

**STIKINE GOLD CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(FORM 51-102F1)**

**SIX MONTH INTERIM PERIOD ENDED AUGUST 31, 2006**

**OCTOBER 12, 2006**

**STIKINE GOLD CORPORATION**  
**Management's Discussion and Analysis**  
**Six Months Ended August 31, 2006**  
**Dated as of October 12, 2006**

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*This discussion and analysis should be read in conjunction with the unaudited interim financial statements and related notes thereto for the six months ended August 31, 2006 and 2005, which have been prepared in accordance with Canadian generally accepted accounting principles. The reader should also refer to the annual audited financial statements for the years ended February 28, 2006 and 2005 and the Management's Discussion and Analysis for those years. All amounts in the financial statements and this discussion and analysis are expressed in Canadian dollars, unless otherwise indicated.*

**Forward-Looking Information**

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Stikine Gold Corporation (the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, amongst other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration of the Company's properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

**Description of Business and Overview of Operations and Financial Condition**

The Company is engaged in exploration for mineral resources with its primary focus being the Sullivan Deeps Project, a deep diamond-drilling program searching for economic quantities of base and precious metals near Kimberley, British Columbia.

During the six months ended August 31, 2006, the Company incurred a loss of \$162,958 and incurred exploration and acquisition costs of \$776,367. At August 31, 2006 the Company had cash and cash equivalents of \$905,090 and working capital of \$867,431. Funds on hand are sufficient for administrative functions and planned exploration work over the next few months.

**Selected Annual Financial Results**

|                             | <b>Year Ended February<br/>28, 2006</b> | <b>Year Ended February<br/>28, 2005</b> | <b>Year Ended February<br/>29, 2004</b> |
|-----------------------------|---|---|---|
| Total revenues              | Nil                                     | Nil                                     | Nil                                     |
| Net income (loss)           | (786,819) <sup>1</sup>                  | (340,234)                               | (1,468,896) <sup>2</sup>                |
| Net income (loss) per share | (0.03)                                  | (0.02)                                  | (0.15)                                  |
| Total assets                | 2,947,217                               | 2,707,338                               | 1,930,875                               |
| Total long term debt        | Nil                                     | Nil                                     | Nil                                     |

Note 1: The loss for the year-ended February 29, 2006 includes a write-off of \$358,226 in resource property costs.

Note 2: The loss for the year-ended February 29, 2004 includes a write-off of \$875,774 in resource property costs.

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**Results of Operations**

*Sullivan Deeps Project Exploration*

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 the Sullivan Deeps Project. As consideration for the assignment of the option, the Company reimbursed Mariner Ventures Corporation, a related company, for its net acquisition costs totalling \$51,143.

To earn its 50% interest in the property, the Company is required to complete the following:

|  | Share Issuances | 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 the 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 million 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 \$2.5 million by the Company.

At August 31, 2006, the Company had recorded expenditures of \$2,930,562 in connection with the Sullivan Deeps Project including \$115,892 in acquisition costs and the balance deferred exploration costs.

In October of 2006, Hy-Tech Drilling Ltd. of Smithers, B.C. mobilized a diamond drill, equipment and crew to the Sullivan Deeps Project and commenced drilling "SD3".

*Catalan Copper Property*

In February 2006, the Company 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. The Catalan Copper Property is subject to a 1% Net Smelter Return held by the vendor upon commencement of commercial production. The core mineral claims comprise an area of 3,110 hectares and are located on the eastern boundary of the Gibraltar mine claims. Exploration work in 1970 identified copper-in-soil geochemical anomalies that had no subsequent follow-up work until September, 2005, when a six-line 7,400-metre (24,280-foot) induced polarization (IP) and ground magnetic survey was completed to test specific copper-soil anomalies. That program successfully identified porphyry deposit-scale chargeability and magnetic anomalies, both coincident with the historical copper soil anomalies. Porphyry-copper/molybdenum-style mineralization has also been discovered in float boulders on the property.

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

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

At its option, the Company must also complete a diamond drilling program of at least 500 metres before February 15, 2007 to maintain its option in good standing. The Company's geologists are now preparing for prospecting and the required initial diamond drilling program.

*Huskie Uranium Property Acquisition*

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. During the first quarter ended May 31, 2006, the Company staked additional land and the Huskie Uranium Property now comprises a total area of over 38,000 hectares, favorably located approximately 100 kilometres west of the Key Lake mine and 22 kilometres south of Cameco's Virgin River project. The project area straddles the important Athabasca basin unconformity and has geological similarities to both the Key Lake and Virgin River settings.

Exploration work in the area dates to the 1960s and has identified clastic sediments of the Athabasca Group north of the unconformity, and moraine material covers much of the unconformity. That cover of surficial material has limited any detailed exploration at the property to date. Importantly, two large-scale fault systems are recognized on the property, including a series of northeast-trending faults and a set of northwest-trending faults. Both structural domains are considered potential controls for uranium mineralization and proximity to the unconformity suggests relatively shallow target depths. Silt and lake sediments, float and boulders sampled to date on the property indicate anomalously radioactive, hematized, quartz-pebble conglomerate, believed to be from the moraine-covered unconformity on the claims.

The Company's geological team is now preparing a preliminary prospecting, geochemical sampling and airborne geophysical program for the coming months and details of that initial field program will be announced when available.

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*Investor Relations Consultant Retained*

In March of 2006, the Company announced the appointment of Douglas J. Fosbrooke as manager of investor relations, on a contract basis. Since 1995, Mr. Fosbrooke has provided investor relations and corporate communications services to a number of companies primarily focused on mineral exploration, and listed on the Toronto Stock Exchange and the TSX Venture Exchange. He brings over 15 years of investment-industry experience, including eight with a national investment dealer. Mr. Fosbrooke has been given a one-year contract, extendible by mutual agreement. He has been granted 200,000 incentive stock options and will be paid a per diem fee of \$250 when working on behalf of the Company.

*Operating Expenses and Loss*

During the six months ended August 31, 2006, the Company incurred a loss of \$162,958 and incurred exploration and acquisition costs of \$776,367 compared to a loss of \$418,961 and exploration expenditures of 931,685 for the comparable period ended August 31, 2005. The loss has decreased significantly largely due to lower stock-based compensation expense in the current year. While acquisition costs have increased significantly in 2006, these expenditures were more than offset by limited drilling costs as the Company has only recently mobilized to the SD3 site.

During the three months ended August 31, 2006, the company incurred a loss of 107,800 compared to a loss of \$55,158 in the prior quarter and a loss of \$80,796 during the three months ended August 31, 2005. The loss increased significantly in the current quarter over the comparable periods as a result of the recognition of \$37,797 in stock-based compensation. On a cash-basis, the Company's overhead increased only slightly as it became much more active in preparing for the upcoming drill program.

**Liquidity and Capital Resources**

At August 31, 2006 the Company had cash and cash equivalents of \$905,090 and working capital of \$867,431. Funds on hand are sufficient for administrative functions and planned exploration work over the next few months.

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**Summary of Quarterly Results**

|                             | <b>Aug. 31, 2006</b> | <b>May 31, 2006</b>    | <b>Feb. 28, 2006</b>   | <b>Nov. 30, 2005</b> |
|-----------------------------|----------------------|------------------------|------------------------|----------------------|
| Total revenues              | Nil                  | Nil                    | Nil                    | Nil                  |
| Net income (loss)           | (107,800)            | (55,158)               | (389,663) <sup>1</sup> | 21,805 <sup>2</sup>  |
| Net income (loss) per share | (0.01)               | 0.00                   | (0.01)                 | 0.01                 |
| Total assets                | 4,421,217            | 3,490,626              | 2,947,217              | 3,431,232            |
| Total long term debt        | Nil                  | Nil                    | Nil                    | Nil                  |
|                             | <b>Aug. 31, 2005</b> | <b>May 31, 2005</b>    | <b>Feb. 28, 2005</b>   | <b>Nov. 30, 2004</b> |
| Total revenues              | Nil                  | Nil                    | Nil                    | Nil                  |
| Net income (loss)           | (80,796)             | (338,165) <sup>3</sup> | (57,581)               | (85,599)             |
| Net income (loss) per share | (0.01)               | (0.01)                 | 0.00                   | 0.00                 |
| Total assets                | 3,472,578            | 3,521,755              | 2,707,338              | 2,709,191            |
| Total long term debt        | Nil                  | Nil                    | Nil                    | Nil                  |

Notes:

- 1) The loss for the quarter ended February 28, 2006 includes a write-off of \$358,226 in resource property costs.
- 2) Significant interest revenues and tax credits on an abandoned property were recognized during the quarter ended November 30, 2005.
- 3) The loss for the quarter ended May 31, 2005 includes non-cash, stock-based-compensation expense of \$265,570.

**Related Party Transactions**

Each of Scott Broughton, David Skerlec, John Mirko, and John Baker either directly or through a wholly owned company, provides consulting or contract services to the Company pursuant to a consulting agreement. Mr. Broughton charges a per diem rate of \$400, and Messrs. Skerlec, Mirko and Baker charge per diem rates of \$350. During the six months ended August 31, 2006, consulting fees of \$10,600 (2005 - \$17,400) were paid or accrued to the President and CEO. Services provided include general corporate, exploration and acquisition strategy, planning and management, contract negotiations, and investment presentations. During the six months ended August 31, 2006, related party consulting fees of \$16,800 (2005 - \$19,600) were paid or accrued to the CFO and Secretary. Services provided include corporate finance initiatives, fund raising, contract negotiations, accounting, office and general management. During the six months ended August 31, 2006, per-diem contract fees of \$7,000 (2005 - \$9,381) were paid or accrued to a director or a company controlled by a director and no consulting fees (2005 - \$350) were paid or accrued to another director. During the six months ended August 31, 2006, rent, operating and sundry costs of \$5,309 (2005 - Nil) were paid or accrued to a company with common management to the Company. As at August 31, 2006, current liabilities include \$5,759 payable to related parties (2005 - \$41,591). These amounts were incurred in the ordinary course of business, are non-interest bearing, and without specific repayment terms.

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***Risks and Uncertainties***

The Company's financial success will be dependent upon the extent to which it can discover mineralization or acquire mineral properties and the economic viability of developing its properties. The Company competes with many companies possessing greater financial resources and technical facilities than itself. The market price of minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Company's mineral exploration and development activities will be successful. The development of mineral resources involves many risks in which even a combination of experience, knowledge and careful evaluation may not be able to overcome. All of the Company's short to medium term operating and exploration cash flow must be derived from external financing. Actual funding may vary from what is planned due to a number of factors including the progress of exploration and development on its current properties. Should changes in equity market conditions prevent the Company from obtaining additional external financing, the Company will need to review its exploration property holdings to prioritize project expenditures based on funding availability.

***Outstanding Share Data***

|   | Number     | Amount       |
|---|------------|--------------|
| Authorized:   |            |              |
| Unlimited common shares without par value                 |            |              |
| <b>Balance as at February 28, 2005</b>                    | 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)     |
| <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  | 1,050,000    |
| Exercise of Warrants at \$0.20                            | 522,000    | 104,400      |
| Huskie Uranium Acquisition                                | 1,225,000  | 441,000      |
| Fair value of August 2007 warrants issued as finder fees  |            | 7,259        |
| Share issuance costs                                      | -          | (54,953)     |
| <b>Balance as at August 31, 2006 and October 12, 2006</b> | 31,667,917 | \$ 6,559,403 |

In August 2006, the Company closed a \$1,050,000 private placement. A total of 3.5 million flow-through shares and 1.75 million warrants were issued, each warrant entitling the holder to acquire one additional non-flow-through common share until Aug. 22, 2007, at price of 45 cents. Cash finders' fees totalling \$41,712 were paid, and 90,466 warrants were issued in connection with this offering, the warrants having the same terms as those issued to the private places.

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During the first quarter ended May 31, 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 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.

Also during the first quarter, the Company purchased a 100% interest in the Huskie Uranium Property by issuing 1,225,000 common shares to the vendor at a price of \$0.36.

As at August 31, 2006 and at the date of this report, the following share purchase warrants were outstanding:

|                | Number    | Price per Share | Expiry Date     |
|----------------|-----------|-----------------|-----------------|
| Warrants       | 1,750,000 | \$ 0.45         | August 22, 2007 |
| Warrants       | 478,000   | \$ 0.55         | April 20, 2007  |
| Agent Warrants | 90,466    | \$ 0.45         | August 22, 2007 |

In March of 2006, 200,000 options were granted to a consultant providing investor relations services to the Company, exercisable until March 13, 2011 at a price of \$0.20 per common share.

In June of 2006, the Company granted 100,000 incentive stock options to a consultant. The stock options are exercisable at a price of \$0.30 per share for a period of five years.

A summary of the Company's stock options at August 31, 2006 and at the date of this report is as follows:

| Number at<br>February 28,<br>2006 | Granted | Exercised | Cancelled | Expired | Number at<br>August 31,<br>2006 | Exercise Price<br>Per Share | Expiry        |
|-----------------------------------|---------|-----------|-----------|---------|---------------------------------|-----------------------------|---------------|
| 630,000                           | -       | -         | -         | -       | 630,000                         | \$0.55                      | Mar. 4, 2010  |
| 585,000                           | -       | -         | -         | -       | 585,000                         | \$0.10 <sup>(1)</sup>       | July 31, 2008 |
| 250,000                           | -       | -         | -         | -       | 250,000                         | \$0.10 <sup>(1)</sup>       | July 31, 2008 |
| 315,000                           | -       | -         | -         | -       | 315,000                         | \$0.10 <sup>(1)</sup>       | Feb 2, 2009   |
| 525,000                           | -       | -         | -         | -       | 525,000                         | \$0.10 <sup>(1)</sup>       | Feb 2, 2009   |
| -                                 | 200,000 | -         | -         | -       | 200,000                         | \$0.20                      | Mar 13, 2011  |
| -                                 | 100,000 | -         | -         | -       | 100,000                         | \$0.30                      | June 1, 2011  |
| 2,305,000                         | 300,000 | -         | -         | -       | 2,605,000                       |                             |               |

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.