SKEENA RESOURCES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited – prepared by management)

SIX MONTHS ended JUNE 30, 2008

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 28, 2008

SKEENA RESOURCES LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS
(unaudited)

		June 30, 2008		December 31, 2007
ASSETS				
Current				
Cash	$	335,106	$	2,079,424
Marketable securities (Note 4)		20,635		4,547
Receivables		594,523		90,048
Prepaid expenses		34,018		34,299
		984,282		2,208,318
Mineral property interests (Note 5)		5,108,999		7,602,388
Equipment (Note 6)		35,557		35,804
	$	6,128,838	$	9,846,510
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	571,313	$	63,329
Future income tax liability		254,000		254,000
		825,313		317,329
Shareholders' equity				
Capital stock (Note 8)		18,127,998		16,836,128
Contributed surplus (Note 8)		2,623,174		2,173,739
Accumulated other comprehensive loss		(7,772)		(4,060)
Deficit		(15,439,875)		(9,476,626)
		5,303,525		9,529,181
	$	6,128,838	$	9,846,510

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

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	
	2008	2007	**2008**	2007
Expenses				
Amortization	**$ 1,932**	$ 1,166	**$ 3,499**	$ 2,333
Consulting fees	**36,075**	34,980	**73,388**	66,360
Foreign exchange	**(59,849)**	27,551	**(69,452)**	30,615
Investor relations	**4,177**	3,561	**9,610**	7,270
Office and other	**17,517**	11,956	**34,955**	19,964
Professional fees	**17,780**	9,651	**43,359**	9,892
Property research	**-**	2,275	**-**	12,606
Rent and administration	**4,277**	5,156	**7,064**	8,569
Shareholder communications	**2,535**	3,885	**3,610**	5,505
Stock-based compensation	**181,343**	-	**184,705**	82,904
Transfer agent and listing fees	**3,625**	15,084	**14,223**	23,364
Travel	**234**	2,321	**234**	10,419
Loss before other items	**(209,646)**	(117,586)	**(305,195)**	(279,801)
Other items				
Interest income	**2,494**	2,194	**14,273**	4,359
Write-down of mineral interests	**(5,699,724)**	-	**(5,699,724)**	-
Gain on sale of mineral property	**-**	-	**27,397**	-
	(5,697,230)	2,194	**(5,658,054)**	4,359
Net income for period	**(5,906,876)**	(115,392)	**(5,963,249)**	(275,442)
Other comprehensive income (loss) for the period				
Unrealized loss on marketable securities	**348**	-	**(3,712)**	-
Comprehensive income (loss) for the period	**$ (5,906,528)**	$ (115,392)	**$ (5,966,961)**	$ (275,442)
Gain (loss) per share	**$ (0.10)**	$ (0.00)	**$ (0.11)**	$ (0.00)
Weighted average number of shares outstanding	**62,020,838**	46,577,036	**57,353,034**	45,847,806

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

SKEENA RESOURCES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT
(unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2008	2007	**2008**	2007
CONSOLIDATED STATEMENT OF RETAINED EARNINGS				
Deficit, beginning of period	**$ (9,532,999)**	$ (8,814,154)	**$ (9,476,626)**	$ (8,654,104)
Loss for the period	**(5,906,876)**	(115,392)	**(5,963,249)**	(275,442)
Deficit, end of period	**$ (15,439,875)**	$ (8,929,546)	**$ (15,439,875)**	$ (8,929,546)

INTERIM CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive loss, beginning of period	**$ (4,060)**	$ -	**$ (4,060)**	$ -
Other comprehensive loss				
Unrealized loss on marketable securities	**(2,738)**	-	**(3,712)**	$ -
Accumulated other comprehensive loss, end of period	**$ (6,798)**	$ -	**$ (7,772)**	$ -

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	
	2008	2007	**2008**	2007
Operating activities				
Loss for the period	**$ (5,906,876)**	$ (115,392)	**$ (5,963,249)**	$ (275,442)
Items not affecting cash				
Amortization	**1,932**	1,166	**3,499**	2,333
Write-down of mineral property interests	**5,699,724**	-	**5,699,724**	-
Stock-based compensation	**181,343**	-	**184,705**	82,904
Gain on sale of mineral property interests	**-**	-	**(27,397)**	-
Changes in non-cash working capital				
Accounts receivable	**(103,096)**	(3,858)	**(114,475)**	49,909
Prepaid expenses	**(69,585)**	3,293	**281**	6,891
Accounts payable and accrued liabilities	**(411,017)**	122,717	**(1,785)**	136,323
Cash used in operating activities	**(607,575)**	7,926	**(218,697)**	2,918
Financing activities				
Proceeds on issuance of capital stock	**641,500**	3,478,550	**641,500**	3,478,550
Share issuance costs	**(6,175)**	(151,888)	**(6,175)**	(151,888)
Cash used in financing activities	**635,325**	3,326,662	**635,325**	3,326,662
Investing activities				
Expenditures on mineral property	**(1,306,678)**	(417,179)	**(2,157,363)**	(475,043)
Purchase of equipment	**(683)**	-	**(3,583)**	-
Cash used in investing activities	**(1,307,361)**	(417,179)	**(2,160,946)**	(475,043)
Changes in cash during the period	**(1,279,611)**	2,917,409	**(1,744,318)**	2,854,537
Cash, beginning of period	**1,614,717**	333,721	**2,079,424**	396,593
Cash, end of period	**$ 335,106**	$ 3,251,130	**$ 335,106**	$ 3,251,130

Supplemental disclosure with respect to cash flows (Note 9)

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

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 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 it's 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.

		June 30, 2008		December 31, 2007
Working capital	$	**412,969**	$	2,144,989
Deficit		**(15,439,875)**		(9,476,626)

2. SIGNIFICANT ACCOUNTING POLICIES

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.

Use of estimates

The preparation of interim 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Marketable securities

Marketable securities are classified as available for sale and are measured at fair market value. Prior to fiscal 2007, they were measured at the lower of cost or market value.

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 – see note **5**.

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%
Vehicle	20%

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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.

Stock-based compensation

The Company uses the fair value method for measuring compensation costs 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Recent accounting pronouncements

The Canadian Institute of Chartered Accountants ("CICA") has issued new standards, which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The Company adopted the requirements January 1, 2008.

Assessing Going Concern

The Canadian Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

Financial Instruments

Effective January 1, 2008, the Company adopted CICA Handbook Section 3862, *Financial Instruments – Disclosures,* which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement,* Section 3863, *Financial Instruments – Presentation,* and Section 3865, *Hedges.* This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Effective January 1, 2008, the Company adopted CICA Handbook Section 3863, *Financial Instruments – Presentation,* which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Capital Disclosures

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Recent accounting pronouncements (cont'd…)

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. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. FINANCIAL INSTRUMENTS

Changes in accounting policies

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

Financial Instruments - Recognition and Measurement (Section 3855)

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after January 1, 2007. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered and most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income (loss).

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to January 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income (loss).

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification.

3. FINANCIAL INSTRUMENTS (cont'd…)

Changes in accounting policies (cont'd…)

Financial Instruments - Recognition and Measurement (Section 3855) (cont'd…)

In accordance with this new standard, the Company has classified its financial instruments as follows:

- Cash is classified as held-for-trading.
- Marketable securities are classified as available-for-sale.
- Receivables are classified as loans and receivables.
- Accounts payable and accrued liabilities are classified as other liabilities.

There are no adjustments to opening balances as at January 1, 2007 as a result of the application of these new accounting policies.

Comprehensive Income (Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of the net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

Accordingly, the Company now reports a consolidated statement of accumulated other comprehensive loss and includes the account "accumulated other comprehensive loss" in the shareholders' equity section of the consolidated balance sheet.

Fair value

The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments. Marketable securities are carried at quoted market value or equivalent.

4. MARKETABLE SECURITIES

	June 30, 2008	December 31, 2007
Diadem Resources Ltd.	**$ 2,923**	$ 4,547
Dundee Mines Ltd.	**$ 17,712**	-
	$ 20,635	$ 4,547

At June 30, 2008, marketable securities have an aggregate market value of $20,635.

5. MINERAL PROPERTY INTERESTS

	British Columbia Claims	Ecuador Claims	Mexican Claims	Total
Balance, December 31, 2006	$ 135,490	$ 5,441,787	$ -	$ 5,577,277
Analysis	-	9,791	26,129	35,920
Drilling/trenching	-	-	156,805	156,805
Field and camp support	-	12,286	39,396	51,683
Geology/geophysics/geochemical	64,209	27,167	332,244	423,620
Local office costs	-	66,832	5,179	72,011
Acquisition, assessments and option payments	5,343	104,719	992,866	1,102,927
Legal	-	14,002	4,324	18,326
Stock-based compensation	-	-	167,985	167,985
Travel and accommodation	-	7,602	3,232	10,834
	69,552	242,399	1,728,160	2,040,111
	205,042	5,684,186	1,728,160	7,617,388
Option payments received	(15,000)	-	-	(15,000)
Balance, December 31, 2007	$ 190,042	$ 5,684,186	$ 1,728,160	$ 7,602,388
Analysis	-	-	153,420	153,420
Drilling/trenching	-	19	655,722	655,741
Field and camp support	-	4,420	58,110	62,530
Geology/geophysics/geochemical	(106)	-	445,653	445,547
Local office costs	-	9,529	24,738	34,267
Acquisition, assessments and option payments	15,000	-	1,787,836	1,802,836
Legal	-	1,570	3,199	4,769
Travel and accommodation	-	-	39,628	39,628
	14,894	15,538	3,168,306	3,198,738
	204,936	5,699,724	4,896,466	10,801,126
Write-down of mineral property interests	-	(5,699,724)	-	(5,699,724)
Sale of mineral property	7,597	-	-	7,597
Balance, June 30, 2008	$ 212,533	$ -	$ 4,896,466	$ 5,108,999

5. 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 newly formed private Mexican corporation, Skeena Mexico S.A de C.V. ("Skeena Mexico"), holds the option as its sole asset. The Company has the option to acquire 90% of the shares of Skeena Mexico, pursuant to which the Company paid US$25,000 (CAD$26,690), issued 1,000,000 common shares of Skeena Resources valued at $400,000 and granted 1,000,000 warrants valued at $137,172 to acquire 1,000,000 common shares of Skeena Resources exercisable at $0.75 per share expiring May 29, 2009. In addition, the Company paid finders fees consisting of 150,000 common shares of Skeena Resources valued at $60,000 and 200,000 warrants valued at $30,813 to acquire 200,000 common shares of Skeena Resources exercisable at $0.65 per share. Total consideration to December 31, 2007 of $654,675 together with a future income tax liability of $254,000 totalling $908,675 was accounted for as the acquisition cost of the mineral property.

To complete the acquisition of Skeena Mexico, the Company is required to make additional staged cash payments of US$725,000 and issue 4,000,000 of its common shares, of which 2,000,000 were issued.

Skeena Mexico paid US$250,000 to Grupo México, the vendor of the Malpica property, to begin a 12-month due diligence period during which Skeena Mexico conducted a US$1,500,000 exploration program, 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 US$10,250,000. Reyna Mining, the owner of 10% of Skeena Mexico, is carried during the first US$7,500,000 of 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 US$2,000,000. The Company must attempt to place Malpica into commercial production, on a "best efforts" basis, at a rate of 1.5 million tonnes of ore per annum, within 36 months of the date of the Final Purchase Agreement. If commercial production is delayed, then a reduced pre-production royalty may be payable. 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.

5. MINERAL PROPERTY INTERESTS (cont'd…)

Malpica property, Mexico (cont'd…)

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 issued[(1)]
1 year anniversary	$ 1,000,000 paid	$ 1,500,000 [(2)]	$ 500,000 [(3)]	2,000,000 issued
1.5 year anniversary	$ 2,000,000	-	-	-
2 year anniversary	$ 3,750,000	-	$ 225,000	2,000,000
3 year anniversary	$ 3,500,000	-	-	-
	$ 10,500,000	$ 1,500,000	$ 750,000	5,000,000

(1) includes 1 million 2-year warrants exercisable at $0.75;
(2) expenditure commitments met; and
(3) terms and timing of cash payment are under negotiations.

Tropico property, Mexico

The Company entered into an agreement with the Santoy Resources (60%) – Almaden Minerals (40%) Joint Venture ("the Joint Venture") to earn up to 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) and issuing 1,250,000 Skeena shares over 5 years (250,000 issued). A 2% NSR interest is reserved for the Joint Venture, with half of that interest purchasable for fair market value at the time of presentation of a feasibility study.

Within the area of influence of the Joint Venture, the Company also acquired two other concessions by direct application to the government and acquired a third by lottery. An NSR royalty up to a "capped" maximum of 2% is payable on these lands to the Joint Venture.

The Company also entered into an option to purchase 100% interest in the San Pablo concession contiguous with the Tropico Property, from Minera Cascabel SA de CV 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 (100,000 issued). The concession is subject to a 2% NSR royalty payable to the Mexican Government.

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.

5. MINERAL PROPERTY INTERESTS (cont'd…)

Ronoke and Blackhorn Claims, British Columbia (cont'd…)

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.

During fiscal 2005, the Company granted an option to acquire the Ronoke property to a private corporation attempting to obtain a public stock exchange listing. Option payments of $5,500 were received in fiscal 2005 and $15,000 during fiscal 2007. March 2008, the optionor exercised the option and issued the Company 82,500 shares of common stock to acquire 100% of the Ronoke property. A gain on sale of the property of $27,397 was recorded.

The Company retains 100% ownership of Blackhorn.

El Corazon Property, Ecuador

The Company entered into an agreement with Alpha Oil Inc. ("Alpha") to acquire Alpha's option with Compañia 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$465,000 in option payments and is required to make additional staged cash payments before December 11, 2008, of US$4,000,000 and incur a minimum of US$5,500,000 in exploration expenditures.

On April 17, 2008, the Constitutional Assembly of Ecuador passed a new Mining Mandate. The full impact of this legislation, which includes an immediate suspension of exploration and development work, is not yet fully understood. Directly afterwards, in light of the unilaterally imposed work suspension, the Company invoked *force majeure* with respect to its Option Agreement with AgroIndustrial. Given the political uncertainty, the Company has written down the capitalized acquisition costs and expenditures totaling $5,699,724 in this quarter.

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 spent	-
December 11, 2008	$ 4,000,000	$ 1,500,000 *	$ 2,500,000 **	-
	$ 4,465,000	$ 1,500,000	$ 5,500,000	5,000,000 issued

* cash or shares, at Skeena's election.

** includes pre-feasibility study

6. EQUIPMENT

	June 30, 2008			December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 7,697	$ 6,492	$ 1,205	$ 7,697	$ 6,279	$ 1,418
Field equipment	20,940	7,230	13,710	18,040	5,869	12,171
Vehicle	21,381	4,062	17,319	21,381	2,138	19,243
Office equipment	5,945	2,622	3,323	5,263	2,291	2,972
	$ 55,963	$ 20,406	$ 35,557	$ 55,381	$ 19,577	$ 35,804

7. RELATED PARTY TRANSACTIONS

During the six months, the Company paid or accrued consulting fees of $73,388 (2007 - $66,360) to companies controlled by directors or officers.

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, 2008 is $13,605 (December 31, 2007 - $10,754), 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, 2006	45,605,616	13,431,726	1,265,221
For cash:			
Private placements	8,139,222	2,806,341	477,209
Exercise of options	650,000	299,000	(104,000)
For mineral property interests	1,150,000	460,000	167,985
For stock-based compensation	-	-	364,273
Share issuance costs	-	(160,939)	3,051
As at December 31, 2007	55,544,838	$ 16,836,128	$ 2,173,739
For cash:			
Private placements	4,126,000	1,031,500	264,730
For mineral property interests	2,350,000	585,750	-
For stock-based compensation	-	-	184,705
Share issuance costs	-	(325,380)	-
As at June 30, 2008	62,020,838	$ 18,127,998	$ 2,623,174

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

Private placements

During fiscal 2008:

On June 26, 2008, the Company issued 4,126,000 units at $0.25 per unit for proceeds of $1,031,500. Each unit consisted of one common share and one share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at $0.45 for a period of 24 months. An estimated value of $260,967 (share issue costs) was allocated to the warrants. The Company paid finders' fees and other issuance costs of $60,650 and issued 122,500 agents' warrants valued at $3,763 (share issue costs) exercisable at $0.45 for a period of one year. At the close of the quarter, $390,000 in subscription receipts had not been received and $54,475 of finders' fees and other issuance costs had not been paid; subsequent to the quarter, these were subsequently received and paid, respectively.

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 half 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 12 months. An estimated value of $22,289 was allocated to the warrants. The Company paid finders' fees and other issuance costs of $10,778.

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. An estimated value of $454,920 was allocated to the warrants. 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.

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.

8. 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, 2006	5,969,310	0.62	3,925,000	0.37
Granted	5,547,476	0.75	2,350,000	0.39
Exercised	-	-	(650,000)	0.30
Expired/cancelled	(5,969,310)	0.62	(75,000)	0.33
Outstanding, December 31, 2007	5,547,476	0.75	5,550,000	0.39
Granted	4,248,500	0.45	1,200,000	0.30
Expired/cancelled	(556,476)	0.75	(600,000)	0.44
Outstanding, June 30, 2008	9,239,500	0.61	6,150,000	0.37
Number currently exercisable	9,239,500	$ 0.61	5,757,055	$ 0.38

As at June 30, 2008, 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
	650,000	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
	850,000	0.37	September 2, 2011
	280,000	0.33	March 19, 2012
	1,970,000	0.40	September 26, 2012
	1,200,000	0.30	June 26, 2013
Warrants	200,000	0.65	May 29, 2009
	1,000,000	0.75	May 29, 2009
	3,791,000	0.75	June 29, 2009 (1)
	122,500	0.45	June 26, 2009
	4,126,000	0.45	June 26, 2010 (2)

8. 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 $1.00 per share for a period of twenty (20) consecutive trading days, the Company may elect to reduce the remaining exercise period, upon notice to the holders, to twenty-five (25) days.

(2) 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.

Stock-based compensation

During the last quarter, the Company granted 1,200,000 options to consultants, officers and directors with a weighted average fair value of $0.14 per option.

During fiscal 2007 the Company granted 2,350,000 (2006 - 1,325,000) options to consultants, officers and directors with a weighted average fair value of $0.23 (2006 - $0.34) per option. In addition, 1,200,000 compensatory warrants were issued for the acquisition of the Malpica property resulting in stock-based compensation of $167,985 with a weighted average fair value of $0.14 per warrant. The fair value of compensatory options and warrants granted is estimated using the Black-Scholes option pricing model and recorded over the vesting period.

The stock compensation is recognized in the statement of operations and capitalized as follows:

	June 30, 2008	December 31, 2007
Stock-based compensation cost recorded in the year:		
Capitalized – exploration (Note 5)	**$ -**	$ 167,985
Expensed – administration	**184,705**	82,904
	$ -	$ 250,889

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

	June 30, 2008	December 31, 2007
Risk-free interest rate	**3.20%**	4.31%
Expected life	**2.6 years**	3.9 years
Annualized volatility	**91%**	96%
Dividend rate	**0.00%**	0.00%

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for fiscal 2008 include the Company:

a) issuing 2,350,000 common shares valued at $585,750 pursuant to the acquisition of mineral properties;

b) granting agents' warrants valued at $3,763 as finders' fees on a private placement; and

c) incurring mineral property expenditures in accounts payable of $455,294.

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

a) issuing 1,150,000 common shares and warrants to acquire 1,200,000 common shares valued at $627,985 pursuant to the acquisition of a mineral property and related future income tax liability;

b) granting agents' warrants valued at $3,051 as finders' fees on a private placement; and

c) incurring mineral property expenditures in accounts payable of $23,103.

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, 2008	December 31, 2007
Mineral property interests and equipment:		
Canada	**$ 230,041**	$ 205,791
Mexico	**4,914,515**	1,748,215
Ecuador	**-**	5,684,186
	$ 5,144,556	$ 7,638,192

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. The agreement can be terminated at any time by the Company by paying one years 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 50% portion of the annual lease commitment under this lease is as follows:

2008	$ 10,708
2009	10,933
2010	7,288
	$ 28,929