SKEENA RESOURCES LTD.

(an exploration stage company)

Consolidated Financial Statements

Years ended December 31, 2017 and 2016

(expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Skeena Resources Limited are the responsibility of the Company's management and are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised primarily of non-management directors. The Audit Committee reviews the consolidated financial statements prior to their submission to the Board of Directors for approval.

"Walter Coles, Jr."

Walter Coles, Jr.
Chief Executive Officer

"Andrew MacRitchie"

Andrew MacRitchie
Chief Financial Officer

Vancouver, British Columbia
April 27, 2018

Independent auditors' report

To the Shareholders of
Skeena Resources Limited

We have audited the accompanying consolidated financial statements of **Skeena Resources Limited,** which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Skeena Resources Limited** as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 of the consolidated financial statements, which indicates that the company has limited cash resources, and has incurred significant operating losses and negative cash flows from operations as at December 31, 2017. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt on **Skeena Resources Limited's** ability to continue as a going concern.

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
April 27, 2018

SKEENA RESOURCES LIMITED
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian dollars)

	Note	December 31, 2017	December 31, 2016
ASSETS			
Current			
Cash and cash equivalents		$ 1,017,391	$ 2,617,268
Receivables	5	1,316,901	738,877
Prepaid expenses		215,248	220,713
		2,549,540	3,576,858
Deposits	6	2,042,500	483,993
Exploration and evaluation interests	7	20,528,183	18,041,014
Equipment	8	672,806	196,629
		$ 25,793,029	$ 22,298,494
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	$ 1,794,757	$ 1,450,684
Flow-through share premium liability	10	805,551	121,617
		2,600,308	1,572,301
Provision for closure and reclamation	11	1,091,398	432,301
		3,691,706	2,004,602
SHAREHOLDERS' EQUITY			
Capital stock	12	71,362,300	60,241,924
Reserves	12	9,299,442	8,610,320
Deficit		(58,560,419)	(48,558,352)
		22,101,323	20,293,892
		$ 25,793,029	$ 22,298,494

GOING CONCERN (NOTE 1)
SUBSEQUENT EVENTS (NOTE 18)

ON BEHALF OF THE BOARD OF DIRECTORS:

signed "Donald Siemens"
Director

signed "Ronald K. Netolitzky"
Director

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

SKEENA RESOURCES LIMITED
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(expressed in Canadian dollars)

	Note	For the years ended December 31 2017	2016
ADMINISTRATIVE EXPENSES			
Exploration and evaluation	7	$ 7,967,682	$ 9,249,685
Share-based payments	12	606,124	2,261,091
Consulting	9	655,624	646,174
Investor relations		708,047	690,574
Professional fees		345,895	469,359
Travel		102,078	202,503
Transfer agent and listing fees		39,760	81,357
Office and administration		174,970	147,746
Rent and other		231,249	202,351
Property research		60,419	486,286
Shareholder communications		35,960	23,018
Wages		479,697	175,085
Foreign exchange (gain) loss		5,898	(657)
Flow-through share premium recovery	10	(1,501,951)	(1,091,941)
Interest income		(25,006)	(25,757)
Accretion of provision for closure and reclamation		16,618	-
Amortization		99,003	34,605
Net loss and comprehensive loss for the year		$ (10,002,067)	$ (13,551,479)
Loss per share		$ (0.16)	$ (0.33)
Weighted average number of common shares outstanding	12	61,941,778	41,585,753

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

SKEENA RESOURCES LIMITED

(an exploration stage enterprise)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(expressed in Canadian dollars)

	Capital Stock (Note 12)		Reserves			Total Shareholders' Equity
	Shares	Amount	Options	Warrants	Deficit	
Balance at December 31, 2015	32,540,117	$ 40,956,304	$ 3,061,859	$ 1,356,018	$ (35,006,873)	$ 10,367,308
Property option payment - Snip	200,000	190,000	-	-	-	190,000
Acquisition of 8.7% interest in Spectrum	2,500,000	2,000,000	-	-	-	2,000,000
Acquisition of Sona Resources Corp.	1,493,642	2,091,098	80,491	1,131,656	-	3,303,245
Acquisition of Mount Rainey Silver Inc.	2,653,958	4,113,634	-	-	-	4,113,634
Private placements	11,609,046	10,101,992	-	-	-	10,101,992
Share issue costs	-	(946,821)	-	247,540	-	(699,281)
Share-based payments	-	-	2,732,756	-	-	2,732,756
Flow-through share premium	-	(855,291)	-	-	-	(855,291)
Warrant exercises	2,591,007	2,591,008	-	-	-	2,591,008
Loss for the year	-	-	-	-	(13,551,479)	(13,551,479)
Balance at December 31, 2016	53,587,569	60,241,924	5,875,106	2,735,214	(48,558,352)	20,293,892
Property option payment - Snip	125,000	56,250	-	-	-	56,250
Property option payment – GJ	2,884,059	1,500,000	-	-	-	1,500,000
Private placements	20,205,485	12,747,424	-	-	-	12,747,424
Share issue costs	125,924	(997,414)	-	-	-	(997,414)
Flow-through share premium	-	(2,185,884)	-	-	-	(2,185,884)
Share-based payments	-	-	689,122	-	-	689,122
Loss for the year	-	-	-	-	(10,002,067)	(10,002,067)
Balance at December 31, 2017	76,928,037	$ 71,362,300	$ 6,564,228	$ 2,735,214	$ (58,560,419)	$ 22,101,323

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

SKEENA RESOURCES LIMITED
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(expressed in Canadian dollars)

	For the years ended December 31	
	2017	**2016**
OPERATING ACTIVITIES		
Loss for the year	$ (10,002,067)	$ (13,551,479)
Items not effecting cash		
Amortization	99,003	34,605
Share-based payments	689,122	2,732,756
Flow-through share premium recovery	(1,501,951)	(1,091,941)
Accretion of provision for closure and reclamation	16,618	-
Changes in non-cash working capital		
Receivables	(578,024)	(361,460)
Prepaid expenses	5,465	(134,557)
Accounts payable and accrued liabilities	386,985	150,957
Net cash used in operating activities	(10,884,849)	(12,221,119)
FINANCING ACTIVITIES		
Proceeds from share issuance	11,750,011	9,427,774
Proceeds from warrant exercise	-	2,591,008
Net cash provided by financing activities	11,750,011	12,018,782
INVESTING ACTIVITIES		
Deposits	(1,558,507)	(93,000)
Purchase of equipment	(618,092)	(95,841)
Purchase of Sona Resources Corp and Mount Rainey Silver Inc.	-	(491,862)
Funds spent on closure and reclamation	(38,440)	-
Mineral property acquisition costs	(250,000)	(56,944)
Net cash used in investing activities	(2,465,039)	(737,647)
Change in cash and cash equivalents during the year	(1,599,877)	(939,984)
Cash and cash equivalents, beginning of the year	2,617,268	3,557,252
Cash and cash equivalents, end of the year	$ 1,017,391	$ 2,617,268

Supplemental Disclosure with Respect to Cash Flows (Note 14)

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

(expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Skeena Resources Limited ("Skeena" or 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 650, 1021 West Hastings Street, Vancouver, British Columbia V6E 0C3. The Company is in the exploration stage with respect to its mineral property interests and has not, as yet, achieved commercial production.

The consolidated financial statements were prepared on a going concern basis with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has limited cash resources, has incurred significant operating losses and negative cash flows from operations in the past, and will require additional financing in order to continue operations. While the Company has been successful in obtaining funding in the past, through the issuance of additional equity and non-arm's length loans, there is no assurance that such funding will be available in the future. An inability to raise additional funds would adversely impact the future assessment of the Company as a going concern. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company is 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 exploration and 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. 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.

		2017		2016
Working capital	**$**	**(50,768)**	$	2,004,557
Deficit	**$**	**(58,560,419)**	$	(48,558,352)

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and they are consistent with interpretations by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies adopted in these financial statements are based on IFRS's in effect as at December 31, 2017.

The consolidated financial statements of Skeena Resources Ltd. for the year ended December 31, 2017 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on April 27, 2018.

2. BASIS OF PRESENTATION (continued)

Basis of measurement

These consolidated financial statements have been prepared on an historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, listed below.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

Subsidiary	Location
Skeena Mexico S.A. de C.V.	Mexico
Sona Resources Corp.	Canada
No. 75 Corporate Ventures Ltd.	Canada
Mount Rainey Silver Inc.	Canada

Each of the above companies is 100% owned by the Company and fully consolidated.

Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates and judgments, which, by their nature, are uncertain. The impact of estimates and judgments is pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates, or changes to judgments, are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions that management has made about current unknowns, the future, and other sources of estimated uncertainty, could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made. Such significant assumptions include, but are not limited to, the following areas:

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

2. BASIS OF PRESENTATION (continued)

Significant accounting estimates and judgments (continued)

Critical accounting estimates (continued)

- Provision for closure and reclamation

  The process of determining a value for the closure and reclamation provision is subject to estimates and assumptions, particularly when sufficient information required for a more precise estimate is still being gathered. Significant estimates include the amount and timing of closure and reclamation costs and the discount rate used. The size of the provision for closure and reclamation reflects management's best estimate using information available on the date of approval of these financials.

- Allocation of purchase price

  The Company acquired the past-producing Snip mine ("Snip") in July 2017, and acquired both Sona Resources Corp. ("Sona") and Mount Rainey Silver Inc. ("Mt. Rainey") in September 2016. The allocation of the purchase price to the assets and liabilities acquired was based on management's estimates of relative fair value. Monetary assets were kept at book value. Due to the valuation uncertainty, the remote location, age and condition of Sona's fixed assets, none of the Sona purchase price was allocated to non–monetary assets, with the exception of mineral properties. Neither Snip nor Mt. Rainey's acquisitions included any material assets or liabilities, apart from the mineral properties and the associated closure and reclamation obligations, if any. As a result, the purchase price for these acquisitions was allocated between these two items.

- Recovery of deferred tax assets

  The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

- Share-based payments

  The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

- Going concern

  The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PRESENTATION (continued)

Significant accounting estimates and judgments (continued)

Critical accounting judgments (continued)

- Contingent liabilities

  In certain instances, management has assessed a low likelihood of settling certain amounts through a future outflow of resources. As a result, these amounts have been treated as contingencies rather than liabilities.

- Recoverability of mineral property interests

  Assets or cash-generating units ("CGUs") are separately evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral property interests.

  In respect of costs incurred for its mineral property interests, management has determined that acquisition costs that have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economic assessments or studies, whether facilities are still accessible, whether permits are still existing and valid, and the Company's ability to continue exploration and development.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks or highly liquid short-term interest-bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less or are fully redeemable without penalty when acquired.

Mineral property interests

The acquisition costs of mineral properties are capitalized as exploration and evaluation interests on a project-by-project basis, pending determination of the technical feasibility and the commercial viability of the project. Acquisition costs include cash or shares paid, liabilities assumed, and associated legal costs paid to acquire the interest, whether by option, purchase, staking, or otherwise. Costs of investigation incurred before the Company has obtained the legal right to explore an area are recognized in the statement of loss.

Exploration and evaluation expenses are comprised of costs that are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- evaluating the technical feasibility and commercial viability of extracting a mineral resource.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
Mineral property interests (continued)

All exploration and evaluation expenditures are expensed until properties are determined to contain economically viable reserves. When economically viable reserves have been determined, technical feasibility has been determined and the decision to proceed with development has been approved, the capitalized mineral property interest for that project, and subsequent costs incurred for the development of that project, are capitalized as mining properties, a component of property, plant and equipment.

Option-out agreements, where the Company is the operator, are accounted for by deducting the proceeds from the optionee from the expenditures made by the Company once title has been properly registered in the optionor's name. Until title has been registered in the optionee's name, the Company shows the amounts received as exploration advances liability.

The province of British Columbia has a Mineral Exploration Tax Credit ("METC"), whereby a company may receive a refundable tax credit of 20% or 30% for incurring qualified mineral exploration expenditures, for determining the existence, location, extent or quality of a mineral resource in the province of British Columbia. The Company recognizes METC as a reduction of exploration expenses in the period in which the qualifying expenditures are incurred. The amount ultimately recovered may be different from the amount initially recognized.

Development expenditures are net of the proceeds of the sale of ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete. The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as mineral property interests.

Impairment of long-lived asset

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The Company, and its subsidiaries, have determined the Canadian dollar to be their functional and reporting currency. Accordingly, monetary assets and liabilities denominated in foreign currencies are recorded in Canadian dollars, translated at the exchange rate in effect at the consolidated statement of financial position date and non-monetary assets and liabilities are translated at the exchange rates in effect at the transaction date. Revenues and expenses are translated at rates approximating the exchange rates in effect at the time of the transactions. All exchange gains and losses are included in profit or loss.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit or loss ("FVTPL"), loans and receivables, and AFS. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Held-to-maturity

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company has no assets classified as held-to-maturity.

Fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash is included in this category of financial assets.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method. Financial instruments classified as loans and receivables include cash equivalents, receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial instruments (continued)
Financial assets (continued)

Available-for-sale

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. The Company has no assets that are classified as AFS.

Financial liabilities

The Company classifies its financial liabilities as Borrowings and other financial liabilities. Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the consolidated statement of loss and comprehensive loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, and leases payable, if any.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Provision for closure and reclamation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The valuation of these liabilities requires the use of significant estimates (Note 2, Critical accounting estimates). Insofar as the amount of the obligation can be measured with sufficient reliability, the net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period recognized. The net present value of the rehabilitation obligation is calculated using a pre-tax discount rate that reflects the time value of money. Environmental monitoring and basic site-maintenance costs are treated as period costs, and are expensed in the period incurred.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, infrastructure or technology, discount rates and estimates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as accretion expense.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment is recorded at cost less accumulated depreciation, with depreciation calculated on a declining-balance basis at an annual rate of 30% for computer equipment and 20% for office furniture, and field equipment and 100% for software.

Income taxes

Income tax expense, consisting of current and deferred tax expense, is recognized in the consolidated statements of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred 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 deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share-based payments

The Company has a stock option plan that is described in Note 12. Share-based payments to employees are measured at the fair value of the instruments issued on the date of grant, and are amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to option reserve. Consideration received on the exercise of stock options is recorded as capital stock and the related option reserve is transferred to capital stock.

Capital stock

The Company records proceeds from share issuances, net of issue costs. Common shares issued for consideration other than cash, are valued based on their market value at the date of closing of the transaction.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Share splits or share consolidations, where each common share in the capital of the Company is exchanged for a certain number (or fraction) of a new share in the capital of the Company, are accounted for retroactively once they have been enacted, in order to present comparable information.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Unit offerings

Proceeds received on the issuance of units, consisting of non-flow-through common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

Flow-through shares

The Company has financed a portion of its exploration expenditures through the issuance of flow-through shares. Canadian income tax law permits the Company to transfer the tax deductibility of qualifying resource expenditures financed by such shares to the flow-through shareholders.

On issuance, the Company allocates the flow-through share proceeds into i) share capital, ii) warrants, if any, and iii) flow-through share premium, if any, using the residual value method. If investors pay a premium for the flow-through feature, it is recognized as a liability. Upon incurring qualifying expenditures, the Company reduces the liability and recognizes a flow-through share premium recovery. At the end of a period, the flow-through share premium liability consists of the portion of the premium on flow-through shares that corresponds to the portion of qualifying exploration expenditures that are expected to be properly incurred in the future.

Proceeds received from the issuance of flow-through shares are restricted to Canadian resource property exploration expenditures within a prescribed period. The portion of the proceeds received, but not yet expended at the year-end, is disclosed as the remaining commitment in Note 10.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations

The following new standards, and amendments to standards and interpretations, were first effective for the year ended December 31, 2017, and so have been applied in preparing these consolidated financial statements.

New accounting standards adopted by the Company

IAS 12 Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. As the Company has no debt instruments, this change had no impact on the financial statements.

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements.

Accounting standards issued and effective in future periods

IFRS 9 Financial Instruments

A finalized version of IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements for classification and measurement of financial assets and liabilities; impairment of financial assets; hedge accounting; and derecognition of financial assets and liabilities carried forward from IAS 39. This standard is effective for annual reporting periods beginning on or after January 1, 2018. The Company is in the process of determining the impact of IFRS 9 on its financial statements.

IFRS 16 Leases

A finalized version of IFRS 16 *Leases* replaces IAS 17 *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. This standard is effective for annual reporting periods beginning on or after January 1, 2019. The Company is in the process of determining the impact of IFRS 16 on its financial statements.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company classifies its financial instruments as follows: cash is classified as FVTPL; receivables are classified as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The Company’s risk exposure and the impact on the Company’s financial instruments are summarized below:

(expressed in Canadian dollars)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company manages credit risk, in respect of cash, by placing its cash with major Canadian financial institutions. Management believes that credit risk with respect to receivables is minimal, as the majority consists of amounts due from Canadian governmental agencies.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of interest rate risk, foreign currency risk and other price risk. As at December 31, 2017, the Company is not exposed to significant market risk.

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 cash 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.

All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2017.

5. RECEIVABLES

Receivables consist primarily of amounts due from governments in relation to refundable Mineral Exploration Tax Credits, or Goods and Services Tax.

	2017	2016
Mineral Exploration Tax Credits	$ 855,712	$ 556,953
Goods and Services Tax	389,438	138,170
Other	71,750	43,754
Total	$ 1,316,901	$ 738,877

(expressed in Canadian dollars)

6. DEPOSITS

Deposits are amounts placed as security, either in conjunction with a lease for office space, or as deposits with governments in order to help ensure that reclamation of sites is completed. Deposits relate to the following:

Deposits	Snip	Spectrum-GJ	Porter Idaho	Blackdome	Office	Total
December 31, 2015	$ -	$ 193,000	$ -	$ -	$ 100,000	$ 293,000
Additions	70,000	23,000	-	97,993	-	190,993
December 31, 2016	70,000	216,000	-	97,993	100,000	483,993
Additions	1,542,000	-	21,000	(4,493)	-	1,558,507
December 31, 2017	$ 1,612,000	$ 216,000	$ 21,000	$ 93,500	$ 100,000	$ 2,042,500

As part of the Mines Act permit covering the Snip property, the reclamation security required over the property is $2,870,000, in addition to an amount of $112,000 held as security at Snip in relation to recent activities. The second payment of $1,370,000 to complete the bonding requirement is due on June 30, 2018.

7. EXPLORATION AND EVALUATION INTERESTS

Snip Property, British Columbia, Canada

On April 7, 2016, the Company completed the first share payment under its option to acquire a 100% interest in the Snip gold mine from Barrick Gold Inc. (“Barrick”). The optioned property consists of one mining lease, holding the former Snip gold mine, and four mineral tenures totalling approximately 1,932 hectares. Pursuant to the option agreement, Skeena completed a work commitment of $2 million, issued 2,000,000 common shares to the vendor on April 7, 2016, and a further 1,250,000 shares on July 19, 2017 as the final condition to complete the exercise of the option. Consideration of $280,280 was allocated between the fair values of assets acquired and liabilities assumed, resulting in recognition of a liability of $649,534 for closure and reclamation costs and an asset of $924,382 as exploration and evaluation interests. A subsequent change in the ARO estimate led to a decrease of $5,432 in the ARO estimate and in the amount shown as Exploration and Evaluation Interests asset for Snip.

Barrick has retained a 1% net smelter return royalty (“NSR”) on the property. In addition, subject to Skeena delineating in excess of 2 million ounces of gold, Barrick may cancel the NSR and exercise its right to purchase a 51% interest in the property in exchange for paying the Company three times the costs incurred by the Company in exploring the property, following which the parties would form a joint venture and Barrick would relinquish its 1% NSR. In addition, an unrelated historic 3% royalty exists on gold recovered from ore containing at least 9.3 grams of gold per ton.

Spectrum-GJ Property, British Columbia, Canada

On October 27, 2014, the Company acquired a 100% interest in the Spectrum Property in exchange for 80,000,000 common shares valued at $6,000,000, together with an interest-free promissory note payable to Eilat Exploration Ltd. (“Eilat”) in the amount of $700,000 (Note 16). Of these shares, 64,000,000 common shares were issued to Eilat and 16,000,000 common shares were issued to Keewatin Consultants (2002) Inc. (“Keewatin”), a private company held by a director. The total acquisition cost for the Spectrum Property amounted to $6,862,175.

7. EXPLORATION AND EVALUATION INTERESTS (continued)

Spectrum-GJ Property, British Columbia, Canada (continued)

In June 2015, the Company entered into a letter of intent with Eros Resources Corp. ("Eros") to earn an 8.7% interest in the Spectrum property by spending $1,500,000 (spent) on exploration. The agreement contained exclusivity terms, and a conversion option. The funds were to be used exclusively for exploration activities that qualify as eligible Canadian Exploration Expenditures ("CEE"). Upon completion of the earn-in the parties were to negotiate a joint venture agreement, whereby the Company would continue to be the operator and Eros would contribute its proportionate share of funding to maintain its 8.7% interest in the property. Under the terms of the agreement, since the Company and Skeena did not negotiate a joint venture agreement, the 8.7% interest was converted to 25,000,000 common shares of the Company with a fair value of $2,000,000 in April 2016 (Notes 9, 12).

On November 4, 2015, the Company acquired an option to earn a 100% interest in the GJ Property in exchange for cash consideration of $500,000 and 12,947,538 common shares valued at $1,000,000. Pursuant to the terms of a purchase agreement, the Company committed to issue shares valued at $1,500,000 prior to November 4, 2017, shares valued at $1,500,000 prior to November 4, 2020, and a cash payment of $4,000,000 before commencement of commercial production from the GJ Property. Legal fees of $21,535 incurred in the acquisition of the GJ Property were capitalized.

The majority of claims that constitute GJ are subject to three different royalties varying from 1% to 3%. In each case the royalty may be halved by making a payment of $500,000, $1,000,000 or $2,000,000. A total of 5 mineral claims at GJ are subject to no royalty whatsoever.

Eskay Creek Property, British Columbia, Canada

On December 18, 2017, Skeena announced that it had secured an option to acquire 100% interest in the Eskay Creek property from Barrick Gold Inc. In order to earn the 100% interest, under the terms of the option agreement, Skeena must first incur $3,500,000 in exploration expenditures by December 18, 2020, of which $1,500,000 must be incurred by December 18, 2019. In addition, Skeena has agreed to pay Barrick $10,000,000; and to reimburse Barrick for reclamation expenditures incurred during the Option period; and to post security with the government to cover the reclamation bond amount on the Property, provided that the $10,000,000 payment will be reduced by the amount that the reclamation expenditures and reclamation bond amounts, in aggregate, exceed $7,700,000. This represents a total anticipated purchase price of $17,700,000 provided that the reclamation expenditures and reclamation bond amounts, in aggregate, do not exceed $17,700,000.

Barrick will retain a 1.0% NSR on all parts of the property which are not already subject to royalties. In addition, Barrick will maintain a back-in right to purchase a 51% interest in the property for a 12-month period following notification by Skeena of a NI 43-101 resource on the Property of at least 1,500,000 ounces of contained gold (or equivalent). Barrick may exercise this right by paying Skeena up to three times Skeena's cumulative expense on the project, reimbursing Skeena for the purchase price, and by assuming any bonding requirement for Barrick's proportionate interest, following which the parties will from a joint venture.

Porter Idaho Property, British Columbia, Canada

On September 22, 2016, the Company announced that it had successfully acquired all of the issued and outstanding common shares of Mount Rainey Silver Inc. ("Mount Rainey"), in exchange for 26,539,576 common shares of the Company, valued at $4,113,634. In addition, legal and property transfer costs of $184,624 were also capitalised as acquisition costs. Mount Rainey's primary asset is a portfolio of 46 Crown-granted mineral claims covering the past-producing, underground Prosperity – Porter Idaho – Silverado silver property located in the Golden Triangle of northwest British Columbia in the Skeena Mining Division.

(expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION INTERESTS (continued)

Porter Idaho Property, British Columbia, Canada (continued)

In addition, the Company obtained the Glacier Creek Claims, an additional 45 crown-granted claims covering approximately 1,630 acres located in the Glacier Creek / Albany Creek area on the east side of the Bear River Valley in British Columbia, together with 12 municipal lots located in Stewart, British Columbia. The Company determined that Mount Rainey was a group of assets that did not constitute a business, and so treated this transaction as an asset acquisition.

Blackdome Property, British Columbia, Canada

On September 15, 2016, the Company announced that it had successfully acquired all of the issued and outstanding common shares of Sona Resources Corporation (“Sona”), in exchange for 14,936,415 common shares of the Company. In addition, the Company issued 10 million warrants to three members of Sona management, in exchange for waiving their contractual severance requirements. Finally, the Company also issued 779,438 common share purchase options (Note 12) to replace Sona options that were cancelled. The Company determined that Blackdome and Elizabeth were a group of assets that did not constitute a business, and so has treated this transaction as an asset acquisition. Sona’s primary assets are the past-producing Blackdome gold mine and related infrastructure, and an option to earn a 100% interest in the adjoining Elizabeth property which is considered prospective for gold. In addition, $12 million in Canadian corporate income tax loss carry forwards were also acquired. Due to the age and condition of the related infrastructure, including a mill, mobile equipment and a camp, it was assigned zero value as part of the acquisition. As a result, the purchase price allocated to intangible exploration and evaluation interests increased to $4,630,015. Other assets and liabilities acquired in the transaction include cash and receivables ($20,279), bonds placed with the BC Ministry of Energy and Mines as security over reclamation obligations ($97,993), a provision for closure and reclamation ($430,301), and accounts payable and accrued liabilities ($692,821). A legal dispute was launched against Sona by the vendors of the Elizabeth property, alleging non-performance under the option agreements. The Supreme Court of British Columbia decided the matter in Skeena’s favour, but the vendors appealed the judgement. The appeal has now been heard by the Supreme Court and the Company is awaiting the Court’s decision. As a result, none of the total purchase consideration of $3,428,165 was allocated to the Elizabeth property.

Exploration and evaluation assets

	Snip	Spectrum-GJ	Eskay	Porter Idaho	Blackdome	Total
Total at Dec. 31, 2015	$ -	$ 8,383,710	$ -	$ -	$ -	$ 8,383,710
Share payments	190,000	500,000	-	4,113,634	2,091,098	6,894,732
Options & warrants	-	-	-	-	1,212,147	1,212,147
Assumption of liabilities	-	-	-	-	1,201,851	1,201,851
Costs	34,030	5,000	-	184,624	124,920	348,574
Total at Dec. 31, 2016	224,030	8,888,710	-	4,298,258	4,630,016	18,041,014
Share payments	56,250	1,500,000	-	-	-	1,556,250
Assumption of liabilities	644,102	-	-	-	36,817	680,919
Costs	-	-	250,000	-	-	250,000
Total at Dec. 31, 2017	$ 924,382	$ 10,388,710	$ 250,000	$ 4,298,258	$ 4,666,833	$ 20,528,183

(expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION INTERESTS (continued)

Exploration and evaluation expenses

2017	Blackdome	Porter Idaho	Spectrum	GJ	Snip	Total
Claim renewals and permits	$ 28,055	$ 14,705	$ 30	$ 2,184	$ 52,413	$ 97,387
Fieldwork, camp support and local office	4,407	17,173	18,095	15,512	3,215,485	3,270,672
Assays & analysis/storage	-	1,019	17,573	5,793	83,054	107,439
Community relations	788	-	29,053	29,118	43,544	102,503
Drilling	-	-	-	-	682,359	682,359
Environmental studies	29,935	-	24,427	36,085	215,993	306,440
Geology, geophysics, and geochemical	150,272	67,531	284,237	326,482	1,246,980	2,075,502
Fuel	-	-	-	-	219,143	219,143
Helicopter	-	17,402	39,079	-	811,393	867,874
Metallurgy	-	-	76,577	76,713	-	153,290
Electrical	-	-	-	-	300,834	300,834
Share based payments			27,666	27,666	27,666	82,998
BC METC recovery	-	(4,370)	(19,167)	(19,270)	(255,952)	(298,759)
Total, for the year ended December 31, 2017	$ 213,457	$ 113,460	$ 497,570	$ 500,283	$6,642,912	$7,967,682

2016	Blackdome	Porter Idaho	Spectrum	GJ	Snip	Total
Claim renewals and permits	$ 14,756	$ -	$ 19,524	$ 12,316	$ 47,132	$ 93,728
Fieldwork, camp support and local office	1,533	1,105	1,323,480	601,783	936,049	2,863,950
Assays and analysis/storage	-	834	157,441	50,606	118,865	327,746
Community relations	1,802	-	62,762	56,036	52,151	172,751
Drilling	-	-	966,963	305,249	717,559	1,989,771
Environmental studies	34,139	-	134,391	77,769	24,689	270,988
Geology, geophysics, and geochemical	30,245	25,678	716,132	409,610	415,428	1,597,093
Aviation Fuel	-	-	128,010	40,637	73,789	242,436
Helicopter	-	-	733,897	355,352	639,608	1,728,857
Metallurgy	-	-	27,827	27,827	-	55,654
Share based payments	-	-	243,006	132,712	95,947	471,665
BC METC recovery	(4,681)	(1,568)	(264,066)	(117,484)	(177,155)	(564,954)
Total, for the year ended December 31, 2016	$ 77,794	$ 26,049	$4,249,367	$1,952,413	$2,944,062	$9,249,685

(expressed in Canadian dollars)

8. EQUIPMENT

Cost	Computer Software	Computer Equipment	Field Equipment	Office Equipment	Total
Balance, December 31, 2015	$ -	$ 16,046	$ 2,893	$ 63,411	$ 82,350
Additions	-	9,596	86,040	32,205	158,378
Disposals	30,537	-	-	-	-
Balance, December 31, 2016	30,537	25,642	88,933	95,616	240,728
Additions	16,827	5,143	553,210	-	575,180
Disposals	-	(3,746)	-	-	(3,746)
Balance, December 31, 2017	**$ 47,364**	**$ 27,039**	**$ 642,143**	**$ 95,616**	**$ 812,162**
Accumulated Amortization					
Balance, December 31, 2015	$ -	$ 2,862	$ 291	$ 6,341	$ 9,494
Amortization	8,284	5,043	6,817	14,461	34,605
Disposals	-	(10,808)	(16,970)	(5,161)	(32,939)
Balance, December 31, 2016	8,284	7,905	7,108	20,802	44,099
Amortization	26,889	7,974	49,176	14,964	99,003
Disposals	-	(3,746)	-	-	(3,746)
Balance, December 31, 2017	**$ 35,173**	**$ 12,133**	**$ 56,284**	**$ 35,766**	**$ 139,356**
Carrying Value					
Balance, December 31, 2016	$ 22,253	$ 17,737	$ 81,825	$ 74,814	$ 196,629
Balance, December 31, 2017	**$ 12,191**	**$ 14,906**	**$ 585,859**	**$ 59,850**	**$ 672,806**

9. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel at the Company are the directors and officers of the Company. The remuneration of key management personnel during the years ended December 31, 2017 and 2016 is as follows:

	2017	**2016**
Short-term benefits[1]	$ 1,016,245	$ 837,080
Share-based payments	$ 611,353	$ 2,245,543

[1] Short-term benefits consist exclusively of salaries, bonuses, health benefits, if applicable, and consulting fees for key management personnel.

Other than the amounts disclosed above, there were no short-term employee benefits or share-based payments granted to key management personnel during the years ended December 31, 2017 and 2016.

(expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS (continued)

Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities at December 31, 2017 is $155,000 (2016 - $82,105) due to companies with common directors or officers, in relation to key management compensation noted above.

Capital transaction

In 2015, the Company received an exploration advance of $1,500,000 from Eros. As further described in Note 7, *Spectrum property*, Eros earned an 8.7% interest in the Spectrum property, which was subsequently converted to 25,000,000 common shares of the Company, on April 21, 2016. The Company and Eros share a common director and officer. See also Note 18, subsequent events.

10. FLOW-THROUGH SHARE PREMIUM LIABILITY

The following is a continuity schedule of the liability related to flow-through share issuances:

Balance at December 31, 2015	$	358,264
Creation of flow-through share premium liability on issuance of flow-through shares		855,294
Settlement of flow-through share premium liability pursuant to qualified expenditures		(1,091,941)
Balance at December 31, 2016		121,617
Creation of flow-through share premium liability on issuance of flow-through shares		2,185,885
Settlement of flow-through share premium liability pursuant to qualified expenditures		(1,501,951)
Balance at December 31, 2017	$	805,551

As a result of the issuances of flow-through shares on June 2, 2015 and November 6, 2015, the Company had a commitment to incur $7,220,500 in qualifying CEE on or before December 31, 2016, which was satisfied.

As a result of the issuances of flow-through shares in 2016, the Company had a commitment to incur $3,908,964 in qualifying CEE on or before December 31, 2017. As of December 31, 2016, the remaining commitment was $729,700, which was satisfied in 2017.

As a result of the issuances of flow-through shares in 2017, the Company had a commitment to incur $8,617,999 in qualifying CEE on or before December 31, 2018. As of December 31, 2017, the remaining commitment was $3,292,972.

(expressed in Canadian dollars)

11. PROVISION FOR CLOSURE AND RECLAMATION

The following is a continuity schedule of the provisions for closure and reclamation:

		Blackdome		Snip		Total
Balance at September 15, 2016	$	430,301	$	-	$	430,301
Accretion		2,000		-		2,000
Balance at December 31, 2016		432,301		-		432,301
Acquisition of liability		-		649,244		649,244
Work performed		(36,440)		(2,000)		(38,440)
Revision of estimate		36,817		(5,142)		31,675
Accretion		9,476		7,142		16,618
Balance at December 31, 2017	$	442,154	$	649,244	$	1,091,398

After acquiring the past-producing Blackdome Mine on September 15, 2016, the Company began gathering information in order to enable it to estimate the present value of its future closure and reclamation obligation. While road access the Blackdome Mine exists, safe access was hampered during the 2017 summer season due to wildfires in the area. As this information-gathering exercise is underway, the estimate of the closure and reclamation obligation is subject to additional uncertainty in both timing and amount of expenditures that may be required (Note 2 *Significant accounting estimates and judgment*).

Due to the water quality monitoring work that has been performed by Barrick, and the Company's activity on site, the Company was able to obtain more detailed information about the recently acquired Snip project in order to estimate the closure and reclamation obligation. The Company currently has a legal requirement to ensure the site stays in good condition. This obligation includes filing annual reports to government, monitoring the water quality at the site, and performing basic site maintenance. This legal requirement currently has no termination date, and so is effectively an obligation in perpetuity. As a result, the company uses a long term, 30-year government bond in order to determine the discount rate for the net present value calculation. In addition, the cost of water quality monitoring and basic site maintenance is treated as a period cost, and so does not form part of the provision for closure and reclamation. In contrast the government calculation for determining the bonding requirement is based upon different assumptions, costs and discount rates, resulting in a bonding amount that is materially different from the provision for closure and reclamation.

At its active exploration sites, the Company fulfils its site restoration obligations on an ongoing basis when a drill site is no longer required, and accordingly no liability is accrued for in relation to the Company's other properties. Management will continue to assess the provision for closure and reclamation as future exploration activity is undertaken.

12. CAPITAL STOCK AND RESERVES

Authorized – unlimited number of voting common shares without par value.

Share consolidation

On October 20, 2017, the Company completed a share consolidation, exchanging 10 pre-consolidation Skeena common shares for 1 post-consolidation Skeena common share. All common share figures quoted in these consolidated annual financial statements are post-consolidation common shares. As a result of the share consolidation, all securities convertible into pre-consolidation Skeena common shares (primarily options and warrants) became exercisable for 1/10th the number of post-consolidation Skeena common shares, and post-consolidation exercise prices became 10 times the pre-consolidation exercise prices. In addition, any payments of fixed-numbers of pre-consolidation Skeena common shares, generally under mineral property option agreements, were also adjusted to 1/10th the number of post-consolidation Skeena common shares.

Private placements

On several dates from June 29, 2016, to July 22, 2016, the Company raised gross proceeds of $9,372,291 by closing a private-placement financing in multiple tranches, issuing an aggregate 10,798,269 units consisting of 3,056,985 Flow Through ("FT") Units at a price of $1.04 per FT Unit and 7,741,284 Non-Flow Through ("NFT") Units at a price of $0.80 per NFT Unit. Each NFT Unit consists of one non-flow-through common share and one half of a non-flow-through warrant. Each FT Unit consists of one flow-through common share and one half of a non-flow-through warrant. Each whole warrant will be exercisable into one non-flow-through common share for a period of three years from closing at a price of $1.20 in the first year, $1.40 in the second year and $1.06 in the third year. Finders fees of $542,780 were paid in cash and 411,018 finders warrants were issued in conjunction with the financing. Finders warrants are exercisable at $1.00 for a period of two years from the date of issuance.

On December 23, 2016, the Company issued an aggregate 810,778 flow-through common shares at $0.90 per share for gross proceeds of $729,700. The Company paid a total of $53,618 in share issuance costs.

On June 13, 2017, the Company closed a private placement and issued (a) 8,132,923 Units on a non-flow-through basis at a price of $0.50 per Unit for gross proceeds of $4,066,462, and (b) 2,489,231 Units on a flow-through basis at a price of $0.65 per Unit for gross proceeds of $1,618,000, for aggregate gross proceeds of $5,684,462. The Company paid a total of $409,599 in share issuance costs, of which $62,962 was invested by finders in the private placement, resulting in the issuance of (c) 125,925 additional non-flow-through Units. Each Unit consisted of flow-through or non-flow-through common share of the Company, and one-half of one non-flow-through common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $1.00 until June 13, 2020.

On October 3 and 17, 2017, Skeena closed a strategic investment private placement financing in two private-placement tranches of $3 million each, raising total gross proceeds of $6 million, and paying total finder's fees of $420,000. 4,166,668 units were issued under each tranche of the financing at $0.72 per unit, for a total of 8,333,336 units. Each unit consisted of one flow-through common share and one half of one non-flow-through share purchase warrant. Each whole warrant is exercisable for a period of 2 years at a price of $1.00.

On December 22, 2017, Skeena closed a strategic investment private placement financing, raising gross proceeds of $1 million. 1,250,000 flow-through shares were issued with no finder's fees or warrants attached.

Additional shares were issued subsequent to year end (Note 18).

12. CAPITAL STOCK AND RESERVES (continued)

Acquisition offers

On September 15, 2016, the Company announced that it had completed the acquisition of all of the issued and outstanding common shares of Sona Resources Corp. ("Sona"), in exchange for 1,493,642 common shares of the Company (Note 7, "Blackdome property"). Holders of options to acquire common shares of Sona ("Sona Options") exchanged their 1,524,991 Sona Options for 77,944 options to acquire shares in the Company ("Skeena Options") at an exercise price of $11.74. Expiry dates were not changed. In addition, Skeena settled approximately $1 million of Sona's related-party accounts payable, in respect of wages due to Executive Officers of Sona, by the issuance of 1,000,000 non-transferable Skeena share purchase warrants exercisable for a period of three years at $1.00 per share.

On September 22, 2016, the Company announced that it had successfully acquired all of the issued and outstanding common shares of Mount Rainey Silver Inc. ("Mount Rainey"), in exchange for 2,653,958 common shares of the Company. (Note 7 *Porter Idaho property*)

Escrow shares

Under the policies of the TSX Venture Exchange (the "Exchange"), in 2014, an aggregate 9,901,845 common shares, 40,000 incentive stock options and 20,000 warrants to purchase common shares held by insiders of the Company were deposited with Computershare Investor Services Inc. as escrow agent to be released over a 36 month period. On May 9, 2016, the Company commenced trading as a Tier 1 issuer on the TSX-Venture Exchange. As a result, all of the shares remaining in escrow were released from escrow.

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 five years and vest at the discretion of the Board of Directors.

(expressed in Canadian dollars)

12. CAPITAL STOCK AND RESERVES (continued)

Property-option payments in shares

On April 28, 2017, the Company provided Barrick with notice of exercise of the Snip option, following which the Company issued to Barrick the final share payment of 125,000 shares (Note 7 - Snip Property) on July 19, 2017, and advanced funds to the province to provide security over the on-going costs of environmental monitoring at the site.

On November 7, 2017, in accordance with the 2015 Agreement for the Purchase of the GJ Property, the Company issued an aggregate of 2,884,059 common shares of the Company, with a total deemed value of $1.5 million, based on the Company's trailing 10-day volume-weighted-average trading price.

Share-based payments

On June 23, 2016, the Company granted 2,000,000 stock options to directors, officers, employees and consultants, exercisable at $1.00 per option until June 23, 2021. The options were valued using the Black-Scholes option pricing model and have a fair value of $1,458,915. 50,000 of the stock options were subject to vesting over one year with the balance vesting immediately.

On July 25, 2016, the Company granted 1,000,000 stock options to directors, officers, employees and consultants, exercisable at $1.50 per option until July 25, 2021. The options were valued using the Black-Scholes option pricing model and have a fair value of $1,306,629. 20,000 of the stock options are subject to vesting over one year with the balance vesting immediately.

On September 15, 2016, as part of the acquisition of Sona, the Company granted 77,944 stock options to consultants, exercisable at $11.74 with various lives (weighted average remaining life of 2.833 years at Dec 31, 2017). These options were issued to replace Sona options that were cancelled. The options were valued using the Black-Scholes option pricing model and have a fair value of $80,491.

On January 31, 2017, the Company granted 830,000 stock options to directors, officers, employees and consultants, exercisable at $1.00 per option until January 31, 2022. The options were valued using the Black-Scholes option pricing model and have a fair value of $672,083. 7,500 of the stock options are subject to vesting over one year with the balance vesting immediately.

Additional options were granted subsequent to year end (Note 18).

Stock option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

Risk-free interest rate	**2017**	**2016**
Expected life	5.0 yrs	3.8 to 5.0 yrs
Annualized volatility	135%	139%
Dividend rate	0.00%	0.00%
Fair value of a share at grant date	$0.95	$0.85, $01.50 & $01.70
Risk-free interest rate	1.11%	0.59% - 0.75%

(expressed in Canadian dollars)

12. CAPITAL STOCK AND RESERVES (continued)

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, 2015	4,039,700	$	1.00	1,470,000	$	1.00
Expired	(1,448,692)	$	1.00	(20,000)	$	1.00
Exercised	(2,591,008)	$	1.00	-	$	1.00
Issued/granted	6,810,153	$	1.10*	3,077,944	$	1.40
Outstanding, December 31, 2016	6,810,153	$	1.10	4,527,944	$	1.30
Expired	-	$	1.00	(122,500)	$	1.10
Issued/granted	9,540,706	$	1.00	830,000	$	1.00
Outstanding, December 31, 2017	16,350,859	$	1.13	5,235,444	$	1.25
Number exercisable, December 31, 2017	16,350,859	$	1.13	5,235,444	$	1.25

*Certain of the warrants issued increase their exercise price each anniversary.

The weighted average remaining contractual life of the stock options is 2.19 (2016 - 3.96) years.

As at December 31, 2017, incentive stock options and share purchase warrants were outstanding as follows:

	Number		Exercise Price	Expiry Date
Options	1,360,000	$	1.00	November 6, 2019
	60,000	$	1.00	January 29, 2020
	1,950,000	$	1.00	June 23, 2021
	980,000	$	1.50	July 25, 2021
	807,500	$	1.00	January 31, 2022
	77,944	$	11.74	Various – approx. 2.6 years left.
	5,235,444	$	1.00	
Warrants	411,018	$	0.80	June 29, 2018
	5,399,135	$	1.40*	June 29 to July 22, 2019
	1,000,000	$	1.00	September 15, 2019
	5,374,039	$	1.00	June 13, 2020
	4,166,667	$	1.00	October 6 to 16th, 2020
	16,350,859	$	1.10	

*$1.20 in year one, $1.40 in year two, $1.60 in year three.

Additional options were granted and additional warrants were issued subsequent to year end (Note 18).

(expressed in Canadian dollars)

12. CAPITAL STOCK AND RESERVES (continued)

As at December 31, 2016, incentive stock options and share purchase warrants were outstanding as follows:

	Number		Exercise Price	Expiry Date
Options	1,390,000	$	1.00	November 6, 2019
	60,000	$	1.00	January 29, 2020
	2,000,000	$	1.00	June 23, 2021
	1,000,000	$	1.50	July 25, 2021
	77,944	$	11.74	Various – approx. 2.6 years left.
	4,527,944	$	1.00	
Warrants	411,018	$	0.80	June 29, 2018
	5,399,135	$	1.40*	June 29 to July 22, 2019
	1,000,000	$	1.00	September 15, 2019
	6,810,153	$	1.10	

13. CAPITAL RISK MANAGEMENT

The Company manages its common shares, options and warrants as capital. As the Company is in the Exploration stage, its principal source of funds is from the issuance of common shares (See Note 1, Going Concern). When managing the capital structure, the Company's competing objectives are: to safeguard its ability to continue as a going concern in order to actively pursue the exploration and development of its projects; and to minimise the number of shares issued. The Company has not established any quantitative capital management criteria as the competing objectives require subjective analysis.

The Company is not subject to any externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size and stage of the Company, is reasonable. There has been no change to the Company's capital risk management approach for the year ended December 31, 2017.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Non-cash transactions and other supplemental disclosures:		**2017**		2016
Issuance of shares, warrants and options to acquire Sona	$	-	$	3,303,245
Issuance of shares to acquire Mt. Rainey	$	-	$	4,113,634
Issuance of shares for finder's fees in a private placement	$	62,962	$	-
Issuance of shares for mineral property interests	$	1,556,250	$	190,000

(expressed in Canadian dollars)

15. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.00% (2016 - 26.00%) to income before income taxes. The reasons for the differences are as follows:

	2017	2016
Loss for the year	$ (10,002,068)	$ (13,551,479)
Statutory income tax rate	26.00%	26.00%
Expected income tax benefit	(2,600,538)	(3,523,385)
Items not deductible for income tax purposes	181,903	717,561
Non-taxable items	(390,507)	(283,905)
Flow through share issuances	1,574,229	1,662,524
Unrecognized benefit of deferred tax assets	1,234,913	1,427,205
Income tax expense	$ -	$ -

The Company recognizes a deferred tax asset on unused tax losses or other deductible amounts only when the Company expects to have future taxable profit against which the amounts could be utilised. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2017	2016
Equipment	$ 127,908	$ 77,244
Share issuance costs	1,612,416	1,168,772
Net Capital losses	120,881	120,881
Non-capital losses carried forward	26,529,520	22,890,704
Exploration and evaluation	5,470,161	3,879,502
Unrecognized deductible temporary differences	$ 33,860,886	$ 28,137,103

(expressed in Canadian dollars)

15. INCOME TAXES (continued)

The Company's unrecognized unused non-capital tax losses have the following expiry dates:

	Canada	Mexico
2018	$ -	$ 2,189,000
2020	-	16,000
2021	-	53,000
2026	1,563,000	-
2027	1,440,000	-
2028	1,211,000	-
2029	1,356,000	-
2030	2,096,000	-
2031	1,643,000	-
2032	1,071,000	-
2033	1,011,000	-
2034	1,168,000	-
2035	3,191,000	-
2036	4,471,000	-
2037	4,051,000	-
	$ 24,272,000	$ 2,258,000

16. CONTINGENCY

Due to the nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues such items as liabilities when the amount can be reasonably estimated, and settlement of the matter is probable to require an outflow of future economic benefits from the Company.

Eilat, and related parties, have on a number of occasions asserted certain claims against the Company pertaining to the Asset Purchase Agreement ("APA") dated April 14, 2014 and April 27, 2015 governing the Company's purchase of the Spectrum property. The Company received formal notices of civil claims in relation to the APA, in April of 2016. Notably, no further steps have been taken by the litigant since bringing the claims. In the opinion of management, the outcome of these events is not determinable at this time, and these matters are not expected to have a material effect on the consolidated financial statements of the Company.

The Company has previously had operations in other countries, and has not yet completed the formal process of dissolution of the subsidiary company. There may be amounts owed by that subsidiary company, including mining concession fees unpaid since January 2014, estimated to be $100,000 per year, that are not probable to require an outflow of future economic benefits to satisfy. As a result, the Company has not accrued those amounts as liabilities.

(expressed in Canadian dollars)

17. COMMITMENTS

The Company entered into lease agreements for office premises that commenced January 1, 2016 and June 1, 2016 and expire December 31, 2025. The total lease payment pursuant to the agreement is $2,919,154 (including estimated operating expenses of $1,064,241). There are flexible arrangements with other companies that share rent and office expenses on a cost-recovery basis which will reduce the Company's share of this amount.

Office lease payments due within:		
1 year	$	289,400
1 - 3 Years		578,800
4 - 5 Years		600,000
After 5 years	$	900,300

Please refer also to Note 10 for a discussion of commitments related to the issuance of flow-through shares and to Note 9 for a commitment to spend advanced funds on CEE.

18. SUBSEQUENT EVENTS

On January 15, 2018, the Company granted 2,250,000 incentive stock options to directors, officers and employees of the Company. The options are exercisable at $0.77 and expire on January 15, 2023.

On March 29, 2018, the Company closed a brokered private placement financing, raising gross proceeds of $8,462,664. The Company issued 9,176,940 Units at a price of $0.60 per Unit for gross proceeds of $5,506,164, and 4,223,571 flow-through shares at a price of $0.70 per flow-through share for gross proceeds of $2,956,500. Each Unit consists of one non-flow-through common share of the Company and one-half of one non-flow-through common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one non-flow-through common share of the Company at a price of $0.90 until March 29, 2020. Eros Resources Corp., a related party, subscribed to this March 29, 2018 private placement for 1,428,571 shares of Skeena.