

SKEENA RESOURCES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(unaudited – prepared by management)

THREE MONTHS ended MARCH 31, 2010

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Rupert Allan"

Rupert Allan
President and CEO

Vancouver, British Columbia
May 25, 2010

SKEENA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31
(unaudited – prepared by management)

	2010	2009
ASSETS		
Current		
Cash	\$ 14,245	\$ 6,332
Marketable securities (Note 3)	4,538	8,224
Receivables	6,118	11,954
Prepaid expenses	5,492	7,095
	30,393	33,605
Mineral property interests (Note 4)	383,034	381,711
Equipment (Note 5)	24,000	25,282
	\$ 437,427	\$ 440,598
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 430,536	\$ 369,781
Loans (Note 6(e))	120,000	120,000
	550,536	489,781
Shareholders' equity		
Capital stock (Note 7)	18,776,262	18,776,262
Contributed surplus (Note 7)	3,032,451	3,025,730
Accumulated other comprehensive loss	(22,246)	(20,183)
Deficit	(21,899,576)	(21,830,992)
	(113,109)	(49,183)
	\$ 437,427	\$ 440,598

Nature and continuance of operations (Note 1)

Subsequent events (Note 12)

On behalf of the Board:

"Ronald K. Netolitzky"

..... Director

Ronald K. Netolitzky

"Peter Tredger"

..... Director

Peter Tredger

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

SKEENA RESOURCES LIMITED

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

THREE MONTHS ENDED MARCH 31

(unaudited – prepared by management)

	2010	2009
ADMINISTRATION EXPENSES		
Amortization	\$ 1,281	\$ 1,611
Consulting	16,425	16,725
Foreign exchange	(5,908)	(288)
Investor relations	14,287	3,254
Office and administration	6,770	12,924
Professional fees	2,178	47,345
Property research	-	-
Rent	1,956	1,956
Shareholder communications	1,056	360
Stock-based compensation (Note 7)	6,721	8,888
Transfer agent and listing fees	6,898	8,586
Travel	4,473	606
Loss before other items	(56,137)	(101,967)
OTHER ITEMS		
Interest income	-	174
Write-off of mineral property interests	(12,998)	-
Realized gain on sale of marketable securities	551	-
	(12,447)	174
Loss before comprehensive loss	(68,584)	(101,793)
Other comprehensive loss		
Unrealized loss on marketable securities	(2,063)	-
Comprehensive loss for the period	(70,647)	(101,793)
	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	79,517,727	66,627,505

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

SKEENA RESOURCES LIMITED

INTERIM CONSOLIDATED STATEMENTS OF DEFICIT

THREE MONTHS ENDED MARCH 31

(unaudited – prepared by management)

	2010	2009
Deficit, beginning of period	\$ (21,830,992)	\$ (15,814,462)
Loss for the period	(68,584)	(101,793)
Deficit, end of period	\$ (21,899,576)	\$ (15,916,255)

INTERIM CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

THREE MONTHS ENDED MARCH 31

(unaudited – prepared by management)

	2010	2009
Accumulated other comprehensive loss, beginning of period	\$ (20,183)	\$ (21,407)
Other comprehensive loss		
Unrealized loss on marketable securities	(2,063)	-
Accumulated other comprehensive loss, end of period	\$ (22,246)	\$ (21,407)

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

SKEENA RESOURCES LIMITED

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31

(unaudited – prepared by management)

	2010	2009
OPERATING ACTIVITIES		
Loss for the period	\$ (68,584)	\$ (101,793)
Items not involving cash:		
Amortization	1,281	1,611
Stock-based compensation	6,721	8,888
Realized gain on sale of marketable securities	(551)	-
Changes in non-cash working capital:		
Receivables	5,836	93,052
Prepaid expenses	1,603	9,940
Accounts payable	59,433	(146,457)
Net cash provided by (used in) operating activities	5,739	(134,759)
FINANCING ACTIVITIES		
Deposits	-	120,000
Proceeds on issuance of capital stock	-	392,500
Proceeds from sales of marketable securities	2,174	-
Share issue costs	-	(11,858)
Net cash provided by investing activities	2,174	500,642
INVESTING ACTIVITIES		
Expenditures on mineral property interests	-	(158,348)
Net cash used in investing activities	-	(158,348)
Increase (decrease) in cash during the period	7,913	207,535
Cash, beginning of period	6,332	48,277
Cash, end of period	\$ 14,245	\$ 255,812
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 9)

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

SKEENA RESOURCES LIMITED

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2010

1. NATURE AND CONTINUANCE OF OPERATIONS

Skeena Resources Limited (the "Company") operates primarily in the mining industry. The Company is in the exploration stage with respect to its mineral property interests and has not, as yet, achieved any commercial production. All figures are in Canadian dollars unless otherwise specified.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. The Company has incurred operating losses over the past several years and does not have a current source of revenue or sufficient financial resources to sustain operations in the long term. The Company has defaulted on loans of \$120,000 from two directors which matured in January 2010 (Note 6).

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

While the Company has been successful in obtaining its required financing in the past, through additional equity and non-arms length loans, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

	2010	2009
Working capital (deficit)	\$ (520,144)	\$ (456,176)
Deficit	(21,899,576)	(21,830,992)

Accordingly, these interim financial statements do not include all of the information and disclosures required by Canadian GAAP in the preparation of annual consolidated financial statements. The accounting policies used in the preparation of the accompanying unaudited interim consolidated financial statements are the same as those described in the annual consolidated financial statements and the notes thereto for the year ended December 31, 2009 with the exception of note **2(c)** below, of recent accounting pronouncements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These interim consolidated financial statements include the accounts of the Company and its wholly owned

subsidiaries. Significant inter-company transactions and balances have been eliminated on consolidation.

SKEENA RESOURCES LIMITED

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2010

(b) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Significant accounts that require estimates relate to the impairment of mineral property interests, estimated useful lives of equipment, valuation allowances for future income tax assets, stock-based compensation and valuation of warrants in private placements.

(c) Recent accounting pronouncements

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has begun assessing the adoption of IFRS for 2011, and is considering the accounting policy choices under IFRS.

3. MARKETABLE SECURITIES

	2010	2009
Diadem Resources Ltd.	\$ -	\$ 1,624
Duncastle Gold Corp. (formerly Dundee Mines Ltd.)	4,538	6,600

\$ 4,538 \$ 8,224

SKEENA RESOURCES LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2010

4. MINERAL PROPERTY INTERESTS

	British Columbia Claims	Saskatchewan Claims	Ecuador Claims	Mexican Claims	Total
Balance, December 31, 2008	\$ -	\$ 186,043	\$ -	\$ 5,571,819	\$ 5,757,862
Analysis	-	1,726	-	271	1,997
Drilling/trenching	-	2,130	-	-	2,130
Field and camp support	-	263	7,893	39,719	47,875
Geology/geophysics/geochemical	-	7,716	-	27,221	34,937
Acquisition, assessments and option payments	2,775	50,000	-	486,803	539,578
Legal/ other	2,407	-	-	67,217	69,624
Travel and accommodation	-	2,856	-	2,543	5,399
	<u>5,182</u>	<u>64,691</u>	<u>7,893</u>	<u>623,774</u>	<u>701,540</u>
	5,182	250,734	7,893	6,195,593	6,459,402
Write-off mineral property interests	-	(250,734)	(7,893)	(5,819,064)	(6,077,691)
Balance, December 31, 2009	\$ 5,182	\$ -	\$ -	\$ 376,529	\$ 381,711
Field and camp support	-	-	-	1,323	1,323
Geology/geophysics/geochemical	-	215	-	8,841	9,056
Travel and accommodation	-	-	-	3,942	3,942
	-	215	-	14,106	14,321
	5,182	215	-	390,635	396,032
Write-off mineral property interests	-	(215)	-	(12,783)	(12,998)
Balance, March 31, 2010	\$ 5,182	\$ -	\$ -	\$ 377,852	\$ 383,034

SKEENA RESOURCES LIMITED

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2010

4. MINERAL PROPERTY INTERESTS (cont'd...)**Title to mineral properties**

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 conveyancing history, characteristic of many mineral properties and political uncertainty. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

Malpica property, Mexico

In May 2007, the Company entered into an agreement with Reyna Mining & Engineering S.A. de C.V. ("Reyna Mining") to jointly acquire an option from Grupo México S.A. de C.V. ("Grupo México") to earn a combined 100% interest in the Malpica copper-gold-molybdenum property located in the Sinaloa State, Mexico. A Mexican corporation, Skeena Mexico S.A. de C.V. ("Skeena Mexico"), holds the option as its sole asset. The Company has the option to acquire 90% of the shares of Skeena Mexico, pursuant to which the Company paid US\$25,000 (CAD\$26,690), issued 1,000,000 common shares of Skeena Resources valued at \$400,000 and granted warrants valued at \$137,172 to acquire 1,000,000 common shares of the Company exercisable at \$0.75 per share which expired unexercised. In addition, the Company paid finders' fees consisting of 150,000 common shares of the Company valued at \$60,000 and warrants valued at \$30,813 to acquire 200,000 common shares of the Company exercisable at \$0.65 per share which also expired unexercised.

Pursuant to an amended agreement negotiated in fiscal 2008, the Company issued 2,000,000 common shares valued at \$500,000 and an additional 2,000,000 common shares in fiscal 2009 valued at \$100,000. Skeena Mexico paid US\$250,000 to Grupo México, the vendor of the Malpica property, to begin a 12-month due diligence period during which Skeena Mexico conducted a US\$1,500,000 exploration program. In addition to the US\$1,550,000 cash payments to date, Skeena Mexico was required to make additional staged cash payments by January 2011, of US\$9,569,830.

The Company renegotiated the payment schedule to Grupo México which deferred a \$250,000 payment to February 24, 2009 (paid) and \$2,000,000 in payments due in fiscal 2008 to fiscal 2010. A \$1,000,000 payment due January 2010 was deferred for 20 days. The Company missed the deferred payment and was not been able to renegotiate. Consequently, the arrangement with Grupo México was terminated and the Company wrote off \$5,819,064 in mineral property expenditures.

Tropico property, Mexico

The Company entered into an agreement with Virginia Energy Resources Inc., (formerly Santoy Resources Ltd.) ("Virginia")(60%) and Almaden Minerals Corp. ("Almaden") (40%) to earn up to a 60% interest in the Tropico Property, a copper-platinum-palladium-gold project in Sinaloa State, Mexico, which includes the technical database, by incurring a work commitment of \$3 million over 5 years (\$100,000 in year one - completed) and issuing 1,250,000 common shares of the Company over 5 years of which 250,000 were issued in fiscal 2009 and 250,000 issued in fiscal 2008. Virginia and the Company have a director and an officer in common. The property is subject to a 2% NSR with half of that interest purchasable for fair market value at the time of presentation of a feasibility study. Work commitments for completion in March 2010 were not met. The Company also acquired two other concessions by direct application to the government and acquired a third by lottery. The concessions are subject to an NSR royalty up to a maximum of 2%.

4. MINERAL PROPERTY INTERESTS (cont'd...)

Tropico property, Mexico (cont'd...)

The Company also entered into an option to purchase a 100% interest in the San Pablo concession contiguous with the Tropico Property, from Minera Cascabel SA de CV ("Minera Cascabel") for cash payments totaling \$500,000 over 4 years (\$85,000 paid), a work commitment of two times the minimum required under Mexican mining law during the period of the agreement and the issuance of 500,000 shares over 4 years of which 100,000 were issued in fiscal 2009 and 100,000 issued in fiscal 2008. The concession is subject to a 2% NSR royalty payable to the Mexican Government. 1st and 2nd anniversary cash payments were not made.

Subsequent to the quarter, the Company entered into an agreement with Virginia, Almaden and Minera Cascabel to acquire a 100% interest in the Tropico Property in consideration for 8,000,000 common shares of the Company and warrants to acquire an additional 4,000,000 common shares. Each warrant is exercisable at \$0.20 per share for the first two years, then at \$0.50 per share for the next three years. The Company will also pay US\$40,000 to Minera Cascabel due on June 21, 2010.

Anglo Rouyn property, Saskatchewan

The Company entered into an option agreement with Kristo Gold Inc., to earn a 100% interest in certain claims (exclusive of the mine tailings and on-site tailings gold recovery plant) in the Anglo-Rouyn copper-gold mine property in Saskatchewan pursuant to which the Company is to pay \$45,000 and issue 3,000,000 common shares over a three year period. The Company issued 1,000,000 common shares valued at \$50,000 to acquire the claims and entered into an option agreement to acquire the mine tailings and on-site tailings gold recovery plant for consideration of staged payments of \$680,000 and issue of 4,000,000 common shares over a 2 ½ year period. Subsequent to the year end, the Company returned the property and wrote off \$250,734 in mineral expenditures.

METS and Belle Properties, British Columbia

The Company entered into an option agreement with two non-arm's length directors of the Company to acquire a 100% interest in the Mets mining lease and Belle Claims in the Toodoggone precious metals gold and silver district in north-central BC pursuant to which the Company, subject to regulatory approval, is to issue 1,000,000 common shares. The agreement is subject to a 2% Net Smelter Return, which may be repurchased by the Company.

The Belle claims were subsequently allowed to lapse but no amount has been written off.

There is a 30 day allowance once notice of default is given. No notice has been served.

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

5. EQUIPMENT

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 7,697	\$ 7,054	\$ 642	\$ 7,697	\$ 7,002	\$ 695
Field equipment	20,940	11,555	9,385	20,940	11,062	9,878
Vehicle	21,381	9,681	11,700	21,381	9,065	12,316
Office equipment	<u>5,945</u>	<u>3,672</u>	<u>2,273</u>	<u>5,945</u>	<u>3,552</u>	<u>2,393</u>
	\$ 55,963	\$ 31,963	\$ 24,000	\$ 55,963	\$ 30,681	\$ 25,282

6. RELATED PARTY TRANSACTIONS

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- (a) During the fiscal year, the Company paid or accrued consulting fees of \$16,425 (2009 - \$16,725) to companies controlled by directors or officers.
- (b) The Company entered into a debt settlement agreement that included three related parties and issued 1,023,680 common shares to satisfy payables of \$24,686 (Note 9).
- (c) Included in accounts payable at March 31, 2010 is \$155,840 (December 31, 2009 - \$119,807), which is due to directors or officers or companies with common directors or officers.
- (e) The Company arranged a loan from two directors for \$120,000 secured by a non-interest-bearing promissory note and a pledge of the Mets mining lease. The Company issued 480,000 bonus shares to the two directors as loan fees valued at \$24,000. The loans matured in January 2010 and have not been repaid. The lenders have not demanded settlement.

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
As at December 31, 2009	62,020,838	18,050,265	2,727,075
For cash:			
Private placements	10,790,000	338,808	200,692
For debt settlement (Note 9 (a))	2,876,889	215,767	-
For mineral property interests	3,350,000	167,500	-
For interest expense on directors' loans	480,000	24,000	-
Share issuance costs	-	(20,078)	2,678
For stock-based compensation	-	-	95,285
As at December 31, 2009	79,517,727	\$ 18,776,262	\$ 3,025,730
For stock-based compensation	-	-	6,721
As at March 31, 2010	79,517,727	\$ 18,776,262	\$ 3,032,451

Private placements

During fiscal 2009:

In February and May of 2009, the Company issued 10,790,000 units in two tranches at \$0.05 per unit for gross proceeds of \$539,500. Each unit consisted of one common share and one half of one share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at \$0.10 for a period of 24 months. An estimated value of \$200,692 was allocated to the warrants. The Company paid finders' fees and other issuance costs of \$17,400 and issued 93,800 agents' warrants valued at \$2,678 (included in share issue costs) exercisable at \$0.10 for a period of one year. Total share issue costs were \$20,078.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options and warrants

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors.

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

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2008	9,239,500	\$ 0.61	4,975,000	\$ 0.38
Granted	5,488,800	0.10	2,125,000	0.10
Expired/cancelled	<u>(1,322,500)</u>	0.71	<u>-</u>	-
Outstanding, December 31, 2009	13,405,800	0.19	7,100,000	0.29
Granted	-	-	250,000	0.15
Expired/cancelled	<u>(28,000)</u>	0.10	<u>(550,000)</u>	0.15
Outstanding, March 31, 2010	13,377,800	0.19	6,800,000	0.29
Number currently exercisable	13,377,800	\$ 0.19	6,800,000	\$ 0.30

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options and warrants (cont'd...)

As at March 31, 2010, incentive stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	100,000	0.54	April 15, 2010 ⁽⁴⁾
	300,000	0.25	December 21, 2010
	200,000	0.25	June 28, 2011
	675,000	0.37	September 2, 2011
	280,000	0.33	March 19, 2012
	1,670,000	0.40	September 26, 2012
	1,200,000	0.30	June 26, 2013
	2,125,000	0.10	May 14, 2014
	<u>250,000</u>	<u>0.15</u>	<u>January 11, 2015</u>
6,800,000			
Warrants	65,800	0.10	May 06, 2010 ⁽⁴⁾
	3,791,000	0.25	June 29, 2010 ⁽¹⁾
	3,925,000	0.10	February 27, 2011 ⁽³⁾
	4,126,000	0.25	June 26, 2011 ⁽²⁾
	<u>1,470,000</u>	<u>0.10</u>	<u>May 06, 2011 ⁽³⁾</u>
	13,377,800		

⁽¹⁾ The TSX-V consented to the extension of the warrant term for an additional year to June 29, 2010 and an amendment of the exercise price from \$0.75 to \$0.25 with a forced exercise provision. In the event the closing price of the Company's common shares is at or above \$0.30 per share for a period of ten (10) consecutive trading days, the Company may elect to reduce the remaining exercise period, upon notice to the holders, to thirty (30) days.

⁽²⁾ The TSX-V consented to the extension of the warrant term for an additional year to June 26, 2011 and an amendment of the exercise price from \$0.75 to \$0.25 with a forced exercise provision. In the event the closing price of the Company's common shares is at or above \$1.00 per share for a period of ten (10) consecutive trading days, the Company may elect to reduce the remaining exercise period, upon notice to the holders, to twenty-five (25) days.

⁽³⁾ In the event the closing price of the Company's common shares is at or above \$0.40 per share for a period of ten (10) consecutive trading days, the Company may elect to reduce the remaining exercise period, upon notice to the holders, to twenty-five (25) days.

⁽⁴⁾ Subsequently expired.

Stock-based compensation

During the quarter, the Company granted 250,000 options with a weighted average fair value of \$0.11 per option. Total stock-based compensation recognized in the statement of operations during the quarter was \$5,905. This amount was also recorded as contributed surplus on the balance sheet.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock-based compensation (cont'd...)

During fiscal 2009, the Company granted 2,125,000 options to consultants, officers and directors with a weighted average fair value of \$0.04 per option. Total stock-based compensation recognized in the statement of operations during fiscal 2009 was \$95,285. This amount was also recorded as contributed surplus on the balance sheet.

The following weighted average assumptions were used for the valuation of stock options and compensatory share purchase warrants:

	2010	2009
Risk-free interest rate	2.70%	1.49%
Expected life	5 years	3 years
Annualized volatility	146%	170%
Dividend rate	0.00%	0.00%

8. INCOME TAXES

The Company has approximately \$1,646,000 in non-capital losses, which may be carried forward and applied against taxable income in future years. These losses, if not utilized, expire through 2029. Subject to certain restrictions, the Company also has resource expenditures available of approximately \$2,623,000 to reduce taxable income in Canada in future years. The benefits of these losses and resource deductions have not been recorded in these financial statements and have been offset by a valuation allowance.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions for the period ending March 31, 2010.

Significant non-cash transactions for the period ending March 31, 2009 include the Company:

- a) issuing 2,876,889 common shares valued at \$215,767 pursuant to shares for debt settlement to extinguish payables;
- b) incurring mineral property expenditures in accounts payable of \$196,360.

:

SKEENA RESOURCES LIMITED

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2010

10. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral properties. Geographic information is as follows

	March 31, 2010	December 31, 2009
Mineral property interests and equipment:		
Canada	\$ 16,990	\$ 17,630
Mexico	<u>390,044</u>	<u>389,363</u>
	\$ 407,034	\$ 406,993

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

As at March 31, 2009, the carrying values of receivables, accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and receivables. The Company deposits cash with high quality financial institutions. The Company holds minimal balances in banks in Mexico. Receivables mainly consist of employee advances and sales tax refunds from the Federal Governments of Canada and Mexico. Management believes that the credit risk concentration with respect to receivables is minimal.

Currency Risk

The Company's functional currency is the Canadian dollar. The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in foreign currencies. A portion of the Company's cash, receivables and accounts payable and accruals are denominated in the U.S. dollars and Mexican pesos and are therefore subject to fluctuation in exchange rates. Management believes the foreign exchange risk derived from currency conversions and relative exchange rate between Canadian dollars and the foreign currencies is negligible and therefore does not hedge its foreign exchange risk.

Interest Rate Risk

The Company maintains cash balances with financial institutions. The interest rate risk on these balances is not

considered material.

SKEENA RESOURCES LIMITED

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2010

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. As at December 31, 2009, the Company had a cash balance of \$6,332 (2008 – \$48,277) to settle current liabilities of \$369,781 (2008 - \$643,114). Subsequent to the quarter, the Company received \$50,000 pursuant to a shareholder's loan provided by a director of the Company. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors gold and other commodity prices to determine the appropriate course of action to be taken by the Company.

12. SUBSEQUENT EVENTS

Subsequent to the year end at March 31, 2010, the Company

- a) arranged a short term loan from a director for \$50,000 secured by a non-interest-bearing promissory note. The Company will issue 200,000 bonus shares to the director as loan fees on regulatory approval.
- b) granted 250,000 options exercisable at \$0.15 per share expiring January 11, 2015.
- c) entered into an agreement to acquire the remaining 10% of Skeena Mexico SA de CV, subject to regulatory approval, in consideration for 500,000 common shares.