

KEEGAN RESOURCES INC.
(formerly Quicksilver Ventures Inc.)

Notice to Reader and Consolidated Financial Statements

Three months ended June 30, 2005 and 2004

Tony M. Ricci Inc.

Chartered Accountant

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NOTICE TO READER

I have compiled the interim consolidated balance sheets of Keegan Resources Inc. (formerly Quicksilver Ventures Inc.) as at June 30, 2005 and 2004 and the interim consolidated statements of operations and deficit and cash flows for the three months period then ended from information provided by management. I have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

“Tony M. Ricci Inc.”

Chartered Accountant

Vancouver, B.C.
August 26, 2005

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Consolidated Balance Sheets
(Unaudited – See Notice to Reader)

	June 30, 2005	March 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 247,205	\$ 674,917
Goods and services taxes recoverable	33,072	29,727
Prepaid expenses and deposits	8,500	8,500
	288,777	713,144
Furniture, equipment and leasehold improvements (note 3)	43,425	45,950
Resource properties (note 4)	777,891	529,236
	\$ 1,110,093	\$ 1,288,330
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 39,307	\$ 48,913
Shareholders' Equity		
Share capital (note 5)	1,735,663	1,674,328
Contributed surplus (note 5)	471,755	313,649
Deficit	(1,136,632)	(748,560)
	1,070,786	1,239,417
Commitments (note 7)		
Subsequent events (note 4(b) & 8)	\$ 1,110,093	\$ 1,288,330

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

Approved by the Directors:

"Dan McCoy"

_____ Director

"Gordon J. Fretwell"

_____ Director

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Consolidated Statements of Operations and Deficit
Three months ended June 30, 2005 and 2004
(Unaudited – See Notice to Reader)

	2005	2004
Expenses:		
Amortization	2,525	986
Bank charges and interest	715	143
Consulting fees	115,710	21,110
Office, rent and administration	29,127	12,297
Professional fees	10,316	16,792
Regulatory	15,120	1,450
Stock based compensation	158,106	–
Transfer agent and shareholder information	13,514	1,943
Travel, advertising and promotion	43,952	23,406
	389,085	78,127
Other expenses (income):		
Interest	(1,216)	(603)
Foreign exchange	203	–
	(1,013)	(603)
Net loss for the period	388,072	77,524
Deficit, beginning of period	748,560	119,188
Deficit, end of period	\$ 1,136,632	\$ 196,712
Loss per share – basic and diluted	\$ 0.05	\$ 0.01
Weighted average number of shares outstanding	8,012,938	5,669,670

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

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Statements of Cash Flows

Three months ended June 30, 2005 and 2004

(Unaudited – See Notice to Reader)

	2005	2004
Cash provided by (used in):		
Operations:		
Loss for the period	\$ (388,072)	\$ (77,524)
Items not involving cash:		
Amortization	2,525	986
Stock based compensation	158,106	–
Changes in non-cash working capital:		
Goods and services taxes recoverable	(3,345)	(7,089)
Prepaid expenses and deposits	–	8,743
Accounts payable and accrued liabilities	(9,606)	(21,766)
	(240,392)	(96,650)
Investing:		
Purchase of furniture, equipment and leasehold improvements	–	(34,880)
Acquisition of interest in resource properties	(68,563)	–
Deferred exploration	(118,757)	–
	(187,320)	(34,880)
Financing:		
Shares issued for cash, net of share issue costs	–	318,550
Decrease in cash and cash equivalents	(427,712)	187,020
Cash and cash equivalents, beginning of period	674,917	423,659
Cash and cash equivalents, end of period	\$ 247,205	\$ 610,679
Supplemental cash flow information:		
Shares issued on acquisition of resource properties	\$ 61,336	\$ –

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

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Consolidated Financial Statements, page 1
For the three months ended June 30, 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 6). 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 consolidations

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 and cash equivalents, goods and services taxes recoverable, prepaid expenses and deposits and accounts payable and accrued liabilities 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) Cash equivalents

Cash equivalents consist of highly liquid investments which are readily convertible to cash with maturities of three months or less when purchased.

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Notes to Consolidated Financial Statements, page 2
For the three months ended June 30, 2005 and 2004
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2. Significant accounting policies (continued)

(e) Furniture, 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:

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

(f) 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.

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Notes to Consolidated Financial Statements, page 3
For the three months ended June 30, 2005 and 2004
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2. Significant accounting policies (continued)

(f) Resource properties and deferred exploration costs (continued)

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.

(g) 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.

(h) 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.

(i) 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.

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Notes to Consolidated Financial Statements, page 4
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2. Significant accounting policies (continued)

(j) Stock-based compensation

Effective April 1, 2002, the Company adopted CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. For fiscal years beginning after January 1, 2004, direct awards of stock granted to employees are recorded at fair value on the date of grant and the associated expense is amortized over the vesting period. The Company has chosen to adopt a prospective application of the new standards whereby it accounts for awards to employees and non-employees based on the fair value method.

3. Furniture, equipment and leasehold improvements

	June 30, 2005		
	Cost	Accumulated amortization	Net book value
Furniture	\$ 17,873	\$ 2,592	\$ 15,281
Equipment	14,141	2,050	12,091
Computers	13,076	2,795	10,281
Leasehold improvements	6,570	798	5,772
	<u>\$ 51,660</u>	<u>\$ 8,235</u>	<u>\$ 43,425</u>
	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
	<u>\$ 51,660</u>	<u>\$ 5,710</u>	<u>\$ 45,950</u>

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Notes to Consolidated Financial Statements, page 5
For the three months ended June 30, 2005 and 2004
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4. Resource properties

Properties	June 30, 2005	March 31, 2005
Horse Mountain Claims		
Acquisition cost	\$ 430,066	\$ 430,066
Deferred exploration	17,258	–
	447,324	430,066
Regent		
Acquisition cost	129,375	55,553
Deferred exploration	19,758	–
	149,133	55,553
Asumura		
Acquisition cost	22,041	12,462
Deferred exploration	99,782	31,155
	121,823	43,617
Fri		
Acquisition cost	46,496	–
Deferred exploration	13,115	–
	59,611	–
Total acquisition costs	627,978	498,081
Total deferred exploration	149,913	31,155
Resource properties and deferred exploration, end of period	\$ 777,891	\$ 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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For the three months ended June 30, 2005 and 2004
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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 (of which \$45,000 is payable in shares)
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:

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4. Resources properties (continued)

(a) Horse Mountain Claims (continued)

- a) 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);
- b) issuing to HDG a further 75,000 common shares (shares issued during the year ended March 31, 2005); and
- c) 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;

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For the three months ended June 30, 2005 and 2004
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4. Resources properties (continued)

(a) Horse Mountain Claims (continued)

- 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.

(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;
- ii) deliver cash payments totaling US\$270,000 (US\$80,000 paid in the first year, which was paid as at June 30, 2005); and
- iii) issue a total of 500,000 common shares (150,000 common shares in the first year) 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.

Subsequent to the period, the Company obtained regulatory approval for the above transaction and issued 150,000 common shares to the optionors as per the terms of the agreement.

(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;

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4. Resources properties (continued)

(c) Asumura Gold Project (continued)

- ii) deliver cash payments totaling US\$100,000 to GTE by October 8, 2007 (US\$10,000 paid to June 30, 2005); and
- iii) issue common shares of the Company to GTE equivalent to US\$100,000 (common shares equivalent to US\$10,000 to be issued upon Exchange approval of the transaction) 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.

(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.

5. Share capital

(a) Authorized

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

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Notes to Consolidated Financial Statements, page 10
For the three months ended June 30, 2005 and 2004
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5. Share capital (continued)

(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
Less 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	72,160	61,336
Balance, June 30, 2005	8,082,719	\$ 1,735,664

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. 135,000 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 June 30, 2005, 135,000 (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.

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For the three months ended June 30, 2005 and 2004
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5. Share capital (continued)

(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. 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:

Number of	Weighted average common shares	Weighted average Exercise price
Balance, April 1, 2004	–	–
Granted	1,348,000	\$ 0.92
Balance, March 31, 2005 and June 30, 2005	1,348,000	\$ 0.92

The following table summarizes the stock options outstanding and exercisable at June 30, 2005:

Exercise price	Number outstanding at		
	June 30, 2005	Expiry date	June 30, 2005
\$0.92	1,348,000	February 3, 2010	505,500

During the period, under the fair-value-based method, \$158,106 (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	124%	–
Expected life of options	2 years	–

The weighted average fair value of options granted during the three months ended June 30, 2005 is \$0.58 (2004 – \$nil).

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5. Share capital (continued)

(e) Contributed surplus

	June 30, 2005	March 31, 2005
Balance, beginning of period	\$ 313,649	\$ 100,000
Stock compensation	158,106	194,961
Brokers' warrants issued	–	18,688
Balance, end of period	\$ 471,755	\$ 313,649

6. Related party transactions

During the period, the Company paid or accrued \$7,975 (2004 - \$13,083) 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 \$24,881 (2004 - \$nil) under this agreement.

The Company has entered into a consulting agreement with an officer of the Company in the amount of CAD\$3,333 per month. During the period, the Company paid consulting fees of \$10,000 (2004 - \$nil) under this agreement.

7. Commitments

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

2006	\$ 45,200
2007	46,840
2008	50,266
2009	50,565
2010	12,641
	<u>\$ 205,512</u>

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

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8. Subsequent events

Subsequent to the period, the Company proposed to undertake, subject to regulatory approval, 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 will be subject to an acceleration clause whereby if the shares of the Company trade above \$2 for a period of 10 days, the Company will have the option to require the earlier exercise of the warrants, within 30 days of formal notice from the Company.

Finder's fees in cash or common shares of the Company may be payable in connection with the financing. In addition, the Company may grant non-transferable finder's warrants on the same terms as the private placement warrants.