

SKEENA RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2007

SKEENA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2007

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 8, 2007

"Robert V. Matthews"

Robert V. Matthews
Chief Financial Officer

SKEENA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)

	June 30 2007	December 31 2006
ASSETS		
Current		
Cash	\$ 3,251,130	\$ 396,593
Marketable securities (Note 3)	8,607	8,607
Receivables	14,126	64,035
Prepaid expenses	<u>4,512</u>	<u>11,403</u>
	3,278,375	480,638
Investment (Note 4)	490,124	-
Mineral property interests (Note 5)	6,103,348	5,577,277
Equipment (Note 6)	<u>18,082</u>	<u>20,415</u>
	\$ 9,889,929	\$ 6,078,330
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 171,809	\$ 35,487
Commitments (Note 12)	<u>390,000</u>	<u>-</u>
	561,809	35,487
Shareholders' equity		
Capital stock (Note 8)	16,919,337	13,431,726
Contributed surplus (Note 8)	1,338,329	1,265,221
Deficit	<u>(8,929,546)</u>	<u>(8,654,104)</u>
	<u>9,328,120</u>	<u>6,042,843</u>
	\$ 9,889,929	\$ 6,078,330

Nature and continuance of operations (Note 1)

Commitments (Note 12)

Subsequent events (Note 13)

On behalf of the Board:

"J. Rupert Allan"
J. Rupert Allan

Director "Ronald K. Netolitzky"
Ronald K. Netolitzky

Director

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

SKEENA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	2007	2006
ADMINISTRATION EXPENSES				
Amortization	\$ 1,166	\$ 1,101	\$ 2,333	\$ 2,344
Consulting	34,980	28,050	66,360	54,290
Foreign exchange	27,551	(82)	30,615	(2,699)
Investor relations	3,561	5,108	7,270	12,608
Office and miscellaneous	11,338	6,150	18,868	7,256
Professional fees	9,651	3,338	9,892	5,459
Property assessment	2,275	244	8,569	244
Rent and administration	5,156	6,525	12,606	12,775
Shareholder communications	3,885	1,674	5,505	1,674
Stock-based compensation (Note 8)	-	-	82,904	-
Telecommunications	618	536	1,096	1,004
Transfer agent and listing fees	15,084	1,273	23,364	6,900
Travel	2,321	2,623	10,419	2,921
Loss before other items	(117,586)	(56,540)	(279,801)	(104,776)
OTHER ITEMS				
Interest income	2,194	1,391	4,359	2,310
Write-down of marketable securities	-	(12,018)	-	(12,018)
Write-down of long term investment	-	-	-	-
	2,194	(10,627)	4,359	(9,708)
Loss for the period	(115,392)	(67,167)	(275,442)	(114,484)
Deficit, beginning of period	(8,814,154)	(8,064,035)	(8,654,104)	(8,016,718)
Deficit, end of period	\$ (8,929,546)	\$ (8,131,202)	\$ (8,929,546)	\$ (8,131,202)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding	46,577,036	37,732,183	45,847,806	39,639,847

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

SKEENA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	2007	2006
CASH FROM OPERATING ACTIVITIES				
Loss for the period	\$ (115,392)	\$ (67,167)	\$ (275,442)	\$ (114,484)
Items not affecting cash:				
Amortization	1,166	1,101	2,333	2,344
Write-down of marketable securities	-	12,018	-	12,018
Stock-based compensation	-	-	82,904	-
Changes in non-cash working capital items:				
Receivables	(3,858)	(2,351)	49,909	3,388
Prepaid expenses	3,293	(8,301)	6,891	(8,301)
Accounts payable	122,717	(1,190)	136,323	(44,104)
Net cash from (used) in operating activities	7,926	(65,890)	2,918	(149,139)
CASH FROM FINANCING ACTIVITIES				
Proceeds on issuance of capital stock	3,478,550	1,004,500	3,478,550	1,004,500
Share issue costs	(151,888)	(59,475)	(151,888)	(59,475)
Net cash from financing activities	3,326,662	945,025	3,326,662	945,025
CASH FROM INVESTING ACTIVITIES				
Expenditures on mineral property interests	(390,489)	(149,249)	(448,353)	(249,379)
Investment	(26,690)	-	(26,690)	-
Net cash used in investing activities	(417,179)	(149,249)	(475,043)	(249,379)
Change in cash during the period	2,917,409	729,886	2,854,537	546,507
Cash, beginning of period	333,721	88,623	396,593	272,002
Cash, end of period	\$ 3,251,130	\$ 818,509	\$ 3,251,130	\$ 818,509

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 CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. NATURE AND CONTINUANCE OF OPERATIONS

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 financial statements are 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 business rather than through a process of forced liquidation. The 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. The recoverability of the amounts shown for mineral property interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development of the properties, the timing of legislative or regulatory developments relating to environmental protection, and upon future profitable operations or proceeds from the disposition thereof.

	2007	2006
Working capital	\$ 2,716,565	\$ 445,151
Deficit	(8,929,546)	(8,654,104)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These 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.

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.

Marketable securities

Marketable securities are recorded at the lower of cost or market value.

Realized gains or losses on sale of marketable securities are determined based on the specific cost basis.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral property interests

All costs related to the acquisition, exploration and development of mineral property interests are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. Liabilities include those liabilities related to environmental protection and rehabilitation due to environmental law or contracts. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at the following annual rates:

Computer equipment	30%
Office equipment	20%
Field equipment	20%
Computer software	100%

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transactions. Translation gains and losses are reflected in the statement of operations for the year.

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs over the vesting period for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders. When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of future income taxes in the statement of operations.

3. MARKETABLE SECURITIES

	2007		2006
Diadem Resources Ltd.	\$ 8,607	\$	8,607

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

3. MARKETABLE SECURITIES (cont'd...)

During fiscal 2005, the Company received 32,481 common shares of Diadem Resources Ltd. in exchange for Series B First Preferred shares valued at \$61,325 received as consideration on the sale of a mineral property interest.

At June 30, 2007, marketable securities have an aggregate market value of \$4,710 (December 31, 2006 - \$11,368). During fiscal 2007, the Company recorded an allowance for the decline in value of the securities of \$nil (2006 - \$14,780).

4. LONG TERM INVESTMENT

In May 2007, the Company paid \$25,000 US, issued 1,000,000 common shares and 1,000,000 2-year warrants exercisable at \$0.75 for 90% of the shares of Skeena Mexico S.A. de C.V.

5. MINERAL PROPERTY INTERESTS

	British Columbia Claims	Ecuador Claims	Mexican Claims	Total
Balance, December 31, 2005	\$ 132,378	\$ 4,263,727	\$ -	\$ 4,396,105
Analysis	-	52,217	-	52,217
Drilling/trenching	-	515,499	-	515,499
Field and camp support	-	145,255	-	145,255
Geology/geophysics/geochemical	-	146,398	-	146,398
Local office costs	-	108,526	-	108,526
Land acquisition, assessment costs and option payments	3,112	60,321	-	63,433
Legal	-	58,310	-	58,310
Stock-based compensation	-	41,775	-	41,775
Travel and accommodation	-	49,759	-	49,759
	<u>3,112</u>	<u>1,178,060</u>	<u>-</u>	<u>1,181,172</u>
Balance, December 31, 2006	<u>135,490</u>	<u>5,441,787</u>	<u>-</u>	<u>5,577,277</u>

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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

	British Columbia Claims	Ecuador Claims	Mexican Claims	Total
Balance, December 31, 2006	<u>135,490</u>	<u>5,441,787</u>	<u>-</u>	<u>5,577,277</u>
Analysis	-	9,601	3,755	13,356
Drilling/trenching	-	-	-	-
Field and camp support	-	11,829	99,034	110,863
Geology/geophysics/geochemical	275	22,688	26,775	49,738
Local office costs	-	34,581	-	34,581
Land acquisition, assessment costs, option payments	4,698	-	291,390	296,088
Legal	-	6,639	-	6,639
Stock-based compensation	-	-	-	-
Travel and accommodation	-	5,816	8,990	14,806
	<u>4,973</u>	<u>91,154</u>	<u>429,944</u>	<u>526,071</u>
Balance, June 30, 2007	<u>\$ 140,463</u>	<u>\$ 5,532,941</u>	<u>\$ 429,944</u>	<u>\$ 6,103,348</u>

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. 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 CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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

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 property located in the Sinaloa State, Mexico. A newly formed private Mexican corporation (Skeena Mexico S.A de C.V. “Skeena Mexico”), holds the option as its sole asset. The Company acquired 90% of the shares of Skeena Mexico, in consideration for staged cash payments of \$750,000 US (\$25,000 US on signing) and the issuance of 5,000,000 common shares and 1,000,000 2 year warrants exercisable at \$0.75 to Reyna Mining who hold 10% of the shares. Skeena Mexico paid \$250,000 US to Grupo México, the vendor of the Malpica property, to begin a 12 month due diligence period during which Skeena Mexico must conduct a \$1,500,000 US exploration program, including a minimum 5,000 metres of drilling. Skeena Mexico is required to make additional staged cash payments by the end of year 3, of \$10,250,000 US and incur a minimum of \$7,500,000 US in exploration expenditures (includes the first year’s \$1,500,000 US). Reyna Mining, the owner of 10% of Skeena Mexico, is carried during the first \$7,500,000 US expenditures and shall become a pro rata contributing party thereafter. If Reyna Mining elects not to contribute, the Company retains the right to purchase its 10% shareholding in Skeena Mexico for \$2,000,000 US. The Company will not be fully vested until it has placed the project in production at an ore rate of not less than 1.5 million tonnes per year within 36 months of electing to acquire the project. Grupo México retains a first right of refusal on purchase of concentrates from the property at prevailing market prices and retains a sliding-scale royalty interest on production from the property.

Skeena Mexico’s Agreements with Grupo México and the Company’s Agreement with Reyna Mining are as follows:

	SKEENA MEXICO CASH PAYMENTS TO GRUPO MÉXICO US\$	SKEENA MEXICO EXPENDITURES (EXPLORATION COMMITMENTS) US\$	SKEENA CASH PAYMENTS TO REYNA MINING US\$	SKEENA SHARE ISSUANCES TO REYNA
On signing	\$ 250,000 paid	-	\$ 25,000 paid	1,000,000 *
1 year anniversary	\$ 1,000,000	\$ 1,500,000	\$ 500,000	2,000,000
18 mon. anniversary	\$ 2,000,000	\$ -	\$ -	-
2 year anniversary	\$ 3,750,000	\$ 2,500,000	\$ 225,000	2,000,000
3 year anniversary	\$ 3,500,000	\$ 3,500,000	\$ -	-
	<u>\$ 10,500,000</u>	<u>\$ 7,500,000</u>	<u>\$ 750,000</u>	<u>5,000,000</u>

* 1 million shares and 1 million 2-year warrants exercisable at \$0.75 committed and issued subsequently to the quarter – see Notes 4 and 12.

In addition, the Company issued 150,000 common shares and 200,000 2-year warrants exercisable at \$0.65 to two individuals for finders’ fees.

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

British Columbia Claims

Ronoke and Blackhorn Claims, British Columbia

The Company entered into an option agreement to earn a 100% interest in certain claims in the Clinton and Nelson mining districts of British Columbia pursuant to which the Company paid \$5,000 and issued 150,000 common shares at a value of \$27,000. To earn its interest, the Company was required to make additional staged payments of \$25,000 and 400,000 common shares.

The claims were subject to a 2% net smelter returns (“NSR”) royalty, to which the Company retained the right to purchase for a payment of \$500,000.

Pursuant to an agreement with the vendor to remove the NSR and acquire 100% of the interest in both the Blackhorn and Ronoke claims, the Company paid \$10,000 and issued 200,000 common shares at a value of \$82,000 in lieu of the staged payments of \$25,000 and 400,000 common shares and the work commitments.

The Ronoke property is under option to a private British Columbia corporation attempting to obtain a public stock exchange listing. Option payments of \$5,500 have been received with a further commitment to receive common shares from the company valued at \$20,000 once it is publicly traded. In addition, a deficient option payment due June 30, 2006 will be satisfied by the new company upon its public listing by an undertaking to issue 82,500 shares. The deadline for the issuance of shares has been extended to September 1, 2007.

El Corazon Property, Ecuador

The Company entered into an agreement with Alpha Oil Inc. (“Alpha”) to acquire Alpha’s option with Compañía Agroindustrial El Corazon S.A. (“Agroindustrial”) to earn a 50% interest in the El Corazon property located in the Province of Imbabura, Ecuador. A private Ecuador company (ALPHEC Alpha Ecuador S.A.), holding the option as its sole asset, was acquired by the Company from Alpha in consideration for the reimbursement of certain expenses and the issuance of 5,000,000 common shares of the Company valued at \$1,750,000. To earn its 50% interest, the Company is required to pay \$1,500,000 in cash or common shares, at the election of the Company, on or before December 11, 2008. The Company paid Agroindustrial US\$365,000 in option payments and is required to make additional staged cash payments before December 11, 2008, of US\$4,100,000 and incur a minimum of US\$5,500,000 in exploration expenditures.

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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

El Corazon Property, Ecuador (cont'd...)

The Company's Agreements with AgroIndustrial and Alpha Oil are as follows:

	CASH PAYMENTS TO AGROINDUSTRIAL US\$	CASH PAYMENTS TO ALPHA OIL INC. CAD\$	EXPENDITURES (EXPLORATION COMMITMENTS) US\$	SHARE ISSUANCES TO ALPHA OIL
December 11, 2004	\$ 315,000 paid	-	-	2,500,000 issued
December 11, 2005	-	-	\$ 500,000 spent	2,500,000 issued
June 11, 2006	\$ 50,000 paid	-	-	-
December 11, 2006	-	-	\$ 1,000,000 spent	-
June 11, 2007	\$ 100,000 paid	-	-	-
December 11, 2007	-	-	\$ 1,500,000	-
December 11, 2008	\$ 4,000,000	\$ 1,500,000 *	\$ 2,500,000 **	-
	<u>\$ 4,465,000</u>	<u>\$ 1,500,000</u>	<u>\$ 5,500,000</u>	<u>5,000,000 issued</u>

* cash or shares, at Skeena's election.

** includes pre-feasibility study

The Company is the operator of the exploration project.

6. EQUIPMENT

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 7,696	\$ 5,976	\$ 1,720	\$ 7,697	\$ 5,672	\$ 2,025
Computer software	3,000	2,763	237	3,000	2,525	475
Field equipment	17,138	4,357	12,781	17,138	2,938	14,200
Office equipment	<u>5,263</u>	<u>1,919</u>	<u>3344</u>	<u>5,264</u>	<u>1,549</u>	<u>3,715</u>
	<u>\$ 33,097</u>	<u>\$ 15,015</u>	<u>\$ 18,082</u>	<u>\$ 33,099</u>	<u>\$ 12,684</u>	<u>\$ 20,415</u>

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) paid or accrued consulting fees of \$66,360 (2006 - \$54,290) to companies controlled by directors or officers.
- b) paid or accrued \$12,606 (2006 – \$12,775) for office and related costs to a company with a common officer.

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.

Included in accounts payable at June 30, 2007 is \$13,947 (December 31, 2006 - \$nil), which is due to directors or officers or companies with common directors or officers.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
As at December 31, 2005	37,098,616	\$ 11,164,873	\$ 876,206
For cash:			
Private placements	5,048,000	1,262,000	-
Exercise of options	355,000	173,874	(67,374)
Exercise of warrants	604,000	301,814	(714)
For mineral property interests and obligation	2,500,000	600,000	-
For stock-based compensation	-	-	451,781
Share issuance costs	-	(70,835)	5,322
As at December 31, 2006	45,605,616	13,431,726	1,265,221
For cash:			
Private placements	8,139,222	3,283,550	-
Exercise of options	650,000	299,000	(104,000)
For mineral property interests and obligation	150,000	60,000	91,153
For stock-based compensation	-	-	82,904
For agent warrants compensation	-	-	-
Share issuance costs	-	(154,939)	3,051
As at June 30, 2007	54,544,838	\$ 16,919,337	\$ 1,338,329

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

Private placements

During fiscal 2007:

- a) On May 23, 2007, the Company issued 557,222 units at \$0.45 per unit for proceeds of \$250,750. Each unit consisted of one flow through common share and one non-flow through share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at \$0.75 for a period of 18 months. The Company paid finders' fees and other issuance costs of \$4,778.
- b) On June 29, 2007, the Company issued 7,582,000 units at \$0.40 per unit for proceeds of \$3,032,800. Each unit consisted of one common share and one half share of a share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at \$0.75 for a period of 24 months. In the event the closing price of the Company's common shares is at least \$1.00 per share for a period of twenty consecutive trading days, the Company may terminate any unexercised warrants on twenty-five days notice. The Company paid finders' fees and other issuance costs of \$147,110 and issued 277,865 agents' warrants valued at \$3,051 exercisable at \$0.75 for a period of one year.

During fiscal 2006:

- a) On June 16 and July 7, 2006, the Company issued 5,048,000 units at \$0.25 per unit for proceeds of \$1,262,000. Each unit consisted of one common share and one half share of a share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at \$0.40 for a period of 18 months. In the event the closing price of the Company's common shares is at least \$0.60 per share for a period of twenty consecutive trading days, the Company may terminate any unexercised warrants on twenty-five days notice. The Company paid finders' fees and other issuance costs of \$65,513 and issued 236,810 agents' warrants valued at \$5,322 exercisable at \$0.50 for a period of one year.
- b) On June 24 and July 15, 2005, the Company issued 3,812,500 units at \$0.40 per unit for proceeds of \$1,525,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.75 for a period of two years. In the event the closing price of the Company's common shares is at least \$1.00 per share for a period of ten consecutive trading days, the Company may terminate any unexercised warrants on thirty days notice. The Company paid finders' fees and other issuance cost of \$85,004 and 288,300 agent's warrants valued at \$17,591 exercisable at \$0.55 for a period of one year.

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.

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (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, 2005	4,975,800	\$ 0.71	2,955,000	\$ 0.37
Granted	2,760,810	0.41	1,325,000	0.35
Exercised	(604,000)	0.50	(355,000)	0.30
Expired/cancelled	<u>(1,163,300)</u>	0.57	<u>-</u>	-
Outstanding, December 31, 2006	5,969,310	0.62	3,925,000	0.37
Granted	5,547,476	0.75	380,000	0.33
Exercised	-	-	(650,000)	0.30
Expired/cancelled	<u>(1,773,310)</u>	0.72	<u>(75,000)</u>	0.33
Outstanding, June 30, 2007	9,743,476	0.66	3,580,000	0.38
Number currently exercisable	9,743,476	\$ 0.66	3,517,500	\$ 0.37

As at June 30, 2007, incentive stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	600,000	\$ 0.30	November 21, 2008
	950,000	0.52	February 18, 2010
	100,000	0.54	April 15, 2010
	300,000	0.25	December 21, 2010
	200,000	0.25	June 28, 2011
	1,125,000	0.37	September 02, 2011
	305,000	0.33	March 19, 2012
Warrants	2,060,000	0.75	July 16, 2007 ⁽¹⁾
	1,600,000	0.40	December 17, 2007 ⁽²⁾
	515,000	0.40	December 21, 2007 ⁽²⁾
	21,000	0.50	July 07, 2007 ⁽²⁾
	278,611	0.75	May 24, 2008
	200,000	0.65	May 29, 2009
	1,000,000	0.75	May 29, 2009
	3,791,000	0.75	June 29, 2009 ⁽³⁾
	277,865	0.75	June 29, 2008

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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

- (1) 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 consecutive trading days, the Company may elect to reduce the remaining exercise period, upon notice to the holders, to thirty days.
- (2) In the event the closing price of the Company's common shares is at or above \$0.60 per share for a period of twenty consecutive trading days, the Company may elect to reduce the remaining exercise period, upon notice to the holders, to twenty-five days.
- (3) In the event the closing price of the Company's common shares is at or above \$1.00 per share for a period of twenty consecutive trading days, the Company may elect to reduce the remaining exercise period, upon notice to the holders, to twenty-five days.

Stock-based compensation

During the period, the Company granted 380,000 (2006 - 1,325,000) options to consultants, officers and directors with a weighted average fair value of \$0.22 (2006 - \$0.34). The fair value of compensatory options granted is estimated on grant date using the Black-Scholes option pricing model and recorded over the vesting period. The stock compensation are recognized in the statement of operations and various capitalized as follows:

	2007	2006
Stock-based compensation cost recorded in the year:		
Capitalized – exploration (Note 5)	\$ -	\$ 41,775
Expensed – administration	<u>82,904</u>	<u>410,006</u>
	<u>\$ 82,904</u>	<u>\$ 451,781</u>

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

	2007	2006
Risk-free interest rate	4.54%	3.96%
Expected life	3 years	4.3 years
Annualized volatility	67.11%	88.0%
Dividend rate	0.00%	0.00%

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for fiscal 2007 include the Company:

- a) issuing of 150,000 shares at a value of \$60,000 and 100,000 share purchase warrants pursuant to acquiring a mineral property interest.
- b) granting agents' warrants valued at \$3,051 as finders' fees on a private placement.

Significant non-cash transactions for fiscal 2006 include the Company:

- c) issuing of 2,500,000 shares at a value of \$600,000 pursuant to the acquiring of a mineral property interest as per commitment made in fiscal 2004.
- d) incurring mineral property expenditures in accounts payable of \$14,042.
- e) granting options valued at \$41,775 in payment of mineral property exploration costs.
- f) granting agents' warrants valued at \$5,322 as finders' fees on the private placement.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, marketable securities, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

11. SEGMENTED INFORMATION

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

	2007	2006
Mineral property interests and equipment:		
Canada	\$ 148,165	\$ 155,905
Mexico	429,944	-
Ecuador	<u>5,543,321</u>	<u>5,441,787</u>
	<u>\$ 6,103,712</u>	<u>\$ 5,597,692</u>

12. COMMITMENTS

- a) The Company is committed to issue 1,000,000 common shares @ \$0.39 to Reyna Mining for the acquisition of 90% of the shares of Skeena Mexico. These were subsequently issued August 16, 2007.
- b) The Company entered into a consulting agreement with a director of the Company. The Company agreed to pay the director \$9,000 per month. The agreement can be terminated at any time by the Company by paying one years compensation.
- c) 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 50% portion of the annual lease commitment under this lease is as follows:

2007	\$ 10,386
2008	10,708
2009	10,933
2010	<u>7,288</u>
	<u>\$ 39,315</u>

13. SUBSEQUENT EVENTS

- a) Subsequent to the quarter, 2,081,000 warrants expired in July 2007.
- b) On August 16, 2007, the Company issued 1,000,000 common shares and 1,000,000 2-year warrants exercisable for \$0.75 to Reyna Mining as per commitment – note 12.