

SPANISH MOUNTAIN GOLD LTD.
(formerly Skygold Ventures Ltd.)
(An Exploration Stage Company)

Consolidated Financial Statements
March 31, 2010

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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.

SPANISH MOUNTAIN GOLD LTD.
(Formerly Skygold Ventures Ltd.)
(An Exploration Stage Company)
Consolidated Balance Sheet
(Unaudited - Prepared by Management)

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
Assets		
Current		
Cash (note 3)	\$ 2,324,535	\$ 2,665,696
Term Deposits (note 3)	4,500,000	-
Amounts Receivable	31,120	119,477
British Columbia Mining Exploration Tax Credit receivable (note 8)	1,818,568	1,818,568
Prepaid Expenses and deposits	90,380	38,412
	8,764,603	4,642,153
Mineral Properties (note 5)	52,790,007	52,455,585
Property and Equipment (note 6)	1,256,972	1,218,992
Deposits for Reclamation	112,000	112,000
	\$ 62,923,582	\$ 58,428,730
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9(a))	400,580	404,741
Future Income Tax (note 8)	8,915,287	8,541,212
	\$ 9,315,867	\$ 8,945,953
Shareholders' Equity		
Capital Stock (note 7)	54,915,097	50,431,498
Warrants (note 7(c)(iv))	343,200	343,200
Contributed Surplus (note 7(h))	4,609,378	4,484,421
Deficit	(6,259,959)	(5,776,342)
	\$ 53,607,716	\$ 49,482,777
	\$ 62,923,582	\$ 58,428,730

Nature of operations (note 1)
Commitments (note 11)
Subsequent events (note 12)

Approved on behalf of the Board:

"Donald Sharp"
..... Director
Donald Sharp

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

SPANISH MOUNTAIN GOLD LTD.
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Consolidated Statements of Operations and Deficit
For the Three Months Ended March 31
(Unaudited - Prepared by Management)

	2010	2009
General and Administrative Expenses		
Consulting fees	\$ 189,472	\$ 28,059
Contract wages	94,909	90,608
Investor relations	63,941	43,698
Legal	29,755	9,527
Stock-based compensation	128,067	-
Transfer agent and filing fees	4,458	11,666
Amortization	7,115	6,798
Office and miscellaneous	30,001	26,820
Meals & Entertainment	3,279	-
Travel & Accomodations	24,770	18,230
Rent	30,860	17,661
Insurance	9,576	7,409
	(616,202)	(260,476)
Interest income	4,937	8,913
Loss Before Future Income Tax Receovery	(611,265)	(251,563)
Future Income Tax Recovery (note 8)	127,648	-
Net Income (Loss) and comprehensive income (loss) for Period	(483,617)	(251,563)
Deficit, Beginning of Period	(5,776,342)	(5,168,936)
Deficit, End of Period	\$ (6,259,959)	\$ (5,420,499)
Earnings (Loss) Per Share		
- basic and diluted	\$ (0.00)	\$ (0.00)
Weighted Average Number of Common Shares Outstanding		
Basic	112,775,435	87,009,515
Diluted	152,514,466	97,370,905

SPANISH MOUNTAIN GOLD LTD.
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Consolidated Statements of Cash Flows
For the Three Months Ended March 31
(Unaudited - Prepared by Management)

	2010	2009
Operating Activities		
Net income (loss) for period	\$ (483,617)	\$ (251,563)
Items not involving cash		
Stock-based compensation	128,067	-
Amortization	7,115	6,798
Future income tax recovery	(127,648)	-
	<u>(476,083)</u>	<u>(244,765)</u>
Changes in non-cash working capital		
Amounts receivable	88,357	8,222
Prepaid expenses and deposits	(51,968)	18,659
Accounts payable and accrued liabilities	(4,164)	(439,189)
	<u>32,224</u>	<u>(412,308)</u>
Cash Used in Operating Activities	<u>(443,859)</u>	<u>(657,073)</u>
Financing Activity		
Shares issued for cash, net of issue costs	4,982,214	-
Investing Activities		
Term Deposits	(4,500,000)	986,222
Cash acquired in business combination	-	-
Expenditures on Mineral Properties	(323,021)	(173,072)
Purchase of Property and Equipment	(56,495)	-
Advance for reclamation deposits	-	-
Security deposit	-	-
Cash Provided by (Used in) Investing Activities	<u>(4,879,516)</u>	<u>813,150</u>
Increase (Decrease) in Cash	(341,161)	156,077
Cash, Beginning of Period	2,665,696	128,718
Cash, End of Period	<u>\$ 2,324,535</u>	<u>\$ 284,795</u>
Supplemental Cash Flow Information		
Income taxes paid	-	-
Interest paid	-	-

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Notes to Consolidated Financial Statements
For the Three Months Ended March 31, 2010
(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS

Spanish Mountain Gold Ltd. (formerly Skygold Ventures Ltd.) (the “Company”) 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 2010, it will require additional financing to meet its administrative costs and to continue work on its mineral properties, including required flow-through obligation (note 8). There is no assurance that future funding will be available to sufficiently conduct further exploration of its mineral properties. As at March 31, 2010 the Company has working capital of \$8,364,023 (2009 year end - \$4,237,412) and an accumulated deficit of \$6,259,959 (2009 year end - \$5,776,342).

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and the issuance of capital stock. 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.

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 the Company and its integrated wholly-owned subsidiary, Wildrose Resources Ltd. (“Wildrose”). All significant intercompany amounts and transactions have been eliminated.

(b) Cash and cash equivalents

Cash and cash equivalents comprises cash and highly-liquid temporary investments, which mature within ninety days from the original dates of acquisition and which are readily convertible into known amounts of cash.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) **Mineral properties (Continued)**

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.

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 until 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. When proceeds received in respect of a property exceed its carrying cost, such excess is recognized in the statement of operations.

(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%

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

Additions during the year are amortized at one-half the annual rates. Amortization on property and equipment used directly on exploration projects is included in mineral properties.

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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 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) Mining and exploration tax recoveries

The Company recognizes mining and exploration tax recoveries in the period in which the related qualifying resource expenditures are incurred. The amount recoverable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

(g) Non-monetary transactions

Shares issued for consideration other than cash are valued at the fair value of assets received or services rendered or the quoted market price at the date of issuance, whichever is the more reliable measure.

(h) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments, 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.

(i) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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 financial statement carrying amounts of existing assets and liabilities and their respective tax basis, losses carried forward and other tax deductions. Future tax assets and liabilities are measured using 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 substantively enacted. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

(k) 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 renouncement 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 statements of operations.

(l) 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.

(m) 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 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 ("BC METC") 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 allowances 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)

(n) **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.

(o) **Future accounting changes**

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

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian generally accepted accounting principles. The IFRS standards will be effective for the Company for interim and annual financial statements relating to the Company's fiscal year beginning on or after January 1, 2011. The effective date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and year ended December 31, 2010. The Company has begun the planning and scoping phase of the transition to IFRS and intends to transition to IFRS financial statements during fiscal 2011. While the Company has begun assessing the adoption of IFRS for fiscal 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(ii) Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) **Future accounting changes (Continued)**

(iii) **Business Combinations (Continued)**

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 standards 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 standards.

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

- Cash and term deposits as held-for-trading
- Amounts receivable (excluding taxes receivable) as loans and receivables
- Reclamation deposits as held-to-maturity
- Accounts payable and accrued liabilities as other financial liabilities.

The carrying values of cash and term deposits, amounts receivable and accounts payable (excluding due to related parties), approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of reclamation deposits approximates fair value since amounts held earn interest at market rates. The fair value of amounts due to related parties included in accounts payable and accrued liabilities have not been disclosed as their fair values cannot be reliably measured since there is no quoted market prices for such 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 cash and 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.

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3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(a) **Credit risk (Continued)**

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.

	Mar 31 2010	Dec 31 2009
Term deposits	\$ 4,500,000	-
Cash held in bank accounts	2,324,535	2,665,696
	\$ 6,826,545	\$ 2,665,696

Term deposits currently earn interest at a fixed rate of 0.40% and 1.40% and mature on February 26, 2011 and 2012, respectively. The credit risk associated with cash and term deposits is considered minimal by ensuring that these financial assets are placed with major Canadian financial institutions with strong investment grade ratings by a primary ratings agency.

(b) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company maintains sufficient cash at March 31, 2010 in the amount of \$2,324,535 and receivables of \$1,849,688 in order to meet short-term liabilities. At March 31, 2010, the Company had accounts payable and accrued liabilities of \$400,580, which will be paid in the second quarter of the year. The Company completed a private placement in February 2010 for gross proceeds totalling \$5,000,160.

(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. The Company is exposed to interest rate and foreign currency risk as follows:

(i) **Interest rate risk**

The Company's cash held in bank accounts earns 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, 2010.

(ii) **Foreign currency risk**

The Company's operations are located in Canada with substantially all transactions denominated in Canadian dollars and, accordingly, the Company is not exposed to significant foreign currency risk.

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4. CAPITAL MANAGEMENT

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 and is not subject to any externally imposed capital requirements.

The Company defines its capital as all components of shareholders' equity. Capital requirements are determined by the Company's exploration activities on its mineral property interests and administrative overhead. 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 returns that are considered reasonable under current market conditions. 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, there can be no assurances that it will continue into the future.

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5. MINERAL PROPERTIES

Acquisition and exploration expenditures incurred on mineral properties during 2010 and 2009 are as follows:

	Spanish Mountain		SHG	Total		
Balance, December 31, 2008	\$	43,796,679	\$	3,436,854	\$	47,233,533
Additions during the year						
Acquisition cost		51,000	-			51,000
Deferred exploration costs						
Drilling		2,056,106	483,245			2,539,351
Contract Wages		-	172,465			172,465
Geological consulting		1,046,633	45,781			1,092,414
Geophysical consulting		-	72,258			72,258
Assaying		468,625	182,207			650,832
Travel & Accomodation		103,573	26,152			129,725
Camp materials & supplies		162,401	33,095			195,496
Equipment rental		37,205	30,243			67,448
Land tenure		1,454	14,207			15,661
Environmental assessment		75,346	-			75,346
Road Access		-	-			-
Field Supplies		112,004	31,290			143,294
Amortization		49,695	-			49,695
		4,113,042	1,090,943			5,203,985
Total additions during the year		4,164,042	1,090,943			5,254,985
BC METC receivable (note 8)		(26,017)	(6,916)			(32,933)
Net additions		4,138,025	1,084,027			5,222,052
Balance, December 31, 2009	\$	47,934,704	\$	4,520,881	\$	52,455,585
Additions during the year						
Acquisition cost		51,000	-			51,000
Deferred exploration costs						
Drilling		7,148	345			7,493
Contract Wages		-	4,350			4,350
Geological consulting		38,266	4,000			42,266
Geophysical consulting		7,175	-			7,175
Assaying		144,601	3,549			148,150
Travel & Accomodation		1,381	-			1,381
Camp materials & supplies		21,408	-			21,408
Equipment rental		11,460	-			11,460
Land tenure		5,500	-			5,500
Environmental assessment		19,269	-			19,269
Road Access		-	-			-
Field Supplies		3,566	-			3,566
Amortization		11,404	-			11,404
Total additions during the year		322,178	12,244			334,422
BC METC receivable (note 8)		-	-			-
Net additions		322,178	12,244			334,422
Balance, March 31, 2010	\$	48,256,882	\$	4,533,125	\$	52,790,007

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5. MINERAL PROPERTIES (Continued)

(a) Spanish Mountain Property

Pursuant to the purchase agreement for the Spanish Mountain property, the Company is obliged to make an additional payment or share equivalent amount of \$51,000 due on January 20, 2012. The vendor retains a 2.5% net smelter return (“NSR”), 1.5% of which may be purchased by the Company for \$500,000.

(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 vendor retains a 2% NSR, 1% of which may be purchased by the Company for \$1,000,000.

(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.

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5. MINERAL PROPERTIES (Continued)

(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.

(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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6. PROPERTY AND EQUIPMENT

March 31, 2010			
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 127,441	\$ -	\$ 127,441
Building	1,110,416	121,999	988,417
Computer Equipment	164,684	61,844	102,840
Vehicles	40,846	23,376	17,470
Office Equipment	29,577	14,171	15,406
Leasehold Improvements	9,814	4,416	5,398
	\$ 1,482,778	\$ 225,806	\$ 1,256,972

December 31, 2009			
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 127,441	\$ -	\$ 127,441
Building	1,110,416	112,015	998,401
Computer Equipment	108,188	56,031	52,157
Vehicles	40,846	21,959	18,887
Office Equipment	29,577	13,360	16,217
Leasehold Improvements	9,815	3,926	5,889
	\$ 1,426,283	\$ 207,291	\$ 1,218,992

7. CAPITAL STOCK

(a) Authorized

- (i) Unlimited number of common voting shares without 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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7. CAPITAL STOCK (Continued)

(b) Issued

	Number of Common Shares	Amount
Balance, December 31, 2008	87,009,515	\$ 48,381,886
Issued for cash		
Private placements, net of issue cost	19,643,809	4,020,808
Exercise of options	200,000	20,000
Fair value of options exercised	-	16,704
Income tax effect of flow-through share renouncement	-	(2,007,900)
Balance, December 31, 2009	106,853,324	50,431,498
Issued for cash		
Private placements, net of issue cost	15,152,000	4,959,339
Exercise of options	22,500	5,625
Exercise of warrants	75,000	17,250
Fair value of options exercised	-	3,110
Income tax effect of flow-through share renouncement	-	(501,725)
Balance, March 31, 2010	122,102,824	\$ 54,915,097

(c) Private placements

- (i) On February 10, 2010, The company completed a private placement and issued 15,152,000 common share units at a price of \$0.33 per unit for gross proceeds of \$5,000,160. Each unit consisted of one common share and one share purchase warrant. Each Warrant entitles the holder to purchase one common share at a price of \$0.42 on or before February 9, 2013. Other cash share issue costs in the amount of \$40,821 were incurred by the Company in connection with this private placement.
- (ii) On December 30, 2009, the Company completed a private placement and issued 6,100,000 flow-through units at a price of \$0.33 per unit for gross proceeds of \$2,013,000. Each flow-through unit consisted of one common share issued on a flow-through basis and one share purchase warrant. Each warrant will entitle the holder to purchase one non-flow-through common share at a price of \$0.33 per share on or before December 30, 2012. A cash payment of \$120,780 in connection with the private placement was paid to a finder. Other cash share issue costs in the amount of \$25,652 were incurred by the Company in connection with this private placement.

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7. CAPITAL STOCK (Continued)

(c) Private placements (Continued)

(iii) On September 29, 2009, the Company completed a private placement and issued 13,000,000 units at a price of \$0.17 per unit for gross proceeds of \$2,210,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.23 per share on or before September 28, 2012. A total of 543,809 units were issued to a finder in lieu of cash payment in connection with the private placement. Cash share issue costs in the amount of \$55,760 were incurred by the Company in connection with this private placement.

(iv) As part of a private placement on July 31, 2008, the Company issued 5,000,000 units for gross proceeds of \$3,000,000, \$2,700,000 of which 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.

(d) Renunciation of exploration expenditures

On February 19, 2010, the company renounced \$2,013,000 of exploration expenditures under its flow-through share program, resulting in a future tax liability of \$501,725, which was deducted from capital stock.

(e) Stock options

The Company has a fixed number stock option plan that reserves a specified number of shares up to a maximum of 20% of the Company's issued shares as at the date of shareholder approval. The exercise price of any option granted shall not be less than the fair market value of the shares at the time of the grant. The expiry date for each option, set by the board of directors at the time of issue, shall not be more than five years after the grant date. Options granted vest 25% on date of grant, 25% six months after grant, 25% twelve months after grant and 25% eighteen months after grant. The shareholders of the Company approved an increase in the maximum number of stock options available for grant on June 15, 2009 to 17,401,903 from 9,413,366.

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7. CAPITAL STOCK (Continued)

(e) Stock options (Continued)

Details of the status of the Company's stock options are as follows:

2010		
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	7,965,300	\$ 0.86
Granted	2,350,000	\$ 0.36
Exercised	(22,500)	\$ 0.25
Forfeited	(300,000)	\$ 0.25
Outstanding, end of period	9,992,800	\$ 0.76

A summary of the status of the Company's stock options as at March 31, 2010 is as follows:

2010			
Expiry Date	Exercise Price	Number of Options	Number of Options exercisable
July 22, 2010	\$0.42	750,000	750,000
January 3, 2011 *	\$0.59	127,100	127,100
June 2, 2011	\$1.60	1,740,000	1,740,000
November 1, 2011	\$1.50	200,000	200,000
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	300,000
June 29, 2014	\$0.25	2,177,500	1,077,500
October 12, 2014	\$0.29	700,000	175,000
January 5, 2015	\$0.28	150,000	37,500
January 27, 2015	\$0.36	650,000	162,500
February 9, 2015	\$0.36	300,000	75,000
February 17, 2015	\$0.37	1,100,000	275,000
March 8, 2013	\$0.43	150,000	37,500
		9,992,800	6,605,300

* issued in exchange for stock options of Wildrose upon acquisition of the company.

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7. CAPITAL STOCK (Continued)

(f) Share purchase warrants

As at March 31, 2010, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding December 31, 2009	Issued	Exercised	Outstanding March 31, 2010
\$0.70	Jul 31, 2010	2,860,000	-	-	2,860,000
\$0.23	Sep 28, 2012	13,543,809	-	(75,000)	13,468,809
\$0.33	Dec 30, 2012	6,100,000	-	-	6,100,000
\$0.42	Feb 10, 2015	-	15,152,000	-	15,152,000
		22,503,809	15,152,000	(75,000)	37,580,809

(g) Stock-based compensation

During the three months ended March 31, 2010, the Company granted stock options to employees and officers to acquire up to 2,350,000 common shares. The total fair value of these options was calculated at \$580,085, of which \$72,511 has been recognized during the period ended March 31, 2010, in accordance with the vesting schedule for these options. In addition a further \$60,739 of stock based compensation expense has been recognized during the quarter related to options granted in prior years.

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

	2010	2009
Risk-free interest rate	2.32%	2.56%
Expected dividend yield	-	-
Expected stock price volatility	89.58%	88.94%
Expected life in years	5	5

The weighted average grant date fair value of stock options granted in the first quarter of 2010 was \$0.25 per share (2009 - \$0.15).

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7. CAPITAL STOCK (Continued)

(h) Contributed surplus

	2010	2009
Balance, beginning of year	\$ 4,484,421	\$ 4,223,871
Stock-based compensation	128,067	277,254
Value of options exercised	(3,110)	(16,704)
Balance, end of period/year	\$ 4,609,378	\$ 4,484,421

(i) Shares reserved for issuance

Shares reserved for issuance at March 31, 2010 are as follows:

	2010
Outstanding at March 31	122,102,824
Stock options (note 7(e))	9,992,800
Warrants (note 7(f))	37,580,809
Shares reserved for issuance, March 31	169,676,433

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8. INCOME TAXES

The Company has accumulated non-capital losses for Canadian income tax purposes of approximately \$6,031,000 that expire in various years to 2029 as follows:

2010	\$	104,000
2014		226,000
2015		782,000
2026		736,000
2027		850,000
2028		1,848,000
2029		1,485,000
	\$	6,031,000

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

	2010
Income tax benefit computed at Canadian statutory rates	\$ (174,210)
Tax effect of expenses that are not deductible (taxable) for income tax purposes	
Temporary differences	(29,209)
Non-taxable items	37,433
Change in timing differences	33,326
Change in income tax rates	5,012
Future income tax recovery	\$ (127,648)

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

	2010	2009
Future income tax assets (liabilities)		
Property and equipment	\$ 59,330	\$ 54,701
Mineral properties	(10,892,463)	(10,546,118)
Non-refundable mining income tax credit	-	158,230
Share issue costs	267,109	284,304
Non-capital loss carried forward	1,650,737	1,507,671
Future income tax liability, net	\$ (8,915,287)	\$ (8,541,212)

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8. INCOME TAXES (Continued)

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined under the 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 that are allotted for such expenditure but have not yet been spent. As at March 31, 2010 the amount of the flow-through proceeds remaining to be expended was approximately \$1.7 Million.

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, 2009, the BC METC receivable amounted to \$1,818,568 arising from filings for fiscal years 2007 and 2008. On April 28, 2010 the Company received a proposal from the Canada Revenue Agency (CRA) for a potential reduction to the claimed amount by approximately \$240,000. The Company is currently assessing the proposal and has not adjusted the receivables recorded pending further discussions with CRA.

9. RELATED PARTY TRANSACTIONS

- (a) Prior to February 2010 the Company conducted the majority of its exploration activities through an exploration services contractor in which a director is a principal. As a result of the resignation by the principal as a director of the Company, the contractor is no longer considered a related party. The Company has provided notice to the contractor to terminate this service arrangement effective May 31, 2010.

For the month ended January 2010 and the three months ended March 31, 2009 the Company paid contractual amounts as follows:

	2010	2009
Exploration Costs	40,375	149,706
Office Rent	4,339	17,661
Property costs and equipment	-	232
Contract wages, and administrative and management services	32,250	90,608
Reimbursement of general and administrative expenses	16,526	44,628
	\$ 93,490	\$ 302,835

- (b) The Company previously paid consulting fees to a director totaling \$9,614 during the period in 2009. The director resigned September 19, 2009.

All advances to and amounts due from (to) related parties have repayment terms similar to the Company's other accounts receivable (payable) and are without interest. All of the above transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount agreed to by the related parties.

10. SEGMENTED INFORMATION

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

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11. COMMITMENTS

- (a) The Company and other co-tenants entered into a lease agreement for the rental of office premises 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:

2010	\$	25,858
2011		26,597
2012		26,597
2013		6,649
	\$	85,701

The Company has entered negotiations with its co-tenant to settle its current lease obligations as it has re-located to new premises. There are no assurances that a substantially reduced obligation can be obtained for the remainder of the lease agreement.

- (b) During 2009 the Company entered into a lease agreement for the rental of new office premises expiring May 31, 2012. The Company's minimum annual rental payments under this arrangement is payable as follows:

2010	\$	45,061
2011		45,061
2012		18,775
	\$	108,897

12. SUBSEQUENT EVENTS

The following events occurred subsequent to March 31, 2010:

- (a) On April 23, 2010, the Company granted 150,000 stock options to a corporate finance consultant at an exercise price of \$0.42 per common share expiring April 23, 2013.
- (b) On May 5, 2010, the Company granted 600,000 stock options to an incoming officer to purchase common shares of the Company at \$0.36 per share with a five-year term.