



**CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' REPORT
YEARS ENDED JULY 31, 2008 AND 2007**

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

YEARS ENDED JULY 31, 2008 AND 2007**Page**

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AUDITORS' REPORT

To the Shareholders of
Desert Gold Ventures Inc.

We have audited the consolidated balance sheets of Desert Gold Ventures Inc. as at July 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2008 and 2007, and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Charlton & Company"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
October 20, 2008

**DESERT GOLD VENTURES INC.
CONSOLIDATED BALANCE SHEETS
AS AT JULY 31, 2008 AND 2007**

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 757,741	\$ 86,705
Term deposit	-	545,523
Goods and services tax recoverable	1,181	464
Prepaid expenses	609,381	37,283
	1,368,303	669,975
Property, plant and equipment (Note 4)	16,776	3,352
Resource property interests (Note 5)	3,541,167	2,436,352
	\$ 4,926,246	\$ 3,109,679
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 115,984	\$ 33,214
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	6,283,149	4,365,110
Contributed surplus (Note 7)	2,426,984	2,077,699
Deficit	(3,899,871)	(3,366,344)
	4,810,262	3,076,465
	\$ 4,926,246	\$ 3,109,679

BASIS OF PRESENTATION (Note 1)
COMMITMENT (Note 8)
SUBSEQUENT EVENTS (Note 13)

Approved on Behalf of the Board:

“Gordon Keevil”

Director – Gordon Keevil

“Eugene Beukman”

Director – Eugene Beukman

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

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED JULY 31, 2008 AND 2007

	2008	2007
ADMINISTRATIVE EXPENSES		
Advertising and promotion	\$ 45,847	\$ -
Amortization	4,531	1,437
Audit and accounting	46,325	44,485
Consulting services:		
- Fee	5,000	3,331
- Stock-based compensation (Note 7)	349,285	132,271
Legal	826	5,341
Management fees	21,500	12,000
Office and miscellaneous	38,367	27,094
Shareholder information and printing	1,141	-
Transfer agent, filing and stock exchange fees	16,960	22,023
Travel	9,783	2,042
Website development	17,429	-
	<u>556,994</u>	<u>250,024</u>
LOSS BEFORE OTHER ITEMS	(556,994)	(250,024)
OTHER INCOME (LOSS)		
Interest income	22,246	20,804
Foreign exchange	2,343	(6,983)
Loss on disposal of capital assets	(1,122)	-
	<u>23,467</u>	<u>13,821</u>
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(533,527)	(236,203)
DEFICIT, beginning of year	<u>(3,366,344)</u>	<u>(3,130,141)</u>
DEFICIT, end of year	<u>\$ (3,899,871)</u>	<u>\$ (3,366,344)</u>
BASIC AND DILUTED LOSS PER SHARE	\$ (0.03)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>16,089,238</u>	<u>13,069,614</u>

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

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2008 AND 2007

	2008	2007
OPERATING ACTIVITIES		
Loss for the year	\$ (533,527)	\$ (236,203)
Adjustments for non-cash items:		
Amortization	4,531	1,437
Stock-based compensation	349,285	132,271
Impairment of resource property interests	1,122	-
	<u>(178,589)</u>	<u>(102,495)</u>
Changes in non-cash working capital items:		
Accrued interest on term deposits	-	(13,200)
Goods and services tax recoverable	(717)	937
Prepaid expenses	(572,098)	2,363
Accounts payable and accrued liabilities	82,770	(15,688)
	<u>(668,634)</u>	<u>(128,083)</u>
FINANCING ACTIVITIES		
Issue of shares	1,860,000	899,640
	<u>1,860,000</u>	<u>899,640</u>
INVESTING ACTIVITIES		
Term deposit	545,523	(282,323)
Acquisition costs of property, plant and equipment	(19,077)	(10,898)
Deferred exploration costs	(1,046,776)	(562,251)
	<u>(520,330)</u>	<u>(855,472)</u>
INCREASE (DECREASE) IN CASH	671,036	(83,915)
CASH AND CASH EQUIVALENTS, beginning of year	86,705	170,620
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 757,741</u>	<u>\$ 86,705</u>
Interest paid in cash	\$ -	\$ -
Income taxes paid in cash	\$ -	\$ -

Supplemental Cash Flow Information (Note 10)

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

DESERT GOLD VENTURES INC.
CONSOLIDATED SCHEDULE OF DEFERRED EXPLORATION COSTS
YEARS ENDED JULY 31, 2008 AND 2007

EXPLORATION COSTS	Goldbanks	2008 Total	2007 Total
Analysis	\$ 26,953	\$ 26,953	\$ 50,042
Communications	1,249	1,249	9
Consultants	16,336	16,336	16,229
Drilling	313,759	313,759	122,320
Equipment rental	2,374	2,374	1,530
Geologist	210,744	210,744	172,578
Labour	39,184	39,184	420
Maps	66,619	66,619	9,650
Office	15,271	15,271	17,235
Reclamation bond	131,500	131,500	10,414
Renewal and restaking fees	105,896	105,896	104,401
Supplies	41,124	41,124	2,566
Transportation	16,953	16,953	18,203
Travel and accommodation	58,814	58,814	36,654
Costs incurred during the year	1,046,776	1,046,776	562,251
BALANCE, beginning of year	2,171,584	2,171,584	1,609,333
BALANCE, end of year	\$3,218,360	\$3,218,360	\$2,171,584

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, 2008 AND 2007

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. NEW ACCOUNTING STANDARDS

a. Accounting standards newly adopted

On August 1, 2007, the Company adopted several new accounting standards related to accounting changes, financial instruments, comprehensive income, hedges, capital disclosures and inventories that were issued by the Canadian Institute of Chartered Accountants ("CICA"). The new CICA standards are as follows:

Section 1506, Accounting Changes

This Section establishes criteria for changes in accounting policies, accounting treatment and disclosure regarding changes in accounting policies, estimates and corrections of errors. In particular, this Section allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information. Furthermore, this Section requires disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. Such disclosures are provided below. The adoption of this Section had no further effects on the financial statements for the period ended July 31, 2008.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007

2. NEW ACCOUNTING STANDARDS (CONT'D)

Section 3855, Financial Instruments – Recognition and Measurement

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

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

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

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

The Company classified its financial instruments as follows:

- Cash is classified as held for trading.
- Goods and services tax recoverable are classified as loans and receivables.
- Accounts payable and accrued liabilities have been classified as other liabilities.

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

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

Section 1530, Comprehensive Income

This Section establishes standards for reporting and presenting of comprehensive income which is defined as the change in equity from transaction and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net earnings.

The classification of the Company's financial instruments as at August 1, 2007 had no effect on the opening balances.

Section 3865, Hedges

This Section establishes standards for how hedge accounting may be applied. The Company currently does not have any hedges in place, and therefore this standard has no impact on its financial statements.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007

2. NEW ACCOUNTING STANDARDS (CONT'D)

The CICA standards below were adopted prior to the mandatory effective date:

Section 1535, *Capital Disclosures*

This Section which specifies the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences on non-compliance. The mandatory effective date is for annual and interim financial statements for years beginning on or after October 1, 2007. The Company elected to adopt this Section early and has included the additional capital disclosures in Note 12.

Section 3862, *Financial Instruments Disclosures*

Section 3863, *Financial Instruments Presentation*

These sections replace Section 3861, *Financial Instruments Disclosure and Presentation*, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new Sections will place increased emphasis on disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks. The mandatory effective date is for annual and interim financial statements for years beginning on or after October 1, 2007. The Company elected to adopt this Section early and has included the additional financial instrument disclosures in Note 12.

Section 3031, *Inventories*

This Section prescribes the accounting treatment for inventories. In particular, this Section provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The mandatory effective date is for annual and interim financial statements for years beginning on or after January 1, 2008. The adoption of this Section does not have an impact on the financial statements.

(i) New accounting standards not yet 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 will be adopted by the Company effective August 1, 2008. The adoption of this Section will not have an impact on the financial statements.

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. The Company will begin application of this section effective August 1, 2008. If adopted effective July 31, 2008, this Section would not have an impact on the financial statements.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007

2. NEW ACCOUNTING STANDARDS (CONT'D)

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. 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.

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.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007

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

d. Asset retirement obligations

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

e. Property, Plant and Equipment

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

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

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

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

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

f. Loss per share

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

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

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

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.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007

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

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.

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.

**DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007**

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

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. 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.

p. 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.

4. PROPERTY, PLANT AND EQUIPMENT

	2008		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	10,727	4,808	5,919
Furniture & Fixtures	4,955	496	4,459
Software	4,538	2,269	2,269
Leasehold Improvements	4,414	285	4,129
	24,634	7,858	16,776
	2007		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	8,469	5,117	3,352

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007

5. RESOURCE PROPERTY INTERESTS

	Acquisition Costs and Option Payments	Deferred Exploration and Development Costs (Schedule)	Impairment of Capitalized Costs	2008 Total
a. Goldbanks	\$ 322,807	\$ 3,218,360	\$ -	\$ 3,541,167

	Acquisition Costs and Option Payments	Deferred Exploration and Development Costs	Impairment of Capitalized Costs	2007 Total
a. Goldbanks	\$ 264,768	\$ 2,171,584	\$ -	\$ 2,436,352

Nevada

a. Goldbanks

By an option agreement dated March 15, 2004, subsequently amended on February 28, 2005, June 17, 2005, October 26, 2005, November 15, 2006 and December 18, 2007, 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 (completed),
- a further \$750,000 US on or before June 30, 2007 (completed),
- a further \$1,000,000 US on or before December 31, 2008, and
- a further \$2,000,000 US on or before December 31, 2008.

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.

A further 100,000 shares were issued at a price \$0.55 in consideration of a second extension to extend the \$1,000,000 US exploration commitment from December 31, 2007 to December 31, 2008.

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. The company issued 4,676 common shares at a price of \$0.65 on February 19, 2008 for the exploration expenditures to December 31, 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.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007

6. SHARE CAPITAL

The authorized share capital of the Company consists of:

Unlimited number of shares without par value.

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

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

	<u>2008</u>		<u>2007</u>	
	<u>Number of Common Shares</u>	<u>Amount</u>	<u>Number of Common Shares</u>	<u>Amount</u>
Balance, beginning of year	13,441,067	\$ 4,365,110	11,841,917	\$ 3,367,980
Issued for cash				
Exercise of warrants	6,200,000	1,860,000	-	-
Private placement (i)	-	-	1,470,000	999,600
	<u>6,200,000</u>	<u>\$ 1,860,000</u>	<u>1,470,000</u>	<u>999,600</u>
Issued for properties (ii)	104,676	58,039	129,150	97,490
Less: Issue costs	-	-	-	(99,960)
Balance, end of year	<u>19,745,743</u>	<u>\$ 6,283,149</u>	<u>13,441,067</u>	<u>\$ 4,365,110</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).

ii. Resource properties

The Company issued 104,676 (2007 – 129,150) common shares at a value of \$58,039 (2007 - \$97,490) in connection with the acquisition of resource property interests (**Note 5**).

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 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.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007

6. SHARE CAPITAL (CONT'D)

A summary of the status of the Company's outstanding stock options as at July 31, 2008 and 2007 and changes during the years then ended are as follows:

	2008			2007		
	# 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	1,712,213	\$ 1.00	2.84	1,093,213	\$ 1.00	3.55
Granted	795,000	1.00	-	884,000	1.00	-
Exercised	-	-	-	-	-	-
Expired	(329,463)	1.00	-	(125,000)	1.00	-
Cancelled	-	-	-	(140,000)	1.00	-
Outstanding, end of year	2,177,750	\$ 1.00	2.52	1,712,213	\$ 1.00	2.84

The following table provides detailed information about stock options outstanding at July 31, 2008:

Options Outstanding	Exercise Price	Expiry Date
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
470,000	1.00	March 11, 2010
120,000	1.00	May 4, 2011
634,000	1.00	May 22, 2012
225,000	1.00	March 11, 2013
100,000	1.00	May 7, 2013
2,177,750		

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007

6. SHARE CAPITAL (CONT'D)

Warrants

At July 31, 2008, the Company had outstanding share purchase warrants exercisable to acquire 1,470,000 shares of its capital stock. Changes to the number of share purchase warrants outstanding are summarized as follows:

	<u>2008</u>		<u>2007</u>	
	# Shares	Weighted Average Exercise Price	# Shares	Weighted Average Exercise Price
Outstanding, beginning of year	7,670,000	\$ 0.40	6,375,000	\$ 0.31
Issued	-	-	1,470,000	0.84
Expired	-	-	(175,000)	0.80
Exercised	(6,200,000)	0.30	-	-
Outstanding, at year end	<u>1,470,000</u>	<u>0.84</u>	<u>7,670,000</u>	<u>\$ 0.40</u>

The following table provides detailed information about warrants outstanding at July 31, 2008:

Warrants Outstanding	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
<u>1,470,000</u>	0.84	October 17, 2008	<u>0.21 years</u>

7. CONTRIBUTED SURPLUS

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 2,077,699	\$ 1,945,428
Additions:		
Stock-based compensation (i)	<u>349,285</u>	<u>132,271</u>
Balance, end of year	<u>\$ 2,426,984</u>	<u>\$ 2,077,699</u>

**DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007**

7. CONTRIBUTED SURPLUS (CONT'D)

(i) Stock-based compensation

During the current and prior year stock-based compensation has been recorded in the amount of \$349,285 (2007 - \$132,271) and included in contributed surplus. The amount is management's estimate of the fair value of the 795,000 (2007 - 884,000) 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 \$0.40 (2007 - \$0.37) per option.

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

	<u>2008</u>	<u>2007</u>
Risk free interest rate	2.66% to 3.13%	4.00% to 4.41%
Expected life	2 to 5 years	2 to 5 years
Expected volatility	77% to 111%	92% to 104%
Dividend yield	0%	0%

8. RELATED PARTY TRANSACTIONS & COMMITMENTS

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

	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
Administration and accounting	32,500	32,500
Consulting	5,000	-
Management fees	21,500	12,000
Rent of office space	<u>20,616</u>	<u>5,130</u>
	<u>79,616</u>	<u>49,630</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
YEARS ENDED JULY 31, 2008 AND 2007

9. 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:	2008	2007
	<u>\$</u>	<u>\$</u>
Net operating losses carried forward	1,401,561	1,163,121
Excess tax base of property and equipment	5,837	1,306
Excess tax base of resource property interests and share issuance costs	<u>354,874</u>	<u>414,724</u>
Estimated corporate tax rate	<u>30.50%</u>	<u>34.10%</u>
Net future income tax asset	537,493	538,490
Valuation allowance	<u>(537,493)</u>	<u>(538,490)</u>
	<u> -</u>	<u> -</u>

The Company has approximately \$1,401,561 of non-capital losses available, which begin to expire in 2011 through to 2028 and may be applied against future taxable income.

	2008	2007
	<u>\$</u>	<u>\$</u>
Net loss	(533,527)	(236,203)
Expected tax recovery @30.50% (2007 – 34.10%)	(162,726)	(80,592)
Non-deductible items and others	90,002	25,200
Change in statutory tax rate	57,165	-
Unrecognizable benefits on non-capitalized losses	<u>15,559</u>	<u>55,392</u>
	<u> -</u>	<u> -</u>

10. SUPPLEMENTARY INFORMATION ON STATEMENT OF CASH FLOWS

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

2008

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

2007

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

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

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007

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
2008				
Canada	\$ 1,220,165	\$ 16,776	\$ -	\$ 1,203,389
United States	<u>3,706,081</u>	<u>-</u>	<u>3,541,167</u>	<u>164,914</u>
	<u>\$ 4,926,246</u>	<u>\$ 16,776</u>	<u>\$ 3,541,167</u>	<u>\$ 1,368,303</u>
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>

12. FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to shareholders through equity sales. 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 deficit.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial instrument are disclosed in note 2 to the financial statements.

Categories of financial instruments

	<u>2008</u>
Financial assets	
Held for trading (including cash)	\$757,741
Loans and receivables	1,181
Financial liabilities	
Other liabilities	\$115,984

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007

12. FINANCIAL INSTRUMENTS (CONT'D)

Items of income, expense, gains or losses

	2008
Interest income on bank deposits and term deposit	\$ 39,986

Financial risk management

The Company monitors and manages the financial risks relating to operations through analysis of exposures by degree and magnitude of risks. These risks include credit risk, market risk and liquidity risk.

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 trade receivables are an insignificant amount and exposure to credit risk is 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 base metals. The Company does not currently hold any financial instruments that mitigate this risk. The Company is exposed to market risk in generating capital to continue its activities.

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 is not financed by debt and exposure to liquidity risk is minimal.

13. SUBSEQUENT EVENTS

The following events occurred subsequent to July 31, 2008:

- (a) 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 representing 7% of the gross proceeds received.

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2008 AND 2007

13. SUBSEQUENT EVENTS (CONT'D)

- (b) In November 2008, the Company arranged two convertible unsecured debenture financings, in the principal amounts of \$500,000 and \$450,000. Interest pursuant to the convertible debentures is payable at a rate of 10% per annum. The convertible debentures mature on April 30, 2009 and are convertible, at the lenders' option, into units of the Company at a per unit price of Cdn\$0.50, 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 for a period of 6 months from the date of conversion.

The Company is waiting for regulatory approval to complete the convertible debt financing.



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Form 51-102F1
Annual Management's Discussion and Analysis¹
Containing Information up to and including November 19, 2008

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 is earning a 50% interest in the Goldbanks Project through an option and joint venture agreement with Kinross Gold Corporation. To earn this interest, the Company must incur \$5 million US in exploration expenditures by December 31, 2008. The Company has incurred \$4.8 million US to date and continues its drilling program. In addition, the Company will issue the final share consideration of 115,324 shares to complete its earn-in. Once the Company completes its earn-in, a joint venture will be formed.

The Company needs additional funds to complete this exploration program and completed a non-brokered placement in November 2008 issuing 631,000 units for gross proceeds of \$378,600. In addition, the Company has arranged a convertible unsecured debenture financing to raise \$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.

EXPLORATION UPDATE

Desert Gold has an option agreement to acquire a 50% interest in the Goldbanks property located in Nevada, U.S.A.

¹ **Note to Reader**

The following management's discussion and analysis ("**MD&A**") provides a detailed analysis of the Company's business and compares its financial results with those of the two previous years and should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2008. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**").

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. To date the Assay results received from 3 holes (one complete GB08-01 and two partial complete assays) confirm that the zone is gold-bearing.

The drilling program to date is 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 current drill program is 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. Analytical results have been slow in coming at the height of the summer exploration season, although it is expected that sample turn-around will decrease this fall and additional assays of completed holes are expected very soon. These holes are part of the 30,000 feet RC drilling and 25,000 feet HQ core drilling, part of the \$2.89 million exploration program.

In addition to these positive results, the number of drills under operation has been increased to 5 drills which are expected to provide 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 will serve to expedite the first phase of the Company's 2008 major exploration program, which is planned to be completed by the end of the year. The program is 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 is 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 is focused on soil and rock geochemical anomalies distal to the KW Zone. The KW-West Zone occurs ~4,800 feet west of the KW Zone and 7 holes (6,910 feet total footage) were drilled to test surface gold anomalies.

SELECTED ANNUAL INFORMATION

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

	Year ended July 31, 2008	Year ended July 31, 2007	Year ended July 31, 2006
Total revenue	\$ Nil	\$ Nil	\$ Nil
Stock-based compensation	349,285	132,271	152,980
Impairment of resource property interests	-	-	50,000
Other administrative expenses	207,709	117,753	175,540
Net loss	(533,527)	(236,203)	(376,173)
Basic and diluted loss per share	(0.03)	(0.02)	(0.05)
Total assets	4,926,246	3,109,679	2,232,169

RESULTS OF OPERATIONS

The Company's loss for 2008 was \$533,527 (\$0.03 per share) as compared to a loss of \$236,203 (\$0.02 per share) in 2007 and a loss of \$376,173 (\$0.05 per share) in 2006. The Company is a development stage company and does not generate operating revenue. Other significant variances include a significant increase in stock-based compensation (2008 - \$349,285, 2007 - \$132,271 and 2006 - \$152,980) and other administrative expenses (2008 - \$207,709, 2007 - \$117,753 and 2006 - \$175,540).

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 recorded impairment on the Pauls Syfer 437 property in 2006 and has been focusing on its Goldbanks property for the last two fiscal years.

The Company's stock-based compensation and other administrative expenses increased significantly as a result of a higher level of corporate development activities. The Company granted 795,000 (2007 - 884,000 and 2006 - 589,463) stock options and recorded stock-based compensation in the amount of \$349,285 (2007 - \$132,271 and 2006 - \$152,980). The weighted average fair value of the options granted and vested during the year is approximately \$0.40 (2007 - \$0.37 and 2006 - \$0.41). The expense is recorded as the options vest over an 18 month period.

The Company incurred advertising and promotion expenses in the amount of \$45,847 (2007 - \$nil and 2006 - \$nil) and website development expenses in the amount of \$17,429 (2007 - \$nil and 2006 - \$nil) to assist with its corporate development. Other administrative expenses were higher during 2008 due to the higher level of corporate activity.

FOURTH QUARTER

The factors that have influenced the results of operations for the fourth quarter ended July 31, 2008 are substantially the same as those described under "Results of Operations" above. The Company reported loss for the fourth quarter in the amount of \$216,902 (2007 – \$68,754). Stock-based compensation was \$134,736 (2007 - \$29,226) and other administrative expenses were \$99,567 (2007 - \$37,141) during the fourth quarter.

Desert Gold commenced a drilling program during the fourth quarter ending July 31, 2008 and incurred \$771,362 (2007 - \$154,931) in exploration expenditures during the quarter.

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)	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and term deposits	758	1,688	388	434	632	771	964	1,091
Working Capital	1,252	2,114	407	471	637	831	1,008	1,118
Total Assets	4,926	4,893	3,084	3,054	3,110	3,105	3,116	3,076
Shareholders' Equity	4,810	4,892	3,075	3,052	3,076	3,099	3,114	3,058
Administrative expenses	234	86	128	109	66	58	72	53
Impairment of Resource	-	-	-	-	-	-	-	-
Property Interests	-	-	-	-	-	-	-	-
Net Income (Loss)	(217)	(84)	(125)	(108)	(69)	(52)	(63)	(53)
Net Earnings (Loss) per Share	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)
Weighted Average Shares Outstanding (000's)	19,746	17,687	13,483	13,441	13,431	13,412	13,379	12,332
Closing Exchange Rate (Can/\$1 US\$)	1.0238	1.0135	0.997	0.9547	1.0667	1.1169	1.1825	1.1212

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 July 31, 2008, the Company had \$757,741 in cash and working capital of \$1,252,319.

During the year ended July 31, 2008 expenditures for operating activities were \$668,634 compared to \$128,083 in 2007. The increase in expenditure is largely due to deposits being paid to commence the drilling program on the Goldbanks property.

Desert Gold's investing activities revolve around developing its mineral properties. The Company spent \$1,046,776 in exploration costs during the year ended July 31, 2008 compared to \$562,251 in 2007. The expenditures were incurred on the Company's Goldbanks property in Nevada.

Financing activities generated a cash flow of \$1,860,000 (2007 - \$899,640) during the year ended July 31, 2008 which resulted from the exercise of 6,200,000 warrants.

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

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 has an option agreement for the Goldbanks property 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. \$4.8 million US has been spent on exploration to date.

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

FINANCING ACTIVITIES

The following events occurred subsequent to July 31, 2008:

- (a) 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 representing 7% of the gross proceeds received.

- (b) In November 2008, the Company also completed a convertible unsecured debenture financing, in the principal amount of \$950,000. Interest pursuant to the convertible debentures is payable at a rate of 10% per annum. The convertible debentures mature on April 30, 2009 and are convertible, at the lenders' option, into units of the Company at a per unit price of Cdn\$0.50, 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 commission of 10% of the funds received.

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 year ended July 31, 2008, the Company paid \$54,000 (2007 - \$44,500) in fees and \$20,616 (2007 - \$5,130) for rent.

In addition, the Company paid \$5,000 (2007 - \$nil) for consulting fees to Beukman & Associates Enterprises Limited (a private company owned by Eugene Beukman).

PROPOSED TRANSACTIONS

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

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended July 31, 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, 2007, the Company adopted several new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These policies include:

- Section 1506, *Accounting Changes*
- Section 1530, *Comprehensive Income*
- Section 1535, *Capital Disclosures*
- Section 3855, *Financial Instruments – Recognition and Measurement*
- Section 3862, *Financial Instruments Disclosures*
- Section 3863, *Financial Instrument Presentation*
- Section 3865, *Hedges*
- Section 3031, *Inventories*

These policies are outlined in Note 2 in the audited consolidated financial statements for the year ended July 31, 2008.

The CICA, with its new policies on financial instruments, is looking to account for changes in asset values that typically have not been reflected in historical financial statements. Assets re-valued under these policies are typically liquid assets such as investments. There has been no change in accounting for long-term or capital assets.

The adoption of these standards does not impact the financial results of the Company. The additional disclosures required by these sections are included in the notes to the audited consolidated financial statements for the year ended July 31, 2008.

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 20,376,743 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, the Company may issue up to 2,662,383 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:

Number of Desert Gold Warrants to Purchase Common Shares	Exercise Price	Expiry Date
631,000	\$0.75	May 13, 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 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. 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.