

**SKYGOLD VENTURES LTD.**  
**(An Exploration Stage Company)**

**Consolidated Financial Statements**

**March 31, 2009**

### **NOTICE OF NO AUDITOR REVIEW**

The accompanying consolidated unaudited interim financial statements have been prepared by management and approved by the Audit Committee and the 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 the interim financial statements by an entity's auditors.

**SKYGOLD VENTURES LTD.**  
**(An Exploration Stage Company)**  
**Consolidated Balance Sheets**  
**(Unaudited – Prepared by Management)**

|  | March 31,<br>2009<br>(Unaudited) | December 31,<br>2008<br>(Audited) |
|--|----------------------------------|-----------------------------------|
| <b>Assets</b>  |                                  |                                   |
| <b>Current</b>   |                                  |                                   |
| Cash (note 9)  | \$ 284,795                       | \$ 128,718                        |
| Term deposits (note 9)   | 3,053,639                        | 4,039,862                         |
| Amounts receivable   | 4,646                            | 12,868                            |
| British Columbia Mining Exploration Tax Credit receivable (note 9) | 2,755,995                        | 2,755,995                         |
| Prepaid expenses and deposits                                      | 34,994                           | 53,652                            |
|  | 6,134,069                        | 6,991,095                         |
| <b>Mineral Properties</b> (note 6)                                 | 47,506,223                       | 47,233,533                        |
| <b>Property and Equipment</b> (note 7)                             | 1,277,049                        | 1,293,177                         |
| <b>Deposit for Reclamation</b>                                     | 65,000                           | 65,000                            |
|  | \$ 54,982,341                    | \$ 55,582,805                     |
| <b>Liabilities</b>   |                                  |                                   |
| <b>Current</b>   |                                  |                                   |
| Accounts payable and accrued liabilities (note 10(a))              | \$ 219,819                       | \$ 568,722                        |
| <b>Future Income Tax</b> (note 9)                                  | 7,234,059                        | 7,234,062                         |
|  | 7,453,878                        | 7,802,784                         |
| <b>Shareholders' Equity</b>  |                                  |                                   |
| <b>Capital Stock</b> (note 8)                                      | 48,381,886                       | 48,381,886                        |
| <b>Warrants</b> (note 8(c)(iii))                                   | 343,200                          | 343,200                           |
| <b>Contributed Surplus</b> (note 8(h))                             | 4,223,871                        | 4,223,871                         |
| <b>Deficit</b>   | (5,420,494)                      | (5,168,936)                       |
|  | 47,528,463                       | 47,780,021                        |
|  | \$ 54,982,341                    | \$ 55,582,805                     |

Nature of operations and going concern (note 1)  
 Commitments (note 12)  
 Subsequent event (note 13)

Approved by the Board:

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

*"Brian Groves"*  
 ..... Director  
 Brian Groves

**SKYGOLD VENTURES LTD.**  
**(An Exploration Stage Company)**  
**Consolidated Statements of Operations and Deficit**  
**For the Three Months Ended March 31**  
**(Unaudited – Prepared by Management)**

|   | <b>2009</b>    | <b>2008</b>    |
|---|----------------|----------------|
| <b>Expenses</b>   |                |                |
| Contract wages  | \$ 90,608      | \$ 174,766     |
| Investor relations  | 61,928         | 99,333         |
| Consulting fees   | 28,059         | 111,019        |
| Legal   | 9,527          | 188,638        |
| Stock-based compensation  | 0              | 33,979         |
| Transfer agent and filing fees                                      | 11,666         | 14,263         |
| Office and miscellaneous  | 26,820         | 8,173          |
| Rent  | 17,661         | 21,690         |
| Insurance   | 7,409          | 3,870          |
| Management fees   | 0              | 1,500          |
| Amortization  | 6,798          | 15,845         |
|   | (260,476)      | (673,076)      |
| Interest income   | 8,913          | 43,356         |
| <b>Loss Before Future Income Tax Recovery</b>                       | (251,563)      | (629,720)      |
| <b>Future Income Tax Recovery</b> (note 9)                          | 0              | 128,874        |
| <b>Net Income (Loss) and comprehensive income (loss) for Period</b> | (251,563)      | (500,846)      |
| <b>Deficit, Beginning of Period</b>                                 | (5,168,936)    | (4,529,658)    |
| <b>Deficit, End of Period</b>                                       | \$ (5,420,499) | \$ (5,030,504) |
| <b>Earnings (Loss) Per Share – basic and diluted</b> (note 8(i))    | \$ (0.00)      | \$ (0.01)      |
| <b>Weighted Average Number of Common Shares Outstanding</b>         |                |                |
| Basic   | 87,009,515     | 49,474,698     |
| Diluted (note 8(i))   | 0              | 0              |

**SKYGOLD VENTURES LTD.**  
**(An Exploration Stage Company)**  
**Consolidated Statements of Cash Flows**  
**For the Three Months Ended March 31**  
**(Unaudited – Prepared by Management)**

|   | <b>2009</b>       | <b>2008</b>        |
|---|-------------------|--------------------|
| <b>Operating Activities</b>   |                   |                    |
| Net income (loss) for period  | \$ (251,563)      | \$ (500,846)       |
| Items not involving cash  |                   |                    |
| Stock-based compensation  | 0                 | 33,979             |
| Amortization  | 6,798             | 15,845             |
| Future income tax recovery  | 0                 | (128,874)          |
|   | <b>(244,765)</b>  | <b>(579,896)</b>   |
| Changes in non-cash working capital   |                   |                    |
| Due from joint venturer   | 63,623            | (1,281,912)        |
| Amounts receivable  | 8,222             | (5,545)            |
| Prepaid expenses and deposits   | 18,659            | (22,460)           |
| Accounts payable and accrued liabilities  | (502,812)         | (285,167)          |
|   | <b>(412,308)</b>  | <b>(1,595,084)</b> |
| <b>Cash Used in Operating Activities</b>  | <b>(657,073)</b>  | <b>(2,174,980)</b> |
| <b>Investing Activities</b>   |                   |                    |
| Term deposits   | 986,222           | (450,554)          |
| Direct costs of business combination  | 0                 | 0                  |
| Cash acquired in business combination   | 0                 | 0                  |
| Expenditures on mineral properties  | (173,055)         | (719,568)          |
| Purchase of property and equipment  | (17)              | (117,061)          |
| Advance for reclamation deposits  | 0                 | 0                  |
| Security deposit  | 0                 | (1,785)            |
| <b>Cash Provided by (Used in) Investing Activities</b>  | <b>813,150</b>    | <b>(1,288,968)</b> |
| <b>Increase (Decrease) in Cash</b>  | <b>156,077</b>    | <b>(3,463,948)</b> |
| <b>Cash, Beginning of Period</b>  | <b>128,718</b>    | <b>3,875,679</b>   |
| <b>Cash, End of Period</b>  | <b>\$ 284,795</b> | <b>\$ 411,731</b>  |
| <b>Supplemental Cash Flow Information</b>   |                   |                    |
| Income taxes paid   | \$ 0              | \$ 0               |
| Interest paid   | \$ 0              | \$ 0               |
| Common shares issued for mineral property interests (2009 - nil common shares; 2008 - 18,103 common shares) | \$ 0              | \$ 20,999          |
| Accounts payable included in mineral properties   | \$ 90,288         | \$ 2,444,176       |

**SKYGOLD VENTURES LTD.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2009**  
**(Unaudited – Prepared by Management)**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Skygold Ventures Ltd. (the “Company” or “Skygold”) is a junior resource exploration stage company incorporated under the Alberta *Business Corporations Act* and continued into British Columbia under the *Business Corporations Act* of British Columbia.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As the Company is a junior resource stage company, it does not generate any revenue and relies on equity based financing to fund its operations. While the Company expects to meet its financial obligations for fiscal 2009, it will require additional financing to meet its administrative costs and to continue work on its mineral properties, including required flow-through obligation (note 9). There is no assurance that future funding will be available to sufficiently conduct further exploration of its mineral properties. At the period ending March 31, 2009, the Company has working capital of \$5,915,250 (2008 – \$3,771,420) and accumulated deficit of \$5,420,494 (2008 - \$5,030,504).

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and receive continued financial support from its shareholders. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that management’s plan will be successful given the current difficult conditions.

These consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, are stated in Canadian dollars and reflect the following:

**(a) Basis of presentation**

These consolidated financial statements include the accounts of Skygold Ventures Ltd. and its integrated wholly-owned subsidiary, Wildrose Resources Ltd., acquired on June 27, 2008 (note 3). All significant intercompany amounts and transactions have been eliminated.

**(b) Joint venture accounting**

A portion of the Company’s exploration activities may be conducted jointly with others when the Company enters into agreements that provide for specified percentage interests in mineral properties. Joint venture accounting, which reflects the Company’s proportionate interest in mineral properties, is applied by the Company only when the parties enter into formal comprehensive agreements for ownership and mining participation terms.

**SKYGOLD VENTURES LTD.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) 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. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. 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. Costs accumulated relating to projects that are abandoned are written-off in the period in which a decision to discontinue the project is made.

All deferred mineral property expenditures are reviewed quarterly, 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.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs will be depleted using the unit-of-production method over the estimated life of the ore body based upon recoverable ounces to be mined from estimated proven and probable reserves.

The Company is still in the exploration stage and commercial production has not yet commenced. Hence, depletion has not been charged in these consolidated financial statements. Commercial production occurs when an asset or property is substantially complete and ready for its intended use.

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. Proceeds received on the sale or option of the Company's property interest is recorded as a reduction of the mineral property cost. The Company recognizes in income those costs that are recovered on mineral property interests when amounts received or receivable are in excess of the carrying amount.

**(d) Property and equipment**

Amortization of property and equipment is recorded on the declining-balance basis at the following annual rates:

|                        |     |
|------------------------|-----|
| Building               | 4%  |
| Computer equipment     | 30% |
| Vehicles               | 30% |
| Office equipment       | 20% |
| Leasehold improvements | 20% |

Amortization on leasehold improvements is recorded on a straight-line basis over the term of the lease.

Additions during the year are amortized at one-half the annual rates.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(e) **Asset retirement obligations (“ARO”)**

The Company recognizes an estimate of the liability associated with an ARO in the consolidated financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material AROs to record in these consolidated financial statements.

(f) **Capital stock**

Capital stock issued for non-monetary consideration is recorded at fair value based on the average trading price of the Company’s common shares on the TSX Venture Exchange at the time of agreement to the respective transaction.

(g) **Stock-based compensation**

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees, and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

(h) **Earnings (loss) per share**

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants would be anti-dilutive.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Income taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

**(j) Flow-through shares**

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. The proceeds from shares issued under flow-through share financing agreements are credited to capital stock and the tax benefits of the exploration expenditures incurred under these agreements are renounced to the purchaser of the shares. 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.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of future income taxes in the statement of operations.

**(k) Warrants**

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

**(l) 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 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 include the collectability of amounts receivable, recovery of British Columbia Mining Exploration Tax Credit Receivable, balances of accrued liabilities, the fair value of financial instruments, the rates for amortization of property and equipment, the recoverability of mineral property interests, determination of asset retirement and environmental obligations, estimates of future income tax assets and liabilities, valuation allowance for future income tax assets and the determination of the variables used in the calculation of stock-based compensation. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(m) Financial instruments**

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in operations. Financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Financial instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition. When a decline in the fair value of an available-for-sale financial asset has been recognized in comprehensive income, and there is objective evidence that the impairment is other than temporary, the cumulative loss that had been previously recognized in accumulated other comprehensive income is removed from accumulated other comprehensive income and recognized in net income even though the financial asset has not been de-recognized.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments and amortized using the effective interest method.

**(n) Comprehensive income**

The Company adopted Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1530, Comprehensive Income, which establishes standards for presentation and disclosure of comprehensive income. Comprehensive income is the overall change in net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income (loss) and other comprehensive income (loss). Other comprehensive income includes gains or losses, which generally accepted accounting principles requires to be recognized in a period, but excluded from net income (loss) for that period.

The adoption of this section has had no impact on the Company's consolidated financial statements.

**(o) Adoption of new accounting standards**

Effective January 1, 2008, the Company adopted the following standards of the CICA Handbook:

**(i) Capital Disclosures**

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

As a result of the adoption of this standard, additional disclosure on the Company's capital management strategy has been included in note 5.

**SKYGOLD VENTURES LTD.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(o) **Adoption of new accounting standards** (continued)

(ii) Financial Instruments – Disclosures and Financial Instruments – Presentation

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation replace Handbook Section 3861, Financial Instruments – Disclosures and Presentation, revising its disclosure requirements, and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

As a result of the adoption of these standards, additional disclosures on the risks of certain financial instruments have been included in note 4.

(iii) Amendments to Section 1400 – Going Concern

CICA Section 1400, General Standards of Financial Statement Presentation, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. When financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern. The Company's accounting policies were already in accordance with the requirements of the amended section and there was no effect on the Company's consolidated financial statements.

(p) **Future accounting changes**

(i) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The effective date for the Company is for interim and annual financial statements relating to the Company's fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(ii) Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards covering goodwill are unchanged from the standards included in the previous Section 3062.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(p) **Future accounting changes** (continued)

(ii) Goodwill and intangible assets (continued)

The new section is effective for years beginning on or after October 1, 2008. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

(iii) Business combinations

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-Controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements, and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new section apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

(iv) EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009 the Emerging Issues Committee ("EIC") of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC- 173. The Company will adopt this recommendation in its fair value determinations for its fiscal year ending December 31, 2009.

(v) EIC-174, Mining Exploration Costs

In March 2009 the EIC issued EIC-174 Mining Exploration Costs, which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC-174 also provides additional discussion on recognition for long-lived assets. EIC-174 is to be applied in interim and annual financial statements for periods ending on or after the date of issuance of EIC- 174. The Company will adopt this recommendation for its fiscal year ending December 31, 2009.

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**3. BUSINESS COMBINATION**

On June 27, 2008, the Company acquired 100% of the issued and outstanding common shares of Wildrose Resources Ltd. (“Wildrose”) pursuant to an Arrangement Agreement dated February 29, 2008. The results of Wildrose’s operations have been included in the consolidated financial statements since June 27, 2008. Wildrose is a junior resource exploration company and prior to the acquisition, was the Company’s 30% partner in the Spanish Mountain property (note 6(a)). As set out in the Arrangement Agreement, each outstanding common share of Wildrose was exchanged for 0.82 common share of the Company resulting in the Company issuing 19,145,833 common shares for a total value of \$18,571,458. The value assigned to each common share issued is based on the average closing market price of the Company’s common shares for a two-day period before and after the terms of the agreement were agreed to and announced.

As part of the acquisition, each issued and outstanding Wildrose stock option and warrant will entitle the holder to acquire 0.82 of the Company’s share in lieu of each Wildrose share the holder would otherwise be entitled to acquire upon the exercise of the Wildrose stock options and warrants. As a result, the Company recorded the fair value of the vested stock options and warrants of \$1,134,204 as a cost of the transaction. The fair value of the stock options and warrants were calculated using the Black-Scholes option pricing model with a grant date of June 27, 2008 and fair market value of the shares at grant date calculated consistent with the value assigned to each common share issued as described above. Notes 8(f) and (g) detail the weighted average assumptions used in the calculation of the fair value of the stock options and warrants under the Black-Scholes option pricing model.

The acquisition was accounted for using the purchase method of accounting, with Skygold being identified as the acquirer and Wildrose as the acquiree. In accordance with the purchase method of accounting, the purchase consideration of \$20,110,356 is allocated to the underlying assets acquired and liabilities assumed based on their fair values at the date of acquisition. Total consideration of \$20,110,356 is arrived at as follows:

|                                   |                      |
|-----------------------------------|----------------------|
| Common shares issued              | \$ 18,571,458        |
| Direct costs                      | 404,694              |
| Warrants and stock options issued | 1,134,204            |
| <b>Total consideration</b>        | <b>\$ 20,110,356</b> |

The allocation of the purchase price to assets and liabilities acquired is as follows:

|  |                      |
|--|----------------------|
| Cash and cash equivalents                      | \$ 669,357           |
| Amounts receivable                             | 36,166               |
| British Columbia Mineral Tax Credit receivable | 583,030              |
| Mineral properties                             | 26,165,882           |
| Property and equipment                         | 318,908              |
| Accounts payable and accrued liabilities       | (1,805,676)          |
| Future income tax liability                    | (5,857,311)          |
|  | <b>\$ 20,110,356</b> |

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**4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company has designated its financial instruments as follows:

- Cash and term deposits as held-for-trading
- Amounts receivable as loans and receivables
- Deposit for reclamation and security deposit as held-to-maturity
- Accounts payable and accrued liabilities as other financial liabilities

The carrying amounts of the Company's financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

**(a) Credit risk**

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations and arises principally from the Company's holdings of cash and term deposits. The Company manages credit risk, in respect of term deposits, by purchasing highly liquid, short-term investment grade securities held at a major Canadian financial institution. In regards to amounts receivable, the Company is not exposed to significant credit risk as they are due from governmental agencies.

Concentration of credit risk exists with respect to the Company's cash and term deposits as all amounts are held at a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

|                            | <b>2009</b>         | <b>2008</b>         |
|----------------------------|---------------------|---------------------|
| Term deposits              | \$ 3,053,639        | \$ 3,010,003        |
| Cash held in bank accounts | 284,795             | 411,731             |
|                            | <b>\$ 3,338,434</b> | <b>\$ 3,421,734</b> |

Term deposits currently earn interest at a fixed rate of 0.42 and 0.57% (2008 – 3.409%) and mature on April 6 and 24, 2009, respectively (2008 – April 25, 2008). The credit risk associated with cash and term deposits is minimized substantially by ensuring that these financial assets are placed with major Canadian financial institutions with strong investment grade ratings by a primary ratings agency.

The Company has no asset backed securities.

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(b) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet its liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company maintains sufficient cash and term deposits at March 31, 2009 in the amount of \$3,338,434 and receivables of \$2,760,641 in order to meet short-term liabilities. At March 31, 2009, the Company had accounts payable and accrued liabilities of \$219,819, which will be paid in fiscal 2009. The Company will require additional equity financing to meet its administrative overhead costs and further exploration activities on its mineral properties in 2009, including meeting required flow-through obligations (note 9).

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**4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)**

(c) **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk.

(i) Interest rate risk

The Company's cash held in bank accounts and term deposits earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of March 31, 2009.

(ii) Foreign currency risk

The Company's operations are located in Canada and accordingly, the Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company is not exposed to significant other price risk.

**5. CAPITAL MANAGEMENT**

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its mineral properties contain economically recoverable reserves of ore and currently has not earned any revenues from its mineral property interests and, therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of capital stock. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as capital stock. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet strategic goals.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this financing due to the current difficult market conditions.

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**6. MINERAL PROPERTIES**

Acquisition and exploration expenditures incurred on mineral properties at March 31, 2009 and December 31, 2008 are as follows:

|   | Spanish Mountain | SHG          | Total         |
|---|------------------|--------------|---------------|
| Balance, December 31, 2007                | 10,167,562       | 2,234,462    | 12,402,024    |
| Additions during the year                 |                  |              |               |
| Acquisition costs                         | 75,999           | 0            | 75,999        |
| Acquired in business combination (note 3) | 26,165,882       | 0            | 26,165,882    |
|   | 26,241,881       | 0            | 26,241,881    |
| Deferred exploration costs                |                  |              |               |
| Drilling                                  | 4,549,028        | 396,237      | 4,945,265     |
| Contract wages                            | 0                | 171,909      | 171,909       |
| Geological consulting                     | 1,336,314        | 331,983      | 1,668,297     |
| Assaying                                  | 1,700,332        | 149,480      | 1,849,812     |
| Travel and accommodation                  | 156,104          | 59,094       | 215,198       |
| Camp materials and supplies               | 497,158          | 26,771       | 523,929       |
| Equipment rental                          | 149,580          | 1,747        | 151,327       |
| Environmental assessment                  | 105,412          | 0            | 105,412       |
| Land tenure                               | 21,256           | 97,433       | 118,689       |
| Road access                               | 50,358           | 0            | 50,358        |
| Field supplies                            | 271,458          | 29,205       | 300,663       |
| Amortization                              | 45,479           | 0            | 45,479        |
|   | 8,882,479        | 1,263,859    | 10,146,338    |
| Total additions during the year           | 35,124,360       | 1,263,859    | 36,388,219    |
| METC receivable*                          | (1,495,243)      | (61,467)     | (1,556,710)   |
| Net additions                             | 33,629,117       | 1,202,392    | 34,831,509    |
| Balance, December 31, 2008                | \$ 43,796,679    | \$ 3,436,854 | \$ 47,233,533 |
| Additions during the period               |                  |              |               |
| Acquisition costs                         | 51,000           | 0            | 51,000        |
|   | 51,000           | 0            | 51,000        |
| Deferred exploration costs                |                  |              |               |
| Drilling                                  | 660              | 0            | 660           |
| Contract wages                            | 0                | 6,555        | 6,555         |
| Geological consulting                     | 112,013          | 29,709       | 141,722       |
| Assaying                                  | 4,447            | 2,706        | 7,153         |
| Travel and accommodation                  | 15,768           | 0            | 15,768        |
| Camp materials and supplies               | 22,281           | 1,820        | 24,101        |
| Equipment rental                          | 5,040            | 0            | 5,040         |
| Environmental assessment                  | 1,864            | 0            | 1,864         |
| Field supplies                            | 9,480            | 0            | 9,480         |
| Amortization                              | 9,347            | 0            | 9,347         |
|   | 180,900          | 40,790       | 221,690       |
| Total additions during the period         | 231,900          | 40,790       | 272,690       |
| Balance, March 31, 2009                   | \$ 44,028,579    | \$ 3,477,644 | \$ 47,506,223 |

\* British Columbia Mining Exploration Tax Credit Receivable (Note 9)

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**6. MINERAL PROPERTIES (Continued)**

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

Pursuant to a Joint Operation Agreement (the "Agreement") signed between Wildrose and the Company dated March 29, 2005, the Company exercised its option and earned a 70% interest in the Spanish Mountain property. Wildrose retained a 30% interest in the property. Each party was responsible for all expenses and liabilities of the mining operations in proportion to their interest.

On June 27, 2008, the Company acquired all of the issued and outstanding shares of Wildrose and now owns 100% of the Spanish Mountain property (note 3). As of June 27, 2008, the Joint Operation Agreement between the Company and Wildrose was terminated.

The Company is obligated to make the following payments to the original vendors of the Agreement:

- (i) Cash payments
  - \$24,000 on January 20, 2007 (paid);
  - \$15,000 on July 20, 2007 (paid); and
  - \$55,000 on January 20, 2008 (paid).
- (ii) Share or cash issuances
  - \$21,000 on each of January 20, 2006 (issued), 2007 (issued) and 2008 (issued), which may be satisfied in either cash or shares; and
  - \$51,000 each year from January 20, 2009 (paid – note 14) to January 20, 2012, which may be satisfied in either cash or shares.
- (iii) The vendor retains a 2.5% net smelter return ("NSR"), 1.5% of which may be purchased by the Company for \$500,000.

The amount due from joint venturer of \$0 (2007 - \$1,070,059) is the portion of mineral property expenditures incurred by the Company on behalf of Wildrose prior to June 27, 2008.

**(b) SHG, Cariboo Mining Division, British Columbia**

On July 26, 2006, the Company purchased five mineral properties to the northwest of the Spanish Mountain property in central British Columbia.

The purchase and sale agreement gives the Company a 100% interest in these claims for consideration as follows:

- (i) A cash payment of \$300,000 (paid);
- (ii) Issuance of 525,000 units of the Company (issued in 2006). Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at \$1.60 per share on or before October 4, 2007 and at \$2 per share on or before October 4, 2008. The shares were valued at \$1.60 per share while the warrants were valued at \$280,980 using the Black-Scholes option pricing model;
- (iii) The vendor retains a 2% NSR, 1% of which may be purchased by the Company for \$1,000,000; and
- (iv) The Company must incur \$2,000,000 in exploration expenditures by December 31, 2008 (completed).

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**6. MINERAL PROPERTIES (Continued)**

**(c) 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.

**(d) Realization of assets**

The investment in and expenditures on mineral 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 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.

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 will be 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.

**(e) Environmental**

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 may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

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**7. PROPERTY AND EQUIPMENT**

|                        |    | <b>2009</b>         |                             |                     |
|------------------------|----|---------------------|-----------------------------|---------------------|
|                        |    | Cost                | Accumulated<br>Amortization | Net                 |
| Land                   | \$ | 127,441             | \$ 0                        | \$ 127,441          |
| Building               |    | 1,110,416           | 77,738                      | 1,032,678           |
| Computer equipment     |    | 105,031             | 39,655                      | 65,376              |
| Vehicles               |    | 40,846              | 15,889                      | 24,957              |
| Office equipment       |    | 29,577              | 10,341                      | 19,236              |
| Leasehold improvements |    | 9,815               | 2,454                       | 7,361               |
|                        |    | <b>\$ 1,423,126</b> | <b>\$ 146,077</b>           | <b>\$ 1,277,049</b> |

|                        |    | <b>2008</b>         |                             |                     |
|------------------------|----|---------------------|-----------------------------|---------------------|
|                        |    | Cost                | Accumulated<br>Amortization | Net                 |
| Land                   | \$ | 127,655             | \$ 0                        | \$ 127,655          |
| Building               |    | 1,110,416           | 70,415                      | 1,040,001           |
| Computer equipment     |    | 105,031             | 34,354                      | 70,677              |
| Vehicles               |    | 40,846              | 13,865                      | 26,981              |
| Office equipment       |    | 29,345              | 9,334                       | 20,011              |
| Leasehold improvements |    | 9,815               | 1,963                       | 7,852               |
|                        |    | <b>\$ 1,423,108</b> | <b>\$ 129,931</b>           | <b>\$ 1,293,177</b> |

**8. CAPITAL STOCK**

(a) **Authorized**

- (i) 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.

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**8. CAPITAL STOCK (Continued)**

(b) **Issued**

|  | Number of<br>Common<br>Shares | Amount        |
|--|-------------------------------|---------------|
| Balance, December 31, 2007                           | 49,459,579                    | 21,176,665    |
| Issued for cash                                      |                               |               |
| Private placements, net of issue costs               | 18,386,000                    | 9,406,570     |
| Issued for other consideration                       |                               |               |
| Mineral property interests                           | 18,103                        | 21,000        |
| Acquisition of Wildrose (note 3)                     | 19,145,833                    | 18,571,458    |
| Income tax effect of flow-through share renouncement | 0                             | (793,807)     |
|  | 37,549,936                    | 27,205,221    |
| Balance, December 31, 2008 and March 31, 2009        | 87,009,515                    | \$ 48,381,886 |

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**8. CAPITAL STOCK (Continued)**

**(c) Private placements**

- (i) On January 14, 2008, pursuant to the Agreement for the Spanish Mountain property (note 6(a)(ii)) the Company issued 18,103 common shares valued at \$1.16 per common share.
- (ii) On June 27, 2008, the Company issued 19,145,833 common shares to the shareholders of Wildrose in exchange for all of the outstanding common shares of Wildrose (note 3). These shares were valued at \$0.97 per share for a gross value of \$18,571,458.
- (iii) On July 31, 2008, the Company completed a private placement and issued 13,386,000 flow-through common shares for gross proceeds of \$8,031,600 and 5,000,000 units for gross proceeds of \$3,000,000. Each unit consisted of one non-flow-through common share and one-half of one non-flow-through common share purchase warrant. Each full warrant entitles the holder to acquire an additional non-flow-through common share at \$0.70 on or before July 31, 2010. Of the \$3,000,000 raised, \$2,700,000 was allocated to capital stock based on the market trading price of the Company's common shares at the time the units were priced and the excess of \$300,000 was allocated to warrants. In addition, the Company issued 360,000 stand alone non-flow-through common share purchase warrants for gross proceeds of \$43,200. Each non-flow-through warrant entitles the holder to acquire one non-flow-through common share at \$0.70 on or before July 31, 2010. As part of the finder's fee arrangement, 1,195,090 non-flow-through common share purchase warrants were issued to agents. Each warrant entitles the holder to acquire one non-flow-through common share at \$0.60 on or before July 31, 2009. These agent warrants were valued at \$58,798 and recorded as a share issue cost. Cash share issue costs in the amount of \$1,266,232 were incurred by the Company in connection with this private placement.
- (iv) On December 28, 2007, the Company completed a private placement and issued 2,348,540 units for gross proceeds of \$3,053,102. Each unit consisted of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each full warrant entitles the holder to acquire an additional non-flow-through common share at \$1.75 per share on or before December 28, 2008. As part of the finder's fee arrangement, 44,205 additional units were issued to the agents. Each unit consisted of one non-flow-through common share and one-half of one non-flow-through common share purchase warrant, each unit having the same terms and conditions as the units described above. In addition, 168,400 finder's warrants were issued, each being exercisable to acquire one common share of the Company at an exercise price of \$1.35 per share until December 28, 2008. The warrants attached to agent's units and finder's warrants were valued at \$53,371. Cash share issue costs in the amount of \$137,923 were incurred by the Company in connection with the private placement.
- (v) On January 23, 2007, pursuant to the Agreement for the Spanish Mountain property (note 6(a)(ii)) the Company issued 12,805 common shares valued at \$1.58 per common share.

**(d) Renounced exploration expenditures**

In February 2008, the Company renounced \$3,053,102 (2007 - \$6,091,443) of exploration expenditures under its flow-through share program, resulting in a future tax liability of \$793,807 (2007 - \$2,078,400), which was deducted from capital stock.

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**8. CAPITAL STOCK (Continued)**

**(e) Stock options**

As per the Company's stock option plan, options to purchase common shares have been granted to directors, at exercise prices determined by reference to market values on the date of the grant. All options granted during the year vested 25% at the date of grant and 25% every six months thereafter, with all options being fully vested at 18 months from the date of grant. Details of the status of the Company's stock options are as follows:

|                                  | <b>2009</b>      |                                 |
|----------------------------------|------------------|---------------------------------|
|                                  | Number of Shares | Weighted Average Exercise Price |
| Outstanding, beginning of period | 5,445,300        | \$ 1.24                         |
| Granted                          | 0                | \$ 0.00                         |
| Forfeited                        | 0                | \$ 0.00                         |
| Outstanding, end of period       | 5,445,300        | \$ 1.24                         |

A summary of the status of the Company's stock options as at March 31, 2009 is as follows:

|                   | <b>2009</b>    |                   |                          |
|-------------------|----------------|-------------------|--------------------------|
| Expiry Date       | Exercise Price | Number of Options | Number of Options Vested |
| December 23, 2009 | \$ 0.10        | 200,000           | 200,000                  |
| July 22, 2010     | \$ 0.42        | 750,000           | 750,000                  |
| January 3, 2011*  | \$ 0.59        | 127,100           | 127,100                  |
| June 2, 2011      | \$ 1.60        | 1,920,000         | 1,920,000                |
| November 1, 2011  | \$ 1.50        | 500,000           | 500,000                  |
| January 10, 2012* | \$ 1.22        | 1,189,000         | 1,189,000                |
| April 17, 2012*   | \$ 1.56        | 82,000            | 82,000                   |
| May 28, 2012*     | \$ 1.49        | 164,000           | 164,000                  |
| June 5, 2012*     | \$ 1.59        | 213,200           | 213,200                  |
| December 11, 2012 | \$ 1.25        | 300,000           | 225,000                  |
|                   |                | 5,445,300         | 5,370,300                |

\* - issued in exchange for stock options of Wildrose (note 3)

Weighted average remaining contractual life of the options is 2.58 years.

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**8. CAPITAL STOCK (Continued)**

**(f) Share purchase warrants**

As at March 31, 2009, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

| Exercise Price | Expiry Date     | Outstanding, December 31, 2008 | Issued | Exercised | Expired   | Outstanding, March 31, 2009 |
|----------------|-----------------|--------------------------------|--------|-----------|-----------|-----------------------------|
| \$1.59*        | January 9, 2009 | 410,000                        | 0      | 0         | (410,000) | 0                           |
| \$1.34*        | April 30, 2009  | 820,000                        | 0      | 0         | 0         | 820,000                     |
| \$ 0.60        | July 31, 2009   | 1,195,090                      | 0      | 0         | 0         | 1,195,090                   |
| \$ 0.70**      | July 31, 2010   | 2,860,000                      | 0      | 0         | 0         | 2,860,000                   |
|                |                 | 5,285,090                      | 0      | 0         | (410,000) | 4,875,090                   |

\* - issued in exchange for Wildrose warrants (note 3)

\*\* - value of \$343,200 has been allocated to warrants (note 8(c)(iii))

The fair value of warrants issued in 2008 as finder's fees, in the amount of \$58,798, and included in share issuance costs and the fair value of warrants issued in exchange for Wildrose warrants in the amount of \$92,094, and included in the purchase price of Wildrose (note 3), were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

|                                 | 2008   |
|---------------------------------|--------|
| Risk-free interest rate         | 3.09%  |
| Expected dividend yield         | 0      |
| Expected stock price volatility | 52.41% |
| Expected life in years          | 0.87   |

**(g) Stock-based compensation**

The fair value of stock options granted to a director in 2007 that vested during 2008, in the amount of \$135,915, has been recorded as an expense in 2008. The fair value of stock options issued in exchange for Wildrose stock options in the amount of \$1,042,110, are included in the purchase price of Wildrose (note 3).

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

|                                 | 2008   |
|---------------------------------|--------|
| Risk-free interest rate         | 3.36%  |
| Expected dividend yield         | 0      |
| Expected stock price volatility | 94.04% |
| Expected life in years          | 3.56   |

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.

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8. **CAPITAL STOCK** (Continued)

(h) **Contributed surplus**

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|                              |    | <b>2008</b> |
|------------------------------|----|-------------|
| Balance, beginning of period | \$ | 4,223,871   |
| Balance, end of period       | \$ | 4,223,871   |

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**8. CAPITAL STOCK (Continued)**

(i) **Shares reserved for issuance**

Shares reserved for issuance at March 31, 2009 are as follows:

|                                  | <b>2009</b> |
|----------------------------------|-------------|
| Outstanding at December 31, 2008 | 87,009,515  |
| Stock options (note 8(e))        | 5,445,300   |
| Warrants (note 8(f))             | 4,875,090   |
| Fully diluted at March 31, 2009  | 97,329,905  |

**9. INCOME TAXES**

The Company has accumulated non-capital losses for Canadian income tax purposes of approximately \$4,757,000 that expire in various years to 2028 as follows:

|      |                     |
|------|---------------------|
| 2009 | \$ 126,000          |
| 2010 | 151,000             |
| 2014 | 226,000             |
| 2015 | 782,000             |
| 2026 | 736,000             |
| 2027 | 850,000             |
| 2028 | 1,886,000           |
|      | <b>\$ 4,757,000</b> |

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

|   | <b>2008</b>  |
|---|--------------|
| Income tax benefit computed at Canadian statutory rates                           | \$ (496,229) |
| Tax effect of expenses that are not deductible (taxable) for income tax purposes: |              |
| Share issue costs   | (129,752)    |
| Amortization  | 10,499       |
| Stock-based compensation  | 44,172       |
| Other taxable items   | 1,311        |
| Change in timing differences:   |              |
| Mineral properties  | 17,249       |
| Share issue costs   | (287,442)    |
| Losses expired  | 54,052       |
| Other timing differences  | (33,782)     |
| Change in income tax rates  | (67,659)     |
| Future income tax recovery  | \$ (887,581) |

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**9. INCOME TAXES** (Continued)

Significant components of the Company's future tax liabilities are as follows:

|  | <b>2008</b>    |
|--|----------------|
| Future income tax assets and liabilities |                |
| Equipment                                | \$ 36,775      |
| Mineral properties                       | (8,861,363)    |
| Share issue costs                        | 353,645        |
| Losses carried forward                   | 1,236,881      |
| Future income tax liability              | \$ (7,234,062) |

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date, represent the funds received from flow-through share issuances, which have not been spent and which are allotted for such expenditures. As at March 31, 2009, the amount of flow-through proceeds remaining to be expended was \$4,832,171. As at December 31, 2008, the amount of the remaining flow-through proceeds remaining to be expended was \$5,044,514. The Company expects to meet its flow-through obligation from cash of \$284,795, term deposits of \$3,053,639 and the remaining \$1,493,737 through the recovery of the British Columbia Mining Exploration Tax Credit receivable.

The Company qualifies for a British Columbia mining tax credit as it has incurred qualified mineral exploration expenditures for determining the existence, location, extent or quality of a mineral resource in the province of British Columbia. The tax credit is calculated as 30% (for the area in which the Company operates) of qualified mineral exploration expenditures incurred during the year. At December 31, 2008, the British Columbia Mining Exploration Tax Credit receivable in the amount of \$2,755,995 consists of receivables for the 2007 and 2008 years, which may change pursuant to an audit by the taxation authorities. Any changes will be reflected in future periods.

**SKYGOLD VENTURES LTD.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2009**  
**(Unaudited – Prepared by Management)**

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**10. RELATED PARTY TRANSACTIONS**

- (a) The Company was charged \$90,608 (2008 - \$81,266) for contract wages and administrative and management services, \$149,706 (2008 - \$4,294,728) for exploration costs, \$17,661 (2008 - \$12,698) for rental of premises, \$232 (2008 - \$39,508) for property costs and equipment, and \$44,628 (2008 - \$104,574) for the reimbursement of general and administrative expenses to a company in which a director is a principal. As at March 31, 2009, \$112,540 (2008 - \$2,375,837) was owed to that company and included in accounts payable.
- (b) The Company paid \$9,614 (2008 - \$7,762) to a director for consulting fees.

The above transactions incurred in the normal course of operations and are recorded at the exchange amount, being the amount agreed upon by the related parties.

**11. SEGMENTED INFORMATION**

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

**12. COMMITMENTS**

- (a) The Company has commitments with respect to its leased vehicles. The minimum lease payments required under such leases are payable as follows:

|      |    |        |
|------|----|--------|
| 2009 | \$ | 29,158 |
|------|----|--------|

- (b) During 2007, the Company and others entered into a lease agreement for the rental of office premises for a six-year period, expiring March 31, 2013. The cost of the entire premises is shared primarily between the Company and four other companies related by a common director. The Company's proportionate share of minimum annual rental payments under this arrangement is payable as follows:

|      |    |         |
|------|----|---------|
| 2009 | \$ | 23,642  |
| 2010 |    | 25,858  |
| 2011 |    | 26,597  |
| 2012 |    | 26,597  |
| 2013 |    | 6,649   |
|      | \$ | 109,343 |

**13. SUBSEQUENT EVENTS**

None to report.