

Knight Resources Ltd.

Quarterly Financial Statements For The Six Months Ended March 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 six months ended March 31, 2007.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Balance Sheets

(Unaudited)

(Canadian Dollars)

	March 31, 2007	September 30, 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 938,243	\$ 452,183
Accounts receivable	19,707	18,071
Tax credits recoverable	653,344	1,390,380
Prepaid expenses	15,385	10,500
	1,626,679	1,871,134
Property, plant and equipment	12,356	13,299
	\$ 1,639,035	\$ 1,884,433
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 274,673	\$ 209,095
Shareholders' equity		
Share capital (note 4)	19,761,090	19,396,240
Contributed surplus (note 5)	2,822,401	2,689,917
Deficit	(21,219,129)	(20,410,819)
	1,364,362	1,675,338
	\$ 1,639,035	\$ 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 March 31,		Six months ended March 31,	
	2007	2006	2007	2006
Exploration expenditures				
West Raglan (schedule) (note 4)	\$ 394,553	\$ 172,741	\$ 549,473	\$ 419,124
General and administrative expenditures				
Accounting and audit	8,000	16,674	16,909	16,674
Administrative fees	21,000	26,000	45,000	53,000
Amortization	893	1,389	1,665	2,778
Directors fees	4,000	6,000	10,000	12,000
Filing fees	8,065	5,533	8,565	7,128
Legal fees	2,898	5,688	5,631	6,457
Management fees	33,355	34,137	63,095	70,559
Office and miscellaneous	12,412	9,315	37,112	38,925
Promotion	50,610	46,748	106,842	93,721
Rent	9,131	8,620	16,631	16,120
Stock-based compensation (note 6)	107,564	292,440	132,484	304,496
Telephone and communications	4,168	2,811	11,409	6,511
Transfer agent	2,990	3,033	4,915	5,417
Travel	5,888	15,580	10,533	27,457
	270,974	473,968	470,791	661,243
Other Items				
Interest income	(8,436)	(4,779)	(19,954)	(8,731)
Loss before income taxes	(657,091)	(641,930)	(1,000,310)	(1,071,636)
Future income tax recovery	192,000	93,088	192,000	93,088
Loss for the period	(465,091)	(548,842)	(808,310)	(978,548)
Other comprehensive income (loss)	-	-	-	-
Comprehensive loss for the period	\$ (465,091)	\$ (548,842)	\$ (808,310)	\$ (978,548)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	69,791,217	67,082,073	69,543,964	66,322,804

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.

(An exploration stage company)

Statements of Shareholders' Equity

(Unaudited)

(Canadian Dollars)

	Number of shares	Share capital	Contributed surplus	Deficit	Total shareholders' equity
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 placement	2,500,000	556,850	-	-	556,850
Future income tax impact of renunciation of Canadian Exploration Expenses pursuant to flow-through shares	-	(192,000)	-	-	(192,000)
Stock-based compensation	-	-	132,484	-	132,484
Loss for the period	-	-	-	(808,310)	(808,310)
Balance at March 31, 2007	69,791,217	\$ 19,761,090	\$ 2,822,401	\$ (21,219,129)	\$ 1,364,362

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,	
	2007	2006	2007	2006
Cash Provided by (Used for):				
Operating Activities				
Loss for the period	\$ (465,091)	\$ (548,842)	\$ (808,310)	\$ (978,548)
Items not involving cash:				
Amortization	893	1,389	1,665	2,778
Stock-based compensation	107,564	292,440	132,484	304,496
Future income tax recovery	(192,000)	(93,088)	(192,000)	(93,088)
Changes in non-cash operating working capital:				
Accounts receivable	2,313	1,394	(1,636)	(314)
Advances for exploration	-	-	-	342,076
Tax credits recoverable	380,252	1,412,339	737,036	1,288,468
Prepaid expenses	1,794	(2,181)	(4,885)	(6,876)
Accounts payable and accrued liabilities	240,727	66,438	65,578	51,978
	76,452	1,129,889	(70,068)	910,970
Financing Activities				
Issuance of common shares	-	280,496	556,850	280,496
Subscription proceeds	-	(65,900)	-	-
	-	214,596	556,850	280,496
Investing Activities				
Purchase of property, plant and equipment	(722)	-	(722)	-
Decrease in cash and cash equivalents	75,730	1,344,485	486,060	1,191,466
Cash and cash equivalents, beginning of period	862,513	496,964	452,183	649,983
Cash and cash equivalents, end of period	\$ 938,243	\$ 1,841,449	\$ 938,243	\$ 1,841,449
Cash provided by:				
Interest received	\$ 8,436	\$ 4,779	\$ 19,954	\$ 8,731
Tax credits received	\$ 255,241	\$ 1,345,660	\$ 736,245	\$ 1,345,660

See accompanying notes to the financial statements.

KNIGHT RESOURCES LTD.
(An exploration stage company)
Notes to the Financial Statements
March 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, 2006 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
March 31, 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>March 31, 2007</u>	<u>September 30, 2006</u>
Exploration expenditures	\$ 14,917,300	\$ 14,367,827
Refundable tax credits and mining duties	(6,002,995)	(6,002,995)
	<u>\$ 8,914,305</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

During the six months ended March 31, 2007, the Company issued 2,500,000 flow-through common shares through a brokered private placement at a price of \$0.24 per share for proceeds of \$600,000 less fees and costs of \$43,150. Along with the shares, the Company issued 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. 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.

6. Stock-based Compensation

The Company uses the fair value based method of accounting for all stock-based awards. During the six months ended March 31, 2007, 250,000 stock options granted to investor relations consultants vested with a compensation cost of \$20,424. Also, the Company granted 1,550,000 stock options to employees and consultants with a compensation cost of \$128,075. Of this amount, \$16,015 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 3.97%, a dividend yield of nil, an expected volatility of 95% and expected life of the stock options of two years.

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

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 six months ended March 31:

- a) paid or accrued \$ 10,000 (2006 - \$12,000) for directors fees to a director and a company controlled by a director;
- b) paid or accrued \$63,095 (2006 - \$70,559) for management fees to a company controlled by the CEO and to a company controlled by the CFO;
- c) paid or accrued \$28,605 (2006 - \$37,720) 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 \$ 16,631 (2006 - \$16,120) for rent to a company where the CEO is a director.

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 March 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.

The Company does not use derivative instruments or hedges to manage risks 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 March 31,		Six months ended March 31,	
	2007	2006	2007	2006
West Raglan Property				
Drilling	\$ (1,009)	\$ 13,518	\$ 43,503	\$ 68,633
Geochemistry	2,124	4,639	19,843	42,212
Geology	35,221	46,002	90,899	122,000
Geophysics	4,563	6,312	42,818	19,223
Mobilization	184,024	2,113	223,321	22,960
Other	40,945	33,088	120,055	114,677
Property filing fees	-	-	4,365	81,496
Safety and environment	4,465	389	4,669	5,115
	270,333	106,061	549,473	476,316
Refundable tax credits	104,443	52,037	-	(52,085)
Mining duties refund	19,777	14,643	-	(5,107)
	\$ 394,553	\$ 172,741	\$ 549,473	\$ 419,124