

**KAMINAK GOLD CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009**  
**Canadian Dollars**  
**Unaudited – Prepared by Management**

## **Notice of Non-review of Interim Financial Statements**

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The attached interim consolidated financial statements for the three month period ended December 31, 2010 have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these interim financial statements.

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**Kaminak Gold Corporation**  
*(An Exploration Stage Company)*  
**Consolidated Balance Sheets**  
*Canadian Dollars*  
*Unaudited – Prepared by Management*

<b>ASSETS</b>	<b>As at December 31, 2010</b>	<b>As at September 30, 2010</b>
<b>Current</b>		
Cash and cash equivalents	\$ 21,574,890	\$ 12,466,401
Accrued interest receivable	39,140	19,893
Marketable securities <i>(Note 4)</i>	662,750	673,250
HST receivable	836,961	723,047
Prepaid expense	42,853	76,607
Short-term investment	52,426	52,426
	<b>23,209,020</b>	14,011,624
<b>Restricted Cash</b>	<b>50,000</b>	50,000
<b>Investments</b> <i>(Note 6)</i>	<b>30,795</b>	81,932
<b>Office Equipment</b> , at net book value <i>(Note 5)</i>	<b>339,707</b>	141,811
<b>Resource Property Costs</b> <i>(Note 7) – Schedule</i>	<b>13,032,465</b>	11,788,616
	<b>\$ 36,661,987</b>	<b>\$ 26,073,983</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 141,895	\$ 690,967
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> <i>(Note 8)</i>	<b>43,007,618</b>	31,448,983
<b>Contributed Surplus</b> <i>(Note 9)</i>	<b>7,821,459</b>	6,978,937
<b>Accumulated Other Comprehensive Loss</b> <i>(Note 4)</i>	<b>(244,000)</b>	(233,500)
<b>Deficit</b>	<b>(14,064,985)</b>	(12,811,404)
	<b>36,520,092</b>	25,383,016
	<b>\$ 36,661,987</b>	<b>\$ 26,073,983</b>

Nature of Operations (Note 1)  
Subsequent Events (Note 13)

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 Three Months Ended December 31,***Canadian Dollars**Unaudited – Prepared by Management*

	2010	2009
<b>Expenses</b>		
Accounting and legal	\$ 90,523	\$ 27,268
Amortization	12,780	1,267
Bank charges and interest	1,528	857
Investor relations	31,455	6,007
Listing and filing fees	38,103	10,383
Office and sundry	42,640	4,267
Rent	10,748	-
Salaries and consulting fees	142,390	105,618
Stock-based compensation	781,748	5,458
Transfer agent fees	4,023	1,612
Travel and conference	65,754	19,544
<b>Loss before the undernoted</b>	<b>(1,221,692)</b>	<b>(182,281)</b>
<b>Other Income (Expenses)</b>		
Interest	19,247	-
Loss on investments	(51,136)	(8,356)
Write-off of resource property costs	-	(1,129,782)
	<b>(31,889)</b>	<b>(1,138,138)</b>
<b>Loss For The Period</b>	<b>(1,253,581)</b>	<b>(1,320,419)</b>
<b>Deficit - Beginning of Period</b>	<b>(12,811,404)</b>	<b>(4,391,635)</b>
<b>Deficit – End of Period</b>	<b>\$ (14,064,985)</b>	<b>\$ (5,712,054)</b>
<b>Loss For The Period</b>	<b>\$ (1,253,581)</b>	<b>\$ (1,320,419)</b>
Changes in fair value of marketable securities	(10,500)	2,250
<b>Total Comprehensive Loss For The Period</b>	<b>\$ (1,264,081)</b>	<b>\$ (1,318,169)</b>
<b>Basic and Diluted Loss per Share</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>61,218,238</b>	<b>41,398,749</b>

- See Accompanying Notes -

**Kaminak Gold Corporation**  
*(An Exploration Stage Company)*  
**Consolidated Statements of Cash Flows**  
**For the Three Months Ended December 31,**  
*Canadian Dollars*  
*Unaudited – Prepared by Management*

	2010	2009
<b>Cash Flows from Operating Activities</b>		
Net loss for the period	\$ (1,253,581)	\$ (1,320,419)
Items not affected by cash:		
Amortization	12,780	1,267
Loss on investments	51,136	5,458
Stock-based compensation	781,748	-
Write-off of resource property costs	-	1,129,782
Changes in non-cash working capital:		
HST receivable	(113,914)	(8,184)
Cash call receivable	-	(10,534)
Accrued interest receivable	(19,247)	-
Prepaid expenses	33,754	(5,889)
Accounts payable and accrued liabilities	(2,314)	(10,016)
	<b>(509,638)</b>	<b>(190,147)</b>
<b>Cash Flows from Investing Activities</b>		
Resource property costs	(1,790,607)	(888,278)
Office equipment	(210,676)	(11,146)
	<b>(2,001,283)</b>	<b>(899,424)</b>
<b>Cash Flows from Financing Activities</b>		
Issuance of share capital, net	11,619,410	1,677,825
	<b>11,619,410</b>	<b>1,677,825</b>
<b>Net Increase in Cash</b>	<b>9,108,489</b>	<b>588,254</b>
Cash - Beginning of Period	12,466,401	4,855,655
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 21,574,890</b>	<b>\$ 5,763,556</b>
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities</b>		
Accounts payable included in resource property costs	\$ 75,255	\$ 10,966
Transfer of contributed surplus to share capital on warrant exercise	\$ 34,990	\$ -
Transfer of contributed surplus to share capital on option exercise	\$ 274,829	\$ -
Receipt of shares and warrants as property option payments, net of gains on optioning of resource properties	\$ -	\$ 180,000
Shares issued for mineral properties	\$ -	\$ 130,000
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

- See Accompanying Notes -

# Kaminak Gold Corporation

(An Exploration Stage Company)

## Consolidated Schedule of Resource Property Costs

Canadian Dollars

Unaudited – Prepared by Management

	For the Three Months Ended December 31, 2010			For the Year Ended September 30, 2010
	Acquisition Costs	Deferred Exploration	Total	Total
<b>Mineral Interests</b>				
<b><i>Bathurst, Nunavut</i></b>				
Claim maintenance	9,713	-	<b>9,713</b>	\$ -
Recording and staking	-	-	-	9,713
Geological consulting	-	-	-	70
	9,713	-	<b>9,713</b>	9,783
<b><i>Breakwater, Quebec</i></b>				
Recording and staking	-	-	-	710
Field and general	-	378	<b>378</b>	400
Geological consulting	-	2,785	<b>2,785</b>	13,216
Travel and accommodation	-	-	-	8,425
	-	3,163	<b>3,163</b>	22,754
<b><i>Churchill, Nunavut</i></b>				
Project cost recoveries	-	-	-	(180,000)
Assays	-	-	-	330
	-	-	-	(179,670)
<b><i>Coffee, Cream, Kirkman, Yukon</i></b>				
Acquisition cost – shares	-	-	-	645,500
Acquisition cost – cash	-	-	-	130,000
Recording and staking	22,633	-	<b>22,633</b>	358,892
Assays	-	28,517	<b>28,517</b>	294,217
Field and general	-	793,001	<b>793,001</b>	4,059,936
Geological consulting	-	238,770	<b>238,770</b>	803,545
Travel and accommodation	-	142,468	<b>142,468</b>	3,434,286
Governmental assistance	-	-	-	(54,249)
	22,633	1,202,756	<b>1,225,389</b>	9,672,127
<b><i>Hemlo, Ontario</i></b>				
Field and general	-	137	<b>137</b>	-
Geological consulting	-	1,186	<b>1,186</b>	9,308
	-	1,323	<b>1,323</b>	9,308
<b><i>Lach</i></b>				
Recording and staking	-	-	-	14,792
Geological consulting	-	-	-	46
	-	-	-	14,838
<b><i>Matrix, Nunavut</i></b>				
Geological consulting	-	-	-	46
	-	-	-	46
<b><i>Michigan Potash</i></b>				
Geological consulting	-	4,055	<b>4,055</b>	-
	-	4,055	<b>4,055</b>	-
<b><i>Needle, Nunavut</i></b>				
Geological consulting	-	-	-	81
	-	-	-	81
<b>Balance Forward</b>	\$ 32,346	\$ 1,211,297	\$ <b>1,243,643</b>	\$ 9,549,267

- See Accompanying Notes -

# Kaminak Gold Corporation

(An Exploration Stage Company)

## Consolidated Schedule of Resource Property Costs

Canadian Dollars

	For the Three Months Ended December 31, 2010			For the Year Ended September 30, 2010
	Acquisition Costs	Deferred Exploration	Total	Total
<b>Balance Brought Forward</b>	\$ 32,346	\$ 1,211,297	\$ 1,243,643	\$ 9,549,267
<b><i>Nevada Gold Properties, Nevada,</i></b>				
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
<b><i>Nizi, BC</i></b>				
Recording and staking	-	-	-	4,189
	-	-	-	4,189
<b><i>Sail, BC</i></b>				
Recording and staking	69	-	69	205
	69	-	69	205
<b><i>Sharpe Lake, Manitoba</i></b>				
Recording and staking	-	-	-	6,273
	-	-	-	6,273
<b><i>Sy, Nunavut</i></b>				
Geological consulting	-	-	-	169
	-	-	-	169
<b><i>TBN, Ontario</i></b>				
Airborne geological	-	-	-	6,023
Field and supplies	-	137	137	4,148
Geological consulting	-	-	-	6,993
Travel and accommodation	-	-	-	6,869
	-	137	137	24,033
<b><i>Voigtberg, BC</i></b>				
Option receipt – shares	-	-	-	(35)
Geological consulting	-	-	-	35
	-	-	-	-
<b><i>Yukon Properties, Yukon</i></b>				
Recording and staking	-	-	-	72,159
Field and general	-	-	-	29,891
Travel and accommodation	-	-	-	40,262
	-	-	-	142,312
<b>Balance Forward</b>	\$ 32,415	\$ 1,211,434	\$ 1,243,849	\$ 9,892,334

- See Accompanying Notes -

**Kaminak Gold Corporation***(An Exploration Stage Company)***Consolidated Schedule of Resource Property Costs***Canadian Dollars**Unaudited - Prepared by Management*

	For the Three Months Ended December 31, 2010			For the Year Ended September 30, 2010
	Acquisition Costs	Deferred Exploration	Total	
<b>Balance Brought Forward</b>	\$ 32,415	\$ 1,211,434	\$ 1,243,849	\$ 9,892,334
<b>Generative</b>				
Recording and staking	-	-	-	243
Assays	-	-	-	14,646
Field and supplies	-	-	-	118,054
Geological Consulting	-	-	-	71,741
Travel and accommodation	-	-	-	48,961
	-	-	-	253,645
<b>Resource Property Costs for the Period</b>	32,415	1,211,434	<b>1,243,849</b>	10,145,979
<b>Write off of Resource Property Costs</b>	-	-	-	(1,728,779)
Balance, Beginning of the Period	1,973,220	9,815,396	<b>11,788,616</b>	3,371,416
<b>Balance, End of the Period</b>	\$ 2,005,635	\$ 11,026,830	\$ <b>13,032,465</b>	\$ 11,788,616

- See Accompanying Notes -

# **Kaminak Gold Corporation**

*(An Exploration Stage Company)*

## **Notes to Consolidated Financial Statements**

**December 31, 2010**

*Canadian Dollars*

*Unaudited – Prepared by Management*

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### **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".

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### **2. Significant Accounting Policies**

These interim financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements do not include all disclosures required by Canadian Generally Accepted Accounting Principles for annual financial statements and accordingly, the interim financial statements should be read in conjunction with the audited financial statements and notes thereto of the Company as at September 30, 2010.

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### **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.

**Kaminak Gold Corporation**  
*(An Exploration Stage Company)*  
**Notes to Consolidated Financial Statements**  
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**3. Future Accounting and Reporting Changes - Continued**

**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. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are 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 these Sections is permitted and all three Sections must be adopted concurrently. The Company does not expect the adoption of these sections to have a significant effect on its financial statements.

**4. Marketable Securities and Accumulated Other Comprehensive Loss**

	<b>December 31, 2010</b>		<b>September 30, 2010</b>	
	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>
Common shares in public companies received as property payments	<b>\$ 662,750</b>	<b>\$ 890,500</b>	<b>\$ 673,250</b>	<b>\$ 890,500</b>

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 December 31, 2010.

**5. Property and Equipment**

Details for December 31, 2010 are as follows:

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value December 31, 2010</b>
Land	\$ 150,000	-	<b>\$ 150,000</b>
Furniture and Equipment	4,963	2,637	<b>2,326</b>
Computer Hardware	43,028	15,266	<b>27,762</b>
Computer Software	36,371	24,400	<b>11,971</b>
Vehicles	10,839	2,317	<b>8,522</b>
Field Equipment	154,204	15,078	<b>139,126</b>
	<b>\$ 399,405</b>	<b>\$ 59,698</b>	<b>\$ 339,707</b>

**Kaminak Gold Corporation**  
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**Notes to Consolidated Financial Statements**  
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**5. Property and Equipment - Continued**

Details to 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

**6. Investments**

The Company accounts for its investment in Kivalliq on an equity basis. As at December 31, 2010 the Company held a 3% (September 30, 2010 - 3%) 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.

**7. Resource Property Costs:**

Details are as follows:

	Acquisition Costs	Exploration Costs	Cumulative as at December 31, 2010	Cumulative as at September 30, 2010
Bathurst, Nunavut	\$ 55,715	\$ 409	\$ 56,125	\$ 46,412
Breakwater, Quebec	63,144	126,213	189,357	186,194
Coffee, Cream and Kirkland, Yukon	1,359,066	10,146,861	11,505,927	10,280,538
Hemlo, Ontario	70,682	328,550	399,232	397,909
IME, Nunavut	30,957	60,238	91,195	91,195
Lach, Nunavut	14,792	46	14,838	14,838
Matrix, Nunavut	47,066	20,054	67,120	67,120
Michigan Potash	-	4,055	4,055	-
Needle, Nunavut	-	41,519	41,519	41,519
Needle (Diamond), Nunavut	-	8,999	8,999	8,999
Nizi, BC	-	4,189	4,189	4,189
Sail, BC	28,731	-	28,731	28,662
Sy, Nunavut	18,379	210,219	228,598	228,598
TBN, Ontario	61,200	189,068	250,268	250,131
Voigtberg, BC	-	-	-	-
Yukon Properties, Yukon	72,159	70,153	142,312	142,312
	\$ 1,821,891	\$ 11,210,573	\$ 13,032,465	\$ 11,788,616

**Kaminak Gold Corporation**  
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**Notes to Consolidated Financial Statements**  
**December 31, 2010**  
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**7. Resource Property Costs – Continued:**

***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.

***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).

***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, 2010 (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 in exploration expenditures over three years, issue 1,750,000 shares over 5 years (250,000 issued) and make cash payments totaling \$325,000 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.

**Kaminak Gold Corporation**  
*(An Exploration Stage Company)*  
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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 (100,000 shares received).

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

***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). By December 31, 2010 exploration expenditures are set at a minimum of \$300,000.

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.

***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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**7. 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, 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 dollars and staged payments totalling 400,000 Units 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 will be vested with a total of a 50% interest after spending a minimum of \$1,000,000, thereafter BCGold and the Company will form a joint venture in accordance with their interests then 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.

***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.

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**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:		
<b>Balance - September 30, 2009</b>	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)
<b>Balance – September 30, 2010</b>	59,194,356	31,448,983
Private placement	3,342,600	12,033,360
Finder's Fees	-	(757,002)
Agent's Warrants	-	(370,592)
For cash – exercise of warrants	15,000	24,300
Transfer from contributed surplus – exercise of warrants (Note 9)	-	34,990
For cash – exercise of options	602,500	318,750
Transfer from contributed surplus – exercise of options (Note 9)	-	274,829
<b>Balance – December 31, 2010</b>	63,154,456	43,007,618

b) Private placements:

**2011**

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 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 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 average of the residual method and the Black-Scholes method using the following assumptions noted below.

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**8. Share Capital - Continued**

b) Private placements: - *Continued*

Risk-free interest rate	1.57%
Expected dividend yield	0%
Expected stock price volatility	125%
Average expected warrant life in years	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 share and 3,824,300 flow-through common shares at a price of \$1.70 per share for gross proceeds of \$14,503,810.

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.

c) 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
<b>Outstanding warrants, September 30, 2010</b>	<b>549,557</b>	<b>\$1.62</b>
Issued	200,556	\$3.60
Exercised	(15,000)	\$1.62
<b>Outstanding warrants, December 31, 2010</b>	<b>735,113</b>	<b>\$2.16</b>

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**8. Share Capital - Continued:**

c) Warrants: - Continued

At December 31, 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	534,557	1.58
November 16, 2012	\$3.60	200,556	1.88
<b>Weighted average of exercise price</b>	<b>\$2.16</b>	<b>735,113</b>	<b>1.66</b>

d) Stock Options:

Details 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
Expired or cancelled without exercise	(55,000)	\$0.57
<b>Outstanding options, September 30, 2010</b>	<b>4,837,500</b>	<b>\$1.90</b>
Issued	250,000	\$2.87
Exercised	(602,500)	\$0.53
Expired or cancelled without exercise	(10,000)	\$1.58
<b>Outstanding options, December 31, 2010</b>	<b>4,475,000</b>	<b>\$2.13</b>

At December 31, 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
July 21, 2011	\$0.55	\$0.45	125,000	125,000	0.55
June 18, 2012	\$0.79	\$0.65	105,000	105,000	1.47
December 5, 2013	\$0.12	\$0.12	450,000	450,000	2.93
January 28, 2015	\$0.70	\$0.70	595,000	373,750	4.08
March 18, 2015	\$1.07	\$1.07	25,000	18,750	4.21
April 12, 2015	\$1.00	\$1.00	730,000	730,000	4.28
June 29, 2015	\$1.50	\$1.50	20,000	20,000	4.50
September 14, 2015	\$3.12	\$3.12	250,000	62,500	4.71
September 24, 2015	\$3.45	\$3.45	1,925,000	1,925,000	4.73
October 1, 2015	\$3.29	\$3.29	50,000	-	4.75
December 9, 2015	\$2.79	\$2.79	200,000	200,000	4.94
	<b>\$2.13</b>	<b>\$2.13</b>	<b>4,475,000</b>	<b>4,010,000</b>	<b>4.20</b>

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**8. Share Capital - Continued:**

d) Stock Options: - *Continued:*

During the period ended December 31, 2010, the Company granted options to acquire 250,000 common shares with a weighted average exercise price of \$2.87 per share, of which 200,000 vested during the period. Stock-based compensation expense under the Black-Scholes option pricing model of \$781,748 was recorded in relation to options vested during the period. The weighted average fair value of the options granted was \$2.35 per option.

The following weighted average assumptions were used for the valuation of stock options granted during the period ended December 31, 2010:

Risk-free interest rate	2.39%
Expected dividend yield	0%
Expected stock price volatility	119.44%
Average expected option life in years	5 years

During the year ended September 30, 2010, the Company granted options to acquire 3,905,000 common shares with a weighted average exercise price of \$2.28 per share, of which 3,200,000 vested during the year. Stock-based compensation expense under the Black-Scholes option pricing model of \$6,241,912 was recorded in relation to options vested during the year. The weighted average fair value of the options granted was \$1.80 per option.

The following weighted average assumptions were used for the valuation of stock options granted during the year ended 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

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.

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**8. Share Capital – Continued:**

d) Stock Options – *Continued:*

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.
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**9. Contributed Surplus**

Balance consists of:

Balance – September 30, 2009	\$ 1,880,714
- stock-based compensation on options issued	6,241,912
- private placement warrants issued, net of issuance costs	576,865
- options exercised	(1,296,336)
- warrants exercised	(424,218)
<b>Balance – September 30, 2010</b>	<b>\$ 6,978,937</b>
- stock-based compensation on options issued	781,748
- private placement warrants issued, net of issuance costs	370,592
- options exercised	(274,829)
- warrants exercised	(34,989)
<b>Balance – December 31, 2010</b>	<b>\$ 7,821,459</b>

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**10. Related Party Transactions**

Included in the current period are consulting fees of \$18,380 (2009 - \$10,474) and office and sundry charges of \$26,843 (2009 - \$2,004) to a company controlled by directors of the Company.

During the period the Company incurred \$155,137 (2009 - \$54,000) in consulting fees and \$10,600 (2009 - \$8,700) in accounting fees to directors and officers.

At December 31, 2010, \$1,320 (September 30, 2010 - \$nil) was due to a company controlled by directors and officers of the Company, and \$7,352 (September 30, 2010 - \$10,356) was due to directors and officers of the Company.

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.

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**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.

*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 December 31, 2010, the Company had a cash and cash equivalent balance of \$21,574,890 (September 30, 2010 - \$12,466,401) to settle current liabilities of \$141,895 (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.

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**11. Financial Instruments – Continued:**

*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 December 31, 2010, the Company had \$52,426 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.

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**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. Subsequent Events**

- a. On January 4, 2011, the Company issued 20,000 options to an employee of the Company with an exercise price of \$2.96 per share.
- b. On January 6, 2011, the Company issued 200,000 options to a consultant of the Company with an exercise price of \$2.77 per share.
- c. On February 2, 2011, the Company issued 170,000 options to consultants and employees of the Company with an exercise price of \$2.95 per share.
- d. Subsequent to December 31, 2010, 47,500 options were exercised for total gross proceeds of \$32,750.
- e. On February 16, 2011, the Company announced a bought deal private placement, to sell 1,667,000 common shares (the “Common Shares”) of the Company at a price of C\$3.00 per Common Share and 1,389,000 flow-through common shares at a price of C\$3.60 per Flow-Through Share for aggregate gross proceeds of C\$10,001,400.

In addition, the Company has granted the Underwriters an option (the “Over-Allotment Option”), exercisable at any time up to 48 hours prior to the closing of the Offering, to purchase from the Company up to such number of additional Common Shares equal to 15% of the Common Shares sold in the Offering at C\$3.00 and additional Flow-Through Shares equal to 15% of the number of Flow-Through Shares sold in the Offering at C\$3.60.

The Underwriters will receive a cash commission equivalent to 6% of the gross proceeds raised including any proceeds from the exercise of the Over-Allotment Option, and share purchase warrants entitling the Underwriters to purchase, within 24 months after closing of the Offering, common shares equal to 6% of the Offered Securities sold pursuant to the Offering at a price of C\$3.60.