

SKYGOLD VENTURES LTD.

FINANCIAL STATEMENTS

March 31, 2006

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim statements by an entity's auditors.

SKYGOLD VENTURES LTD.
Balance Sheets
(Prepared by Management)

	March 31, 2006 (Unaudited)	December 31, 2005 (Audited)
Assets		
Current		
Cash	\$ 411,253	\$ 120,905
Term deposit (note 3)	760,849	858,242
Due from related party (note 7)	125,847	28,810
Due from joint venturer (note 4 (a))	167,529	150,955
Accounts receivable	54,198	62,963
Prepaid expenses	300	0
	1,519,976	1,221,875
Mineral Properties (note 4)	2,353,545	2,152,508
Equipment	8,485	5,351
Deposit for Reclamation	5,000	5,000
	\$ 3,887,006	\$ 3,384,734
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 58,242	\$ 29,095
Shareholders' Equity		
Capital Stock (note 5)	5,432,447	4,631,028
Contributed Surplus (note 5(c))	322,154	455,463
Deficit	(1,925,837)	(1,730,852)
	3,828,764	3,355,639
	\$ 3,887,006	\$ 3,384,734

Nature of Operations (note 1)

Subsequent Events (note 9)

Approved by the Board:

"Douglas A. Fulcher"
..... Director
Douglas A. Fulcher

"John P. McGoran"
..... Director

John P. McGoran

SKYGOLD VENTURES LTD.
Statements of Operations and Deficit
For the Three Months Ended March 31
(Unaudited – Prepared by Management)

	2006	2005
Expenses		
Stock-based compensation	\$ -	40,318
Investor relations	40,978	23,039
Consulting fees	84,831	15,000
Contract wages	26,781	18,200
Legal	18,162	1,663
Transfer agent and filing fees	8,987	5,333
Rent	8,589	5,492
Accounting and audit	-	1,200
Management fees	4,500	4,500
Office and miscellaneous	6,496	4,917
Amortization	530	-
	199,854	119,662
Less: Interest income	(4,869)	(86)
Loss For the Period	194,985	119,576
Deficit, Beginning of Period	1,730,852	919,722
Deficit, End of Period	\$ 1,925,837	1,036,298
Basic and Diluted Loss Per Share	\$0.01	\$ 0.01
	33,144,527	18,760,250

SKYGOLD VENTURES LTD.
Statements of Cash Flows
For the Three Months Ended March 31
(Unaudited – Prepared by Management)

	2006	2005
Operating Activities		
Loss for year	\$ (194,985)	(119,576)
Items not involving cash		
Stock-based compensation	0	40,318
Amortization	530	0
Operating Cash Flow	(194,455)	(79,258)
Changes in Non-Cash Working Capital		
Term deposit	97,393	0
Due from related party	(97,037)	0
Accounts receivable	(7,808)	19,396
Prepaid expenses	(300)	(4,241)
Accounts payable and accrued liabilities	29,147	(87,691)
	21,395	(72,536)
Cash Used in Operating Activities	(173,060)	(151,794)
Financing Activity		
Shares issued for cash, net of issue costs	647,110	233,400
Investing Activities		
Mineral property costs	(180,037)	(58,585)
Purchase of equipment	(3,665)	0
Cash Used in Investing Activities	(183,702)	(58,585)
Increase (Decrease) in Cash	290,348	23,021
Cash, Beginning of Period	120,905	4,271
Cash, End of Period	\$ 411,253	27,292

Supplemental Cash Flow Information

During the period ended March 31, 2006, the Company issued 27,633 common shares valued at \$21,000 for mineral property interests (2005 - 45,918 common shares valued at \$9,000 for mineral property interests).

Other Cash Flow Information

Interest received	\$ 4,869	\$ 86
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SKYGOLD VENTURES LTD.

Notes to Financial Statements

For the Three Months Ended March 31, 2006

(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS

Skygold Ventures Ltd. (the “Company”) is a junior resource exploration company incorporated under the *Alberta Business Corporation Act* and continued into British Columbia under the *Business Corporations Act* during 2004. These financial statements have been prepared on the basis of accounting principles applicable to “going-concerns”, which assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. However, the Company is in the exploration stage, has no current source of revenue, and as at March 31, 2006 has working capital of \$1,461,734 (2005 - \$9,146) and an accumulated deficit of \$1,925,837 (2005 - \$1,036,298). The continued operations of the Company will depend on its ability to raise sufficient capital to complete its exploration projects and establish profitable future operations or realize proceeds from disposition of the properties.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Mineral Properties

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Option payments received are credited against mineral property costs until all costs are recovered then they are taken into income.

(b) Stock-Based Compensation

The Company follows the recommendations of the Canadian Institute of Chartered Accountants (“CICA”) Section 3870, *“Stock-Based Compensation and Other Stock-Based Payments”*, for accounting for stock-based compensation expense whereby all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock, call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2004, are accounted for using the fair value based method, and are recorded as an expense in the period the stock-based payments are vested or the awards or rights are granted, and a corresponding increase in contributed surplus. When stock options are exercised the corresponding fair value is transferred to capital stock.

SKYGOLD VENTURES LTD.
Notes to Financial Statements
For the Three Months Ended March 31, 2006
(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) **Capital Stock**

Capital stock issued for non-monetary consideration is recorded at fair market value on the dates of issuance pursuant to the agreement to issue shares as determined by the Board of Directors of the Company based on the trading price of the shares on the TSX Venture Exchange (the "Exchange"). The proceeds from shares issued for cash. Costs incurred for the issue of shares are deducted from capital stock.

(d) **Loss Per Share**

Loss per share amounts have been calculated and presented in accordance with the treasury stock method. Diluted loss per share amounts have not been presented as the effect of outstanding options and warrants are anti-dilutive.

(e) **Financial Instruments**

The carrying values of cash, term deposit, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these instruments.

The Company is exposed to credit risk with respect to its cash. Cash and term deposit have been placed with a major Canadian financial institution.

(f) **Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 environmental obligations, impairment of mineral claims and deferred exploration expenditures, rate for amortization, stock-based compensation and future income taxes. Actual results could differ from those estimates.

(g) **Equipment**

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on the declining-balance basis from the date of acquisition at an annual rate 20% for office and field equipment and 30% for computer equipment.

(h) **Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

SKYGOLD VENTURES LTD.
Notes to Financial Statements
For the Three Months Ended March 31, 2006
(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) **Asset Retirement Obligations**

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is also adjusted to reflect period-to-period changes in the liability resulting from passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at March 31, 2006, the Company did not have any asset retirement obligations.

(j) **Flow-Through Shares**

The Company follows the CICA accounting pronouncement EIC-146, relating to flow-through shares. Under the terms of Canadian flow-through share legislation, the tax attributes of qualifying expenditures are renounced to the subscribers. The tax impact to the Company of the renunciation is recorded on the date that the renunciation is filed with taxation authorities, through a decrease in capital stock and the recognition of a future tax liability.

3. TERM DEPOSIT

The Company has a term deposit with a book value of \$750,000 and accrued interest of \$10,849, accrued at a rate of 2.4%, for a fair value of \$760,849. The term deposit matures on August 23, 2006.

4. MINERAL PROPERTIES

At March 31, 2006, expenditures incurred on mineral properties are as follows:

Balance, December 31, 2005	\$ 2,152,508
Additions during the period	
Acquisition costs	30,000
Deferred exploration costs	
Drilling	1,206
Geological consulting	41,812
Assay	111,366
Travel and accommodation	13,370
Camp and field supplies	3,278
Equipment rental	5
Recording fees	0
Expense recoveries	0
	171,037
Total additions during the period	201,037
Balance, March 31, 2006	\$ 2,353,545

SKYGOLD VENTURES LTD.
Notes to Financial Statements
For the Three Months Ended March 31, 2006
(Unaudited – Prepared by Management)

4. MINERAL PROPERTIES (Continued)

(a) Spanish Mountain, Cariboo Mining Division, British Columbia

In January 2003, the Company entered into an option agreement to earn a 70% interest in the 14-mineral claim (103 unit) Spanish Mountain property. On March 29, 2005, the option was deemed to have been exercised subject to the formalization of a joint venture agreement. The consideration details are as follows:

(i) Cash Payments to Underlying Vendors

- \$9,000 upon signing the agreement (paid);
- \$3,000 on July 20, 2003 (paid);
- \$9,000 on January 20, 2004 (paid);
- \$3,000 on July 20, 2004 (paid);
- \$11,000 on January 20, 2005 (paid);
- \$5,000 on July 20, 2005 (paid);
- \$19,000 on January 20, 2006 (paid);
- \$10,000 on July 20, 2006;
- \$24,000 on January 20, 2007;
- \$15,000 on July 20, 2007; and
- \$55,000 on January 20, 2008.

(ii) Share Issuances

- \$23,000 (203,000 shares) upon signing the agreement (issued);
- \$9,000 (75,000 shares) on January 20, 2004 (issued); and
- \$96,500 (545,918 shares) on January 20, 2005 (issued).

(iii) Share or Cash Issuances to Underlying Vendors

- \$21,000 each year from January 20, 2006 to January 20, 2008 and \$35,700 each year from January 20, 2009 to January 20, 2012 which may be satisfied in either cash or shares.

(iv) Exploration Expenses

The Company must incur exploration expenses as follows:

- \$100,000 before January 20, 2004 (expended);
- An additional \$100,000 before January 20, 2005 (expended);
- An additional \$100,000 before January 20, 2006 (expended);
- An additional \$200,000 before January 20, 2007 (expended); and
- An additional \$200,000 before January 20, 2008 (expended).

SKYGOLD VENTURES LTD.
Notes to Financial Statements
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(Unaudited – Prepared by Management)

4. MINERAL PROPERTIES (Continued)

(b) Title to Mineral Property Interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(c) Realization of Assets

The investment in and expenditures on resource properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements and possible aboriginal claims, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

5. CAPITAL STOCK

(a) Authorized

- (i) An unlimited number of common voting shares without nominal or par value
- (ii) Unlimited number of first preferred shares
- (iii) Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

5. CAPITAL STOCK (Continued)

(b) Issued

	Number of Common Shares	Amount
Balance, December 31, 2005	31,705,668	\$ 4,631,028
Issued for cash		
Exercise of warrants	1,580,085	486,110
Exercise of options	1,270,000	161,000
Issued for other consideration		
Mineral property interest (note 4(a)(ii))	27,633	21,000
Exercise of stock options, stock-based compensation	0	133,309
	2,877,718	801,419
Balance, March 31, 2006	34,583,386	\$ 5,432,447

SKYGOLD VENTURES LTD.
Notes to Financial Statements
For the Three Months Ended March 31, 2006
(Unaudited – Prepared by Management)

(c) **Contributed Surplus**

	2006	2005
Balance, beginning of year	\$ 455,463	\$ 170,091
Stock-based compensation	-	309,690
Reallocated to capital stock	(133,309)	(24,318)
Balance, end of year	\$ 322,154	\$ 455,463

(d) **Private Placements**

- (i) On August 9, 2005, the Company completed a private placement and issued 3,673,285 non-flow-through units for gross proceeds of \$1,285,650 and 2,260,250 flow-through shares for gross proceeds of \$904,100. Each non-flow-through unit comprised one common share and one-half purchase warrant entitling the holder to acquire an additional common share at \$0.50 per share for each full warrant held on or before August 9, 2007. The Company issued 132,634 units and 448,594 warrants as a finder's fee and incurred share issue costs in the amount of \$94,114 in connection with the private placement. Each unit issued as a finder's fee had the same components as the non-flow-through private placement units. The warrants issued as a finder's fee have an expiry of two years and are exercisable at \$0.40 in year one and at \$0.55 in year two.

(e) **Renounced Exploration Expenditures**

In February 2005, the Company renounced \$192,000 of exploration expenditures under its flow-through share program, resulting in a future tax liability of \$65,510, which was deducted from capital stock. The Company subsequently reduced the future income tax liability by recognizing previously unrecorded future income tax assets equal to the amount of the future tax liability. This decrease in the valuation allowance has resulted in a future income tax recovery of \$65,510 disclosed on the statement of operations under future income taxes (note 6).

(f) **Bonus Shares**

During the year ended December 31, 2005, the Company arranged two private loans for a total of \$375,000. The Company agreed to pay bonus shares of 205,881 at a deemed price of \$0.17 and 100,000 bonus shares at a deemed price of \$0.40 as consideration for the loan. The loans had a term of one year bearing interest at a rate of 12% per annum compounded monthly resulting in total interest expense of \$85,770. Both loans have been repaid at December 31, 2005.

(g) **Stock Options**

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. As at March 31, 2006, the Company had stock options outstanding to directors and employees for the purchase of up to 1,200,000 common shares exercisable as follows:

Number of Shares	Exercise Price	Expiry Date
200,000	\$0.10	December 23, 2009
1,000,000	\$0.42	July 22, 2010
1,200,000		

SKYGOLD VENTURES LTD.
Notes to Financial Statements
For the Three Months Ended March 31, 2006
(Unaudited – Prepared by Management)

5. CAPITAL STOCK (Continued)

(g) Stock Options (Continued)

A summary of the status of the Company's stock options as at March 31, 2006 and changes during the period then ended is as follows:

	Shares	Weighted Average Exercise Price
Outstanding, December 31, 2005	2,470,000	\$ 0.15
Granted	0	\$ 0.00
Exercised	1,270,000	\$ 0.13
Cancelled / expired	0	\$ 0.00
Outstanding, March 31, 2006	1,200,000	\$ 0.37

(h) Share Purchase Warrants

As at March 31, 2006, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2005	Issued	Exercised	Expired	Outstanding, March 31, 2006
\$0.14	March 3, 2006	750,000	0	750,000	0	0
\$0.50	August 9, 2007	1,872,959	0	490,760	0	1,382,199
\$0.40 / \$0.55	August 9, 2006 / 2007	448,594	0	339,325	0	109,269
		3,071,553		1,580,085		1,491,468

(i) Stock-Based Compensation

The fair value of stock options granted to directors and employees that vested during 2005, in the amount of \$309,690, has been recorded as an expense during the year and included in contributed surplus. For the period ended March 31, 2006, no further stock options have been granted.

The fair value of stock options used to calculate compensation expense was estimated using the Black-Scholes option pricing model with the following assumptions:

	2005	2004
Risk-free interest rate	2.75% - 4.04%	3.00% - 4.04%
Expected dividend yield	0	0
Expected stock price volatility	75% - 158%	141% - 158%
Expected option life in years	3 - 5	3

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

SKYGOLD VENTURES LTD.
Notes to Financial Statements
For the Three Months Ended March 31, 2006
(Unaudited – Prepared by Management)

6. INCOME TAXES

The Company has accumulated losses for Canadian tax purposes of approximately \$1,197,000 that expire in various years to 2015 as follows:

2006	\$	57,000
2007		20,000
2008		122,000
2009		125,000
2010		104,000
2014		155,000
2015		614,000
	\$	1,197,000

Flow-through shares may be issued by a company that incurs certain resource expenditures and renounces them for tax purposes allowing the expenditures to flow-through to the subscriber who purchased the shares. Subscribers may in turn claim expenditures as a deduction on their income tax returns. The total amount of funds raised through the issuance of flow-through shares must be spent on qualified mineral exploration. The proceeds of flow-through financings are restricted in use for Canadian Exploration Expenditures under Canadian income tax legislation.

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2005	2004
	34.12%	35.62%
Income tax benefit computed at Canadian statutory rates	\$ 300,133	\$ 82,517
Temporary differences not recognized in year	15,056	(27,203)
Stock-based compensation	(105,666)	0
Unrecognized tax losses	(209,523)	(55,314)
Future income tax arising from flow-through share renouncement	65,510	0
Future income tax recovery	\$ 65,510	\$ 0

SKYGOLD VENTURES LTD.
Notes to Financial Statements
For the Three Months Ended March 31, 2006
(Unaudited – Prepared by Management)

6. INCOME TAXES (Continued)

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2005	2004
Future income tax assets and liabilities		
Temporary differences in assets	\$ (187,171)	\$ (127,345)
Net tax losses carried forward	408,416	219,987
	221,245	92,642
Valuation allowance for future income tax assets	(221,245)	(92,642)
Net future income tax assets	0	0
Future income tax liabilities	0	0
Future income tax assets, net	\$ 0	\$ 0

7. RELATED PARTY TRANSACTIONS

- (a) The Company paid or accrued \$57,075 (2005 - \$24,048) for office and administrative costs and \$187,620 (2005 - \$6,700) for exploration costs to a company in which a director is a principal. As at March 31, 2006, \$125,846 has been advanced to this company to cover anticipated future exploration expenses.
- (b) The Company paid or accrued \$4,500 (2005 - \$4,500) for management fees and \$7,700 (2005 - \$4,634) for rental of premises to company in which a director is a principal.
- (c) The Company paid \$12,492 (2005 - \$1,663) in legal fees to a firm in which an officer is a principal.

8. SEGMENTED INFORMATION

The Company has one operating segment, mineral exploration, and all of its assets are located in Canada.

9. SUBSEQUENT EVENTS

On April 19, 2006, the Company closed a brokered and non-brokered private placement for \$13,461,144.30. On the brokered portion of the placement, the Company issued 3,540,000 flow through units at a price of \$1.50 per unit and 3,480,000 non flow through units at a price of \$1.35 per unit-. On the non brokered portion of the placement, the Company issued 520,962 flow through units at a price of \$1.50 per unit and 1,979,038 non flow through units at a price of \$1.35 per unit, for a combined placement of 4,060,062 flow through units and 5,459,038 non flow through units.

Each flow through unit consists of one flow through common share and one-half of one common share purchase warrant. Each unit consists of one non flow through common share and one-half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$1.60 per common share for a period of 18 months expiring on October 18, 2007.

Proceeds from the offering will be used to finance further exploration on the Spanish Mountain property and for general working capital.