DESERT GOLD VENTURES, INC

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER AND SIX MONTHS ENDED

(UNAUDITED)

JANUARY 31, 2010 AND 2009

DESERT GOLD VENTURES INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER AND SIX MONTHS ENDED JANUARY 31, 2010 AND 2009 **Page**

DESERT GOLD VENTURES INC.

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March 22, 2010

Interim Consolidated Financial Statements
Second Quarter Report
For the six month periods ended January 31, 2010 and 2009

NOTICE TO READER

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company must disclose if an auditor has not performed a review of the interim consolidated financial statements.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the Company's management.

These unaudited interim consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company.

Yours truly,

DESERT GOLD VENTURES INC.

"Debra Watkins"

Debra Watkins
Corporate Secretary

DESERT GOLD VENTURES INC.
INTERIM CONSOLIDATED BALANCE SHEETS
AS AT JANUARY 31, 2010 AND JULY 31, 2009

	Jan 31 2010 (Unaudited)	Jul 31 2009 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 127,583	$ 313,254
Goods and services tax recoverable	3,933	4,384
Accounts receivable	52,950	67,134
Prepaid expenses	1,829	1,829
	186,295	386,601
Property, plant and equipment (Note 3)	10,480	11,938
Resource property interests (Note 4)	5,895,861	5,784,707
	$ 6,092,636	$ 6,183,246
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 110,327	$ 104,319
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	8,063,786	8,063,786
Contributed surplus (Note 6)	2,629,736	2,615,086
Deficit	(4,711,213)	(4,599,945)
	5,982,309	6,078,927
	$ 6,092,636	$ 6,183,246

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

Approved on Behalf of the Board:

"Thomas Tough"
Director – Thomas Tough

"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
SECOND QUARTER AND SIX MONTHS ENDED JANUARY 31, 2010 AND 2009

	Three Months Ended Jan 31 2010 (Unaudited)	Three Months Ended Jan 31 2009 (Unaudited)	Six Months Ended Jan 31 2010 (Unaudited)	Six Months Ended Jan 31 2009 (Unaudited)
ADMINISTRATIVE EXPENSES				
Advertising and promotion	$ -	$ 6,930	$ -	$ 17,046
Amortization	729	1,474	1,458	2,948
Audit and accounting	7,500	17,800	20,200	25,300
Consulting services:				
- Fees	8,500	32,500	22,700	39,000
- Stock-based compensation	320	45,268	14,650	114,183
Financing fees (Note 11)	-	95,000	-	95,000
Interest (Note 11)	-	23,945	-	23,945
Legal	417	1,708	417	1,708
Management fees	7,500	7,500	15,000	15,000
Office and miscellaneous	15,828	15,002	27,712	25,693
Shareholder information and printing	398	1,819	398	2,776
Transfer agent, filing and stock exchange fees	5,832	11,940	7,160	15,312
Travel	-	1,056	-	1,056
	47,024	261,942	109,695	378,967
LOSS BEFORE OTHER ITEMS	(47,024)	(261,942)	(109,695)	(378,967)
OTHER INCOME (LOSS)				
Interest income	-	631	7	4,359
Foreign exchange	(1,454)	13,132	(1,580)	32,358
Loss on disposal of capital assets	-	-	-	-
	(1,454)	13,763	(1,573)	36,717
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (48,478)	$ (248,179)	$ (111,268)	$ (342,250)
DEFICIT, beginning of period	(4,662,735)	(3,993,942)	(4,599,945)	(3,899,871)
DEFICIT, end of period	(4,711,213)	(4,242,121)	$ (4,711,213)	$ (4,242,121)
BASIC AND DILUTED LOSS PER SHARE	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	12,118,370	20,453,636	12,118,370	20,099,689

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
SECOND QUARTER AND SIX MONTHS ENDED JANUARY 31, 2010 AND 2009

	Three Months Ended Jan 31 2010 (Unaudited)	Three Months Ended Jan 31 2009 (Unaudited)	Six Months Ended Jan 31 2010 (Unaudited)	Six Months Ended Jan 31 2009 (Unaudited)
OPERATING ACTIVITIES				
Loss for the period	$ (48,478)	$ (248,179)	$ (111,268)	$ (342,250)
Adjustments for non-cash items:				
Amortization	729	1,474	1,458	2,948
Accrued interest	-	23,945	-	23,945
Stock-based compensation	320	45,268	14,650	114,183
	(47,429)	(177,492)	(95,160)	(201,174)
Changes in non-cash working capital items:				
Goods and services tax recoverable	924	(429)	451	(9,320)
Accounts receivable	6,004	-	14,184	-
Prepaid expenses and deposits	-	61,920	-	483,235
Accounts payable and accrued liabilities	(20,245)	(201,318)	(95,236)	(74,930)
	(60,746)	(317,319)	(175,761)	197,811
FINANCING ACTIVITIES				
Convertible promissory note proceeds	-	950,000	-	950,000
Issue of shares	-	352,098	-	352,098
Share subscriptions	-	(378,600)	-	-
	-	923,498	-	1,302,098
INVESTING ACTIVITIES				
Acquisition cost of equipment	-	-	-	(1,058)
Deferred exploration costs	(9,910)	(626,499)	(9,910)	(2,233,720)
	(9,910)	(626,499)	(9,910)	(2,234,778)
INCREASE (DECREASE) IN CASH	(70,656)	(20,320)	(185,671)	(734,869)
CASH AND CASH EQUIVALENTS, beginning of period	198,239	43,192	313,254	757,741
CASH AND CASH EQUIVALENTS, end of period	$ 127,583	$ 22,872	$ 127,583	$ 22,872

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

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.

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.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Jan 31, 2010 Net Book Value
Computer equipment	10,727	7,205	3,522
Furniture & fixtures	6,013	1,903	4,110
Software	4,538	4,538	-
Leasehold improvements	4,414	1,566	2,848
	25,692	15,212	10,480

	Cost	Accumulated Amortization	Jul 31, 2009 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

	January 31, 2010			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	-	9,737	9,737	-	17,008	17,008
Drilling	-	3,658	3,658	-	1,582,203	1,582,203
Equipment rental	-	-	-	-	9,310	9,310
Geologist	-	12,359	12,359	-	223,382	223,382
Geophysical survey	-	-	-	-	3,269	3,269
Labour	-	-	-	-	2,894	2,894
Land administration	-	-	-	34,597	-	34,597
Maps	-	11,985	11,985	-	48,992	48,992
Office	-	2,262	2,262	-	10,777	10,777
Reclamation bond (recovery)	-	9,716	9,716	-	(30,623)	(30,623)
Renewal and restaking fees	-	61,437	61,437	-	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	-	111,154	111,154	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**	**$5,538,457**	**$5,895,861**	**$357,404**	**$5,427,303**	**$5,784,707**

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:

	Jan 31, 2010		Jul 31, 2009	
	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	12,118,370	$ 8,063,786	12,118,370	$ 8,063,786

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.

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.

<u>Stock Options</u>

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 (see Subsequent Event Note 12). Options granted under the Plan may have a maximum term of ten 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.

5. SHARE CAPITAL (CONT'D)

A summary of the status of the Company's outstanding stock options as at January 31, 2010 and July 31, 2009 and changes during the periods then ended are as follows:

	Jan 31, 2010		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 January 31, 2010, 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 January 31, 2010 and July 31, 2009 are summarized as follows:

	Jan 31, 2010		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

	Jan 31, 2010	Jul 31, 2009
Balance, beginning of period	$ 2,615,086	$ 2,426,984
Additions		
Stock-based compensation (Note 5)	14,650	184,836
Repurchased shares (Note 5 (iii))	-	3,266
Balance, end of period	$ 2,629,736	$ 2,615,086

7. RELATED PARTY TRANSACTIONS & COMMITMENT

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

	Jan 31 2010	Jan 31 2009
Administration and accounting	$ 15,000	$ 20,000
Consulting and director fees	22,700	14,000
Management fees	15,000	15,000
Rent of office space	18,000	12,968
	$ 70,700	$ 61,968

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

At January 31, 2010 $7,982 (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
Jan 31, 2010				
Canada	$ 123,945	$ 10,480	$ -	$ 113,465
United States	5,968,691	-	5,895,861	72,830
	$ 6,092,636	$ 10,480	$ 5,895,861	$ 186,295
Jul 31, 2009				
Canada	$ 311,803	$ 11,938	$ -	$ 299,865
United States	5,871,443	-	5,784,707	86,736
	$ 6,183,246	$ 11,938	$ 5,784,707	$ 386,601

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.

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 January 31, 2010 and July 31, 2009, the Company had no remaining debentures or loans payable.

12. SUBSEQUENT EVENT

On February 18, 2010, the Company announced that in accordance with the policies of the TSX Venture Exchange (the "Exchange"), it has received both disinterested shareholder approval and Exchange approval to amend the Company's 2009 Stock Option Plan which increases the number of shares reserved for issuance from 1,018,837 common shares to 2,423,674 common shares.

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Form 51-102F1
Annual Management's Discussion and Analysis[1]
Containing Information up to and including March 22, 2010

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 2008-2009 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 January 31, 2010 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 six month period ended January 31, 2010 was $111,268 ($0.01 loss per share) as compared to a loss of $342,250 ($0.02 loss per share *prior to share consolidation*) for the six month period ended January 31, 2009 and a loss of $232,973 ($0.02 loss per share *prior to share consolidation*) for the six month period ended January 31, 2008 (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 incurred $9,910 (January 31, 2009 - $2,233,720) in exploration expenditures during the six month period ended January 31, 2010. The higher expenditures during the prior year were mainly due to drilling and other exploration expenditures incurred on the Company's Goldbanks property in Nevada.

The Company recorded stock-based compensation of $14,650 (January 31, 2009 - $114,183 and January 31, 2008 - $169,122) during the six month period ended January 31, 2010. The expense is recorded as the options vest over an 18 month period. Stock-based compensation expense was reduced as no new grants were issued during the year. The Company's other administrative expenses during the six month period ended January 31, 2010 was $95,045 (January 31, 2009 - $264,784 and January 31, 2008 - $67,803). The lower expense during the six month period ended January 31, 2010 was mainly due to financing fees paid of $Nil (January 31, 2009 - $95,000 and January 31, 2008 - $Nil) and interest expense recorded for the convertible promissory notes of $Nil (January 31, 2009 - $23,945 and January 31, 2008 - $Nil). The Company incurred advertising and promotion expenses in the amount of $Nil (January 31, 2009 - $17,046 and January 31, 2008 - $Nil) during the six month period ended January 31, 2010 to assist with its corporate development.

CURRENT QUARTER

The factors that have influenced the results of operations for the second quarter ended January 31, 2010 are substantially the same as those described under "Results of Operations" above. The Company reported a loss during the three month period ended January 31, 2010 of $47,024 (January 31, 2009 - $261,942 and January 31, 2008 - $128,075). Stock-based compensation was $320 (January 31, 2009 - $45,268 and January 31, 2008 - $85,098) and other administrative expenses were $46,704 (January 31, 2009 - $216,674 and January 31, 2008 - $42,977). The Company incurred $9,910 (January 31, 2009 - $626,499 and January 31, 2008 - $34,351) in exploration expenditures during the three month period ended January 31, 2010.

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	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	$	$	$	$	$	$	$	$
Cash and term deposits	128	198	313	12	23	43	758	1,688
Working capital	76	235	282	(1,006)	(856)	(1)	1,252	2,114
Total assets	6,093	6,060	6,183	5,990	5,984	5,406	4,926	4,893
Shareholders' equity	5,982	6,030	6,079	4,885	4,969	5,164	4,810	4,892
Administrative expenses	47	63	233	125	262	117	234	86
Net income (loss)	(48)	(63)	(229)	(129)	(248)	(94)	(217)	(84)
Net earnings (loss) per share[3]	(0.00)	(0.01)	(0.04)	(0.03)	(0.05)	(0.02)	(0.01)	(0.00)
Exploration costs	10	-	11	68	627	1,607	772	108
Weighted average shares outstanding (000's)	12,118	12,118	5,196	5,123	5,091	4,936	19,746	17,687
Closing exchange rate (Can$/1 US$)	1.0650	1.0774	1.0790	1.2105	1.2308	1.2091	1.0238	1.0135

[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 January 31, 2010, the Company had $127,583 in cash and working capital of $75,968.

During the six month period ended January 31, 2010, cash outflow from operating activities was $175,761 compared to a cash inflow of $197,811 during the six month period ended January 31, 2009. The change in cash flows is largely due to the reduction in prepaid expenses during the six month period ended January 31, 2009 as exploration costs were incurred on the drilling program.

Desert Gold's investing activities revolve around developing its mineral properties. The Company spent $9,910 in exploration costs during the six month period ended January 31, 2010 compared to $2,233,720 during the six month period ended January 31, 2009. The expenditures during the six month period ended January 31, 2009 were incurred on the Company's Goldbanks property in Nevada.

Financing activities generated a cash inflow of $Nil during the six month period ended January 31, 2010 compared to a cash inflow of $1,302,098 during the six month period ended January 31, 2009, which resulted from a private placement and convertible promissory note proceeds in the prior year (see "FINANCING ACTIVITIES" for further details).

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 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 six month period ended January 31, 2010.

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 were subject to a hold period that expired 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 January 31, 2010 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 six month period ended January 31, 2010, the Company paid PSCC $30,000 (January 31, 2009 - $35,000) in fees, which was used to pay for administrative expenses and staff salaries. The Company also paid PSCC $18,000 (January 31, 2009 - $12,968) for rent, which was then remitted to the landlord.

In addition, the Company paid $22,500 (January 31, 2009 - $14,000) for consulting fees to Beukman & Associates Enterprises Limited (a private company owned by Eugene Beukman) and $200 (January 31, 2009 - $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 six month period ended January, 31, 2010.

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 2,423,674 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.