

# **Stikine**

**Gold Corporation**

*(An Exploration Stage Company)*

## **INTERIM FINANCIAL STATEMENTS**

**For the Three Months Ended**

**MAY 31, 2007**

**(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 May 31, 2007.

**Balance Sheets**

Canadian Funds  
Unaudited

	As at May 31, 2007	As at February 28, 2007
<b>ASSETS</b>		
<b>(Unaudited)</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 153,277	\$ 504,446
Receivables	35,190	55,395
B.C. Exploration Tax Credit receivable	-	186,853
Prepaid expenses	46,568	14,836
	<u>235,035</u>	<u>761,530</u>
<b>Resource Property Costs - Schedule (Note 4)</b>	<b>824,053</b>	766,171
<b>Reclamation Bonds</b>	<b>6,000</b>	6,000
<b>Property, Plant and Equipment (Note 5)</b>	<b>3,678</b>	4,039
	<u>\$ 1,068,766</u>	<u>\$ 1,537,740</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 38,556	\$ 303,927
Due to related parties (Note 7e)	3,775	13,772
	<u>42,331</u>	<u>317,699</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 6)</b>	<b>6,659,458</b>	6,405,913
<b>Contributed Surplus (Note 6f)</b>	<b>801,719</b>	938,563
<b>Deficit - Statement 2</b>	<b>(6,434,742)</b>	(6,124,435)
	<u>1,026,435</u>	<u>1,220,041</u>
	<u>\$ 1,068,766</u>	<u>\$ 1,537,740</u>

ON BEHALF OF THE BOARD:

**"Scott Broughton"**

Scott E. Broughton, Director

**"David Skerlec"**

David J. Skerlec, Director

## Statements of Loss and Deficit

For the Three Months Ended May 31

Canadian Funds

Unaudited

	2007	2006
<b>General and Administrative Expenses</b>		
Consulting and management fees	\$ 14,100	\$ 14,017
Rent, office and sundry	9,808	5,799
Advertising, promotion and shareholder relations	8,337	7,702
Audit, accounting and legal fees	7,030	9,670
Listing and filing fees	3,651	4,658
Travel	1,863	3,681
Amortization	360	613
Bank charges and interest	243	249
Stock-based compensation	4,201	9,820
	<hr/>	<hr/>
<b>Loss before the Undernoted</b>	49,593	56,209
Resource costs written-off (Note 4a)	273,330	-
Interest income	(12,616)	(1,051)
	<hr/>	<hr/>
<b>Loss for the Period</b>	310,307	55,158
Deficit – Beginning of period	6,124,435	2,640,336
	<hr/>	<hr/>
<b>Deficit – End of Period</b>	\$ 6,434,742	\$ 2,695,494
	<hr/>	<hr/>
<b>Loss per Share - Basic and Diluted</b>	\$ (0.01)	\$ (0.01)

- See Accompanying Notes -

**Statements of Cash Flows**

For the Three Months Ended May 31

Canadian Funds

Unaudited

<b>Cash Resources Provided By (Used In)</b>	<b>2007</b>	<b>2006</b>
<b>Operating Activities</b>		
Loss for the year	\$ (310,307)	\$ (55,158)
Items not affecting cash		
Resource costs written-off	273,330	-
Stock-based compensation	4,201	9,820
Amortization	360	613
	<u>(32,416)</u>	<u>(44,725)</u>
Changes in non-cash working capital		
Receivables	20,205	918
B.C. Exploration Tax Credit receivable	186,853	-
Prepaid expenses	(31,731)	(3,172)
Accounts payable and accrued liabilities	5,433	43,347
Due to related parties	(9,997)	-
	<u>138,347</u>	<u>(3,632)</u>
<b>Investing Activities</b>		
Reclamation bonds	-	(3,500)
Resource property costs	(602,015)	(64,792)
	<u>(602,015)</u>	<u>(68,292)</u>
<b>Financing Activities</b>		
Shares issued for cash	112,500	104,400
	<u>112,500</u>	<u>104,400</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(351,168)</b>	<b>32,476</b>
Cash and cash equivalents – Beginning of period	504,446	218,024
<b>Cash and cash equivalents – End of Period</b>	<b>\$ 153,277</b>	<b>\$ 250,500</b>

**Supplemental Schedule of Non-Cash Investing and Financing Transactions**

Stock-based compensation	\$ 4,201	\$ 9,820
Exploration expenditures included in accounts payable	\$ 10,993	\$ 8,425
Fair value of options exercised – July 2008	\$ (28,691)	\$ -
Fair value of options exercised – February 2009	\$ (112,354)	\$ -
Shares issued for property	\$ 441,000	\$ 441,000

**Schedule of Resource Property Costs**

For the Three Months Ended May 31

Canadian Funds

Unaudited

	2007	2006
<b>Sullivan Deeps Project, BC, Canada</b>		
<b>Acquisition Costs</b>		
Staking and land costs	\$ 18,830	\$ 12,265
<b>Deferred Exploration Costs</b>		
Drilling costs	210,894	-
Materials, equipment and road	24,965	2,895
Geological and project management	18,995	1,050
Insurance	1,667	2,188
Travel and field transportation	1,440	-
Wages and labour costs	539	-
Geophysical (recovery)	(4,000)	-
	<u>273,330</u>	<u>18,398</u>
<b>Huskie Uranium Project, SK, Canada</b>		
<b>Acquisition Costs</b>		
Acquisition costs – shares	-	441,000
Staking, land and claim costs	-	40,086
<b>Deferred Exploration Costs</b>		
Geophysical	46,970	-
Geological, Project Management	-	3,576
Travel and Accommodation	-	1,332
	<u>46,970</u>	<u>485,994</u>
<b>Catalan Copper Project, BC, Canada</b>		
<b>Acquisition Costs</b>		
Option payment – cash	10,000	-
<b>Deferred Exploration Costs</b>		
Assaying	912	-
Geological and project management	-	1,400
	<u>10,912</u>	<u>1,400</u>
<b>Total Costs for the Period</b>	<b>331,212</b>	<b>505,792</b>
Balance - Beginning of period	<b>766,171</b>	<b>2,700,741</b>
Resource costs written-off	<b>(273,330)</b>	<b>-</b>
<b>Balance - End of Period</b>	<b>\$ 824,053</b>	<b>\$ 3,206,533</b>

**Stikine Gold Corporation***(An Exploration Stage Company)***Notes to Financial Statements****May 31, 2007 and 2006***Canadian Funds***Unaudited**

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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 an exploration 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**

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, 2007.

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**3. Fair Value of Financial Instruments**

The Company's financial instruments consist of cash, receivables, B.C. Exploration Tax Credit receivable, 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.

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**4. Resource Property Costs**

Details are as follows:

	Acquisition	Deferred Exploration	Write-off	Total May 31, 2007
British Columbia, Canada				
Sullivan Deeps Project	\$ 134,722	\$ 3,791,203	\$ 3,925,925	\$ -
Catalan Copper Project	70,006	205,049	-	<b>275,055</b>
Saskatchewan, Canada				
Huskie Uranium Project	481,176	67,822	-	<b>548,998</b>
	<b>\$ 685,904</b>	<b>\$ 4,064,074</b>	<b>\$ 3,925,925</b>	<b>\$ 824,053</b>

## Notes to Financial Statements

May 31, 2007 and 2006

Canadian Funds

Unaudited

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#### 4. Resource Property Costs – Continued

	Acquisition	Deferred Exploration	Write-off	Total May 31, 2006
British Columbia, Canada				
Sullivan Deeps Project	\$ 115,892	\$ 2,574,627	\$ -	\$ 2,690,519
Catalan Copper Project	25,120	4,900	-	30,020
Saskatchewan, Canada				
Huskie Uranium Project	481,086	4,908	-	485,994
	<u>\$ 622,098</u>	<u>\$ 2,584,435</u>	<u>\$ -</u>	<u>\$ 3,206,533</u>

- 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.

During the quarter ended May 31, 2007, the Company concluded that the Sullivan Deeps Project had been adequately tested and that no further exploration would be conducted at the project. At May 31, 2007, acquisition and deferred exploration costs totalling \$3,925,925 have been written-off.

- b) By agreement dated February 15, 2006 as amended, the Company has acquired a 100% interest in the Catalan Copper Property for cash payments totalling \$60,000. The Catalan claims lie adjacent to the Gibraltar Copper Molybdenum Mine near Williams Lake, in south-central British Columbia. The Catalan Copper Property is subject to a 1% net smelter return held by the vendor upon commencement of commercial production.
- c) On May 16, 2006, the Company completed the purchase of a 100% interest in the "Huskie Uranium Property", in Northern Saskatchewan. In order to acquire the 100% interest, the Company issued 1,225,000 common shares with a fair value of \$441,000 to the vendor. The property is subject to a 2.5 percent net smelter return held by the vendor upon commencement of commercial production that is reducible to 1 percent by paying \$3-million at any time before or after the commencement of commercial production.
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## Notes to Financial Statements

May 31, 2007 and 2006

Canadian Funds

Unaudited

### 5. Property, Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	May 31, 2007 Net Book Value	May 31, 2006 Net Book Value
Computer/Office equipment	\$ 17,336	\$ 13,657	\$ 3,678	\$ 5,876

### 6. Share Capital

a) Details are as follows:

	Number	Amount
Authorized:		
100,000,000 common shares without par value		
<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
Issued for Huskie Project (Note 5c)	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 (Note 9b)	-	(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 options exercised	-	141,045
<b>Balance as at May 31, 2007</b>	34,792,917	\$ 6,659,458

b) During the three month period ended May 31, 2007, 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.

c) As at May 31, 2007, the following share purchase warrants are outstanding:

	Number	Price per Share	Expiry Date
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

## Notes to Financial Statements

May 31, 2007 and 2006

Canadian Funds

Unaudited

### 6. Share Capital - Continued

- d) 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.
- e) A summary of the company's options at May 31, 2007 and changes for the period are as follows:

Number at February 28, 2007	Granted	Exercised	Cancelled	Expired	Number at May 31, 2007	Exercise Price Per Share	Expiry
630,000	-	-	-	-	630,000	\$0.55	Mar. 4, 2010
835,000	-	(735,000)	-	-	100,000	\$0.10	July 31, 2008
840,000	-	(390,000)	-	-	450,000	\$0.10	Feb 2, 2009
200,000	-	-	-	-	200,000	\$0.20	Mar 13, 2011
100,000	-	-	-	-	100,000	\$0.30	June 1, 2011
750,000	-	-	-	-	750,000	\$0.30	Feb. 20, 2011
3,355,000	-	(1,125,000)	-	-	2,230,000		

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 total fair value of the options granted was calculated to be \$40,405 of which \$1,377 was expensed in the quarter ended May 31, 2007. The offsetting entry is to contributed surplus.

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 options 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. The total fair value of the options granted was calculated to be \$166,052 on the grant date, of which \$102,650 was expensed and \$52,583 was capitalized to resource costs during the year ended February 28, 2007. The balance of \$10,819 in stock based compensation is to be expensed in the fiscal year ended February 28, 2008, \$2,824 of which was expensed in the three month period ended May 31, 2007. The offsetting entries are to contributed surplus.

## Notes to Financial Statements

May 31, 2007 and 2006

Canadian Funds

Unaudited

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### 6. Share Capital - Continued

#### f) Contributed Surplus

Details are as follows:

	May 31, 2007	May 31, 2006
Balance – Beginning of Period	\$ 938,563	\$ 552,078
Fair Value of options exercised in April 2007	(141,045)	-
Fair value of stock-based compensation (Note 6e)	4,201	9,820
Balance – End of Year	\$ 801,719	\$ 561,898

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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 three months ended May 31, 2007, consulting fees of \$3,600 (2006 - \$6,000) 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 three months ended May 31, 2007, consulting fees of \$10,500 (2006 - \$7,350) 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 three months ended May 31, 2007, contract fees of \$NIL (2006 - \$3,150) were paid or accrued to a company controlled by a director. These amounts were included in resource property costs.
  - d) During the three months ended May 31, 2007, rent costs of \$5,209 (2006 - \$1,832) were paid or accrued to a company with directors of the Company in common.
  - e) As at February 28, 2007, accounts payable include \$3,775 (2006 - \$13,772) 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

- a) The Company has accumulated non-capital losses for income tax purposes of approximately \$1,244,245 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	206,730
2017	326,848
	<u>\$ 1,244,245</u>

## Notes to Financial Statements

May 31, 2007 and 2006

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	2007	2006
Statutory tax rate	34%	35%
Unamortized share issue costs	\$ 63,367	\$ 75,538
Non-capital losses	424,536	318,042
Equipment	5,915	3,796
Exploration and development expenditures	1,465,165	321,426
Renunciation of Exploration Credits	(562,980)	-
		718,622
Less: Valuation allowance	(1,396,980)	(718,622)
	\$ -	\$ -

- b) 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.

The total amount of funds raised through the sale of the Flow-through common shares must be spent on qualified mineral exploration. The proceeds from the Flow-through common shares are restricted in use for certain qualifying Canadian Exploration Expenditures ("CEE") under Canadian Tax Legislation.

Funds raised by the Company through the sale of the flow-through common shares must be spent on qualified mineral exploration. During the year ended February 28, 2007, the Company raised a total of \$1,650,000 through the issuance of flow-through securities, which funds have been expended on qualifying expenditures. The entire amount was renounced, for income tax purposes, to the flow-through investors with an effective date of renunciation of December 31, 2006.

For the amount that was renounced during the year ended February 28, 2007, the future tax liability amounted to \$562,980. The Company's tax pool balances exceed this estimated liability. Therefore, the Company reduced its share capital account and recorded future income tax recovery of \$562,980.

The Company has incurred approximately \$4,294,153 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.