



**INTERIM FINANCIAL STATEMENTS**

**For the Three Months Ended**

**May 31, 2010 and 2009**

**(Expressed in Canadian Funds)**

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, 2010.

# Stikine Gold Corporation

## Balance Sheets

Canadian Funds

	As at May 31, 2010 (unaudited)	As at February 28, 2010
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 10,954	\$ 15,429
Receivables	6,500	4,771
Prepaid expenses	4,725	3,133
	<u>22,179</u>	<u>23,333</u>
<b>Resource Property Costs</b> – Schedule, (Note 3)	1,335,559	983,193
<b>Reclamation Bonds</b> (Note 6)	7,500	7,500
<b>Equipment</b> (Note 4)	3,104	3,352
	<u>\$ 1,368,342</u>	<u>\$ 1,017,378</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 78,594	\$ 54,981
Due to related parties (Note 8d)	124,108	30,478
	<u>202,702</u>	<u>85,459</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 5a)	8,461,859	8,371,315
<b>Contributed Surplus</b> (Note 5d)	1,367,033	1,048,537
<b>Deficit</b>	(8,663,252)	(8,487,933)
	<u>1,165,640</u>	<u>931,919</u>
	<u>\$ 1,368,342</u>	<u>\$ 1,017,378</u>

Nature of Operations and Going Concern (Note 1)  
 Financial Instruments (Note 9)  
 Subsequent Events (Note 11)

ON BEHALF OF THE BOARD:

“Scott Broughton”, Scott E. Broughton, Director

“David Skerlec”, David J. Skerlec, Director

- See Accompanying Notes -

**Stikine Gold Corporation**  
**Statements of Loss, Comprehensive Loss and Deficit**  
**For the Three Months Ended May 31**

*Canadian Funds*

**Unaudited**

	2010	2009
<b>General and Administrative Expenses</b>		
Stock-based compensation	\$ 120,630	\$ -
Rent, office and sundry	18,084	9,253
Consulting and management fees	14,050	4,750
Advertising, promotion and shareholder relations	7,755	1,105
Travel	5,634	245
Listing and filing fees	4,350	5,407
Audit, accounting and legal fees	4,345	4,298
Amortization	248	270
Bank charges and interest	230	141
<b>Loss before the Undernoted</b>	<b>175,326</b>	<b>25,469</b>
Resource costs written-off	-	3,029
Interest income	(7)	(75)
<b>Loss and Comprehensive Loss for the Period</b>	<b>175,319</b>	<b>28,423</b>
Deficit – Beginning of period	8,487,933	8,347,365
<b>Deficit – End of Period</b>	<b>\$ 8,663,252</b>	<b>\$ 8,375,788</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>50,237,156</b>	<b>42,892,917</b>

- See Accompanying Notes -

**Stikine Gold Corporation**  
**Statements of Cash Flows**  
For the Three Months Ended May 31

Canadian Funds  
Unaudited

<b>Cash Resources Provided By (Used In)</b>	<b>2010</b>	<b>2009</b>
<b>Operating Activities</b>		
Loss for the period	\$ (175,319)	\$ (28,423)
Items not affecting cash		
Stock-based compensation	120,630	-
Amortization	248	270
Resource costs written-off	-	3,029
Changes in non-cash working capital		
B.C. exploration tax credit receivable	-	5,060
Receivables	(1,729)	16,506
Prepaid expenses	(1,592)	5,705
Accounts payable and accrued liabilities	(26,162)	2,469
Due to related parties	93,630	(4,843)
	<u>9,706</u>	<u>(227)</u>
<b>Investing Activities</b>		
Resource property costs	<u>(67,681)</u>	-
	<u>(67,681)</u>	-
<b>Financing Activities</b>		
Equity issued for cash	<u>53,500</u>	-
	<u>53,500</u>	-
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>	<b>(4,475)</b>	<b>(227)</b>
Cash and cash equivalents – Beginning of period	<u>15,429</u>	<u>55,673</u>
<b>Cash and cash equivalents – End of Period</b>	<b>\$ 10,954</b>	<b>\$ 55,446</b>
<b>Supplemental Schedule of Non-Cash Investing and Financing Transactions</b>		
Property expenditures included in current liabilities	\$ 49,775	\$ 31,858
Stock based compensation recorded in resource costs	\$ 234,910	\$ -

- See Accompanying Notes -

**Stikine Gold Corporation**  
**Schedule of Resource Property Costs**

For the Three Months Ended May 31

Canadian Funds

Unaudited

	2010		2009
<b>BC Silica Project, BC, Canada</b>			
<b>Acquisition Costs</b>			
Staking and land costs	\$ 34,154	\$	27,841
<b>Deferred Exploration Costs</b>			
Aircraft charter	-		1,551
Stock-based compensation	234,910		-
Geological and project management	42,836		-
Testing and assaying	20,502		340
Travel	9,826		-
Engineering	7,350		-
Maps and reports	1,228		-
Communication	840		-
Environmental	600		-
Materials and equipment and road	120		-
	<b>352,366</b>		<b>29,732</b>
<b>Total Costs for the Period</b>	<b>352,366</b>		<b>29,732</b>
Balance - Beginning of Period	<b>983,193</b>		-
<b>Balance - End of Period</b>	<b>\$ 1,335,559</b>	<b>\$</b>	<b>29,732</b>

# Stikine Gold Corporation

## Notes to Financial Statements

May 31, 2010 and 2009

Canadian Funds  
Unaudited

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### 1. Nature of Operations and Going Concern

Stikine Gold Corporation (the "Company") was incorporated July 10, 2000 as Withit Capital Corp., changed its name to Stikine Gold Corporation June 18, 2002 and commenced operations in the 2003 fiscal year. The Company engages principally in the acquisition, exploration and development of resource properties in Canada.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the three months ended May 31, 2010, the Company reported a loss of \$175,319 and an accumulated deficit of \$8,663,252 at that date. The Company had a working capital deficit of \$180,523 and cash and cash equivalents at May 31, 2010 amounted to \$10,954. These circumstances lend significant doubt as to the ability of the Company to continue as a going concern.

Continuing operations as a going concern are dependent upon management's ability to continue to raise adequate financing and to ultimately achieve profitable operations in the future. Management continues to seek equity financing for the Company and although management has been successful in the past; there is no assurance that these initiatives will be successful in the future (*see Note 11*).

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

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### 2. Significant Accounting Policies

#### a) Basis of presentation

These interim financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") and follow the same accounting policies and methods consistent with those used in the preparation of the most recent annual audited financial statements except as noted below. The interim financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's audited financial statements for the year ended February 28, 2010. All amounts are presented in Canadian dollars unless otherwise indicated.

#### b) Management's Estimates

The preparation of financial statements in conformity with Canadian GAAP 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 these estimates.

#### c) Accounting Developments

The CICA issued new Handbook Section 1582, "Business Combinations", Handbook Section 1600, "Consolidated Financial Statements" and Handbook Section 1601, "Non-controlling Interests" in January 2009 which establish a new section for accounting for a non-controlling interest in a subsidiary. These new standards are expected to align Canadian GAAP with the provisions of the International Financial Reporting Standards ("IFRS") equivalent IFRS3, "Business Combinations" and IAS 27, "Consolidated and Separate Financial Statements". The new standards will be effective for business combinations for which the acquisition date is on or after January 1, 2011. The Company is evaluating the impact of these new standards on the Company's consolidated financial statements as part of the Company's IFRS initiatives.

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# Stikine Gold Corporation

## Notes to Financial Statements

May 31, 2010 and 2009

Canadian Funds  
Unaudited

### 3. Resource Property Costs

Details are as follows:

	Acquisition	Deferred Exploration & Development	Total May 31, 2010	Total February 28, 2010
British Columbia, Canada BC Silica Project	\$ 47,421	\$ 1,288,138	\$ \$ 1,335,559	\$ 983,193
	\$ 47,421	\$ 1,288,138	\$ \$ 1,335,559	\$ 983,193

During the year ended February 28, 2010, the Company acquired a 100-per-cent interest in several British Columbia mineral claims by map staking known silica occurrences and prospective geology. The Company is in the process of evaluating the various silica sources for commercial frac sand potential.

### 4. Equipment

Details are as follows:

	Cost	Accumulated Amortization	May 31, 2010 Net Book Value
Computer/Office equipment	\$ 20,335	\$ 17,231	\$ 3,104

  

	Cost	Accumulated Amortization	February 28, 2010 Net Book Value
Computer/Office equipment	\$ 20,335	\$ 16,983	\$ 3,352

### 5. Share Capital

a) Details are as follows:

	Number	Amount
Authorized:		
Unlimited common shares without par value		
<b>Balance as at February 29, 2009</b>	42,892,917	7,430,137
Issued and fully paid		
Private Placement – prorated value of common shares issued	2,000,000	144,995
Exercise of warrants	5,000,000	750,000
Exercise of stock options	100,000	10,000
Fair value of warrants exercised	-	30,526
Fair value of options exercised	-	7,289
Share Issuance costs	-	(1,632)
<b>Balance as at February 28, 2010</b>	49,992,917	\$ 8,371,315
Issued and fully paid		
Exercise of stock options	535,000	53,500
Fair value of options exercised	-	37,044
<b>Balance as at May 31, 2010</b>	50,527,917	\$ 8,461,859

# Stikine Gold Corporation

## Notes to Financial Statements

May 31, 2010 and 2009

Canadian Funds  
Unaudited

### 5. Share Capital - Continued

During the year ended February 28, 2010, the Company completed a non-brokered private placement for proceeds of \$200,000. Two million units were issued at a price of \$0.10 per unit, each consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share until August 13, 2010 at price of \$0.15. A director of the Company purchased a total of 120,000 units.

The prorated fair value of the warrants issued was calculated to be \$55,005 on the grant date and is accounted for as a reduction to proceeds from the common shares with the offsetting entry to contributed surplus. The total fair value of warrants was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Number of warrants	2,000,000
Average risk-free interest rate	1.21%
Expected dividend yield	Nil
Expected stock price volatility	111%
Average expected life	0.88 years

#### b) Stock Options

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 TSX Venture Exchange on the last trading day preceding the grant date. Options vest on the grant date unless determined otherwise by the board of directors.

At May 31, 2010 there were 4,960,000 options outstanding at a weighted average exercise price of \$0.20. A summary of the changes during the three months ended May 31, 2010 is as follows:

Number at February 28, 2010	Granted	Exercised	Expired or Cancelled	Number at May 31, 2010	Exercise Price Per Share	Expiry
490,000	-	-	(490,000)	-	\$0.55	March 4, 2010
625,000	-	-	(125,000)	<b>500,000</b>	\$0.30	Feb. 20, 2012
1,700,000	-	(450,000)	-	<b>1,250,000</b>	\$0.10	June 18, 2013
1,195,000	-	(85,000)	-	<b>1,110,000</b>	\$0.10	June 10, 2014
-	2,100,000	-	-	<b>2,100,000</b>	\$0.30	May 3, 2015
4,010,000	2,100,000	(535,000)	(615,000)	<b>4,960,000</b>	\$0.20	

During the three months ended May 31, 2010, the Company granted 2,100,000 incentive stock options exercisable at a price of \$0.30 per share for a period of five years. The total fair value of the options granted was calculated to be \$355,540 on the grant date. Of this amount, \$120,630 was expensed and \$234,910 was capitalized to mineral properties. The offsetting entries are to contributed surplus. The fair value of stock options used to calculate the compensation expense was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	2.69%
Expected dividend yield	Nil
Expected stock price volatility	89%
Average expected option life	4.0 years

# Stikine Gold Corporation

## Notes to Financial Statements

May 31, 2010 and 2009

Canadian Funds  
Unaudited

### 5. Share Capital - Continued

Also during the three months ended May 31, 2010, a total of 615,000 outstanding stock options expired unexercised and a total of 535,000 stock options were exercised for proceeds of \$53,500. The fair value of \$37,044 relating to this exercise of stock options has been transferred to share capital from contributed surplus.

At February 28, 2010 there were 4,010,000 options outstanding at a weighted average exercise price of \$0.19. A summary of the changes during the year ended February 28, 2010 is as follows:

Number at February 28, 2009	Granted	Exercised	Cancelled	Number at February 28, 2010	Exercise Price Per Share	Expiry
490,000	-	-	-	<b>490,000</b>	\$0.55	March 4, 2010
100,000	-	-	(100,000)	-	\$0.30	June 1, 2011
700,000	-	-	(75,000)	<b>625,000</b>	\$0.30	Feb. 20, 2012
1,800,000	-	(100,000)	-	<b>1,700,000</b>	\$0.10	June 18, 2013
-	1,195,000	-	-	<b>1,195,000</b>	\$0.10	June 10, 2014
3,090,000	1,195,000	(100,000)	(175,000)	<b>4,010,000</b>	\$0.19	

During the year ended February 28, 2010, the Company granted 1,195,000 incentive stock options exercisable at a price of \$0.10 per share for a period of five years. The total fair value of the options granted was calculated to be \$59,641 on the grant date. Of this amount, \$9,483 was expensed and \$50,158 was capitalized to mineral properties. The offsetting entries are to contributed surplus. The fair value of stock options used to calculate the compensation expense was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	2.37%
Expected dividend yield	Nil
Expected stock price volatility	82%
Average expected option life	4.2 years

Also during the year ended February 28, 2010, a total of 175,000 outstanding stock options were cancelled upon termination of consulting agreements. A total of 100,000 stock options were exercised for proceeds of \$10,000. The fair value of \$7,289 relating to this exercise of stock options has been transferred to share capital from contributed surplus.

#### c) Warrants

As at May 31, 2010 there were 2 million warrants of the Company outstanding with an exercise price of \$0.15. There were no changes during the period.

During the year ended February 28, 2010, 5 million warrants were exercised for proceeds of \$750,000. The fair value of \$30,526 relating to these warrants has been transferred to share capital from contributed surplus. A summary of the Company's warrants outstanding at February 28, 2010 and the changes for the fiscal year are as follows:

Number Outstanding February 28, 2009	Issued	Exercised	Number Outstanding February 28, 2010	Exercise Price	Expiry Date
5,000,000	-	(5,000,000)	-	\$0.15	October 14, 2009
-	2,000,000	-	<b>2,000,000</b>	\$0.15	August 13, 2010
5,000,000	2,000,000	(5,000,000)	<b>2,000,000</b>	\$0.15	

# Stikine Gold Corporation

## Notes to Financial Statements

May 31, 2010 and 2009

Canadian Funds  
Unaudited

### 5. Share Capital - Continued

#### d) Contributed Surplus

Details are as follows:

	May 31, 2010	February 28, 2010
Balance – Beginning of Period	\$ 1,048,537	\$ 971,825
Private placement proceeds allocated to warrants	-	55,005
Issuance costs attributed to warrants	-	(481)
Issuance costs for warrants exercised	-	362
Fair value of warrants exercised	-	(30,526)
Fair value of options exercised	(37,044)	(7,289)
Fair value of stock-based compensation	355,540	59,641
Balance – End of Period	\$ 1,367,033	\$ 1,048,537

### 6. Reclamation Bonds

At May 31, 2010, reclamation bonds totalling \$7,500 (2009 - \$10,000) were held with the British Columbia Ministry of Energy, Mines and Petroleum Resources as summarized below:

	May 31, 2010	February 28, 2010
Grant Gold Project	\$ 4,000	\$ 4,000
BC Silica claims	3,500	-
Catalan Copper Project	-	3,500
<i>Total</i>	\$ 7,500	\$ 7,500

### 7. Related Party Transactions

Except as noted elsewhere in these financial statements, related party transactions are measured and recorded at fair market value as follows:

- During the three months ended May 31, 2010, consulting fees of \$17,200 (2009 - \$1,600) 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, 2010, consulting fees of \$6,250 (2009 - \$3,150) 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.
- During the three months ended May 31, 2010, rent costs of \$9,458 (2009 - \$8,859) were paid or accrued to a company with directors of the Company in common.
- At May 31, 2010 current liabilities include \$124,108 (2009 - \$30,087) payable to related parties. These transactions were incurred in the ordinary course of business, are non-interest bearing, and without specific repayment terms. The transactions are measured at the exchange amount, which is the fair value consideration established and agree to by the related parties.

**Stikine Gold Corporation**  
**Notes to Financial Statements**

May 31, 2010 and 2009

Canadian Funds  
Unaudited

**8. Income Taxes**

- a) Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

For the years ended:	February 28, 2010	February 28, 2009
Earnings (Loss) before income taxes	\$ (157,287)	\$ (1,769,922)
Canadian federal and provincial income tax rates	29.76%	30.75%
Income tax expense (recovery)	(46,809)	(544,251)
Increase (decrease) due to:		
Non-deductible expenses for tax purposes	19,275	37,727
Share issuance costs	(438)	(1,486)
Difference in long term tax rates	4,404	130,487
Expiry of losses and others	13,211	(10,673)
Changes in valuation allowance	(6,362)	388,196
Income tax expense (recovery)	\$ (16,719)	\$ -

- b) The significant components of future income tax assets and liabilities are as follows:

As at:	February 28, 2010	February 28, 2009
<i>Future income tax asset</i>		
Non-capital loss carry forwards	\$ 453,335	\$ 416,394
Shares issue costs	5,226	12,177
Equipment	4,246	3,976
Resource property costs	1,048,475	1,068,378
Future income tax assets	1,511,282	1,500,925
Less: Valuation allowance	(1,494,563)	(1,500,925)
Total future income tax asset	\$ 16,719	\$ -
<i>Future income tax liability</i>		
Mineral properties	\$ 16,719	\$ -
Total future income tax liability	\$ 16,719	\$ -
Net future income tax liability	\$ -	\$ -

# Stikine Gold Corporation

## Notes to Financial Statements

May 31, 2010 and 2009

Canadian Funds  
Unaudited

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### 8. Income Taxes - Continued

- c) At February 28, 2010, the Company has non-capital losses of \$1,793,205 that may be available to offset future taxable income. These loss carry-forwards expire as follows:

	Amount
2011	\$ 335,570
2015	332,157
2026	206,730
2027	308,060
2028	234,950
2029	175,202
2030	200,536
	<hr/>
	\$ 1,793,205

The Company has cumulative resource expenditures of approximately \$5,160,000 that may be carried forward indefinitely and used to reduce taxable income in future years.

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### 9. Financial Instruments

#### a) Fair Values

The Company has designated its financial instruments as follows:

- Cash and cash equivalents are classified as “*Held-For-Trading*” and recorded at fair value with changes in fair value recorded in net income;
- Reclamation bond amounts are classified as “*Available-for-Sale*” and recorded at fair value with temporary changes in fair value recorded in other comprehensive income; and
- Accounts payable, accrued liabilities, and due to related parties are classified as “*Other Financial Liabilities*”. These financial liabilities are recorded at amortized cost using the effective interest method.

There are three levels of fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with level 1 inputs having the highest priority. The levels and the valuation techniques used to value the Company’s financial assets and liabilities are described below:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 – Unobservable (supported by little or no market activity) prices.

# Stikine Gold Corporation

## Notes to Financial Statements

May 31, 2010 and 2009

Canadian Funds  
Unaudited

### 9. Financial Instruments - *Continued*

The carrying amounts of financial instruments approximate fair value as of May 31, 2010 as shown below:

	Fair Value Hierarchy Level	Carrying and Fair Values
<b>Financial Assets</b>		
Cash and cash equivalents	2	\$ 10,954
Reclamation bonds	2	\$ 7,500
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	N/A	\$ 78,594
Due to related parties	N/A	\$ 124,108

The fair values of the Company's accounts payable and accrued liabilities and due to related parties are estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

#### b) Capital Risk Management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and to have sufficient funds on hand for business opportunities as they arise. The Company considers the components of shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue equity, sell assets, or return capital to shareholders as well as issue or repay debt. The Company is not subject to externally-imposed capital requirements. The Company invests its cash in short-term interest-bearing investments, having maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash.

There were no changes to the Company's approach to capital management during the three months ended May 31, 2010. As at May 31, 2010, the Company had no foreign currency hedges or commodity hedges in place, and consequently, hedge accounting is not used. Additional information regarding the Company's capital risk management is disclosed in Note 1.

#### c) Financial Risk Management

The Company is exposed to potential loss from various risks including credit risk, interest rate risk, currency risk, liquidity risk, market risk and commodity price risk.

##### *i) Credit Risk*

A concentration of credit risk in accounts receivable resides with the Canada Revenue Agency. Management has considered payment history and other factors and estimated that no allowances are required to allow for potential credit losses, as the risk of non-performance is remote. The Company maintains its cash and cash equivalents in Canadian Chartered Banks. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

# Stikine Gold Corporation

## Notes to Financial Statements

May 31, 2010 and 2009

Canadian Funds  
Unaudited

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### 9. Financial Instruments – Continued

#### *ii) Foreign Exchange Risk*

The Company's operations are exclusively conducted in Canada and the operating results and the financial position of the Company are reported in Canadian dollars. The Company is not subject to foreign exchange risk at May 31, 2010.

#### *iii) Interest Rate Risk*

The Company is exposed to interest rate risk on its cash and cash equivalents. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher yielding cash equivalents and short-term investments mature and the proceeds are invested at lower interest rates. A 1% change in interest rates would have an insignificant impact on the Company's financial statements or operating results.

#### *iv) Liquidity Risk*

The Company is exposed to liquidity risk. The Company seeks to manage liquidity risk by maintaining sufficient cash and short-term investment balances for settlement of its obligations. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital in order to meet short-term obligations. For the period ended May 31, 2010, the Company reported a loss of \$175,319 and an accumulated deficit of \$8,663,252 at that date. The Company had a working capital deficit of \$180,523 and cash and cash equivalents at May 31, 2010 amounted to \$10,954. At May 31, 2010, the liquidity risk of the Company was considered very high due to limited funds and general uncertainty in the world economy (see Notes 1 and 11).

#### *v) Pledged Financial Assets*

The Corporation has financial assets that are pledged for reclamation obligations. Reclamation deposits are maintained to satisfy the Corporation's obligation for future reclamation expenditures at its various exploration properties.

#### *vi) Market and Commodity Price Risk*

The Company is exposed to market risk and commodity price risk. Declines in the market price of commodities can affect the Company's ability to raise capital to fund its ongoing exploration and development activities.

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### 10. Segmented Information

The Company's principal activity is the exploration and development of mineral properties with these properties located in Canada.

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### 11. Subsequent Events

Subsequent to May 31, 2010, the Company closed a brokered private placement of 13,775,000 flow-through common shares and 1,725,000 units at a price of 20 cents per FT share and unit, raising gross proceeds of \$3.1 million. Each unit consists of one common share and one-half of a transferable common share purchase warrant. Each whole warrant is exercisable into one additional common share of the company until Dec. 17, 2011, at an exercise price of 25 cents.

Subject to approval by the TSX Venture Exchange, the Company plans to change its name to Stikine Energy Corp.

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