

KAMINAK GOLD CORPORATION

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

Canadian Funds

AUDITORS' REPORT

To the Shareholders of
Kaminak Gold Corporation

We have audited the consolidated balance sheet of Kaminak Gold Corporation as at September 30, 2007 and the consolidated statements of loss and deficit, comprehensive loss, changes in shareholders' equity and cash flows for the year 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 audit.

We conducted our audit 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The audited financial statements at September 30, 2006 and for the year then ended were examined by other auditors who expressed an opinion without reservation on those statements in their report dated January 22, 2007.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

December 11, 2007

A Member of **SC INTERNATIONAL**

Kaminak Gold Corporation
(An Exploration Stage Company)
Consolidated Balance Sheet
Canadian Funds

Statement 1

ASSETS	As at September 30, 2007	As at September 30, 2006
Current		
Cash and cash equivalents	\$ 2,383,371	\$ 2,788,198
Accrued interest receivable	24,248	15,078
Cash call receivable	24,761	369,799
GST receivable	64,584	13,654
Marketable securities <i>(Note 5)</i>	234,500	23,000
Prepaid expense	5,818	5,000
Short-term investment	30,750	30,000
	2,768,032	3,244,729
Office Equipment , at net book value <i>(Note 6)</i>	9,686	7,306
Resource Property Costs <i>(Note 7) – Schedule</i>	2,439,396	2,445,940
	\$ 5,217,114	\$ 5,697,975
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
- Due to related party	\$ -	\$ 3,816
- Trade payables and accrued liabilities	77,224	99,217
	77,224	103,033
Future Income Tax Liability <i>(Note 10d)</i>	217,000	-
SHAREHOLDERS' EQUITY		
Share Capital <i>(Note 8)</i>	5,569,627	5,306,595
Contributed Surplus <i>(Note 9)</i>	1,874,958	1,267,216
Other Comprehensive Loss	(16,250)	-
Deficit - <i>Statement 2</i>	(2,505,445)	(978,869)
	4,922,890	5,594,942
	\$ 5,217,114	\$ 5,697,975

ON BEHALF OF THE BOARD:

“Rob Carpenter”, *President and CEO*, Director

“Charles Chebry”, *CFO*, Director

Kaminak Gold Corporation*(An Exploration Stage Company)***Consolidated Statement of Loss and Deficit***Canadian Funds*Statement 2

	For the Year Ended September 30, 2007	For the Year Ended September 30, 2006
Expenses		
Accounting and legal	\$ 68,438	\$ 51,224
Amortization	4,621	2,714
Bank charges and interest	3,539	638
Consulting	192,818	88,439
Investor relations	130,551	93,011
Listing and filing fees	8,204	11,332
Office and sundry	25,837	23,047
Rent	27,283	14,868
Stock-based compensation <i>(Note 8f)</i>	760,189	462,599
Transfer agent fees	16,219	13,625
Travel and conference	107,528	47,628
	<u>1,345,227</u>	<u>809,125</u>
Loss Before the Undernoted	<u>(1,345,227)</u>	<u>(809,125)</u>
Other Expenses		
Interest income	128,580	59,286
Gain on sale of marketable securities	16,975	-
Gain on optioning of resource properties	111,267	-
Write-off of resource property costs	(664,471)	(302,780)
	<u>(407,649)</u>	<u>(243,494)</u>
Loss Before Income Taxes	(1,752,876)	(1,052,619)
Future Income Tax Recovery <i>(Notes 10c and d)</i>	226,300	97,755
Net Loss for the Year	<u>(1,526,576)</u>	<u>(954,864)</u>
Deficit, Beginning of the Year	<u>(978,869)</u>	<u>(24,005)</u>
Deficit, End of the Year	<u>\$ (2,505,445)</u>	<u>\$ (978,869)</u>
Basic and Diluted Loss per Share	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>
Weighted Average Number of Shares Outstanding	<u>28,106,429</u>	<u>21,713,484</u>

- See Accompanying Notes -

Kaminak Gold Corporation*(An Exploration Stage Company)***Consolidated Statement of Comprehensive Loss***Canadian Funds*Statement 3

	For the Year Ended September 30, 2007	For the Year Ended September 30, 2006
Net Loss for the Year before comprehensive loss	\$ (1,526,576)	\$ (954,864)
Unrealized loss on available for sale investments	(16,250)	-
Comprehensive loss	\$ (1,542,826)	\$ (954,864)

- See Accompanying Notes -

Kaminak Gold Corporation*(An Exploration Stage Company)*

Statement 4

Interim Consolidated Statement of Changes in Shareholders' Equity

Unaudited – Prepared by Management

Canadian Funds

	For the Year Ended September 30, 2007	For the Year Ended September 30, 2006
Common Shares		
Balance, beginning of period	\$ 5,306,595	\$ 1
Issued for:		
Cash – exercise of warrants	417,035	175,000
Transfer from contributed surplus – exercise of warrants	75,889	867
Cash – exercise of stock options	108,850	-
Transfer from contributed surplus – exercise of stock options	76,558	-
Future income taxes renouncement on flow-through shares issued offset with future income taxes payable	(226,300)	(97,755)
For properties	28,000	35,000
Cash – private placement	-	2,913,914
Cash – private placement – flow through	-	1,585,252
Acquisition of 53.76% of Hunter Properties	-	13,225
Acquisition of 974134 N.W.T. Limited	-	1,159,900
Share issuance costs	-	(478,809)
Balance, end of period	5,569,627	5,306,595
Contributed Surplus		
Balance, beginning of period	1,267,216	-
Stock based compensation	760,189	462,599
Fair value of warrants issued	-	805,484
Transfer from contributed surplus – exercise of warrants	(75,889)	(867)
Transfer from contributed surplus – exercise of stock options	(76,558)	-
Balance, end of period	1,874,958	1,267,216
Deficit		
Balance, beginning of period	(978,869)	(24,005)
Net loss for the period	(1,525,576)	(954,864)
Balance, end of period	(2,505,445)	(978,869)
Accumulated Other Comprehensive Loss		
Balance, beginning of period	-	-
Transitional adjustment to opening balance of other comprehensive income	3,000	-
Changes in fair value of investments	(19,250)	-
Balance, end of period	(16,250)	-
Shareholders' Equity	\$ 4,922,890	\$ 5,594,942

See Accompanying Notes -

Kaminak Gold Corporation
(An Exploration Stage Company)
Consolidated Statement of Cash Flows
Canadian Funds

Statement 5

	For the Year Ended September 30, 2007	For the Year Ended September 30, 2006
Cash Flows from Operating Activities		
Net (loss) for the period	\$ (1,525,576)	\$ (954,864)
Items not affected by cash:		
Future income tax recovery	(443,300)	(97,755)
Stock-based compensation	760,188	462,599
Amortization	4,621	2,714
Write-off of resource property costs	664,471	302,780
	<u>(323,596)</u>	<u>(284,526)</u>
Changes in non-cash working capital:		
GST receivable	(50,930)	(13,654)
Accrued interest receivable	(9,170)	(15,078)
Prepaid expenses	(818)	(5,000)
Trade payables and accrued liabilities	(54,348)	17,663
	<u>(438,862)</u>	<u>(300,595)</u>
Cash Flows from Investing Activities		
Resource property costs	(503,284)	(1,864,390)
Sale of marketable securities	23,000	-
Purchase of short-term investment	(750)	(30,000)
Office equipment	(7,001)	(10,020)
	<u>(488,035)</u>	<u>(1,904,410)</u>
Cash Flows from Financing Activities		
Issuance of share capital, net of issuance costs	525,886	4,995,630
Advances from related party	(3,816)	(2,427)
	<u>522,070</u>	<u>4,993,203</u>
Net Increase (Decrease) in Cash for the Period	(404,827)	2,788,198
Cash, Beginning of the Period	2,788,198	-
Cash and cash equivalents, End of the Period	\$ 2,383,371	\$ 2,788,198
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Resource property costs paid directly by a related party	\$ -	\$ (115,968)
Cash calls receivable included in resource property costs	\$ (345,038)	\$ 369,799
Accounts payable included in resource property costs	\$ (32,355)	\$ (65,402)
Receipt of shares and warrants as property option payment	\$ 250,750	\$ 23,000
Issuance of share capital to acquire subsidiary	\$ -	\$ 1,159,900
Issuance of share capital to acquire 53.76% of Hunter Properties	\$ -	\$ 18,436
Issuance of share capital for property	\$ 28,000	\$ 35,000
Transfer of contributed surplus to share capital on warrant and option exercise	\$ 152,447	\$ 867
Fair value of warrants issued	\$ -	\$ 671,058
Fair value of agents warrants issued	\$ -	\$ 134,426

- See Accompanying Notes -

Kaminak Gold Corporation
(An Exploration Stage Company)
Consolidated Schedule of Resource Property Costs
Canadian Funds
Schedule

	<u>For the Year Ended September 30, 2007</u>			For the Year Ended September 30, 2006
	Acquisition Costs	Deferred Exploration	Total	
Mineral Interests				
<i>Baker Lake (Uranium), Nunavut</i>				
Claim maintenance	\$ (133,753)	\$ (18,787)	\$ (152,540)	\$ 163,705
Geological consulting	-	833	833	14,046
Travel and accommodation	-	-	-	3,908
Option receipt – shares	(6,952)	-	(6,952)	(23,000)
	(140,705)	(17,954)	(158,659)	158,659
<i>Bathurst, Nunavut</i>				
Acquisition costs – shares	-	-	-	197,025
Claim maintenance	-	-	-	12,085
Field and general	-	-	-	-
Geological consulting	-	-	-	1,807
Travel and accommodation	-	-	-	11,643
	-	-	-	222,560
<i>Breakwater, Quebec and Labrador</i>				
Assays	-	973	973	-
Field and general	-	34,463	34,463	-
Geological consulting	-	8,896	8,896	-
Travel and accommodation	-	31,769	31,769	-
	-	76,101	76,101	-
<i>Br, Nunavut</i>				
Acquisition costs – shares	-	-	-	284,012
Geological consulting	-	-	-	2,125
Travel and accommodation	-	-	-	11,643
	-	-	-	297,780
<i>Churchill, Nunavut</i>				
Acquisition costs – cash	-	-	-	208,350
Acquisition costs – shares	-	-	-	552,908
Claim maintenance	-	-	-	22,463
Assays	-	-	-	12,603
Field and general	-	(3,139)	(3,139)	188,202
Geological consulting	-	613	613	58,903
Travel and accommodation	-	455	455	114,103
	-	(2,071)	(2,071)	1,157,532
<i>Hemlo, Ontario</i>				
Acquisition costs – shares	28,000	-	28,000	-
Recording and staking	42,682	-	42,682	-
Field and general	-	17,401	17,401	-
Geological consulting	-	26,036	26,036	-
Travel and accommodation	-	8,700	8,700	-
	70,682	52,137	122,819	-
<i>IME, Nunavut</i>				
Acquisition costs – cash	-	-	-	8,350
Acquisition costs – shares	-	-	-	22,159
Assays	-	37,533	37,533	-
Field and general	-	470	470	-
Geological consulting	-	313	313	12,064
Travel and accommodation	-	7,719	7,719	-
	-	46,035	46,035	42,573
Balance Forward	\$ (70,023)	\$ 154,248	\$ 84,225	\$ 1,879,104

- See Accompanying Notes -

Kaminak Gold Corporation
(An Exploration Stage Company)
Consolidated Schedule of Resource Property Costs
Canadian Funds
Schedule

	<u>For the Year Ended September 30, 2007</u>			For the Year Ended September 30, 2006
	Acquisition Costs	Deferred Exploration	Total	
Balance Brought Forward	\$ (70,023)	\$ 154,248	\$ 84,225	\$ 1,879,104
<i>Lach, Nunavut</i>				
Acquisition costs – cash	-	-	-	8,325
Acquisition costs – shares	-	-	-	22,093
Recording and staking	14,795	-	14,795	11,193
Assays	-	-	-	2,340
Field and general	-	-	-	1,306
Geological consulting	-	-	-	8,676
Travel and accommodation	-	-	-	11,124
	14,795	-	14,795	65,057
<i>Matrix, Nunavut</i>				
Acquisition costs – cash	-	-	-	8,325
Acquisition costs – shares	-	-	-	22,093
Claim maintenance	775	-	775	-
Recording and staking	15,270	-	15,270	-
Geological consulting	-	2,063	2,063	2,080
Travel and accommodation	-	-	-	15,285
	16,045	2,063	18,108	47,783
<i>Needle, Nunavut</i>				
Acquisition costs – shares	-	-	-	33,863
Assays	-	216	216	312
Field and general	-	3,225	3,225	41,226
Geological consulting	-	7,716	7,716	4,938
Travel and accommodation	-	2,050	2,050	12,763
	-	13,207	13,207	93,102
<i>Needle (Diamond), Nunavut</i>				
Field and general	-	-	-	389
Geological consulting	-	-	-	2,411
Travel and accommodation	-	-	-	6,199
	-	-	-	8,999
<i>Nizi, BC</i>				
Acquisition costs – cash	-	-	-	8,325
Acquisition costs – shares	-	-	-	22,091
Option receipt – shares	(26,250)	-	(26,250)	-
Field and general	-	556	556	-
Geological consulting	-	-	-	-
	(26,250)	556	(25,694)	30,416
<i>Sail, BC</i>				
Recording and staking	2,013	-	2,013	-
	2,013	-	2,013	-
<i>Sharpe Lake, Manitoba</i>				
Acquisition costs – cash	15,000	-	15,000	17,500
Acquisition costs – shares	-	-	-	35,000
Assays	-	-	-	33,253
Field and general	-	6,583	6,583	23,678
Geological consulting	-	8,950	8,950	47,028
Travel and accommodation	-	426	426	28,400
	15,000	15,959	30,959	184,859
Balance Forward	\$ (48,420)	\$ 186,033	\$ 137,613	\$ 2,309,320

- See Accompanying Notes -

Kaminak Gold Corporation*(An Exploration Stage Company)*

Schedule

Consolidated Schedule of Resource Property Costs

Canadian Funds

For the Year Ended September 30, 2007

	Acquisition Costs	Deferred Exploration	Total	For the Year Ended September 30, 2006
Balance Brought Forward	\$ (48,420)	\$ 186,033	\$ 137,613	\$ 2,309,320
Sy, Nunavut				
Recording and staking	-	-	-	32,300
Claim maintenance	-	-	-	21,508
Recording and staking	4,390	-	4,390	-
Airborne Surveys	-	-	-	175,280
Field and supplies	-	163	163	4,176
Geological consulting	-	3,500	3,500	-
Travel and accommodation	-	-	-	26,345
	4,390	3,663	8,053	259,609
Voigtberg, BC				
Acquisition costs – cash	-	-	-	8,325
Acquisition costs – shares	-	-	-	22,092
Option receipt – shares	(39,470)	(46,811)	(86,281)	-
Recording and staking	10	-	10	9,043
Assays	-	13,003	13,003	-
Field and supplies	-	6,590	6,590	6,757
Geological consulting	-	-	-	14,215
Travel and accommodation	-	4,962	4,962	-
	(39,460)	(22,256)	(61,716)	60,432
Washburn, Nunavut				
Recording and staking	19,788	-	19,788	-
Claim maintenance	200	-	200	-
Geological consulting	-	1,970	1,970	-
	19,988	1,970	21,958	-
Yathkyed, Nunavut				
Acquisition costs – cash	7,500	-	7,500	-
Recording and staking	109,647	-	109,647	-
Assays	-	1,093	1,093	-
Field and supplies	-	28,546	28,546	-
Geological consulting	-	17,516	17,516	-
Travel and accommodation	-	42,766	42,766	-
	117,147	89,921	207,068	-
Generative				
Recording and staking	29,854	-	29,854	-
Assays	-	32,275	32,275	-
Field and supplies	-	90,198	90,198	-
Geological Consulting	-	171,960	171,960	5,000
Travel and accommodation	-	45,425	45,425	-
Generative costs recoverable	(114)	(24,647)	(24,761)	-
	29,740	315,211	344,951	5,000
Resource Property Costs for the Period	83,385	574,542	657,927	2,634,361
Write off of Resource Property Costs	(297,556)	(366,915)	(664,471)	(302,780)
Balance, Beginning of the Period	1,448,421	997,519	2,445,940	114,359
Balance, End of the Period	\$ 1,234,250	\$ 1,205,146	\$ 2,439,396	\$ 2,445,940

- See Accompanying Notes -

Kaminak Gold Corporation
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
September 30, 2007
Canadian Funds

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".

2. Significant Accounting Policies

a) **Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, 974134 N.W.T. Limited, a subsidiary acquired as a result of a reorganization transaction (Note 3). 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.

b) **Cash and Cash Equivalents**

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with maturities at point of purchase of 90 days or less.

c) **Amortization**

The Company provides for amortization on its equipment at an annual rate of 20% for office equipment, 30% for computer equipment and 100% for computer software on the declining balance method. One-half of the rates are taken in the year of acquisition.

d) **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 income (loss) until realized.

There was an unrealized gain on the available for sale securities from purchase to September 30, 2006 of \$3,000 which is reported as an adjustment to the opening balance of accumulated other comprehensive income. The unrealized loss on the available for sale securities for the year ended September 30, 2007 was \$19,250. There is no tax impact resulting from adjustments arising from comprehensive income.

Kaminak Gold Corporation
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Notes to Consolidated Financial Statements
September 30, 2007
Canadian Funds

2. Significant Accounting Policies – Continued:

e) Financial Instruments

Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments subject to significant influence are reported at cost and not adjusted to fair market value. All of the investments have been designated as available for sale.

f) 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 diamond 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.

g) 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 during the current period as none of the Company's properties are estimated to require any remediation or other expenditures upon their retirement.

Kaminak Gold Corporation
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Notes to Consolidated Financial Statements
September 30, 2007
Canadian Funds

2. Significant Accounting Policies – Continued

h) 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.

i) Share Capital

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

j) Stock-Based Compensation

All stock-based awards made to employees and non-employees 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.

k) Loss per Share

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by application of the treasury stock method. The treasury stock method assumes that the options and/or warrants are exercised at the beginning of the year (or issue date if later) and the proceeds are used to repurchase outstanding shares of common stock.

l) Flow-Through Shares

The Company accounts for flow-through shares using the recommendations of the Emerging Issues Committee EIC-146. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

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

Kaminak Gold Corporation

(An Exploration Stage Company)

Notes to Interim Consolidated Financial Statements

September 30, 2007

Canadian Funds

2. Significant Accounting Policies – Continued:

m) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. In particular, resource property costs may be affected. Actual results could differ from those estimates.

3. Reorganization Transaction

Effective November 9, 2005, pursuant to reorganization transaction (the Spin Out Agreement), 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 seven mineral properties: the Churchill Gold Property, the Lach Gold Property, the Nizi Gold Property, the Matrix Gold Project, the Sy Property, the Voigtberg Gold Property and non-diamond rights over the IME Properties. The Shear Properties consist of the Bathurst, BR, Needle and any non-diamond rights to the Churchill Diamond Projects (except for a 5% non-diamond net profits interest).

Details are as follows:

- i) The Company issued 11,225,684 common shares to Shear, to acquire 46.24% of the Hunter Properties and all of the outstanding shares of 974134 N.W.T. Limited, a company which owns the Shear Properties; these shares were distributed to Shear's shareholders pursuant to a spin-out transaction,
- ii) The Company issued 3,000,000 shares to Hunter together with warrants to acquire an additional 3,000,000 shares at \$0.35 per share to November 9, 2007, to acquire the remaining 53.76% interest in the Hunter Properties. The 3,000,000 shares are subject to escrow restrictions and held on deposit with the Transfer Agent. Ten percent were released upon the Company's public trading, with the balance to be released in equal tranches of 15% every 6 months over 36 months.
- iii) The Company agreed to reimburse Hunter for exploration costs incurred by Hunter on the Hunter Properties by the issuance of a Promissory Note in favour to Hunter for the principal sum of \$250,000, bearing interest at 5% per annum, with principal and accrued interest to become due and to be paid in full on or before November 9, 2007. The Company paid this promissory note in full on December 1, 2005.
- iv) The Company will pay Hunter an advance royalty on the Lach Gold Property in the sum of \$10,000 on June 1st in each of 2008, 2009 and 2010 and \$25,000 on June 1st in each year thereafter, if Kaminak is and remains the beneficial owner of the Lach Gold Property on such dates.
- v) Hunter retains a 2% gross overriding royalty and a 2% net smelter royalty in all Hunter properties acquired by the Company.
- vi) Hunter has entered into a voting trust agreement whereby it will grant Shear an irrevocable proxy to vote Hunter's common shares for a period of three years from the issuance of the common shares and the warrants to acquire common shares.

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3. Reorganization Transaction – Continued:

- vii) Since the above reorganization transaction was between related parties, the properties acquired were recorded in the Company's books at the same amount as the carrying value in the books of Shear and Hunter.

4. Fair Value of Financial Instruments

At September 30, 2007, the Company's financial instruments consist of cash, short-term investments, GST receivable, cash call receivable, accrued interest receivable, marketable securities, due to related party and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

5. Marketable Securities

	September 30, 2007		September 30, 2006	
	Market Value	Cost	Market Value	Cost
Common shares in public companies received as property payments, representing less than 5% interest in the company	\$ 234,500	\$ 250,750	\$ 24,000	\$ 23,000

The company also holds 50,000 share purchase warrants in a public company at an exercise price of \$0.58 per share exercisable on or before September 14, 2008, 100,000 share purchase warrants in a public company at an exercise price of \$0.30 per share to January 8, 2008, 200,000 share purchase warrants in a public company at an exercise price of \$0.24 per share to August 3, 2008 and 50,000 share purchase warrants in a public company at an exercise price of \$0.515 per share to August 20, 2008.

6. Office Equipment

Details are as follows:

	Cost	Accumulated Amortization	Net Book Value September 30, 2007	Net Book Value September 30, 2006
Computer equipment	\$ 9,008	\$ 3,024	\$ 5,984	\$
Computer software	4,450	3,955	495	
Office equipment	3,563	356	3,207	
	\$ 17,021	\$ 7,335	\$ 9,686	\$

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7. Resource Property Costs:

Details are as follows:

	Acquisition Costs	Exploration Costs	Cumulative as at September 30, 2007	Cumulative as at September 30, 2006
Baker Lake, Nunavut	\$ -	\$ -	\$ -	\$ 158,659
Bathurst, Nunavut	-	-	-	222,560
Breakwater, Quebec and Labrador	-	76,101	76,101	-
Churchill, Nunavut	783,721	463,534	1,247,255	1,249,326
Hemlo, Ontario	70,682	52,137	122,819	-
IME, Nunavut	30,509	58,741	89,250	43,215
Lach, Nunavut	-	-	-	82,165
Matrix, Nunavut	46,463	19,428	65,891	47,783
Needle, Nunavut	33,863	72,446	106,309	93,102
Needle (Diamond), Nunavut	-	8,999	8,999	8,999
Nizi, BC	4,166	4,087	8,253	33,947
Sail, BC	2,013	-	2,013	-
Sharpe Lake, Manitoba	67,500	148,318	215,818	184,859
Sy, Nunavut	58,198	209,464	267,662	259,609
Voigtberg, BC	-	-	-	61,716
Washburn, Nunavut	19,988	1,970	21,958	-
Yathkyed, Nuanvut	117,147	89,921	207,068	-
	\$ 1,234,250	\$ 1,205,146	\$ 2,439,396	\$ 2,445,940

Resource property costs written off during the year ended September 30, 2007 are as follows:

	Acquisition Costs	Exploration Costs	Cumulative as at September 30, 2007
Generative	\$ 29,740	\$ 315,211	\$ 344,951
Bathurst, Nunavut	209,110	13,450	222,560
Lach, Nunavut	58,706	38,254	96,960
	\$ 297,556	\$ 366,915	\$ 664,471

Resource property costs written off during the year ended September 30, 2006 were as follows:

	Acquisition Costs	Exploration Costs	Cumulative as at September 30, 2007
Generative	\$ -	\$ 5,000	\$ 5,000
BR, Nunavut	284,012	13,768	297,780
	\$ 284,012	\$ 18,768	\$ 302,780

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7. Resource Property Costs – Continued:

General

Effective November 9, 2005, pursuant to reorganization transaction (the Spin Out Agreement), 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 six mineral properties: the Churchill Gold Property, the Lach 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 Bathurst, BR, Needle, Sy and any non-diamond rights to the Churchill Diamond Projects (except for a 5% non-diamond net profits interest) (Note 3).

Under the reorganization transaction, the following items relate to resource properties:

The Company agreed to reimburse Hunter for exploration costs incurred by Hunter on the Hunter Properties by the issuance of a Promissory Note in favour of Hunter for the principal sum of \$250,000, bearing interest at 5% per annum, with principal and accrued interest to become due and to be paid in full on or before November 9, 2007. The Company may prepay the promissory note at any time and Hunter may elect at any time on written notice to the Company to convert, in whole or in part, the principal amount outstanding into common shares at a deemed price equal to the weighted average closing price of the Company for 20 trading days prior to the date of the written notice. The Company paid this promissory note in full on December 1, 2005.

The Company will pay Hunter an advance royalty on the Lach Gold Property in the sum of \$10,000 on June 1st in each of 2008, 2009 and 2010 and \$25,000 on June 1st in each year thereafter, if Kaminak is and remains the beneficial owner of the Lach Gold Property on such dates.

Hunter retains a 2% gross overriding royalty and a 2% net smelter royalty in all Hunter properties acquired by the Company.

The above reorganization transaction was between related parties, the properties acquired were recorded in the Company's books at carrying value in the books of Shear and Hunter.

Baker Lake (Uranium), Nunavut:

On September 28, 2007, the Company signed an option agreement with Pacific Ridge Exploration Ltd., whereby, subject to TSX approval, Pacific Ridge can earn a 100% interest in the Baker Lake Uranium Project located in the Kivalliq District of central Nunavut. In order to complete this new option agreement, Pacific Ridge must complete all of the following:

- (a) issue and deliver to Kaminak 2,000,000 fully paid and non-assessable common shares in the capital of Pacific Ridge within 10 business days of the Effective Date (received);
- (b) carry out Programs to explore the Property and solely fund and incur all the Expenditures on the Property until such time as the Option is exercised or terminated by Pacific Ridge and deliver to Kaminak a Positive Bankable Feasibility Study reasonably acceptable to Kaminak with respect to the Property; and
- (c) issue and deliver to Kaminak an additional 2,000,000 fully paid and non-assessable common shares in the capital of Pacific Ridge on the date of delivery to Kaminak of the Positive Bankable Feasibility Study.

Until all the above requirements are met, Kaminak retains a 40% project interest in the Baker Lake Uranium Project.

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7. Resource Property Costs – Continued:

Baker Lake (Uranium), Nunavut: -Continued:

Upon the exercise of the Option, Kaminak shall be entitled to elect to earn back a 20% Interest (the "Back-In Right") by paying Pacific Ridge within 90 days of the delivery by Pacific Ridge to Kaminak of the Positive Bankable Feasibility Study an amount equal to 40% of the Expenditures incurred by Pacific Ridge on Programs and the Positive Bankable Feasibility Study. If either Pacific Ridge or Kaminak intend to sell their respective project interests, the other party will have a first right of refusal on any offer.

By agreement dated January 24, 2006, the Company granted Pacific Ridge Exploration Ltd., an option to acquire up to a 60% interest in the Baker Lake Uranium Project, Nunavut. The Baker Lake Property forms part of the Churchill property. Under the terms of the Option Agreement, Pacific Ridge has the right to initially earn a 51% interest by December 31, 2008 by making exploration expenditures totalling \$2.0 million dollars and staged payments totalling 400,000 Units (400,000 received) to the Company. Each Unit consisting 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. Pacific Ridge will have the right to increase its interest to 60% by spending an additional \$1.0 million prior to December 31, 2010. Thereafter Pacific Ridge and the Company will form a joint venture in accordance with their interests then held. Underlying interests are held by the Hunter Exploration Group as to a 2% Net Smelter Return interest and Shear Minerals Ltd. as to an 8.5% Net Profits Interest. The option agreement pertains to all commodities other than diamonds.

Bathurst, Nunavut

The property is subject to a 2% 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 and Labrador

The Company has acquired through staking with strategic partner Breakwater Resources Ltd. an interest in a number of nickel targets in the Grenville geological domain of Southern Quebec. On April 26th, 2007, Kaminak and Breakwater Resources Ltd. entered into a generative strategic alliance targeting primarily nickel-copper-PGE deposits over parts of eastern North America. Each company initially funds \$50,000 for data compilation, targeting and field work during the 2007 season. Kaminak will initially act as Project Operator. Upon ground acquisition, a 50-50 joint venture is formed on each separate property. Breakwater shall bear 100% of the exploration costs in each joint venture block until the cumulative total amount expended for exploration across all joint venture blocks equals \$1 million. Upon completion of such expenditure, the interests of the parties in each joint venture shall be Breakwater 51% and Kaminak 49%. Within thirty days after Kaminak and Breakwater agree that this \$1 million expenditure threshold has been reached, Breakwater can elect to increase its joint venture interest to 60% by solely funding the next \$2 million in cumulative exploration costs across all joint venture blocks.

Churchill, Nunavut

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

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7. Resource Property Costs – Continued:

Hemlo, Ontario

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

IME, Nunavut

As part of the Reorganization Transaction (Note 3), the Company received 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.

Lach, Nunavut

The Lack property consists of claims in the Bathurst Fault Zone of Nunavut.

Matrix, Nunavut

In April 2006, Newmont Canada Limited, a subsidiary of Newmont formally notified the Company that Newmont has acquired prospecting permits totalling 110,000 acres within an area of mutual interest around the Matrix Gold Project. Since these permits were acquired within the boundaries of the joint venture area, the Company notified Newmont that it elected to accept a proportionate interest in this newly acquired ground, at no cost to the Company.

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 Million (\$100,000 in year 1) and staged share payments totalling 400,000 shares to the Company by December 31, 2010. The letter of intent is subject to approval by the TSX Venture Exchange and the share payments are subject to TerraX successfully completing an Initial Public Offering by June 30, 2008. Failure by TerraX to successfully complete the IPO will result in the return of the Property to Kaminak with no retained interest by TerraX, and TerraX will have and no further obligations to the Company.

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

On March 8, 2007 the Company signed an option agreement with Romios Gold Resources Inc. ("Romios") giving Romios the right to earn up to a 70% interest in the Nizi Property. Under the terms of the Option Agreement, Romios has the right to initially earn a 51% interest by December 31, 2010 by making exploration expenditures totalling \$1.0 million dollars and staged payments totalling 200,000 Units to the Company. Each Unit consisting 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. Romios can then increase its interest to 60% by spending an additional \$1 million prior to December 31, 2010. Furthermore, Romios can earn an additional 10% interest in the property by completing a bankable feasibility study, for a total earn-in of 70%.

The Nizi Property is subject to a 2% NSR in favour of Hunter Exploration Group.

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7. Resource Property Costs – Continued:

Sail Property, British Columbia

The Company has acquired the 100% owned “Sail property” through staking a land package totalling 5,000 ha in the Cry Lake area.

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 550 kilometres 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% Net Smelter Royalty (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”) giving Corsa the right to earn up to a 60% interest in 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 \$1.0 million dollars and staged payments totalling 300,000 Units to the Company. Each Unit consisting 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. Corsa can then increase its interest to 60% by spending an additional \$1 million 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% gross overriding royalty and a 2% Net Smelter Return interest.

Voigtberg, British Columbia

By agreement dated July 11, 2006, the Company granted a third party, BCGold Corp., an option to acquire up to a 60% interest in the Voigtberg Gold Project, British Columbia. The Voigtberg Property was part of the properties acquired from Hunter. Under the terms of the Option Agreement, BCGold has the right to initially earn a 60% interest by July 11, 2010 by making exploration expenditures totalling \$2.0 million dollars and staged payments totalling 400,000 Units to the Company. Each Unit consisting 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% gross overriding royalty and a 2% Net Smelter Return interest.

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7. Resource Property Costs – Continued:

Washburn, Nunavut

On May 3, 2007 the Company signed an option agreement with Mega Uranium Ltd. (“Mega”) giving Mega the right to earn up to a 55% interest in the Washburn Property. Under the terms of the Option Agreement, Mega has the right to earn its 55% interest by December 31, 2010 by making exploration expenditures totalling \$1.0 million dollars.

The Washburn Uranium Property is located on Victoria Island, Nunavut.

Yathkyed, Nunavut

The Company signed an Exploration Agreement (EA) with Nunavut Tunngavik Inc. (NTI) whereby Kaminak has been granted a 100% interest in the minerals (except Uranium and Thorium) within privately owned Inuit Owned Lands that comprise parcel RI-30. This parcel is located directly adjacent to Kaminak’s “Yathkyed IOCG Project” which is comprised of staked claims located on Federal Crown land.

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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		
Issued:		
One common share – Issued to Shear (Parent Company)	1	1
Balance – September 30, 2005	1	1
Acquisition of 974134 N.W.T. Limited (Note 3 (i))	11,225,684	1,159,900
Acquisition of 53.76% of Hunter Properties (Note 3 (ii))	3,000,000	13,225
Acquisition of Sharp Lake Property (Note 7)	100,000	35,000
For corporate finance fee	100,000	-
For cash – Private Placement, flow-through shares, Nov. 9, 2005	818,585	286,505
For cash – Private Placement, November 9, 2005	4,657,800	1,164,450
For cash – Brokered Private Placement, flow-through shares, March 13, 2006	2,600,000	1,298,747
For cash – Brokered Private Placement, March 13, 2006	4,135,000	1,498,111
For cash – non-brokered private placement, March 22, 2006	517,000	251,353
For cash – exercise of warrants	500,000	175,000
Transfer from contributed surplus – exercise of warrants (Note 9)	-	867
Future income tax on flow-through expenditure renunciation	-	(97,755)
Share issuance costs	-	(478,809)
Balance - September 30, 2006	27,654,070	5,306,595
For cash – exercise of warrants	735,891	417,035
Transfer from contributed surplus – exercise of warrants (Note 9)	-	75,889
For cash – exercise of stock options	227,000	108,850
Transfer from contributed surplus – exercise of options (Note 9)	-	76,558
Acquisition of Sharp Lake Property (Note 7)	50,000	28,000
Future income taxes on renouncement of flow-through shares issued (note 10a)	-	(443,300)
Balance – September 30, 2007	28,666,961	\$ 5,569,627

b) Private Placements

March 22, 2006

On March 22, 2006, the Company completed a non-brokered private placement of 517,000 non-flow-through (NFT) units at \$0.50 per unit. The units were issued under the same terms as the non-flow-through units issued under the brokered private placement of March 13, 2006. Each unit consisted of one common share and one common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share to March 22, 2008 at a price of \$0.60 per share.

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8. Share Capital – Continued:

b) Private Placements – Continued:

March 13, 2006

On March 13, 2006, the Company completed a brokered private placement of 4,135,000 non-flow-through (NFT) units at \$0.50 per unit and 2,600,000 “flow-through” (FT) units at \$0.55 per unit. Each FT Unit consisted of one flow through common share and half of one non-flow through common share purchase warrant. Each whole common share purchase warrant is exercisable to March 13, 2008 at \$0.70 per share. Each NFT Unit consisted of one common share and one whole common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share to March 13, 2008 at a price of \$0.60 per share. The agent was paid a cash commission of \$279,800, corporate finance fee of 100,000 NFT units, a one time administrative fee of \$5,000, plus all reasonable costs and expenses relating to the offering, and granted compensation options of 593,500 warrants at an exercise price equal to \$0.60 per warrant. The Company has also granted the agent the right of first refusal on all brokered financings for a period of 12 months from closing.

November 9, 2005

On November 9, 2005, the Company completed two private placements of 4,657,800 common shares at \$0.25 per share and 818,585 “flow-through” common shares at \$0.35 per share. The proceeds of \$286,505 from the flow-through shares must be used for qualifying exploration expenditures (as defined under the Income Tax Act) and renounced to the flow-through shareholders effective December 31, 2005. After deducting share issuance costs, the Company generated \$1,376,691 net proceeds (gross proceeds of \$1,450,955).

c) Flow-through Shares:

The total proceeds of \$286,505 from the issuance of 818,585 flow-through shares in the November 9 2005 private placement and \$1,430,000 from the brokered March 13, 2006 private placement must be used for qualifying exploration expenditures and to be renounced to the flow-through shareholders effective March 31, 2006 for \$286,505 and effective March 31, 2007 for \$1,430,000. The unspent balance of this flow-through issuance at September 30, 2007 was \$274,881 (2006 - \$633,726) and is included in the Company’s cash and cash equivalents. The future income tax liability, estimated to be \$443,300 resulting from the renunciation of these qualifying expenditures was recorded in February 2007 when the renunciation tax forms were filed, in accordance with the pronouncement of the CICA Emerging Issue Committee (EIC).

d) Hunter Shares

Pursuant to the reorganization transaction (Note 3), the Company issued 3,000,000 shares to Hunter to acquire the remaining 53.76% interest in the Hunter Properties. The 3,000,000 shares are subject to escrow restrictions and held on deposit with the Transfer Agent. Ten percent were released upon the Company’s public trading, with the balance to be released in equal tranches of 15% every 6 months over 36 months. As at September 30, 2007, 2,250,000 of these shares remain in escrow.

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8. Share Capital – Continued:

e) Warrants:

At September 30, 2007, the following warrants were outstanding:

Expiry Date	Weighted Average Exercise Price	Issued Number of Warrants	Weighted Average Remaining Contractual Life in Years
Hunter Property Warrants			
November 9, 2007*	\$0.35	2,350,000	0.11
Share Purchase Warrants			
March 13, 2008	\$0.60	4,400,609	0.45
March 13, 2008	\$0.70	1,170,000	0.45
March 22, 2008	\$0.60	489,000	0.48
Weighted average of exercise price	\$0.54	8,409,609	0.39

* Subsequent to September 30, 2007 all of the remaining November 8, 2007 warrants were exercised for proceeds of \$822,500.

No share purchase warrants were issued during the current year. During the year 698,891 of the outstanding warrants were exercised for proceeds of \$417,035. No warrants expired during the year. The fair value of exercised warrants transferred from contributed surplus to share capital was \$75,889.

The fair value of warrants, issued to September 30, 2006, were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Risk-free interest rate	3.63-3.96%
Expected dividend yield	0%
Expected stock price volatility	64.24-100%
Average expected warrant life in years	2 years

f) Stock Options

A summary of the Company's options outstanding at September 30, 2007 and the changes for the year are as follows:

Expiry Date	Weighted Average Exercise Price	Number of Options	Vested Number of Options	Weighted Average Remaining in Years
November 9, 2007	\$1.00/\$1.25	897,200	897,200	0.11
November 9, 2007	\$0.35	77,800	77,800	0.11
January 17, 2011	\$0.55	1,698,000	1,698,000	3.30
April 7, 2011	\$0.55	50,000	50,000	3.52
April 25, 2011	\$0.63	50,000	50,000	3.57
July 21, 2011	\$0.55	415,000	415,000	3.81
December 7, 2011	\$0.55	100,000	75,000	4.19
April 2, 2012	\$0.79	240,000	60,000	4.51
June 18, 2012	\$0.79	160,000	40,000	4.72
	\$0.68	3,688,000	3,363,000	2.69

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8. Share Capital – Continued:

f) Stock Options – Continued:

	Number	Weighted Average Exercise Price
Outstanding September 30, 2005	-	-
Issued on reorganization	1,055,000	\$1.00
Granted	2,460,000	\$0.55
Outstanding September 30, 2006	3,515,000	\$0.69
Forfeited	(100,000)	\$0.55
Granted	500,000	\$0.74
Exercised	(227,000)	\$0.48
Outstanding September 30, 2007	3,688,000	\$0.68

During the year 227,000 stock options were exercised and 100,000 options were forfeited.

On February 20, 2007, the Company adopted a stock option plan with the following terms:

- i) Options granted can not be lower than the market price of one share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by TSX Venture Exchange and the minimum exercise price per share must be at least \$0.10.
- ii) At the time of the grant:
 - a) the total number of shares so reserved for issuance by the Board of directors shall not exceed ten (10%) percent of the issued and outstanding shares (on a non-diluted basis);
 - b) the aggregate number of shares so reserved for issuance to any one optionee in a 12 month period shall not exceed five (5%) percent of the issued shares (on a non-diluted basis);
 - c) the aggregate number of options granted to any one consultant in a 12 month period shall not exceed 2% of the issued shares;
 - d) the aggregate number of options granted to employees, who provide investor relations activities must not exceed 2% of the issued shares in any 12 month period; and
 - e) options issued 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.

Pursuant to the reorganization transaction, the Company reserves for issuance an aggregate of 1,055,000 common shares for issuance to holders of outstanding incentive stock options granted by Shear. The amount of 897,200 options are to the directors of Shear, exercisable for a period of two years (expiring November 9, 2007) at an exercise price of \$1.00 per share in the first year and \$1.25 per share in the second year. All other options, being the balance of 157,800 options, are exercisable at \$0.35 per share for a period of two years (expiring November 9, 2007).

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8. Share Capital – Continued:

f) Stock Options - *Continued*

2007 Issuances

On December 7, 2006, the Company granted a total of 100,000 employee stock options to independent consultants. The options carry an exercise price of \$0.55 per common share and will expire on December 7, 2011. The stock options vest in the amount of 25% every three months from date of granting. The stock-based compensation relating to this option grant totalled \$38,319.

On April 2, 2007, the Company granted a total of 240,000 employee stock options to a director and an independent consultant. The options carry an exercise price of \$0.79 per common share and will expire on April 2, 2012. The stock options vest in the amount of 25% every three months from date of granting. The stock-based compensation relating to this option grant totalled \$176,529.

On June 18, 2007, the Company granted a total of 160,000 employee stock options to directors and consultants. The options carry an exercise price of \$0.79 per common share and will expire on June 18, 2012. The stock options vest in the amount of 25% every three months from date of granting. The stock-based compensation relating to this option grant totalled \$110,246.

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, 2007:

Rsk-free interest rate	3.47-4.35%
Expected dividend yield	0%
Expected stock price volatility	83.217-101.45%
Average expected option life in years	1-5 years

In total the stock-based compensation recognized on the options issued during the current and prior year amounted to \$760,189, with the offsetting entry to Contributed Surplus.

2006 Issuances

On January 17, 2006, the Company granted a total of 1,945,000 employee stock options, of which stock options to acquire a total of 1,100,000 common shares were granted to insiders of the Company and 845,000 shares were granted to independent consultants. The options carry an exercise price of \$0.55 per common share and will expire on January 17, 2011. The stock options vest in the amount of 25% every three months from date of granting. The stock-based compensation relating to this option grant, totalling \$813,909 has been recorded at \$203,477 (an estimated \$193,017 will be recorded after forfeiture) every three months commencing April 17, 2006.

On April 7, 2006, the Company granted a total of 50,000 employee stock options to an independent consultant. The options carry an exercise price of \$0.55 per common share and will expire on April 7, 2011. The stock options vest in the amount of 25% every three months from date of granting. The stock-based compensation relating to this option grant, totalling \$18,236 has been recorded at \$4,559 every three months commencing July 7, 2006.

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8. Share Capital – Continued:

f) *Stock Options - Continued*

On April 25, 2006, the Company granted a total of 50,000 employee stock options to an independent consultant. The options carry an exercise price of \$0.63 per common share and will expire on April 25, 2011. The stock options vest in the amount of 25% every three months from date of granting. The stock-based compensation relating to this option grant, totalling \$21,572 has been recorded at \$5,393 every three months commencing July 25, 2006.

On July 21, 2006, the Company granted a total of 415,000 employee stock options to directors and consultants. The options carry an exercise price of \$0.55 per common share and will expire on July 21, 2011. The stock options vest in the amount of 25% every three months from date of granting. The estimated stock-based compensation relating to this option grant, totalling \$175,620 will be recorded at \$43,905 every three months commencing October 21, 2006.

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, 2006:

Risk-free interest rate	3.47-4.35%
Expected dividend yield	0%
Expected stock price volatility	83.217-101.45%
Average expected option life in years	1-5 years

9. Contributed Surplus

Balance consists of:

Balance – September 30, 2005	\$	-
Fair value related to warrants issued on private placements and warrants issued on mineral properties		
- warrants issued (<i>Note 8b</i>)		671,058
- agents warrants issued (<i>Note 8b</i>)		134,426
- warrants exercised – transferred to share capital		(867)
Fair value of stock-based compensation		
- stock options issued November 2005		45,692
- stock options issued January 17, 2006		406,956
- stock options issued April 7, 2006		4,559
- stock options issued April 25, 2006		5,392
Balance – September 30, 2006		<u>1,267,216</u>
Fair value of stock-based compensation		
- stock options issued January 17, 2006		406,953
- stock options issued April 7, 2006		13,677
- stock options issued April 25, 2006		16,180
- stock options issued July 21, 2006		175,620
- stock options issued December 7, 2006		31,933
- stock options issued April 2, 2007		88,264
- stock options issued June 18, 2007		27,562
Fair value transferred on exercise of warrants		(75,889)
Fair value transferred on exercise of stock options		(76,558)
Balance – September 30, 2007		<u>1,874,958</u>

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10. Income Taxes

- a) Reconciliation of accounting and taxable income (rounded to the nearest 000)

	For the Year Ended September 30, 2007	For the Year Ended September 30, 2006
Net Loss for the year	\$ (1,310,000)	\$ (955,000)
Add:		
Amortization	5,000	3,000
Stock- based compensation	760,000	463,000
Write-off of resource property costs	664,000	303,000
Share issuance costs	(77,000)	-
Future income tax expense (recovery) <i>(Note 8c)</i>	(443,000)	(98,000)
Net Loss for tax purposes	\$ (401,000)	\$ (284,000)

- b) To September 30, 2007, the Company has incurred non-capital loss for tax purposes of approximately \$707,000, which may be carried forward to reduce future taxable income. These losses expire as follows: in the year 2015 - \$22,000; 2016 - \$284,000, 2027 - \$401,000.
- c) During the year, the Company recognized tax recoveries of \$443,000 on the renunciation of \$1,430,000 of Canadian Mineral Exploration Costs to its flow through share holders.
- d) The components of the future income tax asset (liability) balances are as follows: (rounded to the nearest ,000)

	September 30, 2007	September 30, 2006
Future income tax asset (liability)		
Non-capital loss carry-forward	\$ 306,000	\$ 22,000
Non-capital loss for the year	401,000	284,000
Share issue costs	309,000	387,000
Resource property costs tax basis in excess of (below) book value	(1,717,000)	(287,000)
	(701,000)	406,000
Effective income tax rate	31.00%	34.12%
Future income tax asset (liability)	(217,000)	139,000
Allowance for future income tax	-	(139,000)
Future income tax asset	\$ -	\$ -

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse.

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11. Subsequent Events

- a) 2,350,000 warrants expiring November 9, 2007 were exercised for proceeds of \$822,500.
- b) 5,000 stock options exercisable at \$0.35 expiring November 9, 2007 were exercised for proceeds of \$1,750.
- c) 897,200 stock options exercisable at \$1.25 expiring November 9, 2007 expired without exercise.
- d) 72,800 stock options exercisable at \$0.35 expiring November 9, 2007 expired without exercise.