

STIKINE GOLD CORPORATION

(A Development Stage Company)

FINANCIAL STATEMENTS

FEBRUARY 28, 2003 and 2002

STALEY, OKADA & PARTNERS

Chartered Accountants

AUDITORS' REPORT

To the Directors of Stikine Gold Corporation:

We have audited the balance sheet of Stikine Gold Corporation (A Development Stage Company) as at February 28, 2003 and 2002 and the statements of loss and deficit and cash flows for the periods ended February 28, 2003, 2002 and 2001. 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, 2003 and 2002 and the results of its operations and its cash flows for the periods ended February 28, 2003, 2002 and 2001 in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding years.

“Staley, Okada & Partners”

Surrey, B.C.
14 April 2003 *except as to Note 9(a) which is as of 15 May 2003*

STALEY, OKADA & PARTNERS
CHARTERED ACCOUNTANTS

Balance Sheet

As at February 28
Canadian Funds

ASSETS	2003	2002
Current		
Cash (Note 6d)	\$ 109,605	\$ 1
Receivables	15,127	-
	<hr/> 124,732	<hr/> 1
Resource Property Costs - Schedule (Note 4)	194,459	-
Capital Assets (Note 5)	2,837	-
	<hr/> \$ 322,028	<hr/> \$ 1
<hr/>		
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 28,580	\$ -
	<hr/>	<hr/>
<hr/>		
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	337,835	1
Deficit - Statement 2	(44,387)	-
	<hr/> 293,448	<hr/> 1
	<hr/> \$ 322,028	<hr/> \$ 1

ON BEHALF OF THE BOARD:

"John M. Mirko" _____, Director

"Scott E. Broughton" _____, Director

Statement of Loss and Deficit

For the Periods Ended February 28
Canadian Funds

	2003	2002	2001
General and Administrative Expenses			
Audit, accounting and legal fees	\$ 3,560	\$ -	\$ -
Amortization	501	-	-
Bank charges and interest	504	-	-
Consulting fees	28,150	-	-
Listing and filing fees	337	-	-
Promotion	1,891	-	-
Rent, office and sundry	5,113	-	-
Travel	4,663	-	-
Loss before the Following	44,719	-	-
Interest Income	(332)	-	-
Deficit, Being Loss for the period	\$ 44,387	\$ -	\$ -
Loss per Share - Basic and Diluted	\$ (0.01)	\$ (0.00)	\$ (0.00)

Statement of Cash Flows

For the Periods Ended February 28
Canadian Funds

Cash Resources Provided By (Used In)	2003	2002	2001
Operating Activities			
Loss for the period	\$ (44,387)	\$ -	\$ -
Item not affected by cash			
Amortization	501	-	-
	(43,886)	-	-
Changes in non-cash working capital			
Receivables	(14,627)	-	-
Accounts payable and accrued liabilities	28,579	-	-
	(29,934)	-	-
Investing Activities			
Purchase of capital assets	(3,338)	-	-
Resource property costs	(194,459)	-	-
	(197,797)	-	-
Financing Activities			
Shares issued for cash	40,000	-	1
Shares allotted for cash	309,877	-	-
Share issuance costs	(12,542)	-	-
	337,335	-	1
Net Increase in Cash Position	109,604	-	1
Cash position - Beginning of period	1	1	-
Cash Position – End of Period	\$ 109,605	\$ 1	\$ 1

Schedule of Resource Property Costs

For the Period Ended February 28, 2003

Canadian Funds

Williams Gold Project, B.C., Canada	
Acquisition costs	
Option payment - cash	\$ 10,000
Staking	14,892
	<hr/>
	24,892
Deferred exploration costs	
Geophysical	86,514
Aircraft charter	30,701
Geological	21,650
Maps and reports	9,314
Travel	8,569
Accommodation and meals	7,357
Communication	4,379
Materials	1,083
	<hr/>
	169,567
	<hr/>
Costs for the Period, Being Balance – End of Period	\$ 194,459

Notes to Financial Statements

February 28, 2003 and 2002
Canadian Funds

1. Nature of Operations

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

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

2. Significant Accounting Policies

a) Mineral Properties

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

Mineral 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 mineral 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 mineral 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 characteristics of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

b) Environmental Expenditures

The operations of the company have been, and may in the future be, affected from time to time in varying degrees by changes in environmental regulations, including those for future reclamation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the company vary greatly and are not predictable. The company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future reclamation and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

Notes to Financial Statements

February 28, 2003 and 2002
Canadian Funds

2. Significant Accounting Policies - Continued

c) Amortization

The company provides for amortization on its capital assets at an annual rate of 30% for computer equipment on the declining balance method. One-half of the above rate is taken in the year of acquisition.

d) 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 deferred 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.

e) 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 reduced by an estimate of transaction costs normally incurred when issuing shares for cash, as determined by the board of directors of the company.

f) Stock Compensation

The company has established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services as follows:

Non-employees

The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method.

Employees

The standard encourages the use of a fair value based method for all awards to employees, but only requires the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that a Company has the ability to settle in stock are recorded as equity, whereas awards that the entity is required to or has a practice of settling in cash are recorded as liabilities. The Company has elected to account for employee stock options by measuring compensation cost for options as the excess, if any, of the quoted market price of the Company's common shares at the date of grant over the amount an employee must pay to acquire the common shares. As required for the employee stock options, the Company discloses pro-forma income (loss) and pro-forma earnings (loss) per share using a fair value based method.

Notes to Financial Statements

February 28, 2003 and 2002
Canadian Funds

2. Significant Accounting Policies - Continued

g) Loss per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. 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.

h) 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.

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.

Notes to Financial Statements

February 28, 2003 and 2002
Canadian Funds

4. Resource Property Costs

By agreement dated December 18, 2002 and amended March 26 and April 1, 2003, the Company was granted an option to acquire a 70% interest in certain claims located in the Liard Mining Division, B.C., known as the William's Gold property. In order to earn the interest the Company is required to become publicly listed no later than August 31, 2003 (Note 9), and, at its option, complete the following:

	Cash Payments	Share Issuances	Incur Exploration Expenditures
Upon signing of the agreement (paid)	\$ 10,000	-	\$ -
On or before December 31, 2002 (completed)	-	-	125,000
On or before May 1, 2003 (paid subsequent to year end)	25,000	-	-
On or before 15 days after the Company's shares are listed for trading on the Exchange (the "Listing Date") and before August 31, 2003	-	100,000	-
On or before December 31, 2003	-	-	300,000
On or before May 1, 2004	40,000	-	-
On or before the first anniversary of the Listing Date and before June 15, 2004	-	50,000	-
On or before December 31, 2004	-	-	350,000
On or before the second anniversary of the Listing Date and before June 15, 2005	50,000 *	-	-
On or before December 31, 2005	-	-	725,000
On or before the third anniversary of the Listing Date and before June 15, 2006	50,000 *	-	-
	<u>\$ 175,000</u>	<u>150,000</u>	<u>\$ 1,500,000</u>

* At the election of the Company, each of these payments may be made by the issue of shares having an aggregate market value of \$50,000 at the time of issuance.

Upon completion of the above requirements, the Company will earn a 70% interest in the Property. This interest is subject to an ongoing minimum annual expenditure requirement of property expenditures of \$500,000 or a cash payment of \$50,000 in lieu. If the Company does not make these annual expenditures or the cash payment in lieu, the property interest reverts back to the Optionor. This requirement continues until such time as a feasibility report has been prepared and approved by the Company and the Optionor at which time a joint venture will be formed with the optionor. The Company may earn an additional 5% interest in the property (for a total of 75%) by arranging financing for the optionors share of the development costs.

The Property is subject to a 2.5% Net Smelter Return ("NSR") royalty, of which 1.5% may be purchased by the joint venture for \$2,000,000.

Notes to Financial Statements

February 28, 2003 and 2002
 Canadian Funds

5. Capital Assets

Details are as follows:

	Cost	Accumulated Amortization	2003 Net Book Value
Computer equipment	\$ 3,338	\$ 501	\$ 2,837

6. Share Capital

a) Details are as follows:

	Number	Amount
Authorized:		
100,000,000 common shares without par value		
Issued and fully paid:		
Seed capital	4,000,001	\$ 40,001
Allotted and fully paid:		
Regular Special Warrants	1,005,000	100,500
Flow-through Special Warrants	1,382,516	209,877
Share issuance costs	-	(12,543)
	6,387,517	\$ 337,835

b) During the year ended February 28, 2003 the Company issued 4,000,000 shares to two directors for total proceeds of \$40,000.

c) During the year ended February 28, 2003 the Company completed various private placements consisting of 1,005,000 Regular Special Warrants for gross proceeds of \$100,500 and 1,382,516 Flow-through Special Warrants for gross proceeds of \$209,877. Each Regular Special Warrant entitles its holder to receive one common share, and each Flow-through Special Warrant entitles its holder to receive one flow-through common share at any time before the date (the "Expiry Date") which is the earlier of 24 months from the date the Regular and Flow-through Special Warrants are issued or the fifth business day after a receipt ("Final Receipt") is issued by regulatory authorities for a final prospectus qualifying the distribution of the underlying common and flow-through shares upon the exercise or deemed exercise of the Special Warrants. Any unexercised Special Warrants will be deemed to be exercised immediately prior to the Expiry Date.

The securities to be issued on exercise of the Special Warrants will be subject to certain trading restrictions unless the Final Receipt has been issued prior to the conversion date, in which case the securities will be free trading subject to trading restrictions imposed by the Exchange (*Note 9*).

A director and officer of the Company subscribed for 70,000 flow-through special warrants at \$0.15 per special warrant, for total proceeds of \$10,500 and a director of the Company subscribed for 33,333 flow-through special warrants at \$0.15 for total proceeds of \$5,000.

Notes to Financial Statements

February 28, 2003 and 2002
Canadian Funds

6. Share Capital - Continued

- d) 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 Special Warrants must be spent on qualified mineral exploration. The proceeds from the Flow-through Special Warrants are restricted in use for certain qualifying Canadian Exploration Expenditures ("CEE") under Canadian Tax Legislation.

Of the total proceeds of \$209,877 from the sale of Flow-through Special Warrants, \$169,567 were spent by the Company on qualifying expenditures up to February 28, 2003. These expenditures were renounced, for income tax purposes, to the flow-through investors with an effective date of renunciation of December 31, 2002. The difference of \$40,310 is required to be spent on qualifying expenditures.

7. Related Party Transactions

Related party transactions not disclosed elsewhere are as follows:

- a) During the year ended February 28, 2003 per diem geological fees of \$7,000 and claims staking costs of \$6,683 were paid to a company controlled by a director. These amounts were included in resource property costs.
- b) During the year ended February 28, 2003 per diem geological fees of \$6,300 were paid to a director. These amounts were included in resource property costs.
- c) During the year ended February 28, 2003 consulting fees of \$26,000 were paid to a director and officer.
- d) During the year ended February 28, 2003 rent costs of \$4,000 were paid to a company with a director in common.
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8. Income Taxes

The Company has incurred certain mineral property related expenditures of approximately \$24,000 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 \$47,000 which are available to offset future taxable income. These losses may be carried forward and expire in 2009.

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

Stikine Gold Corporation
(A Development Stage Company)

Notes to Financial Statements

February 28, 2003 and 2002
Canadian Funds

9. Subsequent Events

- a) By an agency agreement dated April 28, 2003 and the company's final prospectus dated May 15, 2003, the Company is planning to offer, by way of Initial Public Offering ("IPO") on the TSX Venture Exchange (the "Exchange"), up to 6,000,000 common shares for gross proceeds of up to \$1,500,000 at prices of \$0.25 per non flow-through share and \$0.35 per flow-through common share. Completion of the IPO is subject to subscriptions for shares totalling a minimum of \$1,000,000, of which \$500,000 must be from the sale of non flow-through shares.

The agent will receive a cash commission of 10% of the gross proceeds of the IPO. As further consideration, the agent will receive a non-refundable corporate finance fee of \$10,000 in cash (paid subsequent to year end), 100,000 common shares of the Company upon completion of the IPO, and warrants ("Agent's Warrants") to purchase common shares of the company in the amount equal to 10% of the number of shares issued under the IPO. The Agent's Warrants will be exercisable for a period of one year from the completion of the IPO at a price of \$0.35 per share. The company will also reimburse the agent for all reasonable expenses.

- b) Subsequent to year end the Company granted, subject to completion of the IPO, 975,000 stock purchase options exercisable at \$0.35 per share expiring five years from the listing date of the Company on the Exchange.
-