

STIKINE GOLD CORPORATION

(A Development Stage Company)

INTERIM FINANCIAL STATEMENTS

For the Six Months Ended

AUGUST 31, 2004

(Expressed in Canadian Dollars)

Prepared by Management Without Audit

UNADITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended August 31, 2004.

Stikine Gold Corporation

(A Development Stage Company)

Statement 1

Balance Sheet

Canadian Funds

	As at August 31, 2004 (Unaudited)	As at February 29, 2004
ASSETS		
Current		
Cash and cash equivalents	\$ 794,188	\$ 1,422,462
Receivables	259,354	19,012
Prepaid expenses	9,123	19,013
	<u>1,062,665</u>	<u>1,460,487</u>
Resource Property Costs - Schedule (Note 4)	1,376,359	455,503
Reclamation Bonds	2,500	7,500
Property, Plant and Equipment (Note 5)	6,277	7,385
	<u>\$ 2,447,801</u>	<u>\$ 1,930,875</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 168,128	\$ 24,085
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	3,990,010	3,420,073
Deficit (Statement 2)	(1,710,337)	(1,513,283)
	<u>2,279,673</u>	<u>1,906,790</u>
	<u>\$ 2,447,801</u>	<u>\$ 1,930,875</u>

ON BEHALF OF THE BOARD:

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

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

- See Accompanying Notes -

Stikine Gold Corporation

(A Development Stage Company)

Statement 2

Statement of Loss and Deficit

Unaudited

Canadian Funds

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>August 31,</u>	<u>August 31,</u>	<u>August 31,</u>	<u>August 31,</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Expenses				
Advertising, shareholder relations	\$ 33,566	\$ 17,145	\$ 56,788	\$ 17,416
Amortization	554	213	1,108	426
Audit, accounting and legal fees	7,598	9,055	14,778	13,651
Bank charges and interest	142	-	305	-
Consulting fees – related parties	26,800	27,625	54,550	35,225
Consulting fees and expenses	12,500	801	28,500	801
Listing and filing fees	4,433	308	9,938	652
Office and sundry	3,701	5,272	7,282	8,958
Rent	1,500	1,500	3,000	3,000
Stock-based compensation	-	17,646	-	25,333
Travel	4,397	256	22,664	843
Loss before under-noted	95,191	79,821	198,913	106,305
Interest Income	(570)	(695)	(1,859)	(884)
Loss for the Period	94,621	79,126	197,054	105,421
Deficit, beginning of period	1,615,716	70,682	1,513,283	44,387
Deficit, End of Period	\$ 1,710,337	\$ 149,808	\$ 1,710,337	\$ 149,808
Loss per Share - Basic and Diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01

- See Accompanying Notes -

Stikine Gold Corporation*(A Development Stage Company)*

Statement 3

Statement of Cash Flows**Unaudited***Canadian Funds*

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>August 31,</u> <u>2004</u>	<u>August 31,</u> <u>2003</u>	<u>August 31,</u> <u>2004</u>	<u>August 31,</u> <u>2003</u>
Cash Resources Provided By (Used In):				
Operating Activities				
Loss for the period	\$ (94,621)	\$ (79,126)	\$ (197,054)	\$ (105,421)
Items not affected by cash:				
Stock-based compensation	-	17,646	-	25,333
Amortization	554	213	1,108	426
	<u>(94,067)</u>	<u>(61,267)</u>	<u>(195,946)</u>	<u>(79,662)</u>
Changes in non-cash working capital:				
Receivables	(238,439)	(27,357)	(240,342)	(31,976)
Prepaid expenses	3,068	(7,832)	9,890	(8,098)
Accounts payable and accrued liabilities	161,629	42,544	144,043	71,313
	<u>(167,809)</u>	<u>(53,912)</u>	<u>(282,355)</u>	<u>(48,423)</u>
Investing Activities				
Reclamation Bond	5,000	(5,000)	5,000	(5,000)
Resource property costs	(587,193)	(584,732)	(920,856)	(618,538)
	<u>(582,193)</u>	<u>(589,732)</u>	<u>(915,856)</u>	<u>(623,538)</u>
Financing Activities				
Shares issuance proceeds	563,917	1,105,555	569,937	1,105,555
Share issuance costs	-	(148,460)	-	(219,184)
	<u>563,917</u>	<u>957,095</u>	<u>569,937</u>	<u>886,371</u>
Net Increase in Cash and cash equivalents	(186,085)	313,451	(628,274)	214,410
Cash and cash equivalents - Beginning of Period	980,273	10,564	1,422,462	109,605
Cash and cash equivalents - End of Period	\$ 794,188	\$ 324,015	\$ 794,188	\$ 324,015
Supplemental Schedule of non-cash Transactions				
Stock-based compensation	\$ -	\$ 17,646	\$ -	\$ 25,333
Shares issued for property	-	28,000	-	28,000
Shares issue for services	-	25,000	-	25,000
	<u>\$ -</u>	<u>\$ 78,333</u>	<u>\$ -</u>	<u>\$ 78,333</u>

- See Accompanying Notes -

Stikine Gold Corporation

(A Development Stage Company)

Schedule

Schedule of Resource Property Costs

Canadian Funds

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>August 31,</u> <u>2004</u>	<u>August 31,</u> <u>2003</u>	<u>August 31,</u> <u>2004</u>	<u>August 31,</u> <u>2003</u>
Sullivan Deeps Project, B.C., Canada				
Acquisition Costs				
Staking, land and claim costs	\$ 7,754	\$ -	\$ 7,754	\$ -
Deferred Exploration Costs				
Drilling costs	427,233	-	682,419	-
Geological, Project Management	51,703	-	78,778	-
Maps and reports	-	-	1,452	-
Accommodation and meals	6,793	-	11,650	-
Field Transportation	1,095	-	1,095	-
Materials and equipment	45,496	-	78,476	-
Communication	3,552	-	5,184	-
Insurance	1,250	-	2,500	-
Travel	4,746	-	9,521	-
	<u>549,622</u>	<u>-</u>	<u>878,829</u>	<u>-</u>
General Exploration – Latin America				
Deferred Exploration Costs				
Geological, Project Management	-	-	2,450	-
Consulting	34,941	-	34,941	-
Travel and Accommodation	1,158	-	1,411	-
Materials	1,372	-	2,395	-
Communication	100	-	830	-
	<u>37,571</u>	<u>-</u>	<u>42,027</u>	<u>-</u>
Total Costs for the Period	587,193	612,732	920,856	629,538
Balance - Beginning of Period	<u>789,166</u>	<u>228,265</u>	<u>455,503</u>	<u>194,459</u>
Balance - End of Period	\$ 1,376,359	\$ 840,997	\$ 1,376,359	\$ 840,997

- See Accompanying Notes -

Notes to Financial Statements

August 31, 2004

Canadian Funds

1. Nature of Operations

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

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

2. Significant Accounting Policies

These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements as at February 29, 2004.

3. Fair Value of Financial Instruments

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

4. Resource Property Costs

Details are as follows:

	Acquisition	Deferred Exploration	Total August 31 2004	Total August 31 2003
Sullivan Deeps Project British Columbia, Canada	\$ 86,077	\$ 940,055	\$ 1,026,132	\$ -
General - Latin America	267,485	82,742	350,227	-
	<u>\$ 353,562</u>	<u>\$ 1,022,797</u>	<u>\$ 1,376,359</u>	<u>\$ -</u>

Notes to Financial Statements

August 31, 2004

Canadian Funds

4. Resource Property Costs - Continued

- 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, 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 and \$4 million 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	-	1,500,000*
On or before August 31, 2007	-	2,500,000
	100,000	\$ 4,000,000

* Of this initial amount, \$500,000 is a firm commitment and is to include at least one drill test. Should the Company not incur this amount, it must pay Teck Cominco the difference between \$500,000 and the total amount incurred to January 31, 2005.

Upon completion of this earn-in stage, Teck Cominco will have 90 days to elect to become operator and form a joint venture with Stikine, or Stikine 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 Stikine.

- b) The Company has grubstaked a prospector to search for, and to subsequently acquire, certain mineral properties of interest and meeting the Company's criteria in Latin America. Acquisition and deferred exploration costs to date totalling \$350,227 have been capitalized; however there is no assurance the Company will be successful in acquiring its properties.

5. Property, Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	August 31, 2004 Net Book Value	August 31, 2003 Net Book Value
Computer equipment	\$ 9,690	\$ 3,413	\$ 6,277	\$ 2,412

Notes to Financial Statements

August 31, 2004

Canadian Funds

6. Share Capital

a) Details are as follows:

	Number	Amount
Authorized:		
100,000,000 common shares without par value		
Balance at February 28, 2003	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)
Stock based compensation	-	332,983
Balance as at February 29, 2004	20,513,817	3,420,073
Issued and fully paid		
Exercise of Warrants at \$0.25	1,700,000	425,000
Exercise of Agent Warrants at \$0.25	77,500	19,375
Exercise of Agent Warrants at \$0.35	358,750	125,562
Balance as at August 31, 2004	22,650,067	\$ 3,990,010

b) During the period ended August 31, 2004, 358,750 Agent Warrants were exercised for \$0.35 per share for cash proceeds of \$125,562.

c) During the period ended August 31, 2004, 77,500 Agent Warrants were exercised for \$0.25 per share for cash proceeds of \$19,375.

d) During the period ended August 31, 2004, 1,700,000 Warrants were exercised for \$0.25 per share for cash proceeds of \$425,000.

e) As at August 31, 2004, the following share purchase warrants are outstanding:

	Number	Price per Share	Expiry Date
Agent Warrants	271,850	\$ 0.25	July 26, 2005
Warrants	8,300,000	\$ 0.25	July 26, 2005

f) As at August 31, 2004, 2,486,000 shares are held in escrow, to be released over time.

Notes to Financial Statements

August 31, 2004

Canadian Funds

6. Share Capital - Continued

g) 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. 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. A summary of the company's options at August 31, 2004 are as follows:

h)

Number at Feb 29, 2004	Granted	Exercised	Cancelled	Expired	Number at August 31, 2004	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	-	-	-	-	675,000	\$0.25	Feb 2, 2009
2,050,000	-	-	-	-	2,050,000		

Effective 1 March 2003, the company adopted the recommendations of CICA Handbook Section 3870, Stock-based compensation. The new standard requires that stock-based awards made to employees and non-employees are to be measured and recognized using a fair value based method. Compensation expense is based on the fair value (based on Black-Scholes option pricing model) of the options on the grant date.

There were no options granted during the six months ended August 31, 2004.

7. Related Party Transactions

- During the six months ended August 31, 2004, consulting fees of \$29,000 (2003 - \$18,600) were paid to the Company's President and Chief Executive Officer.
- During the six months ended August 31, 2004, consulting fees of \$25,550 (2003 - \$16,625) were paid to the Company's Chief Financial Officer and Corporate Secretary.
- During the six months ended August 31, 2004, per diem contract fees of \$19,250 (2003 - \$29,400) were paid or accrued to a director or a company controlled by a director. These amounts were included in resource property costs.
- During the six months ended August 31, 2004, rent costs of \$3,000 (2003 - \$3,000) were paid to a company with a director in common.

Notes to Financial Statements

August 31, 2004

Canadian Funds

8. Income Taxes

The Company has incurred certain mineral property related expenditures of approximately \$332,000 which may be carried forward indefinitely and are available to offset future taxable income.

The Company has non-capital losses for tax purposes of approximately \$378,500 which are available to offset future taxable income. These losses may be carried forward and expire as follows:

2010	\$	43,000
2011		335,500
	\$	<u>378,500</u>

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

9. Segmented Information

a) Details on a geographic basis as at August 31, 2004 is as follows:

	Latin America	Canada	Total
Assets	\$ 350,227	\$ 2,097,574	\$ 2,447,801
Resource Property costs	\$ 350,227	\$ 1,026,132	\$ 1,376,359
Loss for the 6 months Ended August 31, 2004	\$ -	\$ 197,054	\$ 197,054

b) Details on a geographic basis as at August 31, 2003 is as follows:

	Latin America	Canada	Total
Assets	\$ -	\$ 1,227,624	\$ 1,227,624
Resource Property costs	\$ -	\$ 840,997	\$ 840,997
Loss for the 6 months Ended August 31, 2003	\$ -	\$ 105,421	\$ 105,421
