

KEEGAN RESOURCES INC.
(formerly Quicksilver Ventures Inc.)

Consolidated Financial Statements

Nine months ended December 31, 2005 and 2004

KEEGAN RESOURCES INC.
(formerly Quicksilver Ventures Inc.)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

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 interim financial statements by an entity's auditors.

February 24, 2006

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Consolidated Balance Sheets
(Unaudited – Prepared by Management)

	December 31, 2005	March 31, 2005
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash	\$ 932,510	\$ 674,917
Goods and services taxes recoverable	45,429	29,727
Prepaid expenses and deposits	9,636	8,500
	987,575	713,144
Equipment and leasehold improvements (note 3)	39,403	45,950
Resource properties (note 4)	2,173,307	529,236
	\$ 3,200,285	\$ 1,288,330
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 176,597	\$ 48,913
Shareholders' Equity		
Share capital (note 5)	4,164,426	1,674,328
Contributed surplus (note 5)	847,145	313,649
Deficit	(1,987,883)	(748,560)
	3,023,688	1,239,417
Commitments (note 7)		
Subsequent event (note 8)	\$ 3,200,285	\$ 1,288,330

The accompanying notes are an integral part of the financial statements.

Approved by the Directors:

"Dan McCoy"

Director

"Tony M. Ricci"

Director

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Consolidated Statements of Operations and Deficit
Nine months ended December 31, 2005 and 2004
(Unaudited – Prepared by Management)

	Three months ended December		Nine months ended December	
	2005	2004	2005	2004
Administration expenses:				
Advertising, promotion and travel	\$ 97,365	\$ 4,999	\$ 217,879	\$ 28,405
Amortization	2,566	1,804	7,616	3,997
Bank charges and interest	810	90	1,961	331
Consulting and wages	116,927	11,004	333,379	38,974
Office, rent and administration	18,492	25,483	69,528	57,844
Professional fees	29,355	53,108	48,544	85,212
Regulatory and transfer agent fees	7,538	632	24,770	18,206
Stock based compensation	188,309	–	533,496	–
	<u>461,362</u>	<u>97,120</u>	<u>1,237,173</u>	<u>232,969</u>
Other expenses (income):				
Interest	(5,348)	(1,155)	(7,108)	(2,224)
Foreign exchange	6,195	19,116	9,258	40,492
	<u>847</u>	<u>17,961</u>	<u>2,150</u>	<u>38,268</u>
Net loss for the period	462,209	115,081	1,239,323	271,237
Deficit, beginning of period	1,525,674	275,344	748,560	119,188
Deficit, end of period	<u>\$ 1,987,883</u>	<u>\$ 390,425</u>	<u>\$ 1,987,883</u>	<u>\$ 390,425</u>
Weighted average number of Shares outstanding	10,708,400	6,740,000	8,964,290	6,385,817
Basic and diluted loss per share	<u>\$ 0.04</u>	<u>\$ 0.02</u>	<u>\$ 0.14</u>	<u>\$ 0.04</u>

The accompanying notes are an integral part of the financial statements.

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Statements of Cash Flows

Nine months ended December 31, 2005 and 2004

(Unaudited – Prepared by Management)

	Three months ended December		Nine months ended December	
	2005	2004	2005	2004
Cash provided by (used in):				
Operating activities:				
Net Loss for the period	\$ (462,209)	\$ (115,081)	\$ (1,239,323)	\$ (271,237)
Items not involving cash:				
Amortization	2,566	1,804	7,616	3,997
Stock based compensation	188,309	–	533,496	–
Changes in non-cash working capital items:				
Goods and services taxes recoverable	(8,120)	(8,667)	(15,702)	(18,187)
Prepaid expenses and deposits	(1,136)	(1,891)	(1,136)	16,680
Accounts payable and accrued liabilities	(53,708)	29,364	127,684	7,023
	(334,298)	(94,471)	(587,365)	(261,724)
Investing activities:				
Purchase of equipment and leasehold improvements	(1,069)	(3,461)	(1,069)	(48,268)
Acquisition of interest in mineral properties	(2,880)	–	(180,471)	–
Deferred exploration	(580,512)	–	(1,244,864)	–
	(584,461)	–	(1,426,404)	(44,807)
Financing activities:				
Common shares issued for cash	2,444,200	–	2,444,200	331,250
Share issuance costs	(172,838)	–	(172,838)	(12,700)
Share subscriptions	(571,975)	153,000	–	156,750
Other payables	–	(38,400)	–	10,750
	1,699,387	114,600	2,271,362	486,050
Increase in cash	780,628	16,668	257,593	176,058
Cash, beginning of period	151,882	583,049	674,917	423,659
Cash, end of period	\$ 932,510	\$ 599,717	\$ 932,510	\$ 599,717
Supplemental cash flow information:				
Shares issued on acquisition of resource properties	\$ 15,400	\$ –	\$ 218,736	\$ –

The accompanying notes are an integral part of the financial statements.

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Notes to Consolidated Financial Statements, page 1
For the Nine months ended December 31, 2005 and 2004
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1. Nature of operations

The Company was incorporated on September 23, 1999 under the laws of British Columbia. The Company was a capital pool company as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4.

During the year ended March 31, 2004, the common shares of the Company commenced trading on the NEX. NEX is a separate board of the Exchange for companies which were previously listed on the Exchange which have failed to maintain compliance with the ongoing financial listing standards of the Exchange. NEX was created so publicly listed shell companies may still continue to trade their securities while they seek and undertake transactions to complete their reactivation.

During the year ended March 31, 2005, the Company completed its Qualifying Transaction through the acquisition of interests in resource properties (see note 4). As a result, the Company is no longer considered a capital pool company. The Company's listing has been transferred from NEX to TSX Venture under a Tier 2 issuer classification. In conjunction with the completion of the Qualifying Transaction, the Company changed its name from Quicksilver Ventures Inc. to Keegan Resources Inc.

2. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Quicksilver Ventures (Nevada) Inc..

(b) Financial instruments

The carrying amounts of cash, goods and services taxes recoverable, prepaid expenses and deposits, accounts payable and accrued liabilities and share subscriptions approximate fair value because of the short-term maturity of these items.

(c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

(d) Equipment and leasehold improvements

Furniture, equipment and leasehold improvements are carried at cost less accumulated amortization. Amortization is determined at rates which will reduce original cost to estimated residual value over the useful life of each asset. The annual rates used to compute amortization are as follows:

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Notes to Consolidated Financial Statements, page 2
For the Nine months ended December 31, 2005 and 2004
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2. Significant accounting policies (continued)

(d) Equipment and leasehold improvements (continued)

Asset	Basis	Rate
Furniture and equipment	declining balance	20%
Computers	declining balance	30%
Leasehold improvements	straight-line	term of lease

(e) Resource properties and deferred exploration costs

The Company records its interests in resource properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or abandoned or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Resource properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of resource exploration interests is based on cash paid, the assigned value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the resource deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

The Company defers all exploration costs relating to resource properties and areas of geological interest until the properties to which they relate are placed into production, sold or abandoned or management has determined there to be an impairment. These costs will be amortized over the proven reserves available on the related property following commencement of production.

The Company does not accrue the estimated future costs of maintaining its resource properties in good standing.

The amounts shown for resource properties and deferred exploration costs represent costs to date, and do not necessarily represent present or future values, as they are entirely dependent upon the economic recovery of current and future reserves.

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Notes to Consolidated Financial Statements, page 3
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2. Significant accounting policies (continued)

(f) Environmental protection and rehabilitation costs

Liabilities related to environmental protection and rehabilitation costs are accrued and charged to income when their likelihood of occurrence is established. This includes future removal and site restoration costs as required due to environmental law or contracts.

(g) Asset retirement obligations

The Canadian Institute of Chartered Accountants (“CICA”) recently issued a new section in the CICA Handbook, section 3110, Asset retirement obligations, which was effective July 1, 2004. The standard focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time. Adoption of this standard has not affected the Company’s financial statements.

(h) Foreign currency

Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at average rates of exchange during the period. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the period.

(i) Earnings (loss) per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. 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.

Basic earnings (loss) per share is calculated using the weighted-average number of shares outstanding during the period.

(j) Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock using the Black-Scholes option pricing model. Any consideration paid on the exercise of stock options is credited to capital stock.

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Notes to Consolidated Financial Statements, page 4
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3. Equipment and leasehold improvements

December 31, 2005	Cost	Accumulated amortization	Net book value
Furniture	\$ 17,872	\$ 4,200	\$ 13,672
Equipment	14,141	3,323	10,818
Computers	14,145	4,502	9,643
Leasehold improvements	6,570	1,300	5,270
	\$ 52,728	\$ 13,325	\$ 39,403

March 31, 2005	Cost	Accumulated amortization	Net book Value
Furniture	\$ 17,873	\$ 1,787	\$ 16,086
Equipment	14,141	1,414	12,727
Computers	13,076	1,961	11,115
Leasehold improvements	6,570	548	6,022
	\$ 51,660	\$ 5,710	\$ 45,950

4. Resource properties

Properties	December 31, 2005	March 31, 2005
Horse Mountain Claims	\$ 1,009,375	\$ 430,066
Regent Gold Silver Project	588,236	55,553
Asumura Gold	385,665	43,617
Fri Property	171,751	–
Black Velvet	18,280	–
	\$ 2,173,307	\$ 529,236

(a) Horse Mountain Claims

During the year ended March 31, 2005, the Company entered into agreements with Hunter Dickinson Group Inc. (“HDG”), Anaconda Gold (USA) Inc. (“Anaconda”) and Barrick Gold Exploration Inc. (“Barrick”), whereby it has acquired the right to earn an interest in the Horse Mountain Project in Nevada. The transactions with Anaconda and Barrick (collectively the “Acquisition”) served as the Company’s Qualifying Transaction for the purposes of the policies of the Exchange.

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4. Resource properties (continued)

(a) Horse Mountain Claims (continued)

Pursuant to an assignment agreement entered into on August 5, 2004 between the Company and HDG (the "Anaconda Agreement"), the Company was assigned HDG's interest in a letter agreement dated August 7, 2003 between HDG and Anaconda as amended by letter agreement dated July 28, 2004 among HDG, Anaconda and the underlying owners to acquire an interest in 223 mining claims situated in Elko County, Nevada (the "Anaconda Horse Mountain Claims") that form part of the Horse Mountain Project. Pursuant to the terms of an option agreement entered into on August 16, 2004 between the Company and Barrick (the "Barrick Agreement"), the Company may earn an interest in 35 mining claims and a mining lease situated in Elko County, Nevada (the "Barrick Horse Mountain Claims") that form the balance of the Horse Mountain Project.

Under the terms of the Anaconda Agreement, the Company was assigned the right and option to earn a 55% interest in the Anaconda Horse Mountain Claims as follows:

i) by making exploration expenditures of US\$1,500,000 by August 31, 2010 as follows:

Year 1 – US\$150,000
Year 2 – US\$225,000
Year 3 – US\$300,000
Year 4 – US\$300,000
Year 5 – US\$300,000
Year 6 – US\$225,000

ii) by making US\$385,000 in option payments to Anaconda:

Year 2004 – US\$ 80,000 (paid)
Year 2005 – US\$ 90,000 (paid)
Year 2006 – US\$115,000 (of which \$57,500 is payable in shares)
Year 2007 – US\$100,000 (of which \$50,000 is payable in shares)

iii) by issuing to Anaconda 100,000 common shares of the Company as reimbursement for the payment by Anaconda of US\$68,376.50 for past Bureau of Land Management ("BLM") Fees and past option payments to the underlying vendors (shares issued during the year ended March 31, 2005); and

iv) by providing HDG with consideration for assigning its rights to the Anaconda Horse Mountain Claims as follows:

- i. issuing to HDG 141,159 common shares of the Company for reimbursement of \$119,986 of out of pocket costs incurred by HDG (shares issued during the year ended March 31, 2005);
- ii. issuing to HDG a further 75,000 common shares (shares issued during the year ended March 31, 2005); and

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4. Resource properties (continued)

(a) Horse Mountain Claims (continued)

- iii. reimbursing HDG for US\$23,376.50 for 2004 BLM payments made by HDG on the Anaconda Horse Mountain Claims and US\$5,925 for holding costs on the Barrick Horse Mountain Claims (paid during the year ended March 31, 2005).

Pursuant to a letter agreement dated July 21, 2004 between the Company and Anaconda, the Company issued to Anaconda 25,000 common shares for the one time right to opt out of the area of influence (AOI) clause applicable pursuant to the terms of the Anaconda Agreement. The Company also agreed to issue an additional 100,000 common shares to Anaconda for the permanent right to opt out of the AOI clause if and when the Company earns its 70% interest in the Barrick Horse Mountain Claims.

The Company may earn an additional 15% interest by completing a bankable feasibility study using an internationally recognized third party engineering firm. Subject to underlying royalties, a 100% interest in the Anaconda Horse Mountain Claims may be purchased by the Company and Anaconda as joint venture partners on a prorated basis from the underlying vendors for US\$7,500,000.

Under the terms of the Barrick Agreement, the Company can earn a 70% interest in the Barrick Horse Mountain Claims by making exploration expenditures of US\$1,500,000 over four years as follows:

Year 1 – US\$200,000
Year 2 – US\$300,000
Year 3 – US\$400,000
Year 4 – US\$600,000

Once the Company has earned its 70% interest, one of the following shall occur at Barrick's election:

- i) Barrick and the Company may enter into a joint venture with the Company as operator, whereby Barrick would have an initial 30% interest and the Company an initial 70% interest;
- ii) Barrick may elect to earn back to a 70% participating interest in a joint venture with the Company by spending the next US\$3,000,000 in exploration expenditures, with Barrick as operator; or
- iii) If Barrick elects to not participate in a joint venture, the Company would have the option to purchase Barrick's 30% interest for US\$2,500,000 within one year of vesting with Barrick retaining a 2% NSR royalty.

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For the Nine months ended December 31, 2005 and 2004
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4. Resources properties (continued)

(b) Regent Gold Silver Project

Pursuant to an agreement dated March 4, 2005, between the Company and Jerry Baughman and Fabiola Baughman (“Optionors”), the Company may acquire 100% of the Regent Gold Silver Project (“Regent property”) located in Mineral County, Nevada, on the following terms:

- i) complete US\$3 million of exploration work (US\$250,000 in the first year) on the Regent property over the next five years;
- ii) deliver cash payments totaling US\$270,000 (US\$80,000 paid in the first year, which was paid as at September 30, 2005) over a period of five years; and
- iii) issue a total of 500,000 common shares (150,000 common shares in the first year, which were issued during the period) of the Company to the Optionors over a period of six years.

After meeting the above commitments, the Company will have an undivided 100% interest in the property subject to a 2.5 % NSR royalty, 60% of which may be purchased for US\$3,000,000. 35,890 shares were issued to HDG as finder’s fees with respect to the Regent property.

(c) Asumura Gold Project

The Company entered into an option agreement with GTE Ventures Limited (“GTE”) dated February 18, 2005 whereby the Company may acquire 100% of the Asumura Reconnaissance Concession (“Asumura property”) located in the Republic of Ghana, West Africa, under the following terms:

- i) complete US\$1 million of exploration work by July 31, 2007 (US\$80,000 in the first year) on the Asumura property;
- ii) deliver cash payments totaling US\$100,000 to GTE by October 8, 2007 (US\$10,000 paid during the year ended March 31, 2005); and
- iii) issue common shares of the Company to GTE equivalent to US\$100,000 (13,899 common shares equivalent to US\$10,000 were issued during the period) over a period of three years.

After meeting the above commitments, the Company will have an undivided 100% interest in the Asumura property subject to a 3.5% net smelter return, 50% of which may be purchased for US\$2 million. 11,270 shares were issued to HDG as finder’s fees with respect to the Asumura property.

As at December 31, 2005, the Company paid US\$286,600 towards the property’s exploration work programme.

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For the Nine months ended December 31, 2005 and 2004
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4. Resources properties (continued)

(d) Fri Property

The Company entered into an option agreement dated May 31, 2005 with Gerald Baughman and Fabiola Baughman pursuant to which the Company has the option to acquire 100% interest in the Fri gold project located in Nye County, Nevada, under the following terms:

- i) deliver cash payments totaling US\$285,000 over five years (US\$60,000 in the first year, of which, US\$20,000 was paid during the period);
- ii) issue 500,000 common shares of the Company over five years (125,000 common shares in the first year, of which, 25,000 shares have been issued during the period); and
- iii) expend US\$3 million in work expenditures on the Fri property over the next five years (US\$300,000 in the first year).

After meeting these commitments, the Company will have an undivided 100% interest in the Fri property subject to a 2.5% net smelter return royalty payable to GTE, 60% of which (net purchase of 1.5%) may be purchased back by the Company for US\$3 million.

(e) Black Velvet Gold Project

The Company entered into an option agreement dated December 7, 2005 with Gerald Baughman and Fabiola Baughman whereby the Company may acquire 100% interest in the Black Velvet Gold Project in Pershing County, Nevada.

Under the terms of the agreement, the Company will have the option to deliver cash payments of US\$150,000 and 150,000 shares of the Company to the Optionors over a period of four years as follows:

- i) deliver a cash payment of US\$2,500 upon execution of the agreement
US\$27,500 on December 1, 2006;
US\$30,000 on May 31, 2007;
US\$40,000 on May 31, 2008; and
US\$50,000 on May 31, 2009.
- ii) issue 10,000 common shares upon Exchange approval;
20,000 common shares on May 31, 2006;
30,000 common shares on May 31, 2007;
40,000 common shares on May 1, 2008; and
50,000 common shares on May 31, 2009.

During the period, the Company paid US\$2,500 and issued 10,000 common shares as per the terms of the agreement. After meeting these commitments, the Company will have an undivided 100% interest in the property.

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5. Share capital

(a) Authorized

100,000,000 common shares without par value; and
100,000,000 preferred shares without par value.

(b) Issued and outstanding

	Number of shares	Amount
Balance, March 31, 2004	3,465,000	\$ 432,855
Private placements	4,070,500	972,875
Finders' fees on private placements	33,900	25,425
Exercise of options	100,000	15,000
Resource properties	341,159	295,486
Share issuance costs	–	(67,313)
Balance, March 31, 2005	8,010,559	1,674,328
Finders' fees and consideration for acquisition of interest in resource properties	246,059	218,736
Private placement	3,000,000	2,400,000
Exercise of warrants	52,000	44,200
Share issuance costs	–	(172,838)
Balance, December 31, 2005	11,308,618	\$ 4,164,426

During the period, the Company completed a non-brokered private placement of up to 3,000,000 units of the Company at a price of \$0.80 per unit for gross proceeds of up to \$2,400,000. Each unit will consist of one common share and one non-transferable share purchase warrant, entitling the holder to purchase within two years one additional common share of the Company at a price of \$1 per share. The warrants are subject to an acceleration clause whereby if the shares of the Company trade above \$2 for a period of 10 consecutive trading days, the Company will have the option to require the earlier exercise of the warrants within 30 days of formal notice from the Company.

An aggregate of \$160,000 was paid to various finders in connection with the financing. In addition, an aggregate of 104,000 brokers' warrants were granted on the same terms as the private placement warrants.

During the period, 52,000 warrants were exercised at a price of \$0.85 per share and 52,000 common shares were issued for gross proceeds of \$44,200.

During the period, the Company issued 10,000 common shares as part of a consideration to acquire an interest in a resource property. See note 4(e).

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For the Nine months ended December 31, 2005 and 2004
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5. Share capital (continued)

(b) Issued and outstanding (continued)

During the year ended March 31, 2005, the Company completed a non-brokered private placement of 3,200,000 common shares at a price of \$0.10 per common share for gross proceeds of \$320,000. The Company paid \$10,000 as a finder's fee on this private placement. 112,500 of the common shares issued pursuant to this private placement are held in escrow subject to the provisions of the Exchange.

During the year ended March 31, 2005, the Company completed a non-brokered private placement of 870,500 units at a price of \$0.75 per unit for gross proceeds of \$652,875. Each unit consists of one common share and a share purchase warrant of the Company. Each share purchase warrant entitles the holder, on exercise, to purchase an additional common share of the Company at a price of \$0.85 per share for a period of two years expiring January 31, 2007. The Company paid \$10,500 as a finder's fee on this private placement. In addition, the Company issued an aggregate of 33,900 units, consisting of 33,900 common shares and 33,900 brokers' warrants as finders' fees on this private placement.

During the year ended March 31, 2005, 100,000 options were exercised at a price of \$0.15 per share for proceeds of \$15,000 and 100,000 common shares were issued.

(c) Shares held in escrow

As at December 31, 2005, 112,500 (March 31, 2005 – 135,000) common shares of the Company were the subject of an escrow agreement under which the shares may not be transferred, assigned or otherwise dealt with without the consent of the relevant regulatory body having jurisdiction thereon.

(d) Stock options

The Company maintains a fixed stock option plan that enables it to grant from time to time, up to a total of 1,348,000 options to its directors, officers, employees and other service providers. During the period, the Company amended its stock option plan increasing the number of shares reserved for issuance under the plan to 1,646,543. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options.

The Company has outstanding options to directors and consultants as follows:

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5. Share capital (continued)

(d) Stock options (continued)

	Weighted average common shares	Weighted average Exercise price
Balance, April 1, 2004	–	–
Granted	1,348,000	\$ 0.92
Balance, March 31, 2005	1,348,000	\$ 0.92
Granted	220,000	\$ 1.16
Cancelled	(43,000)	\$ 0.92
Balance, December 31, 2005	1,525,000	\$ 0.95

The following table summarizes the stock options outstanding and exercisable at December 31, 2005:

Exercise price	Number outstanding at		
	December 31, 2005	Expiry date	December 31, 2005
\$0.92	1,305,000	February 3, 2010	1,147,119
\$1.16	220,000	November 22, 2010	55,000

During the period, under the fair-value-based method, \$533,496 (2004 – \$nil) in compensation expense was recorded in the statements of operations and deficit for stock options granted to directors and consultants of the Company.

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

	2005	2004
Risk free interest rate	3%	–
Expected dividend yield	0%	–
Stock price volatility	123%	–
Expected life of options	2 years	–

The weighted average fair value of options granted during the three months ended December 31, 2005 is \$0.59 (2004 – \$nil) per share.

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5. Share capital (continued)

(e) Warrants

The following warrants were outstanding at December 31, 2005. Each warrant entitles the holder to purchase one common share of the Company as follows:

Number of Shares	Exercise Price	Expiry Date
852,400	\$0.85	January 31, 2007
3,104,000 ⁽¹⁾	\$1.00	October 18, 2007

⁽¹⁾ These warrants are subject to an acceleration clause whereby if the shares of the Company trade above \$2 for a period of 10 consecutive trading days, the Company will have the option to require the earlier exercise of the warrants within 30 days of formal notice from the Company.

(f) Contributed surplus

	December 31, 2005	March 31, 2005
Balance, beginning of period	\$ 313,649	\$ 100,000
Stock compensation	533,496	194,961
Brokers' warrants issued	–	18,688
Balance, end of period	\$ 847,145	\$ 313,649

6. Related party transactions

During the period, the Company paid or accrued \$29,414 (2004 - \$56,041) for legal fees to a company controlled by a director and officer of the Company.

The Company has entered into a consulting agreement with a director and officer of the Company in the amount of US\$6,667 per month. During the period, the Company paid consulting fees of \$71,966 (2004 - \$4,083) under this agreement.

The Company has entered into a consulting agreement with a former officer of the Company in the amount of CAD\$3,333 per month. During the period, the Company paid consulting fees of \$15,000 (2004 - \$nil) under this agreement.

During the period, the Company paid or accrued \$3,000 (2004 - \$nil) for accounting fees to a company controlled by an officer of the Company.

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

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(Unaudited – Prepared by Management)

7. Commitments

The Company is committed to payments regarding agreements to lease its Vancouver office premises as follows:

2006	\$ 45,610
2007	47,823
2008	51,250
2009	51,548
2010	12,887
	<hr/>
	\$ 209,118

The Company is also committed to carry out the expenditures described in note 4.

8. Subsequent event

Subsequent to the period, 172,600 warrants were exercised at a price of \$0.85 per share and 172,600 common shares were issued for gross proceeds of \$129,710.