



# **SKEENA**

RESOURCES LTD.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**Six months ended June 30, 2018 and 2017**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**QUARTER ENDED June 30, 2018**

**INTRODUCTION**

The Management Discussion & Analysis has been prepared by management and reviewed and approved by the Board of Directors on August 27, 2018. The following discussion of performance, financial condition and future prospects should be read in conjunction with the unaudited quarterly condensed interim consolidated financial statements and the related notes thereto for the quarters ended June 30, 2018 and June 30, 2017, and in conjunction with the audited annual consolidated financial statements and the related notes thereto for the years ended December 31, 2017 and December 31, 2016. The information provided herein supplements but does not form part of the consolidated financial statements. This discussion covers the six months ended June 30, 2018 and the subsequent period up to August 29, 2018, the date of preparation of this MD&A. Monetary amounts in the following discussion are in Canadian dollars unless otherwise noted.

Additional information, including annual audited consolidated financial statements and more detail on specific mineral exploration properties discussed in this MD&A can be found on the Company's page at [www.sedar.com](http://www.sedar.com) or on the Company's website: [www.skeenaresources.com](http://www.skeenaresources.com)

*The technical information presented herein has been reviewed by Paul Geddes, P.Geo, the Company's Vice-President of Exploration and Resource Development, and a qualified person as defined by National Instrument 43-101.*

This MD&A contains Forward Looking Information.  
Please read the Cautionary Statements on page 3 carefully.

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#### **FORWARD LOOKING STATEMENTS**

*This MD&A contains certain forward-looking statements or forward-looking information within the meaning of applicable Canadian securities laws. All statements and information, other than statements of historical fact, included in or incorporated by reference into this MD&A are forward-looking statements and forward-looking information, including, without limitation, statements regarding activities, events or developments that we expect or anticipate may occur in the future. Such forward-looking statements and information can be identified by the use of forward-looking words such as "will", "expect", "intend", "plan", "estimate", "anticipate", "believe" or "continue" or similar words and expressions or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which such forward-looking statements and information are based will occur or, even if they do occur, will result in the performance, events or results expected.*

*The forward-looking statements and forward-looking information reflect the current beliefs of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors which could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed in or implied by the forward-looking statements. This forward-looking information includes estimates, forecasts, plans, priorities, strategies and statements as to the Company's current expectations and assumptions concerning, among other things, ability to access sufficient funds to carry on operations, financial and operational performance and prospects, anticipated outcomes of lawsuits and other legal issues, particularly in relation to potential receipt or retention of regulatory approvals, permits and licenses, treatment under governmental regulatory regimes, stability of various governments including those who consider themselves self-governing, continuation of rights to explore and mine, collection of receivables, the success of exploration programs, the estimation of mineral resources, anticipated conclusions of economic assessments of projects, our ability to attract and retain skilled staff, expectations of market prices and costs, exploration, development and expansion plans and objectives, requirements for additional capital, the availability of financing, and the future development and costs and outcomes of the Company's exploration projects. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause actual results to vary materially.*

*We caution readers of this MD&A not to place undue reliance on forward-looking statements and information contained herein, which are not a guarantee of performance, events or results and are subject to a number of risks, uncertainties and other factors that could cause actual performance, events or results to differ materially from those expressed or implied by such forward-looking statements and information. These factors include: the ability to obtain permits or approvals required to conduct planned exploration programs; the results of exploration; inaccurate geological and engineering assumptions; unanticipated future operational difficulties (including cost escalation, unavailability of materials and equipment, industrial disturbances or other job action and unanticipated events related to health, safety and environmental matters); social unrest; failure of counterparties to perform their contractual obligations; changes in priorities, plans, strategies and prospects; general economic, industry, business and market conditions; disruptions or changes in the credit or securities markets; changes in law, regulation, or application and interpretation of the same; the ability to implement business plans and strategies, and to pursue business opportunities; rulings by courts or arbitrators, proceedings and investigations; inflationary pressures; and various other events, conditions or circumstances that could disrupt Skeena's priorities, plans, strategies and prospects including those detailed from time to time in the Company's reports and public filings with the Canadian securities administrators, filed on [SEDAR](#).*

*This information speaks only as of the date of this MD&A. The Company undertakes no obligation to revise or update forward-looking information after the date of this document, nor to make revisions to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws or the policies of the TSX-V exchange.*

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## **THE COMPANY**

The principle business of Skeena Resources Limited (“Skeena” or “the Company”) is the exploration and development of mineral properties in the Golden Triangle of northwest British Columbia, Canada. The Company owns or controls several exploration-stage properties including the past-producing Snip gold mine (“Snip”) and the past-producing Prosperity-Porter Idaho-Silverado silver mine (“Porter Idaho”), and holds an option to acquire a 100% interest in the past-producing Eskay Creek gold mine (“Eskay”). Skeena also announced the results of a Preliminary Economic Assessment for the GJ copper-gold porphyry project (“GJ”), for which the Company holds a 100% interest in the Spectrum property and an option to acquire a 100% interest in the adjoining GJ property.

The Company is a reporting issuer in British Columbia, Alberta and Saskatchewan. The Company trades on the TSX Venture Exchange under the symbol SKE.

## **EXPLORATION PROPERTIES**

### ***Snip Project, Northwest British Columbia:***

On July 31, 2017, Skeena acquired a 100% interest in the Snip project from Barrick Gold Inc. (“Barrick”). The property consists of one mining lease and four mineral tenures totaling approximately 1,932 hectares. Under the terms of the acquisition agreement with Barrick, Barrick retains certain rights, principally:

- 1% Net Smelter Returns royalty interest (“NSR”) retained by Barrick on the Snip property, or
- Subject to Skeena delineating in excess of 2 million ounces of gold, Barrick may exercise a back-in right to purchase a 51% interest in the property in return for a payment of three times Skeena’s cumulative exploration expenditures on the property, following which the parties will form a joint venture, and Barrick would relinquish its 1% NSR.

The Snip project includes the past-producing Snip gold mine. The former mine produced approximately 1.1 million ounces of gold from 1991 to 1999 at an average grade of 27.5 g/t. Skeena initially reviewed and modelled over 280,000 metres of historical drill data and completed an initial 7,200 metre surface drill program in 2016 with encouraging results. A winterized exploration camp has been established, and in 2017 the team re-opened and rehabilitated the underground workings, re-established ventilation and electric services prior to completing an initial 8,652 metre underground drill-program in December of 2017. A Phase II drill program was completed in August 2018 with an additional 9,583 metres drilled.

### ***Eskay Creek Project, Northwest British Columbia***

On December 18, 2017, Skeena announced that it had entered into an option agreement with Barrick Gold Inc. (“Barrick”) under which Skeena may acquire a 100% interest in the past producing Eskay Creek property (“Eskay”), located in the Golden Triangle region of northwest British Columbia. Eskay produced 3.3 million ounces of gold and 160 million ounces of silver from 2.2 million tonnes of ore from 1994 until closure in 2008. Eskay Creek has excellent infrastructure including all-weather road access and proximity to the new 287-kilovolt Northwest Transmission Line. The Project consists of eight mineral leases, two surface leases and several unpatented mining claims which total 6,151 hectares.

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In order to acquire the 100% interest in Eskay, Skeena must first:

- Incur \$3,500,000 in exploration expenditures on the Property prior to December 18, 2020 of which \$1,500,000 must be incurred prior to December 18, 2019 (“Exploration Requirement”);
- Pay to Barrick \$10,000,000 (“Purchase Price”) once (i) the Exploration Requirement has been met (ii) all regulatory approvals have been received and (iii) all permit transfers and underlying agreement consents have been obtained; and
- Reimburse Barrick for (i) reclamation expenditures incurred during the Option period and (ii) assuming the bond amount on the Property, collectively up to a maximum amount of \$7,700,000, provided that the Purchase Price will be reduced if those amounts, in aggregate, exceed \$7,700,000.

Barrick will retain a 1.0% NSR on all parts of the Property which are not already subject to royalties. In addition, Barrick will maintain a back-in right to purchase a 51% interest in the Property. The back-in right may only be exercised by Barrick for a 12-month period following notification that Skeena has published a NI 43-101 resource on the Property of at least 1,500,000 ounces of contained gold (or equivalent). To exercise the back-in right, Barrick will pay Skeena up to three times its cumulative expense on the property. As part of the back-in Barrick would also reimburse to Skeena the Purchase Price and assume any bonding requirement for its proportionate interest, following which the parties will form a joint venture.

In August 2018 Skeena commenced a surface drill program at Eskay. The Company is also completing a maiden resource estimate on mineralization at Eskay which is expected to be release in September 2018.

#### ***GJ Project, Northwest British Columbia***

The 43,410-hectare GJ copper-gold property consists of 93 contiguous mineral claims situated approximately 30 km west of Imperial Metals’ Red Chris Mine in the Golden Triangle of northwest British Columbia. The property consists of the Spectrum gold project, which contains high-grade sulphide-gold (>4 g/t Au) and bulk tonnage porphyry-style gold-copper, and the GJ project, which contains copper-gold porphyry mineralization.

In April 2017, Skeena announced the results of a Canadian National Instrument 43-101 Preliminary Economic Assessment (“PEA”) and a Mineral Resource update for GJ. The detailed technical report is available both on SEDAR and on the Company’s website. The project has a greater than 25-year mine life with a low initial capex of \$216 million, a base case pre-tax 8% NPV of \$546 million and a 27% IRR. Skeena is actively seeking a partner or financing to advance the project.

#### ***Porter Idaho Project, Northwest British Columbia***

The 100% owned Porter Idaho high-grade silver asset consists of 46 Crown-granted mineral claims and three mineral cells covering the past-producing, underground Prosperity–Porter Idaho–Silverado property located immediately east of the town of Stewart in the Golden Triangle of northwest British Columbia. Skeena acquired the asset in September 2016 by acquiring Mount Rainey Silver Inc. by way of a plan of arrangement. In addition to Porter Idaho, the Company also obtained the Glacier Creek Claims, 45 crown-granted claims covering approximately 1,630 acres located approximately 2.5 km to the north, in the Bear River Valley in British Columbia, together with 12 municipal lots located in Stewart, British Columbia.

Porter Idaho produced 2.2 million ounces of silver between 1929 and 1931 at an average grade of 73.8 oz/ton. The property currently contains an historical Indicated Resource of 394,700 tonnes grading 868 g/t silver,

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3.37% lead and 1.41% zinc (435,000 tons @ 27.9 oz/ton silver or a contained 11 million ounces silver) and an historical Inferred Resource of 88,900 tonnes grading 595 g/t silver (97,900 tons @ 17.3 oz/ton silver or a contained 1.7 million ounces silver). Caution: The historical Indicated and Inferred Resources are historical in nature, have not been verified by Skeena's qualified person, and should not be relied upon.

The Company announced on August 16, 2018, that it has sold Mount Rainey Silver Inc. to Strikepoint Gold Inc. ("Strikepoint"). Skeena has received 9,500,000 Strikepoint common shares (including 2,400,000 special warrants convertible to shares for no additional consideration), and will receive cash payments totalling \$1.5M (\$250,000 received) in a series of payments culminating on December 31, 2019. Skeena has also retained a 1% NSR, half of which may be repurchased by Strikepoint for \$750,000.

### ***Blackdome & Elizabeth Properties, South Central British Columbia***

On September 15, 2016, the Company acquired all of the issued and outstanding common shares of Sona Resources Corporation ("Sona"), in exchange for 1,493,642 common shares of the Company and other additional consideration. Sona's primary assets are the past-producing Blackdome gold mine ("Blackdome") and related infrastructure, and an option to earn a 100% interest in the adjoining Elizabeth gold property ("Elizabeth"), 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, was adjudicated before the Supreme Court who dismissed the claims with costs awarded to Sona, Skeena's wholly owned subsidiary; however, the vendors of the Elizabeth property filed an appeal on November 16, 2017 requesting that the court cancel the option agreement covering the Elizabeth property. The appeal has been heard, and the Company is awaiting the Supreme Court's ruling. Skeena will continue to defend the Elizabeth option agreement in court.

## **RECENT TRANSACTIONS**

### ***Financing Transactions***

On June 13, 2017, Skeena closed a private placement, raising gross proceeds of approximately \$5.7 million. The Company issued (a) 8,132,923 Units on a non-flow-through basis at a price of \$0.50 per Unit for gross proceeds of \$4,066,462, and (b) 2,489,231 Units on a flow-through basis at a price of \$0.65 per Unit for gross proceeds of \$1,618,000, for aggregate gross proceeds of \$5,684,462. The Company paid a total of \$409,599 in share issuance costs, of which \$62,962 was invested by finders in the private placement, resulting in the issuance of (c) 125,925 additional non-flow-through Units. Each Unit consisted of one common share of the Company, on a non-flow-through and flow-through-basis, respectively, and one-half of one non-flow-through common share purchase warrant of the Company (each whole common share purchase warrant, a "Warrant" and, collectively, the "Warrants"). Each Warrant entitles the holder to purchase one common share of the Company at a price of \$1.00 until June 13, 2020.

On October 3, & 17<sup>th</sup>, 2017, Skeena closed a strategic investment financing in two private-placement tranches of \$3 million each, raising total gross proceeds of \$6 million, and paying total finder's fees of \$420,000. 4,166,668 units were issued under each tranche of the financing at \$0.72 per unit, for a total of 8,333,336 units. Each unit consisted of one flow-through common share and one non-flow-through share purchase warrant. Each whole warrant is exercisable for a period of 2 years at a price of \$1.00 for 24 months following closing.

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On December 22, 2017, Skeena closed a strategic investment private placement financing, raising gross proceeds of \$1 million. 1,250,000 flow-through shares were issued with no finder's fees or warrants attached.

On March 29, 2018, the Company closed a brokered private placement financing, raising gross proceeds of \$8,462,664. The Company issued 9,176,940 Units at a price of \$0.60 per Unit for gross proceeds of \$5,506,164, and 4,223,571 flow through common shares at a price of \$0.70 per flow through share for gross proceeds of \$2,956,500. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.90 until March 29, 2020. In addition, 750,179 broker warrants were issued, exercisable at \$0.70 per share until March 29, 2019.

#### ***Share consolidation***

On October 20, 2017, the Company consolidated its share capital, issuing one new post-consolidation common share for ten pre-consolidation common shares. As such, all share-figures stated in this document are stated in post-consolidation shares.

## **SUBSEQUENT EVENTS**

Subsequent to June 30, 2018, the Company sold its subsidiary, Mount Rainey Silver Inc., which holds the Porter Idaho Silver project. This transaction is described in more detail in the previous section, "Exploration Properties" under the Porter Idaho project subsection.

## **RECENT PROGRESS**

### ***Snip Project Progress, Northwest British Columbia***

On July 31, 2017, Skeena announced that it had satisfied the terms of the option agreement and has acquired a 100% interest in the Snip Project from Barrick.

Underground drilling in late 2017 focused on confirming and expanding upon the modelled remnant mineralization proximal to the underground development. The program also targeted the numerous mineralized footwall structures that were not included in the historical Snip mineral resource. The data collected from this initial Phase I, 8,652 metre program was used to inform a 9,583 metre Phase II drill program initiated in March 2018 and completed in August 2018.

Both drill programs at the Snip Project have been successful in not only confirming the spatial and grade continuity of remnant mineralization but also defining new extensions to zones that were not drill delineated by previous operators. Geological and grade modelling of the extensive historical database resulted in the generation of numerous targets including the 200 Footwall Corridor and Eastern Twin Zone.

Situated 200 metres below the Twin Zone, which produced 709,601 ounces averaging 28.95 g/t Au, the newly interpreted 200 Footwall is a parallel structure geologically and structurally analogous to the mineralization hosted in the Twin Zone. The current interpretation based upon the Phase II drilling information, is that the gold mineralization occurs within a shallowly plunging zone contained within the larger 200 Footwall structure in the relatively small area currently drilled. A significant exploration target, the 200 Footwall remains open for expansion both down-dip and down-plunge. The 200 Footwall received limited underground drilling from previous operators and was tested by 2016 Skeena drill hole S16-006 which intersected 16.24 g/t Au over 13.50 metres in a previously undrilled area. The lack of

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drilling and geological similarities to the Twin Zone make the 200 Footwall a substantial exploration target and a large portion of the 2018 program was designed to expand upon this newly modelled and largely untested area.

Along its strike extension beyond the eastern portion of the former Snip mine, the Eastern Twin Zone was less densely drill-defined by the former operators and was never developed. During the 2017 Phase I program, Skeena targeted this area and intersected 91.56 g/t Au over 3.82 metres in UG17-062 at a vertical depth of 50 metres below surface. The depth potential of the Eastern Twin Zone was also tested by drill hole UG17-035 which intersected two broad intervals grading 19.26 g/t Au over 11.85 metres followed by 11.21 g/t Au over 5.95 metres at a vertical depth of 370 metres below surface.

The recently completed Phase II drilling on the Eastern Twin Zone encountered gold grades and mineralization thicknesses which are significantly above those from historical drilling programs. These results are in part due to a more comprehensive sampling protocol which does not rely on selective sampling but instead samples the entirety of the drillhole. This protocol is intended to provide a complete database to support economic analyses using current gold prices and cut-off grades.

Phase II drillhole UG18-110, which intersected 13.80 g/t Au over 18.00 m including 42.84 g/t Au over 2.90 m in the Eastern Twin Zone, is located on section between previously reported 2018 drillholes UG18-096 and UG18-097 which averaged 11.81 g/t Au over 12.20 m and 16.02 g/t Au over 12.25 m respectively.

The UG18-110 intercept occurs 12 m up-dip of historic drill hole UG-1706 which intercepted 36.80 g/t Au over only 0.40 m from within a selectively sampled interval of 7 m. The inconsistency in zone thickness and gold grade is either related to incomplete historical sampling practices or geological and grade variability within the same mineralized zone of interest, or both.

Since mineralization in areas such as the Eastern Twin Zone did not meet the required grade cut-off and mining widths when the mine was in operation, these areas were never drilled at spacings necessary for advancing future resource development and mine planning. Furthermore, the high cut-off grades used during operation meant that drillholes were not sampled in their entirety as only high-grade mineralization was relevant and hence drillholes were selectively assayed.

Prior to the implementation of National Instrument 43-101 standards, reclamation of the mine in 1999 included disposal of all historical drill core, resulting in the inability to fully validate any prior operators' databases to modern standards. The lack of historic drill core and supporting drilling documentation, paired with the wide spacing of historical drilling in undeveloped areas necessitates that Skeena devote a percentage of its drilling campaign to validate the historical data. This will allow for high confidence underground resources to be reported.

The kilometer scale structures which are host to the Twin Zone and the 200 Footwall are well defined but only sporadically tested by drilling. As the results of the Phase II drilling program are incorporated into the geological and grade models, the Company plans to assess the property-scale potential by performing regional surface-based drilling to test new targets.



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#### ***Eskay Creek Project, Northwest British Columbia***

In December 2017, Skeena secured an option to acquire 100% interest in the Eskay Creek property from Barrick. From 1994 until 2008 the Eskay Creek mine produced approximately 3.3 million ounces of gold and 160 million ounces of silver at average grades of 45 g/t gold and 2,224 g/t silver and was once the world's highest-grade gold mine and the fifth-largest silver mine by volume.

A precious and base metal-rich volcanogenic massive sulphide (VMS) deposit, Eskay-style mineralization has been the focus of considerable exploration activity in the Golden Triangle dating back to 1932. Exploration programs in 1988 led to the discovery of the 21A and 21B Zones, followed by underground development of the 21B Zone starting in 1990, with the official opening of the Eskay Creek mine in 1994. Over the 14-year life of the mine, approximately 2.2 million tonnes of ore were mined with cut-off grades ranging from 12 to 15 g/t gold equivalent for mill ore and 30 g/t gold equivalent for direct shipping smelter ore. Eskay Creek has excellent infrastructure including all-weather road access and proximity to the new 287-kilovolt Northwest Transmission Line. The Project consists of eight mineral leases, two surface leases and several unpatented mining claims which total 6,151 hectares.

Since announcing the option agreement to acquire Eskay Creek from Barrick in December 2017, Skeena has completed an extensive review of the historical database provided by Barrick. The Company has engaged SRK Consulting Limited (Vancouver), to perform a maiden resource estimate on mineralization at Eskay Creek which is expected to be released in September 2018.

In August 2018 Skeena commenced an initial surface drill program at Eskay Creek. This first phase of exploratory and definition drilling will focus on the unmined 21A and 22 Zones. These near-surface targets are located proximal to the historical mine footprint and hold high potential for expansion of mineralization which may be suitable for open-pit mining. The goal of the Phase I program is to increase drill density in select areas of mineralization to allow for future mine planning, collect fresh material for preliminary metallurgical testing and expand known mineralization into areas that have not previously been drill tested.

#### ***GJ Project Progress, Northwest British Columbia***

##### *GJ Preliminary Economic Analysis*

On April 20, 2017, Skeena announced the results of a Canadian National Instrument 43-101 Preliminary Economic Assessment ("PEA") and Mineral Resource update for the Company's GJ copper-gold project ("GJ"). The PEA and Mineral Resource update focus on two deposits that are approximately 14 km apart: the porphyry copper-gold Donnelly Deposit at GJ ("Donnelly") and the porphyry gold-copper Spectrum Central Zone ("Spectrum").

Conventional truck and shovel open pit mining is planned with a staged approach to production output, starting at 10,000 tonnes per day ("tpd") at Donnelly, ramping up to 20,000 tpd in year 6 when Spectrum comes on-line, and reaching 30,000 tpd in year 12. The staged approach was adopted to limit operational, technical and capital risks that are typical of new mine start-ups. Using base case parameters, copper would generate approximately two-thirds of project revenue during the initial five years of production and approximately 58% over the life of the mine.

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The overall planned mine life is 25 years with upside potential to increase this beyond 30 years. A centrally located flotation processing plant and a single life-of-mine tailings storage facility are planned, with a conventional Carbon-in-Leach ("CIL") plant added at year 6 for improved gold recovery.

The project has an initial capital cost of \$216 million and benefits from the presence of existing infrastructure on or adjacent to the project area, including grid hydro-power, paved Highway No. 37 and an industrial road that extends to within 10 km of the planned processing plant site. The proximity of the deep-water Port of Stewart, B.C., is a further significant project benefit.

#### Preliminary Economic Analysis:

Parameter	Base Case	Upside Case 1	Upside Case 2
Copper price (US\$/lb)	2.75	3.00	3.25
Gold (US\$/oz)	1,250	1,300	1,350
Silver (US\$/oz)	17.75	20.00	22.50
<b>Economic Results (Pre-Tax)</b>			
NPV 8% (millions)	C\$ 546.18	C\$ 699.62	C\$ 853.86
IRR	26.6%	31.0%	35.3%
Payback (years)	3.81	3.19	2.71
<b>Economic Results (After-Tax)</b>			
NPV 8% (millions)	C\$ 314.09	C\$ 412.99	C\$ 512.35
IRR	20.6%	23.9%	27.1%
Payback (years)	4.21	3.68	3.26

The PEA indicates an initial capex of less than US\$200 million, combined with a 25-year mine life and an after-tax, base case IRR of better than 20%. These key characteristics are coupled with average strip ratios of 0.52 at the Spectrum pit and 0.86 at the Donnelly pit, good metallurgical recoveries and opportunities for project expansion and exploration. The base case after-tax net present value (using an 8% discount rate) for the GJ project alone vastly exceeds Skeena's current market capitalization.

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#### ***Relations with Indigenous Communities***

Skeena's Board of Directors has established the following principles to guide the Company and its management, workers and contractors in responsible exploration:

- Foster cooperation and understanding through frequent communication with our neighbours
- Encourage and support exploration and development activities that limit impacts to wildlife and the environment
- Communicate our proposed project plans and activities openly, and work to address concerns
- Hire workers locally and provide training
- Offer local businesses the opportunity to supply materials and services
- Align our exploration and development activities with local social, environmental and economic considerations
- Use local knowledge and build capacity to support cooperative approaches to resource management, and promote long term sustainability
- Continue to improve our health and safety, environmental and social programs

One of the founding principles of our company is to work closely with Indigenous Communities to achieve the responsible development of our projects, and to make a positive difference in the places we work. We believe in building and sustaining mutually beneficial and supportive relationships with Indigenous Communities by creating a foundation of trust and respect, through open, honest and timely communication.

Skeena has established both a Communications Agreement and an Exploration Agreement with the Tahltan Central Government. The Communications Agreement provides a protocol and framework for communication activities with the Nation; establishing a system and schedule for ongoing community engagement, and discussions with community leadership. The Exploration Agreement addresses employment and contracting opportunities, permit application reviews, environmental monitoring, protection of cultural resources, and capacity funding support to the Tahltan Central Government related to Skeena's exploration work in Tahltan traditional territory. Collectively, these agreements support the ongoing development of the strong collaborative relationship between Skeena and Tahltan.

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**DISCUSSION OF OPERATIONS**

The Company completed the quarter with working capital<sup>1</sup> of \$2,319,877 (Dec 31, 2017 - deficit of \$50,768). Being in the exploration stage, the Company does not have revenue from operations, and has historically relied on equity funding and non-arm's length loans for its continuing financial liquidity.

**EXPLORATION AND EVALUATION EXPENSES**

<b>2018</b>	<b>Snip</b>	<b>GJ</b>	<b>Eskay</b>	<b>Porter Idaho</b>	<b>Blackdome</b>	<b>Total</b>
Claim renewals and permits	\$ 74,503	\$ -	\$ 34,813	\$ 22,931	\$ 37,050	\$ 169,297
Fieldwork, camp support and local office	1,375,855	3,864	940	236	3,892	1,384,787
Assays and analysis/storage	256,823	-	684	-	-	257,507
Community relations	42,145	2,250	2,250	-	-	46,645
Drilling	674,857	-	-	-	-	674,857
Environmental studies	9,681	19,690	15,644	-	537	45,552
Geology, geophysics, and geochemical	822,734	63,661	34,470	15,177	1,725	937,767
Fuel	135,373	-	-	-	-	135,373
Helicopter	271,603	-	2,458	-	3,571	277,632
Electrical	126,589	-	-	-	-	126,589
Share based payments	476,000	-	-	-	-	476,000
<b>Total for the six months ended June 30, 2018</b>	<b>\$ 4,266,163</b>	<b>\$ 89,465</b>	<b>\$ 91,259</b>	<b>\$ 38,344</b>	<b>\$ 46,775</b>	<b>\$ 4,532,006</b>

<b>2017</b>	<b>Snip</b>	<b>GJ</b>	<b>Eskay</b>	<b>Porter Idaho</b>	<b>Blackdome</b>	<b>Total</b>
Claim renewals and permits	\$ 35,327	\$ 130	\$ -	\$ 3,024	\$ 10,287	\$ 48,768
Fieldwork, camp support and local office	236,521	24,003	-	-	2,370	262,894
Assays and analysis/storage	3,478	21,533	-	179	-	25,190
Community relations	24,203	57,677	-	-	788	82,668
Environmental studies	15,794	57,812	-	-	12,129	85,735
Geology, geophysics, and geochemical	341,957	582,802	-	11,046	144,071	1,079,876
Metallurgy	-	149,316	-	-	-	149,316
Share based payments	27,666	55,332	-	-	-	82,998
Cost recovery	(16,906)	(23,414)	-	(352)	(4,187)	(44,859)
<b>Total for the six months ended June 30, 2017</b>	<b>\$ 668,040</b>	<b>\$ 925,191</b>	<b>\$ -</b>	<b>\$ 13,897</b>	<b>\$ 165,458</b>	<b>\$ 1,772,586</b>

<sup>1</sup> Working capital is a non-GAAP measure and is defined as current assets less current liabilities.

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## SUMMARY OF QUARTERLY RESULTS

The following tables report selected financial information of the Company for the past eight quarters.

Quarter ended	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17
Revenue <sup>(1)</sup>	-	-	-	-
Loss for the quarter	\$ <sup>(2)</sup> (4,715,984)	<sup>(3)</sup> (3,233,653)	\$ <sup>(4)</sup> (3,493,429)	\$ <sup>(5)</sup> (3,061,682)
Loss per share	\$ (0.05)	(0.01)	\$ (0.01)	\$ (0.00)

  

Quarter ended	30-Jun-17	31-Mar-17	31-Dec-16	30-Sep-16
Revenue <sup>(1)</sup>	-	-	-	-
Loss for the quarter	\$ <sup>(6)</sup> (1,617,460)	<sup>(7)</sup> (1,829,096)	\$ <sup>(8)</sup> (1,882,666)	\$ <sup>(9)</sup> (7,511,101)
Loss per share	\$ (0.00)	(0.01)	\$ (0.01)	\$ (0.01)

(1) this being an exploration stage company, there are no revenues from operations;

(2) includes exploration expenditures of \$3,026,330 and impairment of mineral property interests of \$1,325,759

(3) includes exploration expenditures of \$1,505,676, and share-based payments of \$1,166,000

(4) includes exploration expenditures of \$3,547,455, and flow-through premium recovery of \$1,350,078

(5) includes exploration expenditures of \$2,617,241

(6) includes exploration expenditures of \$956,803

(7) includes exploration expenditures of \$815,783

(8) includes exploration expenditures of \$1,562,486

(9) includes exploration expenditures of \$5,986,029 and \$1,084,909 in share-based payments expense

### Loss for the quarter ended June 30, 2018

Losses of \$4,715,984 in the three months ended June 30, 2018 ("Q2-18") were lower than the quarter ended June 30, 2017 ("Q2-17"), primarily due to the 200% higher exploration expenditures, coupled with the impairment of mineral property interest in Q2-18 with no comparable amount in Q2-17. Exploration activity levels were higher in Q2-18 than in Q2-17 due to an active diamond drill program happening in Q2-18, while in Q2-17 the team was focused on producing updated technical reports. The increased exploration activity also resulted in an increased flow-through share premium recovery in Q2-18 as compared with Q2-17.

### Loss for the six months ended June 30, 2018

Losses of \$7,949,637 in the six months ended June 30, 2018 ("H1-18") were higher than the losses of \$3,446,556 recorded for the six months ended June 30, 2017 ("H1-17"), primarily due to the significantly higher exploration expenditures in H1-18. Exploration expenses increased in H1-18 as exploration activity was higher – a diamond drill program was underway in H1-18, with no such program in H1-17.

An increase in share-based payments expense was the result of a grant of options in January 2018, which carried a higher overall Black-Scholes calculated value than the options granted in January 2017.

Increased wages in H1-18 were offset by decreases in consulting costs, as certain team members transitioned from consulting roles to permanent staff in H1-18.

Investor relations expenditures increased from H1-17, due to a focus by senior management on producing the Preliminary Economic Assessment in H1-17, as compared with a focus on fundraising in Q1-18, ultimately resulting in the financing which closed on March 29, 2018.

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An impairment of mineral property interests was recorded in H1-18 in relation to the Porter Idaho project, as the Company received an offer to purchase the project for less than the carrying value. No such impairment was recorded in H1-17.

Offsetting the above, a flow-through share premium recovery of \$409,966 in H1-18 was \$288,348 higher than in H1-17, which moderated the increase in net loss for H1-18.

#### ***Cash flows for the six months ended June 30, 2018***

The Company's operating activities consumed net cash of \$7,504,240 (2017 – \$2,767,463) during the six months ended June 30, 2018. The higher 2018 operating cash consumption occurred due to the larger net loss in Q2-18, coupled with the paying down of accounts payable and accrued liabilities.

The Company closed a private placement financing on March 29, 2018 which resulted in a net financing cash inflow to the Company of \$7,785,053, as compared with \$5,337,826 in H1-17. Investing activities in H1-18 related primarily to posting bonds for exploration work, whereas investing activities in H1-17 related more to the purchase of equipment.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The Company had working capital<sup>2</sup> of \$2,319,877 as of June 30, 2018 (Dec 31, 2017 – deficit of- \$50,768). The increase in cash and cash equivalents since the 2017 year-end, and the decrease in payables reflects an increase in liquidity. Being in the exploration stage, the Company does not have revenues from operations, and relies on equity funding and non-arm's length loans for its continuing financial liquidity.

The Company's most recent private placement was completed on March 29, 2018, raising gross proceeds of \$8,462,664. This transaction is more fully described in the "Financing Transactions" portion of the section above labelled "Recent Transactions."

While funds were raised during the current fiscal period, management cautions that the Company's ability to raise further funding is not certain. Additional funds will be required in order to pursue the Company's current exploration plans. An inability to raise additional funds would adversely impact the future assessment of the Company as a going concern.

#### **CHANGES IN ACCOUNTING POLICIES**

Accounting policies used in the quarter are as set out in the audited annual financial statements for the year ended December 31, 2017, with the adoption of updated policies to comply with evolving International Financial Reporting Standards, which are described below.

Several amendments to existing accounting standards have been adopted effective January 1, 2018, including:

##### *IAS 12 Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The addition of these amendments has not had a material impact on the financial statements.

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<sup>2</sup> Working capital, a non-GAAP-measure is defined as current assets net of current liabilities.

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#### *IFRS 9 Financial Instruments*

A finalized version of IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements for classification and measurement of financial assets and liabilities; impairment of financial assets; hedge accounting; and derecognition of financial assets and liabilities carried forward from IAS 39. This new standard has not had a material impact on the financial statements.

#### *New accounting standards expected to be adopted in future years:*

The following new standards, and amendments to standards and interpretations, were not yet effective and have not been applied in preparing these consolidated financial statements.

#### *IFRS 16 Leases*

A finalized version of IFRS 16 *Leases* replaces IAS 17 *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. 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 may be different at the time of standard implementation.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, deposits, and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest risk arising from the financial instruments. The Company is exposed to credit risk in relation to the receivables balances, however, most receivables are in relation to sales tax due from the Canadian government. Interest risk and credit risk are managed for cash by maintaining deposits in redeemable GIC's or savings accounts belonging to a major Canadian bank or credit union. Credit risk is managed for receivables by seeking prompt payment, monitoring the age of receivables, and making follow up inquiries when receivables are not paid in a timely manner. The Company manages its currency risk by periodically adjusting the principal foreign currency cash balances to approximately match foreign currency liabilities. This helps to reduce the Company's gains and losses as a result of fluctuations in foreign exchange rates. Interest on short-term deposits is classified as interest income on the Consolidated Statement of Comprehensive Loss. There are no gains, losses or expenses associated with this financial instrument. The Company does not engage in any hedging activities. Other financial instruments do not generally expose the Company to risk that is significant enough to warrant reducing via purchasing specific insurance or offsetting financial instruments. Further discussion of these risks is presented in Note 4 of the audited consolidated financial statements for the year ended December 31, 2017.

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## **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 quarters ended June 30, 2018 and 2017 is as follows:

	<b>Six months ended June 30, 2018</b>	<b>Six months ended June 30, 2017</b>
Director remuneration <sup>1</sup>	\$ 82,500	\$ 39,900
Officer remuneration <sup>1</sup>	304,750	344,743
Share-based payments	\$ 1,352,477	\$ 611,353

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

In accordance with Item 1.9 of Part 2 of Form 51-102.F1 the Company has no ongoing contractual commitments with related parties, apart from those established under the employee-employer relationship. Short term benefits were paid or are payable to Walter Coles and Virginia Uranium Inc. for services of the Chief Executive Officer, to Andrew MacRitchie for services of the Chief Financial Officer, to Cold Stream Exploration Ltd. for services of the former Vice-President of Exploration and to Cathro Resources for services of the former Vice-President of Operations. In addition, each of the non-executive directors received director's fees. Other than the amounts disclosed above, there were no short-term employee benefits or share-based payments granted to key management personnel during the periods ended June 30, 2018 and 2017.

### *Accounts payable and accrued liabilities*

Included in accounts payable and accrued liabilities at June 30, 2018 is \$20,610 (December 31, 2017 - \$155,000) due to directors or officers or companies with common directors or officers. These amounts are owed in relation to key management compensation noted above.

## **RISK FACTORS AND MANAGEMENT'S RESPONSIBILITY OVER FINANCIAL REPORTING**

### ***Risk Factors***

Development-stage mineral exploration companies face a variety of risks and, while unable to eliminate all of them, the Company aims to manage and reduce such risks as much as possible.

Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even a single such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and retains experienced consultants to assist in its risk management and to make timely adequate decisions.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties.

The price of the commodities being explored is also a significant risk factor, as a substantial decline in their price could



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result in a decision to abandon a specific project.

Environmental laws and regulation could also impact the viability of a project. The Company has ensured that it has complied with these regulations, but there can be changes in legislation outside the Company's control that could also add a risk factor to a project.

Finally, operating in a specific country has legal, political and currency risks that must be carefully considered to ensure their level is commensurate to the Company's assessment of the project.

### **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 probable, the amount can be reasonably estimated, and settlement of the matter is probable to require an outflow of future economic benefits from the Company.

Eilat Exploration Ltd., and related parties, have 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 Skeena's acquisition of the Spectrum property. The Company received formal notices of civil claims in relation to the APA in April of 2016. Notably, no further steps have been taken by the litigant since bringing the claims. In the opinion of management, the outcome of these events is not determinable at this time, but these matters are not currently expected to have a material effect on the consolidated financial statements of the Company.

The Company has previously had operations in other countries, and has not yet completed the formal process of dissolution of the relevant subsidiary companies. There may be amounts owed by those subsidiary companies, including mining concession fees unpaid since January 2014, estimated to be \$100,000 per year, that are not probable to require an outflow of future economic benefits to satisfy. As a result, the Company has not accrued those amounts as liabilities.

### **OFF BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.

### **OUTSTANDING SHARE DATA**

The following section updates the Outstanding Share Data provided in the unaudited consolidated financial statements for the quarter ended June 30, 2018.

#### Common Shares:

Shares outstanding at June 30, 2018 and August 29, 2018	90,328,548
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#### Stock Options:

Options outstanding at June 30, 2018 and August 29, 2018	7,452,444
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#### Warrants:

Warrants outstanding at June 30, 2018 and August 29, 2018	19,058,703
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