

SKEENA RESOURCES LIMITED

(an exploration stage enterprise)

**Condensed Consolidated Interim Financial Statements
Nine Months Ended September 30, 2011 and 2010**

(Expressed in Canadian Dollars)

(Unaudited)

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
November 29, 2011

SKEENA RESOURCES LIMITED*(an exploration stage enterprise)***CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS**

(Unaudited - expressed in Canadian dollars)

	September 30, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current			
Cash	\$ 79,134	\$ 137,317	\$ 6,332
Marketable securities (Note 3)	5,775	5,775	8,224
Receivables	29,616	88,620	11,954
Prepaid expenses	8,877	20,689	7,095
	123,402	252,401	33,605
Mineral property interests (Note 4)	2,227,020	1,267,345	381,711
Equipment (Note 5)	20,081	24,008	25,282
	\$ 2,370,503	\$ 1,543,754	\$ 440,598
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current			
Accounts payable and accrued liabilities	\$ 38,803	\$ 100,119	\$ 369,781
Loans (Note 6(d))	-	170,000	120,000
	38,803	270,119	489,781
Shareholders' equity (deficiency)			
Capital stock (Note 7)	21,543,335	20,240,785	18,776,262
Contributed surplus (Note 7)	3,648,570	3,620,760	3,025,730
Accumulated other comprehensive loss	-	-	(20,183)
Deficit	(22,860,205)	(22,587,910)	(21,830,992)
	2,331,700	1,273,635	(49,183)
	\$ 2,370,503	\$ 1,543,754	\$ 440,598

Nature and continuance of operations (Note 1)**Commitments** (Note 11)

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

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

(Unaudited - expressed in Canadian dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
ADMINISTRATIVE EXPENSES				
Amortization	\$ 1,309	\$ 1,791	\$ 3,927	\$ 4,354
Consulting fees	14,050	25,050	64,600	56,025
Foreign exchange	14,100	2,490	24,639	(26,195)
Investor relations	7,700	17,700	43,536	45,187
Office and administration	11,011	10,166	36,332	22,778
Professional fees	20,199	8,374	41,636	20,976
Property research	-	11,897	-	12,205
Rent	3,238	1,956	9,792	5,868
Shareholder communications	3,131	294	4,535	2,694
Stock-based compensation (note 7)	8,601	310,280	27,810	314,486
Transfer agent and listing fees	2,528	15,463	14,152	30,440
Travel	724	1,174	2,653	5,649
Loss before other items	(86,591)	(406,635)	(273,612)	(494,467)
OTHER ITEMS				
Interest income	189	815	1,317	816
Write-off of mineral property interests	-	(7,182)	-	(49,520)
Realized gain on sale of marketable securities	-	-	-	550
Loan fee (Note 6 (d))	-	-	-	(10,000)
	189	(6,367)	1,317	(58,154)
Loss before comprehensive loss	(86,402)	(413,002)	(272,295)	(552,621)
Other comprehensive loss for the period				
Unrealized loss on marketable securities	-	413	-	(2,475)
Comprehensive loss for the period	\$ (86,402)	\$ (412,589)	\$ (272,295)	\$ (555,096)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	125,319,119	107,267,951	118,545,174	87,280,386

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

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

(Unaudited – expressed in Canadian dollars)

	Capital Stock		Deficit	Contributed Surplus	Accumulated Other Comprehensive Loss	Total Shareholders' Equity (Deficiency)
	Shares	Amount				
January 1, 2010	79,517,727	\$ 18,776,262	\$ (21,830,992)	\$ 3,025,730	\$ (20,183)	\$ (49,183)
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
Shares issued for debt settlement (note 9(c))	2,665,722	133,286	-	-	-	133,286
Shares issued for mineral property interests	9,500,000	475,000	-	70,781	-	545,781
Stock-based compensation	-	-	-	314,486	-	314,486
Net loss for the nine months	-	-	(552,621)	-	-	(552,621)
September 30, 2010	113,233,449	20,397,962	(22,383,613)	3,439,758	(20,183)	1,433,924
Other comprehensive income for the year						
Reversal of previously unrealized losses	-	-	-	-	11,331	11,331
Impairment of marketable securities	-	-	-	-	8,852	8,852
Shares cancelled for mineral property interests	(1,000,000)	(180,707)	-	180,707	-	-
Share issue costs	-	23,530	-	(23,530)	-	-
Stock-based compensation	-	-	-	23,825	-	23,825
Loss for the three months	-	-	(204,297)	-	-	(204,297)
Balance at December 31, 2010	112,233,449	20,240,785	(22,587,910)	3,620,760	-	1,273,635
Shares issued for cash:						
Exercise of warrants	13,025,500	1,302,550	-	-	-	1,302,550
Stock-based compensation	-	-	-	27,810	-	27,810
Net loss for the nine months	-	-	(272,295)	-	-	(272,295)
Balance at September 30, 2011	125,258,949	\$21,543,335	(\$22,860,205)	\$3,648,570	-	2,331,700

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

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

(Unaudited – expressed in Canadian dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
OPERATING ACTIVITIES				
Loss for the period	\$ (86,402)	\$ (413,002)	\$ (272,295)	\$ (552,621)
Items not affecting cash				
Amortization	1,309	1,791	3,927	4,354
Write off of mineral property	-	7,183	-	49,520
Loan fee	-	-	-	10,000
Stock-based compensation	8,601	310,280	27,810	314,486
Gain on sale of marketable securities	-	-	-	(550)
Changes in non-cash working capital				
Accounts receivable	43,846	(6,267)	32,304	(3,800)
Prepaid expenses	8,360	(17,431)	11,812	(20,618)
Accounts payable and accrued	(25,777)	(71,103)	(96,071)	(200,146)
Cash used in operating activities	(50,063)	(188,549)	(292,513)	(399,375)
FINANCING ACTIVITIES				
Loans	-	-	(170,000)	50,000
Proceeds on issuance of shares	-	-	1,302,550	1,067,500
Share issuance costs	-	-	-	(35,325)
Cash provided by financing activities	-	-	1,132,550	1,082,175
INVESTING ACTIVITIES				
Expenditures on mineral property	(408,979)	(120,108)	(924,920)	(169,930)
Proceeds on sale of property	-	-	26,700	-
Proceeds from sale of securities	-	-	-	2,174
Cash used in investing activities	(408,979)	(120,108)	(898,220)	(169,930)
Increase (decrease) in cash during	(459,042)	1,010,038	(58,183)	682,800
Cash, beginning of period	538,176	829,943	137,317	6,332
Cash, end of period	\$ 79,134	\$ 1,839,981	\$ 79,134	\$ 689,132

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 Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2011

(Unaudited – expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Skeena Resources Limited (the “Company”) is incorporated under the laws of the province of British Columbia, Canada and its principal business activity is the exploration of mineral properties. The Company’s corporate office is located at Suite 611, 675 West Hastings Street, Vancouver, British Columbia. The Company is in the exploration stage with respect to its mineral property interests and has not, as yet, achieved any commercial production.

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.

	2011	2010
Working capital (deficiency)	\$ 84,599	\$ (17,718)
Deficit	(22,860,205)	(22,587,910)

SKEENA RESOURCES LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2011

(Unaudited – expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the company has reported on this basis in these interim consolidated financial statements.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. The company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of November 29, 2011, the date the Audit Committee on behalf of the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed consolidated interim financial statements should be read in conjunction with the company’s Canadian GAAP annual financial statements for the year ended December 31, 2010.

(b) Basis of presentation

IAS 34.16 does not require that all significant accounting policies be disclosed in the first-time IFRS interim financial statements, unless those policies have changed materially from the most recent annual financial statements. The Companies significant accounting policies have not changed materially as a result of the adoption of IFRS but include the following policies for clarity.

Deferred mineral property costs

The Company currently expenses all exploration costs incurred until the date of establishing that a property has mineral resources with the potential of being economically recoverable. Under IFRS, development costs incurred subsequent to this date are capitalized until such time as the projects are brought into production or are deemed economically unfeasible. Under IFRS, deferred exploration and evaluation costs can be recognized at cost or at fair value, while Canadian GAAP did not allow for the revaluation of exploration and evaluation assets other than during a business combination. The Company has elected to use the cost method and not the revaluation method due to the difficulty in determining accurate fair value information and the effort required to continually monitor fair values.

SKEENA RESOURCES LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2011

(Unaudited – expressed in Canadian dollars)

Impairment of long-lived assets

The requirements under IFRS and Canadian GAAP are similar, other than, under IFRS, the Company must assess whether there is any indication that an asset may be impaired each reporting period. There were no impairments to report in the nine months ended September 30, 2011.

Property Plant and Equipment

IFRS requires that assets be disaggregated into individual components for amortization purposes and revaluation of property, plant and equipment to fair value is also permitted. The Company currently tracks individual assets with distinct useful lives and depreciates separately. Similar to the deferred mineral property costs, the Company elected to use the cost method and not the revaluation method due to the difficulty in determining accurate fair value information and the effort required to continually monitor fair values.

Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share-based transactions with only a few differences. Canadian GAAP allows either accelerated or straight-line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the graded-vesting method and is compliant with IFRS 2 for all grants and therefore the change to IFRS standards has not had a material impact on transitioning to IFRS.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while the Canadian GAAP forfeitures can be recognized as they occur. The Company intends to use the estimate of forfeitures in future grants when determining the number of equity instruments expected to vest.

3. MARKETABLE SECURITIES

	September 30, 2011	December 31, 2010
	\$ 5,775	\$ 5,775

SKEENA RESOURCES LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2011

(Unaudited – expressed in Canadian dollars)

4. MINERAL PROPERTY INTERESTS

	British Columbia Claims	Yukon Claims	Saskatchewan Claims	Mexican Claims	Total
Balance, December 31, 2009	5,182	-	-	376,529	381,711
Analysis	-	-	-	539	539
Community relations	-	-	-	25,190	25,190
Drilling/trenching	-	-	3,230	9,304	12,534
Field and camp support	-	14,515	-	252,307	266,822
Geology/geophysics/geochemical	-	24,583	215	38,751	63,549
Acquisition, option payments, grants	2,000	61,977	-	569,086	633,063
Travel and accommodation	-	-	-	14,675	14,675
	<u>2,000</u>	<u>101,075</u>	<u>3,445</u>	<u>909,852</u>	<u>1,016,372</u>
	7,182	101,075	3,445	1,286,381	1,398,083
Recoveries on Quit Claim Agreement	-	(26,700)	-	-	(26,700)
Government grants received	-	(18,853)	-	-	(18,853)
Write-off mineral property interests	<u>(7,182)</u>	<u>(55,522)</u>	<u>(3,445)</u>	<u>(19,036)</u>	<u>(85,185)</u>
	(7,182)	(101,075)	(3,445)	(19,036)	(130,738)
Balance, December 31, 2010	\$ -	\$ -	\$ -	\$ 1,267,345	\$ 1,267,345
Acquisition, option payments, grants	-	-	-	36,127	36,127
Analysis	-	-	-	77,737	77,737
Community relations	-	-	-	38,935	38,935
Drilling/trenching	-	-	-	79,513	79,513
Environmental and legal	-	-	-	1,092	1,092
Field and camp support	-	-	-	405,619	405,619
Geology/geophysics/geochemical	-	-	-	306,127	306,127
Travel and accommodation	-	-	-	14,525	14,525
	<u>-</u>	<u>-</u>	<u>-</u>	<u>959,675</u>	<u>959,675</u>
Balance, September 30, 2011	\$ -	\$ -	\$ -	\$ 2,227,020	\$ 2,227,020

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.

SKEENA RESOURCES LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2011

(Unaudited – expressed in Canadian dollars)

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

Tropico property, Mexico

The Company entered into an agreement in 2008 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. 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. 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% payable to the government.

In addition, the Company 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”), subject to a 2% NSR royalty payable to the Mexican Government.

In April 2010, the Company acquired the remaining 10% shares of Skeena Mexico (see following section on Malpica property) by issuing 500,000 shares valued at \$25,000 to Reyna Mining to obtain 100% of Skeena Mexico. In September 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 to be held in Skeena Mexico in consideration for 8,000,000 common shares of the Company, valued at \$400,000 and 5 year warrants to acquire an additional 4,000,000 common shares valued at \$70,781 using the Black-Scholes option pricing model with a volatility of 125%, risk free rate of 1.26%, expected term of 2 years and a dividend rate of 0%. Each warrant is exercisable at \$0.20 per share for the first two years, and \$0.50 per share for the last three years. The Company paid US\$17,550 to Minera Cascabel for past due obligations.

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 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. The arrangement with Grupo México was terminated and the Company wrote off \$5,819,064 in property expenditures in 2009.

SKEENA RESOURCES LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2011

(Unaudited – expressed in Canadian dollars)

5. EQUIPMENT

	September 30, 2011			December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 12,229	\$ 8,866	\$ 3,363	\$ 12,229	\$ 7,891	\$ 4,338
Field equipment	20,940	14,223	6,717	20,940	13,037	7,903
Vehicle	21,381	13,007	8,374	21,381	11,529	9,852
Office equipment	<u>5,945</u>	<u>4,318</u>	<u>1,627</u>	<u>5,945</u>	<u>4,030</u>	<u>1,915</u>
	<u>\$ 60,495</u>	<u>\$ 40,414</u>	<u>\$ 20,081</u>	<u>\$ 60,495</u>	<u>\$ 36,487</u>	<u>\$ 24,008</u>

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) The Company paid or accrued consulting fees of \$64,600 (2010 - \$56,025) to companies controlled by directors or officers; a further \$38,935 recorded to mineral properties was paid to a director for management services in Mexico.
- (b) The Company paid or accrued office and administrative fees on a cost recovery basis, of \$25,077 (2010 - \$18,735) to a Company with a common director.
- (c) Included in accounts payable is \$1,533 (December 31, 2010 - \$8,129), due to directors or officers or companies with common directors or officers.
- (d) During 2009 and 2010, the Company arranged loans totalling \$170,000 from two directors secured by non-interest-bearing promissory notes for consideration of 680,000 shares for loan fees valued at \$34,000. The loans were repaid in full during the current 2011 fiscal year.

SKEENA RESOURCES LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2011

(Unaudited – expressed in Canadian dollars)

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. The Company paid finders' fees and other issuance costs of \$35,325 and issued 567,000 agents' warrants valued at \$5,231 (included in share issue costs) exercisable at \$0.20 for a period of one year. The agents' warrants were valued using the Black-Scholes option pricing model with a volatility of 143%, a risk free rate of 1.72%, an expected term of 1 year and a dividend rate of 0%. Total share issue costs were \$40,556.

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. The agents' warrants were valued using the Black-Scholes option pricing model with a volatility of 176% and 190% respectively, a risk free rate of 1.15% and 1.03% respectively, an expected term of 1 year and a dividend rate of 0%. Total share issue costs were \$20,078.

Stock options and warrants

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

SKEENA RESOURCES LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2011

(Unaudited – expressed in Canadian dollars)

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)
Stock options and warrants (cont'd...)

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, 2009	13,405,800	0.19	7,100,000	0.29
Granted	28,582,722	0.12	4,775,000	0.10
Expired/cancelled	<u>(3,884,800)</u>	0.25	<u>(1,450,000)</u>	0.39
Outstanding, December 31, 2010	38,103,722	0.13	10,425,000	0.19
Exercised ⁽¹⁾	(13,025,500)	0.10	-	-
Expired/cancelled	<u>(5,062,500)</u>	0.22	<u>(200,000)</u>	0.25
Outstanding, September 30, 2011	20,015,722	0.19	10,225,000	0.19
Number currently exercisable	20,015,722	\$ 0.19	10,110,932	\$ 0.19

⁽¹⁾ During the nine months ended September 30, 2011, share purchase warrants totaling 13,025,500 were exercised at \$0.10 per share for total cash proceeds of \$1,302,550.

As at September 30, 2011, incentive stock options and share purchase warrants were outstanding as follows:

	Number	Exercise Price	Expiry Date
Options	280,000	0.33	March 19, 2012
	1,420,000	0.40	September 26, 2012
	1,200,000	0.30	June 26, 2013
	1,950,000	0.10	May 14, 2014
	250,000	0.15	January 11, 2015
	4,525,000	0.10	September 22, 2015
	<u>9,625,000</u>		
Warrants	13,350,000	0.20	June 17, 2012 ⁽¹⁾
	2,665,722	0.20	July 5, 2012 ⁽¹⁾
	4,000,000	0.20	until September 1, 2012 and \$0.50 until September 1, 2015
	<u>20,015,722</u>		

SKEENA RESOURCES LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2011

(Unaudited – expressed in Canadian dollars)

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**Stock options and warrants (cont'd...)**

- ⁽¹⁾ 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 September 2010, the Company granted 4,525,000 options with a weighted average fair value of \$0.08 per option. Total stock-based compensation recognized in the statement of operations is \$26,274 (December 31, 2010 - \$314,934). This amount was also recorded as contributed surplus on the balance sheet.

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 is \$1,536 (December 31, 2010 - \$23,377). This amount was also recorded as contributed surplus on the balance sheet.

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:

	2011	2010
Risk-free interest rate	0.00%	2.17%
Expected life	nil	5 years
Annualized volatility	0.00%	125%
Dividend rate	0.00%	0.00%

SKEENA RESOURCES LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2011

(Unaudited – expressed in Canadian dollars)

8. SEGMENTED INFORMATION

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

	September 30, 2011	December 31, 2010
Mineral property interests and equipment:		
Canada	\$ 11,354	\$ 13,740
Mexico	<u>2,235,747</u>	<u>1,277,613</u>
	\$ 2,247,101	\$ 1,291,353

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

Cash and marketable securities are carried at fair value using a level 1 fair value measurement. The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

SKEENA RESOURCES LIMITED

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(Unaudited – expressed in Canadian dollars)

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

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 costs to be received pursuant to a Quit Claim Agreement 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 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.

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.

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10. CAPITAL MANAGEMENT

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

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

11. COMMITMENTS

- a) The Company entered into a consulting agreement with a director of the Company. The Company agreed to pay the director \$9,000 per month. Actual payments to the director have been \$nil to \$5,000 per month. The agreement can be terminated at any time by the Company by paying one year's compensation.
- b) The Company has also entered into an operating lease agreement for office premises in conjunction with another company. The Company and the co-lessee are jointly responsible for 100% of the obligations under the lease and share the obligations equally. The Company's remaining 50% portion of the annual lease commitment under this lease is \$30,107 for payment in fiscal 2011.

12. FIRST TIME ADOPTION OF IFRS

IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However, there are important differences with regard to recognition, measurement and disclosure.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities charge or credited to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010:

- a) *Business Combinations*
The Company elected under IFRS 1 as a first-time adopter not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS.
- b) *Share-based payments*
The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which has been accounted for in accordance with Canadian GAAP.

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c) *Compound financial instruments*

IAS 32 requires that a compound financial instrument at inception be split into separate liability and equity components. The Company has elected to take the IFRS 1 exemption to not require separation of these two portions since the liability component is no longer outstanding at the transition date.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

d) *Estimates*

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous GAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

e) *Exploration and Evaluation*

The Company will maintain its current policy and will continue to capitalize all costs related to project costs. In accordance with IFRS 6, this permits the inclusion of general administrative costs as long as these are related to the project; this is consistent with current treatment under Canadian GAAP. In accordance with IFRS, the Company has elected to use the cost method and not the revaluation method due to the difficulty in determining accurate fair value information and the effort required to continually monitor fair values.

Management has determined that adoption of IFRS has not resulted in changes to the Company's Balance Sheet, Statement of Comprehensive Loss nor to the Statement of Changes in Equity. Therefore, a reconciliation adjustment schedule to transition GAAP to IFRS is not required.