

SKEENA RESOURCES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited – prepared by management)

SIX MONTHS ended JUNE 30, 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
August 9, 2010

SKEENA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30
(unaudited – prepared by management)

	2010	2009
ASSETS		
Current		
Cash	\$ 829,943	\$ 6,332
Marketable securities (Note 3)	3,713	8,224
Receivables	9,487	11,954
Prepaid expenses	10,372	7,095
	853,515	33,605
Mineral property interests (Note 4)	412,565	381,711
Equipment (Note 5)	22,719	25,282
	\$ 1,288,799	\$ 440,598
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 264,108	\$ 369,781
Loans (Note 6(e)(f))	170,000	120,000
	434,108	489,781
Shareholders' equity		
Capital stock (Note 7)	19,789,676	18,776,262
Contributed surplus (Note 7)	3,058,697	3,025,730
Accumulated other comprehensive loss	(23,071)	(20,183)
Deficit	(21,970,611)	(21,830,992)
	854,691	(49,183)
	\$ 1,288,799	\$ 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
(unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2010	2009	2010	2009
ADMINISTRATIVE EXPENSES				
Amortization	\$ 1,281	\$ 1,611	\$ 2,563	\$ 3,222
Consulting fees	14,550	11,925	30,975	28,650
Foreign exchange	(22,777)	(25,690)	(28,685)	(25,978)
Investor relations	13,200	900	27,487	4,154
Office and administration	5,848	13,590	12,612	26,514
Professional fees	10,424	(4,574)	12,602	42,771
Property research	308	-	308	-
Rent	1,956	1,956	3,912	3,912
Shareholder communications	1,344	413	2,400	773
Stock-based compensation (note 7)	(2,515)	6,257	4,206	15,145
Transfer agent and listing fees	8,079	4,971	14,977	13,557
Travel	-	719	4,473	1,325
Loss before other items	(31,698)	(12,078)	(87,830)	(114,045)
OTHER ITEMS				
Interest income	5	48	(1)	222
Write-off of mineral property interests	(29,341)	(5,215)	(42,338)	(5,215)
Realized gain on sale of marketable securities	-	-	550	-
Loan fee (Note 6 (e))	(10,000)	-	(10,000)	-
Income taxes	-	(2,734)	-	(2,734)
	(39,336)	(7,901)	(51,789)	(7,727)
Loss before comprehensive loss	(71,034)	(19,979)	(139,619)	(121,772)
Other comprehensive loss for the period				
Unrealized loss on marketable securities	(825)	2,887	(2,888)	2,887
Comprehensive loss for the period	\$ (71,859)	\$ (17,092)	\$ (142,507)	\$ (118,885)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	82,565,010	77,600,444	80,285,809	64,323,874

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

SKEENA RESOURCES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited)

	Capital Stock		Retained	Contributed	Accumulated	Total
	Shares	Amount	Earnings (Deficit)	Surplus	Other Comprehensive Loss	Shareholders' Equity
Balance at December 31, 2008	62,020,838	18,050,265	(15,814,462)	2,727,075	(21,407)	4,941,471
Net loss for the year	-	-	(6,016,530)	-	-	(6,016,530)
Other comprehensive income (loss) for the year						
Unrealized gain on marketable securities	-	-	-	-	1,224	1,224
Comprehensive loss for the year						(6,015,306)
Adjustment to opening balance						
Shares issued for cash:						
Private placements	10,790,000	338,808	-	200,692	-	539,500
Share issue costs	-	(20,078)	-	2,678	-	(17,400)
Shares issued for mineral property interests	3,350,000	167,500	-	-	-	167,500
Shares issued for debt settlement (note 9(a))	2,876,889	215,767	-	-	-	215,767
Stock-based compensation	-	-	-	95,285	-	95,285
Shares issued for interest expense on directors' loans	480,000	24,000	-	-	-	24,000
Balance at December 31, 2009	79,517,727	18,776,262	(21,830,992)	3,025,730	(20,183)	(49,183)
Net loss for the period	-	-	(139,619)	-	-	(139,619)
Other comprehensive income (loss) for the period						
Unrealized loss on marketable securities	-	-	-	-	(2,888)	(2,888)
Comprehensive loss for the year						(142,507)
Shares issued for cash:						
Private placements	21,350,000	1,067,500	-	-	-	1,067,500
Share issue costs	-	(64,086)	-	28,761	-	(35,325)
Shares issued for interest expense on director's loan	200,000	10,000	-	-	-	10,000
Stock-based compensation	-	-	-	4,206	-	4,206
Balance at June 30, 2010	101,067,727	\$ 19,789,676	\$(21,970,611)	\$ 3,058,697	\$ (23,071)	\$ 854,691

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

SKEENA RESOURCES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2010	2009	2010	2009
OPERATING ACTIVITIES				
Loss for the period	\$ (71,034)	\$ (19,979)	\$ (139,619)	\$ (121,772)
Items not affecting cash				
Amortization	1,281	1,611	2,563	3,222
Write-down of mineral property interests	42,338	5,215	42,338	5,215
Loan fee	10,000	-	10,000	-
Stock-based compensation	(2,515)	6,257	4,206	15,145
Realized gain on sale of marketable securities	-	-	(550)	-
Changes in non-cash working capital				
Accounts receivable	(3,369)	60,891	2,467	153,943
Prepaid expenses	(4,880)	(11,617)	(3,277)	(1,677)
Accounts payable and accrued liabilities	(188,474)	(189,579)	(129,044)	(336,036)
Cash used in operating activities	(216,653)	(147,201)	(210,916)	(281,960)
FINANCING ACTIVITIES				
Loans	50,000	(120,000)	50,000	-
Proceeds on issuance of capital stock	1,067,500	147,000	1,067,500	539,500
Share issuance costs	(35,325)	(5,541)	(35,325)	(17,399)
Cash provided by financing activities	1,082,175	21,459	1,082,175	522,101
INVESTING ACTIVITIES				
Expenditures on mineral property	(49,822)	(27,767)	(49,822)	(186,115)
Proceeds from sale of securities	-	-	2,174	-
Cash used in investing activities	(49,822)	(27,767)	(47,648)	(186,115)
Increase (decrease) in cash during the period	815,700	(153,509)	823,611	54,026
Cash, beginning of period	14,243	255,812	6,332	48,277
Cash, end of period	\$ 829,943	\$ 102,303	\$ 829,943	\$ 102,303

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
SIX MONTHS ENDED JUNE 30, 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 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)	\$ 419,407	\$ (456,176)
Deficit	(21,970,611)	(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.

(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.)	3,713	6,600
	\$ 3,713	\$ 8,224

SKEENA RESOURCES LIMITED

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2010

4. MINERAL PROPERTY INTERESTS

	British Columbia Claims	Yukon 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>-</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
Analysis	-	-	-	-	538	538
Drilling/trenching	-	-	3,230	-	29,161	32,391
Field and camp support	-	14,515	-	-	(1,127)	13,388
Geology/geophysics/geochemical	-	10,946	215	-	9,772	20,933
Acquisition and option payments	2,000	-	-	-	-	2,000
Travel and accommodation	-	-	-	-	3,942	3,942
	<u>2,000</u>	<u>25,461</u>	<u>3,445</u>	<u>-</u>	<u>42,286</u>	<u>73,192</u>
	7,182	25,461	3,445	-	418,815	454,903
Write-off mineral property interests	-	-	(3,445)	-	(38,893)	(42,338)
Balance, June 30, 2010	\$ 7,182	\$ 25,461	\$ -	\$ -	\$ 379,922	\$ 412,565

SKEENA RESOURCES LIMITED

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 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"), held the option as its sole asset. The Company had 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. In April 2010, the Company acquired the remaining 10% shares of Skeena Mexico by issuing 500,000 shares to Reyna Mining to obtain 100% of Skeena Mexico.

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 and conducted a US\$1,500,000 exploration program. In addition to the US\$1,550,000 cash payments already made, 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 able to renegotiate. Consequently, the arrangement with Grupo México was terminated and the Company wrote off \$5,819,064 in property expenditures in 2009. The Company continues to write off expenditures as they occur.

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%.

SKEENA RESOURCES LIMITEDNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2010**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 2008 and 100,000 issued in fiscal 2009. The concession is subject to a 2% NSR royalty payable to the Mexican Government. 1st and 2nd anniversary cash payments were not made.

In April 2010, the Company entered into an agreement with Virginia, Almaden and Minera Cascabel, superseding all previous agreements, to acquire a 100% interest in and clear title to the Tropico Property, subject to regulatory approval, 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 approximately US\$35,000 to Minera Cascabel for past due obligations.

Tahte Property, Yukon

The Company entered into an option agreement on June 15th, 2010 with Cathro Resources Corp. to acquire a 100% undivided equity interest over four years in a copper porphyry prospect situated 40 kilometres south of Carmacks, Yukon pursuant to which the Company is to pay \$10,000 and issue 1,000,000 common shares upon regulatory acceptance (received July 21, 2010 subsequent to the quarter). The vendor retains a 2% royalty, of which half (1%) may be purchased at any time for \$2,000,000. Terms are as follows:

Date	Payment terms
June 15, 2011	\$75,000 in cash or equivalent shares at the Company's election
June 15, 2012	\$125,000 in cash or equivalent shares at the Company's election
June 15, 2013	\$175,000 in cash or equivalent shares at the Company's election
June 15, 2014	\$225,000 in cash or equivalent shares at the Company's election

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 was 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 property expenditures in 2009 and continues to write off expenditures as they occur.

SKEENA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2010

4. MINERAL PROPERTY INTERESTS (cont'd...)**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 Toadoggone precious metals gold and silver district in north-central BC pursuant to which the Company, subject to regulatory approval, agreed 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 and the Company has agreed with the vendors to cancel the option agreement and return the Mets mining lease to the vendors.

5. EQUIPMENT

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 7,697	\$ 7,107	\$ 590	\$ 7,697	\$ 7,002	\$ 695
Field equipment	20,940	12,049	8,891	20,940	11,062	9,878
Vehicle	21,381	10,297	11,084	21,381	9,065	12,316
Office equipment	<u>5,945</u>	<u>3,791</u>	<u>2,154</u>	<u>5,945</u>	<u>3,552</u>	<u>2,393</u>
	\$ 55,963	\$ 33,244	\$ 22,719	\$ 55,963	\$ 30,681	\$ 25,282

6. RELATED PARTY TRANSACTIONS

These related party 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 \$30,975 (2009 - \$28,650) to companies controlled by directors or officers.
- (c) Included in accounts payable at June 30, 2010 is \$37,338 (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 a director for \$50,000 secured by a non-interest-bearing promissory note. The Company issued 200,000 bonus shares to the director as loan fees valued at \$10,000.
- (f) Loans for \$120,000 from two directors matured in January 2010 and repayment terms have been extended to June 30, 2012.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized:

Unlimited number of voting common shares without par value

Private placements

During fiscal 2010:

In June of 2010, the Company issued 21,350,000 units in two tranches at \$0.05 per unit for gross proceeds of \$1,067,500. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at \$0.10 for a period of 24 months. An estimated value of \$18,870 was allocated to the warrants. The Company paid finders' fees and other issuance costs of \$35,325 and issued 567,000 agents' warrants valued at \$9,891 (included in share issue costs) exercisable at \$0.10 for a period of one year. Total share issue costs were \$64,086.

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.

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2010

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	21,917,000		250,000	0.15
Expired/cancelled	<u>(3,884,800)</u>	0.10	<u>(650,000)</u>	0.52
Outstanding, June 30, 2010	31,438,000	0.19	6,700,000	0.26
Number currently exercisable	9,521,000	\$ 0.19	6,632,512	\$ 0.26

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2010

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

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

As at June 30, 2010, incentive stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	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>	0.15	January 11, 2015
	6,700,000		
Warrants	3,925,000	0.10	February 27, 2011 ⁽³⁾
	4,126,000	0.25	June 26, 2011 ⁽²⁾
	1,470,000	0.10	May 06, 2011 ⁽³⁾
	567,000	0.10	June 17, 2011
	<u>21,350,000</u>	0.10	June 17, 2012 ⁽³⁾
	<u>31,438,000</u>		

⁽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.

Stock-based compensation

In January 2010, 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 \$4,206. 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	1.85%	1.49%
Expected life	2- 5 years	3 years
Annualized volatility	128%	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

Significant non-cash transactions for the period ending June 30, 2010 include the Company:

- a) issuing 200,000 loan fee shares to a director as loan fees valued at \$10,000;
- b) incurring mineral property expenditures in accounts payable of \$23,370.

Significant non-cash transactions for the period ending June 30, 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) issuing 3,350,000 common shares valued at \$167,500 pursuant to mineral property anniversary commitments;
- c) incurring mineral property expenditures in accounts payable of \$196,360.

SKEENA RESOURCES LIMITED

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2010

10. SEGMENTED INFORMATION

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

	June 30, 2010	December 31, 2009
Mineral property interests and equipment:		
Canada	\$ 43,811	\$ 17,630
Mexico	<u>391,473</u>	<u>389,363</u>
	\$ 435,284	\$ 406,993

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

As at June 30, 2010, 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

SIX MONTHS ENDED JUNE 30, 2010

11. 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. 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 quarter ended June 30, 2010, the Company

- a) arranged to settle \$133,286 of payables by issuing 2,665,722 common shares and 2,665,722 warrants exercisable at \$0.10 for 2 years.