



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(FORM 51-102F1)**

**YEAR ENDED FEBRUARY 28, 2007**

**JUNE 25, 2007**

**STIKINE GOLD CORPORATION**  
**Management's Discussion and Analysis**  
**Year Ended February 28, 2007**  
**Dated as of June 25, 2007**

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*This discussion and analysis should be read in conjunction with the audited annual financial statements and related notes thereto for the years ended February 28, 2006 and 2007, 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.

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

The Company is engaged in exploration for mineral resources with its primary focus for the year 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, 2007, the Company incurred a loss of \$3,484,099 having written-off \$3,652,595 in exploration and acquisition costs incurred during 2007 and in prior years. At February 28, 2007 the Company had cash and cash equivalents of \$504,446 and working capital of \$443,831.

**Selected Annual Financial Results**

	<b>Year Ended February 28, 2007</b>	<b>Year Ended February 28, 2006</b>	<b>Year Ended February 28, 2005</b>
Total revenues	Nil	Nil	Nil
Net loss	(3,484,099) <sup>1</sup>	(786,819) <sup>2</sup>	(340,234)
Net loss per share	(0.12)	(0.03)	(0.02)
Total assets	1,537,740	2,947,217	2,707,338
Total long term debt	Nil	Nil	Nil

Note 1: The loss for the year-ended February 28, 2007 includes a write-off of \$3,652,595 in resource property costs and future income tax recoveries of \$562,980.

Note 2: The loss for the year-ended February 28, 2006 includes a write-off of \$358,226 in resource property costs.

## **Results of Operations**

### *Sullivan Deeps Project Exploration*

In October of 2006, Hy-Tech Drilling Ltd. of Smithers, B.C. mobilized a diamond drill, equipment and crew to the Sullivan Deeps Project and commenced drilling "SD3". In April of 2007, SD3 intersected a 0.4 metre interval of laminated and semi-massive sulphides, comprised primarily of uneconomic pyrrhotite, at a depth of 2,659 metres.

SD3 was terminated on April 6, 2007, in the Lower Aldridge formation at a total depth of 2,696 metres (8,845 feet), in geology clearly identifiable as Sullivan "footwall". SD3 successfully reached its target depth and tested the centre of a sub-basin that also hosts the famous Sullivan Deposit and a large-scale geophysical conductor observed during down-hole UTEM4 geophysics completed by the Company in late 2004 and by others in 1996. As pyrrhotite is highly conductive, the relatively thin sulphide intervals encountered in SD3 and in previous drill holes is believed to account for the geophysical anomaly.

The Sullivan Deeps target has now been adequately tested and the Company will not conduct any future exploration at the project. The Company has written-off the total of \$3,652,595 spent on the project through February 28, 2007. Costs incurred on the Sullivan Deeps Project subsequent to year-end totalling of approximately \$270,000 will be written-off in the first quarter of fiscal 2008.

### *Catalan Copper Property*

The Company's Catalan Copper Project is located adjacent to the Gibraltar Copper Molybdenum Mine near Williams Lake, in south-central British Columbia. By agreement dated February 15, 2006 and amended in February and May of 2007, the Company has now acquired a 100% interest in the Catalan Copper Property for \$60,000, subject to a 1% net smelter return.

Assay results were recently received for the Company's initial diamond-drilling program at the Catalan Property. The initial program consisted of three diamond drill holes, designed to target previously untested copper-in-soil geochemical anomalies coincident with induced polarization (IP) and magnetic geophysical anomalies that were identified in 2005. Assays from the drilling include 0.42% copper and 27 ppm molybdenum over 2 metres within a 12 metre interval of 0.13% copper and 13.6 ppm molybdenum in hole CC07-04.

No significant values were encountered in the graphitic argillite from hole CC07-01, located near the western property boundary and CC07-02, located 310 metres south of hole CC07-01. Hole CC07-04 was located 380 metres northwest of hole CC07-02 and hole CC07-03 was lost at a depth of 50 metres. Mineralization was hosted in foliated volcanics associated with a major fault zone and included variable amounts of disseminated chalcopyrite and minor molybdenite. Table 1 below provides a summary of all assay results exceeding 0.1% copper and/or 15 ppm molybdenum.

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**Table 1. Catalan Assay Results**

Drill Hole	From (m)	To (m)	Interval (m)	Copper Cu - %	Molybdenum Mo - ppm	Silver Ag - ppm	Gold Au - ppb
CCO7-04 includes	96	108	12	0.13	13.6	0.6	2.4
	96	98	2	0.09	15.2	0.5	2.2
	98	100	2	0.14	24.0	0.7	4.1
	102	104	2	0.42	3.5	1.9	4.5
	106	108	2	0.05	27.0	0.3	1.1
CCO7-04	148	150	2	0.01	24.8	0.1	1.5

Another untested target, for intrusive-hosted copper-mineralization similar to that which occurs at Gibraltar Mine's Sawmill Zone, was also identified approximately one kilometre to the north of the January 2007 drill program, where IP chargeability anomalies occur in an area of higher ground magnetics relief. The chargeability anomalies may be reflecting stronger sulphide mineralization associated with sericite-chlorite altered zones hosted in an intrusive phase of the Granite Mountain batholith.

To February 28, 2007, the Company had incurred a total of \$264,143 at the Catalan Property including \$60,006 in acquisition costs and the balance in deferred exploration costs.

*Huskie Uranium Property Acquisition*

In May 2006, the Company purchased a 100% interest in the "Huskie Uranium Property", in Northern Saskatchewan for consideration of 1,225,000 common shares with a value of \$441,000 at May 16, 2006. The property is subject to a 2.5 percent net smelter return that is reducible to 1 percent by paying \$3-million.. The Company has also staked additional land adjacent to the original land package such that the property now comprises a total area of over 38,000 hectares, favorably located approximately 100 kilometres west of the Key Lake mine and 22 kilometres south of Cameco's Virgin River project.

The Huskie Uranium Property claims straddle the important Athabasca Basin Unconformity and have geological similarities to both the Key Lake and Virgin River settings. Exploration work in the area dates to the 1960's and has identified clastic sediments of the Athabasca Group north of the unconformity, and moraine material covers much of the unconformity. That moraine cover has historically limited any detailed exploration at the property. Importantly, two large-scale fault systems are recognized on the property, including a series of NE trending faults and a set of NW trending faults. Both structural domains are considered potential controls for uranium mineralization and proximity to the unconformity suggests relatively shallow target depths. Silt and lake sediments, float and boulders sampled to date on the property indicate anomalously radioactive, hematized, quartz-pebble conglomerate, which are believed to be from the moraine-covered unconformity on the claims.

The Company has now commenced an airborne geophysical survey over its Huskie Uranium Property. The MEGATEM electromagnetic and magnetic survey will be carried out by Fugro Airborne Surveys using a De Havilland DH7 (Dash-7) flying grid lines over 1,969 line kilometres targeting prospective areas. In conjunction with the airborne survey, the Company has

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also engaged TerraNotes Ltd. to carry out geophysical analysis and interpretation of preliminary data, followed by sophisticated modeling of the airborne survey dataset.

To February 28, 2007, the Company had recorded acquisition costs totalling \$481,176 and deferred exploration costs of \$20,852.

*Operating Expenses and Loss*

During the year ended February 28, 2007, the Company incurred a loss of \$3,484,099 and incurred exploration and acquisition costs of \$1,718,025 compared to a loss of \$786,819 and exploration expenditures of \$597,574 for the prior fiscal year. The loss increased significantly due to resource costs of \$3,652,595 written off during the current year versus only \$358,226 written-off in the prior fiscal year. Lower stock-based compensation expense in the current year (\$170,439 versus \$278,912 in 2006) and a future income tax recovery of \$562,980 (2006-nil) helped to offset the significant write-off in 2007. On a cash-basis, the Company's general and administrative overhead remains fairly consistent over time.

Resource expenditures increased from the prior fiscal year due to the Company's acquisition of the Huskie Uranium Project for \$481,176 and significant exploration at the Sullivan Deeps Project.

**Liquidity and Capital Resources**

At February 28, 2007, the Company had cash and cash equivalents of \$504,446 and working capital of \$443,831. While ongoing administrative functions can be funded, the Company will be required to raise further equity to complete its planned exploration programs and/or further acquisitions.

**Summary of Quarterly Results**

	<b>Feb. 28, 2007</b>	<b>Nov. 30, 2006</b>	<b>Aug. 31, 2006</b>	<b>May 31, 2006</b>
Total revenues	Nil	Nil	Nil	Nil
Net income (loss)	(3,263,336) <sup>1</sup>	(57,805)	(107,800)	(55,158)
Net income (loss) per share	(0.11)	(0.01)	(0.01)	(0.01)
Total assets	1,537,740	4,409,222	4,421,217	3,490,626
Total long term debt	Nil	Nil	Nil	Nil
	<b>Feb. 28, 2006</b>	<b>Nov. 30, 2005</b>	<b>Aug. 31, 2005</b>	<b>May 31, 2005</b>
Total revenues	Nil	Nil	Nil	Nil
Net income (loss)	(389,663) <sup>2</sup>	21,805 <sup>3</sup>	(80,796)	(338,165) <sup>4</sup>
Net income (loss) per share	(0.01)	0.01	(0.01)	(0.01)
Total assets	2,947,217	3,431,232	3,472,578	3,521,755
Total long term debt	Nil	Nil	Nil	Nil

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Notes:

- 1) The loss for the quarter ended February 28, 2007 includes a write-off of \$3,652,595 in resource property costs and future income tax recoveries of \$562,980.
- 2) The loss for the quarter ended February 28, 2006 includes a write-off of \$358,226 in resource property costs.
- 3) Significant interest revenues and tax credits on an abandoned property were recognized during the quarter ended November 30, 2005.
- 4) The loss for the quarter ended May 31, 2005 includes non-cash, stock-based-compensation expense of \$265,570.

**Related Party Transactions**

Each of Scott Broughton, David Skerlec, John Mirko, and John Baker 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, Mirko and Baker charge per diem rates of \$350. During the year ended February 28, 2007, consulting fees of \$25,800 (2006 - \$26,200) were paid or accrued to the President and CEO. Services provided include general corporate, exploration and acquisition strategy, planning and management, contract negotiations, and investment presentations. During the year ended February 28, 2007, consulting fees of \$30,856 (2006 - \$31,675) 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, 2007, per-diem contract fees of \$9,800 (2006 - \$20,231) were paid or accrued to a director or a company controlled by a director and no consulting fees (2006 - \$350) were paid or accrued to another director. During the year ended February 28, 2007, rent, operating and sundry costs of \$15,827 (2006 - Nil) were paid or accrued to a company with common management to the Company. At February 28, 2007, current liabilities include \$13,772 payable to related parties (2006 - \$10,868). 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.

### **Significant accounting estimates**

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes. Significant areas where management's judgment is applied include the assessment of impairment to the carrying value of mineral properties, the determination of the likelihood that future income tax benefits can be realized, and the allocation methodologies used to determine results of operations. Actual results could differ from those reported by a material amount.

#### *Mineral properties*

The most critical accounting policies, upon which the Company's carrying value of its mineral property assets depends, are those requiring estimates of mineral resources, proven and probable reserves, recoverable amounts of metals therefrom, assumptions of capital and operating costs, future metal prices, and estimated costs associated with mine reclamation and closure costs.

The Company reviews the carrying value of mineral properties and deferred exploration costs when there are events or changes in circumstances that may indicate impairment. Where estimates of future cash flows are available, an impairment charge is recorded if the undiscounted future net cash flows are less than the carrying amount. Reductions in the carrying value of properties are recorded to the extent the net book value of the property exceeds the discounted value of future cash flows. Where estimates of future cash flows are not available and where other conditions suggest impairment, management assesses if carrying value can be recovered and provides for impairment if so indicated.

Management's estimates of mineral prices, recoverable proven and probable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term, which could adversely affect the future net cash flows to be generated from the properties.

#### *Stock-based compensation and warrant valuation*

The fair value of stock-based compensation awards and warrant issuances is calculated using the Black-Scholes option pricing model. 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 stock options granted and warrants issued by the Company.

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure. Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and

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procedures as of February 28, 2007. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

**Off-balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Outstanding Share Data**

	Number	Amount
Authorized:		
100,000,000 common shares without par value		
<b>Balance as at February 28, 2005</b>	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)
<b>Balance as at February 28, 2006</b>	26,420,917	\$ 5,011,697
Issued and fully paid		
Private Placement - August 2006	3,500,000	944,714
Private Placement - December 2006	2,000,000	563,537
Exercise of Warrants at \$0.20	522,000	104,400
Huskie Uranium Acquisition	1,225,000	441,000
Fair value of warrants amended		(32,104)
Fair value of warrants exercised	-	21,149
Share issuance costs	-	(85,500)
Flow-through share renunciation – tax effect	-	(562,980)
<b>Balance as at February 28, 2007</b>	33,667,917	\$ 6,405,913
Issued and fully paid		
Exercise of stock options at \$0.10	1,125,000	112,500
Fair value of stock options exercised	-	141,044
<b>Balance as at June 25, 2007</b>	33,667,917	\$ 6,659,647

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 places.

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In December of 2006, the Company closed a \$600,000 private placement of units. A total of 2 million flow-through shares and 1 million warrants were issued, each warrant entitling the holder to acquire one additional non-flow-through common share until December 29, 2007, at price of 45 cents. Cash finders' fees totalling \$27,047 were paid, and 112,694 warrants were issued in connection with this offering, the warrants having the same terms as those issued to the private places.

The Company purchased a 100% interest in the Huskie Uranium Property during the year by issuing 1,225,000 common shares to the vendor at a price of \$0.36.

During the year, 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. Subsequent to year-end, the remaining 478,000 warrants, all held by directors, expired unexercised.

At February 28, 2007, and the date of this report, the following share purchase warrants are outstanding:

	Number	Price per Share	Expiry Date
Warrants	478,000	\$ 0.55	April 20, 2007
Warrants	1,750,000	\$ 0.45	August 22, 2007
Warrants	1,000,000	\$ 0.45	December 29, 2007
Agent Warrants	90,466	\$ 0.45	August 22, 2007
Agent Warrants	112,694	\$ 0.45	December 29, 2007
<b>Balance at February 28, 2007</b>	<b>2,953,160</b>		
Expired: Warrants	(478,000)	\$0.20	April 20, 2007
<b>Balance at June 25, 2007</b>	<b>2,475,160</b>		

In March of 2006, 200,000 options were granted to a consultant providing investor relations services to the Company, exercisable until March 13, 2011 at a price of \$0.20 per common share.

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.

In February of 2007, the Company granted 750,000 incentive stock options to directors and consultants of the Company of which 700,000 vested immediately and 50,000 are to vest over a period of one year. All stock options are exercisable at a price of \$0.30 per share for a period of five years.

A summary of the Company's stock options at February 28, 2007 and the date of this report are as follows:

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Number at February 28, 2006	Granted	Number at February 28, 2007	Exercised	Number at June 25, 2007	Exercise Price Per Share	Expiry
630,000	-	630,000	-	630,000	\$0.55	Mar. 4, 2010
585,000	-	585,000	(585,000)	-	\$0.10 <sup>(1)</sup>	July 31, 2008
250,000	-	250,000	(150,000)	100,000	\$0.10 <sup>(1)</sup>	July 31, 2008
315,000	-	315,000	(315,000)	-	\$0.10 <sup>(1)</sup>	Feb 2, 2009
525,000	-	525,000	(75,000)	450,000	\$0.10 <sup>(1)</sup>	Feb 2, 2009
-	200,000	200,000	-	200,000	\$0.20	Mar 13, 2011
-	100,000	100,000	-	100,000	\$0.30	June 1, 2011
-	750,000	750,000	-	750,000	\$0.30	Feb 20, 2011
2,305,000	1,050,000	3,355,000	(1,125,000)	2,230,000		

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.

### **Subsequent Events**

Subsequent to the year ended February 28, 2007, the Company concluded that the Sullivan Deeps Project has been adequately tested. The Company will not conduct any future exploration at the project, and at February 28, 2007, acquisition and deferred exploration costs totalling \$3,652,980 have been written-off.

Subsequent to year-end, directors of the Company exercised a total of 1,125,000 options at an exercise price of \$0.10 per share for proceeds of \$112,500. 478,000 warrants all held by directors, exercisable at \$0.55 per share, expired unexercised.

### **Outlook**

The Company is rapidly advancing plans for follow-up work at its targets at the Catalan Copper Property. At the Huskie Uranium Property the MEGATEM electromagnetic and magnetic survey, once interpreted, will be followed-up with field work as soon as ground conditions and financial resources permit.

Management of the Company also remains committed to new project generation through acquisitions and grassroots exploration.