



**CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' REPORT
YEARS ENDED JULY 31, 2009 AND 2008**

DESERT GOLD VENTURES INC.**CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED JULY 31, 2009 AND 2008**Page**

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CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Desert Gold Ventures Inc.

We have audited the consolidated balance sheets of Desert Gold Ventures Inc. as at July 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2009 and 2008, and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Charlton & Company"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
October 13, 2009

**DESERT GOLD VENTURES INC.
CONSOLIDATED BALANCE SHEETS
AS AT JULY 31, 2009 AND 2008**

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 313,254	\$ 757,741
Goods and services tax recoverable	4,384	1,181
Accounts receivable	67,134	-
Prepaid expenses	1,829	609,381
	386,601	1,368,303
Property, plant and equipment (Note 4)	11,938	16,776
Resource property interests (Note 5)	5,784,707	3,541,167
	\$ 6,183,246	\$ 4,926,246
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 104,319	\$ 115,984
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	8,063,786	6,283,149
Contributed surplus (Note 7)	2,615,086	2,426,984
Deficit	(4,599,945)	(3,899,871)
	6,078,927	4,810,262
	\$ 6,183,246	\$ 4,926,246

**NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENT (Note 8)**

Approved on Behalf of the Board:

"Gordon Keevil"

Director – Gordon Keevil

"Eugene Beukman"

Director – Eugene Beukman

The accompanying notes are an integral part of these consolidated financial statements.

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED JULY 31, 2009 AND 2008

	2009	2008
ADMINISTRATIVE EXPENSES		
Advertising and promotion	\$ 17,046	\$ 45,847
Amortization	5,897	4,531
Audit and accounting	55,150	46,325
Consulting and director services:		
- Fees	139,008	5,000
- Stock-based compensation (Note 7)	184,836	349,285
Financing fees (Note 14)	95,000	-
Interest (Note 14)	85,724	-
Legal	10,527	826
Management fees	35,000	21,500
Office and miscellaneous	53,150	38,367
Shareholder information and printing	4,652	1,141
Transfer agent, filing and stock exchange fees	45,859	16,960
Travel	4,296	9,783
Website development	822	17,429
	<u>736,967</u>	<u>556,994</u>
LOSS BEFORE OTHER ITEMS	(736,967)	(556,994)
OTHER INCOME (LOSS)		
Interest income	4,436	22,246
Foreign exchange	32,457	2,343
Loss on disposal of capital assets	-	(1,122)
	<u>36,893</u>	<u>23,467</u>
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(700,074)	(533,527)
DEFICIT, beginning of year	<u>(3,899,871)</u>	<u>(3,366,344)</u>
DEFICIT, end of year	<u>\$ (4,599,945)</u>	<u>\$ (3,899,871)</u>
BASIC AND DILUTED LOSS PER SHARE	\$ (0.14)	\$ (0.11)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>5,086,729</u>	<u>4,936,436</u>

The accompanying notes are an integral part of these consolidated financial statements.

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2009 AND 2008

	2009	2008
OPERATING ACTIVITIES		
Loss for the year	\$ (700,074)	\$ (533,527)
Adjustments for non-cash items:		
Amortization	5,897	4,531
Stock-based compensation	184,836	349,285
Impairment of resource property interests	-	1,122
	<u>(509,341)</u>	<u>(178,589)</u>
Changes in non-cash working capital items:		
Goods and services tax recoverable	(3,203)	(717)
Accounts receivable	(67,134)	-
Prepaid expenses	607,552	(572,098)
Accounts payable and accrued liabilities	92,300	82,770
	<u>120,174</u>	<u>(668,634)</u>
FINANCING ACTIVITIES		
Issue of shares, net of issue costs	1,752,098	1,860,000
Repurchased shares	(2,792)	-
	<u>1,749,306</u>	<u>1,860,000</u>
INVESTING ACTIVITIES		
Term deposit	-	545,523
Acquisition costs of property, plant and equipment	(1,058)	(19,077)
Deferred exploration costs	(2,312,909)	(1,046,776)
	<u>(2,313,967)</u>	<u>(520,330)</u>
INCREASE (DECREASE) IN CASH	(444,487)	671,036
CASH AND CASH EQUIVALENTS, beginning of year	757,741	86,705
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 313,254</u>	<u>\$ 757,741</u>
Interest paid in cash	\$ 85,724	\$ -
Income taxes paid in cash	\$ -	\$ -

Supplemental Cash Flow Information (Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

1. NATURE OF OPERATIONS AND GOING CONCERN

Desert Gold Ventures Inc. (the "Company" or "Desert Gold") is an exploration stage company and is primarily engaged in the acquisition, exploration and development of mineral resource properties.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production. The Company will have to raise additional funds to complete the development phase of its programs and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

The amounts shown as resource properties and deferred exploration costs represent costs to date and do not necessarily represent present or future values. Changes in future conditions could require material write-downs of the carrying amounts of the resource properties.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. Realization values may be substantially different from the carrying values as shown in the financial statements should the Company be unable to continue as a going concern.

The Company's ability to meet its obligations and maintain operations is contingent upon additional financing arrangements and the support of its creditors.

Funding for operations is obtained primarily through public and private share offerings. Future operations are dependent upon the Company's ability to finance expenditure requirements and upon the achievement of profitable operations. These financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The consolidated financial statements include the accounts of the company's inactive wholly owned subsidiary, Goldbanks Nevada Ventures Inc. All inter-company balances and transactions have been eliminated upon consolidation.

b. Resource property interests

The Company records the acquisition of resource property interests at cost which does not necessarily nor is it intended to reflect market or recoverable value. Value is dependent upon the successful funding and development of the mineral interests and is subject to measurement uncertainty. Exploration and development expenditures are deferred and are charged to the property until such time as the project is put into commercial production, sold, abandoned, or when delays in the development process require a revaluation. Where a property is abandoned, the accumulated acquisition and deferred costs relating to that property are written off to operations.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Resource property interests (cont'd)

Proceeds on dispositions of partial interests on properties or specified areas of common interest are credited as a reduction of carrying costs. No profit or loss is realized until all of the related costs have been offset by disposition proceeds. If a property or specified area of common interest is placed into commercial production, accumulated costs to production will be amortized on the unit of production method.

Management reviews capitalized costs on its mineral properties whenever events or changes in circumstance indicate that an impairment in value may have occurred, including factors based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or sale of the property.

Certain of the Company's mineral interests are acquired, operated and funded in conjunction with other third parties under participation agreements.

c. Property investigation costs

Costs incurred for the initial review of mineral property prospects, where no interests are acquired within the area of investigation, are written off in the period incurred.

d. Asset retirement obligations

The Company records a liability for an asset retirement obligation in the period in which it is identified and when a reliable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost is recognized by increasing the carrying amount of the related long-lived asset. The initial fair value of the liability is accreted, by charges to operations, over the remaining life of the asset.

e. Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization.

Amortization of leasehold improvements is calculated using the straight-line method over 62 months (lease term).

Amortization of other equipment is calculated using the declining balance method at the following annual rates:

Computer equipment	30%	Declining balance
Furniture & Fixtures	20%	Declining balance
Software	100%	Declining balance

In the year of acquisition, amortization is recorded at one-half the normal rate.

f. Loss per share

Loss per share is calculated using the weighted average number of shares outstanding. The Company uses the treasury stock method for computing diluted earnings (loss) per share. This method assumes that any proceeds obtained upon exercise of options or warrants would be used to purchase common shares at the average market price during the period.

Diluted loss per share is equal to loss per share as the effect of applying the treasury stock method is anti-dilutive.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g. Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of resource property interests, asset retirement obligations, expected tax rates for future income tax recoveries, fair values of share based payments, and useful lives for depreciation and amortization of long-lived assets. Financial results as determined by actual events could differ from those estimates.

h. Income taxes

Future income taxes are recorded using the asset and liability method. Using the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment occurs. To the extent that the Company does not consider it more likely than not a future tax asset will be recovered, it provides a valuation allowance against the excess.

i. Financial instruments

Recognition and measurement

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other liabilities.

Financial assets and liabilities classified as held for trading are required to be measured at fair value, with gains and losses recognized in net earnings.

Financial assets classified as held to maturity, loans and receivables and financial liabilities (other than those held for trading) are required to be measured at amortized cost using the effective interest method of amortization.

Available for sale financial assets are required to be measured at fair value, with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available for sale that do not have a quoted market price in an active market should be measured at cost.

The Company classified its financial instruments as follows:

- Cash and cash equivalents are classified as held for trading.
- Accounts receivable is classified as loans and receivables.
- Accounts payable and accrued liabilities and loans payable have been classified as other liabilities.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i. Financial instruments (cont'd)

Recognition and measurement (cont'd)

The criteria for designating items as held for trading include financial assets that were acquired principally with the intention of generating a profit from price fluctuation. Available for sale assets are all financial assets not classified as either held for trading, accounts receivable, or held to maturity.

Where the Company has production royalties or net smelter royalties with property vendors, these are determined to be derivative instruments. The fair value of these derivative instruments is not reliably determinable until proven economically recoverable reserves have been identified.

Disclosures and presentations

CICA Handbook Section 3862 – “Financial Instruments — Disclosures”, describes the required disclosure for the assessment of the significance of financial instruments for an entity’s financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The Company has included disclosures recommended by this section in Note 12 of these consolidated financial statements.

CICA Handbook Section 3863 – “Financial Instruments — Presentation”, establishes standards for presentation of financial instruments and non-financial derivatives. This standard did not have an effect on the Company’s consolidated financial statements.

j. Capital disclosures

CICA Handbook Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by this section in Note 13 of these financial statements.

k. Comprehensive income

The Company follows CICA Handbook Section 1530 Comprehensive Income which establishes standards for reporting and presenting comprehensive income. Comprehensive income is the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net earnings.

l. Environmental risks

The Company is engaged in resource exploration and development and is accordingly exposed to environmental risks associated with such activity. The Company is currently in the initial exploration stages on its property interests and has not determined whether significant site reclamation costs will be required. The Company would only record liabilities for site reclamation when reasonably determinable and when such costs can be reliably quantified. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

m. Stock-based compensation

The Company reports and records all stock-based transactions following the guidelines of CICA Handbook Section 3870 using the fair-value method for recording all stock-based compensation to employees or directors and consultants. The fair value of options and other stock based awards to employees or consultants, issued or altered in the period, are determined using the Black-Scholes option pricing model. The Company records the fair value of the awards to the appropriate expense account or property interest at the time of grant or alteration. Where vesting provisions exist for stock-based awards, the fair value is determined at the grant date and recognized over the expected service period.

Upon the exercise of stock options or agents' warrants, the fair value of the share based award is allocated to share capital.

n. Share issue costs

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

o. Cash and cash equivalents

The Company classifies cash, redeemable investments, short-term investments with original maturities of less than or equal to three months as cash and cash equivalents.

p. Long-lived assets and impairment

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount.

Recoverable value determinations are based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

Assets with indefinite or indeterminable lives are not amortized and are reviewed for impairment on a reporting period basis using fair value determinations through management's estimate of recoverable value.

q. Non-Monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance. The commercial substance requirement is met when the future cash flows to or from the Company is expected to change significantly as a result of the transaction.

**DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

r. Related party transactions

All monetary transactions in the normal course of operations are measured at the exchange value which is determined by management to approximate fair value. Non-monetary related party transactions in the normal course of operations that have commercial substance and do not involve the exchange of property or product held for sale are also measured at the exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are recorded at the carrying value.

s. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year presentation.

t. Foreign currency translation

Each asset, liability, revenue or expense arising from a foreign currency transaction is translated using the foreign currency exchange rate at the transaction date. At each balance sheet date, monetary items denominated in a foreign currency are adjusted to reflect the foreign currency exchange rate in effect at the balance sheet date. An exchange gain or loss that arises in translation of a foreign currency-denominated monetary item is included in the determination of net income for the current year.

u. Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

3. NEW ACCOUNTING STANDARDS

a. Accounting standards newly adopted

Section 1400, *General Standards of Financial Statement Presentation*

In June 2007, this Section was amended to include requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The mandatory effective date is for annual and interim financial statements for years beginning on or after January 1, 2008. This new requirement was adopted by the Company effective August 1, 2008. The adoption of this Section did not have an impact on the consolidated financial statements, other than the disclosure in Note 1 above.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

3. NEW ACCOUNTING STANDARDS (CONT'D)

a. Accounting standards newly adopted (cont'd)

Section 3064, Goodwill and Intangible Assets

In February 2008, the CICA issued this new section to replace Section 3062, *Goodwill and Other Intangible Assets* and establish standards for the recognition, measurement and disclosure of goodwill and intangible assets. In addition, the CICA issued amendments to Section 1000, *Financial Statement Concepts* and AcG 11, *Enterprises in the Development Stage* and withdrew Section 3450, *Research and Development Costs*. EIC 27, *Revenues and Expenditures During the Pre-operating Period* is no longer applicable for entities that have adopted CICA 3064. The mandatory effective date is for annual and interim financial statements for years beginning on/after October 1, 2008. This new requirement was adopted by the Company effective August 1, 2008. The adoption of this Section did not have an impact on the consolidated financial statements

EIC-173, Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the CICA issued EIC-173, Credit risk and the fair value of financial assets and financial liabilities. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC applies to interim and annual financial statements for periods ending on or after January 20, 2009. Adoption of this EIC did not have any effect on the consolidated financial statements.

EIC-174, Mining exploration costs

In March 2009, the CICA issued EIC-174, Mining exploration costs. The EIC provides guidance on the accounting and the impairment review of exploration costs. This EIC applies to financial statements issued after March 27, 2009. Adoption of this EIC did not have any effect on the consolidated financial statements.

EIC-166, Transaction costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs ("EIC-166"). This standard requires an entity to disclose the accounting policy for transaction costs for all financial assets/liabilities other than those classified as held-for-trading. Transaction costs can either be recognized in net income or added to the initial carrying amount of the asset/liability it is directly attributable to. The same accounting policy must be chosen for all similar financial instruments, but a different accounting policy may be chosen for financial instruments that are not similar. EIC 166 should be applied retrospectively to transaction costs accounted for in accordance with CICA Section 3855 in financial statements issued for interim and annual periods ending on or after September 30, 2007. The Company's accounting policy with respect to transaction costs has been to expense all transaction costs for all financial instruments as incurred (except for those classified as held-for-trading). This policy did not change as a result of adopting EIC 166. The Company has expensed \$95,000 relating to transaction costs for the year ended July 31, 2009 (2008 - \$Nil).

b. New accounting standards not yet adopted

Section 1582, Business Combinations

Section 1601, Consolidated Financial Statements

Section 1602, Non-controlling Interests

In January 2009, the CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements, and 1602 Non-controlling Interests, which replaces CICA Handbook Sections 1581

**DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008**

3. NEW ACCOUNTING STANDARDS (CONT'D)

b. New accounting standards not yet adopted (cont'd)

Business Combinations and 1600 Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning August 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

International Financial Reporting Standards

In January 2006, the Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, Canadian public companies will be required to adopt International Financial Reporting Standards ("IFRS") for annual and interim financial statements for years beginning on or after January 1, 2011. The Company will adopt IFRS effective August 1, 2011 and will be required to restate, for comparative purposes, amounts reported by the Company for its year ended July 31, 2011. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the impact on the Company's financial statements and is developing an implementation plan.

4. PROPERTY, PLANT AND EQUIPMENT

	2009		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	10,727	6,584	4,143
Furniture & fixtures	6,013	1,493	4,520
Software	4,538	4,538	-
Leasehold improvements	4,414	1,139	3,275
	<u>25,692</u>	<u>13,754</u>	<u>11,938</u>
	2008		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	10,727	4,808	5,919
Furniture & fixtures	4,955	496	4,459
Software	4,538	2,269	2,269
Leasehold improvements	4,414	285	4,129
	<u>24,634</u>	<u>7,858</u>	<u>16,776</u>

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. RESOURCE PROPERTY INTERESTS

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

	July 31, 2009			July 31, 2008		
	Acquisition Costs	Deferred Exploration Costs	Total	Acquisition Costs	Deferred Exploration Costs	Total
Goldbanks						
Analysis	\$ -	\$ 182,908	\$ 182,908	\$ -	\$ 26,953	\$ 26,953
Communication	-	1,248	1,248	-	1,249	1,249
Consultants	-	17,008	17,008	-	16,336	16,336
Drilling	-	1,582,203	1,582,203	-	313,759	313,759
Equipment rental	-	9,310	9,310	-	2,374	2,374
Geologist	-	223,382	223,382	-	194,002	194,002
Geophysical survey	-	3,269	3,269	-	16,742	16,742
Labour	-	2,894	2,894	-	39,184	39,184
Land administration	34,597	-	34,597	58,039	-	58,039
Maps	-	48,992	48,992	-	66,619	66,619
Office	-	10,777	10,777	-	15,271	15,271
Reclamation bond (recovery)	-	(30,623)	(30,623)	-	131,500	131,500
Renewal and restaking fees	-	107,460	107,460	-	105,896	105,896
Supplies	-	8,659	8,659	-	41,124	41,124
Transportation	-	1,389	1,389	-	16,953	16,953
Travel and accommodation	-	79,211	79,211	-	58,814	58,814
Costs incurred during year	34,597	2,248,087	2,282,684	58,039	1,046,776	1,104,815
Other cost recoveries	-	(39,144)	(39,144)	-	-	-
Balance, beginning of year	322,807	3,218,360	3,541,167	264,768	2,171,584	2,436,352
Balance, end of year	\$357,404	\$5,427,303	\$5,784,707	\$322,807	\$3,218,360	\$3,541,167

Nevada

Goldbanks

Pursuant to the Exploration License and Option Agreement dated March 15, 2004, as amended, between the Company and Kinross Goldbanks Mining Company ("Kinross Goldbanks"), a subsidiary of Kinross Gold Corporation ("Kinross"), the Company has completed aggregate exploration expenditures of a minimum of US\$5,000,000 on the Goldbanks Property (the "Property") and earned a 50% interest in the Property.

Under the terms of the Option Agreement and based on the expenditures of approximately US\$2.9 million incurred since January 1, 2008, the Company issued 115,324 common shares of the Company to Kinross (Note 6 (iv)).

On earning its interest, the Company entered into a joint venture agreement with Kinross Goldbanks. Under the terms of the joint venture agreement, the Company has earned the right to a 50% participating interest. Kinross Goldbanks will be the manager of the project.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. SHARE CAPITAL

The authorized share capital of the Company consists of:

Unlimited number of shares without par value.

1,250,000 Preferred shares issuable in series with rights and restrictions to be determined by the directors prior to any issuances.

The Company's issued and outstanding capital stock is as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Number of Common Shares</u>	<u>Amount</u>	<u>Number of Common Shares</u>	<u>Amount</u>
Balance, beginning of year	19,745,743	\$ 6,283,149	13,441,067	\$ 4,365,110
Issued during the year prior to consolidation of shares				
Exercise of warrants	-	-	6,200,000	1,860,000
Private placement (i)	631,000	378,600	-	-
Less: Share issue costs	-	(26,502)	-	-
Issued for properties (iv)	115,324	34,597	104,676	58,039
Shares repurchased (iii)	(18,612)	(6,058)	-	-
Share consolidation (iii)	(15,355,085)	-	-	-
Issued during the year				
Private placement (ii)	7,000,000	1,400,000	-	-
Balance, end of year	<u>12,118,370</u>	<u>\$ 8,063,786</u>	<u>19,745,743</u>	<u>\$ 6,283,149</u>

i. Private placement (*prior to share consolidation*)

In November 2008, the Company completed a non-brokered private placement whereby it issued 631,000 units at a price of \$0.60 per unit for proceeds of \$378,600. Each unit consists of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.75 per share on or before May 13, 2009. The Company paid a Finders' Fee in the amount of \$26,502 (7% of gross proceeds received). During the year-ended July 31, 2009, all of the warrants expired unexercised.

ii. Private placement

In July 2009, the Company completed a non-brokered private placement whereby it issued 7,000,000 units at a price of \$0.20 per unit for proceeds of \$1,400,000. Each unit consists of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.30 on or before July 31, 2011. The units are subject to a hold period that expires December 1, 2009.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

6. SHARE CAPITAL (CONT'D)

iii. Share consolidation

Effective June 8, 2009 all of the issued common shares of the Company were consolidated on the basis of 4 pre-consolidation common shares for 1 post-consolidation common share. The weighted average number of shares outstanding at July 31, 2009 and 2008 has been retroactively adjusted and is determined as though the consolidation occurred at July 31, 2007.

The Company implemented a program to acquire holdings of less than 400 pre-consolidation common shares ("Small Shareholdings") in exchange for their fair market value. The Small Shareholdings were acquired through a consolidation of the common shares on a 1 for 400 basis effective June 7, 2009, the cancellation of fractional shares, and the subsequent subdivision of the remaining shares on a 400 for 1 basis effective June 8, 2009. As at July 31, 2009, the Company had acquired 18,612 of its own pre-consolidation shares at a cost of \$2,792, and had cancelled and returned these shares to treasury. The cost to buy back the cancelled shares was less than their assigned value and the difference of \$3,266 has been credited to contributed surplus.

iv. Resource properties (*prior to share consolidation*)

The Company issued 115,324 (2008 – 104,676) common shares at a value of \$34,597 (2008 – \$58,039) in connection with the acquisition of resource property interests.

Stock Options

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 1,018,837. Options granted under the Plan may have a maximum term of ten (10) years. The exercise price of options granted under the Plan will be the last closing price of the company's shares as quoted on the TSX Venture Exchange for the market trading day immediately prior to the date of grant of the stock option, less any discount permitted by the TSX Venture Exchange.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

6. SHARE CAPITAL (CONT'D)

Stock Options (cont'd)

A summary of the status of the Company's outstanding stock options as at July 31, 2009 and 2008 and changes during the years then ended are as follows:

	2009			2008		
	# Options	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	# Options	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
Outstanding, beginning of year	2,177,750	\$ 1.00	2.52	1,712,213	\$ 1.00	2.84
Share consolidation	(1,633,307)	-	-	-	-	-
Granted	-	-	-	795,000	1.00	-
Exercised	-	-	-	-	-	-
Expired	(132,816)	4.00	-	(329,463)	1.00	-
Cancelled	(23,126)	4.00	-	-	-	-
Outstanding, end of year	388,501	\$ 4.00	2.13	2,177,750	\$ 1.00	2.52

The following table provides detailed information about stock options outstanding at July 31, 2009:

Options Outstanding	Exercise Price	Expiry Date
17,188	4.00	October 7, 2009
117,500	4.00	March 11, 2010
26,563	4.00	May 4, 2011
146,000	4.00	May 22, 2012
56,250	4.00	March 11, 2013
25,000	4.00	May 7, 2013
388,501		

**DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008**

6. SHARE CAPITAL (CONT'D)

Warrants

At July 31, 2009, the Company had outstanding share purchase warrants exercisable to acquire 7,000,000 shares of its capital stock. Changes to the number of share purchase warrants outstanding are summarized as follows:

	<u>2009</u>		<u>2008</u>	
	# Warrants	Weighted Average Exercise Price	# Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	1,470,000	\$ 0.84	7,670,000	\$ 0.40
Issued - prior to share consolidation	631,000	0.75	-	-
Share consolidation	(1,575,750)	-	-	-
Issued	7,000,000	0.30	-	-
Expired	(525,250)	3.25	-	-
Exercised	-	-	(6,200,000)	0.30
Outstanding, end of year	<u>7,000,000</u>	<u>0.30</u>	<u>1,470,000</u>	<u>0.84</u>

The following table provides detailed information about warrants outstanding at July 31, 2009:

Warrants Outstanding	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
7,000,000	0.30	July 31, 2011	2.00 years

Escrow shares

As at July 31, 2009, there were 11,816 common shares held in escrow.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

7. CONTRIBUTED SURPLUS

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 2,426,984	\$ 2,077,699
Additions:		
Stock-based compensation (i)	184,836	349,285
Repurchased shares (Note 6 (iii))	<u>3,266</u>	<u>-</u>
Balance, end of year	<u>\$ 2,615,086</u>	<u>\$ 2,426,984</u>

(i) Stock-based compensation

During the current and prior year, stock-based compensation has been recorded in the amount of \$184,836 (2008 - \$349,285) and included in contributed surplus. The amount is management's estimate of the fair value of the 166,683 (2008 - 659,996 pre-consolidation) stock options vested in the year, and has been expensed in the statement of operations as consulting services. The weighted average grant date fair value of options vested during the year is approximately \$1.33 (2008 - \$0.35 pre-consolidation) per option. The lower number of options vested and higher weighted average grant date fair value in the current year is due to the share consolidation completed during the current year (see Note 6 iii).

The following assumptions were used for the Black-Scholes valuation of stock options granted during 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Risk free interest rate	-	2.66% to 3.13%
Expected life	-	2 to 5 years
Expected volatility	-	77% to 111%
Dividend yield	-	0%

No new options were granted during the year ended July 31, 2009.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

8. RELATED PARTY TRANSACTIONS & COMMITMENTS

The following table summarizes services provided by directors and or companies with directors in common:

	<u>2009</u>	<u>2008</u>
Administration and accounting	\$ 35,000	\$ 32,500
Consulting	43,333	5,000
Management fees	35,000	21,500
Director fees	95,675	-
Rent of office space	<u>30,968</u>	<u>20,616</u>
	<u>\$ 239,976</u>	<u>\$ 79,616</u>

These related party transactions have been recorded at their exchange amounts, being the amounts agreed to by the related parties.

At July 31, 2009, \$81,075 (2008 - \$Nil) was due to directors and companies controlled by directors.

Commitments related to these related party transactions are as follows:

The Company has entered into a Management Contract with Pender Street Corporate Consulting Ltd. ("PSCC") dated May 1, 2006 a private company 100% owned by a director. Under the Management Contract, PSCC provides general management, accounting and administrative services to the Company for a fee of \$5,000 per month plus applicable taxes. The contract has a term of one year and may be renewed for further terms as agreed to by the parties.

**DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008**

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2009	2008
Loss for the year	\$ (700,074)	\$ (533,527)
Computed income taxes recovery at statutory rate of 30.0% (2008: 30.5%)	(210,022)	(162,726)
Net adjustments for deductible and non-deductible items	47,500	90,002
Change in statutory rates	8,811	57,165
Change in valuation allowance	153,711	15,559
	\$ -	\$ -

The significant components of the Company's future income tax assets are as follows:

	2009	2008
Future income tax assets:		
Resource expenditures	\$ 66,654	\$ 67,765
Non-capital losses	592,789	427,476
Share issue costs and other	31,197	42,252
	690,640	537,493
Less: Valuation allowance	(690,640)	(537,493)
Net future income taxes	\$ -	\$ -

As at July 31, 2009, the Company had approximately \$6,006,000 (2008 - \$3,763,000) of resource related expenditures which are available for deduction against future income for tax purposes. In addition, the Company had approximately \$1,975,000 (2008 - \$1,401,000) in available non-capital losses to be utilized. These losses, if not utilized, will begin to expire in 2011 through to 2029. The tax effect of these losses has not been recorded in the financial statements. At July 31, 2009, management considers that it is not "more likely than not" that these losses will be utilized and accordingly a full valuation allowance has been recognized against these losses.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

10. SUPPLEMENTARY INFORMATION ON STATEMENT OF CASH FLOWS

The following significant non-cash transactions have been excluded from the statements of cash flows:

2009

The company issued 115,324 shares valued at \$34,597 in connection with the acquisition of resource property interests (Note 6 (iv)).

2008

The company issued 104,676 shares valued at \$58,039 in connection with the acquisition of resource property interests (Note 6 (iv)).

The Company has paid interest expense of \$85,724 (2008 - \$Nil) in cash relating to various loans received and fully repaid during the year ended July 31, 2009. The Company has not paid any income taxes in the periods presented.

11. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration and development of resource properties located in two geographical segments, Canada and United States. Geographic information is as follows:

	Total Assets	Property, Plant and Equipment	Resource Properties	Other Assets
2009				
Canada	\$ 311,803	\$ 11,938	\$ -	\$ 299,865
United States	<u>5,871,443</u>	<u>-</u>	<u>5,784,707</u>	<u>86,736</u>
	<u>\$ 6,183,246</u>	<u>\$ 11,938</u>	<u>\$ 5,784,707</u>	<u>\$ 386,601</u>
2008				
Canada	\$ 1,220,165	\$ 16,776	\$ -	\$ 1,203,389
United States	<u>3,706,081</u>	<u>-</u>	<u>3,541,167</u>	<u>164,914</u>
	<u>\$ 4,926,246</u>	<u>\$ 16,776</u>	<u>\$ 3,541,167</u>	<u>\$ 1,368,303</u>

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Designation and valuation of financial instruments

The Company enters into financial instruments to finance the Company's operations in the normal course of business.

The carrying values of the Company's financial instruments compared to their fair values are as follows:

- The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments.

Risk Factors

Credit risk

Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its cash deposits and amounts receivable. Cash is held with a reputable Canadian institution and the Goods and services tax recoverable is due from the government of Canada. Management believes the risk of loss to be minimal. The accounts receivable represents an amount owing from a vendor for work not completed. The Company generates nominal revenues and is not exposed to significant credit concentration risk.

Market risk

Market risk includes currency risk, interest rate risk and price risk. The Company's functional currency is the Canadian dollar. The majority of current exploration occurs within the United States. The Company is subject to foreign exchange risk relating to these transactions. The Company is not exposed to significant interest rate risk. The Company's activities expose it primarily to the financial risks of changes in the price of commodities. The exposure includes the ability to raise capital with favourable terms. The Company does not currently hold any financial instruments that mitigate this risk.

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at an excessive cost. The Company is not currently financed by debt and exposure to liquidity risk is minimal.

13. CAPITAL MANAGEMENT

The Company manages its capital to ensure it will be able to continue as a going concern and continue the acquisition, exploration and development of its resource properties. The Company has no operations that generate cash flow and depends on equity sales and loans from third parties to finance its exploration programs and administrative expenses. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record, and the experience of management. The capital structure of the Company consists of shareholder's equity, comprising issued capital and retained earnings (deficit). The Company is not exposed to any externally imposed capital requirements.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

14. LOANS PAYABLE

In May 2009, the Company completed a loan agreement in the principal amount of \$25,000, with interest payable at a rate of 10% per annum and a maturity date of August 9, 2009. In February 2009, the Company completed a loan agreement in the principal amount of \$100,000, with interest payable at a rate of 10% per annum and a maturity date of May 18, 2009. The loan agreement included a provision for a non-interest bearing Bonus Payment equal to 10% of the principal, also payable by May 18, 2009. The Company repaid these loans plus interest and a bonus payment in full in July 2009.

On October 31, 2008, the Company issued two convertible unsecured debentures to third parties in the principal amounts of \$500,000 and \$450,000, with interest payable at 10% per annum and a due date of April 30, 2009. The two debentures were convertible at the option of the holders into units of the Company at a price of \$0.50 per unit, each unit comprising one common share of the Company and one share purchase warrant. Each share purchase warrant allowed the holder to purchase one common share in the capital of the Company for \$0.60 per share until April 30, 2009. The Company paid a Finder's Fee in the amount of \$95,000 (10% of the funds received). The conversion feature on the two convertible debentures expired on April 30, 2009, without conversion and the convertible debentures became loans payable due on demand, bearing interest at the annual rate of 10%. Since the interest rate on the debentures equaled to the rate of interest that would be applicable to a debt-only instrument of comparable term and risk, the value attributable to the equity component of the debentures was zero. The Company repaid these loans plus interest in full in July 2009.

As at July 31, 2009, the Company had no remaining debentures or loans payable.

The total interest of \$85,724 (2008 - \$Nil) was charged to interest expense for the year ended July 31, 2009.



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Form 51-102F1
Annual Management's Discussion and Analysis¹
Containing Information up to and including October 29, 2009

BACKGROUND

Desert Gold Ventures Inc. ("**Desert Gold**" or the "**Company**") is an exploration stage company actively engaged in the acquisition, exploration and development of mineral resource properties located in the United States. The Company is listed on the TSX Venture Exchange under the symbol DAU.

The Company's current exploration efforts are concentrated on its Goldbanks Project, which is located 35 miles south of Winnemucca, Pershing County, Nevada.

OVERALL PERFORMANCE

Desert Gold has earned a 50% interest in the Goldbanks Project through an option and joint venture agreement with Kinross Gold Corporation ("**Kinross**"). To earn this interest, the Company incurred the \$5 million US in exploration expenditures and issued the share consideration in accordance with the option agreement. The Company and Kinross have finalized the joint venture and Kinross elected to be the manager of the joint venture.

The Company completed a non-brokered private placement in November 2008, prior to the share consolidation (see "SHARE DATA" for details on the share consolidation) issuing 631,000 units for gross proceeds of \$378,600. In addition, the Company completed a convertible unsecured debenture financing in the amount of \$950,000 and received additional loans in the amount of \$125,000, all of which was repaid during the year. The Company also completed a non-brokered private placement in July 2009, post share-consolidation (see "SHARE DATA"), issuing 7,000,000 units for gross proceeds of \$1,400,000. See full details of these financings under "FINANCING ACTIVITIES".

FORWARD LOOKING INFORMATION

Certain statements contained in the MD&A constitute forward looking statements. Such forward looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from actual future results and achievements expressed or implied by such forward looking statements. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statements were made.

¹ **Note to Reader**

The following management's discussion and analysis ("**MD&A**") provides a detailed analysis of the Company's business and compares its financial results with those of the two previous years and should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2009. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**").

EXPLORATION UPDATE

Surface Exploration

Several goals defined during the 2007-2008 exploration program, were achieved. These include the following:

- Completed 1:6000 (1"=500') mapping of the entire Property.
- Completed a large soil geochemical sampling program covering the northern half of the Property, all newly staked ground, and extending soil coverage in the KW-West and Northern Anomaly areas.
- Completed the rock geochemical sample coverage of the newly located ground.
- Compiled all geologic and geochemical data and select drill targets in un-drilled areas of anomalous geochemistry and intense hydrothermal alteration.
- Prepared a detailed set of geologic sections for both the KW and Main Zone resource areas to identify areas of un-tested potential and attempt to determine the principal controls of gold mineralization, including the high-grade veins.
- Prepared a comprehensive drilling program to test the newly-defined and unexplored target areas and exploration of the principal ore controls and high-grade veins in the Main and KW Zones.
- Completed all permitting with the Bureau of Land Management and the State of Nevada.

Exploration Drilling Program

The exploration drilling program consisted of both reverse circulation and diamond drilling. Drill site preparation and access roads began in May 2008, and was closely followed by drilling.

Assay results from the drill program, have given highly encouraging results of - 0.44 oz/ ton Au over 5 feet and 0.21 oz/ton Au over 15 feet from drill hole GB08-01. This hole is related structurally to the previous high-grade intercept in hole KW-19 containing 10 feet at 0.460 oz/ton Au from 395-405 feet.

These results are consistent with the interpretation that the newly defined KW Fault Zone is a major structural zone that was a focus of epithermal quartz veining and gold mineralization ("**KW Zone**") that can be followed along strike and down-dip, the limits of which are yet to be determined. Assay results received confirm that the zone is gold-bearing.

The drilling program was designed to determine the principal control(s) of the high grade feeder veins that were poorly defined by previous drilling. Detailed cross sections based on logging of old drill holes by Company Geologists strongly suggest that a northwest-trending and southwest-dipping fault zone ("**KW Fault Zone**") is a principal mineralization control. Each of 7 core holes drilled on the hanging wall side of this projected structural zone over a strike length of 1,800 feet, have intersected one or more major fault-breccia-fracture zone(s) that confirm the presence of such a structural corridor. This drilling program focused on the northern part of the Property in the vicinity of the known KW Zone mineralization.

The main focus of the 2008 drill program was to test the high grade feeder system, evident throughout the zones of gold mineralization that may link two proximal geophysical anomalies and a large high priority near surface target north and west of the historic gold deposits. .

In addition to these positive results, the number of drills under operation were increased to 5 drills which provided substantial geological information and data for determining the principal control(s) of the high grade feeder veins that were not completely defined by previous drilling.

The additional drills expedited the first phase of the Company's 2008 major exploration program, that was completed by the end of the year. The program was designed to define and extend laterally and at depth the numerous high-grade veins that form the feeder system to the Company's NI 43-101 surface deposit resource 556,700 ounces of gold. The program was also designed to test newly defined areas of near surface mineralization.

This structural zone is silicified, altered to a quartz-sericite-pyrite assemblage, contains abundant Fe+Mn-oxides, and significant quartz veining that exhibits classic epithermal textures. The most significant result to date is from diamond drill hole GB08-01, which intersected 15 feet grading 7.13 ppm gold per tonne (7.13 grams or 0.21 oz Au/t) from 445-460 feet, including 5 feet grading 15.05 ppm gold per tonne (15.05 grams or 0.44 oz Au/t) from 455-460 feet.

The reverse circulation drilling focused on soil and rock geochemical anomalies distal to the KW Zone. The KW-West Zone occurs ~4,800 feet west of the KW Zone and 7 holes (6,910 feet total footage) were drilled to test surface gold anomalies.

SELECTED ANNUAL INFORMATION

The following table summarizes selected financial data for Desert Gold for each of the three most recently completed fiscal years. The information set forth below should be read in conjunction with the audited consolidated financial statements, prepared in accordance with Canadian GAAP.

	Year ended July 31, 2009	Year ended July 31, 2008	Year ended July 31, 2007
Total revenue	\$ Nil	\$ Nil	\$ Nil
Stock-based compensation	184,836	349,285	132,271
Other administrative expenses	552,131	207,709	117,753
Net loss	(700,074)	(533,527)	(236,203)
Basic and diluted loss per share	(0.14) ²	(0.03)	(0.02)
Total assets	6,183,246	4,926,246	3,109,679

² Basic and diluted loss per share was calculated based on the weighted-average number of shares outstanding, subsequent to the share consolidation during the year-ended July 31, 2009 (see "SHARE DATA" for details on the share consolidation).

RESULTS OF OPERATIONS

The Company's loss for 2009 was \$700,074 (\$0.14 per share) as compared to a loss of \$533,527 (\$0.03 per share *prior to share consolidation*) in 2008 and a loss of \$236,203 (\$0.02 per share *prior to share consolidation*) in 2007. The Company is an exploration stage company and does not generate operating revenue. Other significant variances include a significant decrease in stock-based compensation (2009 - \$184,836, 2008 - \$349,285 and 2007 - \$132,271) and increase in other administrative expenses (2009 - \$552,131, 2008 - \$207,709 and 2007 - \$117,753).

Acquisition and exploration costs are deferred and charged to the property until such time as the project is put into commercial production, sold, abandoned, or when delays in the development process require a revaluation. The Company has been focusing on its Goldbanks property for the last three fiscal years.

The Company's stock-based compensation has decreased while other administrative expenses increased significantly mainly as a result of the financing activities, which included two non-brokered private placements and expenditures related to debentures and loans received and subsequently repaid in full during the year. The Company granted nil (2008 - 795,000 and 2007 - 884,000) stock options and recorded stock-based compensation in the amount of \$184,836 (2008 - \$349,285 and 2007 - \$132,271). The weighted average grant date fair value of the options vested during the year is approximately \$1.33 (2008 - \$0.35 and 2007 - \$0.37). The expense is recorded as the options vest over an 18 month period. The higher weighted average grant date fair value in the current year was due to the share consolidation completed during the current year (see "SHARE DATA").

The Company incurred financing fees of \$95,000 (2008 - \$nil and 2007 - \$nil), which represented 10% of the \$950,000 debenture financing received and repaid in full during the year. Interest expense of \$85,724 (2008 - \$nil and 2007 - \$nil) was paid on total loans received and repaid in full during the year. Consulting and director services of \$139,008 (2008 - \$5,000 and 2007 - \$3,331) increased due to higher payments made to directors and companies owned by directors resulting from increased corporate activity during the current year.

FOURTH QUARTER

The factors that have influenced the results of operations for the fourth quarter ended July 31, 2009 are substantially the same as those described under "Results of Operations" above. The Company reported a loss for the fourth quarter in the amount of \$228,615 (2008 - \$216,902). Stock-based compensation was \$25,384 (2008 - \$134,736) and other administrative expenses were \$207,879 (2008 - \$99,567) during the fourth quarter. Stock-based compensation expense was reduced as no new grants were issued during the year. The increase in other administrative expenses was largely due to interest expense for loans that were fully repaid during the quarter and payments made to directors and companies owned by directors during the quarter.

The Company incurred \$11,044 (2008 - \$771,362) in exploration expenditures during the current quarter. The lower exploration expenditures were due to management's focused efforts on obtaining further financing during the fourth quarter. The higher expenditures incurred in the same quarter during the prior year was due to the commencement of a drilling program during the fourth quarter ending July 31, 2008.

SUMMARY OF QUARTERLY RESULTS

The selected quarterly information for the past eight fiscal quarters is outlined below:

(In thousands of dollars except amounts per share)	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and term deposits	313	12	23	43	758	1,688	388	434
Working Capital	282	(1,006)	(856)	(1)	1,252	2,114	407	471
Total Assets	6,183	5,990	5,984	5,406	4,926	4,893	3,084	3,054
Shareholders' Equity	6,079	4,885	4,969	5,164	4,810	4,892	3,075	3,052
Administrative expenses	233	125	262	117	234	86	128	109
Net Income (Loss)	(229)	(129)	(248)	(94)	(217)	(84)	(125)	(108)
Net Earnings (Loss) per Share ³	(0.04)	(0.03)	(0.05)	(0.02)	(0.01)	(0.00)	(0.01)	(0.01)
Exploration Costs	11	68	627	1,607	772	108	34	133
Weighted Average Shares Outstanding (000's)	5,196	5,123	5,091	4,936	19,746	17,687	13,483	13,441
Closing Exchange Rate (Can\$/1 US\$)	1.0790	1.2105	1.2308	1.2091	1.0238	1.0135	0.997	0.9547

³ The weighted average number of shares outstanding for 2009 have been retroactively adjusted and was determined as though the consolidation occurred at July 31, 2008 (see "SHARE DATA" for details on the share consolidation).

The major variances in cash, working capital, total assets and shareholders' equity are mainly attributable to equity placements, debentures, loans and investment in exploration, as well as administrative expenses. The Company is an exploration stage company and does not generate operating revenue. The only source of revenue is the interest earned on cash deposits.

LIQUIDITY

Financing of operations is achieved primarily by issuing share capital. At July 31, 2009, the Company had \$313,254 in cash and working capital of \$282,282.

During the year ended July 31, 2009 cash inflow from operating activities was \$120,174 compared to a cash outflow of \$668,634 in 2008. The large expenditures in the prior year was largely due to deposits being paid to commence the drilling program on the Goldbanks property.

Desert Gold's investing activities revolve around developing its mineral properties. The Company spent \$2,312,909 in exploration costs during the year ended July 31, 2009 compared to \$1,046,776 in 2008. The expenditures were incurred on the Company's Goldbanks property in Nevada.

Financing activities generated a cash inflow of \$1,749,306 (2008 - \$1,860,000) during the year ended July 31, 2009 which resulted from a private placement in November 2008 for gross proceeds of \$378,600, net of share issue costs of \$26,502, a private placement in July 2009 for gross proceeds of \$1,400,000 and a payment made to small shareholders of \$2,792 (see details of share consolidation under "SHARE DATA").

The Company will need to raise additional funds to continue its exploration activities and cover administrative expenses.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet transactions.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Designation and valuation of financial instruments

The Company enters into financial instruments to finance the Company's operations in the normal course of business.

The carrying values of the Company's financial instruments compared to their fair values are as follows:

- The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and loans payable approximate their carrying values due to the short-term maturity of these instruments.

Risk Factors

Credit risk

Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its cash deposits and amounts receivable. Cash is held with a reputable Canadian institution and the Goods and services tax recoverable is due from the government of Canada. Management believes the risk of loss to be minimal. The accounts receivable represents an amount owing from a vendor for work not completed. The Company generates nominal revenues and is not exposed to significant credit concentration risk.

Market risk

Market risk includes currency risk, interest rate risk and price risk. The Company's functional currency is the Canadian dollar. The majority of current exploration occurs within the United States. The Company is subject to foreign exchange risk relating to these transactions. The Company is not exposed to significant interest rate risk. The Company's activities expose it primarily to the financial risks of changes in the price of commodities. The exposure includes the ability to raise capital with favourable terms. The Company does not currently hold any financial instruments that mitigate this risk.

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at an excessive cost. The Company is not currently financed by debt and exposure to liquidity risk is minimal.

CAPITAL RESOURCES

The Company has no operations that generate cash flow and its long term financial success is dependent on discovering properties that contain mineral reserves that are economically recoverable. The Company's primary capital assets are resource properties. The Company capitalizes all costs related to the resource properties until the project is put into commercial production, sold, abandoned, or when delays in the development process require a revaluation.

The Company depends mainly on equity sales to finance its exploration programs and to cover administrative expenses.

FINANCING ACTIVITIES

Post Share Consolidation:

In July 2009, the Company completed a non-brokered private placement whereby it issued 7,000,000 units at a price of \$0.20 per unit for gross proceeds of \$1,400,000. Each unit consists of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.30 on or before July 31, 2011. The units are subject to a hold period that expires December 1, 2009.

Prior to Share Consolidation:

In May 2009, the Company completed a loan agreement in the principal amount of \$25,000, with interest payable at a rate of 10% per annum and a maturity date of August 9, 2009. In February 2009, the Company completed a loan agreement in the principal amount of \$100,000, with interest payable at a rate of 10% per annum and a maturity date of May 18, 2009. The loan agreement included a provision for a non-interest bearing Bonus Payment equal to 10% of the principal, also payable by May 18, 2009. The Company repaid these loans plus interest and a bonus payment in full in July 2009.

In November 2008, the Company completed a non-brokered private placement whereby it issued 631,000 units at a price of \$0.60 per unit for gross proceeds of \$378,600. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.75 per share until May 13, 2009. The Company paid a cash Finders' Fee in the amount of \$26,502 (7% of the gross proceeds received). The 631,000 warrants expired unexercised on May 13, 2009.

On October 31, 2008, the Company issued two convertible unsecured debentures to third parties in the principal amounts of \$500,000 and \$450,000, with interest payable at 10% per annum and a due date of April 30, 2009. The two debentures were convertible at the option of the holders into units of the Company at a price of \$0.50 per unit, each unit comprising one common share of the Company and one share purchase warrant. Each share purchase warrant allowed the holder to purchase one common share in the capital of the Company for \$0.60 per share until April 30, 2009. The Company paid a Finder's Fee in the amount of \$95,000 (10% of the funds received). The conversion feature on the two convertible debentures expired on April 30, 2009, without conversion and the convertible debentures became loans payable due on demand, bearing interest at the annual rate of 10%. Since the interest rate on the debentures equalled to the rate of interest that would be applicable to a debt-only instrument of comparable term and risk, the value attributable to the equity component of the debentures was zero. The Company repaid these loans plus interest in full in July 2009. The total interest of \$85,724 (2008 - \$Nil) was charged to interest expense for the year ended July 31, 2009.

As at July 31, 2009, the Company had no remaining debentures or loans payable.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to a management agreement with the Company, management fees, accounting and administrative services totalling \$5,000 are paid monthly to Pender Street Corporate Consulting Ltd. ("PSCC"), a private company owned by Eugene Beukman (the President and a director of the Company). During the year ended July 31, 2009, the Company paid PSCC \$70,000 (2008 - \$54,000) in fees, which was used to pay for administrative expenses and staff salaries. The Company also paid PSCC \$30,968 (2008 - \$20,616) for rent, which was then remitted to the landlord.

In addition, the Company paid \$43,333 (2008 - \$5,000) for consulting fees to Beukman & Associates Enterprises Limited (a private company owned by Eugene Beukman) and \$95,675 (2008 - \$nil) in director fees.

PROPOSED TRANSACTIONS

There are no transactions that will materially affect the performance of the Company.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended July 31, 2009. Management considers the following policies to be the most critical in understanding the judgments and estimates that are involved in the preparation of its consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, and useful lives for depreciation and amortization. Financial results as determined by actual events could differ from those estimates.

Accounting for Stock Options

The fair value of stock options used to calculate compensation expense has been estimated using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility of the Company's shares. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Accounting standards newly adopted

Section 1400, *General Standards of Financial Statement Presentation*

In June 2007, this Section was amended to include requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The mandatory effective date is for annual and interim financial statements for years beginning on or after January 1, 2008. This new requirement was adopted by the Company effective August 1, 2008. The adoption of this Section did not have an impact on the consolidated financial statements, other than the disclosure in Note 1 of the audited consolidated financial statements as at July 31, 2009.

Section 3064, *Goodwill and Intangible Assets*

In February 2008, the CICA issued this new section to replace Section 3062, *Goodwill and Other Intangible Assets* and establish standards for the recognition, measurement and disclosure of goodwill and intangible assets. In addition, the CICA issued amendments to Section 1000, *Financial Statement Concepts* and AcG 11, *Enterprises in the Development Stage* and withdrew Section 3450, *Research and Development Costs*. EIC 27, *Revenues and Expenditures During the Pre-operating Period* is no longer applicable for entities that have adopted CICA 3064. The mandatory effective date is for annual and interim financial statements for years beginning on/after October 1, 2008. This new requirement was adopted by the Company effective August 1, 2008. The adoption of this Section did not have an impact on the audited consolidated financial statements as at July 31, 2009.

EIC-173, Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the CICA issued EIC-173, Credit risk and the fair value of financial assets and financial liabilities. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC applies to interim and annual financial statements for periods ending on or after January 20, 2009. Adoption of this EIC did not have any effect on the audited consolidated financial statements as at July 31, 2009.

EIC-174, Mining exploration costs

In March 2009, the CICA issued EIC-174, Mining exploration costs. The EIC provides guidance on the accounting and the impairment review of exploration costs. This EIC applies to financial statements issued after March 27, 2009. Adoption of this EIC did not have any effect on the audited consolidated financial statements as at July 31, 2009.

EIC-166, Transaction costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs ("EIC-166"). This standard requires an entity to disclose the accounting policy for transaction costs for all financial assets/liabilities other than those classified as held-for-trading. Transaction costs can either be recognized in net income or added to the initial carrying amount of the asset/liability it is directly attributable to. The same accounting policy must be chosen for all similar financial instruments, but a different accounting policy may be chosen for financial instruments that are not similar. EIC 166 should be applied retrospectively to transaction costs accounted for in accordance with CICA Section 3855 in financial statements issued for interim and annual periods ending on or after September 30, 2007. The Company's accounting policy with respect to transaction costs has been to expense all transaction costs for all financial instruments as incurred (except for those classified as held-for-trading). This policy did not change as a result of adopting EIC 166. The Company has expensed \$95,000 relating to transaction costs for the year ended July 31, 2009 (2008 - \$Nil).

New accounting standards not yet adopted

Section 1582, Business Combinations

Section 1601, Consolidated Financial Statements

Section 1602, Non-controlling Interests

In January 2009, the CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements, and 1602 Non-controlling Interests, which replaces CICA Handbook Sections 1581 Business Combinations and 1600 Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning August 1, 2011. Early adoption

of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

International Financial Reporting Standards

In January 2006, the Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, Canadian public companies will be required to adopt International Financial Reporting Standards ("IFRS") for annual and interim financial statements for years beginning on or after January 1, 2011. The Company will adopt IFRS effective August 1, 2011 and will be required to restate, for comparative purposes, amounts reported by the Company for its year ended July 31, 2011. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the impact on the Company's financial statements and is developing an implementation plan.

SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares and 1,250,000 Preferred Shares. Effective June 8, 2009 all of the issued common shares of the Company were consolidated on the basis of 4 pre-consolidation common shares for 1 post-consolidation common share. As of the date of this report, there are 12,118,370 common shares and no Preferred Shares issued and outstanding. There are 11,816 common shares held in escrow.

Pursuant to the Company's Stock Option Plan, the Company may issue up to 1,018,837 incentive stock options to purchase common shares of the Company. As of the date of this report, 388,501 options to purchase common shares at \$4.00 per share are in reserve.

The following table sets out all the outstanding share purchase warrants in Desert Gold, as at the date of this report:

Warrants Outstanding	Exercise Price	Expiry Date
7,000,000	0.30	July 31, 2011

RISKS AND UNCERTAINTIES

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, metal prices, political and economical.

The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer an opportunity to a mining company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding property acquisitions and exploration that the Company conducts, the Company depends on the issue of shares from the treasury to investors. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record, and the experience of management.

The Company has no significant source of operating cash flow and no revenues from operations. The Company has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves.

There is no guarantee that the Company will be able to contribute or obtain all necessary resources and funds for the exploration and exploitation of its permits, and may fail to meet its exploration commitments.

The property interests the Company has an option to earn an interest in, are in the exploration stages only, are without known bodies of commercial mineralization, and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines.

Exploration of the Company's mineral properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

OTHER

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at www.desertgold.ca. The Company's disclosure documents may also be accessed through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.