

KIT RESOURCES LTD.
(A Development Stage Company)

FINANCIAL STATEMENTS

SEPTEMBER 30, 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>September 30, 2006</u>	<u>December 31, 2005</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 3,019,580	\$ 2,775,012
GST receivable	3,030	2,024
Prepaid expenses	1,450	-
	<u>3,024,060</u>	<u>2,777,036</u>
MINERAL PROPERTY COSTS <i>(Note 3a)</i>	<u>290,277</u>	<u>289,019</u>
	<u>\$ 3,314,337</u>	<u>\$ 3,066,055</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 19,207	\$ 13,857
Due to related parties <i>(Notes 5a & 5b)</i>	15,214	94,693
	<u>34,421</u>	<u>108,550</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL <i>(Note 4a)</i>	56,234,132	52,999,632
SHARE SUBSCRIPTIONS	-	2,759,750
CONTRIBUTED SURPLUS <i>(Note 4c(iii))</i>	489,000	-
DEFICIT	<u>(53,443,216)</u>	<u>(52,801,877)</u>
	<u>3,279,916</u>	<u>2,957,505</u>
	<u>\$ 3,314,337</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 OPERATIONS AND DEFICIT
FOR THE PERIODS ENDED
(UNAUDITED)

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
OTHER (INCOME) EXPENSES				
Interest and investment income	\$ (28,336)	\$ -	\$ (39,998)	\$ (53)
EXPENSES				
Administrative fees	-	3,461	-	11,122
Consulting	32,708	-	52,708	-
General corporate expenses	3,378	2,873	10,336	8,602
Professional fees	10,624	2,243	45,761	12,784
Management fees <i>(Note 5b)</i>	7,500	15,000	22,500	45,000
Office administration <i>(Note 5b)</i>	7,500	6,500	22,500	22,500
Rent	4,511	4,484	13,461	13,483
Shareholder communication	-	-	1,251	1,638
Stock option compensation <i>(Note 4c(iii))</i>	143,000	-	489,000	-
Transfer agent and regulatory fees	5,871	1,806	23,820	10,569
	215,092	36,367	681,337	125,698
LOSS FOR THE PERIOD	186,756	36,367	641,339	125,645
DEFICIT, BEGINNING OF PERIOD	53,256,460	52,770,571	52,801,877	52,681,293
DEFICIT, END OF PERIOD	\$ 53,443,216	\$ 52,806,938	\$ 53,443,216	\$ 52,806,938
LOSS PER SHARE	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00

See accompanying notes

KIT RESOURCES LTD.
STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED
(UNAUDITED)

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
CASH PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES				
Loss for the period	\$ (186,756)	\$ (36,367)	\$ (641,339)	\$ (125,645)
Items not affecting cash:				
Stock option compensation	143,000	-	489,000	-
Changes in non-cash working capital:				
(Increase) decrease in GST receivable	1,362	1,185	(1,006)	3,740
(Increase) decrease in prepaid expenses	2,792	763	(1,450)	(765)
Increase (decrease) in accounts payable	17,707	-	5,350	(6,302)
	<u>(21,895)</u>	<u>(34,419)</u>	<u>(149,445)</u>	<u>(128,972)</u>
FINANCING ACTIVITIES				
Issuance of share capital	4,000	-	474,750	-
Increase (decrease) in related party loans	(12,626)	33,807	(79,479)	80,250
	<u>(8,626)</u>	<u>33,807</u>	<u>395,271</u>	<u>80,250</u>
INVESTING ACTIVITIES				
Resource assets	-	-	(1,258)	(136)
INCREASE (DECREASE) IN CASH	(30,521)	(612)	244,568	(48,858)
CASH, BEGINNING OF PERIOD	3,050,101	2,081	2,775,012	50,327
CASH, END OF PERIOD	\$ <u>3,019,580</u>	\$ <u>1,469</u>	\$ <u>3,019,580</u>	\$ <u>1,469</u>

See accompanying notes

KIT RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 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 has the following mineral properties that it is exploring. Details of accumulated costs are as follows:

	September 30, 2006			December 31, 2005	
	Acquisition	Deferred Exploration	Total	Total	
Copperline Property, B.C.	\$ 23,750	\$ 217,833	\$ 241,583	\$	240,325
Molly Property, B.C.	48,694	-	48,694		48,694
	\$ 72,444	\$ 217,833	\$ 290,277	\$	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
SEPTEMBER 30, 2006
(UNAUDITED)

4. SHARE CAPITAL

a) Details are as follows:

	Number of Shares		Amount	
	September 30, 2006	December 31, 2005	September 30, 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:				
- private placement	40,000,000	-	2,786,000	-
- warrants	510,000	-	51,000	-
- stock options	2,650,000	-	397,500	-
Balance - End of period	83,033,550	39,873,550	\$ 56,234,132	\$ 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 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 and outstanding common shares 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.

i) During the period ended September 30, 2006, the Company granted third Party options to purchase 500,000 shares of the Company at \$0.76 per share, exercisable by March 1, 2011 (*Note 6*), and 250,000 shares at \$0.75 per share, exercisable by September 26, 2011.

ii) As at September 30, 2006, the Company has the following share purchase options outstanding:

Option Holder	Number	Exercise Price	Expiry Date
Officers	250,000	\$ 0.15	July 24, 2008
Third party (<i>Note 6</i>)	500,000	\$ 0.76	March 1, 2011
Third party	250,000	\$ 0.75	September 26, 2011
	<u>1,000,000</u>		
Options vested as at Sept. 30, 2006	<u>1,000,000</u>		

KIT RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(UNAUDITED)

4. SHARE CAPITAL (continued)

iii) Stock Based Compensation:

The Company recognizes compensation expense on stock options granted to both employees and non-employees using the fair value method at the date of grant, which the Company records as an expense. The current period stock option compensation expense is calculated using the Black-Scholes Option Pricing Model with the following assumptions from the date of grant:

	Grant date <u>March 2, 2006</u>	Grant date <u>September 26, 2006</u>
Expected dividend yield	-	-
Risk-free interest rate	4.08%	3.75%
Expected stock price volatility	166.00%	109.46%
Expected option life in years	4	5

The current period stock option compensation expense amounted to \$489,000.

d) Warrants

As at September 30, 2006, the Company had share purchase warrants outstanding to purchase 39,490,000 shares at \$0.10 per share, exercisable by January 9, 2008.

e) Escrow Shares

The remaining 4,185,000 common shares were released from escrow on July 24, 2006.

KIT RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(UNAUDITED)

5. RELATED PARTY TRANSACTIONS

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

- a) An amount of \$15,214 due to a company controlled by directors consists of administrative costs incurred for the three months ended September 30, 2006.
- b) During the period ended September 30 2006, the Company:
 - i) paid or accrued \$22,500 (2005 - \$45,000) for management fees to a company controlled by a director.
 - ii) paid or accrued \$22,500 (2005 - \$33,622) 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 \$21,018 (2005- \$3,390) to a law firm that has a partner who was a director of the Company until April 18, 2006.

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 (*Note 4c*).

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.

8. SUBSEQUENT EVENT

Subsequent to September 30, 2006, 75,000 shares were issued from Treasury at \$0.10 per share, pursuant to exercise of share purchase warrants, leaving a balance of 39,415,000 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.	September 30, 2006	2006/11/23

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	2006/11/23
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
<i>"Peter D. Leitch"</i>	Peter D. Leitch	2006/11/23

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

KIT RESOURCES LTD.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE THIRD QUARTER ENDED
DATE OF REPORT:

FORM 51-102F1

September 30, 2006
November 23, 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 third quarter, or three months and nine months ended September 30, 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 September 30, 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:

Under contract, Endeavour Financial Ltd. continues to evaluate potential opportunities with the objective of finding an opportunity of merit to introduce to the Company. The Company is well funded to carry out operations for the ensuing quarter and beyond.

Selected Information:

Operations for the three months and nine months ended September 30, 2006, produced a loss for the period of \$186,756 (2005 - \$36,367) resulting in a loss per share of \$0.00 (2005 - \$0.00) for the three months ended September 30, 2006, or nine-month loss for the period of \$641,339 (2005 - \$125,645) resulting in a loss per share of \$0.01 (2005 - \$0.00). The loss for the period of \$186,756 includes stock option compensation totaling \$143,000, see Note 4c of the accompanying financials to September 30, 2006. The reader is reminded that this Management Discussion and Analysis should be read in conjunction with the Company's audited financial statements to December 31, 2005 and unaudited financial statements to September 30, 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.

There has been no change in the status of this 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"). While these statements follow the same accounting policies and methods of application as per the December 31, 2005, annual audited financial statements, they do not contain all the information presented in the annual audited statements and should, therefore, be read in conjunction with same.

	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>	<u>2004</u>
	<u>Sep 30</u>	<u>Jun 30</u>	<u>Mar 31</u>	<u>Dec 31</u>	<u>Sep 30</u>	<u>Jun 30</u>	<u>Mar 31</u>	<u>Dec 31</u>
Sales/Revenue	\$28,336**	\$11,662*	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Loss(Recovery) In Period	\$186,756	\$48,676	\$59,907	(\$5,061)	\$36,367	\$51,010	\$38,268	\$42,748
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

*Interest Income

** Interest and Investment Income

Liquidity & Capital Resources:

Working capital as at September 30, 2006, totaled \$2,989,639 (2005 – deficiency of \$96,325). The Company continues to fund the search for and evaluation of prospective property or projects of merit. The Company is well funded and able to meet its anticipated financial obligations for the ensuing quarter.

The following common shares and convertible securities of the Company were outstanding at November 23, 2006:

	<u># Of</u>	<u>Exercise</u>	<u>Expiry</u>
	<u>Shares</u>	<u>Price</u>	<u>Date</u>
Issued & Outstanding Common			
Shares at November 23, 2006	83,108,550		
Stock Options	250,000	\$0.15	July 24/2008
	500,000	\$0.76	Mar 01/2011
	250,000	\$0.75	Sep 26/2011
Warrants at November 23, 2006	39,415,000	\$0.10	Jan. 09/2008
Fully Diluted at November 23, 2006	123,523,550		

Off-Balance Sheet Arrangements:

There are no off-balance sheet arrangements.

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.

Transactions With Related Parties:

Please refer to notes 5(a) and 5(b) of the attached unaudited financial statements to September 30, 2006. The Company paid or accrued \$22,500 (2005 - \$45,000) for management fees and \$22,500 (2005 - \$33,622) for secretarial and administration services to an officer of the Company and to a company controlled by a director. A total of \$21,018 (2005 - \$3,390) to a law firm that has a partner who was a director of the Company until April 18, 2006 when he resigned.

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 terminatable by either party at the end of any calendar month by giving at least 30 days prior written notice to the other party.

Incentive Stock Options

During the three-month period ended September 30, 2006, a total of 250,000 incentive stock options were granted at an exercise price of \$0.75 per share exercisable until September 26, 2011.

Continuance into British Columbia

The Company has applied for a Continuance into the Province of British Columbia, as approved by Company shareholders at the Annual and Special Meeting held on June 9, 2006. The Company is presently awaiting final approval to this application.

Cash Flows and Funding:

The Company's September 30, 2006, working capital total of \$2,989,639 is sufficient to fund the company for the ensuing quarter and beyond.

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.

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.

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 endeavours 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 September 30, 2006, the Company issued the following securities from its treasury:

Issued Capital Beginning of Period (July 1, 2006)	82,898,550
Issued Capital Subsequent to June 30, 2006:	
Exercise of Private Placement Warrants	135,000
Issued Capital at September 30, 2006:	83,033,550*

* Please refer to subsequent event note wherein further warrants were exercised subsequent to September 30, 2006.

Existing Stock Options:

The following incentive stock options have been granted and remain unexercised as of September 30, 2006:

<u>Option Holder</u>	<u>Shares Granted</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Officers	250,000	\$0.15	24 July 2008
Consultants	500,000	\$0.76	01 Mar. 2011
Consultants	250,000	\$0.75	26 Sep. 2011

Outstanding Warrants:

Beginning of Period (July 1, 2006)	39,625,000 *
Warrants Exercised In the Period	<u>(135,000)**</u>
End of Period (Sep. 30, 2006)	39,490,000 ***

- * The warrants are exercisable at \$0.10 per share until January 9, 2008.
- ** The exercise of these warrants netted the treasury \$13,500.
- *** Please refer to the Subsequent Events note at the end of this management discussion and Analysis for details of those warrants exercised subsequent to the quarter ended September 30, 2006.

List of Directors and Officers:

- *Matthew J. Mason, President & Chief Executive Officer
- *Peter D. Leitch, Director & Chairman of Audit Committee
- *Stephen G. Stanley, Director
- Judee Fayle, Chief Financial Officer & Corporate Secretary

- *Audit Committee Members

SUBSEQUENT EVENTS:

Outstanding Warrants Subsequent to Year-End:

Subsequent to the quarter ended September 30, 2006, 75,000 warrants were exercised at \$0.10 per share leaving 39,415,000 private placement warrants presently outstanding until January 9, 2008.

Increase In Issued Capital Subsequent To Quarter End

Issued Capital at end of Period, September 30, 2006	83,033,550
Exercise of Private Placement Warrants	<u>75,000</u>
Issued Capital at November 23, 2006	83,108,550