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Lindquist Lake

**Golden
Knight
Resources
Inc.**

I N T E R I M R E P O R T

*For the Nine Months
Ended September 30, 1989*

56B



To the Shareholders

Golden Knight earned \$505,000 (4¢ per share) in the quarter ended September 30, 1989, compared with \$225,000 (2¢ per share) for the same period last year. Earnings for the year to date were \$1.9 million (16¢ per share), compared with \$843,000 (7¢ per share) during the first nine months of 1988.

Revenues totalled \$2.6 million for the quarter and \$8.8 million for the year to date, including \$458,000 and \$1.7 million, respectively, in interest income from cash on hand.

Casa Berardi

Gold production at Casa Berardi Est was 12,845 ounces for the three months and 40,732 ounces for the year to date, of which Golden Knight's share is 40%. Higher than forecasted production levels (294,000 tonnes milled for the year to date) have helped to offset the effects of lower grade ore, which averaged 0.16 ounces of gold per tonne.

Development of a second mine at Casa Berardi Ouest is proceeding ahead of schedule and below budget and start-up is now expected early in 1990. The company has funded its share of the capital costs, as well as ongoing exploration expenditures, through internally generated cash flow combined with proceeds from the issue of flow through shares earlier this year. Cash on hand has decreased only slightly from \$11.9 million at the beginning of the year to \$10.8 million at September 30.

Deerhorn Mine

Since acquiring the rights to the Deerhorn Mine property at Lindquist Lake, B.C. in July, the company has completed a program of geochemistry, surface and

Deerhorn
Partnership
50% Scott Gifford
50% Mike Pennip
- surrounding areas
w 200 units

underground mapping and sampling, and diamond drilling. The camp has now been demobilized for the winter.

A survey of the 1,800 feet of underground workings indicated a quartz stringer zone which was tested by diamond drilling. Results showed potentially economic low grade gold-silver values which might be amenable to open pit mining on a modest scale. Some of the more significant holes drilled in the area of this zone resulted in the following assays:

0.093 ounces of gold and 2.72 ounces of silver per tonne over 139.5 feet.

0.058 ounces of gold and 1.55 ounces of silver per tonne over 161.4 feet.

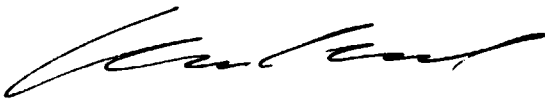
0.182 ounces of gold and 2.71 ounces of silver per tonne over 35.4 feet.

0.057 ounces of gold and 2.52 ounces of silver per tonne over 60.7 feet.

The gold and silver is accompanied by potentially recoverable values of copper, zinc and tungsten. Several molybdenum and zinc occurrences were also discovered during the course of the program.

Diamond drill testing of the quartz stringer zone will continue in the Spring of 1990.

On behalf of the Board,



W. Brian Keevil
President

Vancouver, B.C.
November 16, 1989

Golden Knight Resources Inc.

Statement of Earnings

For the Nine Months Ended
September 30, 1989

(Unaudited and subject to
year-end adjustments)

	3 Months Ended September 30,		9 Months Ended September 30,	
	1989	1988	1989	1988
	\$	\$	\$	\$
	(in thousands)		(in thousands)	
REVENUES				
Mining	2,247	—	7,685	—
Interest income	392	458	1,119	1,730
	2,639	458	8,804	1,730
COSTS AND EXPENSES				
Mining	1,361	—	4,158	—
Administration	124	50	560	197
Depreciation and amortization	236	—	695	—
	1,721	50	5,413	197
EARNINGS BEFORE INCOME TAXES	918	408	3,391	1,533
DEFERRED INCOME TAXES	413	183	1,526	690
NET EARNINGS	505	225	1,865	843
EARNINGS PER SHARE	\$0.04	\$0.02	\$0.16	\$0.07

Condensed Balance Sheet

As at September 30, 1989

(Unaudited and subject to
year-end adjustments)

	September 30,	December 31,
	1989	1988
	\$	\$
	(in thousands)	
ASSETS		
Current assets	13,273	14,696
Investments	509	509
Plant and equipment	23,635	24,265
Mineral properties and deferred costs	25,162	16,866
	62,579	56,336
LIABILITIES		
Current liabilities	2,771	1,269
Deferred income taxes	2,819	1,293
	5,590	2,562
SHAREHOLDERS' EQUITY	56,989	53,774
	62,579	56,336

Golden Knight Resources Inc.

**Statement of
Changes in
Financial Position**

For the Nine Months Ended
September 30, 1989
(Unaudited and subject to
year-end adjustments)

	3 Months Ended September 30,		9 Months Ended September 30,	
	1989	1988	1989	1988
	\$	\$	\$	\$
	(in thousands)		(in thousands)	
OPERATIONS				
Earnings from operations	505	225	1,865	843
Depreciation and amortization	236	—	695	—
Deferred income taxes	413	183	1,526	690
	1,154	408	4,086	1,533
Decrease (increase) in working capital items other than cash	(1,053)	(2,750)	1,809	141
	101	(2,342)	5,895	1,674
EXTERNAL FINANCING				
Issue of shares	209	—	1,350	1,025
INVESTMENTS				
Construction costs	24	(5,451)	(65)	(17,278)
Deferred exploration costs	(1,353)	(1,327)	(4,229)	(3,219)
Deferred development costs	(2,321)	—	(3,975)	—
Mineral properties	—	—	(92)	—
	(3,650)	(6,778)	(8,361)	(20,497)
INCREASE (DECREASE) IN CASH	(3,340)	(9,120)	(1,116)	(17,798)
CASH — BEGINNING OF PERIOD	14,109	23,059	11,885	31,737
CASH — END OF PERIOD	10,769	13,939	10,769	13,939

Director

D. A. Johnson

Director

[Signature]



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