

Knight Resources Ltd.

**Quarterly Financial Statements
For The Six Months Ended March 31, 2011
(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 six months ended March 31, 2011.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Balance Sheets

(Unaudited)

(Canadian Dollars)

	March 31, 2011	September 30, 2010
ASSETS		
Current assets		
Cash	\$ 413,518	\$ 1,655,070
Accounts receivable	17,403	21,772
Tax credits recoverable	783,832	541,326
Advances for exploration	48,631	-
Prepaid expenses	14,000	18,360
	1,277,384	2,236,528
Property, plant and equipment	6,751	9,217
	\$ 1,284,135	\$ 2,245,745
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 14,717	\$ 407,003
Shareholders' equity		
Share capital (note 4)	25,901,364	26,207,491
Contributed surplus (note 5)	6,117,431	5,728,719
Warrants (note 4)	241,102	649,281
Deficit	(30,990,479)	(30,746,749)
	1,269,418	1,838,742
	\$ 1,284,135	\$ 2,245,745

Nature of operations and basis of presentation (note 1)

Subsequent event (note 9)

Approved on behalf of the Board:

"Harvey Keats"

Director

"David Patterson"

Director

KNIGHT RESOURCES LTD.

(An exploration stage company)

Statements of Loss and Comprehensive Loss

(Unaudited)

(Canadian Dollars)

	Three months ended March 31,		Six months ended March 31,	
	2011	2010	2011	2010
Exploration expenditures				
West Raglan (schedule)(note 3)	\$ 17,270	\$ 223,004	\$ 326,627	\$ 233,037
Lagarde (schedule)	-	-	4,291	-
	17,270	223,004	330,918	233,037
General and administrative expenditures				
Administrative fees	15,000	21,000	33,000	49,500
Amortization	1,233	894	2,466	1,787
Directors fees	6,000	-	12,000	-
Filing fees	5,400	5,700	9,196	9,795
Management fees	19,700	45,324	41,985	93,727
Office and miscellaneous	5,452	2,219	23,202	23,380
Professional fees	11,685	8,000	14,586	15,919
Promotion	3,066	46,135	16,321	86,998
Rent	21,000	24,399	44,096	45,399
Stock-based compensation (note 5)	(1,728)	131,266	(19,467)	324,783
Telephone and communications	988	2,181	3,352	5,797
Transfer agent fees	5,037	4,311	6,324	5,685
Travel	108	11,961	333	12,942
	92,941	303,390	187,394	675,712
Other Items				
Interest income	(1,623)	(5,384)	(5,664)	(8,773)
Interest on flow-through shares	37,209	-	37,209	-
	35,586	(5,384)	31,545	(8,773)
Loss before income taxes	(145,797)	(521,010)	(549,857)	(899,976)
Future income tax recovery	306,127	769,006	306,127	769,006
Earnings (loss) and comprehensive earnings (loss) for the period	\$ 160,330	\$ 247,996	\$ (243,730)	\$ (130,970)
Basic and diluted loss per share	\$ -	\$ -	\$ -	\$ -
Weighted average number of common shares outstanding	143,738,761	131,719,726	143,738,761	119,688,052

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Statements of Shareholders' Equity

(Unaudited)

(Canadian Dollars)

	Common Shares		Warrants	Contributed surplus	Deficit	Total shareholders' equity
	Number of	Amount				
Balance at September 30, 2010	143,738,761	\$ 26,207,491	\$ 649,281	\$ 5,728,719	\$ (30,746,749)	\$ 1,838,742
Warrants expired	-	-	(408,179)	408,179	-	-
Stock-based compensation (note 5)	-	-	-	(19,467)	-	(19,467)
Future income tax impact of renunciation of Canadian Exploration Expenses pursuant to flow-through shares	-	(306,127)	-	-	-	(306,127)
Loss for the period	-	-	-	-	(243,730)	(243,730)
Balance at March 31, 2011	143,738,761	\$ 25,901,364	\$ 241,102	\$ 6,117,431	\$ (30,990,479)	\$ 1,269,418

	Common Shares		Warrants	Contributed surplus	Deficit	Total shareholders' equity
	Number of	Amount				
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	46,325,957	3,379,613	499,587	-	-	3,879,200
Share issue costs on private placements	-	(268,799)	(40,504)	-	-	(309,303)
Warrants issued on private placements	-	-	50,588	-	-	50,588
Stock-based compensation	-	-	-	324,783	-	324,783
Future income tax impact of renunciation of Canadian Exploration Expenses pursuant to flow-through shares	-	(769,006)	-	-	-	(769,006)
Loss for the period	-	-	-	-	(130,970)	(130,970)
Balance at March 31, 2010	136,996,404	\$ 25,614,011	\$ 509,671	\$ 5,709,134	\$ (26,746,878)	\$ 5,085,938

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Statements of Cash Flows

(Unaudited)

(Canadian Dollars)

	Three months ended March 31,		Six months ended March 31,	
	2011	2010	2011	2010
Cash Provided by (Used for):				
Operating Activities				
Earnings (loss) for the period	\$ 160,330	\$ 247,996	\$ (243,730)	\$ (130,970)
Items not involving cash:				
Amortization	1,233	894	2,466	1,787
Stock-based compensation	(1,728)	131,266	(19,467)	324,783
Future income tax recovery	(306,127)	(769,006)	(306,127)	(769,006)
Changes in non-cash operating working capital:				
Accounts receivable	22,788	420	4,369	17,891
Tax credits recoverable	(12,447)	228,154	(242,506)	228,154
Advances for exploration	(22,589)		(48,631)	
Prepaid expenses	2,260	1,015	4,360	1,015
Accounts payable and accrued liabilities	(37,868)	147,754	(392,286)	168,435
	(194,148)	(11,507)	(1,241,552)	(157,911)
Financing Activities				
Issuance of common shares	-	600,000	-	3,879,200
Share issue costs	-	(55,095)	-	(258,715)
	-	544,905	-	3,620,485
Investing Activities				
Purchase of property, plant and equipment	-	-	-	(1,500)
Decrease in cash and cash equivalents	(194,148)	533,398	(1,241,552)	3,461,074
Cash, beginning of period	607,666	4,462,391	1,655,070	1,534,715
Cash, end of period	\$ 413,518	\$ 4,995,789	\$ 413,518	\$ 4,995,789
Cash provided by:				
Interest income received	\$ 1,623	\$ 5,384	\$ 5,664	\$ 8,773
Tax credits received	\$ -	\$ 212,910	\$ -	\$ 212,910
Supplemental cash flow information:				
Finder's warrants for share issue costs	\$ -	\$ 17,032	\$ -	\$ 50,588

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Notes to the Financial Statements

March 31, 2011

(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 a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. At March 31, 2011, the Company has a deficit of \$31,296,606 and has incurred losses since inception. The Company has not yet determined whether the Company's mineral 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 six month period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ended September 30, 2011. The balance sheet at September 30, 2010 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, 2010. 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, 2010.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Notes to the Financial Statements

March 31, 2011

(Unaudited)

(Canadian Dollars)

3. Mineral Property

West Raglan Property

	March 31, 2011	September 30, 2010
Cumulative expenditures		
Exploration expenditures	\$ 26,383,916	\$ 25,814,783
Refundable tax credits and mining duties	(9,235,529)	(8,993,023)
	<u>\$ 17,148,387</u>	<u>\$ 16,821,760</u>

As at March 31, 2011, the Company owes Anglo American Exploration (Canada) Limited ('Anglo American') \$nil (September 30, 2010 - \$370,984), which amount is included in accounts payable and accrued liabilities.

The Company has a 49% participating joint venture interest in the West Raglan Project ('the Project') located in northern Quebec, Canada. Exploration is carried out by Anglo American under the direction of a Management Committee comprised of two representatives from each of the Company and Anglo American. Anglo American has the deciding vote in the case of a Management Committee stalemate.

Anglo American is entitled to charge an administrative and overhead charge of 3% on capital items, 5% on contracts and 15% on direct costs. The Company has also granted to Anglo American the right to purchase, at fair market value, all mineral products assigned to the Company's interest in any future mine developed on the Project. Anglo American has the right to increase its interest in the Project by 19% by completing, at its own cost, a bankable feasibility study. At the Company's election, Anglo American can further increase its interest in the Project by 5% by arranging production financing for both parties.

The Company and Anglo American are required to contribute to project expenditures in accordance with their respective interests in the project from time to time. Failure to contribute will result in a party's interest being diluted. Should either party's interest fall below 10%, that interest will be reduced to a 1% net smelter royalty, purchasable at the discretion of the other party for \$2,000,000. The Company and Anglo American both have a right of first refusal to purchase all or any part of the other party's interest in the Project.

4. Share Capital and Warrants

- a) Authorized: Unlimited common shares without par value
- b) Warrants:

	Warrants	Weighted-average exercise price	Weighted-average remaining life (years)
Balance at September 30, 2010	28,619,166	\$0.13	0.5
Expired	(22,153,125)	\$0.12	
Balance at March 31, 2011	<u>6,466,041</u>	<u>\$0.17</u>	<u>1.0</u>

KNIGHT RESOURCES LTD.

(An exploration stage company)

Notes to the Financial Statements

March 31, 2011

(Unaudited)

(Canadian Dollars)

5. Stock-based Compensation

During the six months ended March 31, 2011, 525,000 previously granted stock options vested resulting in a stock-based compensation credit of \$19,467. The Company recognized a credit because the exercise prices of these previously granted stock options were higher than the Company's common share market price on their vesting dates during fiscal 2011. The Company calculated the fair value of options vested using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 1.29%, a dividend yield of Nil, an expected volatility of the Company's share price of 98% 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 six months ended March 31:

- a) paid or accrued \$41,985 (2010 - \$93,727) for management fees including \$12,135 to a company controlled by the CEO, \$7,000 to a company controlled by the CFO, and \$22,850 to a company controlled by the Vice-President of Exploration;
- b) paid or accrued \$8,015 (2010 - \$24,147) for technical services relating to the West Raglan Property including \$5,165 to a company controlled by the CEO and \$2,850 to a company controlled by the Vice-President of Exploration;
- c) paid or accrued \$12,000 (2010 - \$Nil) for directors fees including \$6,000 to a company controlled by a director and \$6,000 to a director; and
- d) paid or accrued \$44,096 (2010 - \$45,399) for rent to companies where the CFO is a common director.

7. Financial Instruments

As at March 31, 2011, the Company's financial instruments are cash and cash equivalents, accounts receivable, tax credits recoverable, advances for exploration and accounts payable and accrued liabilities. The fair value of cash and cash equivalents is measured using level 1 of the fair value hierarchy. The amounts reflected in the balance sheet for accounts receivable, tax credits recoverable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature and negligible credit losses.

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 not considered significant.

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 not considered significant because the counterparties are highly rated financial institutions. The credit risk on accounts receivable and tax credits recoverable is not considered significant because the counterparties are federal and provincial governments.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Notes to the Financial Statements

March 31, 2011

(Unaudited)

(Canadian Dollars)

7. Financial Instruments (cont'd)

The aging of accounts receivable and tax credits recoverable are as follows:

	March 31, 2011	September 30, 2010
Accounts receivable		
0 to 60 days	\$ 886	\$ 885
61 to 120 days	16,517	20,887
> 120 days	-	-
	<u>\$ 17,403</u>	<u>\$ 21,772</u>
Tax credits recoverable		
0 to 365 days	\$ 741,404	\$ 498,898
> 365 days	42,428	42,428
	<u>\$ 783,832</u>	<u>\$ 541,326</u>

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 six months ended March 31, 2011, if interest rates had been 0.25% lower, loss and comprehensive loss would have been \$864 higher and conversely if interest rates had been 0.25% higher, loss and comprehensive loss would have been \$864 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 all in 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.

KNIGHT RESOURCES LTD.

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Notes to the Financial Statements

March 31, 2011

(Unaudited)

(Canadian Dollars)

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 projects 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.

9. Subsequent Event

As described in detail in the Company's Information Circular dated January 10, 2011, the Company has proposed a consolidation of its common shares on an up to 19 old common shares for 1 new common share basis. The Company has also proposed to change its name to Knight Metals Ltd. Both of these proposals were approved by the shareholders at the Company's Annual General Meeting held on February 17, 2011. As of the date of this report, these changes have not yet been implemented.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Schedule of Exploration Expenditures

(Unaudited)

(Canadian Dollars)

	Three months ended March 31,		Six months ended March 31,	
	2011	2010	2011	2010
West Raglan Property				
Drilling	\$ 3,037	\$ 4,884	\$ 269,046	\$ 4,884
Geochemistry	1,176	865	25,872	865
Geology	12,535	73,472	59,664	83,505
Geophysics	-	16,230	44,344	16,230
Mobilization	3,580	43,065	47,737	43,065
Operator fees	3,091	-	54,447	-
Other	-	23,261	626	23,261
Safety and environment	5,348	21,836	59,382	21,836
Technical services	950	24,147	8,015	24,147
	29,717	207,760	569,133	217,793
Refundable tax credits	(11,147)	-	(217,190)	-
Mining duties refund	(1,300)	15,244	(25,316)	15,244
	17,270	223,004	326,627	233,037
Lagarde Property				
Property acquisition and maintenance	-	-	4,291	-
	\$ 17,270	\$ 223,004	\$ 330,918	\$ 233,037