SKEENA RESOURCES LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended June 30, 2016 and 2015

MANAGEMENT DISCUSSION AND ANALYSIS

2nd QUARTER ENDED JUNE 30, 2016

INTRODUCTION

The MD&A has been prepared by management and reviewed and approved by the Board of Directors on August 24, 2016. The following discussion of performance, financial condition and future prospects should be read in conjunction with the unaudited condensed interim consolidated financial statements and the related notes thereto for the quarter ended June 30, 2016 and the audited consolidated financial statements for the years ended December 31, 2015 and December 31, 2014. The information provided herein supplements but does not form part of the consolidated financial statements. This discussion covers the three and six months ended June 30, 2016 and the subsequent period up to August 24, 2016, the date of issue 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 properties discussed in this MD&A can be found on the Company's page at www.sedar.com or on the Company's website: www.skeenaresources.com

The technical information presented herein has been reviewed by Michael S. Cathro, MSc, PGeo, the Company's vice-president of operations 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.

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.

THE COMPANY

The principle business of Skeena Resources Limited ("Skeena" or "the Company") is the exploration and development of mineral properties, primarily in northwest British Columbia. The Company owns or controls several exploration-stage properties in northwest British Columbia including a 100% interest in the Spectrum gold property ("Spectrum Property"), an option to acquire a 100% interest in the GJ copper and gold property ("GJ Property"), and an option to earn a 100% interest in the past-producing Snip gold mine ("Snip").

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 Gold Mine, Northwest British Columbia:

On March 23, 2016 Skeena announced the signing of an agreement with Barrick Gold Inc., ("**Barrick**") granting the Company an option to acquire a 100% interest in the past-producing, high-grade Snip gold mine in northwest British Columbia. The property consists of one mining lease and four mineral tenures totaling approximately 1,932 hectares. The Snip mine produced approximately 1.1 million ounces of gold from 1991 until 1999 at an average head grade of 27.5 g/t.

Under the terms of the option agreement, Skeena may acquire a 100% interest in the Snip Property in consideration for:

- The issuance of up to 3,250,000 common shares of the Company (2,000,000 issued)
- The completion by Skeena of a work commitment of $500,000 within the first 12 months of the agreement
- The completion of an additional work commitment of $1,500,000 within 30 months of the agreement
- 1% Net Smelter Returns royalty interest ("NSR") retained by Barrick on the Snip property
- Subject to exercise of the option and 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 expenditures, following which the parties will form a joint venture, and Barrick would relinquish its 1% NSR.

Spectrum Project, Northwest British Columbia

The 100% owned 3,580-hectare Spectrum Gold property is situated approximately 37 kilometres ("km") west of Imperial Metals' Red Chris Mine. The property contains more than 10 occurrences of high-grade sulphide-gold and bulk tonnage gold-copper mineralization, spatially associated with steeply-dipping fractured and brecciated zones. These are contained within a broad area of propyllitic and potassic-altered Stuhini Group intermediate volcanics and volcaniclastic rocks at the contact zone and within the dike-like monzonite intrusion of Jurassic age. This is the same type of geological setting as many of the major copper-gold deposits in the Golden Triangle area of northwest British Columbia.

A N.I. 43-101 compliant technical report by Mr. Jacques Stacy, M.Sc., P.Geol, dated August 5, 2014 and entitled "Evaluation and Technical Report on the Spectrum Gold Property, Liard Mining Division, BC" is available on the Company website and on SEDAR at www.sedar.com.

GJ Project, Northwest British Columbia

On November 4, 2015, the Company announced the closing of the acquisition of an option, from Teck Resources Ltd. and NGEx Resources Inc., to earn a 100% interest in the GJ Property, located adjacent to the Company's Spectrum property. The 100% interest may be earned in exchange for consideration of $500,000 in cash and an aggregate of 12,947,538 common shares of the Company, with a value of $1,000,000 based on a 10-day weighted average price of $0.0772 per share as of the closing share price and further staged payments as follows:

- $1,500,000 worth of common shares to be issued on or before the 2nd anniversary of the closing;
- $1,500,000 worth of common shares to be issued on or before the 5th anniversary of the closing; and
- $4,000,000 cash payment on or before the date that is 45 days from commencement of commercial production from the GJ property.

The main GJ Property claim block is subject to a 2% net smelter return royalty ("NSR") in favour of the vendors, of which 50% can be purchased for a $2,000,000 cash payment. The northern GJ Property is subject to a 1% NSR of which 50% can be purchased for a $1,000,000 cash payment. The GJ Property is also subject to a 1% NSR payable pursuant to a royalty agreement dated January 21, 2005, as amended, originally entered into between Canadian Gold Hunter Corp. and 650399 B.C. Ltd.

Details pertaining to the Company's GJ Project are available in an amended and restated NI 43-101 technical report by Dr. Giles Peatfield, Ph.D., P. Eng., Mr. Gary H. Giroux, M.A.Sc., P.Eng., and Mr. Michael S. Cathro, M.Sc., P.Geo., titled "Revised Technical Report on the Donnelly-GJ Deposit Area, GJ Property, Liard Mining Division B.C. Canada" originally filed February 26th, 2016 under Skeena's profile on the SEDAR website www.sedar.com. A revised version of this report, dated April 11, 2016 and incorporating minor changes, was filed on SEDAR on April 20, 2016, and is also available on the Company's website, www.skeenaresources.com.

RECENT PROGRESS

Snip Gold Mine Progress, Northwest British Columbia:

On May 16, 2016, the Company released results of historic drill compilation on the Snip Mine, and plans for up to 3,000 m of drilling. On June 20, 2016, the Company announced that exploration plans had doubled to 6,000m of drilling. Numerous exploration targets proximal to the historic mine workings have been identified and are highlighted below. These represent excellent initial drill targets for high-grade resource definition. The Company announced the receipt of exploration permits on July 27, 2016. Drilling began in August of 2016.

- **Deep Footwall** Historic drill intercepts by prior operators Cominco Ltd. (now Teck Resources Ltd.) and Homestake Mining Company (now Barrick Gold Corporation) below the partially mined 150 and 130 veins, which accounted for approximately 25% of Snip's production, include the following high-grade intercepts:

Drill hole	Intercept
S-18	26.95 g/t Au over 3.0 m
S-54	837.20 g/t Au over 0.6 m
S-55	69.95 g/t Au over 0.9 m
S-60	336.50 g/t Au over 0.9 m

- The **Lamp Zone**, located just east of the old mine workings, and explored by 2 adit levels, yielding the following historic results from surface and underground drilling:

UG-1742	135.60 g/t Au over 1.9 m
UG-1755	75.30 g/t Au over 1.4 m
S-3	15.20 g/t Au over 13.5 m
S-12	91.90 g/t Au over 3.5 m
S-106	12.95 g/t Au over 7.2 m

- The **Twin West Zone** (west and down dip of the old mine workings), which has limited underground development and produced approximately 10,000 tonnes at 18.1 g/t Au. Exploration drilling over a 550 metre strike length along the Twin West structure yielded the following highlighted historic intersections:

S-157	37.25 g/t Au over 1.0 m
S-171	21.80 g/t Au over 2.0 m
S-202	17.66 g/t Au over 1.4 m
S-216	10.50 g/t Au over 8.3 m
S-223	37.60 g/t Au over 1.4 m

- The **Eastern Deeps** (also down dip of the Twin West Zone old mine workings) yielded the following historic intersections:

S-247	24.27 g/t Au over 2.1 m
S-249	34.80 g/t Au over 2.1 m

- **Boundary Pond** & **Gold Ring** which are partially drill tested and have yielded the following historic intersections:

S-229	20.50 g/t Au over 1.5 m
S-244	374.4 g/t Au over 0.3 m

- **Monsoon Ridge** which is partially drill tested and historically yielded up to 7.65 g/t Au over 1.4 metres in DDH S-219.
- The **Jim Porphyry** which represents another hydrothermal system with limited drilling that yielded a historic intersection up to 1.02 g/t Au over 49.1 metres in DDH J92-9, indicating potential for a large tonnage, low-grade gold target located on the SW portion of the Snip claims.

Spectrum Project Progress, Northwest British Columbia

The maiden National Instrument 43-101 independent resource estimate on the Spectrum deposit was released on April 25, 2016. Within a conceptual open pit and at a 0.50 g/t gold equivalent (“AuEq”) NSR cut-off (Tables 1 and 2 below), the Central Zone of the Spectrum deposit hosts an Indicated Mineral Resource of 8.95 million tonnes grading 1.04 g/t Au, 6.58 g/t Ag and 0.11% Cu and containing 290,000 ounces of gold, 1.82 million ounces of silver and 20.835 million pounds of copper. At the same cut-off, the deposit hosts an additional 22.63 million tonnes in the Inferred category, with average grades of 1.03 g/t Au, 3.85 g/t Ag and 0.11% Cu and containing 750,000 ounces gold, 2.8 million ounces silver and 54.889 million pounds copper. Drilling to date shows that the Central Zone extends from surface to 400 m below surface and that it has lateral dimensions of approximately 1100 m (north-south) and 380 m (east-west). It remains open to the west, south, north and to depth. Mineralization comprises high-grade gold-bearing quartz-carbonate-sulphide veinlet stockworks cutting a broad zone of porphyry gold-copper mineralization.

Table 1: Indicated Mineral Resource Within Conceptual Pit at Various Cut-Off Grades

AuEq NSR Cut-Off (g/t)	Tonnes	Average Grades			Contained Metal		
		Au (g/t)	Ag (g/t)	Cu (%)	Au (oz)	Ag (oz)	Cu (lb)
0.25	26,610,000	0.56	3.40	0.10	480,000	2,910,000	58,675,000
0.30	21,010,000	0.64	3.88	0.10	430,000	2,620,000	46,327,000
0.50	**8,590,000**	**1.04**	**6.58**	**0.11**	**290,000**	**1,820,000**	**20,835,000**
0.70	4,610,000	1.39	8.82	0.11	210,000	1,310,000	11,182,000

Table 2: Inferred Mineral Resource Within Conceptual Pit at Various Cut-off Grades

AuEq NSR Cut-Off (g/t)	Tonnes	Average Grades			Contained Metal		
		Au (g/t)	Ag (g/t)	Cu (%)	Au (oz)	Ag (oz)	Cu (lb)
0.25	61,660,000	0.61	2.42	0.11	1,200,000	4,800,000	149,556,000
0.30	56,460,000	0.64	2.52	0.11	1,160,000	4,570,000	136,944,000
0.50	**22,630,000**	**1.03**	**3.85**	**0.11**	**750,000**	**2,800,000**	**54,889,000**
0.70	9,270,000	1.64	5.93	0.09	490,00	1,770,000	18,396,000

The Central Zone Mineral Resource estimate has an effective date of December 02, 2015. It was completed by Mr. Gary H. Giroux, M.A.Sc., P.Eng. of Giroux Consultants Ltd. of Vancouver B.C., Canada, an Independent Qualified Person as defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). The estimate was prepared in accordance with Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council, as amended. The methods used to estimate the Mineral Resource are summarized in the April 25 news release. The updated NI 43-101 Technical Report, including the above summarized Mineral Resource Estimate, authored by G.H. Giroux, M.A.Sc., P.Eng., Mr. J. Stacey, M.Sc., P.Geol., and Mr. M. Cathro, P. Geo. will be filed on SEDAR (www.sedar.com) and the Company's website before June 9, 2016.

The Mineral Resource estimate is considered preliminary because the porphyry gold-copper style mineralization is open to the west along its known 1.1 kilometre length, as well as to the north and south. Evidence for continuity of the mineralization to the south is provided by several widely-spaced and well-documented historic holes that report good gold and copper grades. Evidence that the mineralization extends to the west is provided by four well-defined and strong, multi-element soil geochemical anomalies (predominantly gold and copper).

A drill program has been laid out to define the limits of the deposit in each of the directions outlined. The entire target zone has also been investigated in 2016 by an Induced Polarization geophysical survey. Drilling of the porphyry-style gold-copper mineralization will be wider spaced and less detailed than previous drilling directed at the narrow, high-grade gold zones. However, definition drilling along the margins of the Central Zone and future in-fill drilling is still expected to capture more of the high-grade structures.

On May 9, 2016, the Company released details of the proposed drill program for the 2016 field season. It involves an initial ground investigation program, overlapping with and followed by a drill program totalling up to 10,000 metres comprising 6000 m of resource drilling on the Central Zone, and 4000 m on outlying targets. The program began in early June.

On June 20, 2016, the Company released flotation test results on porphyry gold-copper mineralization which indicate that recoveries in excess of 90% for gold and 85% for copper are achievable from average grade material. Recoveries are consistent with the results of a mineralogical study that shows the gold to be free and very fine-grained.

GJ Project Progress, Northwest British Columbia

On February 12, 2016, the Company announced it had compiled historic work on high-grade gold-silver and bulk tonnage copper-gold exploration targets on its GJ property. The review focused on targets within the northern portion of the GJ property and does not include the Donnelly, North Donnelly, GJ and Camp (North) porphyry copper-gold deposits in the central core of the property.

The review identified five additional high-priority targets, four of which have received minimal or no previous drilling. Two are drill-ready bulk tonnage copper-gold porphyry targets (QC and Wolf Plateau – Blow Down), and three are high-grade gold-silver vein targets (Gordon, Trevor Paek, and Seestor) that require only minimal work to bring to the drill stage. The Company anticipates beginning drilling at GJ in September 2016.

DISCUSSION OF OPERATIONS

The Company completed the quarter with working capital[1] of $4,236,558. Being in the exploration stage, the Company does not have revenue from operations, and relies on equity funding and non-arm's length loans for its continuing financial liquidity.

The Company completed the seasonal 2015 exploration program having drilled 17,350 m before demobilization in early November, 2015. In the first quarter of 2016, the results of the 2015 exploration program were incorporated into two NI43-101 compliant resource estimates on the GJ and Spectrum properties that were released in February and April 2016. In the second quarter of 2016, the Company assembled and mobilized the exploration team to begin the summer exploration program.

On March 23, 2016, Skeena announced that it had secured an option to acquire from Barrick Gold Inc. 100% of the past-producing Snip gold mine in northwest British Columbia.

On June 29, 2016 Skeena announced that it had placed an offer to acquire Sona Resources Corp. In addition, on August 10, 2016 Skeena announced that it had made an offer to acquire Mount Rainey Silver Inc. Each of these transactions is described in more detail in the section below titled "Proposed Transactions."

[1] Working capital is a non-GAAP measure and is defined as current assets less current liabilities.

EXPLORATION AND EVALUATION EXPENSES

	Spectrum	GJ	Snip	Total
Claim renewals and permits	$ 8,564	$ 6,800	$ 1,492	$ 16,856
Fieldwork, camp support and local office	381,363	139,203	1,916	522,482
Assays and analysis/storage	49,452	3,354	-	52,806
Community relations	30,387	24,134	21,134	75,655
Environmental studies	53,108	15,535	-	68,643
Geology/geophysics/geochemical	313,920	112,141	101,494	527,555
Aviation Fuel	15,514	5,171	-	20,685
Helicopter	112,366	41,519	-	153,885
Share based payments	173,319	63,025	26,260	262,604
Total, for the six months ended June 30, 2016	$ 1,137,993	$ 410,882	$ $152,296	$ 1,701,171

	Spectrum	GJ	Tropico	Total
Claim renewals and permits	$ 51,110	$ -	$ 8,883	$ 59,993
Fieldwork, camp support and local office	289,953	-	4,400	294,353
Assays & analysis/storage	40,024	-	-	40,024
Community relations	4,422	-	-	4,422
Drilling	11,715	-	-	11,715
Environmental studies	8,854	-	-	8,854
Exploration and sampling	12,206	-	-	12,206
Geology/geophysics/geochemical	143,663	-	-	143,663
Maps and reports	17,012	-	-	17,012
Total, for the six months ended June 30, 2015	$ 578,959	$ -	$ 13,283	$ 592,242

SUMMARY OF QUARTERLY RESULTS

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

Quarter ended		30-Jun-16		31-Mar-16		31-Dec-15		30-Sep-15
Revenue [1]		-		-		-		-
Loss for the quarter	$	[2] (3,366,506)	$	[3] (791,206)	$	[4] (1,157,994)	$	[5] (4,652,800)
Loss per share	$	(0.00)	$	(0.00)	$	(0.00)	$	(0.02)

Quarter ended		30-Jun-15		31-Mar-15		31-Dec-14		30-Sep-14
Revenue [1]		-		-		-		-
Loss for the quarter	$	[6] (856,670)	$	(402,690)	$	[7] (1,754,028)	$	(440,287)
Loss per share	$	(0.01)	$	(0.00)	$	(0.02)	$	(0.02)

(1) this being an exploration stage company, there are no revenues from operations;
(2) includes exploration expenditures of $1,431,880 and $1,160,531 in share-based payments expense
(3) includes exploration expenditures of $269,290
(4) includes exploration expenditures of $1,362,391
(5) includes exploration expenditures of $4,713,343
(6) includes exploration expenditures of $531,391
(7) includes exploration expenditures of $940,423 in fall of 2014 and $759,495 share based payments expense

Loss for the second quarter

Losses of $3,366,506 in the three months ended June 30, 2016 (2015 - $856,670) were higher than the previous two quarters, as the exploration drilling program was under-way in 2016, and there was an option grant in the June 30, 2016 quarter. Losses in the current quarter were higher than in the quarter ended June 30, 2015 for the same reasons, while Skeena continues to build a robust team to carry its projects forward. The exploration expenditures for the quarter were $1,431,880, (2015 – $531,391), spent primarily on Spectrum. Share-based payments of $1,160,531, reflect the Black-Scholes calculated value of stock-options vested in the quarter that were not granted to those involved in exploration. Investor relations, which has increased to $171,836 (2014 – $84,699), reflect the increasing emphasis that Skeena has placed on communicating with shareholders. Professional fees have increased due to increased use of the Company's legal team, both in property research activities related to the proposed acquisition of Sona Resources Corp., further described in the section "Proposed Transactions," and in relation to the Eilat Exploration Ltd. ("Eilat")contingency, further described in the section "Contingency." The increase in property research costs of $47,940 (2015 – $7,830) reflects the resources that Skeena is investing in examining other exploration properties as potential acquisition targets.

A flow-through share premium recovery of $261,170 (2015 - $38,174) was recognized. This recovery is recorded when qualifying flow-through expenditures ("Canadian Exploration Expenditures" or "CEE") are made, and the commitment to incur these expenditures is reduced. As a result of the issuances of flow-through shares on June 2, 2015 and November 6, 2015, the Company had a commitment to incur $7,220,500 in qualifying CEE on or before December 31, 2016. As a result of the option agreement with Eros Resources Corp. ("Eros") to fund exploration on the Spectrum property (further described in Note 4 under the heading "Spectrum"), the Company committed to incurring an additional $1,500,000 in CEE. As a result of the issuance of flow-through shares on June 29, 2016, the Company committed to incurring an additional

$4,800 in CEE on or before December 31, 2017. As of June 30, 2016, the total remaining commitment to incur CEE is $1,672,253 (December 31, 2015 - $3,052,479).

Loss for the six months to June 30, 2016

In the six months ended June 30, 2016 ("H1-16"), losses of $3,778,013 (2015 - $1,259,360) were higher than in the six months ended June 30, 2015 ("H1-15") as the exploration drilling program started earlier in H1-16. The exploration expenditures for H1-16 were $1,701,170, (2015 – $592,242), spent primarily on Spectrum. Share-based payments of $1,160,531, reflects the Black-Scholes calculated value of stock-options vested in the quarter, with fewer options vesting in H1-15 than in H1-16. Investor relations, which has increased to $356,321 (2015 – $152,675), reflect the increasing emphasis that Skeena has placed on communicating with shareholders. Professional fees have increased due to increased use of the Company's legal team, both in property research activities, and in relation to the Eilat contingency, further described in the section "Contingency." Rent and administration costs, consulting and wages have all increased as Skeena continues to build a robust team to carry its projects forward, requiring additional space for the increased number of staff and consultants. The increase in property research costs of $139,360 (2015 – $7,830) reflects the resources that Skeena is investing in examining other exploration properties as potential acquisition targets.

A flow-through share premium recovery of $323,314 (2015 - $40,604) was recognized. This recovery is recorded when qualifying flow-through expenditures ("Canadian Exploration Expenditures," or "CEE") are made, and the commitment to incur these expenditures is reduced. This is further discussed in the section above titled "Loss for the second quarter."

Cash flows for the six months ended June 30, 2016

The Company's operating activities consumed net cash of $2,074,150 (2015 – $1,414,158) during the six months ended June 30, 2016. This was primarily due to increased exploration spending in 2016, which increased the net loss for the period without impacting the "items not affecting cash." In addition, the Company raised net proceeds of $3,477,027 through private placement activity during the 2016 period, which was lower than in 2015, but this private placement activity continued beyond the period-end.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital[2] of $4,241,257 as of June 30, 2016. The increase in cash and cash equivalents since year-end reflects an increase in liquidity, as a result of the private placement financing during the quarter.

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 in several tranches, the first closed on June 29, 2016,

[2] Working capital, a non-GAAP-measure is defined as current assets net of current liabilities.

when the Company raised $3,804,000 by issuing a combination of 200,000 flow through shares priced at $0.104 per share and 47,290,000 non-flow through shares issued at $0.08 per share.

While funds were raised during the prior fiscal year, management cautions that the Company's ability to raise additional 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

Policies newly adopted in the current year:

Several amendments to existing accounting standards have been 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. These amendments may result in additional disclosure in future periods but had no impact on the current period. 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 patter 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.

Policies 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 condensed consolidated interim financial statements.

<u>Accounting standards issued and effective January 1, 2018</u>

A finalized version of IFRS 9 *Financial Instruments*, which contains accounting requirements for financial instruments, replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in classification and measurement, impairment of financial assets, hedge accounting and derecognition of financial assets and liabilities carried forward from IAS 39. The Company is in the process of determining the impact of IFRS 9 on its financial statements. This updated standard is applicable to annual periods beginning on or after January 1, 2018.

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

<u>Accounting standards issued and effective January 1, 2019</u>

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.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, deposits, accounts payable and accrued liabilities and loans. 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, 2015.

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 is as follows:

	Six months ended June 30, 2016	Six months ended June 30, 2015
Short-term benefits[1]	$ 352,254	$ 242,600
Share-based payments	$ 1,108,775	$ 43,918

[1] 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. Short term benefits were paid or are payable to Virginia Uranium Inc. for services of the Chief Executive Officer, to Andrew MacRitchie for services of the Chief Financial Officer, to Forde Management & Associates Ltd. for services of the former Chief Financial Officer, to Cold Stream Exploration Ltd. for services of the Vice-President of Exploration and to Cathro Exploration Inc. for services of the Vice-President of Operations. 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, 2016 and 2015.

Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities at June 30, 2016 is $138,751 (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 and committed to spend the funds exclusively on qualifying Canadian Exploration Expenditures (“CEE”). 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 an officer.

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 at managing and reducing such risks as much as possible.

Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even one 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 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 both probable and the amount can be reasonably estimated. Eilat has on a number of occasions asserted certain claims against the Company pertaining to the Asset Purchase Agreement ("APA") dated April 14, 2014 and April 27, 2015 governing Skeena'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.

On February 17, 2015, Skeena and Keewatin Consultants (2002) Inc ("Keewatin") brought an action in British Columbia Supreme Court against Eilat arising out of an alleged breach of a pooling agreement between Skeena, Keewatin, Eilat and others. The action alleges that Eilat breached the pooling agreement by failing to deliver pooled shares to the pooling agent and wrongfully pledging pooled shares to a third party. The action seeks an order for specific performance of the pooling agreement, or in the alternative, damages for breach of the pooling agreement. Eilat has denied the allegation that it breached the pooling agreement. At present, the action has not been scheduled for trial.

OFF BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

The Company has entered into two proposed transactions:

On June 29, 2016, Skeena announced that it had made an offer to acquire Sona Resources Corp. ("Sona") in exchange for 14,936,740 common shares of the Company. Holders of options to acquire common shares of Sona ("Sona Options") would be entitled to exchange the Sona Options for options to acquire shares in the Company ("Skeena Options") under the same terms at a ratio of 1 Sona Option to 0.5111 Skeena Option. In addition, the offer included an offer to settle approximately $1 million of 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. This acquisition offer is subject to a number of approvals, including the TSX-Venture Exchange, the Supreme Court of British Columbia, and shareholders of Sona.

Sona's primary asset is the past-producing underground Blackdome gold mine, located in the Clinton mining district in southwestern British Columbia. From 1986 to 1989, Blackdome produced 225,000 ounces of gold from a low-sulphidation, gold-and-silver-rich epithermal vein system at a head grade of 20 grams per tonne Au at a 10 g/t Au cut-off, with recoveries of 93 per cent gold.

In addition, on August 10, 2016, Skeena announced that it had made an offer to acquire Mount Rainey Silver Inc. ("Mount Rainey") in exchange for 25,089,576 common shares of Skeena. In addition, Skeena has offered to issue 1,450,000 common shares of Skeena to Raimount Energy Inc. ("Raimount") in exchange for the transfer of certain additional claims to Mount Rainey, and for the extinguishment of existing liabilities aggregating approximately $155,000 owed by Mount Rainey to Raimount. This acquisition offer is subject to a number of approvals, including the TSX-Venture Exchange, the Supreme Court of British Columbia, and the shareholders of Mount Rainey.

Mount Rainey's primary asset is a 100-per-cent-owned 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. The Porter Idaho project has two known silver-bearing vein systems approximately 2,000 metres apart on opposite sides of Mount Rainey with a surface portion of the intervening terrain masked by the icefield capping Mount Rainey. All veins have the same strike, are intimately associated as splays off the well-delineated Silverado fault and remain open at depth. As the icefield has been rapidly receding during the most recent few decades, it has exposed surface mineralization that may further indicate the apparent structural continuity between the two vein systems.

The Porter Idaho project contains a historical indicated resource of 394,700 tonnes grading 868 grams per tonne silver, 3.37 per cent lead and 1.41 per cent zinc (435,000 tons of 25.2 ounces per ton silver, or a contained 11 million ounces) and an inferred resource of 88,900 tonnes grading 595 grams per tonne silver (97,900 tons of 17.3 ounces per ton silver, or a contained 1.7 million ounces).

Estimates of mineral resources are dated March 10, 2008, and were prepared by independent consulting geologist Dr. N.C. Carter, PhD, PEng, for Raimount Energy Inc. and restated for Mount Rainey Silver Inc. on May 15, 2012. The foregoing estimates made use of an extensive database detailing results of both underground sampling programs, as well as surface and underground diamond drilling, and were prepared pursuant to CIM standards on mineral resources and reserves. Nevertheless, the reader is cautioned that a qualified person on behalf of Skeena has not done sufficient work to verify either the underlying sampling data or the calculation methodology to consider this to be a current resource, and, as a result, Skeena is treating this mineral resource as a historical estimate, as defined in National Instrument 43-101. Skeena has not yet determined what work needs to be completed in order to upgrade or verify the historical estimate.

Since the initial discovery of silver mineralization on Mount Rainey in the early 1900s, various portions of the property have been investigated by more than 6,000 metres of underground workings, including nine adits, several internal shafts and raises, as well as numerous exploration drifts. The majority of the exploration and development work to date, including surface and underground drill programs in the 1980s, was directed at the Prosperity and Porter Idaho silver-bearing, shear-zone-hosted epithermal vein structures. Limited production of direct shipping high-grade material, mainly from the Prosperity vein, between 1929 and 1931 amounted to 27,123 tonnes with recovered grades of 2,542 grams per tonne silver (73.8 ounces per ton), 0.96 gram per tonne gold, and 4.08 per cent lead (yielding approximately 2.2 million ounces silver).

OUTSTANDING SHARE DATA

The following section updates the Outstanding Share Data provided in the unaudited consolidated financial statements for the quarter ended June 30, 2016.

Common Shares:	
Shares outstanding at June 30, 2016	399,891,172
Warrants exercised at $0.10 per share	10,683,577
Shares outstanding at August 24, 2016	410,574,749
Stock Options:	
Options outstanding at June 30, 2016	34,500,000
Grant of options exercisable at $0.15	10,000,000
Options outstanding at August 24, 2016	44,500,000
Warrants:	
Warrants outstanding at June 30, 2016	66,705,050
Exercise of warrants at $0.10	(10,683,577)
Issuance of unit warrants exercisable for 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	30,246,345
Issuance of finders warrants exercisable for two years at $0.10	1,547,133
Warrants outstanding at August 24, 2015	87,814,951

OTHER INFORMATION

List of Directors and Officers

Directors

J. Rupert Allan, *Victoria, BC*
Ronald K. Netolitzky, *Victoria, BC*
Peter N. Tredger, *Vancouver, BC*
Walter Coles, Jr., *New York, NY*

Officers

Walter Coles, Jr., President & CEO
Rupert Allan, VP Exploration
Mike Cathro, VP Operations
Andrew MacRitchie, CFO & Corporate Secretary

Auditors:
Smythe LLP

Company solicitors:
Fasken Martineau DuMoulin LLP