



**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**SECOND QUARTER AND 6 MONTHS ENDED  
JANUARY 31, 2009 AND 2008**

**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.

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

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**SECOND QUARTER AND 6 MONTHS ENDED JANUARY 31, 2009 AND 2008****Page**

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

	<b>Jan 31 2009 (Unaudited)</b>	<b>Jul 31 2008 (Audited)</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 22,872	\$ 757,741
Goods and services tax recoverable	10,501	1,181
Prepaid expenses	126,146	609,381
	<u>159,519</u>	<u>1,368,303</u>
Property, plant and equipment (Note 5)	14,886	16,776
Resource property interests (Note 6)	5,809,484	3,541,167
	<u>\$ 5,983,889</u>	<u>\$ 4,926,246</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 41,054	\$ 115,984
Convertible promissory notes (Note 7)	973,945	-
	<u>1,014,999</u>	<u>115,984</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	6,669,844	6,283,149
Contributed surplus (Note 9)	2,541,167	2,426,984
Deficit	<u>(4,242,121)</u>	<u>(3,899,871)</u>
	<u>4,968,890</u>	<u>4,810,262</u>
	<u>\$ 5,983,889</u>	<u>\$ 4,926,246</u>

**BASIS OF PRESENTATION (Note 1)**

Approved on Behalf of the Board:

***"Gordon Keevil"***

Director – Gordon Keevil

***"Eugene Beukman"***

Director – Eugene Beukman

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

**DESERT GOLD VENTURES INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT**  
**SECOND QUARTER AND 6 MONTHS ENDED JANUARY 31, 2009 AND 2008**

	<b>Three Months Ended Jan 31 2009</b>	<b>Three Months Ended Jan 31 2008</b>	<b>Six Months Ended Jan 31 2009</b>	<b>Six Months Ended Jan 31 2008</b>
<b>ADMINISTRATIVE EXPENSES</b>				
Advertising and promotion	\$ 6,930	\$ -	\$ 17,046	\$ -
Amortization	1,474	921	2,948	1,934
Audit and accounting	17,800	10,000	25,300	20,325
Consulting services:				
- Fee	32,500	1,000	39,000	1,000
- Stock-based compensation	45,268	85,098	114,183	169,122
Financing fees (Note 7)	95,000	-	95,000	-
Interest (Note 7)	23,945	-	23,945	-
Legal	1,708	593	1,708	593
Management fees	7,500	4,500	15,000	8,500
Office and miscellaneous	15,002	16,499	25,693	23,647
Shareholder information and printing	1,819	-	2,776	-
Transfer agent, filing and stock exchange fees	11,940	5,413	15,312	6,409
Travel	1,056	4,051	1,056	5,395
	<u>261,942</u>	<u>128,075</u>	<u>378,967</u>	<u>236,925</u>
<b>LOSS BEFORE OTHER ITEMS</b>	(261,942)	(128,075)	(378,967)	(236,925)
<b>OTHER INCOME (LOSS)</b>				
Interest income	631	2,326	4,359	8,158
Foreign exchange	13,132	1,894	32,358	(3,084)
Loss on disposal of capital assets	-	(1,122)	-	(1,122)
	<u>13,763</u>	<u>3,098</u>	<u>36,717</u>	<u>3,952</u>
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	\$ (248,179)	\$ (124,977)	\$ (342,250)	\$ (232,973)
<b>DEFICIT, beginning of period</b>	<u>(3,993,942)</u>	<u>(3,474,340)</u>	<u>(3,899,871)</u>	<u>(3,366,344)</u>
<b>DEFICIT, end of period</b>	<u>(4,242,121)</u>	<u>\$ (3,599,317)</u>	<u>\$ (4,242,121)</u>	<u>\$ (3,599,317)</u>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<u>20,453,636</u>	<u>13,482,734</u>	<u>20,099,689</u>	<u>13,461,900</u>

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

**DESERT GOLD VENTURES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SECOND QUARTER AND 6 MONTHS ENDED JANUARY 31, 2009 AND 2008**

	<b>Three Months Ended Jan 31 2009</b>	<b>Three Months Ended Jan 31 2008</b>	<b>Six Months Ended Jan 31 2009</b>	<b>Six Months Ended Jan 31 2008</b>
<b>OPERATING ACTIVITIES</b>				
Loss for the period	\$ (248,179)	\$ (124,977)	\$ (342,250)	\$ (232,973)
Adjustments for non-cash items:				
Amortization	1,474	921	2,948	1,934
Accrued interest	23,945	-	23,945	-
Loss on disposal of equipment	-	1,122	-	1,122
Stock-based compensation	45,268	85,098	114,183	169,122
	<u>(177,492)</u>	<u>(37,836)</u>	<u>(201,174)</u>	<u>(60,795)</u>
Changes in non-cash working capital items:				
Goods and services tax recoverable	(429)	3,058	(9,320)	(70)
Accrued interest on term deposits	-	4,744	-	-
Prepaid expenses and deposits	61,920	7,708	483,235	9,843
Accounts payable and accrued liabilities	(201,318)	7,381	(74,930)	(24,417)
	<u>(317,319)</u>	<u>(14,945)</u>	<u>197,811</u>	<u>(75,439)</u>
<b>FINANCING ACTIVITIES</b>				
Convertible promissory note proceeds	950,000	-	950,000	-
Issue of shares	352,098	7,500	352,098	7,500
Share subscriptions	(378,600)	-	-	-
	<u>923,498</u>	<u>7,500</u>	<u>1,302,098</u>	<u>7,500</u>
<b>INVESTING ACTIVITIES</b>				
Term deposits	-	346,599	-	545,523
Acquisition cost of equipment	-	-	(1,058)	(9,708)
Deferred exploration costs	(626,499)	(34,351)	(2,233,720)	(167,036)
	<u>(626,499)</u>	<u>312,248</u>	<u>(2,234,778)</u>	<u>368,779</u>
<b>INCREASE (DECREASE) IN CASH</b>	(20,320)	304,803	(734,869)	300,840
<b>CASH AND CASH EQUIVALENTS</b> , beginning of period	43,192	82,742	757,741	86,705
<b>CASH AND CASH EQUIVALENTS</b> , end of period	\$ 22,872	\$ 387,545	\$ 22,872	\$ 387,545

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

**DESERT GOLD VENTURES INC.**  
**CONSOLIDATED SCHEDULE OF DEFERRED EXPLORATION COSTS**  
**AS AT JANUARY 31, 2009 AND JANUARY 31, 2008**

	Jan 31 2009 Goldbanks	Jan 31 2008 Goldbanks
<b>EXPLORATION COSTS:</b>		
Analysis	\$ 182,908	\$ 9,532
Communications	989	-
Consultants	16,528	5,043
Drilling	1,544,077	-
Equipment rental	9,310	-
Geologist	201,813	29,572
Labour	3,733	-
Maps	6,703	1,707
Office	8,772	1,843
Reclamation bond	69,179	3,669
Renewal and restaking fees	107,460	105,896
Supplies	8,539	74
Transportation	1,389	1,789
Travel and accommodation	72,320	7,911
Costs incurred during the period	2,233,720	167,036
<b>BALANCE</b> , beginning of period	3,218,360	2,171,584
<b>BALANCE</b> , end of period	\$5,452,080	\$2,338,620

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

**DESERT GOLD VENTURES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE 6 MONTHS ENDED JANUARY 31, 2009 AND 2008**

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**1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

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Desert Gold Ventures Inc. (the "Company") is a development 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 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 interim unaudited consolidated financial statements and notes attached thereto ("interim 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 interim financial statements have been prepared following the same accounting policies as for the audited consolidated financial statements for the year ended July 31, 2008 except as outlined in Note 2 below. Accordingly, they should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended July 31, 2008 which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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**2. NEW ACCOUNTING STANDARDS**

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**(i) Accounting standards newly adopted**

Section 1400, *General Standards of Financial Statement Presentation*

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

**DESERT GOLD VENTURES INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 6 MONTHS ENDED JANUARY 31, 2009 AND 2008**

**2. NEW ACCOUNTING STANDARDS (CONT'D)**

*Section 3064, Goodwill and Intangible Assets*

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

**(ii) New accounting standards not yet adopted**

*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, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS") effective January 1, 2011. The Company continues to monitor and assess the impact of these convergence efforts.

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair Value**

The fair values of financial instruments at January 31, 2009 and July 31, 2008 are summarized as follows:

	<b>Jan 31, 2009</b>		<b>Jul 31, 2008</b>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
<i>Held for trading</i>				
Cash	\$ 22,872	\$3,106,108	\$ 757,741	\$ 757,741
<i>Loans and receivables</i>				
Goods and services tax recoverable	10,501	23,549	1,181	1,181
<b>Financial Liabilities</b>				
<i>Other liabilities</i>				
Accounts payable and accrued liabilities	64,609	76,342	115,984	115,984
<i>Held for trading</i>				
Convertible promissory notes	973,945	973,945	-	-

**DESERT GOLD VENTURES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE 6 MONTHS ENDED JANUARY 31, 2009 AND 2008**

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)**

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**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 amounts receivable is GST which is due from the government of Canada. Management believes the risk of loss to be minimal.

***Market risk***

Market risk includes currency risk, interest rate risk and price 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 excessive cost. The Company completed a convertible debenture financing in November 2008 in the amount of \$950,000. The two convertible debentures mature on April 30, 2009, are unsecured, and do not include any debt provisions. The Company's exposure to liquidity risk is minimal.

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**4. CAPITAL MANAGEMENT**

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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 to finance its exploration programs and administrative expenses. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record, and the experience of management. The capital structure of the Company consists of shareholder's equity, comprising issued capital and retained earnings (deficit). The Company is not exposed to any externally imposed capital requirements.

**DESERT GOLD VENTURES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE 6 MONTHS ENDED JANUARY 31, 2009 AND 2008**

**5. PROPERTY, PLANT AND EQUIPMENT**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Jan 31, 2009 Net Book Value</b>
Computer equipment	10,727	5,696	5,031
Furniture & Fixtures	6,014	994	5,020
Software	4,538	3,404	1,134
Leasehold Improvements	4,414	713	3,701
	<u>25,693</u>	<u>10,807</u>	<u>14,886</u>

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Jul 31, 2008 Net Book Value</b>
Computer equipment	10,727	4,808	5,919
Furniture & Fixtures	4,955	496	4,459
Software	4,538	2,269	2,269
Leasehold Improvements	4,414	285	4,129
	<u>24,634</u>	<u>7,858</u>	<u>16,776</u>

**6. RESOURCE PROPERTY INTERESTS**

	<b>Acquisition Costs and Option Payments</b>	<b>Deferred Exploration and Development Costs (Schedule)</b>	<b>Impairment of Capitalized Costs</b>	<b>Jan 31 2009 Total</b>
Goldbanks	\$ 357,404	\$ 5,452,080	\$ -	\$ 5,809,484

	<b>Acquisition Costs and Option Payments</b>	<b>Deferred Exploration and Development Costs</b>	<b>Impairment of Capitalized Costs</b>	<b>Jul 31 2008 Total</b>
Goldbanks	\$ 322,807	\$ 3,218,360	\$ -	\$ 3,541,167

**DESERT GOLD VENTURES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE 6 MONTHS ENDED JANUARY 31, 2009 AND 2008**

**7. CONVERTIBLE PROMISSORY NOTES**

On October 31, 2008, the Company issued convertible unsecured promissory notes in the principal amount of \$950,000 due on April 30, 2009 and bearing interest at 10%. The notes are 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 allows 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 Company valued the conversion portion of the principal amount in accordance with CICA section 3863 using a discount factor of 10%, the maximum interest rate allowed by the TSX Venture Exchange. Since this factor is equal to the interest rate on the promissory notes, the value attributable to the equity component of the promissory notes was zero.

	<b>Jan 31 2009</b>	<b>July 31 2008</b>
Principal	\$ 950,000	\$ -
Interest	23,945	-
Outstanding, end of period	<u>\$ 976,945</u>	<u>\$ -</u>

**8. 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:

	<b>Jan 31, 2009</b>		<b>Jul 31, 2008</b>	
	Number of Common Shares	Amount	Number of Common Shares	Amount
Balance, beginning of period	19,745,743	\$ 6,283,149	13,441,067	\$ 4,365,110
Issued for cash				
Exercise of warrants	-	-	6,200,000	1,860,000
Private placement (i)	631,000	378,600	-	-
Issue costs (i)	-	(26,502)	-	-
	<u>631,000</u>	<u>\$ 352,098</u>	<u>6,200,000</u>	<u>\$ 1,860,000</u>
Issued for properties (ii)	115,324	34,597	104,676	58,039
Transfer agent adjustment	15	-	-	-
Balance, end of period	<u>20,492,082</u>	<u>\$ 6,669,844</u>	<u>19,745,743</u>	<u>\$ 6,283,149</u>

**DESERT GOLD VENTURES INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 6 MONTHS ENDED JANUARY 31, 2009 AND 2008**

**8. SHARE CAPITAL (CONT'D)**

i. Private placement

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 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).

ii. Resource properties

In December 2008, the Company issued 115,324 common shares at a value of \$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 4,075,348. Options granted under the Plan may have a maximum term of five (5) 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. Stock options granted under the Plan vest over a period of 18 months from the date of grant and vesting of the options shall occur equally on a quarterly basis.

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

	<b>Jan 31 2009</b>	<b>July 31 2008</b>
	# Shares	# Shares
Outstanding, beginning of period	2,177,750	1,712,213
Granted	-	795,000
Expired	(125,000)	(329,463)
Cancelled	(28,750)	-
Outstanding, end of period	<u>2,024,000</u>	<u>2,177,750</u>

**Warrants**

A summary of the status of the Company's outstanding warrants as at October 31, 2008 and July 31, 2008 and changes during the period then ended are as follows:

	<b>Oct 31 2008</b>	<b>July 31 2008</b>
	# Shares	# Shares
Outstanding, at beginning of period	1,470,000	7,670,000
Issued	631,000	-
Exercised	-	(6,200,000)
Expired	(1,470,000)	-
Outstanding, at end of period	<u>631,000</u>	<u>1,470,000</u>

**DESERT GOLD VENTURES INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 6 MONTHS ENDED JANUARY 31, 2009 AND 2008**

**9. CONTRIBUTED SURPLUS**

	<b>Jan 31 2009</b>	<b>July 31 2008</b>
Balance, beginning of period	\$ 2,426,984	\$ 2,077,699
Additions		
Stock-based compensation	114,183	349,285
Balance, end of period	<u>\$ 2,541,167</u>	<u>\$ 2,426,984</u>

**10. RELATED PARTY TRANSACTIONS & COMMITMENTS**

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

	<b>Jan 31 2009</b>	<b>Oct 31 2008</b>
Administration and accounting	\$ 20,000	\$ 17,500
Consulting	14,000	1,000
Management fees	15,000	8,500
Rent of office space	12,968	10,260
	<u>\$ 61,968</u>	<u>\$ 37,260</u>

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

Commitments related to these related party transactions are as follows:

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

**DESERT GOLD VENTURES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE 6 MONTHS ENDED JANUARY 31, 2009 AND 2008**

**11. SEGMENTED INFORMATION**

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

	Total Assets	Property, Plant and Equipment	Resource Properties	Other Assets
<b>Jan 31, 2009</b>				
Canada	\$ 50,088	\$ 14,886	\$ -	\$ 35,202
United States	<u>5,933,801</u>	<u>-</u>	<u>5,809,484</u>	<u>124,317</u>
	<u>\$ 5,983,889</u>	<u>\$ 14,886</u>	<u>\$ 5,809,484</u>	<u>\$ 159,519</u>
<b>Jul 31, 2008</b>				
Canada	\$ 1,220,165	\$ 16,776	\$ -	\$ 1,203,389
United States	<u>3,706,081</u>	<u>-</u>	<u>3,541,167</u>	<u>164,914</u>
	<u>\$ 4,926,246</u>	<u>\$ 16,776</u>	<u>\$ 3,541,167</u>	<u>\$ 1,368,303</u>

**12. SUBSEQUENT EVENTS**

The following event occurred subsequent to January 31, 2009:

In February 2009, the Company completed a loan agreement, in the principal amount of \$100,000. Interest pursuant to the loan is payable at a rate of 10% per annum. The loan matures on May 18, 2009. The loan agreement includes a provision for a non-interest bearing Bonus Payment equal to 10% of the principal which is also payable by May 18, 2009.



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**Form 51-102F1**  
**Management's Discussion and Analysis<sup>1</sup>**  
**Containing Information up to and including March 25, 2009**

**BACKGROUND**

Desert Gold Ventures Inc. ("**Desert Gold**" or the "**Company**") is a development 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 commenced negotiations to form a joint venture and set a budget for exploration expenditures for the next year.

The Company completed a non-brokered private placement in November 2008, issuing 631,000 units for gross proceeds of \$378,600. In addition, the Company completed a convertible unsecured debenture financing in the amount of \$950,000. See full details of these financings under Financing Activities on page 5.

**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.

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<sup>1</sup> **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 interim unaudited consolidated financial statements and notes attached thereto for the second quarter and six month period ended January 31, 2009 and the audited consolidated financial statements and notes attached thereto for the year ended July 31, 2008. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**").

## EXPLORATION UPDATE

### Surface Exploration

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

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

### Exploration Drilling Program

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

Initial 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 (see table below for past high grade results).

These initial 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 is 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 from 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 at 7.13 ppm (7.13 gram/0.21 oz) Au/t from 445-460 feet (including 5 feet at 15.05 ppm (15.05 gram/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 months ended January 31, 2009 was \$342,250 (\$0.02 per share) as compared to a loss of \$232,973 (\$0.01 per share) in 2008. The Company is a development 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 two fiscal years.

The Company's administrative expenses are higher in the 2009 period as a result of a higher level of corporate development activities and the costs associated with the convertible debenture financing. The financing costs include a financing fee and interest in the amounts of \$95,000 and \$23,945 respectively.

The Company recorded stock-based compensation in the amount of \$114,183 (2008 - \$169,122). The expense is recorded as the options vest over an 18 month period.

The Company incurred advertising and promotion expenses in the amount of \$17,046 (2008 - \$nil) to assist with its corporate development. Other administrative expenses were higher during 2009 due to the higher level of corporate activity.

The value of the US dollar has risen during the six month period ended January 31, 2009. The Company recorded a foreign exchange gain in the amount of \$32,358 (2008 - \$3,087 loss).

## **CURRENT QUARTER**

The factors influencing the results in the second quarter are the same as those described under Results of Operations. The Company's net loss for the second quarter ended January 31, 2009 was \$248,179 (\$0.01 per share) compared to a net loss of \$124,977 (\$0.01 per share) in 2008. The Company's administrative expenses are \$133,867 higher in 2009 largely due to the financing costs in the amount of \$118,945.

## SUMMARY OF QUARTERLY RESULTS

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

(In thousands of dollars except amounts per share)	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and term deposits	23	43	758	1,688	388	434	632	771
Working Capital	(856)	(1)	1,252	2,114	407	471	637	831
Total Assets	5,984	5,406	4,926	4,893	3,084	3,054	3,110	3,105
Shareholders' Equity	4,969	5,164	4,810	4,892	3,075	3,052	3,076	3,099
Administrative expenses	262	117	234	86	128	109	66	58
Net Income (Loss)	(248)	(94)	(217)	(84)	(125)	(108)	(69)	(52)
Net Earnings (Loss) per Share	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)
Exploration Costs	627	1,607	772	108	34	133	287	163
Weighted Average Shares Outstanding (000's)	20,454	19,746	19,746	17,687	13,483	13,441	13,431	13,412
Closing Exchange Rate (Can\$/1 US\$)	1.2308	1.2091	1.0238	1.0135	0.997	0.9547	1.0667	1.1169

The major variances in cash, working capital, total assets and shareholders' equity are mainly attributable to equity placements and investment in exploration, as well as administrative expenses. The Company is a development 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, 2009, the Company had \$22,872 in cash and working capital deficit of \$855,480.

During the six months ended January 31, 2009, cash flow from operating activities was \$197,811 compared to (\$75,439) in 2008. The change in cash flows is largely due to the reduction in prepaid expenses as exploration costs were incurred on the drilling program.

Desert Gold's investing activities revolve around developing its resource properties. The Company spent \$2,233,720 in exploration costs during the six month period compared to \$167,036 in 2008. The expenditures were incurred on the Company's Goldbanks Property in Nevada.

Financing activities generated a cash flow of \$1,302,098 (2008 - \$7,500) during the six month period as a result of the private placement and convertible debenture financing completed in November.

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

### 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 on equity sales to finance its exploration programs and to cover administrative expenses.

## **FINANCING ACTIVITIES**

On October 31, 2008, the Company issued convertible unsecured promissory notes in the principal amount of \$950,000 due on April 30, 2009 and bearing interest at 10%. The notes are 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 allows 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).

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. 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).

In February 2009, the Company completed a loan agreement, in the principal amount of \$100,000. Interest pursuant to the loan is payable at a rate of 10% per annum. The loan matures on May 18, 2009. The loan agreement includes a provision for a non-interest bearing Bonus Payment equal to 10% of the principal which is also payable by May 18, 2009.

## **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., a private company owned by Eugene Beukman (the President and a director of the Company). During the six months ended January 31, 2009, the Company paid \$35,000 (2008 - \$26,000) in fees and \$12,968 (2008 - \$10,260) for rent.

In addition, the Company paid \$14,000 (2008 - \$1,000) for consulting fees to Beukman & Associates Enterprises Limited (a private company owned by Eugene Beukman).

## **PROPOSED TRANSACTIONS**

On February 27, 2009, Desert Gold announced that it will hold an Extraordinary Meeting, at a date to be determined, at which shareholders will be asked to approve a special resolution to consolidate all of the issued common shares of Desert Gold (of which 20,492,082 are currently outstanding) on the basis of 4 pre-consolidated common shares to 1 post-consolidated common share, or such lesser number as may be determined by Desert Gold's Board of Directors. The Board of Directors believes that Desert Gold's ability to conduct the equity financing required for its operations is contingent upon, among other things, a consolidation of its outstanding common shares.

## **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, 2008. 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**

On August 1, 2008, the Company adopted several new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These policies include:

#### *Section 1400, General Standards of Financial Statement Presentation*

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

#### *Section 3064, Goodwill and Intangible Assets*

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

### **TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

On February 13, 2008, the Canadian Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will have to provide comparative IFRS information for the previous fiscal year. The Company is assessing the impact of this transition to IFRS on the Company's financial statements and 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. As of the date of this report, there are 20,492,082 common shares and no Preferred Shares issued and outstanding. There are 47,266 common shares held in escrow.

Pursuant to the Company's Stock Option Plan, which was approved by shareholders at the Company's Annual General and Special Meeting held on January 8, 2009, and by the TSX Venture Exchange on February 20, 2009, the Company may issue up to 4,075,348 incentive stock options to purchase common shares of the Company. Currently, 2,024,000 options to purchase common shares at \$1.00 per share are in reserve.

The following table sets out all the outstanding share purchase warrants in Desert Gold:

<b>Number of Desert Gold Warrants to Purchase Common Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
631,000	\$0.75	May 13, 2009

In addition, on October 31, 2008, the Company issued convertible unsecured promissory notes in the principal amount of \$950,000 due on April 30, 2009, and bearing interest at 10%. The notes are 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 allows the holder to purchase one common share in the capital of the Company for \$0.60 per share until April 30, 2009.

## **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](http://www.desertgold.ca). You may also access the Company's disclosure documents through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).