

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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SkyGold Ventures Ltd. (TSX-V: SKV) – Updated Resource Estimate at Spanish Mountain

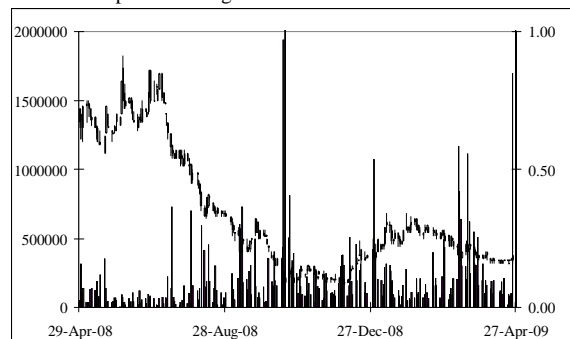
Sector/Industry: Junior Mining

www.skygold.ca

Market Data (as of April 28, 2009)

Current Price	C\$0.155
Fair Value	C\$0.62 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.03 – C\$0.91
Shares O/S	87.01 mm
Market Cap	C\$13.49 mm
Current Yield	N/A
P/E	N/A
P/B	0.31
YoY Return	-76.9%
YoY TSXV	-60.0%

*see back of report for rating and risk definitions



Investment Highlights

- The updated resource estimate at Spanish Mountain stated an increase in measured and indicated resources of 47% to 2.58 million ounces of gold.
- The deposit remains open at the northern and southern extensions as well as at depth. 2009 exploration will focus on extending mineralization in all three areas.
- SkyGold holds 100% ownership on the Spanish Mountain property.
- Preliminary drilling on Spanish Creek SHG property intersected anomalous gold in 5 of 7 holes and high grade intercepts of **45.49 g/t over 2.5 meters** including **223.0 g/t gold over 0.5 meters**.
- Although the company was able to significantly increase the resource estimate on the Spanish Mountain property, our revised valuation dropped considerably due to share dilution and as we raised our capital expenditure estimate to \$200 million (from \$60 million), which we believe is inline with the large scale production we expect from the Spanish Mountain project.

Key Financial Data (FYE - December 31)

(C \$)	2008 (9 mo)
Cash + term deposits	5,859,950
Working Capital	5,981,611
Mineral Assets	43,429,665
Total Assets	51,744,449
Net Income	(1,179,288)
EPS	(0.01)

SkyGold Ventures is delineating a bulk tonnage sediment hosted vein gold deposit at Spanish Mountain in central British Columbia. This deposit has an NI 43-101 compliant resource estimate of 2.58 million ounces of gold measured and indicated and 0.29 million ounces of gold inferred. The company is also working to progress other early stage sediment hosted gold (SHG) properties in central British Columbia, particularly Spanish Creek where 2008 drilling encountered high grade gold veins.

***Wildrose
Resources Ltd.
Acquisition***

In our previous report, we discussed the company’s plan to merge with Wildrose Resources Ltd. (“Wildrose”) which would provide SkyGold with the option to earn 100% ownership of the Spanish Mountain project. On June 27, 2008, the company effectively acquired 100% interest in the Spanish Mountain project whereby Wildrose shareholders received 0.82 of a common share of SkyGold for each common share of Wildrose. We note SKV is still obligated to pay \$51,000 in cash and/or shares to underlying holders of the CPW claims (a portion of the Spanish Mountain project) on each of January 20, 2009, and the first, second and third anniversaries to earn 100% in these claims.

***Spanish
Mountain***

Since the release of our previous report, the company carried out an additional 75 diamond drill holes bringing project totals to 323 diamond drill holes completed from 2005 to 2008, representing 74,797 meters of drilling.

Data collected from the additional drilling, completed in the summer of 2008, served two key purposes: it provided the company the means to update the resource estimate, and it allowed for a more in-depth diagnosis of the structures controlling gold mineralization and grade, including the construction of a 3-D geological model.

The updated mineral resource is clearly important as it shows the company’s commitment to continue building the project’s value. We feel a better understanding of the geological setting may prove more critical to the long term success of the project; upcoming exploration will become more efficient in turn resulting in a more efficient use of capital in difficult financial times.

Updated Resource

The updated resource has been calculated at a 0.5 g/t gold cut-off, the same grade we chose for valuation in our previous report. The update represents a 47% increase in measured and indicated resources with an additional increase of 190,000 ounces of gold inferred:

Table 1: Spanish Mountain Resource Estimation

Category	Cut-off (Au g/t)	Tonnes	Grade (g/t)	Gold (ounces)
Measured	0.5	44,260,000	0.826	1,180,000
Indicated	0.5	58,000,000	0.754	1,410,000
M+I	0.5	102,260,000	0.785	2,580,000
Inferred	0.5	11,650,000	0.787	290,000

(Source: SkyGold Ventures Ltd.)

The three-dimensional geologic model separates stratigraphic controlled and structurally controlled mineralized domains delineating a north-south structural corridor that may extend for over 2,000 meters. Management states that the area of the current resource calculation extends approximately 1,700 meters north-south and is up to 600 meters in width. In addition to remaining open to both the north and south, the deposit is also open to depth. Figure 1 and 2 on the next page provide visual updates for the reader.

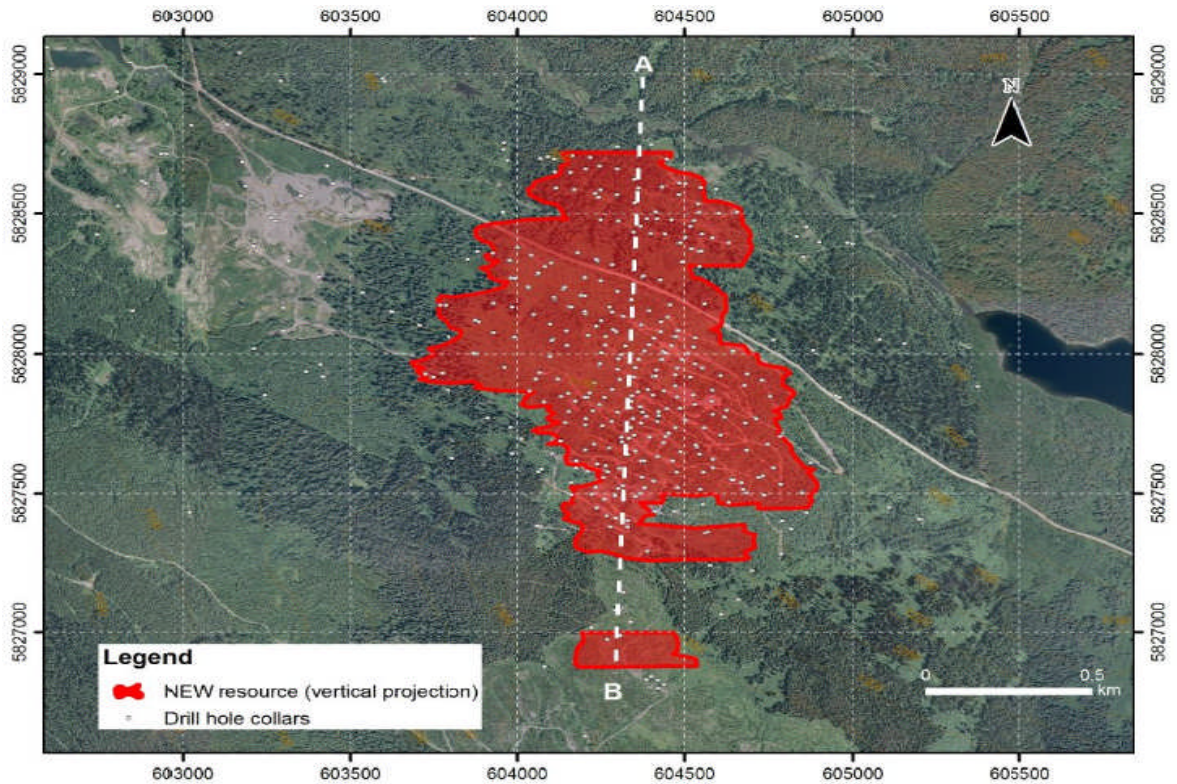


Figure 1: Plan View, Spanish Mountain Resource Update
(Source: SkyGold Ventures Ltd.)

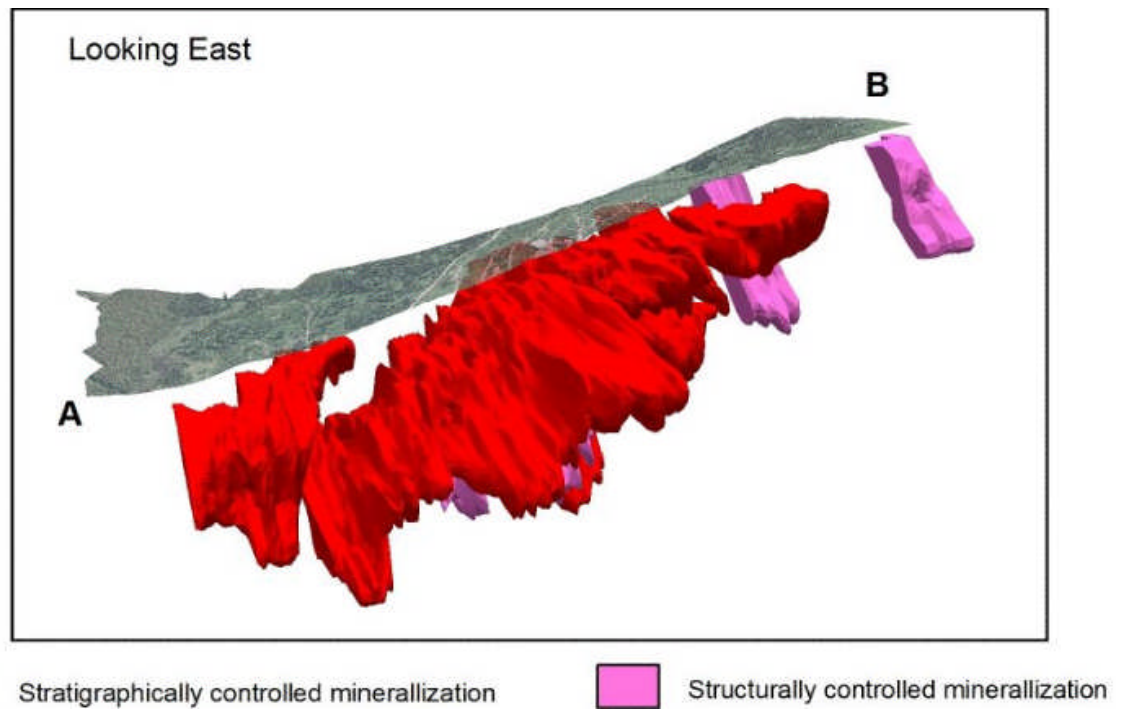


Figure 2: Screenshot of 3-D geologic model showing various mineralization controls
(Source: SkyGold Ventures Ltd.)

The structurally controlled mineralization appears to be slightly higher grade and is a likely source for starter pit material. Figure 2 also depicts how mineralization appears to dip at a very similar angle to the local topography. **The implication of this setting is a low strip ratio which will significantly enhance economics.**

Current Status

The proposed plan of action at Spanish Mountain is as follows:

- 2009 summer drilling will focus on testing the deposit to the northern and southern extensions as well as to depth;
- Collection of a bulk sample;
- Continue with ongoing, and initiate other relevant, baseline studies required for a preliminary economic assessment (PEA);
- Conceptual step out drilling to test other priority targets throughout the property.

Following the extensive drill program completed in 2008, we anticipate reduced expenditures on drilling in 2009. **We feel this is expected, and positive as management states that no in-fill drilling is required at the main zone leading up to a preliminary economic assessment.** We would like to see the PEA completed by the end of 2009, to give us confidence that management remains interested in moving the project forward.

Quesnel Trough SHG Project

Spanish Creek

In addition to the drilling at Spanish Mountain, the company completed seven preliminary exploration holes totaling 1,552 meters at their 100% owned Spanish Creek property. The new zone of gold mineralization where five of the seven holes intersected anomalous gold mineralization is dubbed the Thunder Ridge Showing. Several intersections of high grade gold were hit in addition to some intersections of broad low-grade disseminated gold.

Highlights of the drill program are as follows (provided by SkyGold):

- Hole SC-005 intersected **45.49 g/t over 2.5 meters** including **223.0 g/t gold over 0.5 meters.**
- Hole SC-007 intersections include 28.0 meters of 0.68 g/t gold and 1.23 g/t gold over 11.5 meters including **4.83 g/t gold over 1.5 meters** and 1.32 g/t gold over 6.5 meters in separate horizons.
- Hole SC-002 intersected 28.2 meters of 0.48 g/t gold.
- Holes SC-005 and SC-007 are approximately 600 meters apart.

Limited surface work has been completed at the Thunder Ridge Showing; however the geology shares many similarities to that of Spanish Mountain allowing the company to apply ideologies learned from their focal property. Spanish Creek is underlain by a sequence of Triassic black phyllite and gold mineralization is associated with silica flooding and quartz veining in northeast trending structures.

Current Status

While the focus will remain on Spanish Mountain, the company intends on drilling 10 holes in 2009 at Spanish Creek pending board approval.

Outlook on Gold

We have maintained our long term gold price forecast at US\$600/oz for 2012+. For 2009, our forecast is \$900/oz, \$850/oz for 2010, and \$725/oz for 2011.

Financials

At the end of September 2008, SKV had cash (including term deposits) and working capital of \$5.86 million and \$5.98 million, respectively. The company posted a net loss of \$1.18 million (EPS: -\$0.01) for the first 9 months of 2008. SKV had a burn rate (including mineral property costs) of \$1.23 million per month for the first 9 months of 2008. The table below shows the company's cash and liquidity position.

in C\$	2008 (9 mo)
Working Capital	5,981,611
Current Ratio	7.5
LT Debt / Assets	-
Cash from financing activities	9,855,549
Monthly Burn Rate (incl. exploration)	(1,230,872)

Recent Financing: There was no major financing subsequent to the quarter ended September 2008.

Stock Options and Warrants: At the end of September 2008, the company had 5.58 million stock options outstanding with exercise prices ranging between \$0.10 and \$1.60, and expiry dates between December 2009 and December 2012 (0.20 million of the stock options are currently in the money). The company also had 7.17 million warrants outstanding with exercise prices ranging between \$0.60 and \$2.00, and expiry dates between October 2008 and July 2010.

Conclusion: Based on our discussion with management, we estimate the company significantly reduced its burn rate to about \$0.38 million per month subsequent to Q3 2008, compared to \$1.23 million per month for the 9 months ended September 2008. Management has informed us that SKV's current burn rate is about \$0.20 million, and that the company will be receiving \$2.6 million in exploration tax credits from the British Columbia government this year. If the company continues to burn at the current rate of \$0.20 million per month, we think current cash will easily be sufficient for the balance of 2009.

Valuation

DCF Valuation: Although the company was able to significantly increase the resource estimate on the Spanish Mountain property, our revised DCF model gave a lower fair value of \$0.61 per share, compared to our previous estimate of \$1.53 per share. The significant drop in our DCF valuation was primarily because we raised our capital expenditure estimate to \$200 million (up from \$60 million), which we believe is inline with the large scale production we expect from the Spanish Mountain project. We believe that our previous estimate was highly optimistic.

In addition, our estimate of the number of diluted shares increased to 87.08 (up from 68.46 million) as a result of the equity issuances since our previous report. The following table shows our revised valuation along with the revised inputs.

DCF Valuation Summary	Revised	Previous (Post Merger)
Mineral Resources (in tonnes)	108,085,000	69,220,000
Gold Grade (g/t)	0.78	0.81
Contained Au (oz)	2,725,000	1,798,610
Recovery - conventional	90%	88%
Recovered Gold (oz)	2,452,500	1,582,777
Avg Production per year (troy oz)	153,281	131,898
Mine Life (years)	16	12
Capital Costs	\$200,000,000	\$60,000,000
Operating Costs (\$/tonne)	\$6.7	\$7.5
Discount rate	11.49%	11.49%
Net Present Value	\$50,138,147	\$99,216,865
Working Capital	\$3,309,107	\$5,666,460
Debt	-	-
Net Asset Value	\$53,447,254	\$104,883,325
No. of Shares (Diluted)	87,080,968	68,464,457
Fair Value per Share	\$0.61	\$1.53

Sensitivity: The following table shows that our DCF valuation is highly sensitively to long term gold price assumptions.

Gold Price (US\$/oz)	DCF (\$/share)
500	-0.08
600	0.61
700	1.30
800	1.99
900	2.68
1000	3.37

Real Options: Given the changes discussed above, our revised real options valuation model gave a fair value of \$0.23 per share (down from \$1.97 per share).

Real Options Valuation			
Inputs relating to the underlying asset			
Estd. Value of Minerals if extracted today (\$)		\$267,008,627	
Annualized Standard Deviation of Mineral prices		19.0%	
Capital Investment (\$)		200,000,000	
Estd. Mine Life (years)		16	
Riskfree Rate		2.94%	
Output			
Stock Price	\$267,008,627	T.Bond rate	2.94%
Strike Price	\$200,000,000	Variance	0.04
Expiration (in years)	16	Annualized div yield	6%
d1 =	0.063	Value of Option (\$)	\$17,071,811
N(d1) =	0.525	Working Capital - Debt (\$)	\$3,309,107
d2 =	-0.697	No of outstanding shares	87,080,968
N(d2) =	0.243	Value per share	\$0.23

The discrepancy between our DCF and real options valuation is explained by the high mine life.

Comparable Analysis: The average EV/resource ratio of junior mining companies has dropped significantly in the past 12 months along with the drop in share prices. The table below shows the average EV/resource ratio of comparable companies (note that we have revised the list of comparables to better reflect SKV's current status).

	Company	SYM	Price	Enterprise Value	Resource (Au in oz)	EV / Resources
1	Golden Band Resources Inc.	TSXV: GBN	\$0.23	\$28,962,460	942,496	30.7
2	Midway Gold Corp.	TSXV: MDW	\$1.02	\$63,587,915	2,078,390	30.6
3	Harvest Gold Corp.	TSXV: HVG	\$0.10	\$3,949,634	140,954	28.0
4	Rye Patch Gold Corp.	TSXV: RPM	\$0.18	\$6,284,462	516,265	12.2
5	Skygold Ventures Ltd.	TSX: SKV	\$0.34	\$23,392,289	2,725,000	8.6
Average EV / Resources						30.0

* Share prices are one year averages

* Resources include all measured and indicated, and half of inferred and historical resources

SKV's shares should be valued at \$0.76 per share based on the current average EV/resource ratio of \$22/oz (down from \$40/oz at the time of previous report). However, we believe that a metric of \$30/oz is more appropriate at this time as we believe that the drop in share prices of comparable companies do not reflect their fundamentals. Therefore, based on an average EV/resource ratio of \$30/oz, we believe SKV shares should trade at \$1.01 per share.

Conclusions & Rating

Our average revised valuation based on our three valuation models is \$0.62 per share, compared to \$1.49 per share in our previous report. Therefore, based on our revised valuation models and review of the company's progress since our previous report, we reiterate our BUY rating on SKV with a lower fair value estimate of \$0.62 per share.

Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- The company does not have any operating mines.
- The company, as with all other junior mining companies, is subject to delays affecting the entire mining industry.
- The value of the company depends on commodity prices, specifically gold.
- Access to capital and share dilution.

We rate the company a RISK of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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