

KAMINAK GOLD CORPORATION
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2008
(Unaudited – Prepared by Management)
Canadian Dollars

Notice of Non-review of Interim Financial Statements

The attached interim consolidated financial statements for the three month period ended December 31, 2008 have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these interim financial statements.

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

ASSETS	As at December 31, 2008	As at September 30, 2008
Current		
Cash and cash equivalents	\$ 4,622,924	\$ 4,855,655
Accrued interest receivable	18,072	17,173
Cash call receivable	97,719	99,842
Marketable securities <i>(Note 5)</i>	151,000	310,000
GST receivable	139,889	129,189
Prepaid expense	5,000	5,000
Short-term investment	31,585	31,585
	5,066,189	5,448,444
Investments <i>(Note 7)</i>	224,662	248,394
Office Equipment , at net book value <i>(Note 6)</i>	9,095	9,730
Resource Property Costs <i>(Note 8) – Schedule</i>	2,500,514	2,468,222
	\$ 7,800,460	\$ 8,174,790
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 84,797	\$ 95,997
SHAREHOLDERS' EQUITY		
Share Capital <i>(Note 9)</i>	10,412,223	10,412,223
Contributed Surplus <i>(Note 10)</i>	1,432,334	1,419,042
Accumulated Other Comprehensive Loss	(523,750)	(364,750)
Deficit	(3,605,144)	(3,387,722)
	7,715,662	8,078,793
	\$ 7,800,460	\$ 8,174,790

Nature of Operations (Note 1)

ON BEHALF OF THE BOARD:

“Rob Carpenter”, President & CEO, Director

“Charles Chebry, CFO”, Director

- See Accompanying Notes -

Kaminak Gold Corporation*(An Exploration Stage Company)***Consolidated Statements of Loss and Deficit and Comprehensive Loss****For the three months ended December 31***(Unaudited – Prepared by Management)**Canadian Dollars*

	2008	2007
Expenses		
Accounting and legal	\$ 11,806	\$ 14,295
Amortization	634	736
Bank charges and interest	258	359
Consulting	63,510	77,740
Investor relations	17,972	17,914
Listing and filing fees	45	379
Office and sundry	3,723	8,227
Rent	-	5,826
Stock-based compensation	13,292	71,053
Transfer agent fees	1,080	-
Travel and conference	27,532	36,200
Loss before the undernoted	(139,852)	(232,729)
Other Income (Expenses)		
Interest	13,600	-
Gain on optioning of resource property	-	310,000
Loss on investments	(23,732)	-
Write-off of resource property costs	(66,238)	(100,770)
	(76,370)	209,230
Loss from continuing operations	(217,422)	(23,499)
Loss allocated to spin-out assets (Note 2)	-	(23,014)
Loss For The Period	(217,422)	(46,513)
Deficit - Beginning of Period	(3,387,722)	(2,505,445)
Deficit – End of Period	\$ (3,605,144)	\$ (2,551,958)
Loss For The Period	\$ (217,422)	\$ (46,513)
Changes in fair value of investments	(159,000)	(237,000)
Total comprehensive loss for the period	\$ (376,422)	\$ (283,513)
Basic and Diluted Loss per Share	\$ (0.01)	\$ (0.00)
Weighted Average Number of Shares Outstanding	36,467,520	30,091,254

- See Accompanying Notes -

Kaminak Gold Corporation
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
For the three months ended December 31
(Unaudited – Prepared by Management)
Canadian Dollars

	2008	2007
Cash Flows from Operating Activities		
Net loss for the year	\$ (217,422)	\$ (46,513)
Items not affected by cash:		
Amortization	634	809
Gain on optioning of property	-	(310,000)
Non-cash portion of loss allocated to Kivalliq	-	-
Loss on investments	23,732	-
Minority interest	-	-
Stock-based compensation	13,292	78,080
Write-off of resource property costs	66,238	100,770
Change in non-cash working capital:		
GST receivable	(10,700)	23,462
Cash call receivable	2,123	-
Accrued interest receivable	(899)	10,991
Accounts payable and accrued liabilities	(71,169)	7,069
	(194,171)	(182,256)
Cash Flows from Investing Activities		
Resource property costs	(38,560)	(414,920)
Office equipment	-	(2,019)
	(38,560)	(416,939)
Cash Flows from Financing Activities		
Issuance of share capital, net	-	824,250
Repayment of (advances to) related party	-	-
	-	824,250
Net Increase (Decrease) in Cash	(232,731)	225,055
Cash - Beginning of year	4,855,655	2,383,371
Cash and Cash Equivalents - End of Year	\$ 4,622,924	\$ 2,608,426
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Cash calls receivable included in resource property costs	\$ -	\$ 49,016
Accounts payable included in resource property costs	\$ (59,970)	\$ 23,010
Transfer of contributed surplus to share capital on warrant exercise	\$ -	\$ 4,082
Transfer of contributed surplus to share capital on option exercise	\$ -	\$ 571
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

- See Accompanying Notes -

Kaminak Gold Corporation

(An Exploration Stage Company)

Consolidated Schedule of Resource Property Costs

(Unaudited – Prepared by Management)

Canadian Dollars

	For the three months ended December 31, 2008			For the year ended September 30, 2008
	Acquisition Costs	Deferred Exploration	Total	
Mineral Interests				
Angilak (formerly Yathkyed), Nunavut				
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)
Baker Lake (Uranium), Nunavut				
Claim maintenance	-	-	-	136
Geological consulting	-	-	-	238
Transfer assets to Kivalliq (Note 2)	-	-	-	(374)
	-	-	-	-
Bathurst, Nunavut				
Claim maintenance	12,085	-	12,085	34
Recording and staking	-	-	-	24,170
Geological consulting	-	68	68	237
	12,085	68	12,153	24,441
Breakwater, Quebec				
Recording and staking	-	-	-	38
Airborne Geological	-	-	-	491,352
Assays	-	-	-	-
Field and general	-	10,400	10,400	27,252
Geological consulting	-	4,103	4,103	14,362
Travel and accommodation	-	-	-	15,920
Recovery of costs	-	-	-	(552,678)
	-	14,503	14,503	(3,754)
Hemlo, Ontario				
Assays	-	-	-	10,005
Field and general	-	-	-	125,199
Geological consulting	-	-	-	77,110
Travel and accommodation	-	-	-	47,954
	-	-	-	260,268
IME, Nunavut				
Recording and staking	-	-	-	448
Field and general	-	-	-	1,093
Geological consulting	-	309	309	95
	-	309	309	1,636
Matrix, Nunavut				
Recording and staking	-	-	-	500
Claim maintenance	-	-	-	103
Geological consulting	-	100	100	480
	-	100	100	1,083
Balance Forward	\$ 12,085	\$ 14,980	\$ 27,065	\$ (76,606)

- See Accompanying Notes -

Kaminak Gold Corporation

(An Exploration Stage Company)

Consolidated Schedule of Resource Property Costs

(Unaudited – Prepared by Management)

Canadian Dollars

	For the three months ended December 31, 2008			For the year ended September 30, 2008
	Acquisition Costs	Deferred Exploration	Total	
Balance Brought Forward	\$ 12,085	\$ 14,980	\$ 27,065	\$ (76,606)
Needle, Nunavut				
Option receipt – shares	-	-	-	(65,000)
Geological consulting	-	34	34	95
	-	34	34	(64,905)
Nizi, BC				
Recording and staking	(1,400)	-	(1,400)	2,664
Field and general	-	-	-	650
	(1,400)	-	(1,400)	3,314
Obonga				
Recording and staking	-	-	-	51,029
Field and general	-	-	-	488
Geological consulting	-	-	-	30
	-	-	-	51,547
Sail, BC				
Recording and staking	3,689	-	3,689	22,720
	3,689	-	3,689	22,720
Sharpe Lake, Manitoba				
Recording and staking	2,800	-	2,800	-
Field and general	-	-	-	800
Geological consulting	-	-	-	71
	2,800	-	2,800	871
Sy, Nunavut				
Claim maintenance	-	-	-	103
Recording and staking	-	-	-	82
Options receipt – shares	-	-	-	(40,000)
Field and supplies	-	-	-	172
Geological consulting	-	69	69	203
Travel and accommodation	-	-	-	71
	-	69	69	(39,369)
Voigtberg, BC				
Option receipt – shares	-	-	-	(69)
Field and supplies	-	-	-	69
Geological consulting	-	35	35	-
	-	35	35	-
Washburn, Nunavut				
Claim maintenance	-	-	-	34
Geological consulting	-	-	-	71
Transfer assets to Kivalliq (Note 2)	-	-	-	(22,063)
	-	-	-	(21,958)
Balance Forward	\$ 17,174	\$ 15,118	\$ 32,292	\$ (124,386)

- See Accompanying Notes -

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

	For the three months ended December 31, 2008			For the year ended September 30, 2008
	Acquisition Costs	Deferred Exploration	<i>Total</i>	
Balance Brought Forward	\$ 17,174	\$ 15,118	\$ 32,292	\$ (124,386)
<i>Generative</i>				
Recording and staking	11,974	-	11,974	5,883
Assays	-	6,455	6,455	28,144
Field and supplies	-	20,273	20,273	85,295
Geological Consulting	-	20,377	20,377	92,946
Travel and accommodation	-	7,159	7,159	40,886
Generative costs recoverable	-	-	-	-
	11,974	54,264	66,238	253,154
Resource Property Costs for the Period	29,148	69,382	98,530	281,980
Write off of Resource Property Costs	(11,974)	(54,264)	(66,238)	(253,154)
Balance, Beginning of the Period	1,124,695	1,343,527	2,468,222	2,439,396
Balance, End of the Period	\$ 1,141,869	\$ 1,358,645	\$ 2,500,514	\$ 2,468,222

- See Accompanying Notes -

Kaminak Gold Corporation

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

December 31, 2008

*(Unaudited – Prepared by Management)
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1. Nature of Operations

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

The Company became a reporting issuer in Alberta and British Columbia on November 9, 2005 by virtue of a reorganization transaction involving the exchange of securities between Shear Minerals Ltd. ("Shear"), the Company and the shareholders of Shear. 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, 2008, the Company owns 12% of this subsidiary which was accounted for on a consolidated basis until July 4, 2008, at which point the company's interest in Kivalliq was reduced from 48% to 13%. Since July 4, 2008, the Company has accounted for its investment using the equity method.

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 three months ended December 31, 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 period.

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3. Significant Accounting Policies

These interim financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements do not include all disclosures required by Canadian Generally Accepted Accounting Principles for annual financial statements and accordingly, the interim financial statements should be read in conjunction with the audited financial statements and notes thereto of the Company as at September 30, 2008. In addition, the Company has adopted the following CICA guideline effective October 1, 2008:

Goodwill and Intangible Assets

In February 2008, the AcSB issued Handbook Section 3064, “Goodwill and Intangible Assets”, which will replace Section 3062, “Goodwill and Intangible Assets” and amended Section 1000, “Financial Statement Concepts” clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred.

4. 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 January 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.

5. Marketable Securities

	September 30, 2008		September 30, 2008	
	Market Value	Cost	Market Value	Cost
Common shares in public companies received as property payments	\$ 151,000	\$ 666,500	\$ 310,000	\$ 666,500

The Company also holds 50,000 share purchase warrants in a public company at an exercise price of \$0.27 per share exercisable on or before September 15, 2009 and 100,000 share purchase warrants in a public company at an exercise price of \$0.35 per share to April 17, 2009.

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6. Office Equipment

Details for December 31, 2008 are as follows:

	Cost	Accumulated Amortization	Net Book Value December 31, 2008
Computer equipment	\$ 11,026	\$ 5,565	\$ 5,461
Computer software	4,450	4,450	-
Office equipment	4,963	1,329	3,634
	<u>\$ 20,439</u>	<u>\$ 11,344</u>	<u>\$ 9,095</u>

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
	<u>\$ 20,439</u>	<u>\$ 10,709</u>	<u>\$ 9,730</u>

From the September 30, 2008 amortization, \$73 was allocated to Kivalliq pursuant to the spin out (Note 2).

7. Investments

The Company accounts for its investment in Kivalliq on an equity basis. As at December 31 and September 30, 2008 the Company held a 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 its disposal of a total of 87% to July 4, 2008. Prior to July 4, 2008, the Company consolidated the operations of Kivalliq.

Kaminak Gold Corporation
(An Exploration Stage Company)
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8. Resource Property Costs:

Details are as follows:

	Acquisition Costs	Exploration Costs	Cumulative as at December 31, 2008	Cumulative as at September 30, 2008
Bathurst, Nunavut	\$ 36,289	\$ 305	\$ 36,594	\$ 24,441
Breakwater, Quebec	38	86,812	86,850	72,347
Churchill, Nunavut	783,721	463,534	1,247,255	1,247,255
Hemlo, Ontario	70,682	312,405	383,087	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
Nizi, BC	5,430	4,737	10,167	11,567
Obonga, Ontario	51,029	518	51,547	51,547
Sail, BC	28,422	-	28,422	24,733
Sharpe Lake, Manitoba	70,300	149,189	219,489	216,689
Sy, Nunavut	18,383	209,979	228,362	228,293
Voigtberg, BC	-	35	35	-
	\$ 1,141,869	\$ 1,358,645	\$ 2,500,514	\$ 2,468,222

General

The Company acquired from Hunter and Shear, related parties, two groups of properties: the Hunter Properties and the Shear Properties. The Hunter Properties consists 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).

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

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% NSR in favour of a third party, Echo Bay Mines Ltd. In addition, the Company was required to make payments to keep the property in good standing.

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8. Resource Property Costs – Continued:

Breakwater, Quebec

The Company has acquired through staking with a 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-platinum group elements deposits over parts of eastern North America. Each company initially funded \$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 \$1,000,000. 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 \$1,000,000 expenditure threshold has been reached, Breakwater can elect to increase its joint venture interest to 60% by solely funding the next \$2,000,000 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.

Hemlo, Ontario

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

IME, Nunavut

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

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. The letter of intent was 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 (completed and 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.

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8. Resource Property Costs – Continued:

Nizi, British Columbia

The Company signed a letter of agreement with Avasca Inc. on Kaminak's Nizi Creek Gold-Silver Property located near Cry Lake, British Columbia. Avasca has the right to earn a 51% project interest by making exploration expenditures totaling \$2,000,000 and staged share payments totaling 400,000 units to Kaminak by December 31, 2011. Year 1 (2008) exploration expenditures are set at a minimum of \$50,000. The letter of agreement is subject to regulatory approval from the TSX Venture Exchange. Share payments are subject to Avasca successfully completing an IPO by December 31, 2009. Failure by Avasca to successfully complete the IPO will result in the return of the Property to Kaminak. 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.

Sail Property, British Columbia

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

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8. 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, 2010 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.

9. 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:		
Balance - September 30, 2007	28,666,961	5,569,627
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
Balance – December 31, 2008 and September 30, 2008	36,467,520	\$ 10,412,223

b) 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, December 31, 2008 and September 30, 2008	-	-

At December 31, 2008, there were no warrants were outstanding.

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9. Share Capital – Continued:

c) 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
Issued	650,000	\$0.15
Expired or cancelled without exercise	(60,000)	\$0.45
Outstanding options, December 31, 2008	3,465,000	\$0.42

At December 31, 2008 the following stock options were outstanding:

Expiry Date	Original Weighted Average Exercise Price	Adjusted Weighted Average Exercise Price	Number of Options	Vested Number of Options	Weighted Average Remaining in Years
January 17, 2011	\$0.55	\$0.45	1,598,000	1,598,000	2.04
April 7, 2011	\$0.55	\$0.45	50,000	50,000	2.27
April 25, 2011	\$0.63	\$0.51	50,000	50,000	2.32
July 21, 2011	\$0.55	\$0.45	415,000	415,000	2.55
December 7, 2011	\$0.55	\$0.45	100,000	100,000	2.93
April 2, 2012	\$0.79	\$0.65	240,000	240,000	3.25
June 18, 2012	\$0.79	\$0.65	135,000	135,000	3.47
July 16, 2013	\$0.45	\$0.45	227,000	56,750	4.54
December 5, 2013	\$0.15	\$0.15	650,000	-	4.93
	\$0.57	\$0.52	3,465,000	2,644,750	2.98

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;

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9. Share Capital – Continued:

d) Stock Options – *Continued:*

- 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 period ended December 31, 2008, the Company granted options to acquire 650,000 common shares.

During the year ended September 30, 2008, the Company granted options to acquire 227,000 common shares. Also, during the year ended September 30, 2008, the outstanding stock options were repriced in connection with the spin out of Kivalliq.

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 December 31, 2008 and September 30, 2008:

December 31, 2008	
Risk-free interest rate	2.21%
Expected dividend yield	0%
Expected stock price volatility	107.78%
Average expected option life in years	5 years
September 30, 2008	
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

10. Contributed Surplus

Balance consists of:

Balance – September 30, 2007	\$ 1,874,958
- stock based compensation	227,223
- stock based compensation allocated to Kivalliq	7,027
- warrants exercised – transferred to share capital	(687,503)
- stock options exercised – transferred to share capital	(2,663)
Balance – September 30, 2008	1,419,042
- stock based compensation	13,292
Balance – December 31, 2008	\$ 1,432,334

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11. Related Party Transactions

Included in the current period are consulting fees of \$3,910, travel and conference charges of \$9,000, office and sundry charges of \$2,385 and investor relations charges of \$14,300 to a company controlled by directors of the Company.

During the year the Company incurred \$46,000 in consulting fees to directors and officers or which \$1,000 is payable to a director at December 31, 2008.

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.

12. Financial Instruments

Categories of financial assets and liabilities

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

	December 31, 2008	September 30, 2008
Held for trading	\$ 4,694,509	\$ 4,887,240
Available for sale	\$ 151,000	\$ 310,000
Loans and receivables	\$ 255,680	\$ 246,204
Other financial liabilities	\$ 84,798	\$ 95,997

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to accounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had a cash and cash equivalent balance of \$4,622,924 (September 30, 2008 - \$4,855,655) to settle current liabilities of \$84,798 (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.

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12. Financial Instruments – Continued:

Market risk

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2008, the Company had \$3,539,696 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.

13. 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.
