties: the Hunter Properties and the Shear Properties. The Hunter Properties consist of five mineral properties: the Churchill Gold Property, the Nizi Gold Property, the Matrix Gold Project, the Voigtberg Gold Property and non-diamond rights over the IME Properties. The Shear Properties consist of the Needle, Sy and any non-diamond rights to the Churchill Diamond Projects (except for a 5% non-diamond net profits interest).

Hunter retains a 2% royalty on all minerals on all Hunter properties acquired by the Company.

Bathurst, Nunavut

The property is subject to a 2% Net Smelter Royalty ("NSR") in favour of a third party, Echo Bay Mines Ltd. In addition, the Company was required to make payments to keep the property in good standing.

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7. Resource Property Costs – Continued:

Breakwater, Quebec

The Company has acquired through staking a number of copper-nickel-platinum group element targets in the Grenville geological domain of Southern Quebec. These claims were originally staked with Breakwater Resources Ltd., however, Breakwater agreed to return 100% interest in them to the Company in exchange for a 1% NSR and the retirement of an outstanding debt of \$61,200 (paid).

Churchill, Nunavut

The Churchill property consists of non-diamond rights covering the Churchill Diamond Project operated by Shear Minerals Ltd. in Nunavut. By agreement dated October 6, 2009, the Company granted Shear Minerals Ltd. ("Shear") the right to purchase a 100% interest in the non-diamond mineral rights of the Churchill property and related datasets in exchange for receiving 3,000,000 common shares of Shear (received) and receiving annual summary reports on all non-diamond exploration work on the Property which will include a detailed yearly accounting summary.

During the year ended September 30, 2010, the Company wrote off costs associated with the property totaling \$1,072,536.

The Company retains a 20% back-in-right of the non-diamond mineral rights of the Property 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.

Coffee, Cream and Kirkman, Yukon

The Company entered into an agreement to acquire a 100% interest in certain prospective gold properties located south of Dawson City, Yukon.

The Company can earn a 100% interest in the properties from Shawn Ryan of Dawson City, Yukon, subject to a 2% NSR in favour of the vendor. To earn its interest, Kaminak committed to incur \$250,000 in exploration expenditures by December 31, 2009 (incurred) and issue Mr. Ryan an initial payment of 250,000 common shares of Kaminak (issued) and \$75,000 cash (paid).

Kaminak will be required to complete an additional \$1,550,000 (incurred) in exploration expenditures over three years, issue 1,750,000 shares over 5 years (800,000 issued) and make cash payments totaling \$325,000 (\$130,000 paid) to Mr. Ryan over 4 years. Mr. Ryan would retain a 2% NSR subject at anytime to a 1% buy-back for \$2 million with annual advance royalty payments of \$20,000 commencing December 31, 2013. A finder's fee of 100,000 common shares in the capital of Kaminak valued at \$107,000 was issued to an arm's length party.

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 Indicator Minerals Inc.'s ("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.

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7. Resource Property Costs – Continued:

Lach, Nunavut

The Lach Property consists of a 100% interest claims in the Bathurst Fault Zone of Nunavut.

Matrix, Nunavut

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

Needle, Nunavut

The Company signed a letter of intent with TerraX Resource Corp. ("TerraX") on its Needle Property. TerraX has the right to earn a 51% project interest by making exploration expenditures totalling \$1,000,000 (\$100,000 in year 1) and staged share payments totalling 400,000 common shares issued to the Company by December 31, 2010 (200,000 shares received).

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

Nevada Gold Properties, Nevada

During the year ended September 30, 2009, the Company staked claims located in the state of Nevada.

During the year the Company abandoned these claims and wrote off costs associated with the properties to date totaling \$176,836.

Nizi, British Columbia

The Company signed a letter of agreement with Avasca Inc. (acquired by Solomon Resources Ltd. ["Solomon"]) on Kaminak's Nizi Creek Gold-Silver Property located near Cry Lake, British Columbia. Solomon has the right to earn a 51% project interest by making exploration expenditures totalling \$2,000,000 and staged share payments totalling 400,000 units to Kaminak by December 31, 2011 (100,000 units received). In December 2010, Solomon terminated its option on the Nizi property and returned it 100% to the Company.

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.

Sail Property, British Columbia

The Company has acquired the 100% owned "Sail property" through staking a land package in the Cry Lake area.

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7. Resource Property Costs – Continued:

Sharpe Lake, Manitoba

The Company entered into a Letter of Agreement with a third party on October 18, 2005, amended October 29, 2006, to acquire a 100% interest in the Sharpe Lake Gold Project. The project is located northeast of Winnipeg, Manitoba. To earn its interest, the Company paid the vendor \$15,000 (in January 2006) and issued 100,000 common shares (valued at \$35,000), in addition to the initial payment of \$2,500 upon signing of the agreement covering the license renewal fees for the property. On November 23, 2006 the Company paid the vendor a further \$15,000 and the Company will issue a further 100,000 common shares once Kaminak finds an option partner for the gold and base metal rights exploration licence. The vendor will retain a 2% NSR.

In December 2010, the Company terminated its agreement on the Sharpe Lake Gold Project as such costs of \$225,762 relating to the property have been written off.

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.

“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, British Columbia

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, British Columbia. 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 totalling \$2,000,000 and staged payments totalling 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. BCGold has vested with a 50% interest after spending a minimum of \$1,000,000. The Company and BCGold are to form a joint venture in accordance with their interests held. Upon completion of the required exploration expenditures and issuance of the additional units, BCGold will be vested with an additional 10% interest for a total interest of 60%. BCGold can earn an additional 10% interest in the property by completing a bankable feasibility study, for a total earn-in of 70%.

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

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7. Resource Property Costs – Continued:

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, 2010, the Company wrote-off generative costs of \$253,645 (2009 - \$294,745) to operations.

8. Share Capital

a) Details as follows:

	Number	Amount
Authorized:		
Unlimited number of common voting shares without par value		
Unlimited number of preferred shares without par value		
Common Shares Issued:		
Balance - September 30, 2008	36,467,520	\$ 10,412,223
For properties (Note 7)	400,000	81,500
Private placement	3,887,310	1,373,186
Finders fees (Note 7)	229,999	107,000
Share issuance costs	-	(88,093)
Balance - September 30, 2009	40,984,829	11,885,816
For properties (Note 7)	800,000	654,500
Private placement	11,044,600	15,917,785
Finders fees (Note 7)	113,118	76,920
For cash – exercise of warrants	4,124,309	2,268,370
Transfer from contributed surplus – exercise of warrants (Note 9)	-	424,218
For cash – exercise of options	2,127,500	976,550
Transfer from contributed surplus – exercise of options (Note 9)	-	1,296,336
Share issuance costs	-	(1,573,012)
Flow-through income tax renunciation (Note 13)	-	(478,500)
Balance – September 30, 2010	59,194,356	31,448,983

b) Private placements

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 share and 3,824,300 flow-through common shares at a price of \$1.70 per share for gross proceeds of \$14,503,810.

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8. Share Capital – Continued

b) Private placements - *Continued*

In connection with this private placement the Company issued 549,557 agent warrants exercisable at a price of \$1.62 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 average of the residual method and the Black-Scholes method 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 in years	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 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.

2009

On July 9, 2009, the Company closed a private placement, issuing 1,000,000 flow-through units at a price of \$0.50 per unit for gross proceeds of \$500,000. Each unit consists of one flow-through common share and one non-flow-through common share purchase warrant entitling the holder to purchase one additional non-flow-through common share at a price of \$0.55 to July 9, 2010 and thereafter \$0.70 to July 9, 2011. The warrants issued are subject to an acceleration clause whereby, if the weighted average trading price of Kaminak's shares on the Exchange is at a price greater than \$0.10 above the strike price of a whole common share purchase warrant for a period of 10 consecutive trading days, the Company will have the right to accelerate the expiry date of the warrants. Kaminak will give written notice to the holders of the warrants that the warrants will expire within 30 days of the date notice provided by the Company to the warrant holders. Such notice by the Company to the holders of the warrants may not be given until four months and one day after the Closing.

In connection with this private placement the Company issued 70,000 agent warrants exercisable at a price of \$0.55 to July 9, 2010 and thereafter \$0.70 to July 9, 2011. 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 \$27,385 based upon the average of the residual method and the Black-Scholes method using the following assumptions noted below. Finder's fees consisted of the issuance of 70,000 fully paid common shares of the Company.

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8. Share Capital – Continued:

b) Private placements – *Continued:*

On July 7, 2009, the Company closed the 2nd tranche of its private placement, issuing 1,738,100 units at a price of \$0.45 per unit for gross proceeds of \$782,145. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.55 to July 7, 2010 and thereafter \$0.70 to July 7, 2011. The warrants issued are subject to an acceleration clause whereby, if the weighted average trading price of Kaminak's shares on the Exchange is at a price greater than \$0.10 above the strike price of a whole common share purchase warrant for a period of 10 consecutive trading days, the Company will have the right to accelerate the expiry date of the warrants. Kaminak will give written notice to the holders of the warrants that the warrants will expire within 30 days of the date notice provided by the Company to the warrant holders. Such notice by the Company to the holders of the warrants may not be given until four months and one day after the Closing.

In connection with this private placement the Company issued 113,477 agent warrants exercisable at a price of \$0.55 to July 7, 2010 and thereafter \$0.70 to July 7, 2011. 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 \$26,406 based upon the average of the residual method and the Black-Scholes method using the following assumptions noted below. Finder's fees consisted of the issuance of 113,477 fully paid common shares of the Company and cash payments of \$4,883.

On June 29, 2009, the Company closed the 1st tranche of its private placement, issuing 1,149,210 units at a price of \$0.45 per unit for gross proceeds of \$517,145. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.55 to June 29, 2010 and thereafter \$0.70 to June 29, 2011. The warrants issued are subject to an acceleration clause whereby, if the weighted average trading price of Kaminak's shares on the Exchange is at a price greater than \$0.10 above the strike price of a whole common share purchase warrant for a period of 10 consecutive trading days, the Company will have the right to accelerate the expiry date of the warrants. Kaminak will give written notice to the holders of the warrants that the warrants will expire within 30 days of the date notice provided by the Company to the warrant holders. Such notice by the Company to the holders of the warrants may not be given until four months and one day after the Closing.

In connection with this private placement the Company issued 46,522 agent units. Each unit had one common share and one share purchase warrant exercisable at a price of \$0.55 to June 29, 2010 and thereafter \$0.70 to June 29, 2011. 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 \$28,154 based upon the average of the residual method and the Black-Scholes method using the following assumptions noted below. The Company also made cash payments of \$3,150 and issued an additional 7,000 agents share purchase warrants exercisable at a price of \$0.55 to June 29, 2010 and thereafter \$0.70 to June 29, 2011.

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8. Share Capital – Continued:

c) Warrants:

Details as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, September 30, 2008	-	-
Issued	4,124,309	\$0.55
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

At September 30, 2010, 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	549,557	1.83

d) Stock Options

During the year ended September 30, 2010, the Company granted options to acquire 3,905,000 (2009 – 650,000) common shares. Stock based compensation expense under the Black-Scholes option pricing model of \$6,241,913 (2009 - \$62,511) was recorded in relation to options vested in the year. The weighted average fair value of the options granted was \$1.80 (2009 - \$0.05) per option.

Details as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding options, September 30, 2008	2,875,000	\$0.52
Issued	650,000	\$0.15
Expired or cancelled without exercise	(410,000)	\$0.45
Outstanding options, September 30, 2009	3,115,000	\$0.40
Issued	3,905,000	\$2.28
Exercised	(2,127,500)	\$0.46
Expired or cancelled without exercise	(105,000)	\$0.57
Outstanding options, September 30, 2010	4,787,500	\$1.90

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8. Share Capital – Continued:

d) Stock Options – *Continued:*

At September 30, 2010 the following stock options were outstanding:

Expiry Date	Original Weighted Average Exercise Price	Adjusted Weighted Average Exercise Price	Number of Options	Vested and Exercisable Number of Options	Weighted Average Remaining Life in Years
January 17, 2011	\$0.55	\$0.45	185,000	185,000	0.30
April 7, 2011	\$0.55	\$0.45	50,000	50,000	0.52
July 21, 2011	\$0.55	\$0.45	125,000	125,000	0.81
April 2, 2012	\$0.79	\$0.65	40,000	40,000	1.51
June 18, 2012	\$0.79	\$0.65	120,000	120,000	1.72
July 16, 2013	\$0.45	\$0.45	50,000	50,000	2.79
December 5, 2013	\$0.12	\$0.12	500,000	500,000	3.18
January 28, 2015	\$0.70	\$0.70	757,500	315,000	4.33
March 18, 2015	\$1.07	\$1.07	25,000	12,500	4.47
April 12, 2015	\$1.00	\$1.00	730,000	730,000	4.53
June 23, 2015	\$1.58	\$1.58	10,000	-	4.73
June 29, 2015	\$1.50	\$1.50	20,000	20,000	4.75
September 14, 2015	\$3.12	\$3.12	250,000	-	4.96
September 24, 2015	\$3.45	\$3.45	1,925,000	1,925,000	4.99
	\$1.91	\$1.96	4,787,500	4,072,500	3.88

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for the stock options granted to 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 in years	5 years

During the year ended September 30, 2009, the Company granted options to acquire 650,000 common shares. Stock-based compensation expense using the Black-Scholes option pricing model was \$62,511. The weighted average fair value of the options granted was \$0.05 per option.

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8. Share Capital – Continued:

d) Stock Options – *Continued:*

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for the stock options granted to September 30, 2009:

September 30, 2009	
Risk-free interest rate	2.21%
Expected dividend yield	0%
Expected stock price volatility	107.78%
Average expected option life in years	5 years

On February 17, 2009, the Company adopted a stock option plan with the following terms:

- i) Options granted can not 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 share must be at least \$0.10.
- ii) At the time of the grant:
 - a) the total number of shares so reserved for issuance by the Board of directors shall not exceed ten (10%) percent of the issued and outstanding shares (on a non-diluted basis);
 - b) the aggregate number of shares so reserved for issuance to any one optionee in a 12 month period shall not exceed five (5%) percent of the issued shares (on a non-diluted basis);
 - c) the aggregate number of options granted to any one consultant in a 12 month period shall not exceed 2% of the issued shares;
 - d) the aggregate number of options granted to employees, who provide investor relations activities must not exceed 2% of the issued shares in any 12 month period; and
 - e) options granted to consultants performing investor relations services must vest in stages over 12 months with no more than one-quarter of the options vesting in any 3 month period. Options granted to employees vest at the discretion of the Board of Directors.

9. Contributed Surplus

Balance consists of:

Balance – September 30, 2008	\$ 1,419,042
- stock-based compensation on options issued	62,511
- private placement warrants issued, net of issuance costs	424,219
- agents warrants issued	(25,058)
Balance – September 30, 2009	1,880,714
- stock-based compensation on options issued	6,241,912
- private placement agent warrants issued, net of issuance costs	576,865
- options exercised	(1,296,336)
- warrants exercised	(424,218)
Balance – September 30, 2010	\$6,978,937

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10. Related Party Transactions

Included in the year ended September 30, 2010 are consulting fees of \$55,216 (2009 - \$22,298), travel and conference charges of \$46,950 (2009 - \$34,555), office and sundry charges of \$26,186 (2009 - \$19,255), rent charges of \$25,011 (2009 - \$19,425) and investor relations charges of \$nil (2009 - \$21,652) to a company controlled by directors of the Company.

During the year ended September 30, 2010 the Company incurred \$193,310 (2009 - \$157,000) in consulting fees and \$35,450 (2009 - \$32,750) in accounting fees to directors and officers. Of this, \$9,376 (2009 - \$8,715) remained in accounts payable at September 30, 2010.

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. The fair value of the amounts due to related parties cannot be determined as there are no specific terms of repayment.

11. Financial Instruments

Categories of financial assets and liabilities

The fair value of the Company's accrued interest receivable, cash call receivable, GST receivable and accounts payable and accrued liabilities approximate carrying value which is the amount recorded on the consolidated balance sheet. The Company's other financial instruments, cash, 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 accounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote as the balance primarily consists of GST receivable from the Government of Canada.

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, 2010, the Company had a cash balance of \$12,466,401 (2009 - \$5,175,302) to settle current liabilities of \$690,967 (2009 - \$316,062). 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.

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11. Financial Instruments – Continued:

(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, 2010, the Company had \$52,426 (2009 - \$31,585) invested in investment-grade short-term deposit certificates.

(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.

12. 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 as well as cash, receivables and current liabilities.

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, 2010. The Company is not subject to externally imposed capital requirements.

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13. 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, 2010	For the Year Ended September 30, 2009
Loss before income taxes	\$ (8,898,269)	\$ (1,003,913)
Statutory Canadian federal and provincial tax rates	28.875%	30.125%
Expected tax recovery	(2,569,375)	(302,429)
Non deductible (deductible) expenses		
Stock-based compensation	1,802,352	18,831
Amortization	9,709	778
Loss on investment	17,787	23,075
Taxable portion of gain on investment	(32,050)	-
Gain on optioning of resource property	(2,877)	(9,579)
Share issuance costs	(84,056)	(32,312)
Write-off of resource property costs	499,185	104,320
Unrecognized benefit of non-capital losses	(119,175)	197,316
Future income tax recovery	\$ (478,500)	\$ -

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

	September 30, 2010	September 30, 2009
Future income tax asset		
Equipment	\$ 11,700	\$ 3,300
Resource property costs	(453,000)	392,100
Marketable securities	27,200	44,600
Investments	15,900	9,800
Non-capital loss carry-forwards	818,200	597,100
Share issuance costs	207,000	49,600
Future income tax asset	627,000	1,096,500
Valuation allowance	(627,000)	(1,096,500)
Future income tax asset	\$ -	\$ -

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse. For 2010 and 2009 this rate is estimated to be 25%.

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 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 \$478,500 of the exploration expenditures to be renounced to shareholders were applied against share capital.

Kaminak Gold Corporation
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Notes to Financial Statements
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13. Income Taxes - Continued

The Company has available for deduction against future taxable income in Canada non-capital losses of approximately \$3,272,000. These losses, if not utilized, will expire through 2030. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

14. Segmented Information

The Company operates in one reportable segment, being the acquisition and exploration of mineral properties. All of the Company's equipment and resource properties are located in Canada.

15. Subsequent Events

- a. On October 1, 2010, the Company issued 50,000 options to an employee of the Company with an exercise price of \$3.29 per share.
- b. On December 9, 2010, the Company issued 200,000 options to an officer of the Company with an exercise price of \$2.76 per share.
- c. On November 16, 2010, the Company completed a bought deal private placement offering of 3,342,600 flow-through common shares at a price of \$3.60 per unit, for total gross proceeds of \$12,033,360.
- d. Subsequent to September 30, 2010, 602,500 options were exercised for total gross proceeds of \$318,750.
- e. Subsequent to September 30, 2010, 15,000 warrants were exercised for total gross proceeds of \$24,300.