

STIKINE GOLD CORPORATION

(A Development Stage Company)

FINANCIAL STATEMENTS

FEBRUARY 28, 2006 AND 2005

AUDITORS' REPORT

To the Shareholders of Stikine Gold Corporation:

We have audited the balance sheet of Stikine Gold Corporation (a development stage company) (the "Company") as at February 28, 2006 and 2005 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 audit.

We conducted our audit 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Staley, Okada & Partners"

Vancouver, BC
May 19, 2006

STALEY, OKADA & PARTNERS
CHARTERED ACCOUNTANTS

Balance Sheets

As at February 28
Canadian Funds

ASSETS	2006	2005
Current		
Cash	\$ 218,024	\$ 166,569
Receivables	6,174	54,302
Prepaid expenses	13,289	11,844
	<u>237,487</u>	<u>232,715</u>
Resource Property Costs - Schedule (Note 4)	2,700,741	2,461,393
Reclamation Bonds	2,500	2,500
Computer and Office Equipment (Note 5)	6,489	10,730
	<u>\$ 2,947,217</u>	<u>\$ 2,707,338</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 13,092	\$ 221,263
Due to related parties	10,686	22,245
	<u>23,778</u>	<u>243,508</u>

Going Concern (Note 1)

SHAREHOLDERS' EQUITY

Share Capital (Note 6)	5,011,697	4,044,180
Contributed Surplus (Note 6g)	552,078	273,167
Deficit - Statement 2	(2,640,336)	(1,853,517)
	<u>2,923,439</u>	<u>2,463,830</u>
	<u>\$ 2,947,217</u>	<u>\$ 2,707,338</u>

ON BEHALF OF THE BOARD:

"Scott E. Broughton", Director

"John M. Mirko", Director

Statements of Loss and Deficit

For the Years Ended February 28

Canadian Funds

	2006	2005
General and Administrative Expenses		
Consulting fees – stock based compensation	\$ 278,911	\$ -
Consulting fees and wage expense	73,250	157,425
Advertising, promotion and shareholder relations	36,833	85,805
Audit, accounting and legal fees	27,521	24,419
Listing and filing fees	16,920	15,444
Rent, office and sundry	15,265	25,251
Travel	12,553	33,346
Amortization	4,241	4,301
Bank charges and interest	554	636
	<hr/>	<hr/>
Loss before the Undernoted	466,048	346,627
Resource costs written-off <i>(Note 4c)</i>	358,226	-
Tax credit on abandoned property	(24,400)	-
Interest income	(13,055)	(6,393)
	<hr/>	<hr/>
Loss for the Year	786,819	340,234
Deficit – Beginning of year	1,853,517	1,513,283
	<hr/>	<hr/>
Deficit – End of Year	\$ 2,640,336	\$ 1,853,517
	<hr/>	<hr/>
Loss per Share - Basic and Diluted	\$ (0.03)	\$ (0.02)

Statements of Cash Flows

For the Years Ended February 28

Canadian Funds

Cash Resources Provided By (Used In)	2006	2005
Operating Activities		
Loss for the year	\$ (786,819)	\$ (340,234)
Items not affecting cash		
Resource costs written-off	358,226	-
Consulting fees - stock-based compensation	278,912	-
Amortization	4,241	4,301
	<u>(145,440)</u>	<u>(335,933)</u>
Changes in non-cash working capital		
Receivables	48,128	(35,290)
Prepaid expenses	(1,445)	7,169
Accounts payable and accrued liabilities	2,298	199,912
Due to related parties	(11,559)	19,511
	<u>(108,018)</u>	<u>(144,631)</u>
Investing Activities		
Purchase of computer and office equipment	-	(7,646)
Reclamation bonds	-	5,000
Resource property costs	(1,199,697)	(2,005,890)
Recovery of resource property costs	391,653	-
	<u>(808,044)</u>	<u>(2,008,536)</u>
Financing Activities		
Shares issued for cash	1,030,375	897,274
Share issuance costs	(62,858)	-
	<u>967,517</u>	<u>897,274</u>
Net Increase (Decrease) in Cash Position	51,455	(1,255,893)
Cash position – Beginning of period	166,569	1,422,462
Cash Position – End of Period	\$ 218,024	\$ 166,569

Supplemental Schedule of Non-Cash Investing and Financing Transactions

Stock-based compensation included in contributed surplus	\$ 278,912	\$ -
Exploration expenditures included in accounts payable and due to related parties	\$ 8,425	\$ 218,895
Fair value of stock options exercised	\$ -	\$ 59,816

Schedule of Resource Property Costs

For the Years Ended February 28

Canadian Funds

	2006	2005
Sullivan Deeps Project, BC, Canada		
Acquisition Costs		
Staking and land costs	\$ 16,811	\$ 8,493
Deferred Exploration Costs		
Drilling costs	641,026	1,379,588
Materials and equipment and road	217,722	186,632
Geological and project management	62,544	172,569
Insurance	7,188	5,000
Wages and labour costs	5,323	20,115
Travel and field transportation	5,144	25,936
Accommodation and meals	1,179	20,491
Communication	732	9,574
Maps and reports	549	1,602
Assays	48	855
Geophysical costs	-	127,350
Exploration tax credits received	(391,653)	-
	566,613	1,958,205
Catalan Copper Project, BC, Canada		
Acquisition Costs		
Option payment – cash	25,000	-
Staking and land costs	120	-
Deferred Exploration Costs		
Geological and project management	3,500	-
	28,620	-
General Exploration - Latin America		
Deferred Exploration Costs		
Materials	-	2,923
Geological and project management	1,377	2,450
Consulting	964	34,941
Travel, accommodation and meals	-	6,541
Communication	-	830
	2,341	47,685
Total Costs for the Year		
	597,574	2,005,890
Balance - Beginning of year	2,461,393	455,503
Resource costs written-off	(358,226)	-
Balance - End of Year	\$ 2,700,741	\$ 2,461,393

Notes to Financial Statements

February 28, 2006 and 2005
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 these operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown, and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At February 28, 2006, the Company had not yet achieved profitable operations and has accumulated a deficit of \$2,640,336 since its inception, and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities from normal business operations when they become due.

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.

Notes to Financial Statements

February 28, 2006 and 2005
Canadian Funds

2. Significant Accounting Policies - Continued

b) Resource Properties and Deferred Exploration Expenditures - Continued

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.

d) Asset Retirement Obligations

The Company recognizes the 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 are 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.

e) Amortization

The Company provides for amortization at an annual rate of 30% for computer 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 escrow shares and the exercise of stock options and warrants 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.

Notes to Financial Statements

February 28, 2006 and 2005
Canadian Funds

2. Significant Accounting Policies - Continued

h) Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

i) Foreign Currency Translation

The Company's functional and reporting currency is the Canadian dollar. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date.

j) Variable Interest Entities

Effective 1 March 2005, the Company adopted Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("VIEs"), issued by the Canadian Institute of Chartered Accountants. VIEs are entities that have insufficient equity and/or their equity investors lack one or more specified essential characteristics of a controlling financial interest. The guideline provides specific guidance for determining when an entity is a VIE and who, if anyone, should consolidate the VIE. The adoption of this standard does not have an impact on the financial statements, either in the current or prior years presented

k) 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.

l) 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.

Notes to Financial Statements

February 28, 2006 and 2005
Canadian Funds

2. Significant Accounting Policies - Continued

m) Flow-Through Shares

The Company accounts for flow-through agreements using the Emerging Issues Committee Abstract 146 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.

n) 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.

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 2006
Sullivan Deeps Project, BC, Canada	\$ 103,627	\$ 2,568,494	\$ 2,672,121
Catalan Copper Project, BC, Canada	25,120	3,500	28,620
	<u>\$ 128,747</u>	<u>\$ 2,571,994</u>	<u>\$ 2,700,741</u>

Notes to Financial Statements

February 28, 2006 and 2005
 Canadian Funds

4. Resource Property Costs – *Continued*

	Acquisition	Deferred Exploration	Total February 28 2005
Sullivan Deeps Project, BC, Canada	\$ 86,816	\$ 2,018,692	\$ 2,105,508
General - Latin America	267,485	88,400	355,885
	<u>\$ 354,301</u>	<u>\$ 2,107,092</u>	<u>\$ 2,461,393</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. As consideration for the assignment of the option, in a prior year, the Company reimbursed Mariner Ventures Corporation, a related company, for \$53,394 in costs and was later credited with a refund of \$2,251, for net acquisition costs of \$51,143. To earn its 50% interest in the property, the Company, at its option, must issue 100,000 shares to Teck Cominco (issued) and incur \$1,500,000 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% net smelter return, reducible to 1% upon payment of \$2,500,000 by the Company.

Notes to Financial Statements

February 28, 2006 and 2005

Canadian Funds

4. Resource Property Costs – *Continued*

- b) By option agreement dated February 15, 2006, the Company has acquired the right to earn a 100% interest in the Catalan Copper Property, with claims adjacent to the Gibraltar Copper Molybdenum Mine near Williams Lake, in south-central British Columbia.

In order to vest its interest in Catalan Copper, Stikine must pay, at its option, a total of \$160,000 to the vendor as summarized below:

	<u>Cash Payment</u>
Upon signing (paid)	\$ 25,000
On or before August 15, 2006	25,000
On or before February 15, 2007	<u>110,000</u>
	<u>\$ 160,000</u>

In addition, the Company must, at its option, complete a diamond drilling program of at least 500 metres before February 15, 2007. The Catalan Copper Property is subject to a 1% net smelter return held by the vendor upon commencement of commercial production.

- c) The Company grubstaked a prospector to search for, and to acquire certain mineral properties of interest that meet the Company's criteria in Latin America. While management believes it will ultimately be awarded its exploration concessions by the relevant governmental authorities, acquisition and deferred exploration costs totalling \$358,226 have been written-off during the current fiscal year.
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Notes to Financial Statements

February 28, 2006 and 2005
Canadian Funds

5. Computer and Office Equipment

Details are as follows:

			February 28 2006 Net Book Value	February 28 2005 Net Book Value
	Cost	Accumulated Amortization		
Computer/Office equipment	\$ 17,336	\$ 10,847	\$ 6,489	\$ 10,730

6. Share Capital

a) Details are as follows:

	Number	Amount
Authorized:		
100,000,000 common shares without par value		
Balance at February 29, 2004	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 6g)	-	59,816
Balance as at February 28, 2005	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)
Balance as at February 28, 2006	26,420,917	\$ 5,011,697

- b) During the year, 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 and expenses totalling \$62,858 were paid and 159,428 warrants issued in connection with this offering, the warrants having the same terms as those issued to the private places. Directors and Officers of the Company purchased a total of 1,062,223 units of the total 2,000,000.
- c) During the year, 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.

Notes to Financial Statements

February 28, 2006 and 2005
Canadian Funds

6. Share Capital - Continued

d) As at February 28, 2006, the following share purchase warrants are outstanding:

	Number	Price per Share	Expiry Date
Agent Warrants	159,428	\$ 0.55	April 20, 2006
Warrants	1,000,000	\$ 0.55	April 20, 2006

e) As at February 28, 2006, 621,500 shares are held in escrow, to be released on July 31, 2006.

f) 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. A summary of the Company's options at February 28, 2006 and changes for the year are as follows:

Number at February 28, 2005	Granted	Exercised	Cancelled	Expired	Number at February 28, 2006	Exercise Price Per Share	Expiry
-	630,000	-	-	-	630,000	\$0.55	Mar. 4, 2010
635,000	-	-	-	50,000	585,000	\$0.10 ⁽¹⁾	July 31, 2008
250,000	-	-	-	-	250,000	\$0.10 ⁽¹⁾	July 31, 2008
340,000	-	-	-	25,000	315,000	\$0.10 ⁽¹⁾	Feb 2, 2009
525,000	-	-	-	-	525,000	\$0.10 ⁽¹⁾	Feb 2, 2009
1,750,000	-	-	-	75,000	2,305,000		

Note 1: During the 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.

During the year, 75,000 options expired on the 30th day following the resignation of a director of the Company.

During the year, the Company granted 630,000 incentive stock options 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, expiring on March 4, 2010. Directors of the Company hold 490,000 of these options. The total fair value of the options granted was calculated to be \$265,570 on the grant date. The offsetting entry is to contributed surplus.

Notes to Financial Statements

February 28, 2006 and 2005

Canadian Funds

6. Share Capital - Continued

f) - Continued

The fair value of the 630,000 stock options granted in the first quarter used to calculate compensation expense was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	3.45%
Expected dividend yield	Nil
Expected stock price volatility	105.75%
Average expected option life in years	5 years

At the Company's Annual General Meeting held on July 25, 2005, disinterested shareholder's approved the repricing of 1,750,000 outstanding stock options from prices of \$0.35 and \$0.25, to a price of \$0.10 per share. For these options having had an alteration in their conditions, compensation expense is based on the fair value of the options on the alteration date less the fair value of the original options based on the shorter of the remaining expanded life of the old option or the expected life of the modified option. The total additional fair value of the amended options was calculated to be \$13,342 and was expensed during the year. The offsetting entry is to contributed surplus.

The additional fair value of the amended stock options used to calculate compensation expense was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	3.26%
Expected dividend yield	Nil
Expected stock price volatility	168.38%
Average expected option life in years	3.2

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.

g) **Contributed Surplus**

Details are as follows:

	2006	2005
Balance – Beginning of year	\$ 273,167	\$ 332,983
Fair value of stock-based compensation (Note 6f)	278,911	-
Fair value of stock options exercised – transferred to share capital	-	(59,816)
Balance – End of year	\$ 552,078	\$ 273,167

Notes to Financial Statements

February 28, 2006 and 2005

Canadian Funds

7. Related Party Transactions

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

- a) During the year, consulting fees of \$26,200 (2005 - \$59,200) 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 year, consulting fees of \$31,675 (2005 - \$48,650) 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 year, contract fees of \$23,057 (2005 - \$39,100) were paid or accrued to a company controlled by a director. These amounts were included in resource property costs.
- d) During the year, consulting fees of \$350 (2005 - \$5,250) were paid or accrued to a director. These amounts were included in resource property costs.
- e) During the year, rent costs of \$5,500 (2005 - \$6,000) were paid or accrued to a company with a former director of the Company in common.
- f) As at February 28, 2006, accounts payable include \$10,686 (2005 - \$22,245) payable to related parties. These amounts are non-interest bearing, and without specific repayment terms.

The above consulting fees, contract fees, and rent were in the normal course of business and were measured at the exchange amount which is the amount agreed to by the related parties.

8. Income Taxes

- a) The Company has accumulated non-capital losses for income tax purposes of approximately \$908,692 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		198,025
		<hr/>
	\$	908,692

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

Statutory tax rate		35%
Unamortized share issue costs	\$	75,538
Non-capital losses		318,042
Equipment		3,796
Exploration and development expenditures		321,246
		<hr/>
		718,622
Less: Valuation allowance		(718,622)
		<hr/>
	\$	-

Notes to Financial Statements

February 28, 2006 and 2005
Canadian Funds

8. Income Taxes - Continued

- b) The Company has incurred approximately \$3,618,586 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.

9. Segmented Information

- a) Details on a geographic basis as at February 28, 2006 are as follows:

	Latin America	Canada	Total
Assets	\$ -	\$ 2,947,217	\$ 2,947,217
Resource property costs	\$ -	\$ 2,700,741	\$ 2,700,741
Loss for the year	\$ 358,226	\$ 428,593	\$ 786,819

- b) 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

10. Subsequent Events

Subsequent to the year-ended February 28, 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.

In March 2006, 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 will have 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 have 30 days to exercise their warrants, or they will expire. Subsequent to those amendments, 522,000 warrants exercisable at \$0.20 were exercised for gross proceeds of \$104,400 to the Company. 478,000 warrants remain outstanding, exercisable until April 20, 2007 at a price of \$0.55, all held by directors of the Company.

In May 2006, the Company purchased 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 value of \$441,000 to the vendor on May 16, 2006. The property is subject to a 2.5% net smelter return held by the vendor upon commencement of commercial production that is reducible to 1% by paying \$3,000,000.

Stikine Gold Corporation
(A Development Stage Company)

Notes to Financial Statements

February 28, 2006 and 2005
Canadian Funds

11. Comparative Figures

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