

STIKINE GOLD CORPORATION

(A Development Stage Company)

INTERIM FINANCIAL STATEMENTS

For the Three Months Ended

MAY 31, 2006

(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, 2006.

Balance Sheets

Canadian Funds

	As at May 31 2006 (Unaudited)	As at February 28, 2006
ASSETS		
Current		
Cash	\$ 250,500	\$ 218,024
Receivables	5,256	6,174
Prepaid expenses	16,461	13,289
	<u>272,217</u>	<u>237,487</u>
Resource Property Costs - Schedule (Note 4)	3,206,533	2,700,741
Reclamation Bonds	6,000	2,500
Property, Plant and Equipment (Note 5)	5,876	6,489
	<u>\$ 3,490,626</u>	<u>\$ 2,947,217</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 50,102	\$ 13,092
Due to related parties	17,023	10,686
	<u>67,125</u>	<u>23,778</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	5,557,097	5,011,697
Contributed Surplus (Note 6g)	561,898	552,078
Deficit - Statement 2	(2,695,494)	(2,640,336)
	<u>3,423,501</u>	<u>2,923,439</u>
	<u>\$ 3,490,626</u>	<u>\$ 2,947,217</u>

ON BEHALF OF THE BOARD:

"Scott E. Broughton", Director

"John M. Mirko", Director

Statements of Loss and Deficit

For the Three Months Ended May 31

Canadian Funds

Unaudited

	2006		2005
General and Administrative Expenses			
Consulting fees and wage expense	\$ 14,017	\$	34,225
Stock-based compensation	9,820		265,570
Audit, accounting and legal fees	9,670		6,651
Advertising, promotion and shareholder relations	7,702		14,814
Rent, office and sundry	5,799		5,133
Listing and filing fees	4,658		2,382
Travel	3,681		8,581
Amortization	613		1,060
Bank charges and interest	249		214
Loss before the Undernoted	56,209		338,630
Interest income	(1,051)		(465)
Loss for the Period	55,158		338,165
Deficit – Beginning of Period	2,640,336		1,853,517
Deficit – End of Period	\$ 2,695,494	\$	2,191,682
Loss per Share - Basic and Diluted	\$ 0.00	\$	0.01

- See Accompanying Notes -

Statements of Cash Flows

For the Three Months Ended May 31

Canadian Funds

Unaudited

Cash Resources Provided By (Used In)	2006	2005
Operating Activities		
Loss for the year	\$ (55,158)	\$ (338,165)
Items not affecting cash		
Stock-based compensation	9,820	265,570
Amortization	613	1,060
	<u>(44,725)</u>	<u>(71,535)</u>
Changes in non-cash working capital		
Receivables	918	(146,481)
Prepaid expenses	(3,172)	(1,385)
Accounts payable, accrued liabilities, due to related parties	43,347	(80,504)
	<u>(3,632)</u>	<u>(299,905)</u>
Investing Activities		
Purchase of property, plant and equipment	-	-
Reclamation bonds	(3,500)	-
Resource property costs, <i>net of exploration tax credits</i>	(64,792)	(800,765)
	<u>(68,292)</u>	<u>(800,765)</u>
Financing Activities		
Shares issued for cash	104,400	1,030,375
Share issuance costs	-	(62,859)
	<u>104,400</u>	<u>967,516</u>
Net Increase (Decrease) in Cash Position	32,476	(133,154)
Cash position – Beginning of period	218,024	166,569
Cash Position – End of Period	\$ 250,500	\$ 33,415
Supplemental Schedule of Non-Cash Investing and Financing Transactions		
Shares issued for property	\$ 441,000	\$ -
Stock-based compensation	\$ 9,820	\$ 265,570

- See Accompanying Notes -

Schedule of Resource Property Costs

For the Three Months Ended May 31

Canadian Funds

Unaudited

	2006	2005
Sullivan Deeps Project, BC, Canada		
Acquisition Costs		
Staking and land costs	\$ 12,265	\$ 6,885
Deferred Exploration Costs		
Materials, equipment and road	2,895	147,803
Insurance	2,188	1,563
Geological and project management	1,050	36,998
Drilling costs	-	595,886
Travel and field transportation	-	4,099
Wages and labour costs	-	1,820
Maps and reports	-	549
Accommodation and meals	-	1,179
Communication	-	732
Assays	-	48
	18,398	797,562
Catalan Copper Project, BC, Canada		
Deferred Exploration Costs		
Geological and project management	1,400	-
	1,400	-
Huskie Uranium Project, SK, Canada		
Acquisition Costs		
Option payment – shares	441,000	-
Staking and land costs	40,086	-
Deferred Exploration Costs		
Geological and project management	3,576	-
Travel and Accommodation	1,332	-
	485,994	-
General Exploration - Latin America		
Deferred Exploration Costs		
Materials	-	2,153
Geological and project management	-	1,050
	-	3,203
Total Costs for the Period	505,792	800,765
Balance - Beginning of Period	2,700,741	2,461,393
Balance - End of Year	\$ 3,206,533	\$ 3,262,158

- See Accompanying Notes -

Notes to Financial Statements

May 31, 2006 and 2005

Canadian Funds

Unaudited

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.

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, 2006.

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 May 31, 2006	Total May 31, 2005
British Columbia, Canada Sullivan Deeps Project	\$ 115,892	\$ 2,574,627	\$ 2,690,519	\$ 2,903,070
British Columbia, Canada Catalan Copper Project	25,120	4,900	30,020	-
Saskatchewan, Canada Huskie Uranium Project	481,086	4,908	485,994	-
General - Latin America	-	-	-	359,088
	<u>\$ 622,098</u>	<u>\$ 2,584,435</u>	<u>\$ 3,206,533</u>	<u>\$ 3,262,158</u>

Notes to Financial Statements

May 31, 2006 and 2005

Canadian Funds

Unaudited

4. Resource Property Costs – Continued

- 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 \$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 \$1.5 million 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.

- 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:

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

Notes to Financial Statements

May 31, 2006 and 2005

Canadian Funds

Unaudited

4. Resource Property Costs – Continued

- c) 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 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.
- d) 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 were written-off during the prior fiscal year in accordance with the Company’s significant accounting policies.

5. Property, Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	May 31, 2006 Net Book Value	May 31, 2005 Net Book Value
Computer/Office equipment	\$ 17,336	\$ 11,460	\$ 5,876	\$ 9,670

6. Share Capital

a) Details are as follows:

	Number	Amount
Authorized:		
100,000,000 common shares without par value		
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
Issued and fully paid		
Exercise of Warrants at \$0.20	522,000	104,400
Huskie Uranium Acquisition	1,225,000	441,000
Share issuance costs	-	-
Balance as at May 31, 2006	28,167,917	\$ 5,557,097

Notes to Financial Statements

May 31, 2006 and 2005

Canadian Funds

Unaudited

6. Share Capital - Continued

- b) During the first quarter, 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. 478,000 warrants remain outstanding, exercisable until April 20, 2007 at a price of \$0.55, all held by directors of the Company.
- c) 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.
- d) As at May 31, 2006, the following share purchase warrants are outstanding:

	Number	Price per Share	Expiry Date
Warrants	478,000	\$ 0.55	April 20, 2007

- e) As at May 31, 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 May 31, 2006 and changes for the period are as follows:

Number at February 28, 2006	Granted	Exercised	Cancelled	Expired	Number at May 31, 2006	Exercise Price Per Share	Expiry
630,000	-	-	-	-	630,000	\$0.55	Mar. 4, 2010
585,000	-	-	-	-	585,000	\$0.10 ⁽¹⁾	July 31, 2008
250,000	-	-	-	-	250,000	\$0.10 ⁽¹⁾	July 31, 2008
315,000	-	-	-	-	315,000	\$0.10 ⁽¹⁾	Feb 2, 2009
525,000	-	-	-	-	525,000	\$0.10 ⁽¹⁾	Feb 2, 2009
-	200,000	-	-	-	200,000	\$0.20	Mar 13, 2011
2,305,000	200,000	-	-	-	2,505,000		

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.

Notes to Financial Statements

May 31, 2006 and 2005

Canadian Funds

Unaudited

6. Share Capital - Continued

f) - Continued

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 fair value of the 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	4.22%
Expected dividend yield	0%
Expected stock price volatility	209%
Average expected option life in years	5 years

The total fair value of the options granted was calculated to be \$45,249 of which \$9,820 was expensed during the first quarter. The offsetting entry is to contributed surplus.

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:

	May 31, 2006	May 31, 2005
Balance – Beginning of Period	\$ 552,078	\$ 273,167
Fair value of stock-based compensation (Note 6f)	9,820	265,570
Balance – End of Period	\$ 561,898	\$ 538,737

7. Related Party Transactions

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

- During the three months ended May 31, 2006, consulting fees of \$6,000 (2005 - \$19,600) 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.
- During the three months ended May 31, 2006, consulting fees of \$7,350 (2005 – \$18,900) 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

Notes to Financial Statements

May 31, 2006 and 2005

Canadian Funds

Unaudited

7. Related Party Transactions - *Continued*

- c) During the three months ended May 31, 2006, contract fees of \$3,150 (2005 - \$23,100) 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, 2006, no consulting fees (2005 -\$350) were paid or accrued to an independent director of the Company.
- e) During the three months ended May 31, 2006, the Company reimbursed a company with common management for rent and office expenses totalling \$1,832 (2005 - \$Nil).
- f) As at May 31, 2006, current liabilities include \$17,023 (2005 - \$92,178) payable to related parties. These amounts were incurred in the ordinary course of business, are non-interest bearing, and without specific repayment terms.

The above consulting fees and contract fees were incurred 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		321,426
2016		718,622
	\$	<u>(718,622)</u>

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		321,426
		<u>718,622</u>
Less: Valuation allowance		<u>(718,622)</u>
	\$	<u>-</u>

- 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.

Stikine Gold Corporation
(A Development Stage Company)

Notes to Financial Statements

May 31, 2006 and 2005

Canadian Funds

Unaudited

9. Segmented Information

a) Details on a geographic basis as at May 31, 2006 are as follows:

	Latin America	Canada	Total
Assets	\$ -	\$ 3,489,333	\$ 3,489,333
Resource property costs	\$ -	\$ 3,206,533	\$ 3,206,533
Loss for the period	\$ -	\$ 36,691	\$ 36,691

b) Details on a geographic basis as at May 31, 2005 are as follows:

	Latin America	Canada	Total
Assets	\$ 359,088	\$ 3,162,667	\$ 3,521,755
Resource property costs	\$ 359,088	\$ 2,903,070	\$ 3,262,158
Loss for the period	\$ -	\$ 338,165	\$ 338,165

10. Comparative Figures

Certain of the prior year's items have been reclassified to conform to the current year's presentation.
