



**SKEENA**  
RESOURCES LTD.

*(an exploration stage company)*

**Condensed Consolidated Interim Financial Statements**

**Nine months ended September 30, 2016 and 2015**

*(Unaudited - expressed in Canadian Dollars)*

## NOTICE OF NO AUDITOR REVIEW

### NOTICE TO READERS

Under National Instrument 51-102, Part 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The condensed consolidated interim financial statements of Skeena Resources Limited (an exploration stage company) are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised primarily of non-management directors.

The Company's independent auditors have not performed an audit or review of these condensed consolidated interim financial statements.

*"Walter Coles, Jr."*

Walter Coles, Jr.  
Chief Executive Officer

*"Andrew MacRitchie"*

Andrew MacRitchie  
Chief Financial Officer

Vancouver, British Columbia  
November 29, 2016

**SKEENA RESOURCES LIMITED***(an exploration stage company)***CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited - expressed in Canadian dollars)

	Note	September 30, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 6,177,745	\$ 3,557,252
Receivables		367,248	375,766
Prepaid expenses		119,102	86,156
		6,664,095	4,019,174
<b>Deposits</b>	4	479,500	293,000
<b>Exploration and evaluation interests</b>	5	16,681,914	8,383,710
<b>Equipment</b>	6	213,566	72,856
		\$ 24,039,075	\$ 12,768,740
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	7	\$ 2,836,334	\$ 543,168
Loan	6, 7, 8	86,628	1,500,000
Flow-through share premium liability	9	-	358,264
		2,922,962	2,401,432
<b>Non-Current</b>			
Asset retirement obligation	10	233,771	--
		3,156,733	2,401,432
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	8	58,963,359	40,956,304
Reserves	8	8,594,669	4,417,877
Deficit		(46,675,686)	(35,006,873)
		20,882,342	10,367,308
		\$ 24,039,075	\$ 12,768,740

**GOING CONCERN (NOTE 1)****SUBSEQUENT EVENTS (NOTE 14)***The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**SKEENA RESOURCES LIMITED***(an exploration stage company)***CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(expressed in Canadian dollars)

	Note	For the three months ended September 30		For the nine months ended September 30	
		2016	2015	2016	2015
<b>ADMINISTRATIVE EXPENSES</b>					
Exploration and evaluation	5	\$ 5,986,029	\$ 4,713,343	\$ 7,687,199	\$ 5,305,585
Share-based payments	8	1,084,909	6,927	2,245,440	57,772
Consulting	7	212,346	75,094	493,067	317,695
Foreign exchange loss (gain)		(2,026)	6,633	2,221	10,441
Investor relations		227,647	255,160	583,968	407,835
Office and administration		37,954	24,764	85,929	61,447
Professional fees		338,868	48,180	480,486	129,575
Property research		206,591	46,526	345,951	54,357
Rent and administration		54,272	21,002	142,050	43,588
Shareholder communications		480	9,251	11,863	31,218
Transfer agent and listing fees		32,403	1,832	61,600	16,438
Travel		54,145	83,955	141,889	152,699
Wages		46,226	11,458	106,306	11,458
Flow-through share premium recovery	9	(768,627)	(658,755)	(1,091,941)	(699,360)
Loss on disposition of equipment		-	1,574	-	4,488
Loss on loan conversion	7,8	-	-	375,000	-
Interest income		(8,393)	-	(18,633)	-
Amortization		8,277	5,856	16,418	6,924
<b>Net loss and comprehensive loss for the period</b>		\$ (7,511,101)	\$ (4,652,800)	\$ (11,668,813)	\$ (5,912,160)
<b>Loss per share</b>		\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.03)
<b>Weighted average number of common shares outstanding</b>		462,358,444	264,258,760	378,526,050	198,186,386

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**SKEENA RESOURCES LIMITED***(an exploration stage company)***CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited - expressed in Canadian dollars)

	Capital Stock		Options	Reserves		Deficit	Total Shareholders' Equity
	Shares	Amount		Warrants	Total Reserves		
Balance at Dec 31, 2014	163,375,428	\$ 31,191,109	\$ 3,069,518	\$ 1,356,018	\$ 4,425,536	\$ (28,009,079)	\$ 7,607,566
Share-based payments	-	-	57,772	-	57,772	-	57,772
Expiry of share-based payments	-	-	(72,360)	-	(72,360)	72,360	-
Flow-through share premium	-	(483,750)	-	-	-	-	(483,750)
Private placements	99,216,666	6,598,000	-	-	-	-	6,598,000
Share issue costs	1,666,666	(458,538)	-	-	-	-	(458,538)
Loss for the nine months	-	-	-	-	-	(5,912,160)	(5,912,160)
Balance at Sep 30, 2015	264,258,760	36,846,821	3,054,930	1,356,018	4,410,948	(33,848,879)	7,408,890
Balance at Dec 31, 2015	325,401,172	40,956,304	3,061,859	1,356,018	4,417,877	(35,006,873)	10,367,308
Share issue costs	-	(247,540)	-	247,540	247,540	-	-
Acquisition of Sona	14,936,415	2,091,098	80,491	1,131,656	1,212,147	-	3,303,245
Acquisition of Mt. Rainey	26,539,576	4,113,634	-	-	-	-	4,113,634
Property option payment	2,000,000	190,000	-	-	-	-	190,000
Conversion of loan	25,000,000	1,875,000	-	-	-	-	1,875,000
Private placement	107,982,690	8,060,456	-	-	-	-	8,060,456
Warrant exercises	19,244,077	1,924,407	-	-	-	-	1,924,407
Option vesting	-	-	2,717,105	-	2,717,105	-	2,717,105
Loss for the nine months	-	-	-	-	-	(11,668,813)	(11,668,813)
Balance at Sep 30, 2016	521,103,930	\$ 58,963,359	\$ 5,859,455	\$ 2,735,214	\$ 8,594,669	\$ (46,675,686)	\$ 20,882,342

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**SKEENA RESOURCES LIMITED***(an exploration stage company)***CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited - expressed in Canadian dollars)

	<b>For the nine months ended September 30</b>	
	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (11,668,813)	\$ (5,912,160)
Items not effecting cash		
Amortization	16,418	6,924
Share-based payments	2,717,105	57,772
Flow-through recovery	(1,091,941)	(699,360)
Loss on conversion of loan	375,000	-
Disposal of equipment	-	4,488
Assumption of Asset Retirement Obligation	233,771	-
Changes in non-cash working capital		
Receivables	8,518	(203,434)
Prepaid expenses	(32,946)	29,391
Accounts payable and accrued liabilities	2,293,166	844,815
Net cash used in operating activities	(7,149,722)	(5,871,564)
<b>INVESTING ACTIVITIES</b>		
Deposits	(60,000)	(170,000)
Purchase of equipment	(70,500)	(79,386)
Earn-in on exploration and evaluation interests	(691,325)	1,500,000
Net cash (used in) / from investing activities	(821,825)	1,250,614
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuances	10,592,040	6,139,462
Net cash from financing activities	10,592,040	6,139,462
<b>Change in cash during the period</b>	<b>2,620,493</b>	<b>6,984,277</b>
<b>Cash, beginning of the period</b>	<b>3,557,252</b>	<b>1,102,073</b>
<b>Cash, end of the period</b>	<b>\$ 6,177,745</b>	<b>\$ 8,086,350</b>

**Supplemental non-cash information**

A loan of \$1,500,000 was converted to 25,000,000 common shares with no impact on cash

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**SKEENA RESOURCES LIMITED***(an exploration stage company)***NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Skeena Resources Limited (the "Company") is incorporated under the laws of the province of British Columbia, Canada, and its principal business activity is the exploration of mineral properties. The Company's corporate office is located at Suite 650, 1021 West Hastings Street, Vancouver, British Columbia V6E 0C3. The Company is in the exploration stage with respect to its mineral property interests and has not, as yet, achieved any commercial production.

The consolidated financial statements were prepared on a going concern basis with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred significant operating losses and negative cash flows from operations in the past. However, since the period end, the Company has raised additional funds and has sufficient working capital to continue advancing its properties.

The Company is dependent upon its ability to finance its operations and exploration programs through financing activities that may include issuances of additional debt or equity securities. The recoverability of the carrying value of exploration projects and, ultimately, the Company's ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the exploration and development of the properties, and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis, all of which are uncertain.

While the Company has been successful in obtaining funding in the past, through the issuance of additional equity and non-arm's length loans, there is no assurance that such funding will be available in the future. An inability to raise additional funds would adversely impact the future assessment of the Company as a going concern. These matters indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

	<b>September 30, 2016</b>	December 31, 2015
Working capital (current assets less current liabilities)	\$ 3,708,131	\$ 1,617,742
Deficit	\$ (46,708,688)	\$ (35,006,873)

**2. SIGNIFICANT ACCOUNTING POLICIES****Statement of Compliance**

These unaudited interim financial statements for the nine months ended September 30, 2016 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and are in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim financial statements are presented in Canadian dollars and have been prepared using the accounting policies as set out in the audited annual financial statements for the year ended December 31, 2015, with the adoption of updated policies described in Note 3. The disclosures which follow do not include all disclosures required for the annual financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements and notes for the year ended December 31, 2015.

The Board of Directors approved the condensed consolidated interim financial statements on November 29, 2016.

## **SKEENA RESOURCES LIMITED**

*(an exploration stage company)*

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Basis of measurement**

The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses and recoveries during the reporting periods. Actual outcomes could differ from these estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods. The condensed consolidated interim financial statements have been prepared under the historical cost basis.

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Seeker Resources Corp. ("Seeker"), a British Columbia corporation, and Skeena Mexico S.A. de C.V. ("Skeena Mexico"), a Mexican corporation. Intercompany balances and transactions have been eliminated.

## **3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

The following amendments to existing accounting standards were adopted on January 1, 2016:

Additional or specific guidance is provided in standards IFRS 5 *Non-current Assets Held for Sale* for cases in which an entity reclassifies an asset from held for sale to held-for-distribution or vice versa and IFRS 7 *Financial Instruments: Disclosure* to clarify servicing contract involvement and offsetting disclosures. In addition, IAS 16 and IAS 38 were adopted. The amendments to these standards establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Also the amendments clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits of such assets. These amendments may result in additional disclosure in future periods but had no impact on the current period.

The following new standards, and amendments to standards and interpretations, were not yet effective and have not been applied in preparing these condensed consolidated interim financial statements. The Company is in the process of determining the impact of these standards on its financial statements.

### **Accounting standards issued and effective January 1, 2018**

IFRS 9 *Financial Instruments*: describes classification and measurement of financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 15 *Revenue from contracts with customers*: establishes a new control-based revenue recognition model which could change the timing of revenue recognition.

### **Accounting standards issued and effective January 1, 2019**

IFRS 16 *Leases*: replaces IAS 17 "Leases" and the related interpretive guidance. The new standard will eliminate the current dual accounting model of leases by lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The new standard will, instead, distinguish between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, including a single on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low-value assets. Lessor accounting is not substantially changed. The Company expects the new standard to result in some leases that are currently accounted for under the operating lease method being added to the balance sheet. Such adjustments, however, are not yet quantifiable as the Company's assets under lease are expected to be different at the time of standard implementation.



**SKEENA RESOURCES LIMITED***(an exploration stage company)***NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

**4. DEPOSITS**

The Company's deposits consist of the following amounts:

	Period ended September 30	2016	2015
Bond deposit – GJ		\$ 126,000	\$ 123,000
Bond deposit – Spectrum		90,000	-
Bond deposit – Snip		70,000	70,000
Bond deposit – Sona		93,500	-
Office - security deposit		100,000	100,000
		<u>\$ 479,500</u>	<u>\$ 293,000</u>

**5. EXPLORATION AND EVALUATION INTERESTS****Snip Property, British Columbia, Canada**

On April 7, 2016, the Company completed the first share payment under its option to acquire a 100% interest in the Snip gold mine from Barrick Gold Inc. ("Barrick"). The property consists of one mining lease, holding the former Snip gold mine, and four mineral tenures totaling approximately 1,932 hectares. Under the terms of the option agreement, 2,000,000 common shares were issued to the vendor on April 7, 2016, and a further 1,250,000 shares will be issued once all conditions to the exercise of the option have been completed. Pursuant to the agreement, a work commitment of \$500,000 must be completed within the first 12 months and a work commitment of \$1,500,000 must be completed within 30 months of signing the agreement. Both expenditure commitments have been met. In addition, Barrick retains either a 1% net smelter returns royalty on the property, or Barrick may instead exercise the right to purchase a 51% interest in the property in exchange for paying the Company three times the exploration costs incurred by the Company in exploring the property, following which the parties would form a joint venture.

**Spectrum Property, British Columbia, Canada**

On October 27, 2014, the Company acquired a 100% interest in the Spectrum Property in exchange for 80,000,000 common shares valued at \$6,000,000 and an interest-free promissory note in the amount of \$700,000. The total acquisition cost for the Spectrum Property amounted to \$6,862,175, which includes capitalized legal fees of \$162,175.

The Company has also funded a \$90,000 reclamation bond held with the British Columbia Ministry of Energy, Mines and Petroleum Resources.

In June 2015, the Company entered into a letter of intent with Eros Resources Corp. ("Eros") whereby Eros could earn an 8.7% interest in the Spectrum property by providing the Company with \$1,500,000 (received) to be used exclusively for exploration activities that qualify as eligible Canadian Exploration Expenditures ("CEE"). Upon completion of the earn-in, the parties had 30 days to negotiate a joint venture agreement, under which the Company was to continue to be the operator and Eros would contribute its proportionate share of funding to maintain its 8.7% interest in the property. Accordingly, the \$1,500,000 advance from Eros was classified as a demand loan until the joint venture agreement was successfully negotiated. In addition, if the Company and Eros were unable to negotiate a suitable joint venture agreement, the demand loan had a conversion provision whereby it would be converted to 25,000,000 common shares of the Company, subject to regulatory approval. The Company and Eros were unable to reach agreement on the terms of the joint venture agreement. As a result, on April 21, 2016, the Company issued 25,000,000 shares to Eros, with a fair value of \$1,875,000, in full satisfaction of the demand loan of \$1,500,000.

**SKEENA RESOURCES LIMITED**

*(an exploration stage company)*

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

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**5. EXPLORATION AND EVALUATION INTERESTS (Continued)****GJ Property, British Columbia, Canada**

On November 4, 2015, the Company acquired a 100% interest in the GJ Property in exchange for cash consideration of \$500,000 and 12,947,538 common shares valued at \$1,000,000. Pursuant to the terms of a purchase agreement, the Company committed to issue shares valued at \$1,500,000 in year two, shares valued at \$1,500,000 on or before the end of year five and a cash payment of \$4,000,000 before commencement of commercial production from the GJ Property. Legal fees of \$21,535 incurred in the acquisition of the GJ Property were capitalized.

An environmental bond of \$103,000 has been posted with the British Columbia Ministry of Energy, Mines and Petroleum Resources in relation to the GJ property.

***Prosperity, Porter Idaho, Silverado property, British Columbia, Canada***

On September 22, 2016, the Company announced that it had successfully acquired all of the issued and outstanding common shares of Mount Rainey Silver Inc. ("Mount Rainey"), in exchange for 26,539,576 common shares of the Company. Mount Rainey's primary asset is a portfolio of 46 Crown-granted mineral claims covering the past-producing, underground Prosperity – Porter Idaho – Silverado silver property located in the Golden Triangle of northwest British Columbia in the Skeena Mining Division.

***Blackdome Property, British Columbia, Canada***

On September 15, 2016, the Company announced that it had successfully acquired all of the issued and outstanding common shares of Sona Resources Corporation ("Sona"), in exchange for 14,936,415 common shares of the Company. In addition, the Company issued 10 million warrants to three members of Sona management, so that management would waive their contractual severance requirements. Finally the Company also issued 779,438 common share purchase options (Note 8) to replace the Sona options that were no longer valid due to the transaction. Sona's primary assets are the past-producing Blackdome gold mine and related infrastructure, and an option to earn a 100% interest in the adjoining Elizabeth property which is considered prospective for gold. A legal dispute against Sona by the two vendors of the Elizabeth and surrounding Blue mineral claims, alleging non-performance under the option agreements, is currently being adjudicated before the Supreme Court and is being vigorously defended by Skeena.

***Tropico Property, Mexico***

In September 2010, the Company acquired a 100% interest in, and clear title to, the Tropico Property, from Anthem Resources Incorporated, Almaden Minerals Corp. and Minera Cascabel S.A. de C.V. The total acquisition cost for the Tropico Property amounted to \$686,784, and was paid through the issuance of 800,000 common shares of the Company, valued at \$400,000, and warrants exercisable to acquire an additional 800,000 common shares (expired). Mining concession fees due twice a year from January 31, 2014 remain outstanding and are estimated to be \$100,000 per year. Interest and penalties would also be assessed in order to bring the property current. The Company recognized an impairment loss of \$686,784 against the Tropico mineral properties during the year ended December 31, 2014, which has written down the property to \$nil. In addition, field equipment was written off.

**SKEENA RESOURCES LIMITED***(an exploration stage company)***NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

**5. EXPLORATION AND EVALUATION INTERESTS (Continued)****Exploration and evaluation interests assets**

	<b>Blackdome</b>	<b>Porter Idaho</b>	<b>Spectrum</b>	<b>GJ</b>	<b>Snip</b>	<b>Total</b>
Total at Dec 31, 2014	\$	\$	\$ 6,862,175	\$ -	\$ -	\$ 6,862,175
Share payments	-	-	-	1,000,000	-	1,000,000
Cash payments	-	-	-	500,000	-	500,000
Costs	-	-	-	21,535	-	21,535
Total at Dec. 31, 2015	-	-	6,862,175	1,521,535	-	8,383,710
Share payments	3,981,886	4,108,404	-	-	190,000	8,280,290
Costs	-	17,914	-	-	-	17,914
Total at Sept 30, 2016	\$3,981,886	\$4,126,318	\$ 6,862,175	\$ 1,521,535	\$ 190,000	\$ 16,681,914

**Exploration and evaluation expenses**

	<b>Blackdome</b>	<b>Porter Idaho</b>	<b>Spectrum</b>	<b>GJ</b>	<b>Snip</b>	<b>Total</b>
Claim renewals and permits	\$ 2,394	\$ -	\$ 15,040	\$ 11,465	\$ 44,932	\$ 73,831
Fieldwork, camp support and local office	-	6,276	1,103,653	483,039	707,826	2,300,794
Assays and analysis/storage	-	-	114,000	14,456	75,848	204,304
Community relations	-	-	53,384	46,658	43,208	143,250
Drilling	-	-	784,165	239,485	639,928	1,663,578
Environmental studies	12,236	-	103,994	50,568	4,905	171,703
Geology, geophysics, and geochemical	1,618	17,088	568,211	250,086	269,059	1,106,062
Aviation Fuel	-	-	113,619	35,840	95,234	244,693
Helicopter	-	-	564,084	256,285	486,950	1,307,319
Share based payments	-	-	243,006	132,712	95,947	471,665
Total, for the nine months ended Sept. 30, 2016	\$16,248	\$23,364	\$3,663,156	\$1,520,594	\$2,463,837	\$ 7,687,199
	<b>Blackdome</b>	<b>Porter Idaho</b>	<b>Spectrum</b>	<b>GJ</b>	<b>Tropico</b>	<b>Total</b>
Claim renewals and permits	\$ -	\$ -	\$ 95,209	\$ -	\$ 8,883	\$ 104,092
Fieldwork, camp support and local office	-	-	2,363,399	-	4,400	2,367,799
Assays & analysis/storage	-	-	266,113	-	-	266,113
Community relations	-	-	6,195	-	-	6,195
Drilling	-	-	1,827,453	-	-	1,827,453
Environmental studies	-	-	21,514	-	-	21,514
Exploration and sampling	-	-	12,206	-	-	12,206
Geology, geophysics, and geochemical	-	-	683,156	-	-	683,156
Maps and reports	-	-	17,057	-	-	17,057
Total, for the nine months ended Sept. 30, 2015	\$ -	\$ -	\$5,292,302	\$ -	\$ 13,283	\$5,305,585

**SKEENA RESOURCES LIMITED***(an exploration stage company)***NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

**6. EQUIPMENT**

<b>Cost</b>	Computer Software	Computer Equipment	Field Equipment	Office Equipment	Total
Balance, December 31, 2014	\$ -	\$ 12,229	\$ 20,038	\$ 5,945	\$ 38,212
Additions	-	15,493	2,893	63,411	81,797
Disposals	-	(11,676)	(20,038)	(5,945)	(37,659)
<b>Balance, December 31, 2015</b>	<b>\$ -</b>	<b>\$ 16,046</b>	<b>\$ 2,893</b>	<b>\$ 63,411</b>	<b>\$ 82,350</b>
Additions	30,536	9,596	86,040	30,956	157,128
<b>Balance, September 30, 2016</b>	<b>\$ 30,536</b>	<b>\$ 25,642</b>	<b>\$ 88,933</b>	<b>\$ 94,367</b>	<b>\$ 239,478</b>
<b>Accumulated Amortization</b>					
Balance, December 31, 2014	\$ -	\$ 11,187	\$ 16,971	\$ 5,161	\$ 33,319
Additions	-	2,483	290	6,341	9,114
Disposals	-	(10,808)	(16,970)	(5,161)	(32,939)
Balance, December 31, 2015	-	2,862	291	6,341	9,494
Amortization	586	3,619	2,347	9,866	16,418
Disposals	-	-	-	-	-
<b>Balance, September 30, 2016</b>	<b>\$ 586</b>	<b>\$ 6,481</b>	<b>\$ 2,638</b>	<b>\$ 16,207</b>	<b>\$ 25,912</b>
<b>Carrying Value</b>					
Balance, December 31, 2015	\$ -	\$ 13,184	\$ 2,602	\$ 57,070	\$ 72,856
<b>Balance, September 30, 2016</b>	<b>\$ 29,950</b>	<b>\$ 19,161</b>	<b>\$ 86,295</b>	<b>\$ 78,160</b>	<b>\$ 213,566</b>

The company has a loan of \$86,628 to finance the purchase of field equipment additions at Sept 30, 2016.

**7. RELATED PARTY TRANSACTIONS***Key management compensation*

Key management personnel at the Company are the directors and officers of the Company. The remuneration of key management personnel during the periods was as follows:

	<b>Nine months ended September 30</b>	<b>2016</b>	<b>2015</b>
Short-term benefits <sup>1</sup>		\$ 631,433	\$ 317,695
Share-based payments		\$ 2,245,453	\$ 43,918

Other than the amounts disclosed above, there were no short-term employee benefits granted to key management personnel during the nine months ended September 30, 2016 and 2015.

<sup>1</sup> Short-term benefits consist exclusively of salaries, bonuses, health benefits if applicable and consulting fees for key management personnel.

## **SKEENA RESOURCES LIMITED**

*(an exploration stage company)*

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#### **7. RELATED PARTY TRANSACTIONS (CONTINUED)**

##### *Accounts payable and accrued liabilities*

Included in accounts payable and accrued liabilities at September 30, 2016 is \$33,365 (December 31, 2015 - \$164,664) due to directors or officers or companies with common directors or officers.

##### *Loans*

In conjunction with a financing in 2015, the Company received \$1,500,000 from Eros (Note 4, Spectrum Property) and committed to spend the funds on qualifying Canadian exploration expenditures (Note 9). On April 21, 2016, the loan was converted to 25,000,000 common shares of the Company. The Company and Eros share a common director and officer.

#### **8. CAPITAL STOCK AND RESERVES**

Authorized - unlimited number of voting common shares without par value.

##### *Private placements*

In two tranches, on May 15, and June 2, 2015, the Company issued an aggregate 99,216,666 shares for proceeds of \$6,598,000 consisting of 32,250,000 flow-through shares at a price of \$0.08 per share and 66,966,666 non-flow-through shares at a price of \$0.06 per share. The Company paid a total of \$458,538 in share issuance costs. In relation to the financing, 1,666,666 shares were issued with a fair value of \$100,000.

On November 6, 2015, the Company issued an aggregate 48,194,874 shares for proceeds of \$4,685,500 consisting of 47,594,874 flow-through shares at a price of \$0.0975 per share and 600,000 non-flow-through shares at a price of \$0.075 per share. The Company paid a total of \$343,882 in share issuance costs.

On June 29, 2016, the Company closed the first tranche of a financing and issued an aggregate 47,490,000 shares for proceeds of \$3,804,000 consisting of 200,000 flow-through shares at a price of \$0.104 per share and 47,290,000 non-flow-through shares at a price of \$0.08 per share. Each share was part of a unit containing one half of one non-flow-through warrant. Each whole warrant is exercisable for a period of three years at \$0.12 until June 29, 2017, \$0.14 until June 29, 2018, and \$0.16 until June 29, 2019. The Company paid a total of \$258,440 in share issuance costs and issued a further 2,563,050 finders' warrants, exercisable for a period of two years at \$0.10. Additional tranches were closed subsequent to June 30, 2016 (Note 14).

On July 18, and 22, 2016, the Company announced the issuance of additional units under a private placement raising additional gross proceeds of \$5,568,292 subsequent to September 30, 2016. In connection with the closing of the placement, subsequent to September 30, 2016, the Company issued 30,122,842 Non-Flow Through ("NFT") Units at CDN\$0.08 and 30,369,848 Flow Through ("FT") Units at CDN\$0.104. Each NFT Unit consists of one non-flow through common share and one half of a non-flow through warrant. Each FT Unit consists of one flow through common share and one half of a non-flow through warrant. Each whole warrant will be exercisable into one non-flow through common share for a period of three years at a price of \$0.12 in the first year, \$0.14 in the second year and \$0.16 in the third year. Finders fees of \$284,340 were paid in cash and 1,547,133 finders warrants were issued in conjunction with the post-June-30, 2016 units. Finders Warrants are exercisable at \$0.10 for a period of two years from the date of issuance.

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**8. CAPITAL STOCK AND RESERVES (CONTINUED)***Acquisition offers*

On September 15, 2016, the Company announced that it had completed the acquisition of all of the issued and outstanding common shares of Sona Resources Corp. ("Sona"), in exchange for 14,936,740 common shares of the Company (Note 4, "Blackdome property"). Holders of options to acquire common shares of Sona ("Sona Options") exchanged their 1,524,991 Sona Options for 779,438 options to acquire shares in the Company ("Skeena Options") at an exercise price of \$1.1744. Expiry dates were not changed. In addition, Skeena settled approximately \$1 million of Sona's related-party accounts payable, in respect of wages due to Executive Officers of Sona, by the issuance of 10,000,000 non-transferable Skeena share purchase warrants exercisable for a period of three years at \$0.10 per share.

On September 22, 2016, the Company announced that it had successfully acquired all of the issued and outstanding common shares of Mount Rainey Silver Inc. ("Mount Rainey"), in exchange for 26,539,576 common shares of the Company. (Note 4 Prosperity – Porter Idaho – Silverado property)

*Escrow shares*

Under the policies of the TSX Venture Exchange (the "Exchange"), an aggregate 99,018,452 common shares, 400,000 incentive stock options and 200,000 warrants to purchase common shares held by insiders of the Company were deposited with Computershare Investor Services Inc. as escrow agent to be released over a 36 month period. On May 9, 2016, the Company commenced trading as a Tier 1 issuer on the TSX-Venture Exchange. As a result, all of the shares remaining in escrow were released from escrow. Those shares subject to the pooling agreement were to be forwarded to the pooling agent.

The common shares held by Eilat Exploration Ltd. ("Eilat") and Keewatin Consultants (2002) Inc. ("Keewatin") were subject to a pooling agreement that includes a voting trust over such shares, which will be controlled by the Company's chairman. Throughout the pooling period, the Company retained a right-of-first-offer to find a purchaser, at the prevailing volume-weighted average price on the Exchange, with respect to sales of blocks of common shares having a value of more than \$250,000. After many attempts, Eilat has been successful in having the pooling agreement set aside by a court of law.

*Stock options and warrants*

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant. The options can be granted for a maximum term of five years and vest at the discretion of the Board of Directors.

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**8. CAPITAL STOCK AND RESERVES (CONTINUED)***Share-based payments*

On November 6, 2014 the Company granted 13,900,000 stock options to directors, officers and consultants, exercisable at \$0.10 per option until November 6, 2019. The options were valued using the Black-Scholes option pricing model and have a fair value of \$771,992.

On January 29, 2015, the Company granted 600,000 stock options to an officer, exercisable at \$0.10 per option until January 29, 2020. The options were valued using the Black-Scholes option pricing model and have a fair value of \$43,918.

On May 11, 2015, the Company granted 200,000 stock options to a consultant, exercisable at \$0.10 per option until May 11, 2020. The options were valued using the Black-Scholes option pricing model and have a fair value of \$11,049.

On June 23, 2016, the Company granted 20,000,000 stock options to directors, officers, employees and consultants, exercisable at \$0.10 per option until June 23, 2021. The options were valued using the Black-Scholes option pricing model and have a fair value of \$1,458,915. 500,000 of the stock options are subject to vesting over one year with the balance vesting immediately.

On July 25, 2016, the Company granted 10,000,000 stock options to directors, officers, employees and consultants, exercisable at \$0.15 per option until July 25, 2021. The options were valued using the Black-Scholes option pricing model and have a fair value of \$1,306,629. 200,000 of the stock options are subject to vesting over one year with the balance vesting immediately.

On September 15, 2016, as part of the acquisition of Sona, the Company granted 779,438 stock options to consultants, exercisable at \$1.1744 with various lives (weighted average remaining life of 4.083 years at Sept 30, 2016). These options were issued to replace Sona options that were cancelled. The options were valued using the Black-Scholes option pricing model and have a fair value of \$80,491.

Stock 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.

Weighted average assumptions for options granted in:	2016	2015
Expected life	5 yrs	5 yrs
Annualized volatility	138%	119.84%
Dividend rate	0.00%	0.00%
Weighted average fair value of option at grant date	\$0.094	\$0.069
Risk-free interest rate	0.72%	0.70%

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**8. CAPITAL STOCK AND RESERVES (Continued)***Share-based payments (continued)*

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Ex price	Number	Weighted Average Exercise
Outstanding, December 31, 2014	42,415,268	\$ 0.15	14,625,000	\$ 0.12
Expired/cancelled/forfeited	(2,018,268)	(2.50)	(725,000)	\$ (0.75)
Issued/granted	-	-	800,000	\$ 0.10
Outstanding, December 31, 2015	40,397,000	\$ 0.10	14,700,000	\$ 0.10
Expired/cancelled/forfeited	-	\$ 0.10	(200,000)	\$ 0.10
Exercised	(19,244,077)	\$ 0.10	-	\$ 0.10
Issued/granted	68,101,528	\$ 0.11	30,779,438	\$ 0.14
Outstanding, September 30, 2016	21,152,923	\$ 0.11	14,500,000	\$ 0.13
Number exercisable, September 30, 2016	21,152,923	\$ 0.11	13,925,000	\$ 0.13

The weighted average remaining contractual life of the stock options is 4.2 years.

As at September 30, 2016, incentive stock options and share purchase warrants were outstanding as follows:

	Number	Exercise	
		Price	Expiry Date
<b>Options</b>	13,900,000	\$ 0.10	November 6, 2019
	600,000	\$ 0.10	January 29, 2020
	20,000,000	\$ 0.10	June 23, 2021
	10,000,000	\$ 0.15	July 25, 2021
	779,438	\$ 1.17	Various – approx. 4 years left.
	45,279,438	\$ 0.10	
<b>Warrants</b>	21,152,923	\$ 0.10	October 27, 2016
	4,110,183	\$ 0.08	June 29, 2018
	53,991,345	\$ 0.12*	June 29, 2019
	10,000,000	\$ 0.10	September 15, 2019
	89,254,451	\$ 0.11	

\* \$0.12 in year one, \$0.14 in year two, \$0.16 in year three.

Subsequent to September 30<sup>th</sup>, 6,666,000 \$0.10 warrants were exercised, and a further 14,486,923 \$0.10 warrants expired unexercised.



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**9. FLOW-THROUGH SHARE PREMIUM LIABILITY**

The following is a continuity schedule of the liability portion of the flow-through share issuances:

Balance at December 31, 2014	\$	219,360
Creation of flow-through share premium liability on issuance of flow-through shares		1,715,884
Settlement of flow-through share premium liability pursuant to qualified expenditures		(1,576,980)
Balance at December 31, 2015		358,264
Creation of flow-through share premium liability on issuance of flow-through shares		733,676
Settlement of flow-through share premium liability pursuant to qualified expenditures		(1,091,940)
<b>Balance at September 30, 2016</b>	<b>\$</b>	<b>0</b>

As a result of the issuances of flow-through shares on June 2, 2015 and November 6, 2015, the Company committed to incurring \$7,220,500 in qualifying Canadian exploration expenditures ("CEE") on or before December 31, 2016. As a result of the option agreement with Eros to fund exploration on the Spectrum property (further described in Note 4 under the heading "Spectrum"), the Company committed to incurring \$1,500,000 in CEE. As a result of the issuance of flow-through shares in June and July of 2016, the Company committed to incurring \$3,179,264 in CEE on or before December 31, 2017. As of September 30, 2016, the commitment to incur CEE has been met (December 31, 2015 - \$3,052,479).

**10. ASSET RETIREMENT OBLIGATION**

As a result of the acquisition of Sona, Skeena also acquired the asset retirement obligations related to the Blackdome mine and related infrastructure. The value shown is a historic estimate.

**11. CAPITAL RISK MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as shareholders' equity. The Company is not exposed to any capital requirements.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There has been no change to the Company's capital risk management approach.

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**12. CONTINGENCY**

Due to the nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. Eilat has on a number of occasions asserted certain claims against the Company pertaining to an asset purchase agreement ("APA") dated April 14, 2014 and April 27, 2015 governing the Company's acquisition of the Spectrum property. To avoid the possible risk of selective disclosure, the Company is disclosing the existence of the claims regardless of the fact that the Company considers that the claims have no merit. The Company has now received formal notices of civil claims in relation to the APA. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of the Company.

**13. COMMITMENTS**

The Company entered into lease agreements for office premises that commenced January 1, 2016 and June 1, 2016 and expire December 31, 2025. The remaining lease payments pursuant to the agreement total \$2,700,000 (including anticipated operating expenses of \$995,000). There are informal arrangements with other companies that share rent and office expenses on a cost recovery basis.

Please refer also to Note 9 for a discussion of commitments related to the issuance of flow-through shares and to Note 7 for a commitment to spend loaned funds on CEE.

**14. SUBSEQUENT EVENTS**

A number of warrants were exercised at \$0.10 and additional warrants expired subsequent to September 30<sup>th</sup>. These are more fully described in Note 7.