



March 14, 2007

**VIA SEDAR**

**NOTICE TO READER**

The attached financial statements have been prepared by Management of Desert Gold Ventures Inc. and have not been reviewed by the auditor of Desert Gold Ventures Inc.

Yours truly,

**DESERT GOLD VENTURES INC.**

*"Debra Watkins"*

Debra Watkins  
Corporate Secretary



***Interim Financial Statements  
for the Six Months Ended  
January 31, 2007***  
(Unaudited)

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**DESERT GOLD VENTURES INC.**  
**CONSOLIDATED BALANCE SHEETS**

**January 31, 2007 and July 31, 2006**

Unaudited - Prepared by Management

	<b>Jan 31</b>	<b>Jul 31</b>
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
Current Assets		
Cash	254,438	170,620
Term deposit	709,376	250,000
Goods and services tax recoverable	1,622	1,401
Prepaid expenses	45,015	39,646
	<u>1,010,451</u>	<u>461,667</u>
Equipment	4,070	4,789
Resource property interests (Note 4)	2,101,376	1,765,713
	<u>3,115,897</u>	<u>2,232,169</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	<u>2,092</u>	<u>48,902</u>
<b>SHAREHOLDER'S EQUITY</b>		
Share Capital (Note 5)	4,347,620	3,367,980
Contributed surplus (Note 6)	2,012,072	1,945,428
Deficit	<u>(3,245,887)</u>	<u>(3,130,141)</u>
	<u>3,113,805</u>	<u>2,183,267</u>
	<u>3,115,897</u>	<u>2,232,169</u>

"Eugene Beukman"  
Eugene Beukman, Director

"Gordon Keevil"  
Gordon Keevil, Director

**DESERT GOLD VENTURES INC.**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**  
**For The Period Ended January 31, 2007 and 2006**  
Unaudited - Prepared by Management

	For the Three Months Ended		For the Six Months Ended	
	Jan 31 2007 \$	Jan 31 2006 \$	Jan 31 2007 \$	Jan 31 2006 \$
<b>ADMINISTRATIVE EXPENSES</b>				
Amortization	359	513	718	1,026
Audit and accounting	11,500	15,000	19,485	30,000
Consulting - fees	717	-	2,467	4,500
- stock-based compensation	38,959	-	66,644	-
Interest on long-term debt	-	14,218	-	25,613
Legal	2,640	9,098	2,640	9,098
Listing and share transfer fees	7,360	7,330	14,084	9,412
Management fees	3,000	-	6,000	10,000
Office and miscellaneous	2,834	5,425	4,361	8,139
Rent	3,450	1,825	6,900	1,825
Travel	1,420	-	2,042	-
	<u>72,239</u>	<u>53,409</u>	<u>125,341</u>	<u>99,613</u>
<b>LOSS BEFORE OTHER ITEMS</b>	(72,239)	(53,409)	(125,341)	(99,613)
<b>OTHER INCOME (LOSS)</b>				
Interest income	9,457	-	9,595	-
	<u>9,457</u>	<u>-</u>	<u>9,595</u>	<u>-</u>
<b>NET LOSS FOR THE PERIOD</b>	(62,782)	(53,409)	(115,746)	(99,613)
<hr/>				
<b>DEFICIT, beginning of period</b>	(3,183,105)	(2,800,172)	(3,130,141)	(2,753,968)
<hr/>				
<b>DEFICIT, end of period</b>	(3,245,887)	(2,853,581)	(3,245,887)	(2,853,581)
<hr/>				
<b>BASIC LOSS PER COMMON SHARE</b>	\$ (0.005)	\$ (0.001)	\$ (0.009)	\$ (0.002)

**DESERT GOLD VENTURES INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For The Period Ended January 31, 2007 and 2006**  
Unaudited - Prepared by Management

	For the Three Months Ended		For the Six Months Ended	
	Jan 31 2007 \$	Jan 31 2006 \$	Jan 31 2007 \$	Jan 31 2006 \$
<b>OPERATING ACTIVITIES</b>				
Net loss	(62,782)	(53,409)	(115,746)	(99,613)
Amortization	359	513	718	1,026
Accrued interest on term deposits	(9,376)	-	(9,376)	-
Interest accreted	-	1,562	-	2,957
Stock-based compensation	38,959	-	66,644	-
	<u>(32,840)</u>	<u>(51,334)</u>	<u>(57,760)</u>	<u>(95,630)</u>
Net changes in other operating accounts				
Goods and services tax recoverable	1,129	(2,008)	(221)	2,502
Prepaid expenses	(1,593)	-	(5,369)	-
Accounts payable and accrued liabilities	(16,347)	182,964	(46,810)	246,539
	<u>(49,651)</u>	<u>129,621</u>	<u>(110,160)</u>	<u>153,411</u>
<b>FINANCING ACTIVITIES</b>				
Issue of shares	-	-	899,640	-
Issue convertible promissory note	-	-	-	100,000
	<u>-</u>	<u>-</u>	<u>899,640</u>	<u>100,000</u>
<b>INVESTING ACTIVITIES</b>				
Term deposit	-	-	(450,000)	-
Acquisition costs of resource properties	(10,898)	-	(10,898)	-
Deferred exploration costs	(75,651)	(124,965)	(244,765)	(251,346)
	<u>(86,548)</u>	<u>(124,965)</u>	<u>(705,662)</u>	<u>(251,346)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(136,199)	4,655	83,818	2,065
<b>CASH, beginning of the period</b>	390,637	3,734	170,620	6,324
<b>CASH, end of period</b>	\$ 254,438	\$ 8,389	\$ 254,438	\$ 8,389

**DESERT GOLD VENTURES INC.**  
**CONSOLIDATED SCHEDULE OF DEFERRED EXPLORATION COSTS**  
**January 31, 2007 and July 31, 2006**  
Unaudited - Prepared by Management

	<b>Jan 31</b>	<b>Jul 31</b>
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>EXPLORATION AND DEVELOPMENT COSTS:</b>		
Analysis	18,163	45,405
Communications	-	178
Consultants	1,580	11,329
Equipment rental	-	14,061
Geologist	66,033	132,180
Labour	2,537	5,362
Maps	2,963	2,155
Office	4,431	4,298
Reclamation bond	23,518	-
Renewal and restaking fees	104,401	80,917
Supplies	1,344	(5,267)
Transportation	7,201	4,012
Travel and accommodation	12,594	17,619
	<u>244,765</u>	<u>312,249</u>
Balance of costs, beginning of year	<u>1,609,333</u>	<u>1,297,084</u>
Balance of costs, end of period	<u>1,854,098</u>	<u>1,609,333</u>

**DESERT GOLD VENTURES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For The Period Ended January 31, 2007 and 2006**  
Unaudited - Prepared by Management

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**1. NATURE OF BUSINESS 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 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 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 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, 2006.

**4. RESOURCE PROPERTY INTERESTS**

	<b>Acquisition Costs</b>	<b>Deferred Exploration &amp; Development Costs</b>	<b>2006 Total</b>
Goldbanks (i)	247,278	1,854,098	2,101,376
	<u>\$ 247,278</u>	<u>\$ 1,854,098</u>	<u>\$ 2,101,376</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 (incurred);
- a further \$750,000 US on or before June 30, 2007 (extended on November 15, 2006);
- a further \$1,000,000 US on or before December 31, 2007; and
- a further \$2,000,000 US on or before December 31, 2008.

**DESERT GOLD VENTURES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For The Period Ended January 31, 2007 and 2006**  
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**4. RESOURCE PROPERTY INTERESTS - Continued**

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

On November 15, 2006, the Company amended the Goldbanks property agreement. The date by which the exploration expenditures are to be completed has been extended from December 31, 2006 to June 30, 2007. The date by which the next share consideration must be issued has also been extended to June 30, 2007. In consideration of the granting of the extensions, the Company issued 100,000 common shares at a value of \$80,000. All other terms of the agreement remain unchanged.

During the prior year, the Company staked an additional 198 mining claims to bring the property total to 699.

**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	11,841,917	3,367,980	5,591,067	1,836,410
Issued for cash:				
Private placement (i)	1,470,000	999,600	-	-
	<u>1,470,000</u>	<u>999,600</u>	<u>-</u>	<u>-</u>
Issued for properties (ii)	100,000	80,000		
Less: Issue costs	-	(99,960)	-	-
Balance at End of Period	<u>13,411,917</u>	<u>4,347,620</u>	<u>5,591,067</u>	<u>1,836,410</u>

- (i) The Company completed a private placement of 1,470,000 units at a price of \$0.68 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.84 until October 17, 2008.

The Company paid a Finders' Fee in cash in the amount of \$99,960.

- (ii) The Company issued 100,000 common shares at a value of \$80,000 in connection with the acquisition of resource property interests (**Note 4**).

**DESERT GOLD VENTURES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For The Period Ended January 31, 2007 and 2006**  
Unaudited - Prepared by Management

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**6. CONTRIBUTED SURPLUS**

	<u>2006</u>	<u>2005</u>
	\$	\$
Balance at Beginning of Period	1,945,428	1,792,448
Additions		
Stock-based compensation (i)	<u>66,644</u>	<u>-</u>
Balance at End of Period	<u><u>2,012,072</u></u>	<u><u>1,792,448</u></u>

(i) Stock-based compensation

During the current period, stock-based compensation has been recorded in the amount of \$66,644 and included in contributed surplus. The amount is management's estimate of the fair value of the 125,000 stock options granted and vested in the period, and has been expensed in the statement of operations as consulting services.

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

	<u>2006</u>	<u>2005</u>
Risk free interest rate	4%	-
Expected life	2 years	-
Expected volatility	99.55%	-

**7. RELATED PARTY TRANSACTIONS**

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

	<u>2006</u>	<u>2005</u>
	\$	\$
Administration and accounting	17,500	32,000
Consulting	-	4,000
Management fees	6,000	10,000
Interest on convertible promissory note	<u>-</u>	<u>7,109</u>
	<u><u>23,500</u></u>	<u><u>53,109</u></u>



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

***For the Period Ended  
January 31, 2007***

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## Management's Discussion and Analysis

### General

Management's discussion and analysis ("MD&A") has been prepared based on information available to Desert Gold Ventures Inc. ("Desert Gold" or the "Company") as of March 8, 2007. MD&A provides a detailed analysis of the company's business and compares its results with those of the previous year and should be read in conjunction with the Company's consolidated financial statements for the period ended January 31, 2007 and the audited consolidated financial statements year ended July 31, 2006. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

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

The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer an opportunity to a mining company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issue of shares from the treasury to investors. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record, and the experience of management.

### Critical Accounting Policies

The Company's accounting policies are described in Note 4 to the audited consolidated financial statements for the year ended July 31, 2006. Management considers the following policies to be the most critical in understanding the judgments and estimates that are involved in the preparation of its consolidated financial statements.

#### *Use of Estimates*

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, and useful lives for depreciation and amortization. Financial results as determined by actual events could differ from those estimates.

#### *Accounting for Stock Options*

The fair value of stock options used to calculate compensation expense has been estimated using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility of the Company's shares. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

#### *Resource Property Interests*

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

### Overall Performance

During the six month period ended January 31, 2007 (the "Period"), the Company spent \$244,765 in exploration on its Goldbanks property. Exploration activities consisted of geological studies.

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

## Results of Operations

*Period ended January 31, 2007 compared with Period ended January 31, 2006*

The Company reported net loss of \$115,746 (\$0.009 per share) for the period ended January 31, 2007 as compared to net loss of \$99,613 (\$0.002 per share) for the period ended January 31, 2006. The net loss for the second quarter ended January 31, 2007 was \$62,782 (\$0.005 per share) compared to \$53,409 (\$0.001 per share) in 2006. Significant changes between the 2007 and 2006 income and expense amounts that comprised net loss are discussed below.

Administrative expenses for the period ended January 31, 2007 totalled \$125,341 and were \$25,728 higher than 2006 expenses of \$99,613. The Company recorded stock-based compensation in the amount of \$66,644 during the period. Interest on long-term debt was \$nil in 2007 as compared to \$25,613 in 2006. The decrease of \$25,613 is attributable to the debt being paid out on March 27, 2006. Other administrative costs fluctuated with the level of corporate activity.

### *Summary of Quarterly Results*

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

	Revenue \$	Income (Loss) \$	Income (Loss) per share \$	Deferred Exploration \$
<b>January 31, 2007</b>	<b>Nil</b>	<b>(62,782)</b>	<b>(0.005)</b>	<b>75,651</b>
October 31, 2006	Nil	(52,964)	(0.004)	169,114
July 31, 2006	Nil	(231,197)	(0.044)	103,151
April 30, 2006	Nil	(45,363)	(0.004)	26,691
January 31, 2006	Nil	(53,409)	(0.001)	56,026
October 31, 2005	Nil	(46,204)	(0.001)	126,381
July 31, 2005	Nil	(121,854)	(0.003)	259,726
April 30, 2005	Nil	(76,203)	(0.002)	435,685

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

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

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

### *Use of Proceeds*

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

### *Mineral Properties*

Deferred exploration and development costs for the period ended January 31, 2007 totalled \$244,765 as compared to \$251,346 in the period ended January 31, 2006. The Company will continue to focus its efforts on the Goldbanks property in Nevada.

### Goldbanks – Nevada

The Company has an option agreement, dated March 15, 2004 and amended November 15, 2006, with Kinross Goldbanks Mining Company ("Kinross") to acquire a 50% interest in 501 claims in Pershing County, Nevada

U.S.A. To acquire the option, the Company has made an initial payment of \$50,000 U.S. and must spend \$5 million U.S. in exploration by December 2008, of which \$2,000,000 must be spent by June 2007. Approximately \$1,709,345 US has been incurred as of January 31, 2007.

In addition, the Company will issue share consideration within 60 days of each anniversary, one share for each \$25 of exploration expenditure incurred during that year. The Company 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. The date by which the next share consideration must be issued has also been extended to June 30, 2007.

All other terms of the agreement remain unchanged.

### ***Exploration Update***

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

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

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

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

New soil geochemical sampling has identified two large surface gold anomalies, the North and the KW West Anomalies. The North Soil Anomaly defines an area containing >30 ppb Au over an area greater than 3000' long (NNE-SSW) by up to 1400' wide with many individual soil samples of >75 ppb Au (up to 158 ppb Au). Rock geochemical sampling within the anomaly confirmed these highly anomalous gold values with numerous samples containing >1 ppm Au and two samples >9 ppm Au (high of 10.55 ppm Au or 0.31oz/ton). The anomaly has yet to be completely defined. The KW West Anomaly is an extension of a known soil anomaly (>30 ppb Au) and together they cover an area of ~1400' x ~2000'. The KW West Anomaly also contains highly anomalous gold in soils of up to 318 ppb and many samples containing greater than 75 ppb Au and numerous rock samples containing >1 ppm Au up to 3.4 ppm Au. Neither anomaly has been tested during previous exploration campaigns.

Surface geological mapping and geochemical sampling are ongoing to define the nature and controls of the mineralization and limits of anomalous gold mineralization.

Phase Two of the program will consist of drilling on the targets, which have been selected for their geologic merit, and is expected to commence as soon as the drilling contract has been finalized.

## **Liquidity**

Financing of operations is achieved primarily by issuing share capital. At January 31, 2007, the Company had \$254,438 in cash, \$709,376 in term deposits, and working capital of \$1,008,359.

During the period ended January 31, 2007 expenditures for operating activities were \$110,160 compared to proceeds of \$153,411 in 2006. The proceeds in 2006 were a result of an increase in accounts payable in the amount of \$246,539.

Desert Gold's investing activities revolve around developing its mineral properties. The Company spent \$244,765 in exploration costs during the period ended January 31, 2007 compared to \$251,346 in 2006. The expenditures were incurred on the Company's Goldbanks property in Nevada.

Financing activities generated a cash flow of \$899,640 during the period compared to \$100,000 in 2006. The Company completed a private placement issuing 1,470,000 units during the 2007 period for net proceeds of \$899,640. In 2006, the Company issued a convertible promissory note in the amount of \$100,000.

## **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 \$2,000,000 must be spent by June 2007. As of January 31, 2007 \$1,709,345 US has been spent on exploration.

## **Financing Activities**

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

## **Transactions with Related Parties**

Pursuant to a Management Agreement with the Company, management fees, bookkeeping and administrative services totalling \$3,500 are paid monthly to Pender Street Corporate Consulting Ltd., a private company owned 25% by Eugene Beukman (a director of the Company) and 25% by Debra Watkins (an officer of the company). During the Period, the Company paid \$23,500.

## **Proposed Transactions**

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

## **Changes in Accounting Policies including Initial Adoption**

The Company has not made any changes to its accounting policies subsequent to its most recently completed fiscal year as at July 31, 2006.

## **Share Data**

The authorized capital of the Company consists of an unlimited number of common shares and 1,250,000 Preferred Shares. As of the date of this report, there are 13,411,917 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 2,662,383 incentive stock options to purchase common shares of the Company. During the period ended January 31, 2007, 125,000 stock options expired, 125,000 stock options were granted to Consultants at \$1.00 per share to replace the stock options that had expired, and 140,000 stock options were cancelled. Currently, 953,213 options to purchase common shares at \$1.00 per share are in reserve.

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

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

### **Risks and Uncertainties**

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

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

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

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

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

### **Forward Looking Information**

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

### **Other**

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at [www.desertgold.ca](http://www.desertgold.ca). You may also access the Company's disclosure documents through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).