



**BCSC**

British Columbia Securities Commission

**QUARTERLY AND  
YEAR END REPORT**

**BC FORM 51-901F**  
(previously Form 61)

**INCORPORATED AS PART:    X    Schedule A**

**X    Schedule B and C**

<b>ISSUER DETAILS</b>		
<i>Name of Issuer</i>	<i>For Quarter Ended</i>	<i>Date of Report</i>
<b>STIKINE GOLD CORPORATION</b>	<b>February 29, 2004</b>	<b>May 10, 2004</b>
<i>Issuer's Address</i>	<i>Issuer's Fax No.</i>	<i>Issuer's Telephone No.</i>
<b>500 – 1045 HOWE ST. VANCOUVER, BC, V6Z 2A9</b>	<b>(604) 684-5909</b>	<b>(604) 684-5900 Ext. 147</b>
<i>Contact Person</i>	<i>Contact's Position</i>	<i>Contact's Telephone No.</i>
<b>DAVID SKERLEC</b>	<b>CHIEF FINANCIAL OFFICER</b>	<b>(604) 219-0051</b>
<i>Contact Email Address</i>	<i>Web Site Address</i>	
<b>dskerlec@stikinegold.com</b>	<b><a href="http://www.stikinegold.com">www.stikinegold.com</a></b>	
<b>CERTIFICATE</b>		
<b>The three schedules required to complete this Report are attached and the disclosures contained herein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.</b>		
<i>Director's Signature</i>	<i>Print Full Name</i>	<i>Date Signed</i>
<b>"Scott Broughton"</b>	<b>Scott E. Broughton</b>	<b>May 10, 2004</b>
<i>Director's Signature</i>	<i>Print Full Name</i>	<i>Date Signed</i>
<b>"John Mirko"</b>	<b>John M. Mirko</b>	<b>May 10, 2004</b>

**STIKINE GOLD CORPORATION**

*(A Development Stage Company)*

**FINANCIAL STATEMENTS**

**FEBRUARY 29, 2004 AND FEBRUARY 28, 2003**

## AUDITORS' REPORT

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### To the Shareholders of Stikine Gold Corporation:

We have audited the balance sheets of Stikine Gold Corporation (A Development Stage Company) as at February 29, 2004 and February 28, 2003 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 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 29, 2004 and February 28, 2003 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, B.C.  
May 5, 2004

STALEY, OKADA & PARTNERS  
CHARTERED ACCOUNTANTS

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## Balance Sheets

As at February 29, 2004 and February 28, 2003  
Canadian Funds

<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
<b>Current</b>		
Cash	\$ 1,422,462	\$ 109,605
Receivables	19,012	15,127
Prepaid Expenses	19,013	-
	<u>1,460,487</u>	<u>124,732</u>
<b>Resource Property Costs - Schedule (Note 4)</b>	<b>455,503</b>	194,459
<b>Reclamation Bonds</b>	<b>7,500</b>	-
<b>Property, Plant and Equipment (Note 5)</b>	<b>7,385</b>	2,837
	<u>\$ 1,930,875</u>	<u>\$ 322,028</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 24,085	\$ 28,580
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 6)</b>	<b>3,420,073</b>	337,835
<b>Deficit - Statement 2</b>	<b>(1,513,283)</b>	(44,387)
	<u>1,906,790</u>	<u>293,448</u>
	<u>\$ 1,930,875</u>	<u>\$ 322,028</u>

ON BEHALF OF THE BOARD:

\_\_\_\_\_  
"Scott E. Broughton", Scott E. Broughton, Director

\_\_\_\_\_  
"John M. Mirko", John M. Mirko, Director

**Statements of Loss and Deficit**

**For the Years Ended**  
Canadian Funds

	February 29 2004	February 28 2003
<b>General and Administrative Expenses</b>		
Advertising and shareholder relations	\$ 49,117	\$ 1,891
Amortization	1,804	501
Audit, accounting and legal fees	28,657	3,560
Bank charges and interest	819	504
Consulting fees – related parties	85,825	26,000
Consulting fees and wage expenses	39,579	2,150
Listing and filing fees	6,819	337
Office and sundry	15,184	1,113
Rent	6,000	4,000
Stock-based compensation	332,983	-
Travel	28,967	4,663
<b>Loss before the Undernoted</b>	<b>595,754</b>	<b>44,719</b>
Resource costs written-off	875,774	-
Interest income	(2,632)	(332)
<b>Loss for the Year</b>	<b>1,468,896</b>	<b>44,387</b>
Deficit – Beginning of year	44,387	-
<b>Deficit – End of Year</b>	<b>\$ 1,513,283</b>	<b>\$ 44,387</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ (0.15)</b>	<b>\$ (0.01)</b>

- See Accompanying Notes -

**Statements of Cash Flows**

For the Years Ended

Canadian Funds

<b>Cash Resources Provided By (Used In)</b>	<b>February 29 2004</b>	<b>February 28 2003</b>
<b>Operating Activities</b>		
Loss for the year	\$ (1,468,896)	\$ (44,387)
Items not affecting cash		
Resource costs written-off	875,774	-
Stock-based compensation	332,983	-
Amortization	1,804	501
	<u>(258,335)</u>	<u>(43,886)</u>
Changes in non-cash working capital		
Receivables	(3,885)	(14,627)
Prepaid expenses	(19,013)	-
Accounts payable and accrued liabilities	(4,495)	28,579
	<u>(285,728)</u>	<u>(29,934)</u>
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(6,352)	(3,338)
Reclamation bonds	(7,500)	-
Resource property costs	(1,091,818)	(194,459)
	<u>(1,105,670)</u>	<u>(197,797)</u>
<b>Financing Activities</b>		
Shares issued for cash	3,105,555	40,000
Shares allotted for cash	-	309,877
Share issuance costs	(401,300)	(12,542)
	<u>2,704,255</u>	<u>337,335</u>
<b>Net Increase in Cash Position</b>	<b>1,312,857</b>	<b>109,604</b>
Cash position - Beginning of period	109,605	1
<b>Cash Position – End of Period</b>	<b>\$ 1,422,462</b>	<b>\$ 109,605</b>
<b>Supplemental Schedule of Non-Cash Investing and Financing Transactions</b>		
Stock-based compensation	\$ 332,983	\$ -
Shares issued for property	\$ 45,000	\$ -

# Stikine Gold Corporation

(A Development Stage Company)

Schedule

## Schedules of Resource Property Costs

For the Years Ended

Canadian Funds

	February 29 2004	February 28 2003
<b>Sullivan Deeps Project, B.C., Canada</b>		
<b>Acquisition Costs</b>		
Assignment of option - cash	\$ 51,143	\$ -
Option payment – shares	17,000	-
Staking costs	10,180	-
<b>Deferred Exploration Costs</b>		
Geological and project management	40,332	-
Maps and reports	8,096	-
Wages and labour costs	1,307	-
Materials	15,630	-
Communication	250	-
Travel	3,365	-
	147,303	-
<b>William's Gold Project, B.C., Canada</b>		
<b>Acquisition Costs</b>		
Option payment – cash	25,000	10,000
Option payment – shares	28,000	-
Staking costs	-	14,892
<b>Deferred Exploration Costs</b>		
Drilling	216,770	-
Geophysical	-	86,514
Aircraft charter	181,792	30,701
Labour, camp costs and meals	93,759	7,357
Geological and project management	54,560	21,650
Maps and reports	2,091	9,314
Travel	2,684	8,569
Communication	2,634	4,379
Materials	55,143	1,083
Assaying	18,882	-
	681,315	194,459
<b>General Exploration - Latin America</b>		
<b>Acquisition Costs</b>		
Property application costs	267,485	-
<b>Deferred Exploration Costs</b>		
Geological and project management	22,175	-
Travel	12,807	-
Materials	2,525	-
Communication	3,208	-
	308,200	-
<b>Total Costs for the Year</b>	<b>1,136,818</b>	<b>194,459</b>
Balance - Beginning of year	194,459	-
Resource costs written-off (Note 4b)	(875,774)	-
<b>Balance - End of Year</b>	<b>\$ 455,503</b>	<b>\$ 194,459</b>

- See Accompanying Notes -

## **Notes to Financial Statements**

**February 29, 2004 and February 28, 2003**

*Canadian Funds*

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### **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.

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### **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) 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 characteristic 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.

#### **c) Environmental Expenditures**

The operations of the Company have been, and may in the future, be affected from time to time in varying degree 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.

**Stikine Gold Corporation**

*(A Development Stage Company)*

**Notes to Financial Statements**

**February 29, 2004 and February 28, 2003**

*Canadian Funds*

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**2. Significant Accounting Policies - Continued**

**c) Environmental Expenditures - Continued**

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.

**d) Amortization**

The Company provides for amortization on its property, plant and equipment 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.

**e) 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.

**f) 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.

**g) Stock Based Compensation – Change in Accounting Policy**

The Company adopted the recommendations of CICA Handbook Section 3870, stock based compensation and other stock-based payments, effective to all awards granted on or after March 1, 2002. This 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 encouraged by CICA Handbook Section 3870 the Company has enacted prospectively early adoption of the fair value based method of accounting for awards issued to employees for the fiscal year beginning March 1, 2003.

The new standard requires that all stock-based awards made to employees and non-employees be measured and recognized using a fair value based method. In prior years, stock-based compensation expense was only recognized when stock-based compensation awards were made to non-employees, while pro-forma disclosure was acceptable for awards made to employees.

## Notes to Financial Statements

February 29, 2004 and February 28, 2003

Canadian Funds

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### 2. Significant Accounting Policies - Continued

#### h) 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.

#### i) 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.

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### 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.

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### 4. Resource Property Costs

Details are as follows:

	Acquisition	Deferred Exploration	Total February 29 2004	Total February 28 2003
British Columbia, Canada				
Sullivan Deeps Project	\$ 78,323	\$ 68,980	\$ 147,303	\$ -
William's Gold Project	-	-	-	194,459
General - Latin America	267,485	40,715	308,200	-
	<u>\$ 345,808</u>	<u>\$ 109,695</u>	<u>\$ 455,503</u>	<u>\$ 194,459</u>

## Notes to Financial Statements

February 29, 2004 and February 28, 2003

Canadian Funds

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### 4. Resource Property Costs - *Continued*

- a) By assignment agreement dated October 2, 2003, the Company acquired, the right to earn, from Teck Cominco Metals Ltd. ("Teck Cominco"), a subsidiary of Teck Cominco Limited, a 50% interest in certain properties located near Kimberley, British Columbia, known as Sullivan Deeps Project. As consideration for the assignment of the option, the Company reimbursed Mariner Ventures Corporation, a related company with certain directors and officers in common, for \$53,394 in due diligence costs and was later credited with a refund \$2,251, for net acquisition costs of \$51,143. To earn its 50% interest in the property, the Company must issue 100,000 shares to Teck Cominco (issued), incur \$1.5 million in exploration expenditures on or before January 31, 2005 and incur \$4 million in cumulative exploration expenditures on or before August 1, 2007, as summarized below:

	Share Issuances	Exploration Expenditures
Upon exchange approval (issued)	100,000	\$ -
On or before January 31, 2005	-	1,500,000 *
On or before August 31, 2007	-	2,500,000
	<u>100,000</u>	<u>\$ 4,000,000</u>

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

Upon completion of this earn-in stage, Teck Cominco will have 90 days to elect to become operator and form a joint venture with 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% NSR, reducible to 1% upon payment of \$2.5 million by the Company.

- b) 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. On April 30, 2004, the Company gave notice to the optionor, that it would not be completing further work on the property. Therefore, the Company has written-off the total amount of \$875,774 in acquisition and deferred exploration costs incurred in connection with the property.
- c) The Company has grubstaked a prospector to search for, and to subsequently acquire, certain mineral properties of interest and meeting the Company's criteria in Latin America. As it is management's belief that the Company will be successful in acquiring these properties, acquisition and deferred exploration costs to date totalling \$308,200 have been capitalized; however there is no assurance the Company will be successful in acquiring these properties.
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**Stikine Gold Corporation***(A Development Stage Company)***Notes to Financial Statements****February 29, 2004 and February 28, 2003***Canadian Funds***5. Property, Plant and Equipment**

Details are as follows:

	Cost	Accumulated Amortization	<b>February 29 2004 Net Book Value</b>	February 28 2003 Net Book Value
Computer equipment	\$ 9,690	\$ 2,305	<b>\$ 7,385</b>	\$ 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)
<b>Balance at February 28, 2003</b>	<b>6,387,517</b>	<b>337,835</b>
Issued and fully paid		
Flow-through common shares – IPO	1,489,800	521,430
Common shares – IPO	2,336,500	584,125
Common shares – Private Placement	10,000,000	2,000,000
Issued for services provided		
Common shares – IPO Corporate Finance Fee	100,000	-
Issued for property		
Common shares – William's Gold Property	100,000	28,000
Common shares – Sullivan Deeps Property	100,000	17,000
Share issuance costs	-	(401,300)
Stock compensation	-	332,983
<b>Balance as at February 29, 2004</b>	<b>20,513,817</b>	<b>\$ 3,420,073</b>

**Stikine Gold Corporation***(A Development Stage Company)***Notes to Financial Statements****February 29, 2004 and February 28, 2003***Canadian Funds***6. Share Capital - Continued**

- b) During the year, the Company completed its initial public offering of 1,489,800 flow-through common shares at \$0.35 per share and 2,336,500 common shares at \$0.25 per share, for gross proceeds of \$1,105,555. The agent received a commission of 10% of the gross proceeds, a corporate finance fee of \$10,000, 100,000 common shares, and warrants ("Agent Warrants") to purchase up to 382,630 common shares of the Company at a price of \$0.35 per share until July 31, 2004. The common shares of the Company began trading on the TSX Venture Exchange on July 31, 2003, under the trading symbol "SKY". Directors and officers of the Company purchased 260,000 common shares on the IPO at a price of \$0.25 per common share.
- c) During the year, the Company issued 100,000 shares at a deemed price of \$0.28 per share as per the terms of the William's Gold Property option agreement *(Note 4b)*.
- d) During the year, the Company issued 100,000 shares at a deemed price of \$0.17 per share as per the terms of the Sullivan Deeps Project option agreement *(Note 4a)*.
- e) During the year, the Company completed a private placement consisting of 10,000,000 units at a price of \$0.20 per unit for gross proceeds of \$2 million. Each unit consisted of one common share and one warrant entitling the holder to acquire an additional common share at a price of \$0.25 per share until July 26, 2005. Finder's fees totalling \$167,405 were paid and 349,350 warrants issued (with the same terms as those issued to subscribers) in connection with this financing. Directors and officers of the Company subscribed for a total of 775,000 of the 10,000,000 units issued by private placement.
- f) 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.

Funds raised by the Company through the sale of the flow-through common shares must be spent on qualified mineral exploration. Total proceeds of \$521,430 from the sale of flow-through common shares and the balance of \$40,310 in flow-through proceeds raised previously and not spent in the previous fiscal year, were spent by the Company on qualifying expenditures during the current year and renounced, for income tax purposes, to the flow-through investors with an effective date of renunciation of December 31, 2003.

- g) As at February 29, 2004, the following share purchase warrants are outstanding:

	Number	Price per Share	Expiry Date
Agent Warrants	382,630 *	\$ 0.35	July 31, 2004
Agent Warrants	349,350	\$0.25	July 26, 2005
Warrants	10,000,000	\$ 0.25	July 26, 2005

\* Subsequent to year-end, 17,200 agent warrants were exercised for total proceeds of \$6,020.

- h) As at February 29, 2004, 3,107,500 shares are held in escrow, and will be released over time.

**Stikine Gold Corporation***(A Development Stage Company)***Notes to Financial Statements****February 29, 2004 and February 28, 2003***Canadian Funds***6. Share Capital - Continued**

- i) The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the board of directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant date. Options vest on the grant date unless determined otherwise by the board of directors.

A summary of the Company's options at February 29, 2004 and the changes for the year are as follows:

Number at Feb 28, 2003	Granted	Exercised	Cancelled	Expired	Number at Feb. 29, 2004	Exercise Price Per Share	Expiry
-	725,000	-	(90,000)	-	635,000	\$0.35	July 31, 2008
-	250,000	-	-	-	250,000	\$0.35	July 31, 2008
-	150,000	-	-	-	150,000	\$0.35	Aug 25, 2008
-	340,000	-	-	-	340,000	\$0.25	Feb 2, 2009
-	675,000	-	-	-	675,000	\$0.25	Feb 2, 2009
-	2,140,000	-	(90,000)	-	2,050,000		

Effective March 1, 2003, the Company adopted the recommendations of CICA Handbook Section 3870, Stock-based compensation (*Note 2g*). The new standard requires that stock-based awards made to employees and non-employees are to be measured and recognized using a fair value based method. Compensation expense is based on the fair value (based on the Black-Scholes option pricing model) of the options on the grant date.

On April 8, 2003, the Company granted 725,000 incentive stock options to directors and officers and 250,000 incentive stock options to consultants of the Company to purchase common shares at \$0.35 per share expiring July 31, 2008, with a total fair value of \$29,978. The fair value of \$29,978 has been recorded in the Company accounts. The offsetting entry is to share capital. 90,000 options were later cancelled by continuing directors.

On August 25, 2003, 150,000 options were granted to an outside consultant at an exercise price of \$0.35 per share expiring August 25, 2008, with a total fair value of \$17,646. The fair value of \$17,646 has been recorded in the Company accounts. The offsetting entry is to share capital.

On February 2, 2004, the Company granted 340,000 incentive stock options to directors and officers and 675,000 incentive options to consultants, to purchase common shares at a price of \$0.25 per share expiring February 2, 2009, with a total fair value of \$285,359 on the grant date. The fair value of \$285,359 has been recorded in the Company accounts. The offsetting entry is to share capital.

## Notes to Financial Statements

February 29, 2004 and February 28, 2003

Canadian Funds

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### 6. Share Capital - Continued

i) - Continued

The fair value of stock options used to calculate compensation expense for both employees and non-employees is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	3.46%
Expected dividend yield	Nil
Expected stock price volatility	64.08%
Average expected option life in years	5 years

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.

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### 7. Related Party Transactions

- During the year, per diem contract fees of \$50,700 (2003 - \$19,983) were paid or accrued to a director or a company controlled by a director. These amounts were included in resource property costs.
- During the year, consulting fees of \$45,400 (2003 - \$26,000) were paid to the Company's President and Chief Executive Officer.
- During the year, consulting fees of \$40,425 (2003 - \$NIL) were paid to the Company's Secretary and Chief Financial Officer.
- During the year, rent costs of \$6,000 (2003 - \$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 \$332,000 which may be carried forward indefinitely and are available to offset future taxable income.

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

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

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

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**Stikine Gold Corporation**  
*(A Development Stage Company)*

**Notes to Financial Statements**

**February 29, 2004 and February 28, 2003**

*Canadian Funds*

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**9. Segmented Information**

a) Details on a geographic basis as at February 29, 2004 is as follows:

	Latin America	Canada	Total
Assets	\$ 308,200	\$ 197,303	\$ 1,930,875
Resource Property costs	\$ 308,200	\$ 1,622,675	\$ 455,503
Loss for the Year	\$ -	\$ 1,468,896	\$ 1,468,896

b) Details on a geographic basis as at February 28, 2003 is as follows:

	Latin America	Canada	Total
Assets	\$ -	\$ 322,028	\$ 322,028
Resource Property costs	\$ -	\$ 194,459	\$ 194,459
Loss for the Year	\$ -	\$ 44,387	\$ 44,387

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**SCHEDULE B**  
**SUPPLEMENTARY INFORMATION**  
**STIKINE GOLD CORPORATION**  
**FEBRUARY 29, 2004**

*Section 1 Analysis of expenses and deferred costs*

a) Breakdown of Resource Property Costs for the period:

See Audited Financial Statements for details.

b) General and Administrative Expenses:

See Audited Financial Statements for details.

*Section 2 Related party transactions*

See Audited Financial Statements for details.

*Section 3 Summary of securities issued and options granted during the period*

(a) The following securities were issued during the year-ended February 29, 2004:

Date	# of Common Shares	Consideration	Commissions or Fees	Issue price
July 30, 2003	1,489,800	Cash - \$521,430	\$52,143	\$0.35
July 30, 2003	2,336,500	Cash - \$584,125	\$58,413	\$0.25
July 30, 2003	100,000	Services	Nil	-
August 15, 2003	100,000	Property – \$28,000	Nil	\$0.28
October 30, 2003	100,000	Property – \$17,000	Nil	\$0.17
January 26, 2004	10,000,000	Cash - \$2,000,000	\$167,405	\$0.20

(b) A summary of the company's options at February 29, 2004 and the changes for the year are as follows:

Number at Feb 28, 2003	Granted	Exercised	Cancelled	Number at Feb. 29, 2004	Exercise Price Per Share	Expiry	Optionee
-	225,000	-	(30,000)	195,000	\$0.35	July 31, 2008	Scott Broughton
-	225,000	-	(30,000)	195,000	\$0.35	July 31, 2008	John Mirko
-	225,000	-	(30,000)	195,000	\$0.35	July 31, 2008	David Skerlec
-	50,000	-	-	50,000	\$0.35	July 31, 2008	Iain Bruce
-	250,000	-	-	250,000	\$0.35	July 31, 2008	Consultants
-	150,000	-	-	150,000	\$0.35	Aug 25, 2008	Consultant
-	105,000	-	-	105,000	\$0.25	Feb 2, 2009	Scott Broughton
-	105,000	-	-	105,000	\$0.25	Feb 2, 2009	John Mirko
-	105,000	-	-	105,000	\$0.25	Feb 2, 2009	David Skerlec
-	25,000	-	-	25,000	\$0.25	Feb 2, 2009	Iain Bruce
-	675,000	-	-	675,000	\$0.25	Feb 2, 2009	Consultants
-	2,140,000	-	(90,000)	2,050,000			

**SCHEDULE B**  
**SUPPLEMENTARY INFORMATION**  
**STIKINE GOLD CORPORATION**  
**FEBRUARY 29, 2004**

*Section 3 Summary of securities issued and options granted during the period (continued)*

(c) The following warrants were granted during the year ended February 29, 2004:

<u>Date</u>	<u>Number</u>	<u>Optionee</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
July 30, 2003	382,630	Agents	\$0.35	July 31, 2004
Jan. 26, 2004	349,350	Agents	\$0.25	July 26, 2005
Jan. 26, 2004	10,000,000	Private Places*	\$0.25	July 26, 2005

\* Of the total 10 million warrants, 250,000 are held by Scott Broughton, 300,000 are held by David Skerlec and 225,000 are held by John Mirko.

*Section 4 Summary of securities as at the end of the period*

(a) Authorized share capital:

See Audited Financial Statements for details.

(b) Shares issued and outstanding:

See Audited Financial Statements for details.

(c) The following options were outstanding as of the date of this report:

See Audited Financial Statements and 3b) above for details.

(d) The following warrants were outstanding as of the date of this report:

See Audited Financial Statements for details.

(e) Shares in escrow:

See Audited Financial Statements for details.

*Section 5 List of the directors and officers as at report date:*

Directors:            Scott E. Broughton  
                              John M. Mirko  
                              Iain Bruce  
                              David J. Skerlec

Officers:                Scott E. Broughton                    President & CEO  
                              David J. Skerlec                        Corporate Secretary & CFO

## **SCHEDULE C**

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### **STIKINE GOLD CORPORATION**

**Form 51-901F Quarterly and Year End Report February 29, 2004**

### **MANAGEMENTS DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND THE RESULTS OF OPERATIONS FOR THE YEAR ENDED FEBRUARY 29, 2004**

*This discussion and analysis of operating results and financial position of the Company for the years ended February 29, 2004 should be read in conjunction with the financial statements appearing in Schedule A of this report.*

#### ***Description of Business***

The Company is engaged in exploration for mineral resources.

The Company's primary objective in its first year of operations has been to raise funds through an initial public offering on the TSX Venture Exchange, with the proceeds to be directed towards acquisitions, exploration and general working capital.

The Company's office is located at Suite 500-1045 Howe Street, Vancouver, British Columbia and the registered office is located at Suite 1100 – 888 Dunsmuir Street, Vancouver, British Columbia.

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.

All amounts in the financial statements and management's discussion are expressed in Canadian dollars, unless otherwise indicated.

#### ***Mineral Properties***

##### ***Sullivan Deeps Project***

By assignment agreement dated October 2, 2003, the Company acquired, the right to earn, from Teck Cominco Metals Ltd. ("Teck Cominco", a subsidiary of Teck Cominco Limited), a 50% interest in certain properties located near Kimberley, British Columbia, known as Sullivan Deeps Project. As consideration for the assignment of the option, the Company reimbursed Mariner Ventures Corporation, a related company, for \$53,394 in costs and was later credited with a refund \$2,251, for net acquisition costs of \$51,143.

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

	Share Issuances	Exploration Expenditures
Upon exchange approval (issued)	100,000	\$ -
On or before January 31, 2005	-	1,500,000
On or before August 31, 2007	-	2,500,000
	<u>100,000</u>	<u>\$ 4,000,000</u>

Of the initial \$1.5 million in required expenditures, \$500,000 is a firm commitment and is to include at least one drill test. Should the Company not incur this amount, it must pay Teck Cominco the difference between \$500,000 and the total amount incurred to January 31, 2005. Upon completion of 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% NSR, reducible to 1% upon payment of \$2.5 million by the Company.

At February 29, 2004, the Company had expended \$147,303 on the Sullivan Deeps Project including \$51,143 in acquisition costs, \$17,000 in share issuances (100,000 shares at a deemed price of \$0.17 per share) and \$10,180 in additional staking costs. The Company has started its Phase 1 drill program at an estimated cost of approximately \$900,000 at the Sullivan Deeps Project and is adequately funded to complete this program. As the Company only recently acquired this project, expenditure comparisons to prior periods are not relevant.

*William's Gold Property*

By agreement with Rimfire Minerals Corporation (the "Optionor") 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, in northern British Columbia. The William's Property consists of 11 contiguous four-post mineral claims covering an area of 4200 hectares immediately north of the Stikine River some 140 kilometres southeast of Dease Lake. Access to the property is by aircraft from Dease Lake or Smithers to nearby airstrips at Kemess Mine, Sturdee Valley or Hyland Post. Kemess Mine is also accessible by road from Mackenzie, which is northwest of Prince George.

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In order to earn the interest, the Company is required to 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)	25,000	-	
On or before 15 days after the Company's shares are listed for trading on the (Issued)	-	100,000	-
On or before December 31, 2003 (incurred)		-	300,000
On or before May 1, 2004	40,000	-	-
On or before June 15, 2004	-	50,000	-
On or before December 31, 2004	-	-	350,000
On or before June 15, 2005	50,000 *	-	-
On or before December 31, 2005			725,000
On or before June 15, 2006	50,000 *	-	-
	\$ 175,000	150,000	\$ 1,500,000

\* At the election of the Company, this payment may be made by the issue of shares having an aggregate market value of \$50,000.

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

Initial mineral claims covering the area of the current William's Property were located in 1980. Exploratory work over the subsequent 15 years included geological mapping, geochemical surveys and 3023 metres of diamond drilling. More recent work has included geochemical sampling in 2001, an Induced Polarization survey in 2002, and in the summer of 2003, the Company completed 2,855 metres of diamond drilling.

The initial program consisted of 10 diamond drill holes to test a coincident gold-in-soil and induced polarization (IP) resistivity anomaly at the "Dome Target" and an additional hole to test the "Hidden Dome" gold-in-soil target. While many of the drill holes contained mineralization and long intervals of lower grade gold values, only a limited number of higher-grade sections were encountered. Tables 1 and 2 below provide a summary of diamond drill hole information and assay results exceeding 500 ppb (0.5 g/t) respectively. Core samples were collected and prepared under the supervision of W.A. (Sandy) Sears, P.Geol. a qualified person as defined by NI 43-101. ACME Analytical Laboratories in Vancouver carried out all assays.

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Table 1. Diamond Drill Hole Locations and Orientation

Drill Hole	UTM Coordinates		Orientation	Length (m)
	Easting	Northing		
WG03-01	573044	6404999	225/-55	252.7
WG03-02	573230	6405149	225/-55	295.4
WG03-03	573196	6405316	225/-55	268.0
WG03-04	573087	6405241	225/-55	255.7
WG03-05	572920	6405085	225/-55	264.9
WG03-06	573366	6405030	225/-55	253.6
WG03-07	573510	6405386	225/-55	252.7
WG03-08	573690	6405350	225/-55	252.7
WG03-09	573715	6405099	225/-55	252.1
WG03-10	572999	6404941	225/-55	251.8
WG03-11	573185	6406183	225/-55	255.7

Table 2. Assay Results Exceeding 500ppb (0.5 g/t) Gold

Drill Hole	Sample Number	From (m)	To (m)	Interval (m)	Fire Geochem Au (ppb)	Fire Assay (I) Au (g/t)
WG03-01	A 127099	93.85	94.35	0.50	834	
WG03-01	A 127145	171.00	172.00	1.00	3243	
WG03-01	A 127162	198.00	199.00	1.00	705	
WG03-01	A 127186	241.00	242.00	1.00	1891	
WG03-02	A 127313	207.65	209.30	1.65	1011	
WG03-02	A 127328	231.40	232.90	1.50	552	
WG03-02	A 127332	235.50	237.00	1.50	1119	
WG03-03	A 127369	6.00	7.60	1.60	1239	
WG03-03	A 127456	160.00	161.30	1.30	953	
WG03-04	A 127640	226.80	227.80	1.00	1138	
WG03-05	C 199069	200.85	201.35	0.50	1342	
WG03-07	C 199137	57.25	58.10	0.85	667	
WG03-08	C 199415	51.20	53.20	2.00	809	
WG03-09	C 199597	145.00	147.00	2.00	745	
WG03-09	C 199598	147.00	149.00	2.00	748	
WG03-10	C 199658	31.58	32.15	0.57	2815	
WG03-10	C 199659	32.15	33.15	1.00	522	
WG03-10	C 199660	33.15	34.15	1.00	12057	
WG03-10	C 199663	37.15	38.50	1.35	26927	19.92
WG03-10	C 199664	38.50	40.00	1.50	1027	
WG03-10	C 199666	41.75	43.75	2.00	2098	
WG03-10	C 199671	49.75	50.75	1.00	783	
WG03-10	C 199693	82.10	83.10	1.00	2365	
WG03-10	C 199695	85.10	87.10	2.00	710	
WG03-10	C 199700	95.10	97.25	2.15	872	
WG03-10	C 199701	97.25	99.20	1.95	976	
WG03-10	C 199705	104.70	105.61	0.91	20221	18.30
WG03-10	C 199706	105.61	106.33	0.72	5813	
WG03-10	C 199723	133.10	135.10	2.00	7674	
WG03-10	C 199756	188.50	189.10	0.60	9065	12.74
WG03-10	C 199778	224.30	224.80	0.50	1363	

Note 1. Total Fire Assay including screened metallics

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In fiscal 2003, the Company had incurred \$169,567 in deferred exploration and \$24,892 in acquisition costs for a total of \$194,459. For the year ended February 29, 2004, the Company greatly accelerated its exploration at the William's Gold Property, spending in \$628,315 in exploration and \$53,000 in acquisition costs (\$25,000 cash payment and 100,000 common shares issued at deemed price of \$0.28).

Actual exploration expenditures of \$628,315 during fiscal-2004 at the William's Gold Property were lower than the two-phase budget of \$942,425 (\$819,500 not including contingencies) recommended for the Company's IPO proceeds. Material variances include drilling costs being under budget by \$113,230 (the Company was able to negotiate a good drilling contract and drilled less than the budgeted 3,300 metres at a total of 2,855 metres). Aircraft Charter expenses were \$31,792 higher than budgeted, as the Company did not receive permission to use the Stikine River for freight mobilization, and instead transported all equipment by aircraft (fixed-wing and helicopter). As a result the Company did not incur \$49,500 in budgeted river freight costs. Travel and mobilization costs were \$21,137 under budget, as local personnel were generally used for labour and geological consulting. As the drill program was efficient and quicker than expected, project supervision and reporting costs were under budget by \$67,909. Total expenses at the William's Gold property were therefore almost \$315,000 under budget including contingencies, or approximately \$191,000 not including contingencies.

Despite the efficient and cost-effective program, the initial drill results did not support the Company's model of a near-surface large-scale bulk-tonnage deposit at the two initial targets tested. On April 30, 2004, the Company gave notice to the Optionor, that it would not be completing further work on the property. Therefore, the Company has written-off the total amount of \$875,774 in acquisition and deferred exploration costs incurred in connection with this property.

*Latin American Exploration*

The Company has grubstaked a prospector with substantial experience to search for, and to subsequently acquire, interests in mineral properties of interest and meeting the Company's criteria in Latin America. Expenses to date include fixed-wing and rotor aircraft, office, room and board, ground transport, communications, claim applications, legal and technical consulting, analysis and labour costs. Costs to date totalling \$308,200 have been capitalized; however there is no assurance the Company will be successful in acquiring any properties.

***Results of Operations***

For the year ended February 29, 2004, the Company incurred a loss of \$1,468,896 compared to a loss of \$44,387 during the year ended February 28, 2003 (during 2003, the company was relatively inactive prior to its IPO). The loss of \$1,468,896 includes a one-time write-off of \$875,774 representing acquisition (\$77,892) and deferred exploration costs (\$797,882) incurred in connection with the William's Gold Property. General and administrative costs of \$595,754 for the year included non-cash stock option based compensation of \$332,983, related party consulting expense of \$85,825, other consulting and wages of \$39,579, advertising and shareholder relations expenses of \$49,117, \$28,967 in travel expenses, \$28,657 accounting, audit and legal fees, \$6,819 in listing and filing fees, office and sundry expenses of \$15,184 and rent costs of \$6,000.

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The IPO budget for general and administration expenses was \$174,000 and actual costs for the year were \$595,754, however the actual costs include \$332,983 in (unbudgeted) non-cash stock-based compensation. As such, the Company was only \$88,801 over-budget on a cash basis. Most of the budget overrun can be attributed to total consulting costs being \$125,404, compared to a budgeted \$72,000 for the year (the Company retained a financial consultant at a rate of \$4,000 per month due to its requirements for additional capital). Travel expenses, shareholder relations costs, and listing and filing fees were also over-budget as a result of the Company refocusing its efforts on a major new project (Sullivan Deeps) while raising an additional \$2 million in January by way of private placement, largely completed in the United Kingdom.

***Liquidity and Solvency***

At February 29, 2004, the Company had cash and equivalents of \$1,422,462 and working capital of \$1,436,402, which is sufficient to meet all current operating requirements and to complete Phase I of its planned exploration at the Sullivan Deeps Project.

***Related Party Transactions***

Each of Scott Broughton, David Skerlec and John Mirko, either directly or through a wholly owned company, provides consulting or contract services to the Company pursuant to a consulting agreement. Mr. Broughton is paid a per diem rate of \$400, and Messrs. Skerlec and Mirko are paid per diem rates of \$350. In the 2004 fiscal year, consulting fees of \$45,400 (2003 - \$26,000) were paid or accrued to the President and CEO. Services provided include general corporate, exploration and acquisition strategy, drafting and engineering work, investment presentations and contract negotiations. Consulting fees of \$40,425 (2003 - \$NIL) were paid or accrued to the CFO and Secretary for services such as corporate finance activities, contract negotiations, financial and management accounting and general office management. Per-diem contract fees of \$50,700 (2003 - \$19,983) were paid or accrued to a director or a company controlled by a director for the year-ended February 29, 2004, which amount has been included in resource property costs. Rent costs of \$6,000 (2003 - \$4,000) have been paid to date or accrued to a company with a director in common. Directors and Officers of the Company were also paid accrued consulting and contract fees totalling \$24,850 by Mariner Ventures Corporation, upon the assignment of the Sullivan Deeps agreement to Stikine Gold Corporation.

***Financing Activities***

By way of a final prospectus dated May 15, 2003, 2,387,516 common shares of the Company were issued during the year, without payment of additional consideration, upon the deemed exercise of previously issued special warrants issued pursuant to private placements completed between September 26, 2002 and February 26, 2003.

The Company also completed its Initial Public Offering ("IPO") on July 30, 2003 raising gross proceeds of \$1,105,555 through the issuance of 2,336,500 common shares at \$0.25 per share and 1,489,800 flow-through common shares at \$0.35 per share. Union Securities Ltd. (the "Agent") acted as lead agent and was paid a 10% selling commission (\$110,555.50), a corporate finance fee of \$10,000 and 100,000 common shares at a deemed \$0.25 per share. The Agent also received warrants to purchase up to 382,630 common shares exercisable for a period of one year from listing of the Company's shares on the TSX Venture Exchange. The Company's shares began

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trading under the symbol "SKY" on July 31, 2003. Directors and Officers of the Company purchased 260,000 common shares on the IPO at a price of \$0.25 per common share.

In January of 2004, the Company completed a private placement of 10,000,000 units at a price of \$0.20 per unit raising gross proceeds of \$2 million. Each unit consisted of one common share and one warrant entitling the holder to acquire an additional common share at a price of \$0.25 per share until July 26, 2005. Finder's fees totalling \$167,405.20 were paid and 349,350 warrants issued (with the same terms as those issued to subscribers) in connection with this financing. Directors and Officers of the Company subscribed for a total of 775,000 of the 10,000,000 units issued by private placement.

***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.

***Outlook***

The Company's objective is to complete its initial drill program on the Sullivan Deeps Project while continuing to evaluate further properties for potential acquisition. The Company is adequately funded to meet all current obligations and its initial program at Sullivan Deeps, but will require additional funds prior to making any further acquisitions.