

KIT RESOURCES LTD.
(A Development Stage Company)

FINANCIAL STATEMENTS

MARCH 31, 2006

(The accompanying financial statements have been prepared by management and have not been reviewed by the Company's auditors)

KIT RESOURCES LTD.
BALANCE SHEETS
AS AT
(UNAUDITED)

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 2,653,035	\$ 2,775,012
GST receivable	4,273	2,024
Prepaid expenses	8,533	-
	<u>2,665,841</u>	<u>2,777,036</u>
MINERAL PROPERTY COSTS <i>(Note 3)</i>	<u>289,019</u>	<u>289,019</u>
	<u>\$ 2,954,860</u>	<u>\$ 3,066,055</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 6,500	\$ 13,857
Due to related parties <i>(Note 5a)</i>	24,512	94,693
	<u>31,012</u>	<u>108,550</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL <i>(Note 4a)</i>	55,785,632	52,999,632
SHARE SUBSCRIPTIONS	-	2,759,750
DEFICIT	<u>(52,861,784)</u>	<u>(52,801,877)</u>
	<u>2,923,848</u>	<u>2,957,505</u>
	<u>\$ 2,954,860</u>	<u>\$ 3,066,055</u>

APPROVED BY THE DIRECTORS:

“Matthew J. Mason”
Matthew J. Mason - Director

“Peter D. Leitch”
Peter D. Leitch - Director

See accompanying notes

KIT RESOURCES LTD.
STATEMENTS OF LOSS AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)

	<u>2006</u>	<u>2005</u>
INCOME		
Interest	\$ -	\$ 53
EXPENSES		
Administration fees <i>(Note 5b)</i>	-	3,368
Consulting <i>(Note 6)</i>	5,000	-
Management fees <i>(Note 5b)</i>	7,500	15,000
Office administration <i>(Note 5b)</i>	7,500	7,500
Office and miscellaneous	3,651	3,207
Professional fees	22,981	4,823
Rent	4,432	3,034
Stock exchange and transfer fees	8,843	1,389
	<u>59,907</u>	<u>38,321</u>
LOSS FOR THE PERIOD	59,907	38,268
DEFICIT, BEGINNING OF PERIOD	<u>52,801,877</u>	<u>52,681,293</u>
DEFICIT, END OF PERIOD	\$ <u>52,861,784</u>	\$ <u>52,719,561</u>
LOSS PER SHARE	\$ <u>0.00</u>	\$ <u>0.00</u>

See accompanying notes

KIT RESOURCES LTD.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)

	<u>2006</u>	<u>2005</u>
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Loss for the period	\$ (59,907)	\$ (38,268)
Changes in non-cash working capital:		
(Increase) decrease in GST receivable	(2,249)	2,556
(Increase) decrease in prepaid expenses	(8,533)	(2,290)
Increase (decrease) in accounts payable	<u>(7,357)</u>	<u>(1,062)</u>
	<u>(78,046)</u>	<u>(39,064)</u>
FINANCING ACTIVITIES		
Share capital	26,250	-
Repayment of related party loans	<u>(70,181)</u>	<u>-</u>
	<u>(43,931)</u>	<u>-</u>
INVESTING ACTIVITIES		
Exploration costs	<u>-</u>	<u>(136)</u>
INCREASE (DECREASE) IN CASH	(121,977)	(39,200)
CASH, BEGINNING OF PERIOD	<u>2,775,012</u>	<u>50,327</u>
CASH, END OF PERIOD	\$ <u><u>2,653,035</u></u>	\$ <u><u>11,127</u></u>

See accompanying notes

KIT RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006
(UNAUDITED)

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada and follow the same accounting policies and methods of application as per the December 31, 2005 annual audited financial statements. These interim financial statements do not contain all the information that is presented in annual audited financial statements. They should be read in conjunction with the most recent annual audited financial statements of the Company, prepared as of December 31, 2005.

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, GST receivable, amounts due to related parties and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity for prompt liquidation.

3. MINERAL PROPERTY COSTS

- a) The Company currently has the following mineral properties that it is exploring. Details of accumulated costs are as follows:

	March 31, 2006				December 31, 2005 Total
	Acquisition	Deferred Exploration	Total		
Copperline Property, B.C.	\$ 23,750	\$ 216,575	\$ 240,325	\$	240,325
Molly Property, B.C.	48,694	-	48,694		48,694
	\$ 72,444	\$ 216,575	\$ 289,019	\$	289,019

b) **Copperline Property, B.C.**

By letter of agreement dated May 28, 2001 and as amended, the Company acquired a 60% interest in the Copperline property from a company with directors in common. Under the agreement, the Company issued 25,000 common shares and incurred \$200,000 of exploration expenditures on the property.

c) **Molly Property, B.C.**

During the year ended December 31, 2003, the Company acquired, from a director and officer of the Company, a 100% interest in certain mineral claims located in the Omineca Mining Division, B.C.

KIT RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006
(UNAUDITED)

4. SHARE CAPITAL

a) Details are as follows:

	Number of Shares		Amount	
	March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
Authorized:				
Unlimited common shares without par value				
Issued and fully paid:				
Balance - Beginning of period	39,873,550	39,873,550	\$ 52,999,632	\$ 52,999,632
Issued during the period	40,000,000	-	2,786,000	-
Balance - End of period	79,873,550	39,873,550	\$ 55,785,632	\$ 52,999,632

b) During the period, the Company closed a non-brokered private placement of 40,000,000 units at \$0.07 per unit. Gross proceeds of the offering were CAD\$2.8 million. Each unit consists of one common share and one warrant, with each warrant giving the holder the right to purchase one common share at CAD \$0.10, exercisable by January 9, 2008. No commission was paid. 40,000,000 common shares were issued from the treasury of the Company.

c) **Share Options**

The Company has an established share purchase option plan ("Plan") whereby a committee of the Company's board of directors may, from time to time, grant options up to a total of 10% of the issued share capital to directors, officers, employees or consultants. The number of shares under option at any specific time to any one optionee shall not exceed 5% of the issued outstanding common share capital of the Company. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the TSX Venture Exchange ("the Exchange") on the last trading day preceding the grant date, less the applicable discount, provided that the exercise price will not be less than \$0.10 per share. The options will have certain hold restrictions as imposed by the Exchange at the date of grant.

During the period, the Company granted a third party option (*Note 6*) to purchase 500,000 shares of the Company at \$0.76 per share, exercisable by March 1, 2011.

As at March 31, 2006, the Company has the following share purchase options outstanding:

Option Holder	Number	Exercise Price	Expiry Date
Directors	2,650,000	\$ 0.15	July 24 2008
Officers	250,000	\$ 0.15	July 24 2008
Third party	500,000	\$ 0.76	March 1, 2011
	3,400,000		
Options vested as at March 31, 2006	3,400,000		

d) **Warrants**

As at March 31 2006, the Company had share purchase warrants outstanding to purchase 40,000,000 shares at \$0.10 per share, exercisable by January 9, 2008.

KIT RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006
(UNAUDITED)

4. SHARE CAPITAL (continued)

e) **Escrow Shares**

The remaining 4,635,000 common shares are scheduled to be released from escrow in July 2006.

5. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in these financial statements, related party transactions are as follows:

- a) The amounts due to related parties of \$24,512 consist of a loan of \$10,000 and administrative costs of \$14,512. The administrative costs were incurred for the three months ended March 31, 2006. These amounts are due to companies controlled by the directors.
- b) During the period ended March 31 2006, the Company:
 - i) paid or accrued \$7,500 (2005 - \$15,000) for management fees to a company controlled by a director.
 - ii) paid or accrued \$7,500 (2005 - \$10,868) for secretarial and administration services to an officer of the Company and to a company controlled by a director.
 - iii) paid or accrued legal fees of \$19,981 (2005- \$1,438) to a law firm that has a partner who is a director of the Company.

6. CONSULTING

During the period the Company signed a one-year agreement with a third party for consulting services at \$5,000 per month. In addition, the third party may earn other fees dependent upon the occurrence of certain capital and/or investing transactions. The Company also granted the third party an option to purchase 500,000 shares of the Company at an exercise price of \$0.76 per share by March 1, 2011.

7. INCOME TAXES

As at December 31, 2005, the Company had approximately \$1,645,000 of losses carried forward, available to be offset against future taxable income. These losses, if not utilized, expire by 2015. The Company has mineral exploration and development expenditures of approximately \$3,199,000 available to reduce taxable income of future years. The Company has deferred share issuance costs of \$93,000 which are deductible for income tax purposes over five years.

Future income tax benefits, which may arise as a result of these losses, resource expenditures and deferred share issuance costs, have not been recognized in these financial statements.

KIT RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006
(UNAUDITED)

8. SUBSEQUENT EVENTS

Subsequent to March 31, 2006, shares were issued from Treasury as follows:

- a) 2,650,000 shares were issued at \$0.15 per share, pursuant to exercise of stock options;
- b) 100,000 shares were issued at \$0.10 per share, pursuant to exercise of share purchase warrants, leaving a balance of 39,900,000 shares exercisable at \$0.10 per share by January 9, 2008.



ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
KIT RESOURCES LTD.	March 31, 2006	2006/05/26

ISSUER'S ADDRESS

Suite 1910 – 925 West Georgia Street			
CITY, PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Vancouver, B.C.	V6C 3N6	604 684 9277	604 684 6707
CONTACT PERSON	CONTACT'S POSITION		CONTACT TELEPHONE NO.
Judee Fayle	Corporate Secretary		604 684 6707
CONTACT EMAIL ADDRESS		WEB SITE ADDRESS	
Judee_fayle@telus.net (judee underscore fayle....)		N/A	

CERTIFICATE

The schedule required to complete this Report is attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
<i>"Matthew J. Mason"</i>	Matthew J. Mason	2006/05/26
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
<i>"Peter D. Leitch"</i>	Peter D. Leitch	2006/05/26

(Electronic signatures should be entered in "quotations".)

**MANAGEMENT DISCUSSION & ANALYSIS
FOR THE FIRST QUARTER ENDED
DATE OF REPORT:****March 31, 2006
May 26, 2006****Management Discussion & Analysis:**

The enclosed analysis is management's interpretation of the results and financial condition of Kit Resources Ltd. (the "Company" or "Kit") for the first quarter, or three months ended March 31, 2006. This discussion should be read in conjunction with both the audited financial statements to December 31, 2005, as well as, the unaudited financial statements to March 31, 2006, and related notes therein.

Description of Business:

Kit Resources Ltd. is a publicly traded company listed on the TSX Venture Exchange, trading under the symbol: KIT. The Company is a resource-based company engaged in the continued search for new and viable opportunities in the mineral sector.

Forward Looking Statements:

This Management Discussion and Analysis contains certain forward-looking statements and information relating to the Company that was based on the beliefs of the Company, or management, as well as assumptions made by and information currently available to the Company or management. When used in this document, the words "anticipate", "believe", "estimate", "expect", "implied", "intend" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company regarding future events and are subject to certain risks, uncertainties and assumptions, including the risks and uncertainties noted. Should one or more of these risks materialize, or should under-lying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, implied, expected or intended. In each instance, forward-looking information should be considered in the light of the accompanying meaningful cautionary statements herein. The Company cautions that forward-looking statements involve risk and uncertainty and the Company's actual results could differ materially from those implied.

Overall Performance:

Endeavour Financial Ltd. continues to assist the company in its search for viable opportunities.

Selected Information:

Operations for the three months ended March 31, 2006, produced a loss for the period of \$59,907 (2005 - \$38,268) resulting in a loss per share of \$0.00 (2005 - \$0.00). The increase in the loss for this quarter, as compared to 2005, is as a result of increased costs relating to: legal, stock exchange, transfer, professional and consulting fees and increased office and miscellaneous costs, while management fees have been significantly reduced. The reader is reminded that this Management Discussion and Analysis should be read in conjunction with the Company's unaudited financial statements to March 31, 2006.

Results from Operations:

Copperline Mineral Property

The company owns a 100% interest in the Molly claims, consisting of six claims, free of all royalties, totaling 120 units that are contiguous to the company's Copperline property in the Omenica Mining Division, and for all intents and purposes, are considered to form part of the Copperline property.

The Company continues to seek a joint venture partner to join in the exploration of the various Copperline property targets and to conduct further studies to determine the economic potential of the Main Zone.

Summarized Quarterly Financial Information:

The following financial information has been derived from various financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

	2006	2005	2005	2005	2005	2004	2004	2004
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Sales/Revenue	\$Nil							
Loss(Recovery) In Period	\$59,907	(\$5,061)	\$36,367	\$51,010	\$38,268	\$42,748	\$41,598	\$57,500
Loss/Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Diluted Loss/Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Liquidity & Capital Resources:

Working capital as at March 31, 2006, totaled \$2,634,829 (2005 – deficiency of \$8,948). Until such time as a prospective property or project of merit is secured, or a joint venture partner is found for the Copperline/Molly project, the Company is presently well funded and able to meet its financial obligations to support on-going operations during the ensuing quarter and beyond.

The following common shares and convertible securities of the Company were outstanding at May 26, 2006:

	# Of	Exercise	Expiry
	Shares	Price	Date
Issued & Outstanding Common Shares at May 26, 2006	82,623,550		
Stock Options	250,000	\$0.15	July 24/2008
	500,000	\$0.76	Mar 01/2011
Warrants	39,900,000	\$0.10	Jan. 09/2008
Fully Diluted at May 26, 2006	123,273,550		

Off-Balance Sheet Arrangements:

There are no such existing arrangements.

Transactions With Related Parties:

Please refer to notes 5(a) and 5(b) of the attached unaudited financial statements to March 31, 2006. The Company paid or accrued \$7,500 (2005 - \$15,000) for management fees and \$NIL (2005 - \$3,368) in administration fees to Hermes Management Limited, a company controlled by a director. A further \$7,500 (2005 - \$7,500) was paid or accrued to Hermes Management Limited, a company controlled by a director, in respect of services rendered by Judee Fayle an officer of the Company. A total of \$19,981 (2005 - \$1,438) in legal fees was paid or accrued to a law firm that has a partner who is a director of the Company.

The Company engages the services of Hermes Management Limited "Hermes", a non-reporting company controlled by Matthew J. Mason. Hermes was engaged to provide professional, managerial and administrative services commencing February 1, 2001 and terminating at the end of any calendar month by giving at least 30 days prior written notice to the other party.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financials statements and revenues and expenses for the period reported. Significant estimates that involve highly subjective assumptions by management include the Company's estimate of stock-based compensation expense and its assessment of its mineral property values. Actual results could differ from those reported.

Private Placement Closing:

On January 9, 2006, a total of 40,000,000 common shares were issued from treasury subsequent to the closing of a private placement consisting of 40,000,000 units at \$0.07 per unit with each unit consisting of one share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.10 to January 9, 2008. As at December 31, 2005, share subscriptions totaling \$2,759,750 (net of filing fees of \$14,000) had been received and placed in a trust account with the Company's solicitors. Commissions were not paid in connection with the private placement.

It should be noted that subsequent to the completion of the private placement the following have acquired beneficial ownership of, or the power to exercise control or direction over, greater than 10% of the Company's shares:

Abalone Capital Ltd. of St. Michael, Barbados (5,500,000 units representing 6.89% of the issued and outstanding share capital and 5,500,000 warrants that, when exercised in full, and based on the January 9, 2006, issued and outstanding share capital would beneficially own or have control over 11,000,000 shares or 12.88% of the then issued and outstanding shares;

Private Placement Closing Continued:

Stockholm Priskonsult AB of Sweden (5,500,000 units representing 6.89% of the issued and outstanding share capital and 5,500,000 warrants that, when exercised in full, and based on the January 9, 2006, issued and outstanding share capital would beneficially own or have control over 11,000,000 shares or 12.88% of the then issued and outstanding shares;

Lukas Lundin of Vancouver, B.C. (5,250,000 units representing 6.57% of the issued and outstanding share capital and 5,250,000 warrants that, when exercised in full, and based on the January 9, 2006, issued and outstanding share capital would beneficially own or have control over 10,500,000 shares or 12.34% of the then issued and outstanding shares; and

Radcliffe Foundation of West Vancouver (4,650,000 units, combined with current holdings that together represent a total of 6.00% of the issued and outstanding share capital and 4,650,000 warrants that, when exercised in full, and based on the January 9, 2006, issued and outstanding share capital would beneficially own or have control over 9,440,000 shares or 11.17% of the then issued and outstanding shares.

Third-party services Engaged:

Pursuant to an agreement dated February 15, 2006, the Company has engaged the services of Endeavour Financial Ltd. (“Endeavour”) to provide the Company with general corporate financial advice and assistance regarding the solicitation, structuring, negotiation and closing of a ‘Transaction’ as described therein. Endeavour is being paid CDN \$5,000 per month and has been granted an incentive stock option totaling 500,000 shares exercisable at \$0.76 per share to March 1, 2011.

RISKS & UNCERTAINTIES:

Mining:

The Company is engaged in the inherently risky business of exploration and development of mineral properties. There is no guarantee that a mineable orebody will ever be determined and economically produced. Generally speaking, the majority of exploration programs do not result in the discovery of commercially viable orebodies. Gold and metals prices are also affected by numerous factors beyond the control of management including political and economic conditions, demand, production levels, terrorism etc. and can be quite volatile.

Cash Flows and Funding:

The Company’s March 31, 2006, working capital total of \$2,634,829 is sufficient to fund the company for the ensuing quarter and beyond. It should be noted, however, that working capital is raised through equity market financing and there is no assurance that the Company will be able to obtain financing in the future, as may be required.

Asset Retirement Obligations:

Effective January 1, 2004, the Company adopted the recommendations of the CICA Handbook Section 3110. Please refer to note 1(c) of the Company’s audited annual financials to December 31, 2005, for full details.

Environmental:

Mineral exploration and development is subject to extensive governing laws and regulations concerning environmental protection and there is no assurance that all future requirements will be obtainable on reasonable terms. While the Company endeavors to operate in compliance with all environmental regulations, failure to comply could result in enforcement action against the Company causing severe impact to operations (i.e. possible remedial measures may require unplanned capital expenditures).

Securities Issued During The Period:

During the three months ended March 31, 2006, the Company issued the following securities from its treasury:

Issued Capital at December 31, 2005:	39,873,550
January 09/2006 Private Placement	<u>40,000,000</u>
Issued Capital at March 31, 2006:	79,873,550
Issued Capital Subsequent to March 31, 2006:	
Apr 20/06 Exercise of Private Placement Warrants	100,000
May 04/06 Exercise of Incentive Stock Options	<u>2,650,000</u>
Issued Capital at May 26, 2006:	82,623,550

Existing Stock Options:

During the three months ended March 31, 2006, an incentive stock option was granted to a consultant, as noted in the table below. Therefore, the following incentive stock options have been granted and remain unexercised as of March 31, 2006:

<u>Option Holder</u>	<u>Shares Granted</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Directors	2,650,000	\$0.15	24 July 2008
Officers	250,000	\$0.15	24 July 2008
Consultants	500,000	\$0.76	01 Mar. 2011

Kindly refer to the subsequent events note, herein, as incentive stock options were exercised subsequent to the period ended March 31, 2006.

Outstanding Warrants:

A total of 40,000,000 warrants exercisable at \$0.10 per share until January 9, 2008, were outstanding as at March 31, 2006. Please note that 100,000 warrants were exercised subsequent to March 31, 2006, and are detailed in the subsequent events note of this Report.

Changes to Management:

On March 21, 2006, Mr. Peter Leitch C.A. , President of Lions Gate Studio Management Ltd., was appointed to the Board of Directors. Mr. Leitch was subsequently appointed as Chairman of the audit committee. The Company also accepted the resignation of its director, Mr. Graham H. Scott, effective April 18, 2006.

List of Directors and Officers:

Matthew J. Mason, President & Chief Executive Officer
Peter D. Leitch, Director & Chairman of Audit Committee
Robert L. Mason, Director
Judee Fayle, Chief Financial Officer & Corporate Secretary

SUBSEQUENT EVENTS:

Outstanding Warrants Subsequent to Year-End:

As at March 31, 2006, a total of 40,000,000 share purchase warrants exercisable at \$0.10 per share were outstanding. Subsequent to the quarter end, a total of 100,000 warrants were exercised at \$0.10 per share leaving 39,900,000 private placement warrants outstanding until January 9, 2008.

Exercise of Incentive Stock Options:

On May 2, 2006, a total of 2,650,000 incentive stock options were exercised by Directors at an exercise price of \$0.15 per share, netting the treasury \$397,500.