



**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED OCTOBER 31, 2009**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the three month period ended October 31, 2009.

NOTICE TO READER

The interim balance sheets as at October 31, 2009 and the interim statements of operations and deficit and the interim statements of cash flows for the three month period then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company. The unaudited interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles.

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

PERIODS ENDED OCTOBER 31, 2009 AND 2008**Page**

Interim Consolidated Balance Sheets	2
Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit	3
Interim Consolidated Statements of Cash Flows	4
Notes to the Interim Consolidated Financial Statements	5 – 11

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

	Oct 31 2009 (Unaudited)	Jul 31 2009 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 198,239	\$ 313,254
Goods and services tax recoverable	4,857	4,384
Accounts receivable	58,954	67,134
Prepaid expenses	1,829	1,829
	263,879	386,601
Property, plant and equipment (Note 3)	11,209	11,938
Resource property interests (Note 4)	5,784,747	5,784,707
	\$ 6,059,835	\$ 6,183,246
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 29,368	\$ 104,319
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	8,063,786	8,063,786
Contributed surplus (Note 6)	2,629,416	2,615,086
Deficit	(4,662,735)	(4,599,945)
	6,030,467	6,078,927
	\$ 6,059,835	\$ 6,183,246

**NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENT (Note 7)**

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.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
PERIODS ENDED OCTOBER 31, 2009 AND 2008

	Three Months Ended Oct 31 2009 (Unaudited)	Three Months Ended Oct 31 2008 (Unaudited)
ADMINISTRATIVE EXPENSES		
Advertising and promotion	\$ -	\$ 10,116
Amortization	729	1,474
Audit and accounting	12,700	7,500
Consulting and director services:		
- Fees	14,200	6,500
- Stock-based compensation	14,330	68,915
Management fees	7,500	7,500
Office and miscellaneous	11,884	10,691
Shareholder information and printing	-	957
Transfer agent, filing and stock exchange fees	1,328	3,372
	<u>62,671</u>	<u>117,025</u>
LOSS BEFORE OTHER ITEMS	(62,671)	(117,025)
OTHER INCOME (LOSS)		
Interest income	7	3,728
Foreign exchange	(126)	19,226
	<u>(119)</u>	<u>22,954</u>
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(62,790)	(94,071)
DEFICIT, beginning of period	<u>(4,599,945)</u>	<u>(3,899,871)</u>
DEFICIT, end of period	<u>\$ (4,662,735)</u>	<u>\$ (3,993,942)</u>
BASIC AND DILUTED LOSS PER SHARE		
	\$ (0.01)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
	<u>12,118,370</u>	<u>19,745,743</u>

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

DESERT GOLD VENTURES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
PERIODS ENDED OCTOBER 31, 2009 AND 2008

	Three Months Ended Oct 31 2009 (Unaudited)	Three Months Ended Oct 31 2008 (Unaudited)
OPERATING ACTIVITIES		
Loss for the period	\$ (62,790)	\$ (94,071)
Adjustments for non-cash items:		
Amortization	729	1,474
Stock-based compensation	14,330	68,915
	<u>(47,731)</u>	<u>(23,682)</u>
Changes in non-cash working capital items:		
Goods and services tax recoverable	(473)	(8,891)
Accounts receivable	8,180	-
Prepaid expenses	-	421,315
Accounts payable and accrued liabilities	(74,991)	126,388
	<u>115,015</u>	<u>515,130</u>
FINANCING ACTIVITY		
Share subscriptions	-	378,600
	<u>-</u>	<u>378,600</u>
INVESTING ACTIVITIES		
Acquisition costs of property, plant and equipment	-	(1,059)
Deferred exploration costs	-	(1,607,220)
	<u>-</u>	<u>(1,608,279)</u>
INCREASE (DECREASE) IN CASH	(115,015)	(714,549)
CASH AND CASH EQUIVALENTS, beginning of period	313,254	757,741
CASH AND CASH EQUIVALENTS, end of period	\$ 198,239	\$ 43,192
Interest paid in cash	\$ -	\$ -
Income taxes paid in cash	\$ -	\$ -

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

DESERT GOLD VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED OCTOBER 31, 2009 AND 2008

1. NATURE OF OPERATIONS AND GOING CONCERN

Desert Gold Ventures Inc. (the "Company") 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 resource 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 continue 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.

The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), except that they do not contain all disclosures required for annual financial statements. The unaudited interim consolidated financial statements have been prepared following the same accounting policies as for the audited consolidated financial statements for the year ended July 31, 2009 except as outlined in Note 2 below. Accordingly, they should be read in conjunction with the July 31, 2009 audited consolidated financial statements and the notes thereto which are available on SEDAR at www.sedar.com.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian GAAP 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 presented in the financial statements should the Company be unable to continue as a going concern. It is management's opinion that all adjustments considered necessary for fair presentation of the results for the periods presented have been reflected in the unaudited interim consolidated financial statements.

DESERT GOLD VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED OCTOBER 31, 2009 AND 2008

2. NEW ACCOUNTING STANDARDS

(i) Accounting standards newly adopted

There have been no new accounting standards adopted by the Company during the period.

(ii) 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.

DESERT GOLD VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED OCTOBER 31, 2009 AND 2008

3. PROPERTY, PLANT AND EQUIPMENT

	Oct 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	10,727	6,894	3,833
Furniture & fixtures	6,013	1,698	4,315
Software	4,538	4,538	-
Leasehold improvements	4,414	1,353	3,061
	25,692	14,483	11,209

	Jul 31, 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
	25,692	13,754	11,938

4. RESOURCE PROPERTY INTERESTS

	October 31, 2009			July 31, 2009		
	Acquisition Costs	Deferred Exploration Costs	Total	Acquisition Costs	Deferred Exploration Costs	Total
Goldbanks						
Analysis	\$ -	\$ -	\$ -	\$ -	\$ 182,908	\$ 182,908
Communication	-	-	-	-	1,248	1,248
Consultants	-	40	40	-	17,008	17,008
Drilling	-	-	-	-	1,582,203	1,582,203
Equipment rental	-	-	-	-	9,310	9,310
Geologist	-	-	-	-	223,382	223,382
Geophysical survey	-	-	-	-	3,269	3,269
Labour	-	-	-	-	2,894	2,894
Land administration	-	-	-	34,597	-	34,597
Maps	-	-	-	-	48,992	48,992
Office	-	-	-	-	10,777	10,777
Reclamation bond (recovery)	-	-	-	-	(30,623)	(30,623)
Renewal and restaking fees	-	-	-	-	107,460	107,460
Supplies	-	-	-	-	8,659	8,659
Transportation	-	-	-	-	1,389	1,389
Travel and accommodation	-	-	-	-	79,211	79,211
Costs incurred during period	-	40	40	34,597	2,248,087	2,282,684
Other cost recoveries	-	-	-	-	(39,144)	(39,144)
Balance, beginning of period	357,404	5,427,303	5,784,707	322,807	3,218,360	3,541,167
Balance, end of period	\$357,404	\$5,427,343	\$5,784,747	\$357,404	\$5,427,303	\$5,784,707

DESERT GOLD VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED OCTOBER 31, 2009 AND 2008

5. 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>Oct 31, 2009</u>		<u>Jul 31, 2009</u>	
	Number of Common Shares	Amount	Number of Common Shares	Amount
Balance, beginning of period	12,118,370	\$ 8,063,786	19,745,743	\$ 6,283,149
Issued during the period prior to consolidation of shares				
Private placement (i)	-	-	631,000	378,600
Less: Share issue costs (i)	-	-	-	(26,502)
Issued for properties (iv)	-	-	115,324	34,597
Shares repurchased (iii)	-	-	(18,612)	(6,058)
Share consolidation (iii)	-	-	(15,355,085)	-
Issued during the period				
Private placement (ii)	-	-	7,000,000	1,400,000
Balance, end of period	<u>12,118,370</u>	<u>\$ 8,063,786</u>	<u>12,118,370</u>	<u>\$ 8,063,786</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 expired on December 1, 2009.

DESERT GOLD VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED OCTOBER 31, 2009 AND 2008

5. 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 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 was credited to contributed surplus.

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

The Company issued Nil (July 31, 2009 – 115,324) common shares at a value of \$Nil (July 31, 2009 – \$34,597) 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED OCTOBER 31, 2009 AND 2008

5. SHARE CAPITAL (CONT'D)

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

	Oct 31, 2009		Jul 31, 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	388,501	\$ 4.00	2,177,750	\$ 1.00
Share consolidation	-	-	(1,633,307)	-
Expired	(17,188)	4.00	(132,816)	4.00
Cancelled	-	-	(23,126)	4.00
Outstanding, end of period	371,313	\$ 4.00	388,501	\$ 4.00

Warrants

At October 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 for the periods ended October 31, 2009 and July 31, 2009 are summarized as follows:

	Oct 31, 2009		Jul 31, 2009	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	7,000,000	\$ 0.30	1,470,000	\$ 0.84
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
Outstanding, at end of period	7,000,000	\$ 0.30	7,000,000	\$ 0.30

6. CONTRIBUTED SURPLUS

	Oct 31, 2009	Jul 31, 2009
Balance, beginning of period	\$ 2,615,086	\$ 2,426,984
Additions		
Stock-based compensation (Note 5)	14,330	184,836
Repurchased shares (Note 5 (iii))	-	3,266
Balance, end of period	\$ 2,629,416	\$ 2,615,086

DESERT GOLD VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED OCTOBER 31, 2009 AND 2008

7. RELATED PARTY TRANSACTIONS & COMMITMENT

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

	Oct 31 2009	Oct 31 2008
Administration and accounting	\$ 7,500	\$ 7,500
Consulting and director fees	14,200	6,500
Management fees	7,500	7,500
Rent of office space	9,000	5,226
	<u>\$ 38,200</u>	<u>\$ 26,726</u>

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

At October 31, 2009 \$7,423 (July 31, 2009 - \$81,075) was due to directors and/or companies controlled by directors.

The Company has entered into a Management Contract with Pender Street Corporate Consulting Ltd. ("PSCC") dated May 1, 2006, as amended September 1, 2007 and April 1, 2008. PSCC is 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.

8. 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
Oct 31, 2009				
Canada	\$ 190,936	\$ 11,209	\$ -	\$ 179,727
United States	<u>5,868,899</u>	<u>-</u>	<u>5,784,747</u>	<u>84,152</u>
	<u>\$ 6,059,835</u>	<u>\$ 11,209</u>	<u>\$ 5,784,747</u>	<u>\$ 263,879</u>
Jul 31, 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>

DESERT GOLD VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED OCTOBER 31, 2009 AND 2008

9. FINANCIAL 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 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.

10. 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED OCTOBER 31, 2009 AND 2008

11. 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.

The total interest of \$Nil (July 31, 2009 - \$85,724) was charged to interest expense during the period.

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



800 – 1199 West Hastings Street
Vancouver, BC V6E 3T5
Tel.: (604) 687-2038 Fax.: (604) 687-3141

Form 51-102F1
Annual Management's Discussion and Analysis¹
Containing Information up to and including December 16, 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.

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.

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.

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 previous year and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the period ended October 31, 2009 and the 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**").

- 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.

RESULTS OF OPERATIONS

The Company's loss for the three month period ended October 31, 2009 was \$62,790 (\$0.01 per share) as compared to a loss of \$94,071 (\$0.00 per share *prior to share consolidation*) in 2008 and a loss of \$107,996 (\$0.01 per share *prior to share consolidation*) in 2007 (see "SHARE DATA" for details on the share consolidation). The Company is an exploration stage company and does not generate operating revenue.

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 recorded stock-based compensation of \$14,330 (2008 - \$68,915 and 2007 - \$84,024) during the three month period ended October 31, 2009. The expense is recorded as the options vest over an 18 month period. The Company's other administrative expenses during the three month period ended October 31, 2009 remained consistent with the same period in 2008 (2009 - \$48,341, 2008 - \$48,110 and 2007 - \$24,826). The Company incurred advertising and promotion expenses in the amount of \$Nil (2008 - \$10,116 and 2007 - \$Nil) during the three month period ended October 31, 2009 to assist with its corporate development.

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)	2010	2009				2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and term deposits	198	313	12	23	43	758	1,688	388
Working capital	235	282	(1,006)	(856)	(1)	1,252	2,114	407
Total assets	6,060	6,183	5,990	5,984	5,406	4,926	4,893	3,084
Shareholders' equity	6,030	6,079	4,885	4,969	5,164	4,810	4,892	3,075
Administrative expenses	63	233	125	262	117	234	86	128
Net income (loss)	(63)	(229)	(129)	(248)	(94)	(217)	(84)	(125)
Net earnings (loss) per share ³	(0.01)	(0.04)	(0.03)	(0.05)	(0.02)	(0.01)	(0.00)	(0.01)
Exploration costs	-	11	68	627	1,607	772	108	34
Weighted average shares outstanding (000's)	12,118	5,196	5,123	5,091	4,936	19,746	17,687	13,483
Closing exchange rate (Can\$/1 US\$)	1.0774	1.0790	1.2105	1.2308	1.2091	1.0238	1.0135	0.997

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 October 31, 2009, the Company had \$198,239 in cash and working capital of \$234,511.

During the three month period ended October 31, 2009, cash inflow from operating activities was \$115,015 compared to \$515,130 during the same period in 2008. The change in cash flows is largely due to the reduction in prepaid expenses in 2008 as exploration costs were incurred on the drilling program.

Desert Gold's investing activities revolve around developing its mineral properties. The Company spent \$Nil in exploration costs during the three month period ended October 31, 2009 compared to \$1,607,220

during the same period in 2008. The expenditures in 2008 were incurred on the Company's Goldbanks property in Nevada.

Financing activities generated a cash inflow of \$Nil during the three month period ended October 31, 2009 compared to a cash inflow of \$378,600 during the same period in 2008, which resulted from a private placement in the prior year (see "FINANCING ACTIVITIES" for further details).

The Company will need to continue 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

There were no financing activities during the three month period ended October 31, 2009.

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 was charged to interest expense for the year ended July 31, 2009.

As at October 31, 2009 and 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 period ended October 31, 2009, the Company paid PSCC \$15,000 (2008 - \$15,000) in fees, which was used to pay for administrative expenses and staff salaries. The Company also paid PSCC \$9,000 (2008 - \$5,226) for rent, which was then remitted to the landlord.

In addition, the Company paid \$14,000 (2008 - \$6,500) for consulting fees to Beukman & Associates Enterprises Limited (a private company owned by Eugene Beukman) and \$200 (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

No new accounting standards were adopted during the three month period ended October, 31, 2009.

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, 371,313 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.