

STIKINE GOLD CORPORATION

(A Development Stage Company)

INTERIM FINANCIAL STATEMENTS

For the Six Months Ended

AUGUST 31, 2006

(Expressed in Canadian Dollars)

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, 2006.

Stikine Gold Corporation

(A Development Stage Company)

Statement 1

Balance Sheet

Canadian Funds

	As at August 31, 2006 (Unaudited)	As at February 28, 2006
ASSETS		
Current		
Cash	\$ 905,090	\$ 218,024
Receivables	18,395	6,174
Prepaid expenses	9,359	13,289
	<u>932,844</u>	<u>237,487</u>
Resource Property Costs - Schedule (Note 4)	3,477,109	2,700,741
Reclamation Bonds	6,000	2,500
Property, Plant and Equipment (Note 5)	5,264	6,489
	<u>\$ 4,421,217</u>	<u>\$ 2,947,217</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 60,654	\$ 13,092
Due to related parties (Note 7f)	4,759	10,686
	<u>65,413</u>	<u>23,778</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	6,454,117	5,011,697
Contributed Surplus (Note 6g)	704,981	552,078
Deficit - Statement 2	(2,803,294)	(2,640,336)
	<u>4,355,804</u>	<u>2,923,439</u>
	<u>\$ 4,421,217</u>	<u>\$ 2,947,217</u>

ON BEHALF OF THE BOARD:

"Scott E. Broughton", Scott E. Broughton, Director

"John M. Mirko", John M. Mirko, Director

- See Accompanying Notes -

Stikine Gold Corporation

(A Development Stage Company)

Statement 2

Statement of Loss and Deficit

Unaudited

Canadian Funds

	For the Three Months Ended		For the Six Months Ended	
	August 31, 2006	August 31, 2005	August 31, 2006	August 31, 2005
Expenses				
Consulting fees and wages	\$ 14,050	\$ 18,150	\$ 28,067	\$ 52,375
Stock-based compensation	37,797	13,342	47,617	278,912
Audit, accounting and legal fees	17,163	22,862	26,834	29,513
Advertising, promotion and shareholder relations	19,264	9,105	26,967	23,919
Amortization	612	1,060	1,225	2,120
Listing and filing fees	8,824	10,907	13,481	13,289
Rent, Office and sundry	7,435	3,926	13,234	9,059
Bank charges and interest	106	196	355	410
Travel	4,442	1,350	8,123	9,931
Loss before under-noted	109,693	80,898	165,903	419,528
Interest Income	(1,894)	(102)	(2,945)	(567)
Loss for the Period	107,800	80,796	162,958	418,961
Deficit, beginning of period	2,695,494	2,191,682	2,640,336	1,853,517
Deficit, End of Period	\$ 2,803,294	\$ 2,272,478	\$ 2,803,294	\$ 2,272,478
Loss per Share - Basic and Diluted	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02

- See Accompanying Notes -

Stikine Gold Corporation

(A Development Stage Company)

Statement 3

Statement of Cash Flows

Unaudited

Canadian Funds

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>August 31,</u> <u>2006</u>	<u>August 31,</u> <u>2005</u>	<u>August 31,</u> <u>2006</u>	<u>August 31,</u> <u>2005</u>
Cash Resources Provided By (Used In):				
Operating Activities				
Loss for the period	\$ (107,800)	\$ (80,796)	\$ (162,958)	\$ (418,961)
Items not affected by cash:				
Stock-based compensation	37,797	13,342	47,617	278,912
Amortization	612	1,060	1,225	2,120
	<u>(69,391)</u>	<u>(66,394)</u>	<u>(114,116)</u>	<u>(137,929)</u>
Changes in non-cash working capital:				
Receivables	(13,139)	197,631	(12,221)	51,150
Prepaid expenses	7,102	4,433	3,930	3,048
Accounts payable and accrued liabilities	(1,712)	18,277	41,635	(62,227)
	<u>(77,139)</u>	<u>153,947</u>	<u>(80,772)</u>	<u>(145,958)</u>
Investing Activities				
Reclamation Bond	-	-	(3,500)	-
Resource property costs	(270,576)	(130,920)	(335,368)	(931,685)
	<u>(270,576)</u>	<u>(130,920)</u>	<u>(338,868)</u>	<u>(931,685)</u>
Financing Activities				
Shares issued for cash	1,050,000	-	1,154,400	1,030,375
Share issuance costs	(47,694)	-	(47,694)	(62,859)
	<u>1,002,304</u>	<u>-</u>	<u>1,106,706</u>	<u>967,516</u>
Net Increase in Cash and cash equivalents	654,590	23,027	687,066	(110,127)
Cash and cash equivalents - Beginning of Period	250,500	33,415	218,024	166,569
Cash and cash equivalents - End of Period	\$ 905,090	\$ 56,442	\$ 905,090	\$ 56,442
Supplemental Schedule of non-cash Transactions				
Shares issued for property	\$ -	\$ -	\$ 441,000	\$ -
Stock-based compensation	\$ 37,797	\$ 13,342	\$ 47,617	\$ 278,912
Warrants issued as finder fees	\$ 7,259	\$ -	\$ 7,259	\$ -

- See Accompanying Notes -

Stikine Gold Corporation

(A Development Stage Company)

Schedule

Schedule of Resource Property Costs

Canadian Funds

	For the Three Months Ended		For the Six Months Ended	
	August 31, 2006	August 31, 2005	August 31, 2006	August 31, 2005
Sullivan Deeps Project, B.C., Canada				
Acquisition Costs				
Staking, land and claim costs	\$ -	\$ 9,925	\$ 12,265	\$ 16,810
Deferred Exploration Costs				
Drilling costs	183,624	45,141	183,624	641,027
Materials, equipment and road	34,457	62,967	37,352	210,770
Geological, Project Management	19,298	7,072	20,348	44,070
Accommodation and meals	-	-	-	1,179
Wages and Labour costs	639	1,604	639	3,424
Travel and Field Transportation	-	1,045	-	5,144
Communication	150	-	150	732
Maps and reports	-	-	-	549
Insurance	1,875	1,875	4,063	3,438
Assays	-	-	-	48
	240,043	129,629	258,441	927,191
Catalan Copper Project, B.C., Canada				
Acquisition Costs				
Acquisition costs - cash	\$ 25,000	\$ -	\$ 25,000	\$ -
Staking, land and claim costs	1,676	-	1,676	-
Deferred Exploration Costs				
Geological, Project Management	2,100	-	3,500	-
Maps and reports	1,316	-	1,316	-
	30,092	-	31,492	-
Huskie Uranium Project, SK, Canada				
Acquisition Costs				
Acquisition costs – shares	\$ -	\$ -	\$ 441,000	\$ -
Staking, land and claim costs	90	-	40,176	-
Deferred Exploration Costs				
Geological, Project Management	350	-	3,926	-
Travel and Accommodation	-	-	1,332	-
	440	-	486,434	-
General Exploration – Latin America				
Deferred Exploration Costs				
Geological, Project Management	-	327	-	1,377
Consulting	-	964	-	964
Materials	-	-	-	2,153
	-	1,291	-	4,494
Total Costs for the Period	270,575	130,920	776,367	931,685
Balance - Beginning of Period	3,206,533	3,262,158	2,700,741	2,461,393
Balance - End of Period	\$ 3,477,108	\$ 3,393,078	\$ 3,477,108	\$ 3,393,078

- See Accompanying Notes -

Notes to Financial Statements

August 31, 2006 and 2005

Canadian Funds

Unaudited

1. Nature of Operations

The Company was incorporated July 10, 2000 as Withit Capital Corp. and changed its name to Stikine Gold Corporation June 18, 2002. The Company was inactive until it commenced operations in the 2003 fiscal year.

The Company is a development stage company that engages principally in the acquisition, exploration and development of resource properties. The recovery of the Company's investment in its resource properties is dependent upon the discovery, development and sale of ore reserves and the ability to raise sufficient capital to finance this operation. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

2. Significant Accounting Policies

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, 2005.

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash, receivables, reclamation bonds and accounts payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

4. Resource Property Costs

Details are as follows:

	Acquisition	Deferred Exploration	Total August 31, 2006	Total August 31, 2005
Sullivan Deeps Project British Columbia, Canada	\$ 115,892	\$ 2,814,670	\$ 2,930,562	\$ 3,032,699
Catalan Copper Project British Columbia, Canada	51,796	8,316	60,112	-
Huskie Uranium Project Saskatchewan, Canada	481,176	5,258	486,434	-
General - Latin America	-	-	-	360,379
	\$ 648,864	\$ 2,828,244	\$ 3,477,108	\$ 3,393,078

Notes to Financial Statements

August 31, 2006 and 2005

Canadian Funds

Unaudited

4. Resource Property Costs - Continued

- a) By an assignment agreement dated October 2, 2003, the Company acquired the right to earn, from Teck Cominco Metals Ltd. ("Teck Cominco", a subsidiary of Teck Cominco Limited), a 50% interest in certain properties located near Kimberley, British Columbia, known as the Sullivan Deeps Project. As consideration for the assignment of the option, in a prior year, the Company reimbursed Mariner Ventures Corporation, a related company, for \$53,394 in costs and was later credited with a refund \$2,251, for net acquisition costs of \$51,143. To earn its 50% interest in the property, the Company, at its option, must issue 100,000 shares to Teck Cominco (issued) and incur \$1.5 million in exploration expenditures on or before January 31, 2005 (incurred) and \$4,000,000 in cumulative exploration expenditures on or before August 1, 2007, as summarized below:

	Share Issuances	Exploration Expenditures
Upon exchange approval (issued)	100,000	\$ -
On or before January 31, 2005 (incurred)	-	1,500,000
On or before August 31, 2007	-	2,500,000
	<u>100,000</u>	<u>\$ 4,000,000</u>

Upon completion of this earn-in stage, Teck Cominco will have 90 days to elect to become operator and form a joint venture with the Company, or the Company will have the right to earn an additional 20% interest by funding a further \$4,000,000 in exploration expenditures. Teck Cominco will then have the right to participate at the 30% level or to convert to a 1.5% net smelter return, reducible to 1% upon payment of \$2,500,000 by the Company.

- b) By option agreement dated February 15, 2006, the Company has acquired the right to earn a 100% interest in the Catalan Copper Property, with claims adjacent to the Gibraltar Copper Molybdenum Mine near Williams Lake, in south-central British Columbia.

In order to vest its interest in Catalan Copper, Stikine must pay, at its option, a total of \$160,000 to the vendor as summarized below:

	Cash Payment
Upon signing (paid)	\$ 25,000
On or before August 15, 2006 (paid)	25,000
On or before February 15, 2007	<u>110,000</u>
	<u>\$ 160,000</u>

In addition the Company must, at its option, complete a diamond drilling program of at least 500 metres before February 15, 2007. The Catalan Copper Property is subject to a 1% net smelter return held by the vendor upon commencement of commercial production.

- c) In May 2006, the Company purchased 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 value of \$441,000 to the vendor on May 16, 2006. 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 by paying \$3-million at any time before or after the commencement of commercial production.

Notes to Financial Statements

August 31, 2006 and 2005

Canadian Funds

Unaudited

4. Resource Property Costs – Continued

- d) The Company grubstaked a prospector to search for, and to acquire certain mineral properties of interest that meet the Company's criteria in Latin America. While management believes it will ultimately be awarded its exploration concessions by the relevant governmental authorities, acquisition and deferred exploration costs totalling \$358,226 were written-off during the prior fiscal year in accordance with the Company's significant accounting policies.

5. Property, Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	August 31, 2006 Net Book Value	August 31, 2005 Net Book Value
Computer/Office Equipment	\$ 17,336	\$ 12,072	\$ 5,264	\$ 8,610

6. Share Capital

a) Details are as follows:

	Number	Amount
Authorized:		
Unlimited common shares without par value		
Balance as at February 28, 2005	23,899,417	\$ 4,044,180
Issued and fully paid		
Private Placement – April 2005	2,000,000	900,000
Exercise of Warrants at \$0.25	416,000	104,000
Exercise of Agent Warrants at \$0.25	105,500	26,375
Share issuance costs	-	(62,858)
Balance as at February 28, 2006	26,420,917	\$ 5,011,697
Issued and fully paid		
Private Placement – August 2006	3,500,000	1,050,000
Exercise of Warrants at \$0.20	522,000	104,400
Huskie Uranium Acquisition	1,225,000	441,000
Fair value of August 2007 warrants issued	-	(105,286)
Fair value of August 2007 warrants issued as finder fees	-	7,259
Share issuance costs	-	(54,953)
Balance as at August 31, 2006	31,667,917	\$ 6,454,117

Notes to Financial Statements

August 31, 2006 and 2005

Canadian Funds

Unaudited

6. Share Capital - Continued

- b) In August 2006, the Company closed a \$1,050,000 private placement. A total of 3.5 million flow-through shares and 1.75 million warrants were issued, each warrant entitling the holder to acquire one additional non-flow-through common share until Aug. 22, 2007, at price of 45 cents. Cash finders' fees totalling \$41,712 were paid, and 90,466 warrants were issued in connection with this offering, the warrants having the same terms as those issued to the private placees. The total fair value of the Agent warrants issued was calculated to be \$7,259 on the grant date and is accounted for in share issuance costs. The offsetting entry is to share capital. The fair value of stock options used to calculate the share issuance cost is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	4.09%
Expected dividend yield	Nil
Expected stock price volatility	73.1%
Average expected option life	1 year

- c) In May 2006, the Company purchased 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 value of \$441,000 to the vendor on May 16, 2006.
- d) During the first quarter, 1,000,000 warrants previously set to expire on April 20, 2006, were extended until April 20, 2007 and 522,000 of the warrants had the exercise price reduced to \$0.20 per share from \$0.55 per share. The amended warrants contained a "forced exercise" provision, such that if the closing price of the common shares exceeds \$0.25 for a period of 10 trading days, then after a seven day period, the holders of the amended warrants were given 30 days to exercise their warrants, or the warrants would expire. All 522,000 warrants exercisable at \$0.20 were exercised during the first quarter for gross proceeds of \$104,400 to the Company. 478,000 warrants remain outstanding, exercisable until April 20, 2007 at a price of \$0.55, all held by directors of the Company.
- e) As at August 31, 2006, the following share purchase warrants are outstanding:

	Number	Price per Share	Expiry Date
Warrants	1,750,000	\$ 0.45	August 22, 2007
Warrants	478,000	\$ 0.55	April 20, 2007
Agent Warrants	90,466	\$ 0.45	August 22, 2007

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 Exchange on the last trading day preceding the grant date. Options vest on the grant date unless determined otherwise by the board of directors.

Notes to Financial Statements

August 31, 2006 and 2005

Canadian Funds

Unaudited

6. Share Capital - Continued

- f) A summary of the company's options at August 31, 2006 and changes for the period are as follows:

Number at February 28, 2006	Granted	Exercised	Cancelled	Expired	Number at August 31, 2006	Exercise Price Per Share	Expiry
630,000	-	-	-	-	630,000	\$0.55	Mar. 4, 2010
585,000	-	-	-	-	585,000	\$0.10 ⁽¹⁾	July 31, 2008
250,000	-	-	-	-	250,000	\$0.10 ⁽¹⁾	July 31, 2008
315,000	-	-	-	-	315,000	\$0.10 ⁽¹⁾	Feb 2, 2009
525,000	-	-	-	-	525,000	\$0.10 ⁽¹⁾	Feb 2, 2009
-	200,000	-	-	-	200,000	\$0.20	Mar 13, 2011
-	100,000	-	-	-	100,000	\$0.30	June 1, 2011
2,305,000	300,000	-	-	-	2,605,000		

Note 1: During the prior fiscal year, all outstanding stock options granted prior to March 2005, were repriced from \$0.35 and \$0.25 per share to \$0.10 per share.

On March 13, 2006, the Company granted 200,000 incentive stock options to an investor relations consultant to the Company to purchase up to 200,000 common shares of the Company at a price of \$0.20 per share for a period of five years, to vest over a 12 month period.

The fair value of the stock options granted in the first quarter used to calculate compensation expense was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	4.22%
Expected dividend yield	Nil
Expected stock price volatility	130%
Average expected option life in years	5 years

The total fair value of the options granted was calculated to be \$40,405 of which \$9,820 was expensed during the first quarter and 9,035 was expensed during the second quarter. The offsetting entry is to contributed surplus.

In June of 2006, the Company granted 100,000 incentive stock options to a consultant. The stock options are exercisable at a price of \$0.30 per share for a period of five years.

The fair value of stock options used to calculate the compensation expense in the second quarter is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumption:

Average risk-free interest rate	4.23%
Expected dividend yield	Nil
Expected stock price volatility	129%
Average expected option life	5 years

The total fair value of the options granted was calculated to be \$28,761 on the grant date, which amount has been expensed in the second quarter. The offsetting entry is to contributed surplus.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Notes to Financial Statements

August 31, 2006 and 2005

Canadian Funds

Unaudited

6. Share Capital - Continued

g) Contributed Surplus

Details are as follows:

	Aug 31, 2006	Aug 31, 2005
Balance – Beginning of Period	\$ 552,078	\$ 273,166
Fair Value of warrants issued in August 2006	105,286	-
Fair value of stock-based compensation (Note 6f)	47,617	278,912
Balance – End of Period	\$ 704,981	\$ 552,078

7. Related Party Transactions

Except as noted elsewhere in these financial statements, related party transactions are as follows:

- a) During the six months ended August 31, 2006, consulting fees of \$10,600 (2005 - \$17,400) 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, 2006, consulting fees of \$16,800 (2005 - \$19,600) were paid or accrued to the Company's Secretary and Chief Financial Officer. Services provided include corporate finance initiatives, fund raising, contract negotiations, accounting, office and general management.
- c) During the six months ended August 31, 2006, contract fees of \$7,000 (2005 - \$9,381) were paid or accrued to a company controlled by a director. These amounts were included in resource property costs.
- d) During the six months ended August 31, 2006, no consulting fees (2005 - \$350) were paid or accrued to an independent director of the Company.
- e) During the six months ended August 31, 2006, the Company reimbursed a company with common management for rent and office expenses totalling \$5,309 (2005 - \$Nil).
- f) As at August 31, 2006, current liabilities include \$4,759 (2005 - \$41,591) payable to related parties. These amounts were incurred in the ordinary course of business, are non-interest bearing, and without specific repayment terms.

The above consulting fees and contract fees were incurred in the normal course of business and were measured at the exchange amount which is the amount agreed to by the related parties.

8. Income Taxes

- a) The Company has accumulated non-capital losses for income tax purposes of approximately \$908,692 that may be used to reduce future taxable income. If not utilized, these losses will expire as follows:

2010	\$ 42,940
2011	335,570
2015	332,157
2016	198,025
	\$ 908,692

Stikine Gold Corporation*(A Development Stage Company)***Notes to Financial Statements****August 31, 2006 and 2005***Canadian Funds***Unaudited****8. Income Taxes - Continued**

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates are as follows:

Future income tax assets

Statutory tax rate		35%
Unamortized share issue costs	\$	75,538
Non-capital losses		318,042
Equipment		3,796
Exploration and development expenditures		321,426
		<u>718,622</u>
Less: Valuation allowance		<u>(718,622)</u>
	\$	<u>-</u>

- b) The Company has incurred approximately \$3,618,586 of resource related expenditures that may be carried forward indefinitely and used to reduce prescribed taxable income in future years. The potential future tax benefits of these income tax losses, net capital losses and resource related expenditures have not been recognized in the accounts of the Company due to uncertainty surrounding realization of such benefits.

9. Segmented Information

- a) Details on a geographic basis as at August 31, 2006 are as follows:

	Latin America		Canada	Total
Assets	\$	-	\$ 4,421,217	\$ 4,421,217
Resource Property costs	\$	-	\$ 3,477,109	\$ 3,477,109
Loss for the six months ended August 31, 2006	\$	-	\$ 162,958	\$ 162,958

- b) Details on a geographic basis as at August 31, 2005 are as follows:

	Latin America		Canada	Total
Assets	\$	360,379	\$ 3,112,199	\$ 3,472,578
Resource Property costs	\$	360,379	\$ 3,032,699	\$ 3,393,078
Loss for the six months ended August 31, 2005	\$	-	\$ 80,796	\$ 80,796

10. Comparative Figures

Certain of the prior year's items have been reclassified to conform to the current year's presentation.