

**DESERT GOLD VENTURES INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' REPORT
YEARS ENDED JULY 31, 2007 AND 2006**

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

YEARS ENDED JULY 31, 2007 AND 2006**Page**

Auditors' Report	1
Consolidated Balance Sheets	2
Consolidated Statements of Deficit	3
Consolidated Statements of Operations	4
Consolidated Statements of Cash Flows	5
Consolidated Schedule of Deferred Exploration Costs	6
Notes to the Consolidated Financial Statements	7 – 18



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AUDITORS' REPORT

To the Shareholders of
Desert Gold Ventures Inc.

We have audited the consolidated balance sheet of Desert Gold Ventures Inc. as at July 31, 2007 and the consolidated statements of operations and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2007, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at July 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated October 26, 2006.

"Charlton & Company"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
October 11, 2007

**DESERT GOLD VENTURES INC.
CONSOLIDATED BALANCE SHEETS
AS AT JULY 31, 2007 AND 2006**

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 86,705	\$ 170,620
Term deposit	545,523	250,000
Goods and services tax recoverable	464	1,401
Prepaid expenses	37,283	39,646
	669,975	461,667
Equipment (Note 3)	3,352	4,789
Resource property interests (Note 4)	2,436,352	1,765,713
	\$ 3,109,679	\$ 2,232,169
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 33,214	\$ 48,902
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	4,365,110	3,367,980
Contributed surplus (Note 6)	2,077,699	1,945,428
Deficit	(3,366,344)	(3,130,141)
	3,076,465	2,183,267
	\$ 3,109,679	\$ 2,232,169

BASIS OF PRESENTATION (Note 1)

Approved on Behalf of the Board:

"Gordon Keevil"

Director – Gordon Keevil

"Eugene Beukman"

Director – Eugene Beukman

**DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF DEFICIT
YEARS ENDED JULY 31, 2007 AND 2006**

	2007	2006
DEFICIT, beginning of year	\$ (3,130,141)	\$ (2,753,968)
NET LOSS FOR THE YEAR	(236,203)	(376,173)
DEFICIT, end of year	\$ (3,366,344)	\$ (3,130,141)

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

Page 3

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED JULY 31, 2007 AND 2006

	2007	2006
ADMINISTRATIVE EXPENSES		
Amortization	\$ 1,437	\$ 2,052
Audit and accounting	44,485	56,909
Consulting services:		
- Fee	3,331	16,748
- Stock-based compensation (Note 6)	132,271	152,980
Interest on long-term debt	-	25,856
Legal	5,341	15,581
Listing and share transfer fees	22,023	27,659
Management fees	12,000	3,000
Office and miscellaneous	27,094	27,585
Travel	2,042	150
	250,024	328,520
LOSS BEFORE OTHER ITEMS	(250,024)	(328,520)
OTHER INCOME (LOSS)		
Interest income	20,804	438
Foreign exchange	(6,983)	1,909
Impairment of resource property interests (Note 4)	-	(50,000)
	13,821	(47,653)
LOSS FOR THE YEAR	\$ (236,203)	\$ (376,173)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.02)	\$ (0.05)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	13,069,614	7,803,754

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

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2007 AND 2006

	2007	2006
OPERATING ACTIVITIES		
Loss for the year	\$ (236,203)	\$ (376,173)
Adjustments for non-cash items:		
Amortization	1,437	2,052
Stock-based compensation	132,271	152,980
Impairment of resource property interests	-	50,000
	<u>(102,495)</u>	<u>(171,141)</u>
Changes in non-cash working capital items:		
Accrued interest on term deposits	(13,200)	-
Goods and services tax recoverable	937	3,645
Prepaid expenses	2,363	(39,646)
Accounts payable and accrued liabilities	(15,688)	(102,937)
	<u>(128,083)</u>	<u>(310,079)</u>
FINANCING ACTIVITIES		
Issue of shares	899,640	1,509,704
Issue convertible promissory note	-	100,000
Convertible promissory notes paid	-	(504,141)
	<u>899,640</u>	<u>1,105,563</u>
INVESTING ACTIVITIES		
Term deposit	(282,323)	(250,000)
Acquisition costs of resource properties	(10,898)	(68,939)
Deferred exploration costs	(562,251)	(312,249)
	<u>(855,472)</u>	<u>(631,188)</u>
INCREASE (DECREASE) IN CASH	(83,915)	164,296
CASH AND CASH EQUIVALENTS, beginning of year	170,620	6,324
CASH AND CASH EQUIVALENTS, end of year	86,705	170,620

Supplemental Cash Flow Information (Note 9)

DESERT GOLD VENTURES INC.
CONSOLIDATED SCHEDULE OF DEFERRED EXPLORATION COSTS
YEARS ENDED JULY 31, 2007 AND 2006

EXPLORATION COSTS	Goldbanks	2007 Total	2006 Total
Analysis	\$ 50,042	\$ 50,042	\$ 45,405
Communications	9	9	178
Consultants	16,229	16,229	11,329
Drilling	122,320	122,320	-
Equipment rental	1,530	1,530	14,061
Geologist	172,578	172,578	132,180
Labour	420	420	5,362
Maps	9,650	9,650	2,155
Office	17,235	17,235	4,298
Reclamation bond	10,414	10,414	-
Renewal and restaking fees	104,401	104,401	80,917
Supplies	2,566	2,566	(5,267)
Transportation	18,203	18,203	4,012
Travel and accommodation	36,654	36,654	17,619
Costs incurred during the year	562,251	562,251	312,249
BALANCE , beginning of year	1,609,333	1,609,333	1,297,084
BALANCE , end of year	\$2,171,584	\$2,171,584	\$1,609,333

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

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2007 AND 2006

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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 mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its inactive wholly owned subsidiary, Goldbanks Nevada Ventures Inc. All inter-company balances and transactions have been eliminated upon consolidation.

b. Resource property interests

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

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

**DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2007 AND 2006**

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

b. Resource property interests (Cont'd)

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

Exploration costs renounced due to Flow-through Share Subscription Agreements remain capitalized, however, for corporate income tax purposes, the Company has no right to claim these costs as tax deductible expenses.

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

c. Property investigation costs

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

d. Asset retirement obligations

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

e. Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated using the declining balance method at the following annual rates:

Computer equipment	30%	Declining balance
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In the year of acquisition, amortization is recorded at one-half the normal rate.

f. Loss per share

Loss per share is calculated using the weighted average number of shares outstanding.

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

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

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2007 AND 2006

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

g. Use of estimates

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

h. Income taxes

Income taxes are accounted for using the liability method. Under this method income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled.

i. Financial instruments

Financial instruments include cash and cash equivalents, term deposits, accounts receivable, and accounts payable. The fair values of arms-length financial instruments approximate their carrying value due to their short-term maturity. The fair value of amounts due to related party is estimated to approximate carrying value. Fair value adjustments, if any, are not reasonably determinable by management as comparable interest rate and risk profiles are not available.

j. Risk management

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

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 generates nominal revenues and is not exposed to significant credit concentration risk.

The Company is not exposed to significant interest rate risk.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2007 AND 2006

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

k. Stock-based compensation

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

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

l. Share issue costs

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

m. Cash and cash equivalents

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

n. Long-lived assets and impairment

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

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

o. Comparative figures

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

p. Non-Monetary transactions

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

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2007 AND 2006

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

q. Related party transactions

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

3. EQUIPMENT

	2007		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	8,469	5,117	3,352
	2006		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	8,469	3,680	4,789

4. RESOURCE PROPERTY INTERESTS

	Acquisition Costs and Option Payments	Deferred Exploration and Development Costs (Schedule)	Impairment of Capitalized Costs	2007 Total
	a. Goldbanks	\$ 264,768	\$ 2,171,584	\$ -
	2006			
	Acquisition Costs and Option Payments	Deferred Exploration and Development Costs	Impairment of Capitalized Costs	2006 Total
a. Goldbanks	\$ 156,380	\$ 1,609,333	\$ -	\$ 1,765,713
b. Pauls Syfer 437	50,000	-	(50,000)	-
	\$ 206,380	\$ 1,609,333	\$ (50,000)	\$ 1,765,713

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2007 AND 2006

4. RESOURCE PROPERTY INTERESTS (CONT'D)

Nevada

a. Goldbanks

By an option agreement dated March 15, 2004, subsequently amended on June 28, 2005 and November 15, 2006, the Company may acquire a 50% interest in 501 claims in Pershing County, Nevada U.S.A. To earn this interest, the Company must incur exploration expenses as follows:

- \$1,250,000 US on or before December 31, 2005, the first anniversary (completed),
- a further \$750,000 US on or before June 30, 2007 (completed),
- a further \$1,000,000 US on or before December 31, 2007, the third anniversary, and
- a further \$2,000,000 US on or before December 31, 2008, the fourth anniversary.

The Company issued 100,000 common shares at a price of \$0.80 per share in consideration of the granting of the extension of the \$750,000 US exploration commitment from December 31, 2006 to June 30, 2007.

In addition, the Company must issue share consideration within 60 days of each date above calculated as one share for each \$25 of exploration expenditure incurred during that year. The Company issued 50,850 common shares at a price of \$0.43 per share on March 2, 2006 for the exploration expenditure to December 31, 2005 and 29,150 common shares at a price of \$0.60 per share on June 25, 2007 for the exploration expenditure to June 30, 2007.

All other terms of the agreement remain unchanged.

The Company has staked an additional 243 mining claims to bring the property total to 744.

South Africa

b. Pauls Syfer 437

On April 27, 2005, the Company entered into a joint venture agreement with Bard Ventures Ltd. ("Bard"), a company related through common directors, to acquire a 50% interest in all uranium rights acquired by Bard in South Africa for payment of \$50,000.

During the previous year, the Company determined these rights to no longer be an area of interest and has written off all costs incurred to date.

**DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2007 AND 2006**

4. RESOURCE PROPERTY INTERESTS (CONT'D)

c. Cape Province

On September 7, 2005, the Company and Bard entered into four agreements for uranium and molybdenum in the Western Cape Province of South Africa, each company having a 50% interest. The agreements cover 28,629 acres. The properties are subject to a payment of R30,000 (\$6,000 CDN) each once the prospector's licenses to conduct exploration are received. The agreements are for five years and all properties are subject to 2% royalties payable on the net proceeds of production on any mining activities on the properties.

During the previous year, the Company determined these agreements to no longer be an area of interest. No costs were incurred.

5. SHARE CAPITAL

The authorized share capital of the Company consists of:

Unlimited number of shares without par value.

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

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

	<u>2007</u>		<u>2006</u>	
	Number of Common Shares	Amount	Number of Common Shares	Amount
Balance, beginning of year	11,841,917	\$ 3,367,980	5,591,067	\$ 1,836,410
Issued for cash				
Private placement (i)	1,470,000	999,600	-	-
Private placement (ii)	-	-	6,200,000	1,674,000
	<u>1,470,000</u>	<u>999,600</u>	<u>6,200,000</u>	<u>1,674,000</u>
Issued for properties (iii)	129,150	97,490	50,850	21,865
Less: Issue costs	-	(99,960)	-	(164,295)
Balance, end of year	<u>13,441,067</u>	<u>\$ 4,365,110</u>	<u>11,841,917</u>	<u>\$ 3,367,980</u>

i. Private placement

In October 2006, the Company completed a non-brokered private placement whereby it issued 1,470,000 share units at a price of \$0.68 per unit. Each share 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 \$0.84 per share at anytime on or before October 17, 2008. The Company paid a Finders' Fee in the amount of \$99,960 (10% of gross proceeds received).

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2007 AND 2006

5. SHARE CAPITAL (CONT'D)

ii. Private placement

In March 2006, the Company completed a non-brokered private placement whereby it issued 6,200,000 share units at a price of \$0.27 per unit. Each share 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 \$0.30 per share at anytime on or before March 24, 2008. The Company paid a Finders' Fee in the amount of \$164,295.

iii. Resource properties

The Company issued 129,150 (2006 – 50,850) common shares at a value of \$97,490 (2006 - \$21,865) in connection with the acquisition of resource property interests (**Note 4**).

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 2,662,383. Options granted under the Plan may have a maximum term of five (5) years. The exercise price of options granted under the Plan will not be less than the average closing price of the Company's shares for the five trading days immediately preceding the date of grant, or such other price as may be agreed to by the Company and accepted 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 July 31, 2007 and 2006 and changes during the years then ended are as follows:

	2007			2006		
	# Shares	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	# Shares	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
Outstanding, beginning of year	1,093,213	\$ 1.00	3.55	972,500	\$ 1.00	3.38
Granted	884,000	1.00	-	589,463	1.00	-
Exercised	-	-	-	-	-	-
Expired	(125,000)	1.00	-	-	-	-
Cancelled	(140,000)	1.00	-	(468,750)	1.00	-
Outstanding, end of year	1,712,213	\$ 1.00	2.84	1,093,213	\$ 1.00	3.55

**DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2007 AND 2006**

5. SHARE CAPITAL (CONT'D)

The following table provides detailed information about stock options outstanding at July 31, 2007:

Options Outstanding	Exercise Price	Expiry Date
329,463	\$ 1.00	May 4, 2008
125,000	1.00	October 30, 2008
125,000	1.00	May 22, 2009
293,750	1.00	June 3, 2009
68,750	1.00	October 7, 2009
16,250	1.00	October 25, 2009
120,000	1.00	May 4, 2011
<u>634,000</u>	1.00	May 22, 2012
<u>1,712,213</u>		

Warrants

At July 31, 2007, the Company had outstanding share purchase warrants exercisable to acquire 7,670,000 shares of its capital stock. Changes to the number of share purchase warrants outstanding are summarized as follows:

	<u>2007</u>		<u>2006</u>	
	# Shares	Weighted Average Exercise Price	# Shares	Weighted Average Exercise Price
Outstanding, beginning of year	6,375,000	\$ 0.31	175,000	\$ 0.80
Issued	1,470,000	0.84	6,200,000	0.30
Expired	(175,000)	0.80	-	-
Exercised	-	-	-	-
Outstanding, at year end	<u>7,670,000</u>	<u>\$ 0.40</u>	<u>6,375,000</u>	<u>\$ 0.31</u>

The following table provides detailed information about warrants outstanding at July 31, 2007:

Warrants Outstanding	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
6,200,000	0.30	March 24, 2008	0.65 years
<u>1,470,000</u>	0.84	October 17, 2008	<u>1.21 years</u>
<u>7,670,000</u>			<u>0.76 years</u>

**DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2007 AND 2006**

5. SHARE CAPITAL (CONT'D)

Escrow shares

At July 31, 2007, 47,266 common shares are held in escrow.

6. CONTRIBUTED SURPLUS

	2007	2006
Balance, beginning of year	\$ 1,945,428	\$ 1,792,448
Additions:		
Stock-based compensation (i)	132,271	152,980
Balance, end of year	\$ 2,077,699	\$ 1,945,428

i) Stock-based compensation

During the current and prior year stock-based compensation has been recorded in the amount of \$132,271 (2006 - \$152,980) and included in contributed surplus. The amount is management's estimate of the fair value of the 884,000 (2006 - 589,463) stock options granted and vested in the year, and has been expensed in the statement of operations as consulting services. The weighted average fair value of options granted and vested during the year is approximately \$0.37 (2006 - \$0.41) per option.

The above fair value amounts were calculated using the Black Scholes option pricing model using the following current assumptions:

	2007	2006
Risk free interest rate	4.00% to 4.41%	4.15% to 4.16%
Expected life	2 to 5 years	0.5 to 5 years
Expected volatility	92% to 104%	61% to 100%
Dividend yield	0%	0%

7. RELATED PARTY TRANSACTIONS & COMMITMENTS

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

	2007	2006
	\$	\$
Administration and accounting	32,500	44,234
Website maintenance	-	4,850
Consulting	-	4,000
Management fees	12,000	3,000
Interest on convertible promissory note	-	7,566
Rent of office space	5,130	10,200
	49,630	73,850

**DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2007 AND 2006**

7. RELATED PARTY TRANSACTIONS & COMMITMENTS (CONT'D)

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

As at July 31, 2007, \$ Nil (2006 - \$3,330) was due to companies controlled by directors.

Amounts due to related parties are non-interest bearing and have no specified terms of repayment.

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 75% owned by a director. Under the Management Contract, PSCC provides general management, accounting and administrative services to the Company for a fee of \$3,500 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. INCOME TAXES

The Company has available the following tax pools which may be carried forward to apply against future income for tax purposes. Management believes the realization of the income tax benefits related to these pools is uncertain at this time, and cannot be viewed as more likely than not. Accordingly, the Company has recorded a valuation allowance for the entire future income tax asset.

Potential income tax assets:	2007	2006
	<u>\$</u>	<u>\$</u>
Net operating losses carried forward	1,163,121	994,600
Excess tax base of property and equipment	1,306	-
Excess tax base of resource property interests and share issuance costs	<u>414,724</u>	<u>131,400</u>
Estimated corporate tax rate	<u>34.10%</u>	<u>34.10%</u>
Net future income tax asset	538,490	384,000
Valuation allowance	<u>(538,490)</u>	<u>(384,000)</u>
	<u> -</u>	<u> -</u>

The Company has approximately \$1,163,121 of non-capital losses available, which begin to expire in 2011 through to 2027 and may be applied against future taxable income.

	2007	2006
	<u>\$</u>	<u>\$</u>
Net loss	(236,203)	(376,173)
Expected tax recovery @34.10% (2006 – 34.10%)	(80,592)	(128,275)
Non-deductible items and others	25,200	69,216
Unrecognizable benefits on non-capitalized losses	<u>55,392</u>	<u>59,059</u>
	<u> -</u>	<u> -</u>

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2007 AND 2006

9. SUPPLEMENTARY INFORMATION ON STATEMENT OF CASH FLOWS

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

2007

The Company issued 129,150 shares valued at \$97,490 in connection with the acquisition of resource property interests.

2006

The Company issued 50,850 shares valued at \$21,865 in connection with the acquisition of resource property interests.

The Company has not paid any income taxes in the periods presented.

10. 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	Equipment	Resource Properties	Other Assets
2007				
Canada	\$ 658,027	\$ 3,352	\$ -	\$ 654,675
United States	<u>2,451,652</u>	<u>-</u>	<u>2,436,352</u>	<u>15,300</u>
	<u>\$ 3,109,679</u>	<u>\$ 3,352</u>	<u>\$ 2,436,352</u>	<u>\$ 669,975</u>
2006				
Canada	\$ 453,772	\$ 4,789	\$ -	\$ 448,983
United States	<u>1,778,397</u>	<u>-</u>	<u>1,765,713</u>	<u>12,684</u>
	<u>\$ 2,232,169</u>	<u>\$ 4,789</u>	<u>\$ 1,765,713</u>	<u>\$ 461,667</u>



***Management's
Discussion &
Analysis***

***For the Year Ended
July 31, 2007***

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Management's Discussion and Analysis

General

Management's discussion and analysis ("MD&A") has been prepared based on information available to Desert Gold Ventures Inc. ("Desert Gold" or the "Company") as of **October 16, 2007**. MD&A provides a detailed analysis of the company's business and compares its results with those of the two previous years and should be read in conjunction with the Company's consolidated financial statements for the year ended July 31, 2007. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The Company is a development stage company focused on the exploration and development of resource properties. The Company's principal resource property is the Goldbanks property in which the Company has an option to acquire a 50% interest.

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 of 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.

Critical Accounting Policies

The Company's accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended July 31, 2007. 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.

Resource Property Interests

The Company's current business activity focus is on the exploration and development of precious metal properties. The cost of acquiring, exploring, and developing mineral properties is capitalized. In the event that the Company elects to proceed with the development of a project, capitalized acquisition, exploration and development expenditures will be amortized against future production upon commencement of commercial production, or written off if the properties are sold or abandoned.

Overall Performance

During the year ended July 31, 2007 (the "Period"), the Company spent \$562,251 in exploration on its Goldbanks property. Exploration activities consisted of diamond drilling and geological studies.

Desert Gold completed a private placement during the year issuing 1,470,000 share units for net proceeds of \$899,640. See full details of the private placement under Financing Activities on page 4. The financing allows the Company to continue exploration on the Goldbanks property.

Results of Operations

Selected Annual Information

	2007 \$	2006 \$	2005 \$
Revenues	-	-	-
Net Income (Loss)	(236,203)	(376,173)	(1,643,920)
Loss per Share	(0.02)	(0.05)	(0.32)
Total Assets	3,109,679	2,232,169	1,430,870
Long-term liabilities	-	-	375,303

The selected annual information has been prepared in accordance with Canadian GAAP.

2007 compared with 2006

The Company reported net loss of \$236,203 (\$0.02 per share) for the year ended July 31, 2007 as compared to net loss of \$376,173 (\$0.05 per share) for the year ended July 31, 2006. Significant changes between the 2007 and 2006 income and expense amounts that comprised net loss are discussed below.

Administrative expenses for the year ended July 31, 2007 totalled \$250,024 and were \$78,496 lower than 2006 expenses of \$328,520. The Company recorded stock-based compensation in the amount of \$132,271 (2006 - \$152,980) during the year. Interest on long-term debt was \$nil (2006 - \$25,856). The decrease of \$25,856 is attributable to the debt being paid out on March 27, 2006. Other administrative costs fluctuated with the level of corporate activity.

2006 compared with 2005

The Company reported net loss of \$376,173 (\$0.05 per share) for the year ended July 31, 2006 as compared to net loss of \$1,643,920 (\$0.32 per share) for the year ended July 31, 2005. Significant changes between the 2006 and 2005 income and expense amounts that comprised net loss are discussed below.

Administrative expenses for the year ended July 31, 2006 totalled \$328,520 and was \$1,128,333 lower than 2005 expenditures of \$1,456,853. The Company's stock-based compensation expense decreased from \$1,008,436 for the year ended July 31, 2005 to \$152,980 for the year ended July 31, 2006. The \$855,456 decrease is attributable to a decrease in stock options amended or granted and vested from 4,819,000 in 2005 to 1,118,213 in 2006. Interest on long-term debt was \$25,856 in 2006 as compared to \$40,635 in 2005. The decrease of \$14,779 is attributable to the debt being paid out on March 27, 2006. Other administrative costs fluctuated with the level of corporate activity.

The Company also recorded an impairment of resource property interests in the amount of \$nil (2006 - \$50,000) on the Paul Syfer 437 property.

Summary of Quarterly Results

The summary of quarterly results has been prepared in accordance with Canadian GAAP.

	Revenue \$	Income (Loss) \$	Income (Loss) per share \$	Deferred Exploration \$
July 31, 2007	Nil	(68,754)	(0.005)	154,931
April 30, 2007	Nil	(51,703)	(0.004)	162,555
January 31, 2007	Nil	(62,782)	(0.005)	75,651
October 31, 2006	Nil	(52,964)	(0.004)	169,114
July 31, 2006	Nil	(231,197)	(0.044)	103,151
April 30, 2006	Nil	(45,363)	(0.004)	26,691
January 31, 2006	Nil	(53,409)	(0.001)	56,026
October 31, 2005	Nil	(46,204)	(0.001)	126,381

Fluctuations in the Company's expenditures reflect the seasonal variations of exploration, the level of corporate activity, and the ability of the Company to raise capital for its projects.

The Company recorded stock-based compensation in the quarters ending July 31, 2007, April 30, 2007, January 31, 2007, October 31, 2006, and July 31, 2006 in the amounts of \$29,226, \$36,401, \$38,959, \$27,685, and \$152,980 respectively.

Impairment of resource property interests was recorded in the quarter ending July 31, 2006 in the amount of \$50,000. The Pauls Syfer 437 property was written off in 2006.

Use of Proceeds

The Company completed a financing during the year ended July 31, 2007. The private placement raised net proceeds of \$899,640. The proceeds of the financing will be used by Desert Gold to further its exploration program on its Goldbanks Property in Nevada, for general working capital and for operating expenses.

Resource Properties

Deferred exploration and development costs for the year ended July 31, 2007 totalled \$562,251 as compared to \$312,249 in 2007. The Company will continue to focus its efforts on the Goldbanks property in Nevada.

Goldbanks – Nevada

The Company has an option agreement, dated March 15, 2004 and amended November 15, 2006, with Kinross Goldbanks Mining Company (“**Kinross**”) to acquire a 50% interest in 501 claims in Pershing County, Nevada U.S.A. To acquire the option, the Company has made an initial payment of \$50,000 U.S. and must spend \$5 million U.S. in exploration by December 2008, of which \$3 million U.S. must be spent by December 2007. Approximately \$2.08 million U.S. has been incurred as of July 31, 2007.

In addition, the Company will issue share consideration within 60 days of each anniversary, one share for each \$25 of exploration expenditure incurred during that year. The Company has issued 80,000 common shares to date in accordance with the terms of the agreement. A further 100,000 shares were issued in consideration of the granting of the extension of the \$750,000 US exploration commitment from December 31, 2006 to June 30, 2007.

The Company has staked an additional 243 mining claims to bring the property total to 744.

Exploration Update

The Goldbanks Deposit is a large, concealed, high-level epithermal system, 1,000 x 5,000 feet in plan view, with associated high-grade feeder veins, which represent the conduits for the lower grade gold mineralization. The geological setting is similar to the Ivanhoe and Silver Cloud Districts, Nevada and the McLaughlin deposit, California. The deposit is located in a Tertiary-aged graben and consists of low-sulfidation gold and silver mineralized basal clastics and heterolithic breccia overlain by unmineralized mudstone, opalite, Tertiary alluvium and basalt flows. The Tertiary rocks lie unconformably on Paleozoic basement rocks where the high-grade feeder veins will be explored within 100 feet of the contact and within the basement sequence of rocks.

In the fall of 2005 the Company focused exploration in this highly prospective area by completing geological mapping, prospecting, soil and rock geochemical sampling which expands on the previous soil sampled area that Kinross surveyed. The program was stopped in late 2005 when field conditions deteriorated but this program has recently been started as the 2006 First Phase of Exploration

During 2006, the Company completed a comprehensive surface exploration program on the Goldbanks Property. The 2006 exploration program was designed to identify new areas of near surface gold mineralization and expand on the known inferred oxide and sulphide gold resource of 556,700 ounces of gold with 90% as oxide mineralization (refer to the Company's news release dated March 28, 2006).

Soil and rock geochemical sampling has identified two large surface gold anomalies, the North and the KW West anomalies. The North soil anomaly defines an area containing >30 ppb Au over an area greater than 3000' long (NNE-SSW) by up to 1400' wide with many individual soil samples of >75 ppb Au (up to 158 ppb Au). Rock geochemical sampling within the anomaly confirmed these highly anomalous gold values with numerous samples containing >1 ppm Au and two samples >9 ppm Au (high of 10.55 ppm Au or 0.31oz/ton). The anomaly has yet to be completely defined. The KW West anomaly is an extension of a known soil anomaly (>30 ppb Au) and together they cover an area of ~1400' x ~2000'. The KW West anomaly also contains highly anomalous gold in soils of up to 318 ppb and many samples containing greater than 75 ppb Au and numerous rock samples containing >1 ppm Au up to 3.4 ppm Au. ALS Chemex Ltd. of Vancouver analyzed the samples.

The surface exploration program consisted of detailed geological mapping and geochemical soil and rock sampling, data compilation, and evaluation. The goal was to define near-surface drill targets based on detailed geological mapping and soil and rock geochemistry having the potential to host near surface lower grade gold mineralization amenable to open pit development and associated high-grade "feeder-type" gold mineralization. Some of these targets may be extensions of known zones while others are new targets based on developing an improved understanding of the geological and structural control of the mineralization.

Phase Two of the program, which was carried out in April/May 2007, consisted of a reverse circulation drilling to test one of the new target areas that had been outlined by a large gold and trace metal anomaly that had been defined by both soil and rock sampling. The target is located approximately 4500 feet west of the KW Zone, the most northern of the Goldbanks deposits and is thought to be the northern near surface extension of the Goldbanks gold system. Results of this program recommend that follow-up drilling be conducted.

Additional drilling is planned in the North soil anomaly once permitting has been completed. There are also several areas in the Squaw Butte, Cube and KW Zones that will be drilled at depth to evaluate the higher grade feeder system identified by previous drilling.

Application for a Plan of Operation has been made to allow for a total of 50 acres surface disturbance. This will allow for a detailed drilling program to test all the above prospective areas.

Liquidity

Financing of operations is achieved primarily by issuing share capital. At July 31, 2007, the Company had \$86,705 in cash, \$545,523 in term deposits, and working capital of \$636,761.

During the year ended July 31, 2007 expenditures for operating activities were \$128,083 compared to \$310,079 in 2006. The 2006 amount reflects higher administrative expenses and payments to vendors.

Desert Gold's investing activities revolve around developing its mineral properties. The Company spent \$562,251 in exploration costs during the year ended July 31, 2007 compared to \$312,249 in 2006. The expenditures were incurred on the Company's Goldbanks property in Nevada.

Financing activities generated a cash flow of \$899,640 during the period compared to \$1,105,563 in 2006. The Company completed a private placement issuing 1,470,000 units during 2007 for net proceeds of \$899,640.

The Company will need additional funding to complete its exploration commitments.

Capital Resources

The Company's primary capital assets are mineral property assets. The Company capitalizes all costs related to the mineral properties until the properties are abandoned and written-off.

The Company has a mineral property agreement in Nevada. To maintain its interest in the property the Company must meet exploration expenditures as per the option agreement. The Company must spend \$5 million US in exploration on the Goldbanks property by December 2008 to earn its interest of which \$3 million US must be spent by December 2007. As of July 31, 2007 \$2.08 million US has been spent on exploration.

Financing Activities

The Company completed a private placement of 1,470,000 units at a price of \$0.68 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.84 until October 17, 2008. The Company paid a Finders' Fee in cash in the amount of \$99,960.

Transactions with Related Parties

Pursuant to a Management Agreement with the Company, management fees, bookkeeping and administrative services totalling \$4,000 are paid monthly to Pender Street Corporate Consulting Ltd., a private company owned by Eugene Beukman (a director of the Company). During the year, the Company paid \$44,500 in fees and \$5,130 for rent.

Fourth Quarter

During the fourth quarter, the Company granted 759,000 stock options at a price of \$1.00 per share.

Proposed Transactions

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

Changes in Accounting Policies including Initial Adoption

The Company has not made any changes to its accounting policies during the year ended July 31, 2007.

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 13,441,067 common shares and there are no Preferred Shares issued and outstanding. There are 47,266 common shares held in escrow.

Pursuant to the Company's Stock Option Plan, the Company may issue up to 2,662,383 incentive stock options to purchase common shares of the Company. During the year ended July 31, 2007, 125,000 stock options expired, 884,000 stock options were granted, and 140,000 stock options were cancelled. Currently, 1,712,213 options to purchase common shares at \$1.00 per share are in reserve.

The following table sets out all the outstanding share purchase warrants (total of 7,670,000) in Desert Gold:

Number of Desert Gold Warrants to Purchase Common Shares	Exercise Price	Expiry Date
6,200,000	\$0.30	March 24, 2008
1,470,000	\$0.84	October 17, 2008

Internal Controls and Procedures and Disclosure Controls

The CEO and CFO have evaluated the effectiveness of the company's disclosure controls and procedures and assessed the design of the company's internal control over financial reporting as of July 31, 2007, pursuant to the requirements of Multilateral Instrument 52-109.

Management has concluded, based on this evaluation, that as of July 31, 2007, a weakness existed in the design of internal control over financial reporting caused by a lack of adequate segregation of duties in many cases. This weakness has the potential to result in material misstatements in the Company's financial statements, and should also be considered a weakness in its disclosure controls and procedures.

Due to limited resources and the present stage of the Company's development, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, the Company is highly reliant on the performance of compensating procedures and senior management's review and approval to ensure that the controls are as effective as possible.

Furthermore, there were no changes in internal control in the year ended July 31, 2007 that management considered should be disclosed.

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 Company has no significant source of operating cash flow and no revenues from operations. None of the Company's mineral properties currently have reserves. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves.

The property interests the Company has an option to earn an interest 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.

The Company's functional currency is the Canadian dollar. All current exploration occurs within the United States. The Company is subject to foreign exchange risk relating to these transactions.

Forward Looking Information

Certain statements contained in the following Management Discussion and Analysis 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. Readers are also advised to consider such forward looking statements while considering the risks set forth below.

Other

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at 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.