

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	\$ <u>-</u>	\$ <u>53</u>
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><u>52,861,784</u></u>	\$ <u><u>52,719,561</u></u>
 LOSS PER SHARE	 \$ <u><u>0.00</u></u>	 \$ <u><u>0.00</u></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>2,653,035</u>	\$ <u>11,127</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
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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
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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.

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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.