

Knight Resources Ltd.

Quarterly Financial Statements For The Nine Months Ended June 30, 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 nine months ended June 30, 2007.

AUDITORS' REPORT

To the Shareholders of
Lynden Ventures Ltd.

We have audited the consolidated balance sheets of Lynden Ventures Ltd. as at June 30, 2007 and 2006 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2007 and the 2006 results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Davidson & Company LLP

Chartered Accountants

Vancouver, Canada

October 25, 2007

A Member of SC INTERNATIONAL

KNIGHT RESOURCES LTD.

(An exploration stage company)

Balance Sheets

(Unaudited)

(Canadian Dollars)

	June 30, 2007	September 30, 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,785,929	\$ 452,183
Accounts receivable	16,492	18,071
Tax credits recoverable	104,167	1,390,380
Prepaid expenses	14,891	10,500
	3,921,479	1,871,134
Property, plant and equipment	15,733	13,299
	\$ 3,937,212	\$ 1,884,433
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 307,296	\$ 209,095
Shareholders' equity		
Share capital (note 5)	21,523,924	19,396,240
Warrants	660,072	-
Contributed surplus	3,322,193	2,689,917
Deficit	(21,876,273)	(20,410,819)
	3,629,916	1,675,338
	\$ 3,937,212	\$ 1,884,433

Nature of operations and basis of presentation (note 1)

Approved by the Directors:

"Harvey Keats"

"David Patterson"

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 June 30,		Nine months ended June 30,	
	2007	2006	2007	2006
Exploration expenditures				
West Raglan (schedule)(note 4)	\$ 82,156	\$ 108,157	\$ 631,629	\$ 527,281
General and administrative expenditures				
Accounting and audit	-	-	16,909	16,674
Administrative fees	24,000	22,000	69,000	75,000
Amortization	1,160	1,389	2,825	4,167
Directors fees	3,000	6,000	13,000	18,000
Filing fees	750	-	9,315	7,128
Legal fees	289	2,155	5,920	8,612
Management fees	33,048	29,330	96,143	99,889
Office and miscellaneous	9,212	5,471	46,324	44,396
Promotion	61,874	50,999	168,716	144,720
Rent	8,167	7,500	24,798	23,620
Stock-based compensation (note 6)	427,019	(67,588)	559,503	236,908
Telephone and communications	6,997	2,676	18,406	9,187
Transfer agent fees	2,566	990	7,481	6,407
Travel	20,457	4,843	30,990	32,300
	598,539	65,765	1,069,330	727,008
Other Items				
Interest income	(23,551)	(18,414)	(43,505)	(27,145)
Loss before income taxes	(657,144)	(155,508)	(1,657,454)	(1,227,144)
Future income tax recovery	-	-	192,000	93,088
Loss for the period	(657,144)	(155,508)	(1,465,454)	(1,134,056)
Other comprehensive income (loss)	-	-	-	-
Comprehensive loss for the period	\$ (657,144)	\$ (155,508)	\$ (1,465,454)	\$ (1,134,056)
Basic and diluted loss per share	\$ (0.01)	\$ -	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	73,767,972	67,291,217	77,078,454	66,645,608

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Statements of Shareholders' Equity

(Unaudited)

(Canadian Dollars)

	<u>Common Shares</u>		<u>Warrants</u>	<u>Contributed surplus</u>	<u>Deficit</u>	<u>Total shareholders' equity</u>
	<u>Number of</u>	<u>Amount</u>				
Balance at September 30, 2006	67,291,217	\$ 19,396,240	\$ -	\$ 2,689,917	\$ (20,410,819)	\$ 1,675,338
Common shares issued for cash:						
Private placements (note 5)	11,289,730	2,521,866	715,053	-	-	3,236,919
Share issue costs on private placements	-	(296,125)	(54,981)	103,091	-	(248,015)
Exercise of stock options	400,000	93,943	-	(30,318)	-	63,625
Future income tax impact of renunciation of Canadian Exploration Expenses pursuant to flow-through shares	-	(192,000)	-	-	-	(192,000)
Stock-based compensation	-	-	-	559,503	-	559,503
Loss for the period	-	-	-	-	(1,465,454)	(1,465,454)
Balance at June 30, 2007	78,980,947	\$ 21,523,924	\$ 660,072	\$ 3,322,193	\$ (21,876,273)	\$ 3,629,916

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,	
	2007	2006	2007	2006
Cash Provided by (Used for):				
Operating Activities				
Loss for the period	\$ (657,144)	\$ (155,508)	\$ (1,465,454)	\$ (1,134,056)
Items not involving cash:				
Amortization	1,160	1,389	2,825	4,167
Stock-based compensation expense	427,019	(67,588)	559,503	236,908
Future income tax recovery	-	-	(192,000)	(93,088)
Changes in non-cash operating working capital:				
Accounts receivable	3,215	5,308	1,579	4,994
Advances for exploration	-	-	-	342,076
Tax credits recoverable	549,177	81,297	1,286,213	1,369,765
Prepaid expenses	494	2,478	(4,391)	(4,398)
Accounts payable and accrued liabilities	32,623	171,000	98,201	222,978
	<u>356,544</u>	<u>38,376</u>	<u>286,476</u>	<u>949,346</u>
Financing Activity				
Common shares issued for cash	2,700,544	-	3,300,544	290,900
Share issue costs	(204,865)	-	(248,015)	(10,404)
	<u>2,495,679</u>	<u>-</u>	<u>3,052,529</u>	<u>280,496</u>
Investing Activities				
Redemption of short-term investments	-	42,745	-	42,745
Purchase of property, plant and equipment	(4,537)	-	(5,259)	-
	<u>(4,537)</u>	<u>42,745</u>	<u>(5,259)</u>	<u>42,745</u>
Change in cash and cash equivalents	2,847,686	81,121	3,333,746	1,272,587
Cash and cash equivalents, beginning of period	938,243	1,841,449	452,183	649,983
Cash and cash equivalents, end of period	\$ 3,785,929	\$ 1,922,570	\$ 3,785,929	\$ 1,922,570
Supplementary information:				
Interest received	\$ 23,551	\$ 18,414	\$ 43,505	\$ 27,145
Tax credits received	\$ 549,178	\$ 167,037	\$ 1,285,423	\$ 1,512,697
Non-cash transactions:				
Agent's options for share issue costs	\$ 103,091	\$ -	\$ 103,091	\$ -
Stock-based compensation transferred to share capital on exercise of stock options	\$ 30,318	\$ -	\$ 30,318	\$ -

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.
(An exploration stage company)
Notes to the Financial Statements
June 30, 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 nine month period ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ended September 30, 2007. The balance sheet at September 30, 2006 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, 2006 (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, 2006.

3. Changes in Accounting Policies

Effective October 1, 2006 the Company adopted the Canadian Institute of Chartered Accountants new Handbook Sections 1530 "*Comprehensive Income*" ("HB 1530"), 3855 "*Financial Instruments – Recognition and Measurement*" ("HB 3855"), 3861 "*Financial Instruments – Disclosure and Presentation*" ("HB 3861") and 3865 "*Hedges*" ("HB 3865").

The objective of these new standards is to account for more assets and liabilities at fair value including non-financial derivatives (note 8).

HB 1530 establishes standards for the reporting and display of comprehensive income (loss). Comprehensive income (loss) is defined as net income (loss) plus other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that are excluded from net income (loss), such as, unrealized gains and losses of available for sale securities.

HB 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives.

HB 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

These standards require that financial assets be classified as either trading, available for sale, held-to-maturity or loans and receivables and financial liabilities be classified as either trading or other financial liabilities. Fair value is used for initial measurement for all classes. Fair value is used for subsequent measurement for all classes except for available-for-sale assets (where equity instruments do not have a quoted market price in an active market), loans and receivables and other financial liabilities where amortized cost using the effective interest method is used.

The adoption of these standards has resulted in the Company recognizing available-for-sale investments and all derivative and other financial instruments held for trading as assets or liabilities at fair value. As at October 1, 2006, there were no available-for-sale assets, derivative financial instruments or other financial instruments held for trading. Accordingly, there were no transitional adjustments in respect to these standards that were recorded to opening asset and liability balances and accumulated other comprehensive income (loss).

KNIGHT RESOURCES LTD.
(An exploration stage company)
Notes to the Financial Statements
June 30, 2007
(Unaudited)
(Canadian Dollars)

3. Changes in Accounting Policies (cont'd)

Gains and losses associated with items designated as trading are recorded in operations, separate from any interest or dividends earned on these items. Gains and losses associated with items designated as available-for-sale are recorded as unrealized within other comprehensive income (loss) until such time the item is disposed of or incurs a decline in fair value that is on an other than temporary basis, at which time any gains or losses are then realized and reclassified to operations.

HB 3865 establishes standards for when and how hedge accounting may be applied. Hedging is an activity designed to modify an entity's exposure to one or more risks by creating an offset between changes in the fair value of, or the cash flows attributable to, the hedged item and the hedging item (or changes resulting from a particular risk exposure relating to those items). The Company has not undertaken hedging activities in the past or during the six months ended March 31, 2007 and therefore the adoption of HB 3865 did not have any impact on the Company's financial position, operations or cash flows.

4. Mineral Property

West Raglan Property

Cumulative expenditures	<u>June 30, 2007</u>	<u>September 30, 2006</u>
Exploration expenditures	\$ 14,999,456	\$ 14,367,827
Refundable tax credits and mining duties	(6,002,995)	(6,002,995)
	<u>\$ 8,996,461</u>	<u>\$ 8,364,832</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.

5. Share Capital

The Company completed the following private placements during the nine months ended June 30, 2007:

- a) On October 19, 2006, the Company closed a non-brokered private placement for gross proceeds of \$600,000. These funds were raised through the issuance of 2,500,000 units at a price of \$0.24 per unit. Each unit is comprised of one flow-through common share and one-half of one common share purchase warrant. The total proceeds were allocated to common shares in the amount of \$500,870 and to warrants in the amount of \$99,130, based on their relative fair values on the date of closing. For income tax purposes, the subscription funds of \$600,000 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.

Each whole warrant entitles the holder to purchase one additional non flow-through common share at an exercise price of \$0.29 per common share expiring on October 18, 2007.

The fair values of the warrants were \$0.10 and were determined based on the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 4.09%, an expected stock price volatility of 116% and an expected life of one year.

The Company incurred total issuance costs on the private placement of \$43,150, which were allocated to common shares in the amount of \$36,021 and to warrants in the amount of \$7,129 based on their relative fair values. All of these costs were incurred in cash.

KNIGHT RESOURCES LTD.
(An exploration stage company)
Notes to the Financial Statements
June 30, 2007
(Unaudited)
(Canadian Dollars)

5. Share Capital (cont'd)

- b) On May 24, 2007, the Company closed a non-brokered private placement for gross proceeds of \$2,636,919. These funds were raised through the issuance of 6,643,230 flow-through units at a price of \$0.30 per unit and 2,146,500 non flow-through units at a price of \$0.30 per unit. Each flow-through unit is comprised of one flow-through common share and one non flow-through common share purchase warrant. Each non flow-through unit is comprised of one non flow-through common share and one non flow-through common share purchase warrant. The total proceeds were allocated to common shares in the amount of \$2,020,996 and to warrants in the amount of \$615,923, based on their relative fair values on the date of closing. For income tax purposes, subscription funds of \$1,992,969 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.

Each warrant entitles the holder to purchase one additional common share at an exercise price of \$0.40 per common share until May 24, 2008, and thereafter at a price of \$0.60 per common share until May 24, 2009.

The fair values of the warrants were \$0.10 and were determined based on the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 4.42%, an expected stock price volatility of 110% and an expected life of two years.

The Company incurred total issuance costs on the private placement of \$307,956, which were allocated to common shares in the amount of \$260,104 and to warrants in the amount of \$47,852 based on their relative fair values. Of these costs, \$204,865 was incurred in cash and \$103,091 was incurred through the issuance of 553,683 agent's options to finders.

6. Stock-based Compensation

The Company uses the fair value based method of accounting for all stock-based awards. During the nine months ended June 30, 2007, 350,000 stock options granted to investor relations consultants vested with a compensation cost of \$28,697. Also, the Company granted 4,245,000 stock options to employees and consultants with a compensation cost of \$579,142. Of this amount, \$48,336 relates to unvested stock options granted to investor relations consultants. The Company calculated the compensation cost by using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 4.41%, a dividend yield of nil, an expected volatility of 103% and expected life of the stock options of two years.

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 nine months ended June 30:

- a) paid or accrued \$ 13,000 (2006 - \$18,000) for directors fees to a director and a company controlled by a director;
- b) paid or accrued \$96,142 (2006 - \$99,889) for management fees to a company controlled by the CEO and to a company controlled by the CFO;
- c) paid or accrued \$53,982 (2006 - \$45,715) for technical services relating to the West Raglan Property to a company controlled by the CEO and to the Vice-President of Exploration; and
- d) paid or accrued \$ 24,798 (2006 - \$23,620) for rent to companies where the CEO is a director.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Notes to the Financial Statements

June 30, 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 June 30, 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.

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

KNIGHT RESOURCES LTD.

(An exploration stage company)

Schedule of Exploration Expenditures

(Unaudited)

(Canadian Dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2007	2006	2007	2006
West Raglan Property				
Drilling	\$ 146,364	\$ 18,518	\$ 189,867	\$ 87,151
Geochemistry	849	3,811	20,692	46,023
Geology	30,813	44,606	121,712	166,606
Geophysics	8,954	31,139	51,772	50,362
Mobilization	3,000	35,940	226,321	58,900
Other	(132,650)	48,639	(12,595)	163,316
Property filing fees	-	-	4,365	81,496
Safety and environment	24,826	11,244	29,495	16,359
	82,156	193,897	631,629	670,213
Refundable tax credits	-	(72,037)	-	(124,122)
Mining duties refund	-	(13,703)	-	(18,810)
	\$ 82,156	\$ 108,157	\$ 631,629	\$ 527,281

KNIGHT RESOURCES LTD.
Management's Discussion and Analysis
Nine Months Ended June 30, 2007

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Knight Resources Ltd. ("the Company") should be read in conjunction with the unaudited interim financial statements for the nine months ended June 30, 2007 and related notes thereto. The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with Canadian generally accepted accounting principles. The effective date of this MD&A is August 29, 2007.

This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results.

Description of Business

The Company is an exploration company engaged in the acquisition and exploration of natural resource properties with potential for nickel, copper, cobalt, platinum and palladium deposits. The Company's primary property is the West Raglan Project, located in the Province of Quebec, Canada. The Company also has an interest in an oil and gas prospect in the Foothills Region of Alberta (the Maycroft Project). The Company is a reporting issuer in British Columbia and Alberta and its shares are listed on the TSX Venture Exchange and the Frankfurt Stock Exchange under the symbols KNP and KRL respectively.

The Company's general and administrative expenditures are related to the level of financing and exploration activities that are being conducted, which may in turn depend on the Company's recent exploration activities and prospects, as well as general market conditions relating to the availability of funding for exploration-stage resource companies. As a result, the Company does not acquire properties or conduct exploration work on its properties on a pre-determined basis. Thus, there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

Risks and Uncertainties

The Company's principal activity of mineral exploration is considered to be very high risk. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, commodity prices, political and economic, with some of the most significant risks being:

1. Substantial expenditures are required to explore for mineral reserves and the chances of identifying economical reserves are extremely small;
2. The junior resource market, where the Company raises funds, is extremely volatile and there is no guarantee that the Company will be able to raise funds as it requires them;
3. Although the Company has taken steps to verify title to the mineral properties it has an interest in or is earning into, there is no guarantee that the property will not be subject to title disputes or undetected defects; and

4. The Company is subject to the laws and regulations relating to environmental matters, including provisions relating to reclamation, discharge of hazardous material and other matters. The Company conducts its exploration activities in compliance with applicable environmental protection legislation and is not aware of any existing environmental problems related to its properties that may cause material liability to the Company.

Exploration Projects

West Raglan, Quebec

The Company owns a 49% interest in the West Raglan Project (the "Project") located in the Cape Smith Belt in northern Quebec. Anglo American Exploration (Canada) Ltd. ('Anglo American') owns the remaining 51% interest in the Project and is the project operator.

Anglo American has the right to increase its interest in the Project from 51% to 70% 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 to 75% by arranging production financing for both parties. Anglo American is a wholly owned subsidiary of Anglo American plc, of London, England.

The Company has funded exploration programs on the West Raglan Project in 2003, 2004, 2005 and 2006.

2007 Program

An 8,000 metre drill program is planned for 2007 at an expected total cost of approximately \$4,500,000. The objective of the 2007 Program will be to discover new lenses down-dip and along strike at the base of numerous mapped and interpreted ultramafic units throughout the Frontier area.

Drilling began on June 14, 2007 and to date the Company has reported on the first two holes in its news releases dated July 25 and August 8, 2007.

On July 25, 2007 the Company reported assay results from the first drill hole of the 2007 West Raglan program.

WR-07-128 intersected two new mineralized intervals within a single ultramafic unit. The hole intersected 28.65 metres grading 1.06% nickel, 0.36% copper, 0.24 g/t platinum, 0.96 g/t palladium in disseminated sulphides from 157.60 to 186.25 metres followed by a second interval containing 5.90 metres grading 2.98% nickel, 0.68% copper, 0.41 g/t platinum and 1.6 g/t palladium in disseminated, net textured and massive sulphides from 217.20 to 223.10 metres at the base of the same ultramafic unit. This mineralization occurs in a geological setting typical of that observed at Xstrata's Raglan Mine.

WR-07-128 was drilled to follow up two off-hole EM anomalies in 2006 hole WR-06-125, down-dip of the known Frontier South Zone. The intersections in hole WR-07-128 support the new geological interpretation of the Frontier Area made late in the 2006 field season.

On August 8, 2007 the Company reported the second set of assays from drilling completed at West Raglan during the 2007 season. Disseminated, net textured and massive sulphides intersected in diamond drill hole WR-07-130 occur in ultramafic rock and average 3.22% nickel, 1.93% copper, 0.99 g/t platinum and 3.35 g/t palladium over 3.50 metres from 152.0 to 155.50

metres, including 8.60% nickel, 3.41% copper, 2.53 g/t platinum and 9.10 g/t palladium from 152.95 to 154.00 metres.

This new mineralization occurs at the base of an ultramafic unit interpreted to be the same unit that, to the west, hosts mineralization at Century (750 metres west), Frontier South (545 metres west) as well as the new mineralization encountered in WR-07-128 (588 metres west – *News release July 25, 2007*). In the area of drill hole WR-07-130, a separate ultramafic unit that occurs stratigraphically below and to the south of this new discovery hosts nickel mineralization identified in 2004 as the Seahawk zone. The ultramafic units that host this new mineralization and the Seahawk zone are part of the Greater Frontier Area which is characterized by a swarming of mineralized ultramafic intrusions that occur over a 6 kilometre strike length along the “Raglan Horizon” (see www.knightresources.ca)

2006 Program

In 2006, a total of 4,303 metres of BQ diamond drilling were drilled in 20 new holes, 1 deepened hole from 2004 and 1 metallurgical hole. The 2006 Program focused on Century, Frontier South, Frontier Central and the BT Zone, all within the Greater Frontier area. The total cost of the 2006 Program was approximately \$3.2 million.

The 2006 Program resulted in a breakthrough in the three dimensional understanding of the complex geological picture in the Frontier area. Discrete mineralized lenses in restricted troughs at the base of steeply dipping ultramafic units have been outlined near surface at Century, Frontier South and Frontier Central. Limited drilling down-dip from known zones and in ultramafic units in the footwall of known zones has intersected mineralization and points to the potential for additional mineralized troughs at the base of ultramafic units. Results of the 2006 Program were reported in Company news releases dated November 20 and 21, 2006. These news releases may be viewed on the Company’s web site, www.knightresources.ca, or on SEDAR at www.sedar.com.

Results of Operations

The Company reported a loss of \$1,465,454 (2006 - \$1,134,056) and a loss per share of \$0.02 (2006 - \$0.02) for the nine months ended June 30, 2007 (“Third Quarter 2007”). The Company’s Third Quarter 2007 loss is more than the loss reported for the nine months ended June 30, 2006 (“Third Quarter 2006”) primarily due to higher exploration expenditures and stock-based compensation.

Exploration

Refundable tax credits and mining duties refund amounted to \$Nil for Third Quarter 2007 due to: 1) the renunciation of \$600,000 Canadian exploration expenditures to Quebec based flow-through share subscribers which are not eligible for the Quebec tax credits; and 2) the Company was credited approximately \$180,000 during Third Quarter 2007 from Anglo American relating to a correction to 2005 and 2006 project management fees.

Particular exploration line items that are higher in Third Quarter 2007 compared to Third Quarter 2006 include drilling and mobilization. Mobilization costs are higher as a result of there being a minor surplus of fuel and supplies left over from the 2006 drilling season. Mobilization was much lower during Third Quarter 2006 because of a significant surplus of fuel and supplies from the 2005 drilling season. Drilling is higher due to the 2007 project starting on June 14, 2007 compared to the 2006 project starting in July.

General and Administrative

Differences in general and administrative expenses between Third Quarter 2007 and Third Quarter 2006 are as follows:

- ◆ Administrative fees are slightly less in Third Quarter 2007 due to a lower amount of business activity. The Company paid an arms-length private company \$69,000 (2006 - \$75,000) for accounting, secretarial and general administrative services.
- ◆ Management billed the Company a total of \$150,125 (2006 - \$145,604) for management services for Third Quarter 2007. Of these amounts, \$53,982 (2006 - \$45,715) was charged to exploration for technical geological services incurred on the West Raglan Project. Management devotes a portion of their time to the Company and a portion of their time to other companies where they are directors and/or officers. Accordingly, management invoices the Company based on the percentage of time each of the individuals devote to the Company. The earlier start of the 2007 exploration project resulted in slightly more technical geological services charged for Third Quarter 2007.
- ◆ Promotion has increased during Third Quarter 2007 compared to Third Quarter 2006 because the Company conducted more internet-based marketing, added the services of two additional investor relations consultants, advertised in mining exploration magazines and attended two conferences. The Company utilized the services of Institutional Market Communications Inc. to provide European public relations on a month to month basis at a cost of \$5,000 per month plus expenses (this contract ended in February 2007); Vanguard Shareholder Solutions Inc. to provide North American public relations on a month to month basis at a cost of \$8,000 per month (\$5,000 per month December 2006 to March 2007) plus expenses; Grandich Publications, LLC to provide North American public relations on a month to month basis at a cost of \$1,500 USD per month plus expenses; and Downshire Capital Inc. at a cost of \$2,500 per month.
- ◆ Stock-based compensation is higher in Third Quarter 2007 because the Company granted 4,245,000 stock options to employees and consultants compared to 3,000,000 options granted in Third Quarter 2006.
- ◆ Telephone and communications has doubled in Third Quarter 2007 due to the Company generating more news releases which has increased the news dissemination costs.

Other Revenue and Expenses

- ◆ Interest income was higher in Third Quarter 2007 compared to Third Quarter 2006 due to higher interest rates and more cash on hand to earn interest income as a result of tax credits received during Third Quarter 2007 and the completion of a \$2.6 million private placement in May 2007.

Income Taxes

A portion of the Company's exploration activities are financed through proceeds received from the issue of flow-through shares. Under the terms of the flow-through shares issued, the tax benefits of the related expenditures are renounced to the flow-through share subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to the subscribers. The tax effect of the renouncement is recorded upon filing of the renouncement documents provided that the corresponding exploration expenditures are incurred or there is a reasonable assurance that they will be incurred within the permitted time frame. As a result of renouncing \$600,000 (2006 - \$290,900) of Canadian Exploration Expenses during Second Quarter 2007, the Company

recorded a reduction in share capital of \$192,000 (2006 - \$93,088) with a corresponding recovery of future income taxes.

Financial Condition, Liquidity and Capital Resources

The Company's working capital position increased by \$1,952,144 from the year ended September 30, 2006. The primary reasons for this increase were the two private placement financings completed during the nine months ended June 30, 2007 which netted the Company approximately \$3 million in cash.

The Company's overall cash position has increased by \$3,333,746 during Third Quarter 2007. The main sources of cash are: 1) the receipt of \$3,052,529 of net proceeds from the completion of two private placements and exercise of stock options and; 2) the receipt of \$1,285,423 of tax credits recoverable. The main uses of cash are exploration and general and administrative expenditures.

During First Quarter 2007, the Company issued 2,500,000 units through a brokered private placement at a price of \$0.24 per unit for proceeds of \$600,000 less costs of \$43,150. Each unit consists of one flow-through common share and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional non flow-through common share of the Company at a price of \$0.29 until October 18, 2007. These funds will be used for the 2007 Program.

During Third Quarter 2007, the Company closed a non-brokered private placement for gross proceeds of \$2,636,919. These funds were raised through the issuance of 6,643,230 flow-through units at a price of \$0.30 per unit and 2,146,500 non flow-through units at a price of \$0.30 per unit. Each flow-through unit is comprised of one flow-through common share and one non flow-through common share purchase warrant. Each non flow-through unit is comprised of one non flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of \$0.40 per common share until May 24, 2008, and thereafter at a price of \$0.60 per common share until May 24, 2009. The flow-through funds (\$1,992,696) will be used to carry out the 2007 Program and the non flow-through funds will be used principally for general working capital purposes.

The Company currently does not have any revenue producing assets and therefore will be dependent on additional equity financing in order to continue operations and to finance exploration on the West Raglan Project. There are no assurances that the Company will be able to finance on acceptable terms.

Going forward, the Company is required to fund 49% of exploration costs on the West Raglan Project in order to maintain its interest. As discussed above, a calendar 2007 exploration program is underway at an expected cost of approximately \$4,500,000. The Company's portion of this amount totaling \$2,205,000 is expected to be funded by the flow-through financing discussed above and cash on hand.

Off-Balance Sheet Arrangements

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market

risk or credit risk support to the Company or engages in leasing or hedging services with the Company.

Selected Quarterly Information

The following selected consolidated financial data has been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's audited consolidated financial statements. All dollar amounts are in Canadian dollars.

Fiscal Quarter Ended	Interest Income	Loss	Basic & Diluted Loss/Share
June 30, 2007	\$ 23,551	\$ 657,144	\$ 0.01
March 31, 2007	\$ 8,436	\$ 465,091	\$ 0.01
December 31, 2006	\$ 11,518	\$ 343,219	\$ 0.01
September 30, 2006	\$ 9,860	\$ 926,945	\$ 0.01
June 30, 2006	\$ 18,414	\$ 155,508	\$ -
March 31, 2006	\$ 4,779	\$ 548,842	\$ 0.01
December 31, 2005	\$ 3,952	\$ 429,706	\$ 0.01
September 30, 2005	\$ 7,897	\$ 1,232,342	\$ 0.03

From the December 31, 2005 period and onwards, the Company has been funding the West Raglan exploration project on a 49% basis (compared to 100% in prior periods) as the Company earned its 49% interest in the property in the fourth quarter of Fiscal 2005. The quarterly loss for September 2006 and 2005 was significantly more than prior and subsequent periods due to large exploration expenditures incurred during the summer months of July, August and September. Interest income fluctuates depending on the amount of cash on hand the Company has to invest in short term interest bearing investments.

Related Party Transactions

Management fees of \$78,000 (2006 - \$66,679) were paid or accrued to a company owned by Mr. David Patterson. Management fees of \$18,143 (2006 - \$33,210) were paid or accrued to a company owned by Mr. Harvey Keats.

Management fees in relation to technical geological services of \$27,982 (2006 - \$45,715) were paid or accrued to a company owned by Mr. Harvey Keats. Management fees in relation to technical geological services of \$26,000 (2006 - \$Nil) were paid or accrued to Mr. Robin Adair and a company owned by Mr. Robin Adair.

Directors fees of \$9,000 (2006 - \$9,000) were paid or accrued to a company owned by Mr. Laurie Sadler. Directors fees of \$4,000 (2006 - \$9,000) were paid or accrued to Mr. John Maher.

Rent of \$24,798 (2006 - \$23,620) was paid or accrued to companies where Mr. David Patterson is a director.

Outstanding Share Data

As at August 29, 2007, the Company had the following securities issued and outstanding:

	Number	Exercise Price	Expiry Date
Common shares	79,180,947	n/a	n/a
Warrants	1,250,000	\$0.29	October 18, 2007
Warrants	8,789,730	\$0.40/\$0.60	May 24, 2009
Agent's options	553,683	\$0.30	May 24, 2009
Stock options	235,000	\$0.51	Three business days after the black out period is lifted by the Company.
Stock options	2,559,000	\$0.17	January 15, 2008
Stock options	625,000	\$0.135	July 3, 2008
Stock options	100,000	\$0.21	July 10, 2008
Stock options	200,000	\$0.12	December 21, 2008
Stock options	1,200,000	\$0.165	March 22, 2009
Stock options	2,695,000	\$0.32	June 18, 2009
Stock options	250,000	\$0.70	August 2, 2009
Fully Diluted	97,638,360		

Directors and Officers

David Patterson	Director and CFO	Robin Adair	Director and VP of Exploration
Harvey Keats	Director and CEO	David Gower	Director
Kerry Sparkes	Director	Erin Walmesley	Secretary

On August 3, 2007, the Company appointed Mr. David Gower to the Company's Board of Directors. Mr. Gower worked for Falconbridge Limited and Noranda Inc. (now Xstrata) for over 20 years, most recently as General Manager of Global Nickel and PGM Exploration for Falconbridge and as a member of the senior operating team for the Nickel Business.

At Falconbridge, Mr. Gower was responsible for all brownfield and greenfield nickel exploration programs world wide, and provided the geological support for mining project development. He led a Falconbridge exploration team that had one of the strongest discovery records in the nickel industry over the past few years, including brownfield discoveries at Raglan and Sudbury and greenfield discoveries on the Araguaia Project in Brazil, and significant increases in resources at Kabanga in Tanzania. Prior to working in the nickel business, Mr. Gower was the General Manager of Copper and Zinc Exploration – Northern Hemisphere and Australasia for Noranda Inc., and was part of the discovery team of the Perseverance Deposit, currently being developed by Xstrata in Matagami, and the Duck Pond Deposit being developed by Aur Resources in Newfoundland. Two of Mr. Gower's exploration teams have been awarded the prestigious "Prospector of the Year Award" by the Prospectors and Developers Association of Canada.

Also on August 3, 2007, the Company announced the resignation of Mr. Laurie Sadler from the Board of Directors.

On December 22, 2006, the Company appointed Robin Adair as the Company's Vice-President of Exploration. Mr. Adair holds a B.Sc. and M.Sc. degree in geology from the University of Alberta. Prior to joining the Company, Mr. Adair was employed with Falconbridge Limited / Noranda Inc. for over 25 years in exploration and advanced projects, most recently as Exploration Manager Nickel, North America – Greenland.

David Patterson, Harvey Keats, Robin Adair, Kerry Sparkes and Laurie Sadler were elected as directors at the Company's Annual General Meeting held on January 17, 2007.

Additional Information

Additional information is provided in the Company's audited financial statements for the periods ended September 30, 2006 and 2005. These documents are available on SEDAR at www.sedar.com. Additional information relating to the Company's operations and activities can also be found by visiting the Company's website at www.knightresources.ca.

Disclosure and Internal Controls and Procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Management is also responsible for the design and implementation of effective internal control over financial reporting to provide reasonable assurance regarding the integrity and reliability of the Company's financial information and the preparation of its financial statements in accordance with Canadian generally accepted accounting principles. Management maintains appropriate information systems, procedures, and controls to ensure the integrity of the financial statements and maintains appropriate information systems, procedures, and controls to ensure that information used internally and disclosed externally is complete and reliable.

Management of the Company, including the Chief Executive Officer and the Chief Financial Officer, do not expect that our disclosure controls and procedures of our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

However, given the nature of the business, management is committed to continuously mitigate any risks and systematically improve operating controls where and when possible, and in the most cost effective manner.

As at June 30, 2007, management recognized the limitation of segregation of duties due to the size of the organization. Management is mitigating such risks by reviewing its compensatory controls to detect and remediate control deficiencies on an ongoing basis.

Management did not make any changes to the Company's internal control over financial reporting during the three months ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.