

KEEGAN RESOURCES INC.
(formerly Quicksilver Ventures Inc.)

**Auditor's Report and
Financial Statements**

Years ended March 31, 2005 and 2004

Tony M. Ricci Inc.

Chartered Accountant

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AUDITOR'S REPORT

To the Shareholders of KEEGAN RESOURCES INC. (formerly Quicksilver Ventures Inc.)

I have audited the balance sheets of Keegan Resources Inc. (formerly Quicksilver Ventures Inc.) as at March 31, 2005 and 2004 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2005 and 2004 and the results of its operations and changes in its cash flows for the years then ended in accordance with generally accepted accounting principles in Canada. As required by the Company Act of British Columbia, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

"Tony M. Ricci Inc."

CHARTERED ACCOUNTANT

Vancouver, British Columbia

April 15, 2005 except as to note 11 which is as of Mary 31, 2005

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Balance Sheets

March 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 674,917	\$ 423,659
Goods and services taxes recoverable	29,727	3,084
Prepaid expenses and deposits	8,500	27,680
	713,144	454,423
Furniture, equipment and leasehold improvements (note 3)	45,950	-
Resource properties (note 4)	529,236	-
	\$ 1,288,330	\$ 454,423
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 48,913	\$ 40,756
Shareholders' Equity		
Share capital (note 7)	1,674,328	432,855
Contributed surplus (note 7)	313,649	100,000
Deficit	(748,560)	(119,188)
	1,239,417	413,667
Commitments (note 10)		
Subsequent events (note 11)	\$ 1,288,330	\$ 454,423

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

Approved by the Directors:

"Robert J. McLeod"

_____ Director

"Gordon J. Fretwell"

_____ Director

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Statements of Operations and Deficit
Years ended March 31, 2005 and 2004

	2005	2004
Expenses:		
Amortization	5,710	–
Bank charges and interest	674	121
Consulting fees	111,060	–
Office, rent and administration	79,293	6,614
Professional fees	104,601	39,908
Regulatory	19,389	5,335
Stock based compensation	194,961	–
Transfer agent and shareholder information	41,186	6,499
Travel and promotion	44,263	2,161
	601,137	60,638
Other expenses (income):		
Interest	(3,721)	(9,781)
Foreign exchange	31,956	–
Write-off of interest in resource property	–	5,000
	28,235	(4,781)
Net loss for the year	629,372	55,857
Deficit, beginning of year	119,188	63,331
Deficit, end of year	\$ 748,560	\$ 119,188
Loss per share – basic and diluted	\$ 0.09	\$ 0.01
Weighted average number of shares outstanding	6,648,223	4,590,115

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

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Statements of Cash Flows

Years ended March 31, 2005 and 2004

	2005	2004
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (629,372)	\$ (55,857)
Items not involving cash:		
Amortization	5,710	-
Stock based compensation	194,961	-
Changes in non-cash working capital:		
Goods and services taxes recoverable	(26,643)	(1,065)
Prepaid expenses and deposits	19,180	(2,918)
Accounts payable and accrued liabilities	8,157	26,474
	(428,007)	(33,366)
Investing:		
Purchase of furniture, equipment and leasehold improvements	(51,660)	-
Acquisition of interest in resource properties	(202,595)	-
Deferred exploration	(31,155)	-
	(285,410)	-
Financing:		
Shares issued for cash, net of share issue costs	964,675	-
Decrease in cash and cash equivalents	251,258	(33,366)
Cash and cash equivalents, beginning of year	423,659	457,025
Cash and cash equivalents, end of year	\$ 674,917	\$ 423,659
Supplemental cash flow information:		
Shares issued on acquisition of resource properties	\$ 295,486	\$ -
Brokers' warrants issued for services:		
Share issuance costs	\$ 18,688	\$ -

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

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Financial Statements, page 1
For the Years ended March 31, 2005 and 2004

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, 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) 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.

(b) 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 year. Actual results may differ from those estimates.

(c) Cash equivalents

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

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Financial Statements, page 2
For the Years ended March 31, 2005 and 2004

2. Significant accounting policies (continued)

(d) 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

(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.

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Financial Statements, page 3
For the Years ended March 31, 2005 and 2004

2. Significant accounting policies (continued)

(e) 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.

(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) 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 year.

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

(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 year. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the year.

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Financial Statements, page 4
For the Years ended March 31, 2005 and 2004

2. Significant accounting policies (continued)

(i) 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

			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>

4. Resource properties

(a) Horse Mountain Claims

During the year, 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.

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Financial Statements, page 5
For the Years ended March 31, 2005 and 2004

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, of which US\$80,000 was paid during the year:
 - Year 2004 – US\$ 80,000
 - 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); and
- iv) by providing HDG with consideration for assigning its rights to the Anaconda Horse Mountain Claims as follows:

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Financial Statements, page 6
For the Years ended March 31, 2005 and 2004

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);
- b) issuing to HDG a further 75,000 common shares (shares issued during the year); 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).

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

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Financial Statements, page 7
For the Years ended March 31, 2005 and 2004

4. Resources properties (continued)

(a) Horse Mountain Claims (continued)

- 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 in the first year, of which US\$45,000 was paid as a refundable deposit during the year); 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.

A finder's fee will be payable to HDG with respect to the Regent property. 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.

This agreement is subject to regulatory approval.

(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, of which, US\$25,000 was expended) on the Asumura property;
- ii) deliver cash payments totaling US\$100,000 to GTE by October 8, 2007 (US\$10,000 in the first year which was paid during the year); 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;

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Financial Statements, page 8
For the Years ended March 31, 2005 and 2004

4. Resources properties (continued)

(c) Asumura Gold Project

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.

A finder's fee will be payable to HDG with respect to the Asumura property.

This agreement is subject to regulatory approval.

5. Letter of Intent with Tri Origin Exploration Ltd. ("Tri Origin") and Tri Origin Australia NL ("Tri Origin Australia")

The Company entered into a letter of intent (the "Letter of Intent") executed April 10, 2003 with Tri Origin and Tri Origin Australia, pursuant to which the Company had acquired an option (the "Option") to earn a 60% interest in and to a prospecting licence situated 600 km. northwest of Sydney, New South Wales, Australia adjacent to the Cobar Mining District and more particularly known as the "Cobar Basin Property". The transaction was to serve as the Company's "Qualifying Transaction" for the purposes of the policies of the Exchange.

The Letter of Intent provided, among other things, that the Company could exercise the Option and earn a 60% interest in and to the Cobar Basin Property by making property payments to Tri Origin Australia in the aggregate amount of \$40,000 and incurring property expenditures in the aggregate amount of \$2,000,000 in stages over a five year period. The Company paid a non refundable deposit of \$5,000 upon execution of the Letter of Intent.

The Company executed a termination agreement dated July 20, 2003 with Tri Origin and Tri Origin Australia, terminating the Letter of Intent executed on April 10, 2003. The termination agreement provides that the agreement between the parties is terminated without any liability to any party, except that Tri Origin and Tri Origin Australia will indemnify the Company for any costs associated with the preparation of the Qualifying Report and any costs associated with the application for the license on the Property. All other costs incurred by the Company prior to the execution of the termination agreement, including the \$5,000 deposit were foregone.

6. Letter of Intent with Norian Resources Corp. and David Blann

During the year ended March 31, 2004, the Company entered into a letter of intent ("LOI") with Norian Resources Corp. and David Blann (together, the "Optionor") pursuant to which the Company acquired the right to purchase a 100% interest in certain mining and exploration licenses near Lac La Hache, B.C., in the Clinton Mining division, comprising of six claims totaling 63 units (the "Property"). The transaction (the "Proposed Transaction") was to serve as the Company's "Qualifying Transaction" for the purposes of the policies of the Exchange.

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Financial Statements, page 9
For the Years ended March 31, 2005 and 2004

6. Letter of Intent with Norian Resources Corp. and David Blann (continued)

The LOI provided, among other things, that the Company would purchase the Property by paying the Optionor, upon closing of the Proposed Transaction, the sum of \$15,000 and delivering 50,000 common shares in the share capital of the Company. The Optionor would also retain a 1.5% net smelter royalty on the Property. In addition, the Company agreed to implement a work program requiring expenditures of not less than \$300,000 of exploration on the Property within two to four years from the date of the LOI and agreed to complete the initial six months of the recommended work program.

The Company agreed to pay a finder's fee of \$2,500 payable in cash along with 15,000 common shares in the share capital of the Company to an arms length party upon closing of the Proposed Transaction.

The completion of the Proposed Transaction was subject to Exchange acceptance, shareholders approval, completion by the Company of a satisfactory title and legal due diligence review of the Property and the Company obtaining a technical report in a form satisfactory to the Company and the Exchange.

During the year ended March 31, 2004, prior to incurring any costs, the Company elected not to proceed with the above transaction.

7. 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, 2003	4,798,334	\$ 532,855
Cancellation of escrow shares	(1,333,334)	(100,000)
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

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Financial Statements, page 10
For the Years ended March 31, 2005 and 2004

7. Share capital

(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. 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.

During the year ended March 31, 2004, the Company cancelled 1,333,334 escrow shares previously issued for \$0.075 per common share. The amount of \$100,000 has been credited to contributed surplus as a result.

(c) Shares held in escrow

As at March 31, 2005, 135,000 (2004 – nil) 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

During the year, the Company adopted 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.

During the year, the Company granted stock options to its directors and consultants to purchase 1,348,000 shares at a price of \$0.92 per share for a period of five years expiring February 3, 2010. These options granted vest as to 25% upon regulatory approval and 1 ½% every quarter thereafter.

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Financial Statements, page 11
For the Years ended March 31, 2005 and 2004

7. Share capital (continued)

(d) Stock options (continued)

During the year, under the fair-value-based method, \$194,961 (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 year ended March 31, 2005 is \$0.58 (2004 – \$nil).

During the year ended March 31, 2004, the Company cancelled 363,333 stock options granted to former directors and officers of the Company.

(e) Contributed surplus

	2005	2004
Balance, beginning of year	\$ 100,000	\$ –
Escrow shares cancelled	–	100,000
Stock compensation	194,961	–
Brokers' warrants issued	18,688	–
Balance, end of year	313,649	\$ 100,000

8. Income taxes

The Company has non-capital losses of approximately \$528,000 for income tax purposes, which may be carried forward to reduce taxable income of future years. These losses will expire commencing 2007 through 2012. Management has determined that sufficient likelihood of realization of the future potential benefits arising from the above losses has not been established. Accordingly, a 100% valuation allowance has been provided.

KEEGAN RESOURCES INC.

(formerly Quicksilver Ventures Inc.)

Notes to Financial Statements, page 12
For the Years ended March 31, 2005 and 2004

9. Related party transactions

During the year, the Company paid or accrued \$71,159 (2004 - \$5,394) for legal fees to a company controlled by a director and officer of the Company.

During the year, the Company entered into a consulting agreement with a director and officer of the Company in the amount of US\$6,667 per month. During the year ended March 31, 2005, the Company paid consulting fees of \$45,118 (2004 - \$nil) under this agreement.

During the year, the Company entered into a consulting agreement with an officer of the Company in the amount of CAD\$3,333 per month. During the year, the Company paid consulting fees of \$5,833 (2004 - \$nil) under this agreement.

10. 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
	<hr/>
	\$ 205,512

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

11. Subsequent events

Subsequent to the year end, the Company entered into an agreement to acquire 100% of the Fri gold project located in Nye County, Nevada. The Company will have the option to complete US\$3-million of work on the Fri property and deliver cash payments totaling US\$285,000 and 500,000 shares of the Company to the optionors over a period of six years. After meeting these commitments, the Company will have an undivided 100% interest in the Fri property subject to a 2.5% net smelter return, 60% of which may be purchased for US\$3-million. The total first year commitment by the Company is a US\$20,000 payment and 25,000 shares deliverable to the optionors. This agreement is subject to regulatory approval.