

Knight Resources Ltd.

Quarterly Financial Statements For The Nine Months Ended June 30, 2006 (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 nine months ended June 30, 2006.

KNIGHT RESOURCES LTD.
(An exploration stage company)
Balance Sheets
(Unaudited)
(Canadian Dollars)

	June 30, 2006	September 30, 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,922,570	\$ 649,983
Short-term investments	-	42,745
Accounts receivable	9,049	14,043
Advances for exploration	-	342,076
Tax credits recoverable	883,919	2,253,684
Prepaid expenses	12,642	8,244
	2,828,180	3,310,775
Property, plant and equipment	14,688	18,855
	\$ 2,842,868	\$ 3,329,630
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 285,123	\$ 62,145
Shareholders' equity		
Share capital (note 4)	19,396,240	19,208,832
Contributed surplus (note 5)	2,645,379	2,408,471
Deficit	(19,483,874)	(18,349,818)
	2,557,745	3,267,485
	\$ 2,842,868	\$ 3,329,630

Contractual obligations and contingency (note 3)

Approved by the Directors:

"Harvey Keats"

"David Patterson"

KNIGHT RESOURCES LTD.
(An exploration stage company)
Statements of Operations
(Unaudited)
(Canadian Dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2006	2005	2006	2005
Exploration expenditures				
West Raglan (schedule 1)(note 3)	\$ 108,157	\$ 526,232	\$ 527,281	\$ 1,322,630
General and administrative expenditures				
Accounting and audit	-	-	16,674	32,462
Administrative fees	22,000	27,000	75,000	81,000
Amortization	1,389	1,951	4,167	5,443
Directors fees	6,000	6,000	18,000	18,000
Filing fees	-	9,076	7,128	25,331
Legal fees	2,155	43,577	8,612	96,486
Management fees	29,330	30,818	99,889	112,613
Office and miscellaneous	5,471	8,295	44,396	73,719
Promotion	50,999	54,081	144,720	203,915
Rent	7,500	9,739	23,620	24,739
Stock-based compensation (note 5)	(67,588)	182,469	236,908	314,670
Telephone and communications	2,676	4,597	9,187	23,794
Transfer agent fees	990	1,912	6,407	6,530
Travel	4,843	8,150	32,300	57,022
	65,765	387,665	727,008	1,075,724
Other Items				
Interest income	(18,414)	(12,201)	(27,145)	(19,615)
Oil and gas net loss	-	1,734	-	2,597
	(18,414)	(10,467)	(27,145)	(17,018)
Loss before income taxes	(155,508)	(903,430)	(1,227,144)	(2,381,336)
Future income tax recovery	-	-	93,088	249,395
Loss for the period	\$ (155,508)	\$ (903,430)	\$ (1,134,056)	\$ (2,131,941)
Basic and diluted loss per share	\$ -	\$ (0.01)	\$ (0.02)	\$ (0.04)
Weighted average number of common shares outstanding	67,291,217	64,532,348	66,645,608	58,049,044

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.
(An exploration stage company)
Statements of Deficit
(Unaudited)
(Canadian Dollars)

	Nine months ended June 30,	
	<u>2006</u>	<u>2005</u>
Deficit, beginning of period	\$ (18,349,818)	\$ (14,985,535)
Loss for the period	(1,134,056)	(2,131,941)
Deficit, end of period	\$ (19,483,874)	\$ (17,117,476)

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.
(An exploration stage company)
Statements of Cash Flows
(Unaudited)
(Canadian Dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2006	2005	2006	2005
Cash Provided by (Used for):				
Operating Activities				
Loss for the period	\$ (155,508)	\$ (903,430)	\$ (1,134,056)	\$ (2,131,941)
Items not involving cash:				
Amortization	1,389	1,951	4,167	5,443
Stock-based compensation expense	(67,588)	182,469	236,908	314,670
Future income tax recovery	-	-	(93,088)	(249,395)
Accrued interest income	-	3,019	-	1,966
Changes in non-cash operating working capital:				
Accounts receivable	5,308	4,809	4,994	1,312
Advances for exploration	-	(1,182,143)	342,076	(1,213,195)
Tax credits recoverable	81,297	1,990,341	1,369,765	1,603,103
Prepaid expenses	2,478	17,544	(4,398)	30,888
Accounts payable and accrued liabilities	171,000	(39,143)	222,978	(1,357,898)
	<u>38,376</u>	<u>75,417</u>	<u>949,346</u>	<u>(2,995,047)</u>
Financing Activity				
Issuance of common shares	-	1,087,000	280,496	3,702,550
Investing Activities				
Purchase of short-term investments	-	-	-	(500,000)
Redemption of short-term investments	42,745	500,000	42,745	750,000
Purchase of property, plant and equipment	-	(840)	-	(3,898)
	<u>42,745</u>	<u>499,160</u>	<u>42,745</u>	<u>246,102</u>
Change in cash and cash equivalents	81,121	1,661,577	1,272,587	953,605
Cash and cash equivalents, beginning of period	1,841,449	56,028	649,983	764,000
Cash and cash equivalents, end of period	<u>\$ 1,922,570</u>	<u>\$ 1,717,605</u>	<u>\$ 1,922,570</u>	<u>\$ 1,717,605</u>

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.
(An exploration stage company)
Notes to the Financial Statements
June 30, 2006
(Unaudited)
(Canadian Dollars)

1. Nature of Operations and Basis of Presentation

The Company is a public company incorporated under the Company Act, British Columbia. Its shares are listed on the TSX Venture Exchange and the Frankfurt Stock Exchange. The principal business of the Company is exploration of mineral properties. As of the date of this report, the Company has not determined whether its properties contain reserves that are economically recoverable.

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 June 30, 2006 are not necessarily indicative of the results that may be expected for the year ended September 30, 2006. The balance sheet at September 30, 2005 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, 2005. 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, 2005.

3. Mineral Property

West Raglan Property

Cumulative expenditures	June 30, 2006	September 30, 2005
Exploration expenditures	\$ 13,185,712	\$ 12,515,499
Refundable tax credits and mining duties	(5,496,534)	(5,353,602)
	\$ 7,689,178	\$ 7,161,897

The Company has a 49% participating joint venture interest in the 730 km² 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.

On April 21, 2004 Novawest Resources Inc. ('Novawest') of Vancouver, BC, commenced litigation in the Supreme Court of British Columbia against Anglo American. The lawsuit, Action No. SO42230, relates primarily to the question of ownership of the claims that form the West Raglan Property. On June 24, 2004 Anglo American filed a Statement of Defence in the Supreme Court of British Columbia. In the Statement of Defense, Anglo American provides a detailed account of the events that led to Anglo American's staking of the West Raglan Property, and more specifically challenges the basis for all claims made by Novawest Resources Inc. On May 12, 2006, the Supreme Court of British Columbia dismissed the lawsuit by summary trial. Novawest subsequently reached an agreement with Anglo American whereby Novawest agreed to not appeal the dismissal.

On November 12, 2004 the Company commenced litigation in the Supreme Court of British Columbia against Novawest and all the directors and officers of Novawest (the 'Personal Defendants'). The lawsuit, Action No. SO46306 alleges that the Novawest Action was filed, at the behest of the Personal Defendants, with the purpose, among other things, of causing injury to the Company. On July 7, 2006, the Company announced that Novawest and the Company have agreed to a mutually satisfactory resolution under which the action commenced by the Company against Novawest and others has been terminated by consent of the parties, without payment of court costs to any party.

KNIGHT RESOURCES LTD.
(An exploration stage company)
Notes to the Financial Statements
June 30, 2006
(Unaudited)
(Canadian Dollars)

4. Share Capital

	Number	Value
Balance at September 30, 2005	65,580,040	\$ 19,208,832
Private placement	1,711,177	280,496
Future income tax impact of renunciation of Canadian Exploration Expenses pursuant to flow-through shares		(93,088)
Balance at March 31, 2006	67,291,217	\$ 19,396,240

On January 12, 2006, the Company issued 1,711,177 flow-through common shares through a non-brokered private placement at a price of \$0.17 per share for proceeds of \$290,900 less fees and costs of \$10,404. For income tax purposes, the subscription funds of \$290,900 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.

5. Stock Options

	Number of Options Outstanding	Contributed Surplus
Balance at September 30, 2005	6,330,000	\$ 2,408,471
Stock options expired	(2,820,000)	-
Fair value of stock options granted	3,000,000	236,908
Balance at June 30, 2006	6,510,000	\$ 2,645,379

The Company uses the fair value based method of accounting for all stock-based awards. During the nine months ended June 30, 2006, 125,000 of stock options granted to investor relations consultants vested with a compensation cost of \$15,933. The Company calculated the compensation cost by using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 3.77%, a dividend yield of nil, an expected volatility of 96.42% and expected life of the stock options of two years.

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 nine months ended June 30, 2006 and 2005:

- a) paid or accrued \$18,000 (2005 - \$18,000) for directors fees to a director and a company controlled by a director;
- b) paid or accrued \$99,889 (2005 - \$112,613) for management fees to a company controlled by the CEO and to a company controlled by the President;
- c) paid or accrued \$45,715 (2004 - \$114,870) for technical services relating to the West Raglan Property to a company controlled by the President and a company controlled by a director;
- d) paid or accrued \$23,620 (2005 - \$24,739) for rent to a company where the CEO is a director;

KNIGHT RESOURCES LTD.
(An exploration stage company)

Exploration Expenditures
(Canadian Dollars)

Schedule 1

	Three months ended June 30,		Nine months ended June 30,	
	2006	2005	2006	2005
West Raglan Property				
Drilling	\$ 18,518	\$ 22,368	\$ 87,151	\$ 170,127
Geochemistry	3,811	10,583	46,023	25,079
Geology	44,606	176,096	166,606	436,550
Geophysics	31,139	291,588	50,362	403,081
Mobilization	35,940	267,386	58,900	631,272
Other	48,639	134,262	163,316	395,677
Property filing fees	-	353	81,496	9,196
Safety and environment	11,244	42,186	16,359	57,476
	193,897	944,822	670,213	2,128,458
Refundable tax credits	(72,037)	(351,852)	(124,122)	(677,350)
Mining duties refund	(13,703)	(66,738)	(18,810)	(128,478)
	\$ 108,157	\$ 526,232	\$ 527,281	\$ 1,322,630