

## **SKYGOLD VENTURES LTD.**

**Financial Statements  
December 31, 2007 and 2006**

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The financial statements of Skygold Ventures Ltd. are the responsibility of the Company's management. The financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control through an audit committee, which is comprised primarily of non-management directors. The Audit Committee reviews the results of the audit and the annual financial statements prior to their submission to the Board of Directors for approval.

The financial statements have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the audited financial statements.

*"Brian Groves"*

.....  
Brian Groves  
President

Vancouver, British Columbia  
March 17, 2008

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF SKYGOLD VENTURES LTD.

We have audited the balance sheets of Skygold Ventures Ltd. as at December 31, 2007 and 2006 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*"Smythe Ratcliffe LLP" (signed)*

Chartered Accountants

Vancouver, British Columbia  
March 17, 2008

**SKYGOLD VENTURES LTD.****Balance Sheets**

December 31

	2007	2006
<b>Assets</b>		
<b>Current</b>		
Cash (note 8)	\$ 3,875,679	\$ 1,130,034
Term deposits (note 8)	2,559,449	8,790,238
Due from joint venturer (note 5(a))	1,070,059	782,142
Receivables	642,424	213,579
Prepaid expenses	32,794	8,388
	8,180,405	10,924,381
<b>Mineral Properties</b> (note 5)	12,402,024	7,485,636
<b>Property and Equipment</b> (note 6)	911,553	22,815
<b>Deposit for Reclamation</b>	50,000	23,000
<b>Security Deposit</b>	15,000	0
	\$ 21,558,982	\$ 18,455,832
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 9(a))	\$ 546,499	\$ 147,864
<b>Future Income Tax</b> (note 8)	1,470,522	1,152,000
	2,017,021	1,299,864
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 7)	21,176,665	19,792,014
<b>Contributed Surplus</b> (note 7(h))	2,894,954	2,762,299
<b>Deficit</b>	(4,529,658)	(5,398,345)
	19,541,961	17,155,968
	\$ 21,558,982	\$ 18,455,832

Contingency (note 11)  
 Commitments (note 12)  
 Subsequent Events (note 13)

Approved by the Board:

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

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

**SKYGOLD VENTURES LTD.**  
**Statements of Operations and Deficit**  
**Years Ended December 31**

	<b>2007</b>	<b>2006</b>
<b>Expenses</b>		
Consulting fees	\$ 376,100	\$ 181,625
Investor relations	270,519	335,173
Contract wages	171,072	129,225
Stock-based compensation	79,284	2,196,515
Office and miscellaneous	50,345	24,549
Legal	47,832	79,940
Transfer agent and filing fees	47,769	66,908
Rent	39,791	35,847
Administration	28,428	28,530
Accounting and audit	27,125	21,570
Management fees	18,000	18,000
Insurance	13,593	0
Amortization	33,097	3,888
	(1,202,955)	(3,121,770)
Interest income	311,764	297,798
<b>Loss Before Future Income Tax (Recovery)</b>	(891,191)	(2,823,972)
<b>Future Income Tax (Recovery)</b> (note 8)	(1,759,878)	843,521
<b>Net Income (Loss) for Year</b>	868,687	(3,667,493)
<b>Deficit, Beginning of Year</b>	(5,398,345)	(1,730,852)
<b>Deficit, End of Year</b>	\$ (4,529,658)	\$ (5,398,345)
<b>Earnings (Loss) Per Share – basic</b>	\$ 0.02	\$ (0.09)
<b>Earnings Per Share – diluted</b> (note 7(i))	\$ 0.02	
<b>Weighted Average Number of Common Shares Outstanding</b>		
Basic	46,557,381	41,655,479
Diluted (note 7(i))	47,409,564	

**SKYGOLD VENTURES LTD.**  
**Statements of Cash Flows**  
**Years Ended December 31**

	<b>2007</b>	<b>2006</b>
<b>Operating Activities</b>		
Net income (loss) for year	\$ 868,687	\$ (3,667,493)
Items not involving cash		
Stock-based compensation	79,284	2,196,515
Amortization	33,097	3,888
Future income tax (recovery)	(1,759,878)	843,521
	(778,810)	(623,569)
Changes in non-cash working capital		
Due from related party	0	28,810
Due from joint venturer	(287,917)	(631,187)
Receivables	187,410	(150,616)
Prepaid expenses	(24,406)	(8,388)
Accounts payable and accrued liabilities	67,101	37,479
	(57,812)	(723,902)
<b>Cash Used in Operating Activities</b>	<b>(836,622)</b>	<b>(1,347,471)</b>
<b>Financing Activity</b>		
Shares issued for cash, net of issue costs	3,496,190	14,437,806
<b>Investing Activities</b>		
Term deposits	6,230,789	(7,931,996)
Mineral property costs	(5,180,877)	(4,109,858)
Purchase of property and equipment	(921,835)	(21,352)
Advance for reclamation deposits	(27,000)	(18,000)
Security deposit	(15,000)	0
<b>Cash Provided by (Used in) Investing Activities</b>	<b>86,077</b>	<b>(12,081,206)</b>
<b>Increase in Cash</b>	<b>2,745,645</b>	<b>1,009,129</b>
<b>Cash, Beginning of Year</b>	<b>1,130,034</b>	<b>120,905</b>
<b>Cash, End of Year</b>	<b>\$ 3,875,679</b>	<b>\$ 1,130,034</b>
<b>Supplemental Cash Flow Information</b>		
Income taxes paid	\$ 0	\$ 0
Interest received	\$ 306,142	\$ 139,550
Interest paid	\$ 0	\$ 0
Common shares issued for mineral property interests (2007 - 12,805 common shares; 2006 - 552,633 common shares)	\$ 20,232	\$ 861,000
Stock-based compensation transferred to capital stock on exercise of stock options	\$ 0	\$ 170,659
Warrants issued for mineral property acquisition	\$ 0	\$ 280,980
Accounts payable included in mineral properties	\$ 412,824	\$ 81,290
Accounts receivable included in mineral properties	\$ 616,255	\$ 0

**SKYGOLD VENTURES LTD.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

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**1. NATURE OF OPERATIONS**

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following:

(a) **Joint Venture Accounting**

A portion of the Company's exploration activities is 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.

(b) **Mineral Property Interests**

The Company defers all costs related to investments in mineral properties on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral properties are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed annually, 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.

From time to time, the Company may acquire or dispose of a mineral property 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.

(c) **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%

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

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

(d) **Asset Retirement Obligations**

The Company recognizes an estimate of the liability associated with an asset retirement obligation ("ARO") in the 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 earnings 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 financial statements.

(e) **Capital Stock**

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

(f) **Stock-Based Compensation**

The Company accounts for stock-based compensation using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

(g) **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.

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

**(h) 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, 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.

**(i) Flow-Through Shares**

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholder the income tax attributes of resource exploration costs financed by such shares. The effect of such renouncement is to reduce future income tax deductions, which is considered to be a share issue cost that is recorded as a reduction to capital stock and a corresponding increase in future income 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 income taxes in the statement of operations.

**(j) 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 balances of receivables and accrued liabilities, the determination of environmental obligations, impairment of mineral properties, rates for amortization of property and equipment, the assumptions used in the determination of the fair value of stock-based compensation and the accrual for future income tax liability. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

**(k) Financial Instruments**

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, "financial instruments – recognition and measurement", which establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The Company classifies its debt and investments into held-to-maturity, trading or available-for-sale categories. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available-for-sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet based on the contractual maturity date and are stated at amortized cost. Investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings.

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

(k) **Financial Instruments (Continued)**

Debt and investments not classified as held-to-maturity or as trading are classified as available-for-sale and carried at fair value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in shareholders' equity.

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

(l) **Comprehensive Income**

The Company adopted 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 and other comprehensive income. The historical make up of net income has not changed. Other comprehensive income includes gains or losses, which generally accepted accounting principles requires to be recognized in a period, but excluded from net income for that period.

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

**3. FINANCIAL INSTRUMENTS**

(a) **Fair Value**

Prior to the adoption of CICA Handbook Section 3855, the Company disclosed the fair value of its financial statements. In prior years, the carrying values of cash, term deposits, due from joint venturer, receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

(b) **Foreign Exchange Risk**

The Company undertakes certain transactions in foreign currencies and as such is subject to risk due to fluctuations in exchange rates. The Company does not use derivative instruments or hedges to reduce the exposure to foreign exchange risks.

(c) **Credit Risk**

The Company's financial assets that are exposed to credit risk consist primarily of cash, term deposits, receivables and due from joint venturer. Cash, term deposits and the interest portion of receivables are placed with major financial institutions rated in the two highest grades by nationally recognized rating agencies. Credit risk from due from joint venturer is minimized by security held over property.

**SKYGOLD VENTURES LTD.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

**4. TERM DEPOSITS AND CASH**

The Company has term deposits with book values totaling \$2,559,449 (2006 - \$8,790,238) and accrued interest of \$5,622 (2006 - \$158,248), accrued at an interest rate of 4.25% and included in accounts receivable. The term deposits mature February 28, 2008.

**5. MINERAL PROPERTIES**

Acquisition and exploration expenditures incurred on mineral properties during 2007 and 2006 are as follows:

	Spanish Mountain	SHG	Total
Balance, December 31, 2005	\$ 2,152,508	\$ 0	\$ 2,152,508
Additions during the year			
Acquisition costs	40,000	1,421,465	1,461,465
Deferred exploration costs			
Drilling	1,563,064	0	1,563,064
Geological consulting	642,246	429,253	1,071,499
Assaying	547,300	1,156	548,456
Travel and accommodation	312,007	9,354	321,361
Camp and field supplies	228,538	34,917	263,455
Equipment rental	75,881	6,199	82,080
Recording fees	19,778	1,970	21,748
	3,388,814	482,849	3,871,663
Total additions during the year	3,428,814	1,904,314	5,333,128
Balance, December 31, 2006	5,581,322	1,904,314	7,485,636
Additions during the year			
Acquisition costs	59,232	0	59,232
Deferred exploration costs			
Drilling	2,575,003	0	2,575,003
Geological consulting	692,015	367,870	1,059,885
Assaying	738,341	0	738,341
Travel and accommodation	219,197	16,229	235,426
Camp and field supplies	503,176	3,720	506,896
Equipment rental	75,755	0	75,755
Permitting fees	103,559	0	103,559
Land tenure	39,382	19,002	58,384
Road access	10,518	0	10,518
Field supplies	109,644	0	109,644
	5,066,590	406,821	5,473,411
Total additions during the year	5,125,822	406,821	5,532,643
METC* receivable	(539,582)	(76,673)	(616,255)
	4,586,240	330,148	4,916,388
Balance, December 31, 2007	\$ 10,167,562	\$ 2,234,462	\$ 12,402,024

**SKYGOLD VENTURES LTD.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

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\* Mining Exploration Tax Credit

**5. MINERAL PROPERTIES (Continued)**

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

Pursuant to a Joint Operation Agreement (the "Agreement") signed between Wildrose Resources Ltd. ("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 is responsible for all expenses and liabilities of the mining operations in proportion to their interest (note 13(c)).

Pursuant to the Agreement, a management committee was established to make all decisions with respect to mining operations. Pursuant to the creation of the management committee, the Company was named as the operator for as long as it holds a greater than 50% interest in the property. 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 (note 13(a)).
- (ii) Share or cash issuances
  - \$21,000 on each of January 20, 2006 (issued), 2007 (issued) and 2008 (note 13(b)), which may be satisfied in either cash or shares; and
  - \$35,700 each year from January 20, 2009 to January 20, 2012, which may be satisfied in either cash or shares.

The amount due from joint venturer of \$1,070,059 (2006 - \$782,142) is the portion of mineral property expenditures incurred by the Company on behalf of Wildrose.

**(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). 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% net smelter return, 1% of which may be purchased by the Company for \$1,000,000; and
- (iv) The Company must fund \$2,000,000 in exploration expenditures by July 26, 2008, of which \$889,000 has been incurred to December 31, 2007.

**5. 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.

**SKYGOLD VENTURES LTD.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

**6. PROPERTY AND EQUIPMENT**

				<b>2007</b>		
		Cost	Accumulated Amortization		Net	
Land	\$	85,284	\$	0	\$ 85,284	
Building		749,636		14,993	734,643	
Computer equipment		63,388		12,988	50,400	
Vehicles		30,346		4,552	25,794	
Office equipment		20,828		5,396	15,432	
		<b>\$ 949,482</b>	<b>\$</b>	<b>37,929</b>	<b>\$ 911,553</b>	

  

				<b>2006</b>		
		Cost	Accumulated Amortization		Net	
Office equipment	\$	18,408	\$	1,841	\$ 16,567	
Computer equipment		9,239		2,991	6,248	
		<b>\$ 27,647</b>	<b>\$</b>	<b>4,832</b>	<b>\$ 22,815</b>	

**7. 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.

**SKYGOLD VENTURES LTD.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

7. **CAPITAL STOCK** (Continued)

(b) **Issued**

	Number of Common Shares	Amount
Balance, December 31, 2005	31,705,668	\$ 4,631,028
Issued during the year		
Private placements, net of issue costs	10,081,200	13,176,643
Exercise of warrants	2,185,757	1,037,163
Exercise of stock options	1,420,000	224,000
Issued for other consideration		
Mineral property interests	552,633	861,000
Income tax effect of flow-through share renouncement	0	(308,479)
Exercise of stock options, stock-based compensation	0	170,659
	14,239,590	15,160,986
Balance, December 31, 2006	45,945,258	19,792,014
Issued for cash		
Private placements, net of issue costs	2,392,745	2,861,808
Exercise of warrants	1,108,771	581,011
Issued for other consideration		
Mineral property interests	12,805	20,232
Income tax effect of flow-through share renouncement	0	(2,078,400)
	3,514,321	1,384,651
Balance, December 31, 2007	49,459,579	\$ 21,176,665

**SKYGOLD VENTURES LTD.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2007 and 2006**

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**7. CAPITAL STOCK (Continued)**

**(c) Private Placements**

- (i) 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.
- (ii) On January 23, 2007, pursuant to the Agreement for the Spanish Mountain property (note 5(a)(ii)) the Company issued 12,805 common shares.
- (iii) On April 18, 2006, the Company completed a private placement and issued 4,060,962 flow-through units for gross proceeds of \$6,091,443 and 5,459,038 and non-flow-through units for gross proceeds of \$7,369,701. Each flow-through unit comprised one flow-through common share and one-half of one flow-through common share purchase warrant. Each full flow-through warrant entitles the holder to acquire an additional flow-through common share at \$1.60 per share on or before October 18, 2007. Each non-flow-through unit comprised one common share and one-half of one common share purchase warrant entitling the holder to acquire an additional common share at \$1.60 per share on or before October 18, 2007. The Company also issued 561,200 common shares and 984,600 agent's warrants as a finder's fee and incurred share issue costs in the amount of \$284,500 in connection with the private placement. Each agent's warrant entitles the agent to purchase one additional common share at a price of \$1.60 on or before October 18, 2007.

**(d) Renounced Exploration Expenditures**

In February 2007, the Company renounced \$6,091,443 (2006 - \$904,100) of exploration expenditures under its flow-through share program, resulting in a future tax liability of \$2,078,400 (2006 - \$308,479), which was deducted from capital stock. The Company subsequently reduced the future income tax liability by recognizing previously unrecorded future income tax assets equal to the amount of the future income tax liability (note 8).

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**7. CAPITAL STOCK (Continued)**

**(e) Stock Options**

As per the Company's stock option plan adopted during the year, 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 share purchase options are as follows:

	<b>2007</b>		<b>2006</b>	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	3,600,000	\$ 1.22	2,470,000	\$ 0.15
Granted	300,000	\$ 1.25	2,550,000	\$ 1.58
Exercised	0	\$ 0.00	(1,420,000)	\$ 0.16
<b>Outstanding, end of year</b>	<b>3,900,000</b>	<b>\$ 1.23</b>	<b>3,600,000</b>	<b>\$ 1.22</b>

A summary of the status of the Company's stock options as at December 31, 2007 and 2006 is as follows:

	<b>2007</b>			<b>2006</b>		
Expiry Date	Exercise Price	Number of Options	Number of Options Vested	Exercise Price	Number of Options	Number of Options Vested
December 23, 2009	\$ 0.10	200,000	200,000	\$ 0.10	200,000	200,000
July 22, 2010	\$ 0.42	850,000	850,000	\$ 0.42	850,000	850,000
June 2, 2011	\$ 1.60	2,050,000	2,050,000	\$ 1.60	2,050,000	2,050,000
November 1, 2011	\$ 1.50	500,000	500,000	\$ 1.50	500,000	500,000
December 11, 2012	\$ 1.25	300,000	75,000			
		<b>3,900,000</b>	<b>3,675,000</b>		<b>3,600,000</b>	<b>3,600,000</b>

**(f) Share Purchase Warrants**

As at December 31, 2007, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2006	Issued	Exercised	Expired	Outstanding, December 31, 2007
\$ 0.50	August 9, 2007	1,042,271	0	1,017,271	25,000	0
\$ 0.55	August 9, 2007	70,500	0	70,500	0	0
\$ 1.60	October 18, 2007	4,750,000	0	7,500	4,742,500	0
\$ 1.60	October 18, 2007	767,625	0	13,500	754,125	0
\$ 2.00	October 4, 2008	525,000	0	0	0	525,000
\$ 1.75	December 28, 2008	0	1,174,270	0	0	1,174,270
\$ 1.35	December 28, 2008	0	168,400	0	0	168,400
\$ 1.75	December 28, 2008	0	22,103	0	0	22,103
		<b>7,155,396</b>	<b>1,364,773</b>	<b>1,108,771</b>	<b>5,521,625</b>	<b>1,889,773</b>

**SKYGOLD VENTURES LTD.**  
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**7. CAPITAL STOCK (Continued)**

**(f) Share Purchase Warrants (Continued)**

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

Exercise Price	Expiry Date	Outstanding, December 31, 2005	Issued	Exercised	Expired	Outstanding, December 31, 2006
\$ 0.12	March 3, 2006	750,000	0	750,000	0	0
\$ 0.50	August 9, 2007	1,872,959	0	830,688	0	1,042,271
\$ 0.55	August 9, 2007	448,594	0	378,094	0	70,500
\$ 1.60	October 18, 2007	0	4,760,000	10,000	0	4,750,000
\$ 1.60	October 18, 2007 (Agents' Warrants)	0	984,600	216,975	0	767,625
\$ 1.60/\$ 2.00	October 4, 2007/2008	0	525,000	0	0	525,000
		3,071,553	6,269,600	2,185,757	0	7,155,396

The fair value of warrants issued as finder's fees, in the amount of \$53,371, and included in share issuance costs are estimated using the Black-Scholes option pricing model with the following assumptions:

	2007
Risk-free interest rate	3.81%
Expected dividend yield	0
Expected stock price volatility	64.44%
Expected life in years	1

**(g) Stock-Based Compensation**

The fair value of stock options granted to a director that vested during 2007, in the amount of \$79,284 (2006 - \$2,196,515), has been recorded as an expense during the year and included in contributed surplus.

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

	2007	2006
Risk-free interest rate	3.74%	3.88% - 4.17%
Expected dividend yield	0	0
Expected stock price volatility	112.82%	69.86% - 102.81%
Expected life in years	5	2 - 3

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

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**7. CAPITAL STOCK (Continued)**

(h) **Contributed Surplus**

	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 2,762,299	\$ 455,463
Stock-based compensation	79,284	2,196,515
Issuance of warrants as share issue costs	53,371	0
Issuance of warrants for property acquisition	0	280,980
Transfer to capital stock on exercise of options	0	(170,659)
	<b>\$ 2,894,954</b>	<b>\$ 2,762,299</b>

(i) **Diluted Earnings Per Share**

The following table sets forth the computation of the numerator and denominator used in calculating the basic and diluted earnings per share at December 31, 2007:

	<b>2007</b>
<b>Numerator</b>	
Net income for year	\$ 868,687
Numerator for basic and diluted earnings per share	\$ 868,687
<b>2007</b>	
<b>Denominator</b>	
Weighted average number of common shares	46,557,381
Denominator for basic earnings per share	46,557,381
Effect of dilutive securities	
Stock options	838,436
Warrants	13,747
Dilutive potential common shares	852,183
Denominator for diluted earnings per share	47,409,564

**8. INCOME TAXES**

The Company has accumulated non-capital losses for Canadian income tax purposes of approximately \$2,690,000 that expire in various years to 2027 as follows:

2008	\$ 122,000
2009	125,000
2010	104,000
2014	155,000
2015	614,000
2026	720,000
2027	850,000
	<b>\$ 2,690,000</b>

**SKYGOLD VENTURES LTD.**  
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**8. INCOME TAXES (Continued)**

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

	<b>2007</b>	<b>2006</b>
Income tax benefit computed at Canadian statutory rates	\$ (304,074)	\$ (963,539)
Temporary differences not recognized in the year	(27,770)	(31,711)
Stock-based compensation	27,052	749,451
Permanent differences not recognized in the year	14,695	0
Unrecognized tax losses	290,097	245,799
Future income tax arising from flow-through share renoucement	(2,078,400)	(308,479)
Future income tax arising from temporary differences	318,522	1,152,000
<b>Future income tax expense (recovery)</b>	<b>\$ (1,759,878)</b>	<b>\$ 843,521</b>

Future income tax liabilities reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The applicable tax rate to be expected is 31% (2006 - 34.12%). Significant components of the Company's future tax liabilities as at December 31 are as follows:

	<b>2007</b>	<b>2006</b>
Future income tax assets and liabilities		
Temporary differences in assets	\$ (2,304,783)	\$ (1,786,632)
Net tax losses carried forward	834,261	634,632
<b>Future income tax liability</b>	<b>\$ (1,470,522)</b>	<b>\$ (1,152,000)</b>

The Company's future income tax liability arises primarily from the renunciation of mineral exploration costs on flow-through shares issued to investors. 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. A future income tax liability arises from the renunciation of mineral exploration costs to investors of flow-through shares.

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 as at December 31, 2007 and which are allotted for such expenditures. As at December 31, 2007, the amount of flow-through proceeds remaining to be expended was \$3,053,102 (2006 - \$2,288,280).

**9. RELATED PARTY TRANSACTIONS**

- (a) The Company paid or accrued \$189,072 (2006 - \$147,345) for contract wages and administrative and management services, \$6,490,969 (2006 - \$3,216,948) for exploration costs, \$39,791 (2006 - \$35,847) for rental of premises, \$1,135,902 (2006 - \$17,448) for property costs and equipment, and \$157,093 (2006 - \$186,142) for the reimbursement of general and administrative expenses to companies in which a director is a principal. As at December 31, 2007, \$356,878 (2006 - \$85,444) was owed to those companies and included in accounts payable.
- (b) The Company paid \$7,437 (2006 - \$46,962) for legal fees to a firm in which an officer is a former principal.

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**9. RELATED PARTY TRANSACTIONS (Continued)**

- (c) The Company paid or accrued \$30,099 (2006 - \$5,801) to a director for consulting fees. As at December 31, 2007, \$nil (2006 - \$2,913) was owed to the director.

**10. SEGMENTED INFORMATION**

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

**11. CONTINGENCY**

As at December 31, 2007, the Company was involved in litigation with a former consultant who was terminated in early 2005. The plaintiff's claim includes damages regarding breach of the consulting agreement, repayment of expenses, the right to exercise or damages in lieu of options granted during his tenure as a consultant, legal costs and interest on all amounts due. A trial date in October 2008 has been set at this time. The merit and amount of the plaintiff's claim are unknown at this time. As the outcome of this matter cannot be determined at this time, the results will be recorded when known and, accordingly, could impact future results of operations and cash flows.

**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:

2008	\$	50,181
2009		29,158
	\$	79,339

- (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:

2008	\$	23,642
2009		23,642
2010		25,858
2011		26,597
2012		26,597
Thereafter		6,649
	\$	132,985

**13. SUBSEQUENT EVENTS**

- (a) The Company paid \$55,000 to the original vendors of the Agreement for the Spanish Mountain property (note 5(a)(i)).
- (b) The Company issued 18,103 common shares to the original vendors of the Spanish Mountain property (note 5(a)(ii)).

**13. SUBSEQUENT EVENTS (Continued)**

- (c) In March 2008, the Company entered into an Arrangement Agreement with Wildrose whereby the Company will acquire all of the issued and outstanding shares of Wildrose in exchange for common shares of the Company. This transaction is subject to regulatory and shareholder approval.

**14. FUTURE ACCOUNTING PRONOUNCEMENT**

- (a) The CICA has issued the following new Handbook sections that will become effective on January 1, 2008 for the Company:

- Section 3862, "Financial Instruments - Disclosures"
- Section 3863, "Financial Instruments - Presentation"
- Section 1535, "Capital Disclosures".

Section 3862 modifies the disclosure requirements for Section 3861, "Financial Instruments – Disclosure and Presentation", including required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. Section 3863 carries forward the presentation requirements of Section 3861. The Company is currently evaluating the impact of the adoption of these new sections.

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital and disclose whether it has complied with any capital requirements to which it is subject and the consequences of non-compliance. The Company is currently evaluating the impact of adoption of this new section.

- (b) 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 generally accepted accounting principles 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 generally accepted accounting principles. The date is for interim and annual financial statements relating to 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.

- (c) Going-concern

In June 2007, the CICA amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to make an assessment of the Company's ability to continue as a going-concern. When financial statements are not prepared on a going-

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