

Knight Resources Ltd.

Quarterly Financial Statements For The Three Months Ended December 31, 2007 (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, 2007.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Balance Sheets

(Unaudited)

(Canadian Dollars)

	December 31, 2007	September 30, 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,804,587	\$ 1,930,245
Accounts receivable	16,459	13,940
Tax credits recoverable	1,066,810	933,973
Prepaid expenses	10,946	21,063
	5,898,802	2,899,221
Property, plant and equipment	11,735	12,699
	\$ 5,910,537	\$ 2,911,920
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 64,978	\$ 500,091
Shareholders' equity		
Share capital (note 5)	24,452,060	21,598,232
Contributed surplus	3,485,954	3,439,760
Warrants	1,575,518	660,072
Deficit	(23,667,973)	(23,286,235)
	5,845,559	2,411,829
	\$ 5,910,537	\$ 2,911,920

Nature of operations and basis of presentation (note 1)

Subsequent events (note 10)

Approved by the Directors:

"Harvey Keats"

"David Patterson"

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Statements of Operations

(Unaudited)

(Canadian Dollars)

	Three months ended December 31,	
	2007	2006
Exploration expenditures		
West Raglan (schedule)(note 4)	\$ 169,343	\$ 154,920
General and administrative expenditures		
Accounting and audit fees	8,975	8,909
Administrative fees	32,000	24,000
Amortization	963	772
Directors fees	-	6,000
Filing fees	4,448	500
Legal fees	1,427	2,733
Management fees	50,145	29,740
Office and miscellaneous	29,877	24,700
Promotion	59,419	56,232
Rent	9,500	7,500
Stock-based compensation expense (note 6)	17,892	24,920
Telephone and communications	11,827	7,241
Transfer agent fees	2,891	1,925
Travel	18,778	4,645
	248,142	199,817
Loss before other item	417,485	354,737
Other item		
Interest income	(35,747)	(11,518)
Loss and comprehensive loss for the period	\$ (381,738)	\$ (343,219)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	84,466,817	69,302,087

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, 2007	79,230,947	\$ 21,598,232	\$ 660,072	\$ 3,439,760	\$ (23,286,235)	\$ 2,411,829
Common shares issued for cash:						
Private placement (note 5)	10,000,000	2,975,460	1,024,540	-	-	4,000,000
Share issue costs on private placements	-	(313,631)	(17,093)	-	-	(330,724)
Exercise of stock options	745,000	191,999	-	(63,699)	-	128,300
Expiry of warrants	-	-	(92,001)	92,001	-	-
Stock-based compensation (note 6)	-	-	-	17,892	-	17,892
Loss for the period	-	-	-	-	(381,738)	(381,738)
Balance at December 31, 2007	89,975,947	\$ 24,452,060	\$ 1,575,518	\$ 3,485,954	\$ (23,667,973)	\$ 5,845,559

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,	
	2007	2006
Cash Provided by (Used for):		
Operating Activities		
Loss for the period	\$ (381,738)	\$ (343,219)
Items not involving cash:		
Amortization	963	772
Stock-based compensation expense	17,892	24,920
Accrued interest income	-	-
Changes in non-cash operating working capital:		
Accounts receivable	(2,519)	(3,949)
Tax credits recoverable	(132,837)	356,784
Prepaid expenses	10,117	(6,679)
Accounts payable and accrued liabilities	(435,112)	(175,149)
	<u>(923,234)</u>	<u>(146,520)</u>
Financing Activities		
Issuance of common shares	4,128,300	600,000
Share issue costs	(330,724)	(43,150)
	<u>3,797,576</u>	<u>556,850</u>
Change in cash and cash equivalents	2,874,342	410,330
Cash and cash equivalents, beginning of period	1,930,245	452,183
Cash and cash equivalents, end of period	\$ 4,804,587	\$ 862,513
Cash and cash equivalents consists of:		
Cash	\$ 1,791,592	\$ 561,817
Redeemable Guaranteed Investment Certificates	3,012,995	300,696
	<u>\$ 4,804,587</u>	<u>\$ 862,513</u>
Cash provided by:		
Interest received	\$ 35,747	\$ 11,518
Tax credits received	\$ -	\$ 481,004
Supplemental cash flow information:		
Agent's warrants for share issue costs	\$ 92,677	\$ -
Stock-based compensation transferred to share capital on exercise of stock options	\$ 63,699	\$ -

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Notes to the Financial Statements

December 31, 2007

(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 three month period ended December 31, 2007 are not necessarily indicative of the results that may be expected for the year ended September 30, 2008. The balance sheet at September 30, 2007 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, 2007 (except as described in note 3). 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, 2007.

3. Changes in Accounting Policies

- a) Effective October 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants new Handbook Sections 1535 "Capital Disclosures" ("HB 1535"). The objective of this new standard is to disclose information concerning the Company's capital and how it is managed (note 9). The adoption of this standard had no effect on the Company's financial position, operations or cash flows.
- b) Effective October 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants new Handbook Sections 3862 "Financial Instruments – Disclosures" ("HB 3862") and 3863 "Financial Instruments – Presentation" ("HB 3863"). The objective of these new standards is to provide more information for users of the Company's financial statements to understand the significance of financial instruments to the Company's financial position, performance and cash flows (note 8). These new standards have superseded HB 3861 "Financial Instruments – Disclosure and Presentation". The adoption of these standards had no impact on the Company's financial position, operations or cash flows.

4. Mineral Property

West Raglan Property

	December 31, 2007	September 30, 2007
Cumulative expenditures		
Exploration expenditures	\$ 17,168,105	\$ 16,865,925
Refundable tax credits and mining duties	(6,964,848)	(6,832,011)
	<u>\$ 10,203,257</u>	<u>\$ 10,033,914</u>

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 Exploration (Canada) Limited ('Anglo American') under the direction of a Management Committee comprised of two representatives from each of the Company and Anglo American.

KNIGHT RESOURCES LTD.
(An exploration stage company)
Notes to the Financial Statements
December 31, 2007
(Unaudited)
(Canadian Dollars)

5. Share Capital

The Company completed the following private placements during the three months ended December 31, 2007:

- a) On November 19, 2007 and November 28, 2007, the Company closed a non-brokered private placement for gross proceeds of \$3,700,000 and \$300,000 respectively. These funds were raised through the issuance of 9,250,000 units and 750,000 units at a price of \$0.40 per unit respectively. Each unit is comprised of one flow-through common share and one common share purchase warrant. The total proceeds of \$4,000,000 was allocated to common shares in the amount of \$2,975,460 and to warrants in the amount of \$1,024,540, based on their relative fair values on the date of closing. For income tax purposes, the subscription funds of \$4,000,000 have been applied towards carrying out exploration activities and the expenditures have been renounced in favour of the subscriber. Accordingly, the Company does not have available deductions from taxable income in respect of such expenditures. As at December 31, 2007, the Company has spent \$99,018 of the \$4,000,000 on Canadian Exploration Expenditures. The Company will be required to spend the remainder of the funds on Canadian Exploration Expenditures throughout calendar 2008 in order to ensure that the subscribers receive the full benefit of the amounts renounced to them.

Each share purchase warrant entitles the holder to purchase one additional non flow-through common share at an exercise price of \$0.55. 9,250,000 share purchase warrants expire on November 19, 2008 and 750,000 share purchase warrants expire on November 28, 2008. The Company also issued 830,000 agent's warrants entitling the holder to purchase 830,000 non flow-through common shares at \$0.55 per share up to November 19, 2008.

The fair values of the warrants were \$0.11 and were determined based on the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 3.63%, an expected stock price volatility of 127% and an expected life of one year.

The Company incurred total issuance costs on the private placement of \$423,401, which were allocated to common shares in the amount of \$313,631 and to warrants in the amount of \$107,770 based on their relative fair values. Of these costs, \$330,724 was incurred in cash and \$92,677 was incurred through the issuance of 830,000 non flow-through warrants to investment dealers and finders.

6. Stock-based Compensation

The Company uses the fair value based method of accounting for all stock-based awards. During the three months ended December 31, 2007, 137,500 stock options previously granted to investor relations consultants vested with a compensation cost of \$17,892.

7. 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 \$Nil (2006 - \$6,000) for directors fees to a director and a company controlled by a director;
- b) paid or accrued \$50,145 (2006 - \$29,740) 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;
- c) paid or accrued \$13,905 (2006 - \$9,610) 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
- d) paid or accrued \$9,500 (2006 - \$7,500) for rent to a company where the CFO is a director.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Notes to the Financial Statements

December 31, 2007

(Unaudited)

(Canadian Dollars)

8. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. A financial asset is any asset that is i) cash; ii) a contractual right to receive cash or another financial asset from another party; iii) a contractual right to exchange financial instruments with another party under conditions that are potentially favorable to the entity; or iv) an equity instrument of another entity. A financial liability is any liability that is a contractual obligation to i) deliver cash or another financial asset to another party; or ii) exchange financial instruments with another party under conditions that are potentially unfavorable to the entity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

As at December 31, 2007, 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 liability

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 banks. The credit risk on accounts receivable and tax credits recoverable are small because the counterparties are the Government of Canada (GST input tax credits recoverable) and the Government of Quebec (tax credits recoverable from exploration programs).

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. As at December 31, 2007, if interest rates had been 1% lower, loss and comprehensive loss would have been \$37,859 higher (\$3,785,929 x 1%) and conversely if interest rates had been 1% higher, loss and comprehensive loss would have been \$37,859 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.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Notes to the Financial Statements

December 31, 2007

(Unaudited)

(Canadian Dollars)

9. 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 invest cash on hand in highly liquid and highly rated financial instruments.

In the management of capital, the Company includes shareholders' equity (excluding accumulated other comprehensive income (loss)), cash and cash equivalents and short-term investments 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.

10. Subsequent Events

- a) Subsequent to December 31, 2007, a total of 13,500 common shares were issued on the exercise of stock options for total proceeds of \$2,295.
- b) On January 18, 2008, the Company granted 4,200,000 stock options to employees, officers, directors and consultants. The stock options are exercisable at \$0.18 per common share and expire on January 17, 2009.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Schedule of Exploration Expenditures

(Unaudited)

(Canadian Dollars)

	Three months ended December 31,	
	<u>2007</u>	<u>2006</u>
West Raglan Property		
Drilling	\$ 75,489	\$ 44,512
Geochemistry	2,390	17,719
Geology	56,582	55,678
Geophysics	7,135	38,255
Mobilization	93,693	39,297
Other	58,708	79,110
Property filing fees	124	4,365
Safety and environment	8,059	204
	302,180	279,140
Refundable tax credits	(111,658)	(104,443)
Mining duties refund	(21,179)	(19,777)
	<u>\$ 169,343</u>	<u>\$ 154,920</u>