



STIKINE ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(FORM 51-102F1)

NINE MONTHS ENDED NOVEMBER 30, 2011

JANUARY 26, 2012



TABLE OF CONTENTS

| | |
|--|----|
| Date of Report..... | 2 |
| Description of Business..... | 2 |
| Selected Annual Financial Results | 2 |
| Summary of Quarterly Results..... | 2 |
| Results of Operations..... | 3 |
| <i>British Columbia Frac Sand Properties</i> | 3 |
| <i>Nonda Preliminary Economic Assessment Highlights and Inferred Resource Estimate</i> | 4 |
| <i>Angus Preliminary Economic Assessment Highlights and Inferred Resource Estimate</i> | 4 |
| Liquidity and Financial Position | 5 |
| Financial Instruments | 5 |
| <i>Financial Assets</i> | 5 |
| <i>Financial Liabilities</i> | 5 |
| <i>Fair Values and Hierarchy Levels</i> | 5 |
| <i>Financial Instrument Risk Management</i> | 6 |
| Critical Accounting Estimates..... | 7 |
| <i>Exploration and Evaluation Assets</i> | 7 |
| <i>Asset Retirement Obligations</i> | 7 |
| <i>Share Based Payments</i> | 8 |
| <i>Income and Mining Taxes</i> | 8 |
| Recent Accounting Pronouncements | 8 |
| Related Party Transactions..... | 8 |
| Risks and Uncertainties..... | 8 |
| Additional Disclosure for Venture Issuers without Significant Revenue..... | 9 |
| Outstanding Share Data..... | 9 |
| Legal Claims and Contingent Liabilities | 9 |
| Off-balance Sheet Arrangements | 9 |
| Outlook..... | 9 |
| Forward-Looking Information..... | 9 |
| Additional Information..... | 10 |



STIKINE ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED NOVEMBER 30, 2011

Date of Report

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements and related notes thereto for the three and nine months ended November 30, 2011 which have been prepared by management in accordance with International Reporting Standards ("IFRS") and the audited financial statements and related notes thereto for years ended February 28, 2011, which were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A is prepared as of January 26, 2012. All amounts in the financial statements and this MD&A are expressed in Canadian dollars, unless otherwise indicated.

Description of Business

Stikine Energy Corp. (the "Company") is engaged in the exploration for mineral resources. Currently, the Company is focused on evaluating various high purity quartz sandstone sources located in north eastern British Columbia for commercial frac sand potential. The Company is listed on the TSX Venture Exchange under the symbol "SKY".

Selected Annual Financial Results

The information below has been extracted from the Company's annual financial statements prepared in accordance with GAAP.

| Years Ended (in CDN\$) | February 28, 2011 | February 28, 2010 | February 28, 2009 |
|---|--------------------------|--------------------------|--------------------------|
| Total revenues | Nil | Nil | Nil |
| Net income (loss) | 48,457 ¹ | (140,568) | (1,769,922) ² |
| Net income (loss) per share - basic and diluted | 0.00 | (0.01) | (0.04) |
| Total assets | 10,913,634 | 1,017,378 | 103,276 |
| Total long term debt | Nil | Nil | Nil |

Note 1: The net income for year-ended February 28, 2011 includes a future income tax recovery of \$994,246.

Note 2: The loss for the year-ended February 28, 2009 includes a write-off of \$1,542,781 in resource property costs.

Summary of Quarterly Results

The information below has been extracted from the Company's unaudited condensed interim quarterly financial statements prepared in accordance with IFRS or Canadian GAAP as indicated.

| (In CDN \$) | Nov. 30, 2011 (IFRS) | Aug. 31, 2011 (IFRS) | May 31, 2011 (IFRS) | Feb. 28, 2011 (IFRS) |
|--|---------------------------------|---------------------------------|--------------------------------|---------------------------------|
| Total revenues | Nil | Nil | Nil | Nil |
| Net Loss | (91,301) | (70,218) | (108,854) | (602,015) ¹ |
| Net Loss per share - basic and diluted | (0.01) | (0.01) | (0.01) | (0.01) |
| Total assets | 11,274,932 | 11,000,649 | 10,750,242 | 10,591,419 |
| Total long term debt | Nil | Nil | Nil | Nil |

| (In CDN \$) | Nov. 30, 2010 (IFRS) | Aug. 31, 2010 (IFRS) | May 31, 2010 (IFRS) | Feb. 28, 2010 (GAAP) |
|---|---------------------------------|---------------------------------|--------------------------------|---------------------------------|
| Total revenues | Nil | Nil | Nil | Nil |
| Net income (loss) | (67,451) | (101,004) | (175,319) ² | 14,525 ³ |
| Net income (loss) per share - basic and diluted | (0.01) | (0.01) | (0.01) | 0.00 |
| Total assets | 4,549,441 | 4,834,769 | 1,351,623 | 1,017,378 |
| Total long term debt | Nil | Nil | Nil | Nil |

Note 1: The net loss for the quarter ended February 28, 2011 includes stock based compensation expense of \$566,613.



**STIKINE ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED NOVEMBER 30, 2011**

- Note 2: The net loss for the quarter ended May 31, 2010 includes stock based compensation expense of \$120,629.
- Note 3: The net income for the quarter ended February 28, 2010 includes a mineral exploration tax credit of \$49,721 and a future income tax recovery of \$16,719 under GAAP. The future income tax recovery has subsequently been reversed under IFRS which would have resulted in a net loss of \$2,194 and assets of \$1,000,659 being reporting for the period ended February 28, 2010 under IFRS.

Results of Operations

During the nine months ended November 30, 2011, the Company recorded a loss of \$270,373 and deferred exploration and evaluation costs of \$5,150,476 (net of tax credits of \$175,503) compared to a loss of \$343,774 and deferred acquisition, exploration and evaluation expenditures of \$2,937,317 for the nine months ended November 30, 2010. Significantly higher current year environmental, engineering and sampling activity account for the increase in evaluation and exploration cost increases. Higher general and administrative expenses in 2010 are the result of a non-cash stock based compensation of \$120,629 being recorded in that period. Most components of general and administrative expenses increased in 2011 versus 2010 which is a function the overall increase in exploration and evaluation activity and the supporting activities of head office.

During the three months ended November 30, 2011, the Company incurred a loss of \$91,301 and deferred exploration and evaluation costs of \$1,415,104 compared to a loss of \$67,451 and deferred acquisition, exploration and evaluation costs of \$846,722 for the three months ended November 30, 2010.

British Columbia Frac Sand Properties

The Company holds a 100% interest in approximately 125,000 hectares of mineral claims covering prospective high purity quartz sandstones and potential access/infrastructure sites in northeastern British Columbia. Based on preliminary field work conducted in 2009, the Company determined that several of the properties meet the criteria for raw silica sources that could potentially be used in the production of frac sand. Frac sand is an indispensable component in the development of unconventional tight shale gas wells, such as the nearby Horn River, Liard and Montney basins.

Work to date indicates that the Nonda and Angus properties represent the most advanced opportunities to develop frac sand sources, subject to further sampling and process testwork. Sampling and mapping at the Nonda property highlight its very large-scale potential over an impressive 11,500-metre by 1,000-metre area. Petrographic analysis of samples collected from Nonda indicate the rocks are very pure with up to 99 percent silica comprising variably sized quartz grains that fall within the required range for commercial frac sand.

Over the past year, bench-scale process testing of samples has resulted in the development of a process flow sheet for Nonda and Angus material using industry standard equipment. At various stages in the development of the flow sheet, products were sampled and submitted for proppant testing and characterization at Stim-Lab (a Core Laboratories company). The results of that work showed that liberation of monocristalline quartz (sand) grains could be readily achieved and that through cleaning and sorting stages, final products could be made that exceed recommended parameters for frac-quality sand.

The bench-scale final products of Nonda "40/70" frac sand and "100 mesh" frac sand were then submitted for long term conductivity testing and show excellent results. A similar process flow sheet from Angus material will be employed to liberate and sort generally coarser sand products, including "20/40", "30/50", "40/70" and other mesh sizes for the Montney Basin.

Pilot-scale testing continues in Abbotsford, BC for 430 tonnes of Nonda samples and approximately 500 tonnes of Angus samples. After the various process components have been adjusted and sized to meet the demands of the larger process testing, the plant will enter a production phase resulting in the delivery of bagged frac sand. Proppant testing of this processed material is ongoing.

To November 30, 2011, the Company had recorded acquisition costs totalling \$115,116 and deferred exploration and evaluation costs of \$10,654,339.



Nonda Preliminary Economic Assessment Highlights and Inferred Resource Estimate

Recently the Company received a Technical Report and Preliminary Economic Assessment ("Nonda PEA") for the Nonda project dated October 25, 2011. The report is compliant with the requirements of National Instrument (NI) 43-101 and was prepared by Wardrop, a Tetra Tech Company ("Tetra Tech"). Tetra Tech is an international engineering consulting firm that is independent of Stikine.

Preliminary Economic Assessment Highlights

The Nonda PEA is preliminary in nature. It includes inferred mineral resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

| Input Parameters and Economic Returns | Base Case | Alternate Case |
|--|------------------|-----------------------|
| Frac sand sale price | \$250.00/tonne | \$300.00/tonne |
| Life of Mine from production start | 25 Years | 25 Years |
| Net Cash Flow | \$4.001 billion | \$5.259 billion |
| IRR (%) Pre tax | 25.9% | 32.4% |
| NPV Pre-tax (8% discount rate) | \$1.205 billion | \$1.700 billion |
| Payback period from start of production | 3.6 Years | 2.9 Years |

NI43-101 Inferred Mineral Resource Estimate

The Nonda deposit is a unique, homogeneous and continuous occurrence of fine-grained, slightly metamorphosed sandstone (quartz arenite). The Nonda sand grains are well-sized for frac sand products used in the HRB. The area identified for the inferred resource estimate and Nonda PEA is about 2.2 km long by 0.9 km wide and is located in the middle of the Nonda sandstone outcrop extending approximately 11.5 km in length. An inferred mineral resource of 702 million tonnes is based on bedrock mapping, core drilling, 3D wire-frame modeling and volume estimates. Deductions used to account for potential overestimation were applied to give an Adjusted Inferred Resource Estimate of 625 million tonnes.

Angus Preliminary Economic Assessment Highlights and Inferred Resource Estimate

The Company also received from Tetra Tech a 43-101 compliant Technical Report and Preliminary Economic Assessment ("Angus PEA") for the Angus project dated December 12, 2011.

Preliminary Economic Assessment Highlights

The Angus PEA is preliminary in nature. It includes inferred mineral resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

| Input Parameters and Economic Returns | Base Case | Alternate Case |
|--|------------------|-----------------------|
| Frac sand sale price | \$200.00/tonne | \$250.00/tonne |
| Life of Mine from production start | 25 Years | 25 Years |
| Net Cash Flow | \$2.96 billion | \$4.21 billion |
| IRR (%) Pre tax | 34.1% | 45.2% |
| NPV Pre-tax (8% discount rate) | \$977 million | \$1.47 billion |
| Payback period from start of production | 2.6 Years | 1.9 Years |



NI43-101 Inferred Mineral Resource Estimate

The Angus deposit contains a unique, and continuous occurrence of fine grained, slightly metamorphosed sandstone (quartz arenite) with sand grain sizes that appear well-sized for frac sand products used in the Montney Basin. The area identified for the inferred resource estimate and Angus PEA is about 2.5 km long by 0.4 km wide and is located in the middle of the Angus sandstone outcrop which extends over a total length of approximately 5.0 km. An inferred maximum mineral resource of 726 million tonnes is based on bedrock mapping, core drilling, 3D wire-frame modeling and volume estimates.

Liquidity and Financial Position

The viability of the Company's future operations is dependent on future financing. At November 30, 2011, the Company had cash and cash equivalents of \$115,379 and a working capital deficit of \$1,070,512. Further capital will be required to advance the Company's various B.C. quartz sandstone properties through the development and production phases and to meet short term obligations as they come due. While management continues to seek financing for the Company and has been successful in the past; there is no assurance that these initiatives will be successful in the future.

Financial Instruments

Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following categories: *held-for-trading*, *available-for-sale*, or *loans and receivables*.

Cash and cash equivalents are classified as *held-for-trading* and recorded at fair value with changes in fair value recorded in net income.

Receivables are classified as *loans and receivable*. Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Reclamation bond amounts are classified as *available-for-sale*. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Financial Liabilities

Accounts payable, accrued liabilities, and due to related parties are classified as *other financial liabilities*. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or where appropriate, a shorter period.

Fair Values and Hierarchy Levels

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.



**STIKINE ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED NOVEMBER 30, 2011**

- 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.

The carrying amounts of financial instruments approximate fair value as of November 30, 2011 as shown below:

| | Fair Value Hierarchy Level | Carrying and Fair Values |
|---|---------------------------------------|-------------------------------------|
| Financial Assets | | |
| Cash and cash equivalents | 2 | \$ 115,379 |
| Reclamation bonds | 2 | \$ 21,000 |
| Accrued interest receivable | N/A | \$ 6,770 |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | N/A | \$ 1,363,779 |
| Due to related parties | N/A | \$ 51,258 |

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.

Financial Instrument Risk Management

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

i) Credit Risk

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 and reclamation bonds in Canadian Chartered Banks. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

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 November 30, 2011.

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. The Company had a working capital deficit of \$1,070,512 and cash and cash equivalents of \$115,379 at November 30, 2011. At November 30, 2011, the liquidity risk of the Company was considered



**STIKINE ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED NOVEMBER 30, 2011**

very high due to the Company's financial position, overall volatility of commodity and financial markets across the globe.

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.

Critical Accounting Estimates

The Company's accounting policies are described in Note 3 to the Company's annual and condensed interim financial statements. The preparation of these financial statements in conformity with IFRS or formerly GAAP requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. These estimates are based on past experience, industry trends and known commitments and events. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. The estimates made in applying the policies below can be uncertain and a change in these estimates could materially impact the financial statements.

Exploration and Evaluation Assets

The costs associated with exploration and evaluation costs and/or equipment include acquired interests in exploration stage properties representing the fair value at the time they were acquired. The values of such mineral properties are primarily driven by the nature and amount of mineral interests believed to be contained or potentially contained, in properties to which they relate. The Company reviews and evaluates its mining interests for impairment at each balance sheet date or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the total estimated future discounted cash flows are less than the carrying amount of the assets and an impairment loss is measured and recorded based on that estimate. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. Where future net cash flows cannot be estimated and other events or changes in circumstances suggest impairment, management determines whether the carrying cost is recoverable and at fair value using best estimates and comparative situations in the marketplace.

Asset Retirement Obligations

The Company is subject to various laws governing reclamation of its exploration sites. These laws are continually changing and these changes may affect the procedures and costs required to complete reclamation obligations. Estimates of the fair value of these liabilities for asset retirement obligations are recognized in the period they are incurred. A corresponding increase in the related asset is recorded and depreciated over the estimated life of the asset. If the fair value of the liability decreases due to changes in future cash flow estimates, a corresponding decrease in the related asset is recorded. If the reduction exceeds the value of the related asset, the remaining amount is reduced through earnings. Where a related asset is not identifiable with a liability, the change in fair value is charged to earnings in the period. Each period, the liability is increased to reflect the accretion (or interest) portion of the initial fair value estimate and changes in estimated cost and timing of the reclamation procedures. Actual future reclamation costs may be materially different from the costs estimated by the Company.



**STIKINE ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED NOVEMBER 30, 2011**

Share Based Payments

The fair values of share based payments and warrant issuances are calculated using the Black-Scholes option pricing model. 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 stock options granted and warrants issued by the Company.

Income and Mining Taxes

The Company uses the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are determined based on differences between the financial statement carrying amounts and their respective tax bases, and for tax losses and other deductions carried forward. The Company evaluates the carrying values of its future tax assets periodically by assessing its valuation allowance and by adjusting the amount of such valuation allowance in the period, if necessary.

Recent Accounting Pronouncements

Adoption of International Financial Reporting Standards ("IFRS")

Effective January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the Company's effective transition date is March 1, 2010.

Full disclosure of the Company's accounting policies in accordance with IFRS can be found in Notes 2, 3 and 4 to the Company's November 30, 2011 condensed interim financial statements. These financial statements also include reconciliations of the previously disclosed comparative period financial statements prepared in accordance with GAAP to IFRS as set out in Note 11.

Related Party Transactions

During the nine months ended November 30, 2011, consulting fees of \$109,575 (2010 - \$44,000) and share based payments of Nil (2010 - \$42,326) 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 nine months ended November 30, 2011, consulting fees of \$53,450 (2010 - \$17,850) and share based payments of Nil (2010 - \$42,326) 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 nine months ended November 30, 2011, consulting fees of Nil (2010 - \$3,000) and share based payments of Nil (2010 - \$46,559) were paid to current independent directors of the Company. During the nine months ended November 30, 2011, rent costs of \$36,437 (2010 - \$33,899) were paid or accrued to a company with directors of the Company in common. At November 30, 2011 current liabilities include \$51,258 (2010 - \$30,067) 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 agreed to by the related parties.

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



**STIKINE ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED NOVEMBER 30, 2011**

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.

Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure concerning the Company's general and administrative expenses and capitalized resource property costs is provided in the Company's *Statements of Loss and Comprehensive Loss* and the *Schedule of Exploration and Evaluation Costs* contained in its condensed interim financial statements dated November 30, 2011. These statements are available on the Company's website at www.stikineenergy.com or on the SEDAR website www.sedar.com.

Outstanding Share Data

During the nine months ended November 30, 2011, 100,000 stock options were exercised for proceeds of \$10,000. Common shares and convertible securities outstanding as at the date of this report are:

| Security | Expiry Dates | Exercise Prices | Common Shares on Exercise |
|-------------------------|---------------------------------------|------------------------|----------------------------------|
| Common Shares | - | - | 87,827,917 |
| Warrants/Agent Warrants | December 30, 2012 | \$0.40 to \$0.50 | 11,143,500 |
| Options | February 20, 2012 to January 17, 2016 | \$0.10 to \$0.50 | 8,510,000 |
| Total | | | 107,481,417 |

Legal Claims and Contingent Liabilities

At the date of this report there are no material legal claims or contingent liabilities outstanding.

Off-balance Sheet Arrangements

The Company has no material off-balance sheet arrangements.

Outlook

Frac sand already has high value for product delivered to northeastern British Columbia ("NEBC") well heads, but much of the cost is attributed to shipping and transport from great distances. Increased drilling activity as a result of current success of the NEBC shale gas play and the ongoing development of other gas fields in North America could increase demand dramatically. A key component to the Company's strategy is to quickly establish potential off-take / investor relationships with the gas producers and completion companies active in the area. The Company's goal is to advance its established resources and complete detailed engineering to produce frac sand; to enter the permitting process to accelerate development activities; and, rapidly become a cash flowing producer of high-quality silica sand products located in close proximity to growing demand.

Forward-Looking Information

This MD&A contains certain forward-looking statements and information relating to 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,



**STIKINE ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED NOVEMBER 30, 2011**

uncertainties, and assumptions. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change except as required by law. These statements are based on a number of assumptions, including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of the Company and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.

Additional Information

Additional information is available for viewing at the Company's website www.stikineenergy.com or on the SEDAR website www.sedar.com.