



**CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED OCTOBER 31, 2008**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the three month period ended October 31, 2008.

NOTICE TO READER

The interim balance sheet as at October 31, 2008 and the interim statements of operations and deficit and the interim statements of cash flows for the three month period then ended are the responsibility of the Company's management.

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

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

PERIOD ENDED OCTOBER 31, 2008 AND 2007**Page**

Consolidated Balance Sheets	2
Consolidated Statements of Operations, Comprehensive Loss and Deficit	3
Consolidated Statements of Cash Flows	4
Consolidated Schedule of Deferred Exploration Costs	5
Notes to the Consolidated Financial Statements	6 – 12

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

	October 31 2008 (Unaudited)	July 31 2008 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 43,192	\$ 757,741
Goods and services tax recoverable	10,072	1,181
Prepaid expenses	188,066	609,381
	241,330	1,368,303
Property, plant and equipment (Note 3)	16,361	16,776
Resource property interests (Note 4)	5,148,387	3,541,167
	\$ 5,406,078	\$ 4,926,246
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 242,372	\$ 115,984
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	6,283,149	6,283,149
Share subscriptions	378,600	-
Contributed surplus (Note 6)	2,495,899	2,426,984
Deficit	(3,993,942)	(3,899,871)
	5,163,706	4,810,262
	\$ 5,406,078	\$ 4,926,246

BASIS OF PRESENTATION (Note 1)
COMMITMENT (Note 7)

Approved on Behalf of the Board:

"Gordon Keevil"

Director – Gordon Keevil

"Eugene Beukman"

Director – Eugene Beukman

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

**DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
PERIODS ENDED OCTOBER 31, 2008 AND 2007**

	2008	2007
ADMINISTRATIVE EXPENSES		
Advertising and promotion	\$ 10,116	\$ -
Amortization	1,474	1,013
Audit and accounting	7,500	10,325
Consulting services:		
- Fee	6,500	-
- Stock-based compensation	68,915	84,024
Management fees	7,500	4,000
Office and miscellaneous	10,691	7,148
Shareholder information and printing	957	-
Transfer agent, filing and stock exchange fees	3,372	996
Travel	-	1,344
	<u>117,025</u>	<u>108,850</u>
LOSS BEFORE OTHER ITEMS	(117,025)	(108,850)
OTHER INCOME (LOSS)		
Interest income	3,728	5,832
Foreign exchange	19,226	(4,978)
	<u>22,954</u>	<u>854</u>
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(94,071)	(107,996)
DEFICIT, beginning of period	<u>(3,899,871)</u>	<u>(3,366,344)</u>
DEFICIT, end of period	<u>\$ (3,993,942)</u>	<u>\$ (3,474,340)</u>
BASIC AND DILUTED LOSS PER SHARE	\$ (0.00)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>19,745,743</u>	<u>13,441,067</u>

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

**DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS**

PERIODS ENDED OCTOBER 31, 2008 AND 2007

	2008	2007
OPERATING ACTIVITIES		
Loss for the period	\$ (94,071)	\$ (107,996)
Adjustments for non-cash items:		
Amortization	1,474	1,013
Stock-based compensation	68,915	84,024
	<u>(23,682)</u>	<u>(22,959)</u>
Changes in non-cash working capital items:		
Accrued interest on term deposits	-	(4,744)
Goods and services tax recoverable	(8,891)	(3,129)
Prepaid expenses	421,315	2,135
Accounts payable and accrued liabilities	126,388	(31,798)
	<u>515,130</u>	<u>(60,495)</u>
FINANCING ACTIVITIES		
Share subscriptions	378,600	-
	<u>378,600</u>	<u>-</u>
INVESTING ACTIVITIES		
Term deposit	-	198,924
Acquisition costs of property, plant and equipment	(1,059)	(9,708)
Deferred exploration costs	(1,607,220)	(132,685)
	<u>(1,608,279)</u>	<u>56,531</u>
INCREASE (DECREASE) IN CASH	(714,549)	(3,963)
CASH AND CASH EQUIVALENTS, beginning of period	757,741	86,705
CASH AND CASH EQUIVALENTS, end of period	\$ 43,192	\$ 82,742
Interest paid in cash	\$ -	\$ -
Income taxes paid in cash	\$ -	\$ -

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

AS AT OCTOBER 31, 2008 AND JULY 31, 2008

	Goldbanks	October 31 2008 Total	July 31 2008 Total
EXPLORATION COSTS:			
Analysis	\$ 136,625	\$ 136,625	\$ 26,953
Communications	514	514	1,249
Consultants	12,719	12,719	16,336
Drilling	1,098,864	1,098,864	313,759
Equipment rental	5,179	5,179	2,374
Geologist	118,269	118,269	210,744
Labour	-	-	39,184
Maps	2,828	2,828	66,619
Office	5,407	5,407	15,271
Reclamation bond	69,179	69,179	131,500
Renewal and restaking fees	107,460	107,460	105,896
Supplies	7,563	7,563	41,124
Transportation	1,389	1,389	16,953
Travel and accommodation	41,224	41,224	58,814
Costs incurred during the period	1,607,220	1,607,220	1,046,776
BALANCE , beginning of period	3,218,360	3,218,360	2,171,584
BALANCE , end of period	\$4,825,580	\$4,825,580	\$3,218,360

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

DESERT GOLD VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED OCTOBER 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 resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production. The Company will have to raise additional funds to complete the development phase of its programs and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

The amounts shown as resource properties and deferred exploration costs represent costs to date and do not necessarily represent present or future values. Changes in future conditions could require material write-downs of the carrying amounts of the resource properties.

The interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), except that they do not contain all disclosures required for annual financial statements. The interim consolidated financial statements have been prepared following the same accounting policies as for the consolidated financial statements for the year ended July 31, 2008 except as outlined in Note 2 below. Accordingly, they should be read in conjunction with the 2008 consolidated financial statements and the notes thereto which are available on SEDAR at www.sedar.com.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. Realization values may be substantially different from the carrying values as presented in the financial statements should the Company be unable to continue as a going concern. It is management's opinion that all adjustments considered necessary for fair presentation of the results for the periods presented have been reflected in the interim consolidated financial statements.

2. NEW ACCOUNTING STANDARDS

(i) Accounting standards newly adopted

Section 1400, *General Standards of Financial Statement Presentation*

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

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

2. NEW ACCOUNTING STANDARDS (CONT'D)

Section 3064, *Goodwill and Intangible Assets*

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

(ii) New accounting standards not yet adopted

International Financial Reporting Standards

In January 2006, the Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS") effective January 1, 2011. The Company continues to monitor and assess the impact of these convergence efforts.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Oct 31, 2008 Net Book Value
Computer equipment	10,727	5,252	5,475
Furniture & Fixtures	6,014	745	5,269
Software	4,538	2,837	1,701
Leasehold Improvements	4,414	498	3,916
	<u>25,693</u>	<u>9,332</u>	<u>16,361</u>

	Cost	Accumulated Amortization	Jul 31, 2008 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
	<u>24,634</u>	<u>7,858</u>	<u>16,776</u>

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

4. RESOURCE PROPERTY INTERESTS

	Acquisition Costs and Option Payments	Deferred Exploration and Development Costs (Schedule)	Impairment of Capitalized Costs	Oct 31 2008 Total
Goldbanks	\$ 322,807	\$ 4,825,580	\$ -	\$ 5,148,387

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

5. SHARE CAPITAL

The authorized share capital of the Company consists of:

Unlimited number of shares without par value.

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

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

	<u>Oct 31, 2008</u>		<u>Jul 31, 2008</u>	
	Number of Common Shares	Amount	Number of Common Shares	Amount
Balance, beginning of period	19,745,743	\$ 6,283,149	13,441,067	\$ 4,365,110
Issued for cash				
Exercise of warrants	-	-	6,200,000	1,860,000
	-	\$ -	6,200,000	\$ 1,860,000
Issued for properties (ii)	-	-	104,676	58,039
Balance, end of period	19,745,743	\$ 6,283,149	19,745,743	\$ 6,283,149

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

5. SHARE CAPITAL (CONT'D)

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.

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

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

Warrants

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

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

6. CONTRIBUTED SURPLUS

	Oct 31 2008	July 31 2008
Balance, beginning of period	\$ 2,426,984	\$ 2,077,699
Additions		
Stock-based compensation	68,915	349,285
Balance, end of period	<u>\$ 2,495,899</u>	<u>\$ 2,426,984</u>

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

7. RELATED PARTY TRANSACTIONS & COMMITMENTS

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

	Oct 31 2008	Oct 31 2007
Administration and accounting	\$ 7,500	\$ 7,500
Consulting	6,500	-
Management fees	7,500	4,000
Rent of office space	5,226	5,130
	<u>\$ 26,726</u>	<u>\$ 16,630</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.

8. SEGMENTED INFORMATION

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

	Total Assets	Property, Plant and Equipment	Resource Properties	Other Assets
Oct 31, 2008				
Canada	\$ 33,485	\$ 16,361	\$ -	\$ 17,124
United States	<u>5,372,593</u>	<u>-</u>	<u>5,148,387</u>	<u>224,206</u>
	<u>\$ 5,406,078</u>	<u>\$ 16,361</u>	<u>\$ 5,148,387</u>	<u>\$ 241,330</u>
Jul 31, 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>

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

9. 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 of the audited consolidated financial statements for the year ended July 31, 2008.

Categories of financial instruments

	<u>2008</u>
Financial assets	
Held for trading (including cash)	\$ 43,192
Loans and receivables	10,072
Financial liabilities	
Other liabilities	\$ 242,372

Items of income, expense, gains or losses

Interest income on bank deposits and term deposit	\$ 3,728
--	----------

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 gold and the US dollar. 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.

10. SUBSEQUENT EVENTS

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

The following events occurred subsequent to October 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 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.



DESERT GOLD
VENTURES, INC

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

Form 51-102F1
Management's Discussion and Analysis¹
Containing Information up to and including December 3, 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 completed the \$5 million US in exploration expenditures by the end of November. 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 completed a non-brokered placement in November 2008 issuing 631,000 units for gross proceeds of \$378,600. In addition, the Company has arranged two convertible unsecured debenture financings 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 (the "**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 previous year and should be read in conjunction with the Company's consolidated financial statements for the period ended October 31, 2008 and the 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.

RESULTS OF OPERATIONS

The Company's loss for the three months ended October 31, 2008 ("first quarter") was \$94,071 (\$0.00 per share) as compared to a loss of \$107,996 (\$0.01 per share) in 2007. The Company is a development stage company and does not generate operating revenue.

Acquisition and exploration costs are deferred and charged to the Property until such time as the project is put into commercial production, sold, abandoned, or when delays in the development process require a revaluation. The Company has been focusing on its Goldbanks property for the last two fiscal years.

The Company's administrative expenses increased slightly as a result of a higher level of corporate development activities. The Company recorded stock-based compensation in the amount of \$68,915 (2007 - \$84,024). The expense is recorded as the options vest over an 18 month period.

The Company incurred advertising and promotion expenses in the amount of \$10,116 (2007 - \$nil) to assist with its corporate development. Other administrative expenses were higher during 2008 due to the higher level of corporate activity.

The value of the US dollar has risen during the first quarter. The Company recorded a foreign exchange gain in the amount of \$19,226 (2007 - \$4,978 loss).

SUMMARY OF QUARTERLY RESULTS

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

(In thousands of dollars except amounts per share)	2009		2008			2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and term deposits	43	758	1,688	388	434	632	771	964
Working Capital	(1)	1,252	2,114	407	471	637	831	1,008
Total Assets	5,406	4,926	4,893	3,084	3,054	3,110	3,105	3,116
Shareholders' Equity	5,164	4,810	4,892	3,075	3,052	3,076	3,099	3,114
Administrative expenses	117	234	86	128	109	66	58	72
Net Income (Loss)	(94)	(217)	(84)	(125)	(108)	(69)	(52)	(63)
Net Earnings (Loss) per Share	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)
Exploration Costs	1,607	772	108	34	133	287	163	76
Weighted Average Shares Outstanding (000's)	19,746	19,746	17,687	13,483	13,441	13,431	13,412	13,379
Closing Exchange Rate (Can\$/1 US\$)	1.2091	1.0238	1.0135	0.997	0.9547	1.0667	1.1169	1.1825

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 October 31, 2008, the Company had \$43,192 in cash and working capital deficit of \$1,042.

During the first quarter, cash flow from operating activities was \$515,130 compared to (\$60,495) in 2007. The change in cash flows is largely due to the reduction in prepaid expenses as exploration costs were incurred on the drilling program.

Desert Gold's investing activities revolve around developing its resource properties. The Company spent \$1,607,220 in exploration costs during the first quarter compared to \$132,685 in 2007. The expenditures were incurred on the Company's Goldbanks Property in Nevada.

Financing activities generated a cash flow of \$378,600 (2007 - \$nil) during the first quarter in regards to the private placement completed in November.

The Company has also arranged a debenture financing to be able to complete its exploration commitments on the Goldbanks Property.

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 first quarter, the Company paid \$15,000 (2007 - \$11,500) in fees and \$5,226 (2007 - \$5,130) for rent.

In addition, the Company paid \$6,500 (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, 2008, the Company adopted several new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These policies include:

Section 1400, General Standards of Financial Statement Presentation

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

Section 3064, Goodwill and Intangible Assets

In February 2008, the CICA issued this new section to replace Section 3062, *Goodwill and Other Intangible Assets* and establish standards for the recognition, measurement and disclosure of goodwill and intangible assets. In addition, the CICA issued amendments to Section 1000, *Financial Statement*

Concepts and AcG 11, *Enterprises in the Development Stage* and withdrew Section 3450, *Research and Development Costs*. EIC 27, *Revenues and Expenditures During the Pre-operating Period* is no longer applicable for entities that have adopted CICA 3064. The mandatory effective date is for annual and interim financial statements for years beginning on/after October 1, 2008. This new requirement was adopted by the Company effective August 1, 2008. The adoption of this Section does not have an impact on the financial statements

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, the Canadian Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will have to provide comparative IFRS information for the previous fiscal year. The Company is assessing the impact of this transition to IFRS on the Company's financial statements and developing an implementation plan.

SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares and 1,250,000 Preferred Shares. As of the date of this report, there are 19,745,743 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.