

**KAMINAK GOLD CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008**  
**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, 2009 and 2008 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, 2009 and 2008 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 22, 2010



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

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
<b>Current</b>		
Cash and cash equivalents	\$ 5,175,302	\$ 4,855,655
Accrued interest receivable	-	17,173
Cash call receivable	11,056	99,842
Marketable securities <i>(Note 6)</i>	323,000	310,000
GST receivable	198,342	129,189
Prepaid expense	7,246	5,000
Short-term investment	31,585	31,585
	<b>5,746,531</b>	<b>5,448,444</b>
<b>Investments</b> <i>(Note 8)</i>	<b>171,797</b>	<b>248,394</b>
<b>Office Equipment</b> , at net book value <i>(Note 7)</i>	<b>7,463</b>	<b>9,730</b>
<b>Resource Property Costs</b> <i>(Note 9) – Schedule</i>	<b>3,371,416</b>	<b>2,468,222</b>
	<b>\$ 9,297,207</b>	<b>\$ 8,174,790</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 316,062	\$ 95,997
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> <i>(Note 10)</i>	<b>11,885,816</b>	<b>10,412,223</b>
<b>Contributed Surplus</b> <i>(Note 11)</i>	<b>1,880,714</b>	<b>1,419,042</b>
<b>Accumulated Other Comprehensive Loss</b> <i>(Note 6)</i>	<b>(393,750)</b>	<b>(364,750)</b>
<b>Deficit</b>	<b>(4,391,635)</b>	<b>(3,387,722)</b>
	<b>8,981,145</b>	<b>8,078,793</b>
	<b>\$ 9,297,207</b>	<b>\$ 8,174,790</b>

Nature of Operations (Note 1)  
Subsequent Events (Note 17)

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*

	2009	2008
<b>Expenses</b>		
Accounting and legal	\$ 97,877	\$ 280,433
Amortization	2,584	3,301
Bank charges and interest	886	23,505
Investor relations	44,561	136,277
Listing and filing fees	24,391	47,510
Office and sundry	27,888	38,770
Rent	19,425	25,070
Salaries and consulting fees	296,698	307,857
Stock-based compensation	62,511	227,223
Transfer agent fees	10,041	12,997
Travel and conference	81,852	142,505
<b>Loss before the undernoted</b>	<b>(668,714)</b>	<b>(1,245,448)</b>
<b>Other Income (Expenses)</b>		
Interest	28,407	114,303
Cost recoveries	52,948	-
Gain on optioning of resource property	31,798	318,931
Loss on investments	(76,597)	(2,003)
Minority interest	-	21,996
Write off of cash call receivable	(25,463)	-
Write-off of resource property costs	(346,292)	(253,154)
	<b>(335,199)</b>	<b>200,073</b>
<b>Loss from continuing operations</b>	<b>(1,003,913)</b>	<b>(1,045,375)</b>
Loss allocated to spin-out assets (Note 2)	-	(53,902)
<b>Loss before income taxes</b>	<b>(1,003,913)</b>	<b>(1,099,277)</b>
<b>Future income tax recovery</b>	<b>-</b>	<b>217,000</b>
<b>Loss For The Year</b>	<b>(1,003,913)</b>	<b>(882,277)</b>
<b>Deficit - Beginning of Year</b>	<b>(3,387,722)</b>	<b>(2,505,445)</b>
<b>Deficit – End of Year</b>	<b>\$ (4,391,635)</b>	<b>\$ (3,387,722)</b>
<b>Loss For The Year</b>	<b>\$ (1,003,913)</b>	<b>\$ (882,277)</b>
Changes in fair value of marketable securities	(29,000)	(348,500)
<b>Total Comprehensive Loss For The Year</b>	<b>\$ (1,032,913)</b>	<b>\$ (1,230,777)</b>
<b>Basic and Diluted Loss per Share</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>37,609,614</b>	<b>32,982,084</b>

- See Accompanying Notes -

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

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Net loss for the year	\$ (1,003,913)	\$ (882,277)
Items not affected by cash:		
Amortization	2,584	3,301
Future income tax recovery	-	(217,000)
Gain on optioning of resource property	(31,798)	(318,931)
Non-cash portion of loss allocated to Kivalliq	-	4,722
Loss on investments	76,597	2,003
Minority interest	-	(21,996)
Stock-based compensation	62,511	227,223
Write-off of cash call receivable	25,463	-
Write-off of resource property costs	346,292	253,154
Changes in non-cash working capital:		
GST receivable	(69,153)	(64,605)
Cash call receivable	63,323	(75,081)
Accrued interest receivable	17,173	7,075
Prepaid expenses	(2,246)	818
Accounts payable and accrued liabilities	9,034	(33,337)
	<b>(504,133)</b>	<b>(1,114,931)</b>
<b>Cash Flows from Investing Activities</b>		
Increase in short-term investments	-	(835)
Resource property costs	(967,157)	(561,035)
Office equipment	(317)	(3,345)
	<b>(967,474)</b>	<b>(565,215)</b>
<b>Cash Flows from Financing Activities</b>		
Issuance of share capital, net	1,791,254	4,152,430
	<b>1,791,254</b>	<b>4,152,430</b>
<b>Net Increase in Cash</b>	<b>319,647</b>	<b>2,472,284</b>
Cash - Beginning of Year	4,855,655	2,383,371
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 5,175,302</b>	<b>\$ 4,855,655</b>
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities</b>		
Accounts payable included in resource property costs	\$ 252,326	\$ 41,295
Transfer of contributed surplus to share capital on warrant exercise	\$ -	\$ 687,503
Transfer of contributed surplus to share capital on option exercise	\$ -	\$ 2,663
Receipt of shares and warrants as property option payments, net of gains on optioning of resource properties	\$ 42,000	\$ 424,000
Shares issued for mineral properties	\$ 81,500	\$ -
Spin out (Note 2)	\$ -	\$ 226,096
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

# Kaminak Gold Corporation

(An Exploration Stage Company)

## Consolidated Schedule of Resource Property Costs

For the Years Ended September 30,

Canadian Dollars

	2009			2008
	Acquisition Costs	Deferred Exploration	Total	Total
<b>Mineral Interests</b>				
<b>Angilak (formerly Yathkyed), Nunavut</b>				
Acquisition costs – cash	\$ -	\$ -	\$ -	\$ 50,000
Claim maintenance	-	-	-	35,333
Recording and staking	-	-	-	15,901
Assays	-	-	-	540
Field and supplies	-	-	-	(20,500)
Geological consulting	-	-	-	641
Transfer assets to Kivalliq (Note 2)	-	-	-	(288,983)
	-	-	-	(207,068)
<b>Baker Lake (Uranium), Nunavut</b>				
Claim maintenance	-	-	-	136
Geological consulting	-	-	-	238
Transfer assets to Kivalliq (Note 2)	-	-	-	(374)
	-	-	-	-
<b>Bathurst, Nunavut</b>				
Claim maintenance	12,085	-	12,085	34
Recording and staking	-	-	-	24,170
Geological consulting	-	102	102	237
	12,085	102	12,187	24,441
<b>Breakwater, Quebec</b>				
Acquisition cost - cash	61,200	-	61,200	-
Recording and staking	1,196	-	1,196	38
Airborne Geological	-	-	-	491,352
Assays	-	-	-	-
Field and general	-	23,455	23,455	27,252
Geological consulting	-	4,172	4,172	14,362
Travel and accommodation	-	1,070	1,070	15,920
Recovery of costs	-	-	-	(552,678)
	62,396	28,697	91,093	(3,754)
<b>Churchill, Nunavut</b>				
Field and general	-	4,950	4,950	-
	-	4,950	4,950	-
<b>Coffee, Cream, Kirkman, Yukon</b>				
Acquisition cost – shares	63,000	-	63,000	-
Acquisition cost – cash	75,000	-	75,000	-
Recording and staking	64,040	-	64,040	-
Airborne Geological	-	32,625	32,625	-
Assays	-	66,715	66,715	-
Field and general	-	51,059	51,059	-
Geological consulting	-	116,255	116,255	-
Travel and accommodation	-	139,717	139,717	-
	202,040	406,371	608,411	-
<b>Hemlo, Ontario</b>				
Assays	-	-	-	10,005
Field and general	-	3,742	3,742	125,199
Geological consulting	-	1,772	1,772	77,110
Travel and accommodation	-	-	-	47,954
	-	5,514	5,514	260,268
<b>Balance Forward</b>	\$ 276,521	\$ 445,634	\$ 722,155	\$ 73,887

- See Accompanying Notes -

# Kaminak Gold Corporation

(An Exploration Stage Company)

## Consolidated Schedule of Resource Property Costs

For the Years Ended September 30,

Canadian Dollars

	2009			2008
	Acquisition Costs	Deferred Exploration	Total	
<b>Balance Brought Forward</b>	\$ 276,521	\$ 445,634	\$ 722,155	\$ 73,887
<b>IME, Nunavut</b>				
Recording and staking	-	-	-	448
Field and general	-	-	-	1,093
Geological consulting	-	309	309	95
	-	309	309	1,636
<b>Matrix, Nunavut</b>				
Recording and staking	-	-	-	500
Claim maintenance	-	-	-	103
Geological consulting	-	100	100	480
	-	100	100	1,083
<b>Needle, Nunavut</b>				
Option receipt – shares	-	-	-	(65,000)
Geological consulting	-	34	34	95
	-	34	34	(64,905)
<b>Nevada Gold Properties, Nevada,</b>				
Recording and staking	10,950	-	10,950	-
	10,950	-	10,950	-
<b>Nizi, BC</b>				
Option receipt – shares	(5,430)	(4,737)	(10,167)	-
Recording and staking	(1,400)	-	(1,400)	2,664
Field and general	-	-	-	650
	(6,830)	(4,737)	(11,567)	3,314
<b>Obonga, Ontario</b>				
Recording and staking	-	-	-	51,029
Field and general	-	-	-	488
Geological consulting	-	-	-	30
	-	-	-	51,547
<b>Sail, BC</b>				
Recording and staking	3,724	-	3,724	22,720
	3,724	-	3,724	22,720
<b>Sharpe Lake, Manitoba</b>				
Recording and staking	2,800	-	2,800	-
Field and general	-	-	-	800
Geological consulting	-	-	-	71
	2,800	-	2,800	871
<b>Sy, Nunavut</b>				
Claim maintenance	-	-	-	103
Recording and staking	-	-	-	82
Options receipt – shares	-	-	-	(40,000)
Field and supplies	-	69	69	172
Geological consulting	-	69	69	203
Travel and accommodation	-	-	-	71
	-	138	138	(39,369)
<b>Balance Forward</b>	\$ 287,165	\$ 441,478	\$ 728,643	\$ 50,784

- See Accompanying Notes -

# Kaminak Gold Corporation

(An Exploration Stage Company)

## Consolidated Schedule of Resource Property Costs

For the Years Ended September 30,

Canadian Dollars

	2009			2008
	Acquisition Costs	Deferred Exploration	Total	
<b>Balance Brought Forward</b>	\$ 287,165	\$ 441,478	\$ 728,643	\$ 50,784
<b>TBN, Ontario</b>				
Acquisition cost – shares	18,500	-	18,500	-
Recording and staking	42,700	-	42,700	-
Airborne Geological	-	150,880	150,880	-
Field and supplies	-	10,342	10,342	-
Travel and accommodation	-	3,676	3,676	-
	61,200	164,898	226,098	-
<b>Voigtberg, BC</b>				
Option receipt – shares	-	(35)	(35)	(69)
Field and supplies	-	-	-	69
Geological consulting	-	35	35	-
	-	-	-	-
<b>Washburn, Nunavut</b>				
Claim maintenance	-	-	-	34
Geological consulting	-	-	-	71
Transfer assets to Kivalliq (Note 2)	-	-	-	(22,063)
	-	-	-	(21,958)
<b>Generative</b>				
Recording and staking	9,546	-	9,546	5,883
Assays	-	20,913	20,913	28,144
Field and supplies	-	133,159	133,159	85,295
Geological Consulting	-	106,479	106,479	92,946
Travel and accommodation	-	24,648	24,648	40,886
Generative costs recoverable	-	-	-	-
	9,546	285,199	294,745	253,154
<b>Resource Property Costs for the Year</b>	357,911	891,575	1,249,486	281,980
<b>Write off of Resource Property Costs</b>	(60,575)	(285,717)	(346,292)	(253,154)
Balance, Beginning of the Year	1,124,695	1,343,527	2,468,222	2,439,396
<b>Balance, End of the Year</b>	\$ 1,422,031	\$ 1,949,385	\$ 3,371,416	\$ 2,468,222

- See Accompanying Notes -

# **Kaminak Gold Corporation**

*(An Exploration Stage Company)*

## **Notes to Consolidated Financial Statements**

**September 30, 2009**

*Canadian Dollars*

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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. The reorganization transaction involved the acquisition from Shear of a 46.24% interest in certain properties ("Hunter Properties") and all of the outstanding shares of 974134 N.W.T. Limited, a wholly-owned subsidiary of Shear which holds the non-diamond properties of Shear. In tandem with the reorganization transaction, the Company acquired the remaining interest in the Hunter Properties from Hunter Exploration Group ("Hunter"), a related party, by issuing common shares and a promissory note. 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".

As part of the Spin out transaction (Note 2) the Company incorporated a subsidiary, Kivalliq Energy Corp. ("Kivalliq") on February 13, 2008. As at September 30, 2009, the Company owns 9% (September 30, 2008 - 12%) of this subsidiary which was accounted for on a consolidated basis until July 4, 2008, when the Company's interest in Kivalliq was reduced below 50%. Since July 4, 2008, the Company has accounted for its investment using the equity method.

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### **2. Spin Out Transaction**

In February 2008, Kaminak completed a transfer of its Uranium properties to Kivalliq in exchange for 3,646,752 units of Kivalliq. In addition, in July 2008, Kivalliq issued an additional 14,587,008 units to Kaminak. Each unit consisted of one common share and one half of one share purchase warrant, whereby each whole warrant allows the holder to purchase one additional common share of Kivalliq at a price of \$0.25 per share, exercisable for a period of 30 days from the date Kivalliq's shares are approved for trading on the TSX Venture Exchange (the shares were approved for trading on July 4, 2008). Kaminak then distributed 80% of these to the existing Kaminak shareholders pursuant to a corporate restructuring transaction ("Plan of Arrangement"). This resulted in each shareholder of Kaminak receiving 0.4 of a common share in Kivalliq and one quarter of one share purchase warrant for each outstanding common share of Kaminak held.

The Company's Consolidated Statements of Loss and Deficit for the year ended September 30, 2008 are the result of a "carve-out" of an allocation of general and administrative expenses for that period to Kivalliq. The allocation of the Company's general and administrative expenses was calculated on the basis of the ratio of costs deferred by the Company on the Uranium mineral properties in each year presented as compared to the costs deferred on all mineral properties in that year.

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**Kaminak Gold Corporation**  
*(An Exploration Stage Company)*  
**Notes to Consolidated Financial Statements**  
**September 30, 2009**  
*Canadian Dollars*

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**3. 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., Kaminak (US) Gold Corp. and the accounts of Kivalliq from Incorporation on February 13, 2008 to July 4, 2008 (Note 2). 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) **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. Included in cash and cash equivalents is \$5,175,302 (2008 - \$1,357,228) in cash and \$nil (2008 - \$3,498,427) in term deposits

d) **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.

e) **Equipment**

The Company provides for amortization on its equipment at an annual rate of 20% on the declining balance method. One-half of the rate is taken in the year of acquisition.

f) **Comprehensive Income**

Comprehensive income 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 such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available for sale securities which are not included in net loss until realized.

**Kaminak Gold Corporation**  
*(An Exploration Stage Company)*  
**Notes to Consolidated Financial Statements**  
**September 30, 2009**  
*Canadian Dollars*

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**3. Significant Accounting Policies - Continued**

**g) Resource Property Costs**

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

**h) 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 periods presented as none of the Company's properties or equipment are estimated to require any remediation or other expenditures upon their retirement.

**i) Income Taxes**

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on deferred or 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.

**j) Share Capital**

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

**Kaminak Gold Corporation**  
*(An Exploration Stage Company)*  
**Notes to Consolidated Financial Statements**  
**September 30, 2009**  
*Canadian Dollars*

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**3. Significant Accounting Policies - Continued**

**k) 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.

**l) 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.

**m) 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.

**n) 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.

**Kaminak Gold Corporation**  
*(An Exploration Stage Company)*  
**Notes to Consolidated Financial Statements**  
**September 30, 2009**  
*Canadian Dollars*

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**3. Significant Accounting Policies - Continued**

**o) 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.

**p) 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. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash and cash equivalents, 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.

**q) 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.

**r) Comparative Figures**

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

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**Kaminak Gold Corporation**  
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**4. Changes In Accounting Policies**

a) **Goodwill and Intangible Asset**

The Company adopted the new standard “Goodwill and Intangible Assets” (Section 3064) for its fiscal year beginning October 1, 2008. This Section replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The adoption of the section did not have a significant impact on the Company’s financial position.

b) **Credit Risk and the Fair Value of Financial Assets and Liabilities (EIC-173)**

In January 2009, the Emerging Issues Committee (“EIC”) issued EIC-173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.” This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. The adoption of this standard did not have a material impact on the Company’s financial statements.

c) **Mining Exploration Costs (EIC-174)**

On March 27, 2009, the CICA approved EIC-174 “Mining Exploration Costs.” This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. This standard was effective for the Company beginning April 1, 2009. The adoption of this standard did not have a material impact on the Company’s financial statements.

d) **Assessing going concern (Section 1400)**

The AcSB amended Section 1400, to include requirements for management to assess an entity’s ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity’s ability to continue as a going concern. The adoption of the standard did not have an impact on the financial statements.

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**5. 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. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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**5. 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. 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.

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

	<b>September 30, 2009</b>		<b>September 30, 2008</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>\$ 323,000</b>	<b>\$ 708,500</b>	<b>\$ 310,000</b>	<b>\$ 666,500</b>

The Company also holds 100,000 share purchase warrants in a public company at an exercise price of \$0.30 per share exercisable on or before August 17, 2010.

Accumulated Other Comprehensive Loss is a result of the difference between original cost and fair value as at September 30, 2009.

**7. Office Equipment**

Details for September 30, 2009 are as follows:

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value September 30, 2009</b>
Computer equipment	\$ 11,343	\$ 6,940	\$ 4,403
Computer software	4,450	4,450	-
Office equipment	4,963	1,903	3,060
	<b>\$ 20,756</b>	<b>\$ 13,293</b>	<b>\$ 7,463</b>

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**7. Office Equipment - Continued**

Details to September 30, 2008 are as follows:

		Cost	Accumulated Amortization	Net Book Value September 30, 2008
Computer equipment	\$	11,026	\$ 5,122	\$ 5,904
Computer software		4,450	4,450	-
Office equipment		4,963	1,137	3,826
	\$	20,439	\$ 10,709	\$ 9,730

**8. Investments**

The Company accounts for its investment in Kivalliq on an equity basis. As at September 30, 2009 the Company held a 9% (September 30, 2008 - 12%) 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.

**9. Resource Property Costs:**

Details are as follows:

	Acquisition Costs	Exploration Costs	Cumulative as at September 30, 2009	Cumulative as at September 30, 2008
Bathurst, Nunavut	\$ 36,289	\$ 339	\$ 36,628	\$ 24,441
Breakwater, Quebec	62,434	101,006	163,440	72,347
Churchill, Nunavut	783,721	468,484	1,252,205	1,247,255
Coffee, Cream and Kirkland, Yukon	202,040	406,371	608,411	-
Hemlo, Ontario	70,682	317,919	388,601	383,087
IME, Nunavut	30,509	60,686	91,195	90,886
Matrix, Nunavut	47,066	20,008	67,074	66,974
Needle, Nunavut	-	41,438	41,438	41,404
Needle (Diamond), Nunavut	-	8,999	8,999	8,999
Nevada Gold Properties, Nevada	10,950	-	10,950	-
Nizi, BC	-	-	-	11,567
Obonga, Ontario	-	-	-	51,547
Sail, BC	28,457	-	28,457	24,733
Sharpe Lake, Manitoba	70,300	149,189	219,489	216,689
Sy, Nunavut	18,383	210,048	228,431	228,293
TBN, Ontario	61,200	164,898	226,098	-
Voigtberg, BC	-	-	-	-
	\$ 1,422,031	\$ 1,949,385	\$ 3,371,416	\$ 2,468,222

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**9. 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).

***Churchill, Nunavut***

The Churchill property consists of non-diamond rights covering the Churchill Diamond Project operated by Shear Minerals Ltd. in Nunavut.

***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 in exploration expenditures over three years, issue 1,750,000 shares over 5 years 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.

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**9. Resource Property Costs – Continued:**

**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.

**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.

**Nevada Gold Properties, Nevada**

During the year, the Company staked claims located in the state of Nevada.

**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, 2009 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.

**Obonga, Ontario**

The Obonga nickel property is located in Archean greenstones of the Lake Nipigon area of Northern Ontario. During the year the Company wrote-off all costs related to Obonga.

**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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**9. 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. The Company has the option to buy back 1% of this NSR at anytime by paying the vendor \$1,000,000.

***SY, Nunavut***

The “SY” property is in the Archean greenstone belt.

On July 20, 2007 the Company signed an option agreement with Corsa Capital Ltd. (“Corsa”), a related party, giving Corsa the right to earn up to a 60% interest in the non-diamond rights on the Sy Property. Under the terms of the Option Agreement, Corsa has the right to initially earn a 51% interest by December 31, 2010 by making exploration expenditures totalling \$1,000,000 dollars and staged payments totalling 300,000 Units to the Company (100,000 received April 16, 2008). Each Unit consists of one common share and one 12-month share purchase warrant with an exercise price set in accordance with market at the time of issuance of the Unit (100,000 received with an exercise price of \$0.35 per share). Corsa can then increase its interest to 60% by spending an additional \$1,000,000 and issuing an additional 100,000 Units to the Company, prior to December 31, 2011.

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.

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**9. Resource Property Costs – Continued:**

***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.

**10. 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, 2007</b>	<b>28,666,961</b>	<b>5,569,627</b>
For cash – exercise of warrants	7,790,559	4,147,930
Transfer from contributed surplus – exercise of warrants (Note 11)	-	687,503
For cash – exercise of stock options	10,000	4,500
Transfer from contributed surplus – exercise of options (Note 11)	-	2,663
<b>Balance - September 30, 2008</b>	<b>36,467,520</b>	<b>10,412,223</b>
For properties (Note 9)	400,000	81,500
Private placement	3,887,310	1,373,186
Finders fees (Note 9)	229,999	107,000
Share issuance costs	-	(88,093)
<b>Balance – September 30, 2009</b>	<b>40,984,829</b>	<b>\$ 11,885,816</b>

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**10. Share Capital – Continued:**

b) Private placements

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.

On July 7, 2009, the Company closed the 2<sup>nd</sup> 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.

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**10. Share Capital – Continued:**

b) Private placements – *Continued:*

On June 29, 2009, the Company closed the 1<sup>st</sup> 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.

c) Warrants:

Details as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, September 30, 2007	8,409,609	\$0.54
Exercised	(7,790,559)	\$0.53
Expired without exercise	(619,050)	\$0.69
Outstanding warrants, September 30, 2008	-	-
Issued	4,124,309	\$0.55
Outstanding warrants, September 30, 2009	4,124,309	\$0.55

At September 30, 2009, 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
June 29, 2011	\$0.55/\$0.70 <sup>1</sup>	1,202,732	1.75
July 7, 2011	\$0.55/\$0.70 <sup>2</sup>	1,851,577	1.77
July 9, 2011	\$0.55/\$0.70 <sup>3</sup>	1,070,000	1.77

<sup>1</sup> exercisable to June 29, 2010 at \$0.55 and \$0.70 to June 29, 2011

<sup>2</sup> exercisable to July 7, 2010 at \$0.55 and \$0.70 to July 7, 2011

<sup>3</sup> exercisable to July 9, 2010 at \$0.55 and \$0.70 to July 9, 2011

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**10. Share Capital – Continued:**

c) Stock Options – Continued:

The fair value of warrants is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions used for the warrants issued to September 30, 2009:

Risk-free interest rate	0.52%
Expected dividend yield	0%
Expected stock price volatility	131.335%
Average expected warrant life in years	2 years

d) Stock Options

Details as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding options, September 30, 2007	3,688,000	\$0.68
Issued	227,000	\$0.45
Exercised	(10,000)	\$0.40
Expired or cancelled without exercise	(1,030,000)	\$1.14
Outstanding options, September 30, 2008	2,875,000	\$0.52
<b>Issued</b>	<b>650,000</b>	<b>\$0.15</b>
<b>Expired or cancelled without exercise</b>	<b>(410,000)</b>	<b>\$0.45</b>
<b>Outstanding options, September 30, 2009</b>	<b>3,115,000</b>	<b>\$0.42</b>

At September 30, 2009 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	1,548,000	1,548,000	1.30
April 7, 2011	\$0.55	\$0.45	50,000	50,000	1.52
July 21, 2011	\$0.55	\$0.45	415,000	415,000	1.81
December 7, 2011	\$0.55	\$0.45	100,000	100,000	2.19
April 2, 2012	\$0.79	\$0.65	40,000	40,000	2.51
June 18, 2012	\$0.79	\$0.65	135,000	135,000	2.72
July 16, 2013	\$0.45	\$0.45	227,000	227,000	3.79
December 5, 2013	\$0.12	\$0.12	600,000	487,500	4.18
	<b>\$0.57</b>	<b>\$0.52</b>	<b>3,115,000</b>	<b>3,002,500</b>	<b>2.76</b>

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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**10. 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.

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 which was also recorded as contributed surplus on the balance sheets. The weighted average fair value of the options granted was \$0.05 per option.

During the year ended September 30, 2008, the Company granted options to acquire 227,000 common shares. The weighted average fair value of the options granted was \$0.19 per option. Also, during the year ended September 30, 2008, the outstanding stock options were repriced in connection with the spin out of Kivalliq. Stock based compensation expense using the Black-Scholes option pricing model was \$227,223 which was also recorded as contributed surplus on the balance sheets.

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 and September 30, 2008:

<b>September 30, 2009</b>	
Risk-free interest rate	2.21%
Expected dividend yield	0%
Expected stock price volatility	107.78%
Average expected option life in years	5 years
<b>September 30, 2008</b>	
Risk-free interest rate	3.29%
Expected dividend yield	0%
Expected stock price volatility	100.08%
Average expected option life in years	3.02 years

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**11. Contributed Surplus**

Balance consists of:

Balance – September 30, 2007	<b>\$ 1,874,958</b>
- stock based compensation	<b>227,223</b>
- stock based compensation allocated to Kivalliq	<b>7,027</b>
- warrants exercised – transferred to share capital	<b>(687,503)</b>
- stock options exercised – transferred to share capital	<b>(2,663)</b>
Balance – September 30, 2008	<b>1,419,042</b>
- stock based compensation on options issued	<b>62,511</b>
- private placement warrants issued, net of issuance costs	<b>424,219</b>
- agents warrants issued	<b>(25,058)</b>
Balance – September 30, 2009	<b>\$ 1,880,714</b>

**12. Related Party Transactions**

Included in the current period are consulting fees of \$22,298 (2008 - \$69,021), travel and conference charges of \$34,555 (2008 - \$31,467), office and sundry charges of \$19,255 (2008 - \$12,384), rent charges of \$19,425 (2008 – \$26,332) and investor relations charges of \$21,652 (2008 – \$72,991) to a company controlled by directors of the Company.

During the period the Company incurred \$157,000 (2008 - \$164,350) in consulting fees and \$32,750 (2008 – Nil) in accounting fees to directors and officers. Of this \$8,715 (\$2,625 – 2008) remained in accounts payable at September 30, 2009.

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.

**13. Financial Instruments**

**Categories of financial assets and liabilities**

As at September 30, 2009 and September 30, 2008, the carrying value of the Company's financial instruments approximates their fair value. The carrying value of the Company's financial instruments is classified into the following categories:

	<b>September 30, 2009</b>	September 30, 2008
Held-for-trading	<b>\$ 5,206,887</b>	\$ 4,887,240
Available-for-sale	<b>\$ 323,000</b>	\$ 310,000
Loans and receivables	<b>\$ 209,398</b>	\$ 246,204
Other financial liabilities	<b>\$ 316,062</b>	\$ 95,997

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**13. Financial Instruments – Continued:**

*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 September 30, 2009, the Company had a cash and cash equivalent balance of \$5,175,302 (September 30, 2008 - \$4,855,655) to settle current liabilities of \$316,062 (September 30, 2008 - \$95,997). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

*Market risk*

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2009, the Company had \$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.

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**14. 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, 2009. The Company is not subject to externally imposed capital requirements.

**15. 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:

	<b>For the Year Ended September 30, 2009</b>	<b>For the Year Ended September 30, 2008</b>
Loss before income taxes	\$ (1,003,913)	\$ (1,099,277)
Statutory Canadian federal and provincial tax rates	30.125%	31.905%
Expected tax recovery	(302,429)	(350,724)
Non deductible (deductible) expenses		
Stock-based compensation	18,831	72,495
Amortization	778	1,053
Loss on investment	23,075	-
Gain on optioning of resource property	(9,579)	(101,755)
Share issuance costs	(32,312)	(52,119)
Write-off of resource property costs	104,320	-
Unrecognized benefit of non-capital losses	197,316	109,812
Future income tax recovery	\$ -	\$ (217,000)

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**15. Income Taxes – Continued:**

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

	<b>September 30, 2009</b>	<b>September 30, 2008</b>
Future income tax asset		
Equipment	\$ 3,300	\$ 3,300
Resource property costs	392,100	655,000
Marketable securities	44,600	109,000
Non-capital loss carry-forwards	597,100	450,000
Share issuance costs	49,600	40,000
Future income tax asset	<b>1,086,700</b>	<b>1,257,300</b>
Valuation allowance	<b>(1,086,700)</b>	<b>(1,257,300)</b>
Future income tax asset	<b>\$ -</b>	<b>\$ -</b>

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse. For 2009 this rate is estimated to be 25% and for 2008 this rate was estimated to be 26%.

The Company has available for deduction against future taxable income in Canada non-capital losses of approximately \$2,363,000. These losses, if not utilized, will expire through 2029. 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.

**16. Segmented Information**

The Company operates in one industry, being the acquisition, exploration and development of resource properties. The Company's properties are located in Canada and Nevada.

The current years presentation includes the following segments:

	<b>September 30, 2009</b>	September 30, 2008
Net Loss:		
Canada	\$ 926,903	\$ 882,277
Nevada	-	-
Loss for the year	<b>\$ 926,903</b>	<b>\$ 882,277</b>
Capital Assets:		
Canada	\$ 3,539,726	\$ 2,726,346
Nevada	10,950	-
Total Assets	<b>\$ 3,550,676</b>	<b>\$ 2,726,346</b>

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**17. Subsequent Events**

- a. On 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:
  - i. Receiving 3,000,000 common shares of Shear (received subsequent to September 30, 2009);
  - ii. Retaining 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; and
  - iii. Receiving annual summary reports on all non-diamond exploration work on the Property which will include a detailed yearly accounting summary.
- b. On October 29, 2009, the Company acquired an option to earn an undivided 100% interest in certain properties located in Nevada. The option agreement requires the Company to pay a third party vendor \$74,052 and issue 1,280,000 common shares of the Company's wholly owned subsidiary 082917 B.C. Ltd.
- c. On October 29, 2010 the Company issued an additional 250,000 common shares to Shawn Ryan pursuant to its agreement on the Coffee, Cream and Kirkman properties.
- d. On December 20, 2009, the Company was notified by Corsa that Corsa was terminating its option agreement on the SY Property. The Company retains an undivided 100% interest in the property, subject to the Hunter royalty.
- e. 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 finders fee of 6% was paid in common shares.
- f. On January 7, 2010, the Company exercised its option to accelerated the exercise date of the outstanding warrants issued in June and July 2009. Warrant holders will be entitled to exercise the Warrants for a period of 30 days commencing January 7th, 2010 and ending February 5th, 2010. All Warrants not exercised on or before February 5th, 2010 will expire. 1,527,315 warrants had been exercised to January 21, 2010.