



**INTERIM FINANCIAL STATEMENTS**

**For the Six Months Ended**

**August 31, 2009 and 2008**

**(Expressed in Canadian Funds)**

Prepared by Management Without Audit

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended August 31, 2009.

# Stikine Gold Corporation

## Balance Sheets

Canadian Funds

	As at August 31, 2009 (unaudited)	As at February 28, 2009
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 155,009	\$ 55,673
Receivables	3,147	16,506
B.C. Exploration Tax Credit receivable	-	5,060
Prepaid expenses	3,915	11,607
	<u>162,071</u>	<u>88,846</u>
<b>Resource Property Costs - Schedule (Note 3)</b>	<b>179,169</b>	<b>-</b>
<b>Reclamation Bonds (Note 7)</b>	<b>7,500</b>	<b>10,000</b>
<b>Equipment (Note 4)</b>	<b>3,891</b>	<b>4,430</b>
	<u>\$ 352,631</u>	<u>\$ 103,276</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 72,129	\$ 38,604
Due to related parties (Note 8e)	40,072	10,075
	<u>112,201</u>	<u>48,679</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 5)	7,573,863	7,430,137
Contributed Surplus (Note 5f)	1,085,990	971,825
Deficit	(8,419,423)	(8,347,365)
	<u>240,430</u>	<u>54,597</u>
	<u>\$ 352,631</u>	<u>\$ 103,276</u>

**Nature of operations and going concern (Note 1)**

ON BEHALF OF THE BOARD:

"Scott Broughton", Scott E. Broughton, Director

"David Skerlec", David J. Skerlec, Director

- See Accompanying Notes -

# Stikine Gold Corporation

## Statements of Loss, Comprehensive Loss and Deficit

Canadian Funds

Unaudited

	For the Three Months Ended		For the Six Months Ended	
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
<b>Expenses</b>				
Rent, Office and sundry	11,258	6,901	20,511	13,320
Audit, accounting and legal fees	\$ 11,368	\$ 24,172	\$ 15,666	\$ 46,141
Consulting fees and wages	6,357	2,450	11,107	7,664
Stock-based compensation	9,483	85,649	9,483	85,649
Listing and filing fees	2,176	5,028	7,583	7,035
Advertising, promotion and shareholder relations	5,416	5,064	6,521	8,188
Amortization	269	217	539	435
Bank charges and interest	125	55	266	185
Travel	-	-	245	-
<b>Loss before under-noted Resource costs written-off (recovery) - Note 4</b>	<b>46,452</b>	<b>129,536</b>	<b>71,921</b>	<b>168,617</b>
Interest Income	(17)	(66)	(92)	(407)
<b>Loss and Comprehensive Loss for the Period</b>	<b>43,635</b>	<b>129,470</b>	<b>72,058</b>	<b>168,210</b>
Deficit, beginning of period	8,375,788	6,616,183	8,347,365	6,577,443
<b>Deficit, End of Period</b>	<b>\$ 8,419,423</b>	<b>\$ 6,745,653</b>	<b>\$ 8,419,423</b>	<b>\$ 6,745,653</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>43,305,960</b>	<b>37,892,917</b>	<b>42,913,569</b>	<b>37,855,212</b>

- See Accompanying Notes -

# Stikine Gold Corporation

## Statements of Cash Flows

Canadian Funds  
Unaudited

	For the Three Months Ended		For the Six Months Ended	
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
<b>Operating Activities</b>				
Loss for the period	\$ (43,635)	\$ (129,470)	\$ (72,058)	\$ (168,210)
Items not affected by cash:				
Resource costs written-off (recovered)	(2,800)	-	229	-
Stock-based compensation	9,483	85,649	9,483	85,649
Amortization	269	217	539	407
Changes in non-cash working capital:				
Receivables	(3,147)	(894)	13,359	17,361
Prepaid expenses	1,987	5,170	7,692	2,820
B.C. Exploration Tax Credit Accounts payable and accrued liabilities	(19,038)	20,997	(16,569)	2,985
Due to related parties	16,906	13,602	12,063	77,919
	<b>(39,975)</b>	<b>(4,729)</b>	<b>(40,202)</b>	<b>(18,931)</b>
<b>Investing Activities</b>				
Reclamation Bond	2,500	-	2,500	-
Resource property costs	(61,212)	(608)	(61,212)	(7,783)
	<b>(58,712)</b>	<b>(608)</b>	<b>(58,712)</b>	<b>(7,783)</b>
<b>Financing Activities</b>				
Shares issued for cash	200,000	-	200,000	10,000
Shares to be issued	-	-	-	-
Share issuance costs	(1,750)	-	(1,750)	-
	<b>198,250</b>	<b>-</b>	<b>198,250</b>	<b>10,000</b>
<b>Net Increase in Cash and cash equivalents</b>	<b>99,563</b>	<b>(5,337)</b>	<b>99,336</b>	<b>(16,714)</b>
<b>Cash and cash equivalents - Beginning of Period</b>	<b>55,446</b>	<b>21,279</b>	<b>55,673</b>	<b>32,656</b>
<b>Cash and cash equivalents - End of Period</b>	<b>\$ 155,009</b>	<b>\$ 15,942</b>	<b>\$ 155,009</b>	<b>\$ 15,942</b>
<b>Supplemental Schedule of non-cash Transactions</b>				
Stock-based compensation	\$ 59,642	\$ 85,649	\$ 59,642	\$ 85,649
Exploration expenditures included in accounts payable	\$ 36,170	\$ 6,235	\$ 68,028	\$ 58,735
Fair value of options exercised	\$ (28,809)	\$ -	\$ (28,809)	\$ (28,809)

- See Accompanying Notes -

# Stikine Gold Corporation

## Schedule of Resource Property Costs

Canadian Funds  
Unaudited

	For the Three Months Ended		For the Six Months Ended	
	August 31, 2009	August 31, 2008	August 31, 2009	August 31, 2008
<b>BC Quartzite Project, BC, Canada</b>				
<b>Acquisition Costs</b>				
Staking, land and claim costs	\$ 12,920	\$ -	\$ 40,761	\$ -
<b>Deferred Exploration Costs</b>				
Stock based compensation	50,159	-	50,159	-
Aircraft Charter	37,799	-	39,350	-
Geological, Project Management	42,265	-	42,265	-
Travel	2,806	-	2,806	-
Accommodation and meals	2,215	-	2,215	-
Testing and Assaying	480	-	820	-
Communication	793	-	793	-
	<b>149,437</b>	<b>-</b>	<b>179,169</b>	<b>-</b>
<b>Grant Gold Project, B.C., Canada</b>				
<b>Deferred Exploration Costs</b>				
Assaying	-	-	2,675	-
Equipment (recovery)	(2,800)	-	(2,800)	-
	<b>(2,800)</b>	<b>-</b>	<b>(125)</b>	<b>-</b>
<b>Huskie Uranium Project, SK, Canada</b>				
<b>Acquisition Costs</b>				
Staking, land and claim costs	-	-	-	56,633
<b>Deferred Exploration Costs</b>				
Stock based compensation	-	22,779	-	22,779
Insurance	-	2,125	354	4,230
Labour	-	-	-	329
	<b>-</b>	<b>24,904</b>	<b>354</b>	<b>83,971</b>
<b>Catalan Copper Project, B.C., Canada</b>				
<b>Acquisition Costs</b>				
Staking, land and claim costs	-	3,718	-	3,718
<b>Deferred Exploration Costs</b>				
Stock based compensation	-	22,779	-	22,779
Geological, Project Management	-	1,000	-	1,000
Assaying	-	-	-	608
	<b>-</b>	<b>27,497</b>	<b>-</b>	<b>28,105</b>
<b>Total Costs for the Period</b>	<b>146,637</b>	<b>52,401</b>	<b>179,398</b>	<b>112,076</b>
Balance - Beginning of Period	29,732	1,231,453	-	1,171,778
Resource costs recovery (written-off)	2,800	-	(229)	-
<b>Balance - End of Period</b>	<b>\$ 179,169</b>	<b>\$ 1,283,854</b>	<b>\$ 179,169</b>	<b>\$ 1,283,854</b>

- See Accompanying Notes -

# Stikine Gold Corporation

## Notes to Financial Statements

August 31, 2009 and 2008

Canadian Funds  
Unaudited

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### 1. Nature of Operations and Going Concern

Stikine Gold Corporation (the "Company") was incorporated July 10, 2000 as Withit Capital Corp., changed its name to Stikine Gold Corporation June 18, 2002 and commenced operations in the 2003 fiscal year. The Company engages principally in the acquisition, exploration and development of resource properties in Canada.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the six months ended August 31, 2008, the Company reported a loss of \$72,058 and an accumulated deficit of \$8,419,423 at that date. Cash and cash equivalents at August 31, 2009 amounted to \$155,009. These circumstances lend significant doubt as to the ability of the Company to continue as a going concern.

Continuing operations as a going concern are dependent upon management's ability to continue to raise adequate financing and to ultimately achieve profitable operations in the future. Management continues to seek equity financing for the Company and although management has been successful in the past; there is no assurance that these initiatives will be successful in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

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### 2. Significant Accounting Policies

#### a) Basis of presentation

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All amounts are presented in Canadian dollars unless otherwise indicated. These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements as at February 28, 2009.

#### b) Changes in accounting policies

Effective March 1, 2009, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

i) Section 3064 – *Goodwill and Intangible Assets* replaces sections 3062 and 3450 and establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred.

ii) Emerging Issues Committee ("EIC") Abstract 173 - *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* provides guidance on evaluating credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments.

# Stikine Gold Corporation

## Notes to Financial Statements

August 31, 2009 and 2008

Canadian Funds  
Unaudited

### 2. Significant Accounting Policies - Continued

iii) EIC Abstract 174 - *Mining Exploration Costs* provides guidance on the accounting and the impairment review of exploration costs.

The adoption of these new accounting standards did not significantly impact the amounts reported or disclosures in the Company's financial statements.

#### c) New Accounting Pronouncements - International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February of 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### 3. Resource Property Costs

Details are as follows:

	Acquisition	Deferred Exploration & Development	Gain (Write-off)	Total August 31, 2009	Total February 28, 2009
British Columbia, Canada					
BC Quartzite Project (a)	\$ 40,761	\$ 138,408	\$ -	\$ 179,169	\$ -
Grant Gold Project (b)	-	(125)	125	-	-
Catalan Copper Project (c)	-	-	-	-	-
Saskatchewan, Canada					
Huskie Uranium Project (d)	-	354	(354)	-	-
	\$ 40,761	\$ 138,637	\$ (229)	\$ 179,169	\$ -

a) During the first quarter ended May 31, 2009, the Company acquired a 100-per-cent interest in several British Columbia mineral claims by map staking known quartzite occurrences and prospective geology.

b) During the year ended February 28, 2009, the Company was granted an option to acquire a 100% interest in a placer property named the Grant Gold Project. The Company paid \$20,000 to secure a 90-day evaluation period. After completing this initial evaluation, the Company terminated the option and elected not to continue its interests in the area. The Company wrote-off total property expenditures of \$255,279 incurred in connection with the Grant Gold project as at February 28, 2009. The Company wrote-off a further \$2,675 during the first quarter ended May 31, 2009 and recorded a recovery of \$2,800 during the second quarter ended August 31, 2009.

# Stikine Gold Corporation

## Notes to Financial Statements

August 31, 2009 and 2008

Canadian Funds  
Unaudited

### 3. Resource Property Costs - *continued*

- c) During the year ended February 29, 2008, the Company completed the acquisition of a 100% interest in the Catalan Copper Property for \$60,000 in cash payments. The property is subject to a 1% net smelter return held by the vendor upon commencement of commercial production. In light of current economic conditions and management's future plans, the Company has determined that the carrying value of the property was not recoverable and took an impairment charge of \$316,866 as at February 28, 2009 representing total project expenditures incurred to that date.
- d) During the year ended February 28, 2007, the Company completed the purchase of a 100% interest in the Huskie Uranium Property, in Northern Saskatchewan. In order to acquire the 100% interest, the Company issued 1,225,000 common shares with a fair value of \$441,000 to the vendor. The property is subject to a 2.5 percent net smelter return held by the vendor upon commencement of commercial production that is reducible to 1 percent at the option of the Company upon payment of \$3-million. In light of current economic conditions and management's future plans, the Company has determined that the carrying value of the property was not recoverable and has taken an impairment charge of \$970,636 as at February 28, 2009 representing total project expenditures incurred. The Company wrote-off a further \$354 during the first quarter ended May 31, 2009.

### 4. Equipment

Details are as follows:

	Cost	Accumulated Amortization	August 31, 2009 Net Book Value
Computer/Office equipment	\$ 20,335	\$ 16,441	\$ 3,891
			February 28, 2009
	Cost	Accumulated Amortization	Net Book Value
Computer/Office equipment	\$ 20,335	\$ 15,905	\$ 4,430

# Stikine Gold Corporation

## Notes to Financial Statements

August 31, 2009 and 2008

Canadian Funds  
Unaudited

### 5. Share Capital

a) Details are as follows:

	Number	Amount
Authorized:		
Unlimited common shares without par value		
<b>Balance as at February 29, 2008</b>	<b>37,792,917</b>	<b>6,927,436</b>
Issued and fully paid		
Private Placement – prorated value of common shares issued	5,000,000	469,474
Exercise of stock options at \$0.10	100,000	10,000
Fair value of options exercised	-	28,809
Share Issuance costs	-	(5,582)
<b>Balance as at February 28, 2009</b>	<b>42,892,917</b>	<b>\$ 7,430,137</b>
Issued and fully paid		
Private Placement – prorated value of common shares issued	2,000,000	144,995
Share Issuance costs	-	(1,269)
<b>Balance as at August 31, 2009</b>	<b>44,892,917</b>	<b>\$ 7,573,863</b>

During the second quarter ended August 31, 2009, the Company completed a non-brokered private placement for proceeds of \$200,000. Two million units were issued at a price of \$0.10 per unit, each consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share until August 13, 2010 at price of \$0.15. A director of the Company purchased a total of 120,000 units.

The prorated fair value of the warrants issued was calculated to be \$55,005 on the grant date and is accounted for as a reduction to proceeds from the common shares with the offsetting entry to contributed surplus. The total fair value of warrants was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Number of warrants	2,000,000
Average risk-free interest rate	1.21%
Expected dividend yield	Nil
Expected stock price volatility	111%
Average expected life	0.88 years

During the year ended February 28, 2009, 100,000 stock options set to expire on February 2, 2009 were exercised for proceeds of \$10,000.

Also during the year ended February 28, 2009, the Company completed a non-brokered private placement for proceeds of \$500,000. Five million units were issued at a price of \$0.10 per unit, each consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share until October 14, 2009 at price of \$0.15. Directors of the Company purchased a total of 1,675,000 units.

# Stikine Gold Corporation

## Notes to Financial Statements

August 31, 2009 and 2008

Canadian Funds  
Unaudited

### 5. Share Capital - Continued

The prorated fair value of the warrants issued was calculated to be \$30,526 on the grant date and is accounted for as a reduction to proceeds from the common shares with the offsetting entry to contributed surplus. The total fair value of warrants was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Number of warrants	5,000,000
Average risk-free interest rate	2.43%
Expected dividend yield	Nil
Expected stock price volatility	56.47%
Average expected life	0.89 years

#### b) Stock Options

The company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. The maximum number of shares issuable under the stock option plan shall not exceed 10% of the issued and outstanding shares. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the board of directors. The exercise price of an option is not less than the closing price on the TSX Venture Exchange on the last trading day preceding the grant date. Options vest on the grant date unless determined otherwise by the board of directors.

At August 31, 2009 there were 4,110,000 options outstanding at a weighted average exercise price of \$0.18. A summary of the changes during the six months ended August 31, 2009 is as follows:

Number at February 28, 2009	Granted	Exercised	Cancelled	Number at August 31, 2009	Exercise Price Per Share	Expiry
490,000	-	-	-	490,000	\$0.55	Mar. 4, 2010
100,000	-	-	(100,000)	-	\$0.30	June 1, 2011
700,000	-	-	(75,000)	625,000	\$0.30	Feb. 20, 2012
1,800,000	-	-	-	1,800,000	\$0.10	June 18, 2013
-	1,195,000	-	-	1,195,000	\$0.10	June 10, 2014
3,090,000	1,195,000	-	(175,000)	4,110,000	\$0.18	

During the second quarter ended August 31, 2008, the Company granted 1,195,000 incentive stock options exercisable at a price of \$0.10 per share for a period of five years. The total fair value of the options granted was calculated to be \$59,642 on the grant date. Of this amount, \$9,483 was expensed and \$50,159 was capitalized to mineral properties. The offsetting entries are to contributed surplus. The fair value of stock options used to calculate the compensation expense was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	2.37%
Expected dividend yield	Nil
Expected stock price volatility	81.9%
Average expected option life	4.2 years

Also during the second quarter, a total of 175,000 outstanding stock options were cancelled upon termination of consulting agreements.

# Stikine Gold Corporation

## Notes to Financial Statements

August 31, 2009 and 2008

Canadian Funds  
Unaudited

### 5. Share Capital - Continued

As at February 28, 2009 there were 3,090,000 options outstanding at a weighted average exercise price of \$0.22. A summary of the changes during the year is as follows:

Number at February 29, 2008	Granted	Exercised	Cancelled	Number at February 28, 2009	Exercise Price Per Share	Expiry
630,000	-	-	(140,000)	<b>490,000</b>	\$0.55	Mar. 4, 2010
100,000	-	-	(100,000)	-	\$0.10	July 31, 2008
450,000	-	(100,000)	(350,000)	-	\$0.10	Feb 2, 2009
200,000	-	-	(200,000)	-	\$0.20	Mar 13, 2011
100,000	-	-	-	<b>100,000</b>	\$0.30	June 1, 2011
750,000	-	-	(50,000)	<b>700,000</b>	\$0.30	Feb. 20, 2012
-	1,800,000	-	-	<b>1,800,000</b>	\$0.10	June 18, 2013
2,230,000	1,800,000	(100,000)	(840,000)	<b>3,090,000</b>	\$0.22	

During the first quarter ended May 31, 2008, 100,000 stock options were exercised for proceeds of \$10,000. During the second quarter, the Company granted 1,800,000 incentive stock options exercisable at a price of \$0.10 per share for a period of five years. The total fair value of the options granted was calculated to be \$131,208 on the grant date. Of this amount, \$85,650 was expensed during the year and \$45,558 was capitalized to mineral properties and subsequently written-off. The offsetting entries are to contributed surplus. The fair value of stock options used to calculate the compensation expense was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	3.54%
Expected dividend yield	Nil
Expected stock price volatility	104%
Average expected option life	4.1 years

Also during the second quarter, a total of 840,000 outstanding stock options were cancelled upon termination of various consulting agreements.

#### c) Warrants

As at August 31, 2009, there were 7 million warrants of the Company outstanding with an exercise price of \$0.15. A summary of the Company's warrants outstanding at August 31, 2009 and the changes for the period are as follows:

Number Outstanding February 28, 2009	Issued	Expired	Number Outstanding August 31, 2009	Exercise Price	Expiry Date
5,000,000	-	-	<b>5,000,000</b>	\$0.15	October 14, 2009
-	2,000,000	-	<b>2,000,000</b>	\$0.15	August 13, 2010
5,000,000	2,000,000	-	<b>7,000,000</b>	\$0.15	

# Stikine Gold Corporation

## Notes to Financial Statements

August 31, 2009 and 2008

Canadian Funds  
Unaudited

### 5. Share Capital - Continued

At February 28, 2009, there were 5 million warrants of the Company outstanding with an exercise price of \$0.15. A summary of the Company's warrants and agent's warrants outstanding at February 28, 2009 and the changes for the fiscal year are as follows:

Number Outstanding February 29, 2008	Issued	Expired	Number Outstanding February 28, 2009	Exercise Price	Expiry Date
-	5,000,000	-	<b>5,000,000</b>	\$0.15	October 14, 2009
1,500,000	-	(1,500,000)	-	\$0.20	September 13, 2008
1,500,000	5,000,000	(1,500,000)	<b>5,000,000</b>	\$0.15	

#### d) Contributed Surplus

Details are as follows:

	August 31, 2009	February 28, 2009
Balance – Beginning of period	\$ 971,825	\$ 839,262
Fair value of warrants issued	55,005	30,526
Issuance costs attributed to warrants	(481)	(362)
Fair value of options exercised	-	(28,809)
Fair value of stock-based compensation	59,641	131,208
Balance – End of period	\$ 1,085,990	\$ 971,825

### 6. Asset Retirement Obligations

For each property, management has estimated the costs of reclaiming any disturbances to its projects at August 31, 2009. Details of management's estimates of reclamation and mine closure costs are as follows:

	August 31, 2009	February 28, 2009
Balance – Beginning of period	\$ -	\$ 6,000
Reclamation costs incurred	-	(6,000)
Balance – End of period	\$ -	\$ -

Reclamation costs incurred in the year ended February 28, 2009 related to the abandoned Sullivan Deeps project.

It is possible the Company's estimate of its asset retirement obligations could materially change due to possible changes in laws and regulations or changes in cost estimates.

# Stikine Gold Corporation

## Notes to Financial Statements

August 31, 2009 and 2008

Canadian Funds  
Unaudited

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### 7. Reclamation Bonds

At August 31, 2009, reclamation bonds totalling \$7,500 (2008-\$6,000) were held with the British Columbia Ministry of Energy, Mines and Petroleum Resources as summarized below:

	<b>August 31,</b>		February 28,
	<b>2009</b>		2009
Grant Gold Project	\$ 4,000	\$	4,000
BC Quartzite claims	3,500		-
Catalan Copper Project	-		3,500
Sullivan Deeps Project	-		2,500
<i>Total</i>	<u>\$ 7,500</u>	<u>\$</u>	<u>10,000</u>

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### 8. Related Party Transactions

Except as noted elsewhere in these financial statements, related party transactions are measured and recorded at fair market value as follows:

- a) During the six months ended August 31, 2009, consulting fees of \$4,000 (2008 - \$Nil) were paid or accrued to the Company's President and Chief Executive Officer. Services provided include general corporate, exploration and acquisition strategy, planning and management work, contract negotiations, and investment presentations
- b) During the six months ended August 31, 2009, consulting fees of \$7,000 (2008 - \$8,400) were paid or accrued to the Company's Secretary and Chief Financial Officer. Services provided include corporate finance and funding initiatives, contract negotiations, accounting, office and general management.
- c) During the six months ended August 31, 2009, contract fees of \$6,000 (2008 - \$1,000) were paid or accrued to a company controlled by a director.
- d) During the six months ended August 31, 2009, rent costs of \$20,511 (2008 - \$5,386) were paid or accrued to a company with directors of the Company in common.
- e) At August 31, 2009 current liabilities include \$30,329 (2008 - \$84,425) payable to related parties.

These transactions were incurred in the ordinary course of business, are non-interest bearing, and without specific repayment terms. The transactions are measured at the exchange amount, which is the fair value consideration established and agree to by the related parties.

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# Stikine Gold Corporation

## Notes to Financial Statements

August 31, 2009 and 2008

Canadian Funds  
Unaudited

### 9. Income Taxes

- a) Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

For the years ended:	February 28, 2009	February 29, 2008
Earnings (Loss) before income taxes	\$ (1,769,922)	\$ (453,008)
Canadian federal and provincial income tax rates	30.75%	31.71%
Income tax expense (recovery)	(544,251)	(143,649)
Increase (decrease) due to:		
Non-deductible expenses for tax purposes	37,727	4,389
Share issuance costs	(1,486)	(643)
Difference in long term tax rates	130,487	260,049
Others	(10,673)	(4,709)
Changes in valuation allowance	388,196	(115,437)
Income tax expense	\$ -	\$ -

- b) The significant components of future income tax assets and liabilities are as follows:

As at:	February 28, 2009	February 29, 2008
Non-capital loss carry forwards	\$ 416,394	\$ 381,302
Shares issue costs	12,177	18,712
Equipment	3,976	3,831
Resource property costs	1,068,378	708,884
Future income tax assets	1,500,925	1,112,729
Less: Valuation allowance	(1,500,925)	(1,112,729)
Net future income tax asset	\$ -	\$ -

- c) At February 28, 2009, the Company has non-capital losses of \$1,639,432 that may be available to offset future taxable income. These loss carry-forwards expire as follows:

	Amount
2010	\$ 42,940
2011	335,570
2015	332,157
2026	206,730
2027	308,060
2028	234,950
2029	179,025
	\$ 1,639,432

The Company has cumulative resource expenditures of approximately \$4,274,000 that may be carried forward indefinitely and used to reduce taxable income in future years.

# Stikine Gold Corporation

## Notes to Financial Statements

August 31, 2009 and 2008

Canadian Funds  
Unaudited

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### 10. Financial Instruments

#### a) Fair Values

The Company has designated its financial instruments as follows:

- Cash and cash equivalents are classified as “*Held-For-Trading*” and recorded at fair value with changes in fair value recorded in net income;
- Reclamation bond amounts are classified as “*Available-for-Sale*” and recorded at fair value with temporary changes in fair value recorded in other comprehensive income; and
- Accounts payable, accrued liabilities, and due to related parties are classified as “*Other Financial Liabilities*”. These financial liabilities are recorded at amortized cost using the effective interest method.

The carrying amounts of financial instruments approximate fair value as of August 31, 2009 as shown below:

	<b>Carrying and Fair Values</b>	
<b>Financial Assets</b>		
Cash and cash equivalents	\$	155,009
Reclamation bonds	\$	7,500
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	\$	81,872
Due to related parties	\$	30,329

The fair values of the Company's accounts payable and accrued liabilities and due to related parties are estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

#### b) Capital Risk Management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and to have sufficient funds on hand for business opportunities as they arise. The Company considers the components of shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue equity, sell assets, or return capital to shareholders as well as issue or repay debt. The Company is not subject to externally-imposed capital requirements. The Company invests its cash in short-term interest-bearing investments, having maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash.

There were no changes to the Company's approach to capital management during the period ended August 31, 2009. As at August 31, 2009, the Company had no foreign currency hedges or commodity hedges in place, and consequently, hedge accounting is not used.

# Stikine Gold Corporation

## Notes to Financial Statements

August 31, 2009 and 2008

Canadian Funds  
Unaudited

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### 10. Financial Instruments – *Continued*

#### c) Financial Risk Management

The Company is exposed to potential loss from various risks including credit risk, interest rate risk, currency risk, liquidity risk, market risk and commodity price risk.

##### *i) Credit Risk*

A concentration of credit risk in accounts receivable resides with the Canada Revenue Agency. Management has considered payment history and other factors and estimated that no allowances are required to allow for potential credit losses, as the risk of non-performance is remote. The Company's maximum exposure to credit risk is the carrying value of its accounts receivables.

##### *ii) Foreign Exchange Risk*

The Company's operations are exclusively conducted in Canada and the operating results and the financial position of the Company are reported in Canadian dollars. The Company is not subject to foreign exchange risk at August 31, 2009.

##### *iii) Interest Rate Risk*

The Company is exposed to interest rate risk on its cash and cash equivalents. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher yielding cash equivalents and short-term investments mature and the proceeds are invested at lower interest rates. A 1% change in interest rates would have an insignificant impact on the Company's financial statements or operating results.

##### *iv) Liquidity Risk*

The Company is exposed to liquidity risk. The Company seeks to manage liquidity risk by maintaining sufficient cash and short-term investment balances for settlement of its obligations. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital in order to meet short-term obligations. For the six months ended August 31, 2008, the Company reported a loss of \$72,058 and an accumulated deficit of \$8,419,423 at that date. Cash and cash equivalents at August 31, 2009 amounted to \$155,009. At August 31, 2009, the liquidity risk of the Company was considered very high due to limited funds and general uncertainty in the world economy (*see Note 1*).

##### *v) Pledged Financial Assets*

The Corporation has financial assets that are pledged for reclamation obligations. Reclamation deposits are maintained to satisfy the Corporation's obligation for future reclamation expenditures at its various exploration properties.

##### *vi) Market and Commodity Price Risk*

The Company is exposed to market risk and commodity price risk. Declines in the market price of commodities can affect the Company's ability to raise capital to fund its ongoing exploration and development activities.

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**Stikine Gold Corporation**  
**Notes to Financial Statements**

**August 31, 2009 and 2008**

*Canadian Funds*  
**Unaudited**

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**11. Segmented Information**

The Company's principal activity is the exploration and development of mineral properties. All of these properties are located in Canada.

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**12. Subsequent Events**

Subsequent to August 31, 2009 a total of 1,050,000 warrants exercisable at \$0.15 were exercised for proceeds of \$157,500.

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