

Skygold Ventures Ltd. (TSX.V: SKV) – Resource exceeds expectation; Raising fair value

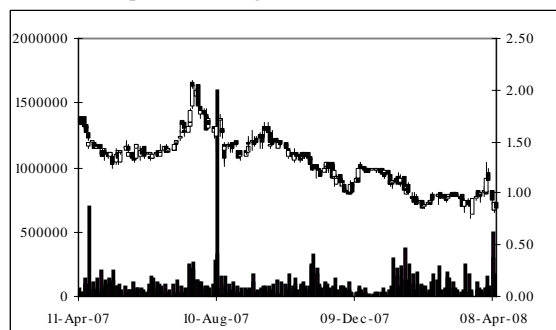
Sector/Industry: Junior Mining/Gold

www.skygold.ca

Market Data (as of April 10, 2008)

Current Price	C\$0.85
Fair Value	C\$1.49 (↑)
Rating*	BUY (↑)
Risk*	5 (Highly Spec)
52 Week Range	C\$0.75 – C\$2.10
Shares O/S	49,477,682
Market Cap	C\$42.06 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	2.42
YoY Return	-50.87%
YoY TSXV	-21.1%

*see back of report for rating and risk definitions



Investment Highlights

- Skygold is delineating a very large bulk tonnage gold deposit on Spanish Mountain in British Columbia.
- Excellent exploration potential still exists at Spanish Mountain. The deposit remains open in all directions, with current known dimensions of 1.2 kilometers strike, over 100 m depth, and 700 meters width.
- A NI 43-101 compliant resource estimates totaling 1.75 million ounces measured and indicated and 100,000 ounces inferred at a 0.5 g/t gold cut-off grade was announced in April 2008. This resource exceeded our expectations for the preliminary resource estimate.
- The company has continued to release drilling results from 2007's drilling program highlighting the deposit's expansion potential.
- We have revised our valuation of the company to account for the new NI 43-101 compliant resource estimate, and upgraded our rating to BUY from HOLD with a fair value estimate of \$1.49 per share (up from our previous estimate of \$0.91 per share).

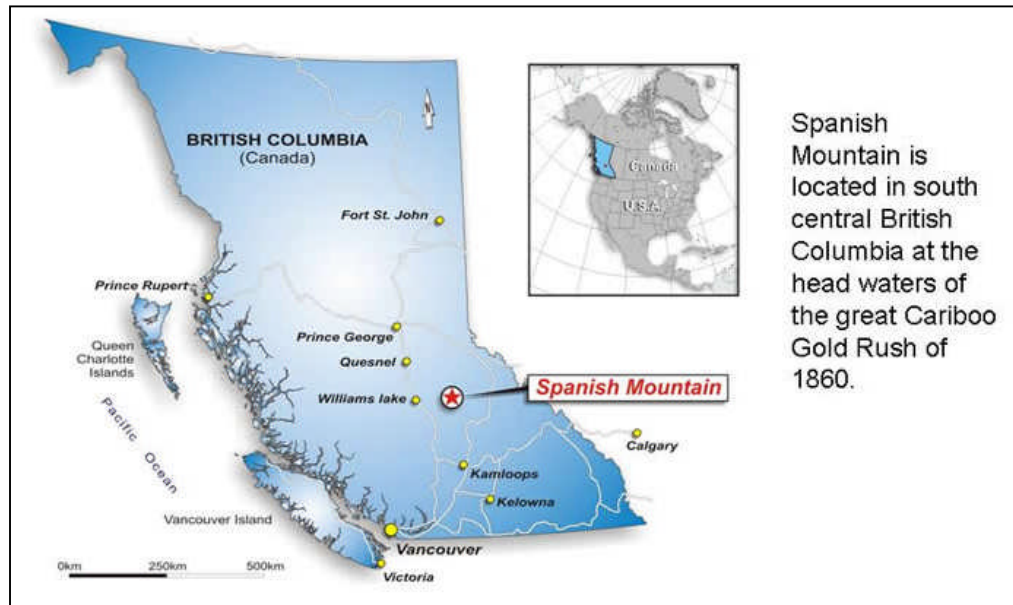
Key Financial Data (FYE - December 31)

(C \$)	2005	2006	Q3 2007 Sep-07
Cash + term deposits	120,905	1,130,034	5,119,673
Working Capital	1,192,780	10,776,517	6,527,697
Mineral Assets	2,152,508	7,485,636	11,883,847
Total Assets	3,384,734	18,455,832	19,094,564
Net Loss	(814,130)	(3,667,493)	(173,772)
Loss per Share	(0.04)	(0.09)	(0.00)

Skygold Ventures is delineating a bulk tonnage sediment hosted vein gold deposit at Spanish Mountain in central British Columbia. This deposit has a NI 43-101 compliant resource estimate of 1.75 million ounces measured and indicated and 100,000 ounces inferred. The company has five other early stage sediment hosted gold (SHG) properties in central British Columbia on which work is planned in 2008.

Company Overview

In our initial report, dated January 30, 2008, we introduced Skygold Ventures Ltd. Skygold has delineated a very large bulk tonnage deposit on Spanish Mountain in British Columbia. They recently announced plans to merge with Wildrose Resources Ltd (TSXV: WRS), their joint venture partner with 30% interest, to secure 100% interest on the property. The Spanish Mountain Discovery represents an important new discovery in British Columbia. Since our initial report, Skygold has announced a preliminary resource estimate of 1.75 million ounces of gold measured and indicated, and 100,000 ounces of gold inferred. This resource exceeded our expectations for the preliminary resource estimate.



Source: Skygold Ventures Ltd.

Spanish Mountain

Property Overview: The 4,200 hectare Spanish Mountain Property, near the village of Likely, BC, represents a large and still growing, bulk tonnage, low grade, disseminated gold deposit. The property has excellent road accessibility and infrastructure.

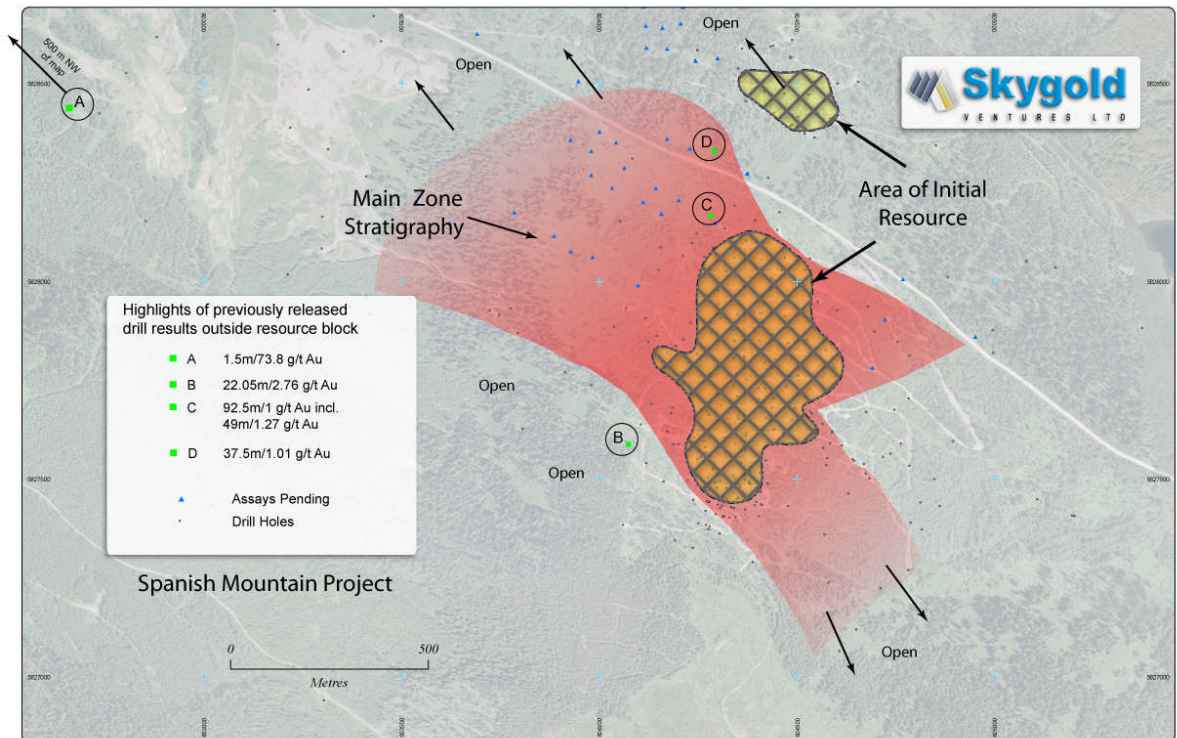
Ownership: Currently, Skygold holds 70% interest in the property and is operator of the joint venture. Wildrose Resources holds the remaining 30%. The company has announced their intention to merge. Under the terms of the transaction, Wildrose shareholders will receive 0.82 shares of Skygold for each share of Wildrose. Skygold will assume warrants and options of Wildrose for the same ratio. Skygold and Wildrose have finalized an Arrangement Agreement, and shareholders of both companies will vote at annual meetings to be held in May 2008. The transaction is expected to close in the same month. This is dependent on TSX Exchange approval and 75% approval by Wildrose's shareholders.

Geology and Mineralization: Sediment hosted vein deposits are found globally and include some of the largest gold deposits in the world. These deposits feature hydrothermal alteration, gold quartz veining, and sedimentary host rock.

The Main Zone is comprised of at least three separate, stacked horizons up to 500 meters wide and up to 135 meters thick. The deposit is open in all directions and only a portion of it

has been drill tested. Mineralization is associated with the contact between argillites and greywackes. Notably, the contact is consistently mineralized, as approximately 97% of drilling into the contact has hit mineralization. It is believed the greywacke unit hosts bonanza grade mineralization, while argillites host low-grade disseminated mineralization.

Through aggressive drilling, the company has delineated a classic bulk tonnage disseminated deposit, with numerous high-grade pockets. Further drilling has noted continuity between high grade mineralization that has the potential to enhance the project's economics. The deposit is open along strike and at depth.



Current Status: The company plans to continue drilling at Spanish Mountain until the edges of the deposit are found, while advancing the project through economic studies and, hopefully, eventual production. The company commenced a winter drilling program in January 2008, using three drill rigs to test the Main Zone. The focus of this program will be expanding the Main Zone, especially to the northwest where drilling in 2007 intersected Main Zone style stratigraphy. A fourth drill rig will be added in the spring to test areas on the property that are not accessible in the winter. A fifth drill rig will be added in the summer to test a historic placer mine on the opposite side of the property from the Main Zone.

The company plans to complete environmental baseline studies and bulk sampling in 2008 to advance the property towards permitting and economic studies.

Resource Estimates: A NI 43-101 compliant resource estimate was announced in April 2008. The resource is based on 248 drill holes totaling 56,620 meters of drilling completed

since 2005. The resource presented in the tables below was calculated at a range of cut-off grades. Because this resource is low-grade, it is very sensitive to cut-off grades. The final cut-off grade will not be determined until economic studies evaluating operating costs have been completed. At this time, we have chosen to use the 0.5 g/t gold cut-off resource in our valuation.

Measured and Indicated (M&I) Resource

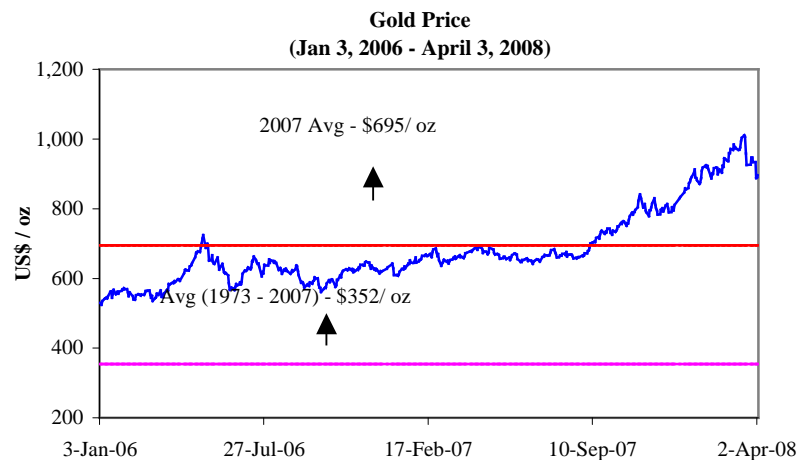
Cut off (g/t gold)	Category	Tonnes	Grade (g/t gold)	Contained Gold (oz)
0.4	M&I	103,580,000	0.682	2,270,000
0.5	M&I	67,060,000	0.811	1,750,000
0.6	M&I	45,100,000	0.940	1,360,000
0.7	M&I	31,010,000	1.073	1,070,000
Resource used in valuation				

Inferred Resource

Cut off (g/t gold)	Category	Tonnes	Grade (g/t gold)	Contained Gold (oz)
0.4	Inferred	9,870,000	0.563	180,000
0.5	Inferred	4,320,000	0.721	100,000
0.6	Inferred	2,020,000	0.913	60,000
0.7	Inferred	1,040,000	1.164	40,000
Resource used in valuation, discounted by 50%				

Outlook for Gold

The chart below shows gold prices since January 2006. Gold prices are currently trading at about US\$927/oz.



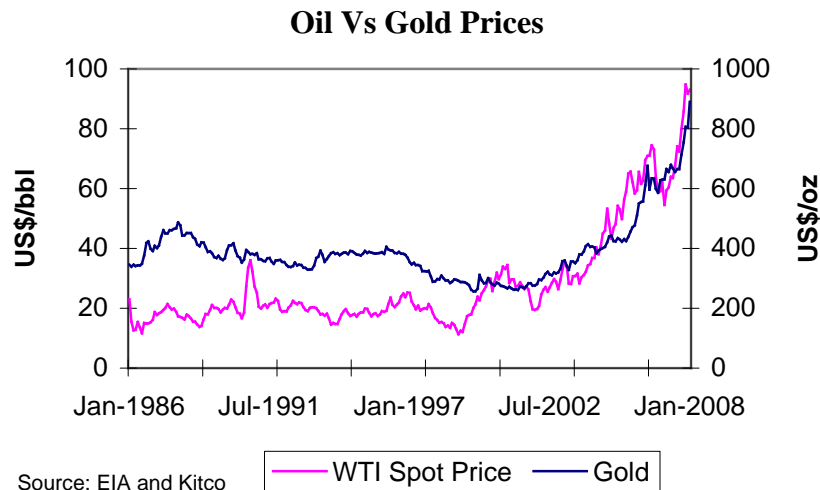
Source: KITCO

Although gold prices have risen considerably in the second half of 2007, and early 2008, and have achieved record highs, we have maintained our positive outlook on gold due to positive macro economic conditions which we will now discuss.

a) The US\$ is expected to continue to depreciate with respect to global currencies, based on an expected slow down in the U.S. economy, relatively lower real interest rates in the U.S., and persisting inflationary expectations.

The International Monetary Fund (IMF) expects U.S. GDP to grow at 1.5% in 2008, versus 2.2% in 2007, and the Federal Reserve predicts unemployment rates to increase YOY from 4.6% to 5.2% in 2008. The U.S. Fed cut interest rates from 5.25% to 2.50% in their last six meetings. These rate cuts imply that there is a possibility that real interest rates in the U.S. could go negative, which is very unfavorable for the US\$. The rate cuts in turn, we believe, will add to inflationary pressures and simultaneously depreciate the value of the US\$. The Fed recently raised their forecasts for inflation in 2008 up from 1.8 – 2.1% to 2.1 – 2.4%.

b) High Oil Prices: We have also noticed a positive correlation between gold and oil prices in times of high oil prices. High oil prices create inflationary expectations among investors and lead them to drift towards gold. The chart below shows oil and gold prices since 1986. We noticed that the positive correlation between monthly log changes in oil and gold prices increased during January 2006 – January 2008, when oil prices were high, from the historic correlation (1986 – 2006) of 0.18 to 0.53, which is a significant jump.



Oil is currently trading close to US\$109/bbl, and prices are expected to stay above \$80/bbl through at least 2010, which we believe, will also have a positive effect on the demand for gold.

c) Investment demand continue to stay strong: Currently, total ETG (exchange traded gold) assets held by the NEW York Stock Exchange (NYSE) and the London Stock Exchange (LSE) are up 29% YOY. We believe continued strength in investment demand reflects the fact that gold continues to hold its status as a ‘capital preservation asset’.

Therefore, based on a depreciating U.S dollar, high oil prices and strong investment demand, we continue to be bullish on gold prices. The average consensus forecasts for gold prices are US\$975/oz in 2008, and US\$915/oz in 2009.

Financials

At the end of September 2007, the company had cash (plus term deposits) and working capital of \$5.12 million and \$6.53 million, respectively. The table below shows the company's cash and liquidity position.

(in C\$)	2005	2006	Q3 2007
Working Capital	1,192,780	10,776,517	6,527,697
Current Ratio	42.0	73.9	12.3
LT Debt / Assets	-	-	-
Cash from financing activities	2,995,426	14,437,806	463,901
Monthly Burn Rate (incl. Exploration expenses)	(239,483)	(456,557)	(1,214,560)

In December 2007, the company raised \$3.05 million through a non-brokered private placement by issuing 2.35 million flow-through units at \$1.30 per unit. Assuming that the company continued to burn \$0.60 million per month (our estimate of burn rate for the 9-month period ended September 30, 2007) during October 2007 - March 2008, we estimate the company currently has about \$4.44 million in cash.

The acquisition of Wildrose is expected to be completed in May 2008. As at November 30, 2007, Wildrose had no debt, \$3.48 million in cash and \$1.17 million in working capital.

Stock Options and Warrants: At the end of September 2007, the company had 3.6 million stock options outstanding with exercise prices ranging between \$0.10 and \$1.60, and expiry dates between December 2009 and November 2011 (1.05 million of the stock options are currently in the money).

Conclusion: According to management, the company has a budget of about \$15.5 million in capital expenditures in 2008. We believe the company needs to raise an additional \$6.5 million to fund its exploration activities and working capital in 2008.

Valuation

Since the company did not have a resource estimate at the time of our initial report, we had valued the company based on a relative valuation of its mineral assets (book value). We now value the company based on the new NI 43-101 compliant resource estimate for its Spanish Mountain Property announced in April 2008. We used three techniques to value the company – Discounted Cash Flow (DCF) analysis, Real Options valuation and Relative valuation.

Our DCF valuation model (shown on the next page) gave a fair value estimate on the Spanish Mountain Property at \$1.48 per share. We also valued Skygold assuming the proposed merger between Skygold and Wildrose Resources will go through. Our DCF valuation (shown on the next page) post-merger is \$1.53 per share, which is not significantly different from the value prior to the merger.

DCF Valuation Summary	
Mineral Resources (in tonnes)	69,220,000
Average Gold Grade (g/t)	0.81
Contained Metals (troy oz)	1,798,610
Recovery - conventional	88%
Recovered Gold (troy oz)	1,582,777
Avg Production per year (troy oz)	131,898
Mine Life (years)	12
Capital Costs	\$60,000,000
Operating Costs (\$/tonne)	\$7.5
Discount rate	11.49%
Net Present Value (70%)	\$69,456,375

Working Capital	\$4,500,000
Debt	-
Total Value	\$73,956,375
No. of Shares	50,084,153
Fair Value per Share	\$1.48

DCF Valuation Summary (Post Merger)	
Mineral Resources (in tonnes)	69,220,000
Gold Grade (g/t)	0.81
Contained Metals	1,798,610
Recovery - conventional	88%
Recovered Gold (troy oz)	1,582,777
Avg Production per year (troy oz)	131,898
Mine Life (years)	12
Capital Costs	\$60,000,000
Operating Costs (\$/tonne)	\$7.5
Discount rate	11.49%
Net Present Value	\$99,216,865

Working Capital	\$5,666,460
Debt	-
Total Value	\$104,883,325
No. of Shares	68,464,457
Fair Value per Share	\$1.53

Real Options Valuation - Spanish Mountain Project						
	Resources (in tonnes)	Category	Grade (g/t)	Contained Metal (in troy oz)	Price(US\$/oz)	Value (C\$)
Gold	69,220,000	NI 43-101	0.81	1,798,610	600.00	1,092,115,906
Operating Costs (\$/tonne)	\$7.50					Total Value (C\$)
Recovery (Au)	88%					Operating Costs (C\$)
C\$/US\$	1.15					Net Value (C\$)
						\$764,481,134
						\$381,575,250
						\$382,905,884
Inputs relating to the underlying asset						
Estd. Mineral Resources (in tonnes)						69,220,000
Estd. Value of Minerals if extracted today						\$319,799,147
Annualized Standard Deviation of Mineral prices						19%
Capital Investment						\$42,000,000
Estd. Mine Life (years)						12
Riskfree Rate						3.58%
Output						
Stock Price	\$319,799,147				T. Bond rate	3.58%
Strike Price	\$42,000,000				Variance	0.04
Expiration (in years)	12.0				Annualized div yield	8.3%
d1 =	2.547				Value of Option	\$90,493,957
N(d1) =	0.995				Working Capital	\$4,500,000
d2 =	1.889				Debt	-
N(d2) =	0.971				No of outstanding shares (diluted)	50,084,153
					Value per share	\$1.90

The real options valuation model assuming the Skygold and Wildrose Resources merger will go through gave a fair value estimate of \$1.97 per share.

Real Options Valuation - Spanish Mountain Project (Post Merger)							
	Resources (in tonnes)	Category	Grade (g/t)	Contained Metal (in troy oz)	Price(US\$/oz)	Value (C\$)	
Gold	69,220,000	NI 43-101	0.81	1,798,610	600.00	1,092,115,906	
Operating Costs (\$/tonne)	\$7.50			Total Value (C\$)	\$1,092,115,906		
Recovery (Au)	88%			Operating Costs (C\$)	\$545,107,500		
C\$/US\$	1.15			Net Value (C\$)	\$547,008,406		
Inputs relating to the underlying asset							
Estd. Mineral Resources (in tonnes)						69,220,000	
Estd. Value of Minerals if extracted today						\$456,855,924	
Annualized Standard Deviation of Mineral prices						19%	
Capital Investment						\$60,000,000	
Estd. Mine Life (years)						12	
Riskfree Rate						3.58%	
Output							
Stock Price	\$456,855,924		T. Bond rate		3.58%		
Strike Price	\$60,000,000		Variance		0.04		
Expiration (in years)	12.0		Annualized div yield		8.3%		
d1 =	2.547		Value of Option		\$129,277,082		
N(d1) =	0.995		Working Capital		\$5,666,460		
d2 =	1.889		Debt		-		
N(d2) =	0.971		No of outstanding shares (diluted)		68,464,457		
						Value per share	\$1.97

Relative valuation: We also valued the company based on the average ratio of enterprise value (EV) to resource estimates of the company's peers. Our comparables valuation model valued the Spanish Mountain Property at \$1.10 per share as shown in the table below. At current price levels, Skygold is valued at \$32.6/oz, while the average ratio of its peers is \$40/oz.

Comparables Valuation Model						
	Company	SYM	Price	Enterprise Value	Resource (Au in oz)	EV / Resources
1	Lake Shore Gold Corp	TSX: LSG	\$1.71	\$117,270,081	1,890,102	62.0
2	Sunridge Gold Corp.	TSXV: SGC	\$1.05	\$48,480,994	1,044,700	46.4
3	Golden Band Resources Inc.	TSXV: GBN	\$0.38	\$34,373,525	881,323	39.0
4	Skygold Ventures Ltd.	TSXV: SKV	\$0.91	\$41,076,579	1,259,027	32.6
5	GLR Resources	TSX: GRS	\$0.41	\$21,992,244	1,091,687	20.1
Average EV / Resources						40.0
Fair Value of SKV's stock						\$1.10

Note: Stock prices and Market Cap are as of April 9, 2008

Our average valuation for Skygold is \$1.49 per share. The following table summarizes our valuation of the company.

Valuation Summary	No merger	Post Merger
DCF	\$1.48	\$1.53
Real Options	\$1.90	\$1.97
Comparables	\$1.10	
Average (no merger)	\$1.49	

Please note that our valuation on the company is highly sensitive to our long-term gold price assumptions. The following table shows the changes in our DCF valuation when our long-term gold price assumptions vary between US\$400/oz to US\$1,000/oz.

Sensitivity Analysis	
Gold price (US\$/oz)	Value per share
400	\$0.16
450	\$0.49
500	\$0.82
550	\$1.15
600	\$1.48
650	\$1.80
700	\$2.13
750	\$2.46
800	\$2.79
850	\$3.12
900	\$3.45
950	\$3.78
1000	\$4.11

Conclusions & Rating

We believe Skygold's project has exploration and resource expansion potential. Spanish Mountain is an excellent target for many reasons: accessibility, infrastructure, simple metallurgy, and potential for low cost open pit bulk tonnage operations. **Based on our valuation models and review of the company's progress since our initiating report, we upgrade the company to a BUY rating from HOLD, and increase our fair value estimate from \$0.91 per share to \$1.49 per share.** Our fair value estimate reflects an upside potential of 75.3% from current price levels.

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 success of drilling, expansion and the determination of favorable resource estimates are important long-term factors for the success of the company.
- The value of the company depends on commodity prices, specifically gold.

We consider Skygold a high-risk investment opportunity as the company is still in its exploration stage. At this stage, we therefore rate the shares 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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The distribution of FRC's ratings are as follows: BUY (81%), HOLD (7%), SELL (4%), SUSPEND (8%).

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