

**STIKINE GOLD CORPORATION**

*(A Development Stage Company)*

**FINANCIAL STATEMENTS**

**FEBRUARY 28, 2005 AND FEBRUARY 29, 2004**

## AUDITORS' REPORT

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### **To the Shareholders of Stikine Gold Corporation:**

We have audited the balance sheets of Stikine Gold Corporation (the "Company") as at February 28, 2005 and February 29, 2004 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2005 and February 29, 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.  
May 13, 2005

STALEY, OKADA & PARTNERS  
CHARTERED ACCOUNTANTS

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## Balance Sheets

As at February 28, 2005 and February 29, 2004  
Canadian Funds

ASSETS	2005	2004
<b>Current</b>		
Cash	\$ 166,569	\$ 1,422,462
Receivables	54,302	19,012
Prepaid expenses	11,844	19,013
	<u>232,715</u>	<u>1,460,487</u>
<b>Resource Property Costs - Schedule (Note 4)</b>	<b>2,461,393</b>	<b>455,503</b>
<b>Reclamation Bonds</b>	<b>2,500</b>	<b>7,500</b>
<b>Property, Plant and Equipment (Note 5)</b>	<b>10,730</b>	<b>7,385</b>
	<u>\$ 2,707,338</u>	<u>\$ 1,930,875</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 243,508	\$ 24,085
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 6)</b>	<b>4,044,180</b>	<b>3,087,090</b>
<b>Contributed Surplus (Note 6i)</b>	<b>273,167</b>	<b>332,983</b>
<b>Deficit - Statement 2</b>	<b>(1,853,517)</b>	<b>(1,513,283)</b>
	<u>2,463,830</u>	<u>1,906,790</u>
	<u>\$ 2,707,338</u>	<u>\$ 1,930,875</u>

ON BEHALF OF THE BOARD:

“Scott E. Broughton” , Director

“John M. Mirko” , Director

**Statements of Loss and Deficit**

**For the Years Ended**  
*Canadian Funds*

	<b>February 28 2005</b>	February 29 2004
<b>General and Administrative Expenses</b>		
Consulting fees – related parties	\$ 107,850	\$ 85,825
Advertising, promotion and shareholder relations	85,805	49,117
Consulting fees and wage expenses	49,575	39,579
Travel	33,346	28,967
Audit, accounting and legal fees	24,419	28,657
Office and sundry	19,251	15,184
Listing and filing fees	15,444	6,819
Rent	6,000	6,000
Amortization	4,301	1,804
Bank charges and interest	636	819
Stock-based compensation	-	332,983
<b>Loss Before the Undernoted</b>	<b>346,627</b>	595,754
Resource costs written-off	-	875,774
Interest income	<b>(6,393)</b>	(2,632)
<b>Loss for the Year</b>	<b>340,234</b>	1,468,896
Deficit – Beginning of year	<b>1,513,283</b>	44,387
<b>Deficit – End of Year</b>	<b>\$ 1,853,517</b>	\$ 1,513,283
<b>Loss per Share - Basic and Diluted</b>	<b>\$ (0.02)</b>	\$ (0.15)

**Statements of Cash Flows**

For the Years Ended  
Canadian Funds

<b>Cash Resources Provided By (Used In)</b>	<b>February 28 2005</b>	<b>February 29 2004</b>
<b>Operating Activities</b>		
Loss for the year	\$ (340,234)	\$ (1,468,896)
Items not affecting cash		
Resource costs written-off	-	875,774
Stock-based compensation	-	332,983
Amortization	4,301	1,804
	<u>(335,933)</u>	<u>(258,335)</u>
Changes in non-cash working capital		
Receivables	(35,290)	(3,885)
Prepaid expenses	7,169	(19,013)
Accounts payable and accrued liabilities	219,423	(4,495)
	<u>(144,631)</u>	<u>(285,728)</u>
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(7,646)	(6,352)
Reclamation bonds	5,000	(7,500)
Resource property costs	(2,005,890)	(1,091,818)
	<u>(2,008,536)</u>	<u>(1,105,670)</u>
<b>Financing Activities</b>		
Shares issued for cash	897,274	3,105,555
Share issuance costs	-	(401,300)
	<u>897,274</u>	<u>2,704,255</u>
<b>Net Increase (Decrease) in Cash Position</b>	<b>(1,255,893)</b>	<b>1,312,857</b>
Cash position – Beginning of period	<u>1,422,462</u>	<u>109,605</u>
<b>Cash Position – End of Period</b>	<b>\$ 166,569</b>	<b>\$ 1,422,462</b>
<b>Supplemental Schedule of Non-Cash Investing and Financing Transactions</b>		
Fair value of stock options exercised (Note 6i)	\$ 59,816	\$ -
Stock-based compensation	\$ -	\$ 332,983
Shares issued for property	\$ -	\$ 45,000

**Schedule of Resource Property Costs**

For the Years Ended  
Canadian Funds

	February 28 2005	February 29 2004
<b>Sullivan Deeps Project, B.C., Canada</b>		
<b>Acquisition Costs</b>		
Assignment of option - cash	\$ -	\$ 51,143
Option payment – shares	-	17,000
Staking and land costs	8,493	10,180
<b>Deferred Exploration Costs</b>		
Drilling costs	1,379,588	-
Geophysical costs	127,350	-
Geological and project management	172,569	40,332
Materials and equipment	186,632	15,630
Accommodation and meals	20,491	-
Maps and reports	1,602	8,096
Wages and labour costs	20,115	1,307
Communication	9,574	250
Travel and field transportation	25,936	3,365
Insurance	5,000	-
Assays	855	-
	<u>1,958,205</u>	<u>147,303</u>
<b>William's Gold Project, B.C., Canada</b>		
<b>Acquisition Costs</b>		
Option payment – cash	-	25,000
Option payment – shares	-	28,000
<b>Deferred Exploration Costs</b>		
Drilling	-	216,770
Aircraft charter	-	181,792
Labour, camp costs and meals	-	93,759
Geological and project management	-	54,560
Maps and reports	-	2,091
Travel	-	2,684
Communication	-	2,634
Materials	-	55,143
Assaying	-	18,882
	<u>-</u>	<u>681,315</u>
<b>General Exploration - Latin America</b>		
<b>Acquisition Costs</b>		
Property application costs	-	267,485
<b>Deferred Exploration Costs</b>		
Geological and project management	2,450	22,175
Consulting	34,941	-
Travel, accommodation and meals	6,541	12,807
Materials	2,923	2,525
Communication	830	3,208
	<u>47,685</u>	<u>308,200</u>
<b>Total Costs for the Year</b>	<b>2,005,890</b>	<b>1,136,818</b>
Balance - Beginning of year	455,503	194,459
Resource costs written-off	-	(875,774)
<b>Balance - End of Year</b>	<b>\$ 2,461,393</b>	<b>\$ 455,503</b>

## **Notes to Financial Statements**

**February 28, 2005 and February 29, 2004**

*Canadian Funds*

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### **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 these operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

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### **2. Significant Accounting Policies**

#### **a) Cash and Cash Equivalents**

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less. The Company places its cash and cash equivalents with institutions of high-credit worthiness.

#### **b) Resource Properties and Deferred Exploration Expenditures**

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Resource exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

The recoverability of the amount capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

#### **c) Option Agreements**

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

## **Notes to Financial Statements**

**February 28, 2005 and February 29, 2004**

*Canadian Funds*

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### **2. Significant Accounting Policies - Continued**

#### **d) Asset Retirement Obligations**

Effective March 1, 2004, the Company adopted the recommendations of CICA Handbook Section 3110, Asset Retirement Obligations. This new section requires recognition of a legal liability for obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

There is no material impact on the financial statements resulting from the adoption of Section 3110 either in the current or prior years presented.

#### **e) Amortization**

The Company provides for amortization on its property, plant and equipment at an annual rate of 30% for computer and automobile equipment and 20% for office equipment on the declining balance method. One-half of the above rates are taken in the year of acquisition.

#### **f) Income Taxes**

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on future taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

#### **g) Share Capital**

- i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

#### **h) Stock-Based Compensation**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method.

## **Notes to Financial Statements**

**February 28, 2005 and February 29, 2004**

*Canadian Funds*

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### **2. Significant Accounting Policies - Continued**

**i) Loss per Share**

Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

**j) Management's Estimates**

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

**k) Flow-Through Shares**

The Company adopted the new recommendations of the Emerging Issues Committee relating to flow-through shares effective for all flow-through agreements dated after 19 March 2004. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If a company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures. As no flow-through shares were issued subsequent to March 19, 2004, there was no impact on the financial statements for the current fiscal year.

**l) Mineral Exploration Tax Credits ("METC")**

The Company recognizes METC amounts when the Company's METC application is approved by Canada Revenue Agency auditors or when the amount to be received can be reasonably estimated and collection is reasonably assured.

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## Notes to Financial Statements

February 28, 2005 and February 29, 2004

Canadian Funds

### 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 February 28 2005	Total February 29 2004
British Columbia, Canada Sullivan Deeps Project	\$ 86,816	\$ 2,018,692	\$ 2,105,508	\$ 147,303
General - Latin America	267,485	88,400	355,885	308,200
	<u>\$ 354,301</u>	<u>\$ 2,107,092</u>	<u>\$ 2,461,393</u>	<u>\$ 455,503</u>

- a) By 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 Sullivan Deeps Project. As consideration for the assignment of the option, in the 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 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% NSR, reducible to 1% upon payment of \$2,500,000 by the Company.

**Stikine Gold Corporation**  
(A Development Stage Company)

## Notes to Financial Statements

February 28, 2005 and February 29, 2004

Canadian Funds

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#### 4. Resource Property Costs – Continued

- b) The Company has grubstaked a prospector to search for, and to subsequently acquire, certain mineral properties of interest that meet the Company's criteria in Latin America. Certain concessions have been applied for and are being evaluated by the relevant governmental authorities. Acquisition and deferred exploration costs to date totalling \$355,885 have been capitalized; however there is no assurance the Company will be successful in acquiring its properties.

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#### 5. Property, Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	February 28 2005 Net Book Value	February 29 2004 Net Book Value
Computer/Office equipment	\$ 17,336	\$ 6,606	\$ 10,730	\$ 7,385

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## Notes to Financial Statements

February 28, 2005 and February 29, 2004

Canadian Funds

### 6. Share Capital

a) Details are as follows:

	Number	Amount
Authorized:		
100,000,000 common shares without par value		
<b>Balance at February 28, 2003</b>	6,387,517	\$ 337,835
Issued and fully paid		
Flow-through common shares – IPO	1,489,800	521,430
Common shares – IPO	2,336,500	584,125
Common shares – Private Placement	10,000,000	2,000,000
Issued for services provided		
Common shares – IPO Corporate Finance Fee	100,000	-
Issued for property		
Common shares – William's Gold Property	100,000	28,000
Common shares – Sullivan Deeps Property	100,000	17,000
Share issuance costs	-	(401,300)
<b>Balance at February 29, 2004</b>	20,513,817	3,087,090
Issued and fully paid		
Exercise of Warrants at \$0.25	2,525,000	631,250
Exercise of Agent Warrants at \$0.25	201,850	50,462
Exercise of Agent Warrants at \$0.35	358,750	125,562
Exercise of Stock Options at \$0.25	150,000	37,500
Exercise of Stock options at \$0.35	150,000	52,500
Fair value of stock options exercised (Note 6i)	-	59,816
<b>Balance as at February 28, 2005</b>	23,899,417	\$ 4,044,180

b) During the year, 358,750 Agent Warrants were exercised for \$0.35 per share for cash proceeds of \$125,562 and 201,850 Agent Warrants were exercised for \$0.25 per share for cash proceeds of \$50,462.

c) During the year, 2,525,000 Warrants were exercised for \$0.25 per share for cash proceeds of \$631,250. Of this amount, a total of 75,000 Warrants were exercised by Directors and Officers of the Company.

d) During the year, consultants to the Company exercised 150,000 stock options exercisable at \$0.25 per share for proceeds of \$37,500 and 150,000 stock options exercisable at \$0.35 per share for proceeds of \$52,500.

## Notes to Financial Statements

February 28, 2005 and February 29, 2004

Canadian Funds

### 6. Share Capital - Continued

- e) Flow-through securities are securities issued by a company that incurs certain resource expenditures and renounces them for tax purposes thereby allowing the expenditures to flow-through to the subscriber who purchased the securities. Subscribers may in turn claim the expenditure as a deduction on their personal or corporate tax returns.

Funds raised by the Company through the sale of the flow-through common shares must be spent on qualified mineral exploration. During the previous fiscal year, total proceeds of \$521,430 from the sale of flow-through common shares and the balance of \$40,310 in flow-through proceeds raised previously were spent by the Company on qualifying expenditures and renounced, for income tax purposes, to the flow-through investors with an effective date of renunciation of December 31, 2003. The Company issued no flow-through securities during the year ended February 28, 2005.

- f) As at February 28, 2005, the following share purchase warrants are outstanding:

	Number	Price per Share	Expiry Date
Agent Warrants	147,500	\$ 0.25	July 26, 2005
Warrants	7,475,000	\$ 0.25	July 26, 2005

- g) As at February 28, 2005, 1,864,500 shares are held in escrow, and will be released over time.
- h) 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 common 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 and 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.

A summary of the Company's options at February 28, 2005 and the changes for the year are as follows:

Number at Feb. 29, 2004	Granted	Exercised	Cancelled	Expired	Number at Feb. 28, 2005	Exercise Price Per Share	Expiry Date
635,000	-	-	-	-	635,000	\$0.35	July 31, 2008
250,000	-	-	-	-	250,000	\$0.35	July 31, 2008
150,000	-	150,000	-	-	-	\$0.35	Aug 25, 2008
340,000	-	-	-	-	340,000	\$0.25	Feb 2, 2009
675,000	-	150,000	-	-	525,000	\$0.25	Feb 2, 2009
2,050,000	-	300,000	-	-	1,750,000		

## Notes to Financial Statements

February 28, 2005 and February 29, 2004

Canadian Funds

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### 6. Share Capital - Continued

h) - Continued

During the prior year, the Company granted 725,000 incentive stock options to directors and officers and 250,000 incentive stock options to consultants of the Company to purchase common shares at \$0.35 per share expiring July 31, 2008, with a total fair value of \$29,978. The fair value of \$29,978 has been recorded in the Company accounts. The offsetting entry is to contributed surplus. 90,000 options were later cancelled by continuing directors.

During the prior year, 150,000 options were granted to an outside consultant at an exercise price of \$0.35 per share expiring August 25, 2008, with a total fair value of \$17,646. The fair value of \$17,646 has been recorded in the Company accounts. The offsetting entry is to contributed surplus.

During the prior year, the Company granted 340,000 incentive stock options to directors and officers and 675,000 incentive options to consultants, to purchase common shares at a price of \$0.25 per share expiring February 2, 2009, with a total fair value of \$285,359 on the grant date. The fair value of \$285,359 has been recorded in the Company accounts. The offsetting entry is to contributed surplus.

The fair value of stock options used to calculate compensation expense for both employees and non-employees is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	3.46%
Expected dividend yield	Nil
Expected stock price volatility	64.08%
Average expected option life in years	5 years

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.

i) **Contributed Surplus**

Details are as follows:

	2005	2004
Balance – Beginning of year	\$ 332,983	\$ -
Fair value of stock-based compensation (Note 6h)	-	332,983
Fair value of stock options exercised – transferred to share capital	(59,816)	-
Balance – End of year	\$ 273,167	\$ 332,983

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## Notes to Financial Statements

February 28, 2005 and February 29, 2004

Canadian Funds

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### 7. Related Party Transactions

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

- a) During the year, per diem contract fees of \$39,100 (2004 - \$50,700) were paid or accrued to a company controlled by a director. These amounts were included in resource property costs.
  - b) During the year, consulting fees of \$59,200 (2004 - \$45,400) were paid or accrued to the Company's President and Chief Executive Officer. Services provided include general corporate, exploration and acquisition strategy, drafting and engineering work, contract negotiations, and investment presentations.
  - c) During the year, consulting fees of \$48,650 (2004 - \$40,425) 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.
  - d) During the year, rent costs of \$6,000 (2004 - \$6,000) were paid or accrued to a company with a director in common.
  - e) As at February 28, 2005, accounts payable include \$22,245 (2004 - \$2,734) payable to related parties. These amounts were incurred in the ordinary course of business, are non-interest bearing, and without specific repayment terms.
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### 8. Income Taxes

The Company has incurred certain mineral property related expenditures of approximately \$2,646,000 that may be carried forward indefinitely and are available to offset future taxable income.

The Company has non-capital losses for tax purposes of approximately \$711,000 that are available to offset future taxable income. These losses may be carried forward and expire as follows:

2010	\$	43,000
2011		336,000
2015		332,000
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	\$	711,000

The potential future tax benefits of these expenditures and tax losses have not been recognized in these financial statements.

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## Notes to Financial Statements

February 28, 2005 and February 29, 2004

Canadian Funds

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### 9. Segmented Information

a) Details on a geographic basis as at February 28, 2005 are as follows:

	Latin America	Canada	Total
Assets	\$ 355,885	\$ 2,351,453	\$ 2,707,338
Resource property costs	\$ 355,885	\$ 2,105,508	\$ 2,461,393
Loss for the year	\$ -	\$ 340,234	\$ 340,234

b) Details on a geographic basis as at February 29, 2004 are as follows:

	Latin America	Canada	Total
Assets	\$ 308,200	\$ 1,622,675	\$ 1,930,875
Resource property costs	\$ 308,200	\$ 147,303	\$ 455,503
Loss for the year	\$ -	\$ 1,468,896	\$ 1,468,896

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### 10. Subsequent Events

Subsequent to the year-ended February 28, 2005, the Company granted incentive stock options to directors and consultants of the Company to purchase up to 630,000 common shares of the Company at a price of \$0.55 per share for a period of five years. Also subsequent to year-end, 416,000 warrants exercisable at \$0.25 per share were exercised for proceeds of \$104,000, and 95,500 agent warrants exercisable at \$0.25 per share were exercised for proceeds of \$23,875.

In April 2005, the Company completed a private placement of 2,000,000 units, each unit consisting of one common share and one half of one share purchase warrant for total proceeds of \$900,000. Each whole warrant entitles the holder to purchase one common share until April 20, 2006 for \$0.55. Cash fees totaling \$57,394 were paid and 159,428 warrants issued in connection with this offering, the warrants having the same terms as those issued to the private placees. Directors and Officers of the Company purchased a total of 1,062,223 units of the total 2,000,000.

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### 11. Comparative Figures

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

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**STIKINE GOLD CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(FORM 51-102F1)**  
**YEAR ENDED FEBRUARY 28, 2005**

**JUNE 20, 2005**

**STIKINE GOLD CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended February 28, 2005**  
**Dated as of June 20, 2005**

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*This discussion and analysis should be read in conjunction with the audited financial statements and related notes thereto for the years ended February 28, 2005 and February 29, 2004, which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in the financial statements and this discussion and analysis are expressed in Canadian dollars, unless otherwise indicated.*

**Forward-Looking Information**

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Stikine Gold Corporation (the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, amongst other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration of the Company's properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

**Changes in Accounting Policies**

*Asset Retirement Obligations*

Effective March 1, 2004, the Company adopted the recommendations of CICA Handbook Section 3110, Asset Retirement Obligations. This new section requires recognition of a legal liability for obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. There is no material impact on the financial statements resulting from the adoption of Section 3110 either in the current or prior years.

*Flow-Through Shares*

The Company adopted the new recommendations of the Emerging Issues Committee relating to flow-through shares effective for all flow-through agreements dated after March 19, 2004. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

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If a company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures. As no flow-through shares were issued by the Company subsequent to March 19, 2004, there was no impact on the financial statements for the current fiscal year.

### **Description of Business and Overview of Operations and Financial Condition**

The Company is engaged in exploration for mineral resources with its current focus being the Sullivan Deeps Project, a deep diamond-drilling program searching for economic quantities of base and precious metals near Kimberley, British Columbia.

During the year ended February 28, 2005, the Company incurred a loss of \$340,234 and incurred exploration and acquisition costs of \$2,005,890. The Company's loss of \$340,234 is down significantly from a loss of \$1,468,896 during the prior year as in the prior year the Company realized a one-time write-off of \$875,774 upon abandonment of the William's Gold property. Exploration expenses were up significantly from the prior year due to the acquisition and subsequent major exploration program conducted at the Sullivan Deeps project.

At February 28, 2005, the Company had cash and cash equivalents of \$166,569 and a working capital deficit of \$10,793 and was in the process of raising further funds for ongoing exploration at the Sullivan Deeps project (see *Subsequent Events*).

### **Selected Annual Financial Results**

	<b>Year Ended February 28, 2005</b>	<b>Year Ended February 29, 2004</b>	<b>Year Ended February 28, 2003</b>
Total revenues	Nil	Nil	Nil
Net income (loss)	(340,234)	(1,468,896) <sup>1</sup>	(44,387)
Net income (loss) per share	(0.02)	(0.15)	(0.01)
Total assets	2,707,338	1,930,875	322,028
Total long term debt	Nil	Nil	Nil

Notes:

- 1) The loss for the year-ended February 29, 2004 includes a one-time write-off of \$875,774 in resource property costs.

### **Results of Operations**

#### *Sullivan Deeps Project Exploration*

By 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 Sullivan Deeps Project. As consideration for the assignment of the option, the Company reimbursed Mariner

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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 is required to complete the following:

	Share Issuances	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
	100,000	\$ 4,000,000

Upon completion of the 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 million in exploration expenditures. Teck Cominco will then have the right to participate at the 30% level or to convert to a 1.5% NSR, reducible to 1% upon payment of \$2.5 million by the Company.

An independent technical report on the Sullivan Deeps Project recommended an initial Phase I exploration budget of \$890,400. At February 28, 2005, the Company had expended a total of \$2,105,508 on the Sullivan Deeps Project including \$51,143 in cash acquisition costs, \$17,000 in share issuances (100,000 shares at a price of \$0.17 per share) and \$18,673 in additional staking and claim costs. Approximately \$900,000 of the exploration dollars spent as of year-end, \$2,018,692, relate to Phase 2 work consisting of geophysics and further diamond drilling. Budget overruns on the Phase 1 program therefore total approximately \$200,000 largely due to drilling progress being substantially slower than originally anticipated by the Company's contractor and the target depth being approximately 200 metres lower than originally anticipated due to large scale fold encountered some 100 metres above the targeted "Sullivan Time".

On October 1, 2004 the Company announced that its first diamond drillhole, SD#04-01, or "SD1" intersected sedimentary exhalative (SEDEX) style mineralization, including laminated and massive sulphides, at a depth of 2,735.90m (8,976 feet) extending in five discrete bands, (summarized below) over a total drill-interval of 7.65 m (25 feet) after which "footwall" rocks below the "Sullivan Horizon" were encountered. SD1 was ultimately terminated at a depth of 2,766 metres (9,075 feet).

**Summary of Sulphide Bands intersected in SD11**

From	To	Interval	Estimated True Thickness	Description
2,735.90 m (8,976 feet)	2,736.70 m (8,979 feet)	0.80 m (2.6 feet)	0.72 m (2.4 feet)	Laminated sulphides (15%) comprised of pyrrhotite and pyrite in argillite
2,737.60 m (8,982 feet)	2,737.90 m (8,983 feet)	0.30 m (1.0 feet)	0.27 m (0.9 feet)	Laminated sulphides (80%) comprised of pyrrhotite and pyrite
2,738.20 m	2,738.85 m	0.65 m	0.59 m	Massive sulphides (90%) comprised of pyrrhotite, pyrite and

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(8,983 feet)	(8,986 feet)	(2.1 feet)	(1.9 feet)	sphalerite laminations
2,739.25 m (8,987 feet)	2,740.00 m (8,990 feet)	0.75 m (2.5 feet)	0.68 m (2.3 feet)	Laminated sulphides (70%) comprised of pyrrhotite, pyrite, and sphalerite laminations
2,742.47 m (8,997 feet)	2,743.55 m (9,001 feet)	1.08 m (3.5 feet)	0.98 m (3.2 feet)	Massive sulphides (90%) comprised of pyrrhotite, pyrite, sphalerite with clast textures

**Assay Results from SD1**

On October 18, 2004, the Company announced assays from the sulphide zones in diamond drillhole SD1 at the Sullivan Deeps Project as follows:

**Table 1: Base Metal and Silver Assays**

Drill Hole: SD#04-01			Assay:0.50 gm sample leached / ICP-ES				Comments
From (m)	To (m)	Interval (m)	Lead Pb %	Zinc Zn %	Silver Ag (gm/mt)	Iron Fe %	
2733.04	2733.43	0.39	0.24	4.23	<.02	31.59	Massive sulphides
2735.95	2736.35	0.40	0.10	1.07	<.02	22.01	Laminated sulphides comprised of pyrrhotite and pyrite in argillite
2736.35	2736.70	0.35	0.17	1.20	<.02	34.19	
2736.70	2737.53	0.83	0.04	0.23	<.02	8.84	Argillite
2737.53	2737.83	0.30	0.19	1.54	<.02	32.85	Laminated sulphides comprised of pyrrhotite and pyrite
2737.83	2738.13	0.30	0.36	12.92	<.02	34.01	Massive sulphides comprised of pyrrhotite, pyrite and sphalerite laminations
2738.13	2738.52	0.39	0.19	8.62	<.02	38.08	
2738.52	2738.78	0.26	<.02	0.16	<.02	6.33	argillite
2738.78	2739.20	0.42	<.02	0.20	<.02	8.71	argillite
2739.20	2739.53	0.33	0.13	3.61	<.02	34.50	Laminated sulphides comprised of pyrrhotite, pyrite, and sphalerite laminations
Drill Hole: SD1			Assay:0.50 gm sample leached / ICP-ES				Comments
From (m)	To (m)	Interval (m)	Lead Pb %	Zinc Zn %	Silver Ag (gm/mt)	Iron Fe %	
2739.53	2739.71	0.18	0.24	8.25	<.02	36.97	
2739.71	2739.91	0.20	0.45	7.67	<.02	38.10	
2739.91	2742.48	2.57	0.03	0.19	<.02	7.33	argillite
2742.48	2742.87	0.39	0.20	3.79	<.02	40.64	Massive sulphides comprised of pyrrhotite, pyrite, sphalerite with clast textures
2742.87	2743.16	0.29	0.20	1.98	<.02	39.39	
2743.16	2743.55	0.39	0.18	1.41	<.02	41.09	
2743.55	2744.91	1.36	0.02	0.08	<.02	4.36	Footwall conglomerate

Notes: gm/mt is equivalent to grams per metric tonne, <.02 means below detection

The same sample intervals were also assayed for gold and other commodities producing the following results:

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**Table 2: Specialty Metals, Gold and other Assays**

Drill Hole: SD1			Assay: 0.50 gm sample ICP-MS					Assay: 0.20 gm sample ICP-MS		
From (m)	To (m)	Interval (m)	Gallium Ga (ppm)	Tellurium Te (ppm)	Germanium Ge (ppm)	Indium In (ppm)	Gold Au (ppb)	Tin Sn (ppm)	Tantalum Ta (ppm)	Barium Ba (ppm)
2733.04	2733.43	0.39	6	0.59	2.8	1.36	17	<1	0.2	147.1
2735.95	2736.35	0.40	12	0.14	3.0	0.37	3	2	0.6	381.7
2736.35	2736.70	0.35	7	0.21	4.0	0.45	15	<1	0.2	171.9
2736.70	2737.53	0.83	16	0.46	7.8	0.31	<2	2	0.8	591.2
2737.53	2737.83	0.30	7	0.33	3.6	0.50	17	<1	0.3	314.9
2737.83	2738.13	0.30	6	0.16	20.0	3.72	11	<1	0.2	151.2
2738.13	2738.52	0.39	5	0.32	8.2	1.22	17	<1	0.2	102.7
2738.52	2738.78	0.26	20	0.31	8.2	0.11	8	4	1	901
2738.78	2739.20	0.42	16	0.52	13.3	0.10	23	4	0.9	639.4
2739.20	2739.53	0.33	5	0.60	7.3	0.66	10	<1	0.2	213.1
2739.53	2739.71	0.18	5	0.34	7.8	1.63	321	<1	0.2	131.4
2739.71	2739.91	0.20	4	0.12	9.3	1.04	32	<1	0.2	84.7
2739.91	2742.48	2.57	13	0.16	8.5	0.06	39	3	0.9	704
2742.48	2742.87	0.39	6	0.03	7.2	0.75	19	<1	0.3	93
2742.87	2743.16	0.29	5	0.02	5.7	0.61	7	<1	0.2	105.1
2743.16	2743.55	0.39	4	0.19	4.3	0.34	18	<1	0.2	37.6
2743.55	2744.91	1.36	17	0.44	2.6	0.11	525	4	1	830.6

Note: 1 ppm (parts per million) is equivalent to 1 g/tonne and 1 ppb (parts per billion) is equivalent to 0.001 g/t

The Company's experts interpret the intersection of "Sullivan-style" massive sulphides in SD1 to represent the discovery of an entirely new SEDEX system and not a faulted-off portion of the historic Sullivan orebody itself. The low lead-zinc ratios in core samples, absolute thickness of the SEDEX interval, and lack of alteration suggests that the SD1 intersection lies distal to the vent or feeder system.

Further interpretation suggests SD1 intersected the western edge of the new SEDEX system. Evidence for this interpretation is based on the observed extent of the UTEM3 conductor identified in 1996 and is further confirmed by the "footwall" rocks below the sulphide intersection in SD1. This intersection clearly shows cross-bedding features indicating the axis of the sub-basin is east of the discovery hole, rather than more southerly oriented if the sediments had originated from the same feeder vent that produced Sullivan itself.

Based on the encouraging results from SD1, the Company accelerated its plans for a Phase 2 program to consist of a new downhole UTEM4 geophysical survey (to refine the 1996 UTEM conductor), 'wedge' diamond drill holes from SD1 to provide 100-300m (328-984 feet) step-out intercepts and a second drill rig for a 1.3 km (0.9 mile) step-out, all focused on quickly evaluating the size of the new SEDEX system.

On December 17, 2004, the Company announced preliminary results from a downhole UTEM4 geophysical survey completed by Lamontagne Geophysics Ltd. of Kingston, Ontario. The Lamontagne report concludes that the UTEM4 survey successfully delineated a strong

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conductive anomaly at and around the Sullivan Deeps massive sulphide intersection in SD#04-01 and confirms that it has a large scale footprint in the area previously identified by a 1996 UTEM survey. It is clear from the data that the centre of the conductor is located to the north of SD#04-01, and that the large anomaly amplitudes are evidence of a large conductor.

The anomaly is extremely conductive, calculated to be in excess of 5,000 Siemens as compared to the 80-100 Siemens range estimated and used in the 1996 survey. This high value is attributed to the fact that lower frequencies employed in this survey permitted differentiation between highly conductive pyrrhotite and weakly conductive host rocks. An in-hole conductor is coincident with the Sullivan Deeps sulphide interval intersected in SD1.

Further, limits and spatial orientation of the overall anomaly have been estimated based on the response from a number of measurements taken down hole from electromagnetic fields generated by three 1.6 by 1.6 km (1 by 1 mile) loops on surface. As previously interpreted from geological considerations, the geophysical interpretation shows the drill hole intercept is located near the south-western limit of the conductor and the following directional models provide 'best-fits' to the response observed:

- South – the conductor has a southern limit estimated to be approximately 300m (985 feet) south of the drill hole intercept, and this limit is estimated to be 450m (1,475 feet) north of the Kimberley Fault. The fault is well constrained, projected from a control point only 400 m up dip in a previous deep drill hole. This observation confirms the geological interpretation that the anomaly is caused by a body not previously connected to the Sullivan deposit, but an entirely new and separate SEDEX system within the Sullivan sub-basin.
- North – the conductor is described as being 'OPEN' to the north of the hole, meaning that its actual length is very long and that it cannot be accurately estimated by the data collected. One model indicates the minimum north dimension of the conductor is 1,000 m (3,280 feet). Shorter modeled lengths fail to repeat the strength of the observed field results and therefore the conductor must be in excess of that minimum length. Larger modeled lengths in excess of 3,000m (9,840 feet) also provide a response similar to the field data, hence the description 'OPEN'. Of particular interest, the modeling consistently demonstrated that the conductor was dipping to the south at an estimated 15 degrees. This southerly dip implies that the SD#04-01 intercept was at or near the lowest depth of the conductor and that future holes drilled to the north should intercept the conductor at a shallower depth.
- East – the model conductor has an apparent termination at a minimum distance of 650m (2,130 feet) east of the drill hole intercept. Geological considerations indicate that this may fix the location of the steep NNW dipping Kent Fault. The Kent Fault is a normal fault with an estimated displacement of up to 500m (1,640 feet), implying that the rocks to the east are up to 500m higher than on the west. The geophysical response does not preclude the presence of a separate (not connected electrically), large and shallower conductor east of the Kent Fault. Modeling suggests the conductor between the hole and Kent Fault dips gently westerly. These conclusions provide a compelling exploration opportunity as the target

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horizon east of the Kent Fault is estimated to be more than 500m closer to surface than the intersection depth in SD1.

- West – much of the prior deep drilling on the property is interpreted to be in the western portion of the Sullivan sub-basin and the intersection in SD1 demonstrates thickness and mineralogy analogous to the western fringe of the Sullivan deposit. Modeling of the geophysics indicates a locally folded conductor consistent with the folded stratigraphy identified during drilling of SD1. The interpretation clearly locates the drillhole intercept on the western fringe of the conductor and establishes a western boundary for the Sullivan Deeps sulphide sheets, and continuation of the north-trending mineralized corridor.

Drilling activities were halted in mid-December 2004 for the holiday period and resumed in late January 2005 with the collaring of a second diamond drillhole at a location approximately 1.3 kilometres to the northeast of SD1. Through February, March and April of 2005, SD2 continued to intersect the normal progression of stratigraphic, barcode-like markers in the upper part of the Middle Aldridge Formation above 'Sullivan-Time' giving the Company's management further confidence that the geophysical conductor under SD2 would be intersected in the correct stratigraphy and could contain a significant quantity of mineralization.

On May 16, 2005, the Company announced that diamond drillhole SD2 at the Sullivan Deeps project reached "Sullivan Time" at a depth of 2,364.8m (7,758 ft) and intersected a 0.8m (2.6 ft) interval of laminated and semi-massive and brecciated sulphides. This disappointingly thin sulphide intersection was comprised primarily of uneconomic pyrrhotite. As pyrrhotite is highly conductive, this thin sulphide interval could account for the large-scale target conductor observed during down-hole UTEM4 geophysics completed in late 2004 and geophysical work carried out by others in 1996. SD2 was eventually terminated in Lower Aldridge formation rocks at a depth 2,460.0m (8,071 ft). The Company is currently evaluating the results of SD2 in context of its previous work at the Sullivan Deeps target and will announce a decision regarding further exploration after completing a thorough review of all available information.

Wedging operations from SD1 were largely on hold until March as the contractor awaited the delivery of replacement drill rods. By the end of April, wedge drilling at "SD1-A" had passed a depth of 2,065m (6,775 ft) after successfully completing two offset wedges with a third planned. Unscheduled repairs and road conditions prevented further drilling during May and as of the date of this report, the Company is reviewing options for the remainder of this program in light of the results at SD2.

#### *Latin American Exploration*

The Company has grubstaked a prospector to search for, and to subsequently acquire, interests in mineral properties of interest and meeting the Company's criteria in Latin America. Expenses to date include fixed-wing and rotor aircraft, office, room and board, ground transport, communications, claim applications, legal and technical consulting, analysis and labour costs. Certain concessions have been applied for and are being evaluated by the relevant governmental

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authorities. Acquisition and deferred exploration costs to date totalling \$355,885 have been capitalized; however there is no assurance the Company will be successful in acquiring its properties.

*Operating Expenses and Loss*

During the year ended February 28, 2005, the Company incurred a loss of \$340,234 down significantly from a loss of \$1,468,896 during the prior year as in the prior year the Company realized a one-time write-off of \$875,774 upon abandonment of the William's Gold property. The Company has been gradually increasing its operating efficiencies with a fourth quarter loss of only \$57,581 compared to a loss of \$85,599 during the prior quarter (see table below).

**Liquidity and Capital Resources**

At February 28, 2005, the Company had cash and cash equivalents of \$166,569 and a working capital deficit of \$10,793 and was in the process of raising further funds for ongoing exploration at Sullivan Deeps (see Subsequent Events).

**Summary of Quarterly Results**

	<b>Feb. 28, 2005</b>	<b>Nov. 30, 2004</b>	<b>Aug. 31, 2004</b>	<b>May 31, 2004</b>
Total revenues	Nil	Nil	Nil	Nil
Net income (loss)	(57,581)	(85,599)	(94,621)	(102,433)
Net income (loss) per share	(0.00)	(0.00)	(0.01)	(0.01)
Total assets	2,707,338	2,709,191	2,447,801	1,816,876
Total long term debt	Nil	Nil	Nil	Nil

	<b>Feb. 29, 2004</b>	<b>Nov. 30, 2003</b>	<b>Aug. 31, 2003</b>	<b>May 31, 2003</b>
Total revenues	Nil	Nil	Nil	Nil
Net income (loss)	(1,279,165) <sup>1</sup>	(84,310)	(79,126)	(26,295)
Net income (loss) per share	(0.09)	(0.01)	(0.01)	(0.01)
Total assets	1,930,875	1,096,717	1,227,624	332,188
Total long term debt	Nil	Nil	Nil	Nil

Notes:

- 1) The loss for the quarter ended February 29, 2004 includes a one-time write-off of \$875,774 in resource property costs.

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**Related Party Transactions**

Each of Scott Broughton, David Skerlec and John Mirko, either directly or through a wholly owned company, provides consulting or contract services to the Company pursuant to a consulting agreement. Mr. Broughton charges a per diem rate of \$400, and Messrs. Skerlec and Mirko charge per diem rates of \$350. During the year ended February 28, 2005, related party consulting fees of \$59,200 (2004 - \$45,400) were paid or accrued to the President and CEO. Services provided include general corporate, exploration and acquisition strategy, drafting and engineering work, contract negotiations, and investment presentations. During the year ended February 28, 2005 related party consulting fees of \$48,650 (2004 - \$40,425) were paid or accrued to the CFO and Secretary. Services provided include corporate finance initiatives, fund raising, contract negotiations, accounting, office and general management. During the year ended February 28, 2005, per-diem contract fees of \$39,100 (2004 - \$50,700) were paid or accrued to a director or a company controlled by a director. During the year ended February 28, 2005 rent costs of \$6,000 (2004 - \$6,000) were paid to a company with a director in common. As at February 28, 2005, accounts payable include \$22,245 (2004 - \$2,734) payable to related parties. These amounts were incurred in the ordinary course of business, are non-interest bearing, and without specific repayment terms.

***Risks and Uncertainties***

The Company's financial success will be dependent upon the extent to which it can discover mineralization or acquire mineral properties and the economic viability of developing its properties. The Company competes with many companies possessing greater financial resources and technical facilities than itself. The market price of minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Company's mineral exploration and development activities will be successful. The development of mineral resources involves many risks in which even a combination of experience, knowledge and careful evaluation may not be able to overcome. All of the Company's short to medium term operating and exploration cash flow must be derived from external financing. Actual funding may vary from what is planned due to a number of factors including the progress of exploration and development on its current properties. Should changes in equity market conditions prevent the Company from obtaining additional external financing, the Company will need to review its exploration property holdings to prioritize project expenditures based on funding availability.

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**Outstanding Share Data**

Authorized: 100,000,000 common shares without par value	<u>Number</u>	<u>Amount</u>
<b>Balance as at February 29, 2004</b>	20,513,817	\$ 3,087,090
Exercise of Warrants at \$0.25	2,525,000	631,250
Exercise of Agent Warrants at \$0.25	201,850	50,462
Exercise of Agent Warrants at \$0.35	358,750	125,562
Exercise of Stock Options at \$0.25	150,000	37,500
Exercise of Stock options at \$0.35	150,000	52,500
Fair Value of stock options exercised	-	59,816
<b>Balance as at February 28, 2005</b>	23,899,417	\$ 4,044,180
Private Placement at \$0.45	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	-	(57,394)
<b>Balance as at June 20, 2005</b>	26,420,917	\$ 5,017,161

During the year ended February 28, 2005, 358,750 Agent Warrants were exercised for \$0.35 per share for cash proceeds of \$125,562 and 201,850 Agent Warrants were exercised for \$0.25 per share for cash proceeds of \$50,463.

During the year ended February 28, 2005, 2,525,000 Warrants were exercised for \$0.25 per share for cash proceeds of \$631,250. Of this amount, a total of 75,000 Warrants were exercised by Directors and Officers of the Company

During the year ended February 28, 2005, a former consultant to the Company exercised 150,000 incentive stock options at \$0.25 per share for proceeds of \$37,500 and 150,000 options at \$0.35 per share for proceeds of \$52,500.

As at February 28, 2005, the following share purchase warrants are outstanding:

	<u>Number</u>	<u>Price per Share</u>	<u>Expiry Date</u>
Agent Warrants	147,500	\$ 0.25	July 26, 2005
Warrants	7,475,000	\$ 0.25	July 26, 2005

Subsequent to the end of the year ended February 28, 2005 a total of 416,000 Warrants exercisable at \$0.25 per share were exercised for proceeds of \$104,000 and 105,500 Agent Warrants exercisable at \$0.25 per share were exercised for proceeds of \$26,375 (see also *Subsequent Events*).

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Also, subsequent to year-end, a total of 1,000,000 Warrants and 159,428 Agent Warrants were issued pursuant to a private placement (see also *Subsequent Events*). At the date of this report, the following share purchase warrants were outstanding:

	Number	Price per Share	Expiry Date
Agent Warrants	42,000	\$ 0.25	July 26, 2005
Warrants	7,059,000	\$ 0.25	July 26, 2005
Agent Warrants	159,428	\$0.55	April 20, 2006
Warrants	1,000,000	\$0.55	April 20, 2006

A summary of the company's stock options at February 28, 2005 and changes for the period are as follows:

Number at February 29, 2004	Granted	Exercised	Cancelled	Expired	Number at February 28 2005	Exercise Price Per Share	Expiry
635,000	-	-	-	-	635,000	\$0.35	July 31, 2008
250,000	-	-	-	-	250,000	\$0.35	July 31, 2008
150,000	-	150,000	-	-	-	\$0.35	Aug 25, 2008
340,000	-	-	-	-	340,000	\$0.25	Feb 2, 2009
675,000	-	150,000	-	-	525,000	\$0.25	Feb 2, 2009
2,050,000	-	300,000	-	-	1,750,000		

Subsequent to year-end, 630,000 stock options exercisable at \$0.55 were granted to directors and consultants of the Company expiring on March 4, 2010. A summary of the company's stock options at the date of this report is as follows:

Number at February 28, 2005	Granted	Exercised	Cancelled	Expired	Number at June 20, 2005	Exercise Price Per Share	Expiry
635,000	-	-	-	-	635,000	\$0.35	July 31, 2008
250,000	-	-	-	-	250,000	\$0.35	July 31, 2008
340,000	-	-	-	-	340,000	\$0.25	Feb. 2, 2009
525,000	-	-	-	-	525,000	\$0.25	Feb. 2, 2009
-	630,000	-	-	-	630,000	\$0.55	March 4, 2010
1,750,000	630,000	-	-	-	2,380,000		

**STIKINE GOLD CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended February 28, 2005**  
**Dated as of June 20, 2005**

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**Subsequent Events**

Subsequent to the year-ended February 28, 2005, the Company granted incentive stock options to directors and consultants of the company to purchase up to 630,000 common shares of the company at a price of \$0.55 per share for a period of five years. Also subsequent to year-end, a total of 416,000 Warrants exercisable at \$0.25 per share were exercised for proceeds of \$104,000 and 105,500 Agent Warrants exercisable at \$0.25 per share were exercised for proceeds of \$26,375.

In April 2005, the Company completed a private placement of 2,000,000 units, each unit consisting of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share until April 20, 2006 for \$0.55. Cash fees totalling \$57,394 were paid and 159,428 warrants issued in connection with this offering, the warrants having the same terms as those issued to the private placees. Directors and Officers of the Company purchased a total of 1,062,223 units of the total 2,000,000.