

Knight Resources Ltd.

**Quarterly Financial Statements
For The Three Months Ended December 31, 2009
(Unaudited)**

Notice to Reader

The accompanying unaudited financial statements of Knight Resources Ltd. (“the Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of the Company’s unaudited interim financial statements as at and for the three months ended December 31, 2009.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Balance Sheets

(Unaudited)

(Canadian Dollars)

	December 31, 2009	September 30, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,462,391	\$ 1,534,715
Accounts receivable	10,631	28,102
Tax credits recoverable	494,269	494,269
Prepaid expenses	16,266	16,266
	4,983,557	2,073,352
Property, plant and equipment	9,021	8,414
	\$ 4,992,578	\$ 2,081,766
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 61,801	\$ 41,120
Shareholders' equity		
Share capital (note 4)	25,939,604	23,272,203
Contributed surplus (note 5)	5,577,868	5,384,351
Warrants	408,179	-
Deficit	(26,994,874)	(26,615,908)
	4,930,777	2,040,646
	\$ 4,992,578	\$ 2,081,766

Nature of operations and basis of presentation (note 1)

Approved on behalf of the Board:

"Harvey Keats"

Director

"David Patterson"

Director

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Statements of Loss and Comprehensive Loss

(Unaudited)

(Canadian Dollars)

	Three months ended December 31,	
	2009	2008
Exploration expenditures		
West Raglan (schedule)(note 3)	\$ 10,033	\$ 294,753
General and administrative expenditures		
Accounting and audit fees	6,574	1,574
Administrative fees	28,500	28,000
Amortization	893	888
Filing fees	4,095	3,595
Legal fees	1,345	1,256
Management fees	48,403	41,951
Office and miscellaneous	21,161	24,758
Promotion	40,863	56,542
Rent	21,000	9,500
Stock-based compensation (note 5)	193,517	-
Telephone and communications	3,616	2,846
Transfer agent fees	1,374	964
Travel	981	10,339
	372,322	182,213
Loss before other items	382,355	476,966
Other items		
Interest income	(3,389)	(6,170)
Interest on flow-through shares	-	821
Loss and comprehensive loss for the period	\$ (378,966)	\$ (471,617)
Basic and diluted loss per share	\$ -	\$ (0.01)
Weighted average number of common shares outstanding	107,917,937	90,670,447

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Statements of Shareholders' Equity

(Unaudited)

(Canadian Dollars)

	Common Shares			Contributed		Total
	Number	Amount	Warrants	surplus	Deficit	shareholders' equity
Balance at September 30, 2009	90,670,447	\$ 23,272,203	\$ -	\$ 5,384,351	\$ (26,615,908)	\$ 2,040,646
Common shares issued for cash:						
Private placements (note 4)	40,989,990	2,875,613	403,587	-	-	3,279,200
Share issue costs on private placements	-	(208,212)	(28,964)	-	-	(237,176)
Warrants issued on private placements	-	-	33,556	-	-	33,556
Stock-based compensation (note 5)	-	-	-	193,517	-	193,517
Loss for the period	-	-	-	-	(378,966)	(378,966)
Balance at December 31, 2009	131,660,437	\$ 25,939,604	\$ 408,179	\$ 5,577,868	\$ (26,994,874)	\$ 4,930,777
Balance at September 30, 2008	90,670,447	\$ 23,272,203	\$ 1,575,518	\$ 3,779,853	\$ (25,675,602)	\$ 2,951,972
Expiry of warrants (note 4)	-	-	(1,007,447)	1,007,447	-	-
Loss for the period	-	-	-	-	(471,617)	(471,617)
Balance at December 31, 2008	90,670,447	\$ 23,272,203	\$ 568,071	\$ 4,787,300	\$ (26,147,219)	\$ 2,480,355

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Statements of Cash Flows

(Unaudited)

(Canadian Dollars)

	Three months ended December 31,	
	2009	2008
Cash Provided by (Used for):		
Operating Activities		
Loss for the period	\$ (378,966)	\$ (471,617)
Items not involving cash:		
Amortization	893	888
Stock-based compensation expense	193,517	-
Changes in non-cash operating working capital:		
Accounts receivable	17,471	(8,795)
Tax credits recoverable	-	(238,173)
Prepaid expenses	-	8,453
Accounts payable and accrued liabilities	20,681	(1,009,610)
	<u>(146,404)</u>	<u>(1,718,854)</u>
Financing Activities		
Issuance of common shares	3,279,200	-
Share issue costs	(203,620)	-
	<u>3,075,580</u>	<u>-</u>
Investing Activity		
Purchase of property, plant and equipment	(1,500)	-
Change in cash and cash equivalents	<u>2,927,676</u>	<u>(1,718,854)</u>
Cash and cash equivalents, beginning of period	<u>1,534,715</u>	<u>2,543,672</u>
Cash and cash equivalents, end of period	<u>\$ 4,462,391</u>	<u>\$ 824,818</u>
Cash provided by:		
Interest received	\$ 3,389	\$ 6,170
Tax credits received	\$ -	\$ -
Supplemental cash flow information:		
Finder's warrants for share issue costs	\$ 33,556	\$ -

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Notes to the Financial Statements

December 31, 2009

(Unaudited)

(Canadian Dollars)

1. Nature of Operations and Basis of Presentation

Knight Resources Ltd. ("the Company") is a public company incorporated under the Company Act, British Columbia, Canada. Its shares are listed on the TSX Venture Exchange and the Frankfurt Stock Exchange. The principal business of the Company is to explore natural resource properties.

These financial statements have been prepared on the going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. At December 31, 2009, the Company has a deficit of \$26,994,874 and has incurred losses since inception. The Company is in the process of exploring mineral properties and has not yet determined whether these properties contain deposits that are economically recoverable. The continuing operations of the Company are dependent upon obtaining necessary financing to meet the Company's commitments as they come due and to finance exploration and development of the properties, the discovery of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production or proceeds from disposition of the mineral and oil and gas properties. For these reasons, there exists doubt over the Company's ability to continue as a going concern beyond the next fiscal year. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values. Management is of the opinion that sufficient working capital will be obtained through the issuance of additional common shares to meet the Company's liabilities and commitments as they come due.

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the nine month period ended December 31, 2009 are not necessarily indicative of the results that may be expected for the year ended September 30, 2010. The balance sheet at September 30, 2009 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

2. Significant Accounting Policies

These interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual financial statements for the year ended September 30, 2009. For further information, refer to the financial statements and notes thereto included in the Company's Annual Report to Shareholders for the year ended September 30, 2009.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Notes to the Financial Statements

December 31, 2009

(Unaudited)

(Canadian Dollars)

3. Mineral Property

West Raglan Property

Cumulative expenditures	<u>December 31, 2009</u>	<u>September 30, 2009</u>
Exploration expenditures	\$ 21,453,355	\$ 21,443,322
Refundable tax credits and mining duties	(8,509,369)	(8,509,369)
	<u>\$ 12,943,986</u>	<u>\$ 12,933,953</u>

The Company has earned a participating joint venture interest in the West Raglan Project ('the Project') located in northern Quebec, Canada. Exploration is carried out by Anglo American Exploration (Canada) Limited ('Anglo American') under the direction of a Management Committee comprised of two representatives from each of the Company and Anglo American. At September 30, 2008, the Company had a 49% interest in the joint venture. The Company elected not to participate in the calendar 2009 field program and as such, its interest in the Project has been diluted to 45.32% as at December 31, 2009.

4. Share Capital and Warrants

On November 19, 2009 and December 9, 2009, the Company closed a non-brokered private placement for gross proceeds of \$2,576,000 and \$703,200 respectively. These funds were raised through the issuance of 32,200,000 units and 8,790,000 units at a price of \$0.08 per unit respectively. Each unit is comprised of one flow-through common share and one half of one non flow-through common share purchase warrant. The total proceeds of \$3,279,200 were allocated to common shares in the amount of \$2,875,613 and to warrants in the amount of \$403,587, based on their relative fair values on the date of closing. For income tax purposes, the subscription funds of \$3,279,200 will be applied towards carrying out exploration activities and the expenditures will be renounced in favour of the subscriber. Accordingly, the Company will not have available deductions from taxable income in respect of such expenditures. The Company must spend all of \$3,279,200 on Canadian Exploration Expenditures by December 31, 2010.

Each whole share purchase warrant entitles the holder to purchase one additional non flow-through common share at an exercise price of \$0.12. There are 16,100,000 share purchase warrants that expire on November 19, 2010 and 4,395,000 share purchase warrants that expire on December 9, 2010. The Company also issued 1,218,750 finder's warrants which entitle the holder to purchase 1,218,750 non flow-through common shares at \$0.12 per share up to November 19, 2010 and 439,375 finder's warrants which entitle the holder to purchase 439,375 non flow-through common shares at \$0.12 per share up to December 9, 2010.

The fair values of the warrants are \$0.02 and were determined based on the Black-Scholes option pricing model assuming no expected dividends, a weighted average risk-free interest rate of 0.48%, an expected stock price volatility of 115% and an expected life of one year.

The Company incurred total issuance costs on the private placement of \$237,176, which were allocated to common shares in the amount of \$208,212 and to warrants in the amount of \$28,964 based on their relative fair values. Of these costs, \$203,620 was incurred in cash and \$33,556 was incurred through the issuance of 1,658,125 non flow-through warrants to finders.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Notes to the Financial Statements

December 31, 2009

(Unaudited)

(Canadian Dollars)

5. Stock-based Compensation

During the three months ended December 31, 2009, the Company granted 9,050,000 stock options (2008 – Nil) with a weighted average grant date fair value of \$0.02. The Company recognized \$193,517 of stock-based compensation (2008 - \$Nil). The Company calculated the fair value of options granted using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 0.50%, a dividend yield of Nil, an expected volatility of the Company's share price of 121% and an expected life of the stock options of 1 year.

6. Related Party Transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The following is a summary of the related party transactions that occurred throughout the three months ended December 31:

- a) paid or accrued \$48,403 (2008 - \$41,951) for management fees to a company controlled by the CEO, to a company controlled by the CFO, and to a company controlled by the Vice-President of Exploration;
- b) paid or accrued \$10,033 (2008 - \$16,280) for technical services relating to the West Raglan Property to a company controlled by the CEO and to a company controlled by the Vice-President of Exploration; and
- c) paid or accrued \$21,000 (2008 - \$9,500) for rent to companies where the CFO is a common director.

7. Financial Instruments

As at December 31, 2009, the Company's financial instruments are cash and cash equivalents, accounts receivable, tax credits recoverable and accounts payable and accrued liabilities. The amounts reflected in the balance sheet are carrying amounts and approximate their fair values due to the short-term nature and negligible credit losses. These financial instruments are classified as follows:

Cash and cash equivalents – held-for-trading
Accounts receivable – loans and receivables
Tax credits recoverable – loans and receivables
Accounts payable and accrued liabilities – other financial liabilities

The Company does not use derivative instruments or hedges to manage risks because the Company's exposure to credit risk, interest rate risk and currency risk is small.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents, accounts receivable and tax credits recoverable are exposed to credit risk. The credit risk on cash and cash equivalents is small because the counterparties are highly rated financial institutions. The credit risk on accounts receivable and tax credits recoverable are small because the counterparties are federal and provincial governments.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Notes to the Financial Statements

December 31, 2009

(Unaudited)

(Canadian Dollars)

7. Financial Instruments (cont'd)

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are exposed to interest rate risk as the Company invests cash and cash equivalents at floating rates of interest in highly liquid instruments. Fluctuations in interest rates impact the value of cash and cash equivalents. For the three months ended December 31, 2009, if interest rates had been 1% lower, loss and comprehensive loss would have been \$8,247 higher and conversely if interest rates had been 1% higher, loss and comprehensive loss would have been \$8,247 lower.

c) Currency Risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to currency risk is negligible because the Company's operations are in one country, being Canada. The dollar amount and number of transactions conducted in currencies other than the Canadian dollar are not material.

d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities are all current and due within 90 days of the balance sheet date. The Company ensures that it has sufficient capital to meet short term financial obligations after taking into account its exploration obligations and cash and cash equivalents on hand.

8. Capital Management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern.
- To maintain appropriate cash reserves on hand to continue exploration of the Company's West Raglan Project and to meet ongoing operating costs.
- To ensure that flow-through funds are spent on Canadian Exploration Expenditures in order to meet the required renunciation obligations.
- To invest cash on hand in highly liquid and highly rated financial instruments.

In the management of capital, the Company includes shareholders' equity and debt in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets, especially in regards to exploration results on its West Raglan Project. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to externally imposed capital requirements.

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(An exploration stage company)

Schedule of Exploration Expenditures

(Unaudited)

(Canadian Dollars)

	Three months ended December 31,	
	<u>2009</u>	<u>2008</u>
West Raglan Property		
Drilling	\$ -	\$ 222,900
Geochemistry	-	8,312
Geology	10,033	65,639
Geophysics	-	57,898
Mobilization	-	56,521
Other	-	88,077
Safety and environment	-	33,579
	10,033	532,926
Refundable tax credits	-	(200,200)
Mining duties refund	-	(37,973)
	\$ 10,033	\$ 294,753