



***Interim Financial Statements
for the Nine Months Ended
April 30, 2006***
(Unaudited)

1255 West Pender Street
Vancouver, BC
V6E 2V1
Tel: (604) 687-2038 / Fax: (604) 687-3141
Web site: www.desertgold.ca

DESERT GOLD VENTURES INC.
CONSOLIDATED BALANCE SHEETS

April 30, 2006 and July 31, 2005

Unaudited - Prepared by Management

| | Apr 30 | Jul 31 |
|---|--------------------|--------------------|
| | 2006 | 2005 |
| | \$ | \$ |
| ASSETS | | |
| CURRENT | | |
| Cash | 559,287 | 6,324 |
| Accounts receivable | 6,852 | 5,046 |
| | <u>566,139</u> | <u>11,370</u> |
| EQUIPMENT | 5,302 | 6,841 |
| RESOURCE PROPERTY INTERESTS (Note 4) | 1,712,561 | 1,412,659 |
| | <u>2,284,002</u> | <u>1,430,870</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 22,518 | 151,839 |
| PROMISSORY NOTE (Note 7) | - | 375,303 |
| | <u>22,518</u> | <u>527,142</u> |
| SHAREHOLDER'S EQUITY (DEFICIENCY) | | |
| SHARE CAPITAL (Note 5) | 3,367,980 | 1,836,410 |
| CONTRIBUTED SURPLUS (Note 6) | 1,792,448 | 1,792,448 |
| EQUITY COMPONENT OF CONVERTIBLE PROMISSORY NOTE (Note 7) | - | 28,838 |
| DEFICIT | <u>(2,898,944)</u> | <u>(2,753,968)</u> |
| | <u>2,261,484</u> | <u>903,728</u> |
| | <u>2,284,002</u> | <u>1,430,870</u> |

"Eugene Beukman"
Eugene Beukman, Director

"Gordon Keevil"
Gordon Keevil, Director

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
For The Nine Months Ended April 30, 2006 and 2005
Unaudited - Prepared by Management

| | 3 Months Ended Apr 30 2006 \$ | 3 Months Ended Apr 30 2005 \$ | 9 Months Ended Apr 30 2006 \$ | 9 Months Ended Apr 30 2005 \$ |
|-------------------------------------|--|--|--|--|
| EXPENSES | | | | |
| Amortization | 513 | 130 | 1,539 | 390 |
| Audit and accounting fees | 12,500 | 15,750 | 42,500 | 53,000 |
| Consulting - fees | - | 25,341 | 4,500 | 138,691 |
| - stock-based compensation | - | - | - | 1,008,436 |
| Interest on long-term debt | 243 | - | 25,856 | - |
| Legal fees | 6,262 | 5,953 | 15,360 | 10,859 |
| Listing and share transfer fees | 16,658 | 5,609 | 26,070 | 20,585 |
| Management fees | - | 15,000 | 10,000 | 45,000 |
| Office and miscellaneous | 4,473 | 8,420 | 12,612 | 25,632 |
| Property investigation costs | - | - | - | 18,145 |
| Rent | 4,925 | - | 6,750 | - |
| Travel | - | - | - | 8,147 |
| | <u>45,574</u> | <u>76,203</u> | <u>145,187</u> | <u>1,328,885</u> |
| LOSS BEFORE OTHER ITEMS | (45,574) | (76,203) | (145,187) | (1,328,885) |
| OTHER ITEMS | | | | |
| Interest income | 211 | - | 211 | - |
| Write-off of resource properties | - | - | - | (193,181) |
| | <u>211</u> | <u>-</u> | <u>211</u> | <u>(193,181)</u> |
| NET LOSS FOR THE PERIOD | (45,363) | (76,203) | (144,976) | (1,522,066) |
| DEFICIT, beginning of period | | | | |
| | (2,853,581) | (2,555,911) | (2,753,968) | (1,110,048) |
| DEFICIT, end of period | | | | |
| | (2,898,944) | (2,632,114) | (2,898,944) | (2,632,114) |
| BASIC LOSS PER COMMON SHARE | | | | |
| | \$ (0.004) | \$ (0.002) | \$ (0.012) | \$ (0.034) |

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Nine Months Ended April 30, 2006 and 2005
Unaudited - Prepared by Management

| | 3 Months Ended Apr 30 2006 \$ | 3 Months Ended Apr 30 2005 \$ | 9 Months Ended Apr 30 2006 \$ | 9 Months Ended Apr 30 2005 \$ |
|--|--|--|--|--|
| CASH PROVIDED BY (USED FOR) | | | | |
| OPERATING ACTIVITIES | | | | |
| Net loss | (45,363) | (76,203) | (144,976) | (1,522,066) |
| Amortization | 513 | 130 | 1,539 | 390 |
| Interest accreted | (2,957) | - | - | - |
| Stock-based compensation | - | - | - | 1,008,436 |
| Write-off of resource properities | - | - | - | 193,181 |
| | <u>(47,807)</u> | <u>(76,073)</u> | <u>(143,437)</u> | <u>(320,059)</u> |
| Net changes in other operating accounts | | | | |
| Accounts receivable | (4,308) | 7,689 | (1,806) | 4,054 |
| Prepaid expenses | - | 76,800 | - | (57,526) |
| Accounts payable and accrued liabilities | (375,860) | 10,480 | (129,321) | (109,248) |
| | <u>(427,975)</u> | <u>18,896</u> | <u>(274,564)</u> | <u>(482,779)</u> |
| FINANCING ACTIVITIES | | | | |
| Issuance of convertible promissory note | - | - | 100,000 | 400,000 |
| Convertible promissory notes | (504,141) | - | (504,141) | - |
| Issuance of share capital | 1,509,704 | 474,000 | 1,509,704 | 1,145,000 |
| | <u>1,005,563</u> | <u>474,000</u> | <u>1,105,563</u> | <u>1,545,000</u> |
| INVESTING ACTIVITIES | | | | |
| Resource property interest expenditures | (26,690) | (435,685) | (278,036) | (865,479) |
| Purchase of property and equipment | - | (2,335) | - | (6,623) |
| | <u>(26,690)</u> | <u>(438,020)</u> | <u>(278,036)</u> | <u>(872,102)</u> |
| INCREASE (DECREASE) IN CASH | 550,898 | 54,876 | 552,963 | 190,119 |
| CASH, beginning of the period | 8,389 | 188,448 | 6,324 | 53,205 |
| CASH, end of period | \$ 559,287 | \$ 243,324 | \$ 559,287 | \$ 243,324 |

DESERT GOLD VENTURES INC.
CONSOLIDATED SCHEDULE OF DEFERRED EXPLORATION COSTS
April 30, 2006 and July 31, 2005
Unaudited - Prepared by Management

| | Apr 30 | Jul 31 |
|---|------------------|------------------|
| | 2006 | 2005 |
| | \$ | \$ |
| EXPLORATION AND DEVELOPMENT COSTS: | | |
| Analysis | 31,491 | 33,816 |
| Communications | - | 6,800 |
| Consultants | 11,230 | 10,552 |
| Drilling | - | 567,313 |
| Equipment rental | - | 46,941 |
| Geologist | 80,709 | 224,877 |
| Labour | 5,362 | 29,892 |
| Maps | 1,210 | 5,782 |
| Office and sundry | 1,107 | 22,272 |
| Reclamation bond | - | 15,040 |
| Renewal and restaking fees | 80,917 | 81,136 |
| Supplies | (5,267) | 46,656 |
| Travel and accommodation | 2,339 | 34,128 |
| | <u>209,098</u> | <u>1,125,205</u> |
| Balance of costs, beginning of year | <u>1,297,084</u> | <u>195,059</u> |
| | 1,506,182 | 1,320,264 |
| Less: written down | - | (23,180) |
| | <u>1,506,182</u> | <u>1,297,084</u> |
| Balance of costs, end of period | 1,506,182 | 1,297,084 |

DESERT GOLD VENTURES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Nine Months Ended April 30, 2006 and 2005
Unaudited - Prepared by Management

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Desert Gold Ventures Inc. (the "Company") is a development stage company incorporated under the laws of the Canada Business Corporations Act and is primarily engaged in the acquisition, exploration and development of mineral 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 amount 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.

2. CONTINUING OPERATIONS

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 business 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 classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

3. ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements of the Company as at July 31, 2005.

4. RESOURCE PROPERTY INTERESTS

| | Balance Beginning of Period | Acquisition Costs | Deferred Exploration & Development | Balance End of Period |
|----------------------|--|------------------------------|---|--------------------------------------|
| Goldbanks (i) | 1,362,659 | 90,804 | 209,098 | 1,662,561 |
| Pauls Syfer 437 (ii) | 50,000 | - | - | 50,000 |
| | <u>\$ 1,412,659</u> | <u>\$ 90,804</u> | <u>\$ 209,098</u> | <u>\$ 1,712,561</u> |

(i) Goldbanks Property

On March 15, 2004, the Company entered into an option agreement to acquire a 60% interest in 501 claims in Pershing County, Nevada U.S.A. Effective June 28, 2005, the option agreement was amended to reduce the Company's interest to 50%. To earn this interest, the Company must incur exploration expenses as follows:

- \$1,250,000 US on or before December 31, 2005, the first anniversary (incurred),
- a further \$750,000 US on or before December 31, 2006, the second anniversary,
- a further \$1,000,000 US on or before December 31, 2007, the third anniversary, and
- a further \$2,000,000 US on or before December 31, 2008, the fourth anniversary.

In addition, the Company must issue share consideration within 60 days of each anniversary 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.

All other terms of the agreement remain unchanged.

DESERT GOLD VENTURES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Nine Months Ended April 30, 2006 and 2005
Unaudited - Prepared by Management

4. RESOURCE PROPERTY INTERESTS - continued

(ii) Pauls Syfer 437

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

(iii) Cape Province

On September 7, 2005, the Company and Bard entered into four agreements for uranium and molybdenum in the Western Cape Province of South Africa, each company having a 50% interest. The agreements cover 28,629 acres. The properties are subject to a payment of R30,000 (\$6,000 CDN) each once the prospector's licenses to conduct exploration are received. The agreements are for 5 years and all properties are subject to 2% royalties's payable on the net proceeds of production on any mining activities on the properties.

5. SHARE CAPITAL

a) Authorized

Unlimited Common 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

b) Issued and fully paid

| | 2006 | | 2005 | |
|------------------------------|-------------------|------------------|-------------------|------------------|
| | Number of | Amount | Number of | Amount |
| | Shares | \$ | Shares | \$ |
| Common shares | | | | |
| Balance, beginning of period | 5,591,067 | 1,836,410 | 38,528,532 | 621,410 |
| Issued for cash: | | | | |
| Private placement (i) | 6,200,000 | 1,674,000 | 2,800,000 | 665,000 |
| Warrants exercised | - | - | 3,200,000 | 480,000 |
| For property (Note 4) | 50,850 | 21,865 | 200,000 | 70,000 |
| Less: Issue costs | - | (164,295) | - | - |
| Balance at End of Period | <u>11,841,917</u> | <u>3,367,980</u> | <u>44,728,532</u> | <u>1,836,410</u> |

- (i) The Company completed a private placement of 6,200,000 units at a price of \$0.27 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.30 until March 24, 2008.

The Company paid a Finders' Fee in cash in the amount of \$164,295.

c) Warrants

On October 14, 2005, the Company received TSX Venture Exchange approval to extend the expiry date of its 175,000 outstanding warrants to October 22, 2006 and to reduce the exercise price to \$0.80.

d) Share consolidation

On February 17, 2006, all of the issued common shares of the Company were consolidated on the basis of 8 pre-consolidated common shares for 1 post-consolidated common share.

DESERT GOLD VENTURES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Nine Months Ended April 30, 2006 and 2005
Unaudited - Prepared by Management

6. CONTRIBUTED SURPLUS

| | <u>2006</u> | <u>2005</u> |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| Balance at Beginning of Period | 1,792,448 | 784,012 |
| Additions | | |
| Stock-based compensation | - | 1,008,436 |
| Balance at End of Period | <u>1,792,448</u> | <u>1,792,448</u> |

7. CONVERTIBLE PROMISSORY NOTES

| | <u>Liability</u> | <u>Equity</u> |
|-------------------------------------|------------------|-----------------|
| | Component | Component |
| | \$ | \$ |
| Balance at Beginning of Period | 375,303 | 28,838 |
| Convertible promissory notes issued | 92,790 | 7,210 |
| | <u>468,093</u> | <u>36,048</u> |
| Convertible promissory notes paid | <u>(468,093)</u> | <u>(36,048)</u> |
| Balance at End of Period | <u>-</u> | <u>-</u> |

On October 14, 2005, the Company issued convertible promissory notes on the principal amount of \$100,000 due on October 14, 2010 and bearing interest at 10%.

The notes are convertible at the option of the holders into units of the Company at a price of \$0.10 per unit until October 14, 2007, increasing at the rate of 10% per annum in each subsequent year. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share at a price of \$0.12.

\$50,000 of the convertible notes were issued to a company controlled by a director.

Application of the provisions of CICA Handbook section 3860 "Financial Instruments" required the convertible promissory notes to be recorded with separate debt and equity components. The debt issued during the period was recorded at its fair value of \$92,790, assuming a fair value interest rate for comparable debt of 12% per annum. The equity component, which is represented by management's estimate of the fair value attributed to the conversion feature, has a carrying value of \$7,210, being the difference between the face amount of the convertible debentures and their fair value as calculated above. The carrying value of the equity component has been recorded as a separate component of shareholder's equity. In addition to the stated 10% interest rate, the Company will record a further interest expense over the term of the debentures equal to \$7,210 resulting from the difference between the stated and fair value interest rates such that the carrying value of the notes will be increased to the face value of \$100,000 at maturity.

On March 27, 2006, the Company paid out the promissory notes and accrued interest.

DESERT GOLD VENTURES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Nine Months Ended April 30, 2006 and 2005
Unaudited - Prepared by Management

8. RELATED PARTY TRANSACTIONS

| | Oct 31, 2005 |
|---|-------------------------|
| Balances | <u>\$</u> |
| a) Included in accounts payable at period end owing to a company controlled by a director for management fees, office, accounting, advances and interest on convertible promissory note | 21,685 |
| Transactions | |
| b) Management fees, office, and accounting charged by a company controlled by a director | 54,500 |
| c) Consulting fees paid to a company controlled by a director | 4,000 |
| d) Convertible promissory notes held by a company controlled by a director paid out | 150,000 |
| e) Interest paid on convertible promissory notes held by a company controlled by a director | 17,725 |

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SUBSEQUENT EVENTS

On May 4, 2006, the Company cancelled 125,000 stock options with an exercise price of \$2.00 per share and 316,250 stock options with an exercise price of \$2.40 per share. The Company then amended, having received disinterested shareholder approval, the remaining 306,250 stock options with an exercise price of \$2.00 and the remaining 222,500 stock options with an exercise price of \$2.40 to an exercise price of \$1.00.

On May 4, 2006, the Company granted stock options to its directors, employees and consultants to purchase a total of 564,463 shares of the Company at a price of \$1.00 per share. The options to directors and employees expire on May 4, 2011 and the options to consultants expire on May 4, 2008.



Management Discussion & Analysis

FORM 51-102F1

***For the Period Ended
April 30, 2006***

1255 West Pender Street
Vancouver, BC
V6E 2V1

Tel: (604) 687-2038 / Fax: (604) 687-3141
Web site: www.desertgold.ca

Form 51-102F1
Management Discussion and Analysis
For
Desert Gold Ventures Inc.
May 17, 2006

For the Period Ended April 30, 2006

The following management discussion and analysis of the financial position of Desert Gold Ventures Inc. (“**Desert Gold**” or the “**Company**”) should be read in conjunction with the management prepared financial statements for the period ended April 30, 2006 and the audited financial statements for the year ended July 31, 2005.

The accompanying financial statements and related notes are presented in accordance with Canadian generally accepted accounting principles. The Company’s functional currency is the Canadian dollar. Amounts reported in this discussion are in Canadian funds unless otherwise noted.

Forward Looking Information

Certain statements contained in the following Management Discussion and Analysis constitute forward looking statements. Such forward looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from actual future results and achievements expressed or implied by such forward looking statements. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statements were made. Readers are also advised to consider such forward looking statements while considering the risks set forth below.

General

Desert Gold is a Canadian listed public company with its shares traded on the TSX Venture Exchange (the “Exchange”) under the symbol “DAU”. Desert Gold has one wholly owned subsidiary, Goldbanks Nevada Ventures Inc., which is incorporated pursuant to the laws of Nevada, U.S.A., and is non-trading. Desert Gold is a reporting issuer in British Columbia and Alberta.

Desert Gold is a junior exploration company with no revenues from mineral producing operations. Activities include acquiring mineral resource properties and conducting exploration programs. The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer an opportunity to a mining company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding of property acquisitions and exploration that the Company conducts, the Company has issued long term debt and 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.

Overall Performance

During the nine month period (the “Period”) ended April 30, 2006, the Company raised \$1,509,704 net proceeds by issuing 6,200,000 shares through a private placement. The funds raised will be used by the Company to further its exploration program on its Goldbanks Property in Nevada, for general working capital and for operating expenses. During the Period, the Company spent \$278,036 on the Goldbanks project.

On February 17, 2006, all of the issued common shares of Desert Gold were consolidated on the basis of eight pre-consolidated shares for one post-consolidated share.

Results of Operations

Period ended April 30, 2006 compared with Period ended April 30, 2005

The Company reported net loss of \$144,976 (\$0.012 per share) for the 2006 Period as compared to \$1,522,066 (\$0.034 per share) in 2005. The net loss for the third quarter ended April 30, 2006 was \$45,363 (\$0.004 per share) compared to \$76,203 (\$0.002 per share) in 2005.

Administrative expenses for the Period were \$145,187 in 2006 compared to \$1,328,885 in 2005 (\$145,187 compared to \$320,449 net of stock-based compensation). Administrative expenses net of stock-based compensation for the third quarter ended April 30, 2006 were \$45,574 compared to \$76,203 in 2005.

The Company recorded stock-based compensation in the amounts of \$1,008,436 in 2005 for the grant of 4,819,000 stock options. Stock options have not been granted in the Period ended April 30, 2006.

The net loss in 2005 also reflects a write-off of resource properties in the amount of \$193,181. The properties written off were the Amikougami property in Ontario and the Pass property in the Omineca Mining Division of B.C.

Summary of Quarterly Results

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

| | Revenue \$ | Income (Loss) \$ | Income (Loss) per share \$ |
|-----------------------|---------------|---------------------|----------------------------------|
| April 30, 2006 | Nil | (45,363) | (0.004) |
| January 31, 2006 | Nil | (53,409) | (0.001) |
| October 31, 2005 | Nil | (46,204) | (0.001) |
| July 31, 2005 | Nil | (121,854) | (0.003) |
| April 30, 2005 | Nil | (76,203) | (0.002) |
| January 31, 2005 | Nil | (375,838) | (0.009) |
| October 31, 2004 | Nil | (1,070,025) | (0.026) |
| July 31, 2004 | Nil | (1,108,863) | (0.08) |

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

The Company recorded stock-based compensation in the quarters ending July 31, 2004, October 31, 2004, and January 31, 2005 in the amounts of \$784,012, \$967,169, and \$41,267 respectively.

Reorganization costs in the amount of \$176,974 were expensed in the period ending July 31, 2004.

During the second quarter ended January 31, 2005, the Company expensed \$193,181 to write-off mineral properties. The properties written off were the Amikougami property in Ontario and the Pass property in the Omineca Mining Division of B.C.

Mineral Properties

The Company will continue to focus its efforts on the Goldbanks property in Nevada. The Company has also acquired an interest in uranium rights in South Africa.

Goldbanks – Nevada

The Company has an option agreement, dated March 15, 2004, with Kinross Goldbanks Mining Company ("Kinross") to acquire a 60% interest in 501 claims in Pershing County, Nevada U.S.A. Effective June 28,

2005, the terms of the option agreement were amended to reduce the Company's interest to 50%. To acquire the option, the Company has made an initial payment of \$50,000 U.S. and must spend \$5 million U.S. in exploration by December 2008, of which \$1,250,000 must be spent by December 2005. Approximately \$1,306,950 US has been incurred as of April 30, 2006.

In addition, the Company will issue share consideration within 60 days of each anniversary, one share for each \$25 of exploration expenditure incurred during that year. The Company 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.

All other terms of the agreement remain unchanged.

Pauls Syfer 437

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

Bard and Desert Gold will jointly fund exploration expenditure and development of these properties. Bard will be the operator of the projects.

Cape Province

In addition, the Company, along with Bard, has entered into four agreements for uranium and molybdenum in the Western Cape Province of South Africa. The agreements cover 28,629 acres. The properties are subject to a payment of R30,000 (\$6,000 Cdn) each once the prospector's licenses to conduct exploration are received. The agreements are for 5 years. No work will be conducted on these properties until these licenses are received.

Exploration Update

Goldbanks Property

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

Previous drilling consisting of 1,176 drill holes, 1056 reverse circulation and 120 diamond drill holes into the deposit has confirmed the presence of these high-grade, feeder veins near the base of the large, lower grade deposit. High-grade gold feeder veins were first intercepted in reverse circulation drilling with 10 feet grading 8.24 oz/ton gold and 30 feet @ 2.92 oz/ton gold. The true thickness of these intersections is not known due to the fact that the holes are reverse circulation. Follow-up core drilling by Newmont Exploration in 2000 intersected 1.07 oz/ton over 5.5 feet, and 0.477 oz/ton over 2.9 feet, both true thickness in two of the 12 completed holes. Several of these holes intersected the target feeder veins returning lower gold values, which is due to the nugget effect typical of such high-grade gold vein systems.

In late 2004, the Company completed a program that included geological compilation, geological mapping, rock sampling, and a review of all the holes drilled to date to identify the lower basement contact with emphasis on determining the orientation of the feeder veins and the related structures. An airborne magnetic survey was also completed over the deposit to assist in the interpretation. In the first quarter of 2005, the Company completed a Reverse Circulation and Diamond Drilling program to evaluate

several areas where higher grade gold feeder veins were indicated by the previous drilling and the aforementioned compilation program. In part as a result of this program and ongoing geological studies, it became apparent that the most prospective area for the development of such feeder veins was at or near the basement contact and that this contact comes closer to surface under the KW Zone and to the north and west.

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

Desert Gold is the Operator of the program.

South Africa

Once the Company receives the prospector's licenses, the Company plans to commence an exploration program consisting of mapping and ground geophysics to be followed by drilling. Bard is the operator.

Liquidity

Financing of operations is achieved by issuing share capital. Desert Gold ended the period with cash in the amount of \$559,287 compared to \$6,324 at July 31, 2005.

During the period ended April 30, 2006 expenditures for operating activities were \$143,437 compared to \$320,059 in 2005. The Company was able to reduce corporate expenditures in the 2006 period. The 2005 operations also include property investigation costs in the amount of \$18,145.

Desert Gold's investing activities revolve around developing its mineral properties. The Company spent \$278,036 in exploration and acquisition costs during the period ended April 30, 2006 compared to \$865,479 in 2005. The expenditures were incurred on the Company's Goldbanks property in Nevada.

Financing activities generated a cash flow of \$1,509,704 during the period compared to \$1,145,000 in 2005 as a result of issuing share capital. The Company issued 6,200,000 units in 2006 for net proceeds of \$1,509,704. During the quarter ending April 30, 2006, the Company paid out the \$500,000 in convertible promissory notes plus accrued interest.

As at April 30, 2006, the Company has a working capital of \$543,621.

Capital Resources

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

The Company has a mineral property agreement in Nevada. To maintain its interest in the property the Company must meet exploration expenditures as per the option agreement. The Company must spend \$5 million US in exploration on the Goldbanks property by December 2008 to earn its interest of which \$1,250,000 must be spent by December 2005. As of April 30, 2006 \$1,306,950 US has been spent on exploration.

Transactions with Related Parties

Desert Gold entered into a corporate management agreement with D.S. Management Ltd. ("DSM"), a private company controlled by Donald R. Sheldon, a director of the company, pursuant to which DSM provides management, accounting, legal and administrative services, performs various consulting functions on behalf of Desert Gold. Commencing on June 3, 2004 and amended on October 1, 2005,

Desert Gold pays DSM a monthly fee of \$5,000 for its services and reimburses it for expenses incurred by it on behalf of Desert Gold.

During the period, the Company paid \$4,000 for consulting fees to Beukman & Associates Enterprises Limited (a company owned or controlled by Eugene Beukman). Mr. Beukman, a director of the Company, provides consulting services to the Company on property and legal agreements.

DSM held \$150,000 of the convertible promissory notes. Interest accrued to March 27, 2006 on these promissory notes was \$17,725. The promissory note plus accrued interest was paid out on March 27, 2006.

Messrs. Sheldon and Beukman are also directors of Bard Ventures Ltd. from which the Company optioned an interest in the Paul Syfer 437 property.

Proposed Transactions

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

Critical Accounting 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 assets and useful lives for depreciation and amortization. Financial results as determined by actual events could differ from those estimates.

Changes in Accounting Policies including Initial Adoption

The Company has not made any changes to its accounting policies subsequent to its most recently completed fiscal year as at July 31, 2005.

Risks and Uncertainties

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, metal prices, political and economical.

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

The property interests the Company has an option to earn an interest are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Exploration of the Company's mineral properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

The Company's functional currency is the Canadian dollar. All current exploration occurs within the U.S.A. There is significant foreign exchange risk to the Company.

Share Data – Post-Consolidation

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 11,841,917 common shares and there are no Preferred Shares issued and outstanding. There are 47,266 common shares held in escrow.

Pursuant to the Company's Stock Option Plan, the Company may issue up to 1,118,213 options to purchase common shares of the Company. In August 2005, 2,500 options granted to an employee were cancelled, and a further 441,250 options were cancelled in May 2006. A total of 306,250 options exercisable at \$2.00 per share and 222,500 options exercisable at \$2.40 per share were repriced to \$1.00 per share. A total of 564,463 options to purchase shares were granted to Directors, Employees and Consultants on May 4, 2006 at \$1.00 per share. Currently, 1,093,213 options to purchase common shares are in reserve.

The following table summarizes options that have been granted by the Board of Directors of Desert Gold under the Stock Option Plan and that are outstanding at the date of this report.

| <u>Category</u> | <u>Date of grant</u> | <u>Aggregate Options held</u> | <u>Exercise price</u> | <u>Expiry Date</u> |
|---|---------------------------------|-------------------------------|-----------------------|--------------------|
| Options held by executive officers | March 23, 2004 | 181,250 | \$1.00 | June 3, 2009 |
| | May 4, 2006 ⁽¹⁾ | 13,750 | \$1.00 | May 4, 2011 |
| Options held by directors who are not also executive officers | March 23, 2004 | 87,500 | \$1.00 | June 3, 2009 |
| | October 7, 2004 ⁽¹⁾ | 37,500 | \$1.00 | October 7, 2009 |
| | October 25, 2004 ⁽¹⁾ | 28,750 | \$1.00 | October 25, 2009 |
| | May 4, 2006 ⁽¹⁾ | 150,000 | \$1.00 | May 4, 2011 |
| Employees, as a group, who are not also executive officers or directors | March 23, 2004 | 37,500 | \$1.00 | June 3, 2009 |
| | October 7, 2004 ⁽¹⁾ | 31,250 | \$1.00 | October 7, 2009 |
| | May 4, 2006 ⁽¹⁾ | 71,250 | \$1.00 | May 4, 2011 |
| Consultants | October 25, 2004 ⁽¹⁾ | 93,750 | \$1.00 | October 25, 2006 |
| | October 26, 2004 ⁽¹⁾ | 31,250 | \$1.00 | October 26, 2006 |
| | May 4, 2006 ⁽¹⁾ | 329,463 | \$1.00 | May 4, 2008 |
| TOTAL | | <u>1,093,213</u> | | |

NOTES:

(1) These options vest as to 15% on the date of grant, an additional 15% every three months thereafter until the 18th month when the remaining 10% will vest.

The following table sets out all the outstanding share purchase warrants (total of 6,375,000) in Desert Gold:

| Number of Desert Gold Warrants to Purchase Common Shares | Exercise Price | Expiry Date |
|---|-----------------------|--------------------|
| 175,000 | \$0.80 | October 22, 2006 |
| 6,200,000 | \$0.30 | March 24, 2008 |

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.