SKEENA
RESOURCES LTD.

(an exploration stage company)

Consolidated Financial Statements

Years ended December 31, 2016 and 2015

(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."	*"Andrew MacRitchie"*
Walter Coles, Jr. Chief Executive Officer	Andrew MacRitchie Chief Financial Officer

Vancouver, British Columbia
May 1, 2017

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 statement of financial position as at December 31, 2016, and the consolidated statements of loss and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the year 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 audit. We conducted our audit 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 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, 2016, and its financial performance and its cash flows for the year 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, 2016. 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.

Other matter

The consolidated financial statements of **Skeena Resources Limited** for the year ended December 31, 2015 were audited by another auditor, who expressed an unmodified opinion on those consolidated statements on April 29, 2016.

Ernst & Young LLP
Chartered Professional Accountants

Vancouver, Canada
May 1, 2017

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

	Note	December 31, 2016	December 31, 2015
ASSETS			
Current			
Cash and cash equivalents		$ 2,617,268	$ 3,557,252
Receivables		738,877	375,766
Prepaid expenses		220,713	86,156
		3,576,858	4,019,174
Deposits	5	483,993	293,000
Exploration and evaluation interests	6	18,041,014	8,383,710
Equipment	7	196,629	72,856
		$ 22,298,494	$ 12,768,740
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	$ 1,450,684	$ 543,168
Exploration advances	6,8	-	1,500,000
Flow-through share premium liability	9	121,617	358,264
		1,572,301	2,401,432
Provision for closure and reclamation	10	432,301	-
		2,004,602	2,401,432
SHAREHOLDERS' EQUITY			
Capital stock	11	60,241,924	40,956,304
Reserves	11	8,610,320	4,417,877
Deficit		(48,558,352)	(35,006,873)
		$ 22,298,494	$ 12,768,740

GOING CONCERN (NOTE 1)
SUBSEQUENT EVENTS (NOTE 17)

ON BEHALF OF THE BOARD OF DIRECTORS:

signed "Peter Tredger"
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		
			2016		2015
ADMINISTRATIVE EXPENSES					
Exploration and evaluation	6	$	9,249,685	$	6,667,976
Share-based payments	11		2,261,091		64,701
Consulting	8		646,174		449,502
Investor relations			690,574		652,199
Professional fees			469,359		198,275
Travel			202,503		215,762
Transfer agent and listing fees			81,357		19,370
Office and administration			147,746		101,528
Rent and other			202,351		39,154
Property research			486,286		142,691
Shareholder communications			23,018		41,764
Wages			175,085		42,565
Foreign exchange (gain) loss			(657)		13,307
Flow-through share premium recovery	9		(1,091,941)		(1,576,980)
Loss on disposition of equipment			-		4,872
Interest income			(25,757)		(15,493)
Amortization			34,605		8,961
Net loss and comprehensive loss for the year		$	(13,551,479)	$	(7,070,154)
Loss per share		$	(0.03)	$	(0.03)
Weighted average number of common shares outstanding			415,857,535		232,898,700

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		Reserves			Total Shareholders' Equity
	Shares	Amount	Options	Warrants	Deficit	
Balance at December 31, 2014	163,375,428	$ 31,191,109	$ 3,069,518	$ 1,356,018	$(28,009,079)	$ 7,607,566
Share-based payments	-	-	64,701	-	-	64,701
Mineral property interests	12,947,538	1,000,000	-	-	-	1,000,000
Expiry of share-based payments	-	-	(72,360)	-	72,360	-
Flow-through share premium	-	(1,715,885)	-	-	-	(1,715,885)
Private placements	147,411,540	11,283,500	-	-	-	11,283,500
Share issue costs	1,666,666	(802,420)	-	-	-	(802,420)
Loss for the year	-	-	-	-	(7,070,154)	(7,070,154)
Balance at December 31, 2015	325,401,172	40,956,304	3,061,859	1,356,018	(35,006,873)	10,367,308
Share issue costs	-	(946,821)	-	247,540	-	(699,281)
Property option payment - Snip	2,000,000	190,000	-	-	-	190,000
Acquisition of Sona Resources Corp.	14,936,415	2,091,098	80,491	1,131,656	-	3,303,245
Acquisition of Mount Rainey Silver Inc.	26,539,576	4,113,634	-	-	-	4,113,634
Acquisition of 8.7% interest in Spectrum	25,000,000	2,000,000	-	-	-	2,000,000
Private placements	116,090,467	10,101,992	-	-	-	10,101,992
Flow-through share premium	-	(855,291)	-	-	-	(855,291)
Warrant exercises	25,910,077	2,591,008	-	-	-	2,591,008
Share-based payments	-	-	2,732,756	-	-	2,732,756
Loss for the year	-	-	-	-	(13,551,479)	(13,551,479)
Balance at December 31, 2016	535,877,707	$ 60,241,924	$ 5,875,106	$ 2,735,214	$ (48,558,352)	$ 20,293,892

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	
	2016	**2015**
OPERATING ACTIVITIES		
Loss for the year	$ (13,551,479)	$ (7,070,154)
Items not effecting cash		
Amortization	34,605	8,961
Share-based payments	2,732,756	64,701
Flow-through recovery	(1,091,941)	(1,576,980)
Disposition of equipment	-	4,872
Changes in non-cash working capital		
Receivables	(361,460)	(308,485)
Prepaid expenses	(134,557)	(51,386)
Accounts payable and accrued liabilities	150,957	278,902
Net cash used in operating activities	(12,221,119)	(8,649,569)
FINANCING ACTIVITIES		
Proceeds from exploration advances	-	1,500,000
Proceeds from share issuance	9,427,774	10,481,080
Proceeds from warrant exercise	2,591,008	-
Net cash provided by financing activities	12,018,782	11,981,080
INVESTING ACTIVITIES		
Deposits	(93,000)	(273,000)
Purchase of equipment	(95,841)	(81,797)
Purchase of Sona Resources Corp and Mount Rainey Silver Inc.	(491,862)	-
Mineral property acquisition costs	(56,944)	(521,535)
Net cash used in investing activities	(737,647)	(876,332)
Change in cash and cash equivalents during the year	(939,984)	2,455,179
Cash and cash equivalents, beginning of the year	3,557,252	1,102,073
Cash and cash equivalents, end of the year	$ 2,617,268	$ 3,557,252

Supplemental Disclosure with Respect to Cash Flows (Note 13)

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

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.

		2016		2015
Working capital	**$**	**2,004,557**	$	1,617,742
Deficit	**$**	**(48,558,352)**	$	(35,006,873)

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, 2016.

The consolidated financial statements of Skeena Resources Ltd. for the year ended December 31, 2016 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on May 1, 2017.

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
Auric Resources Inc.	USA
Golden Trend Resources Inc.	USA
Mount Rainey Silver Inc.	Canada
Alphec Alpha Ecuador S.A.	Ecuador

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)

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 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 the fixed assets, none of the purchase price was allocated to non–monetary assets, with the exception of mineral properties.

- 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 involved uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumption, 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.

- 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.

3. BASIS OF PRESENTATION (Continued)

Significant accounting estimates and judgments (Continued)

Critical accounting judgments (continued)

- 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, economics assessment/studies, accessible facilities, existing permits and ability to continue 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.

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.

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and deposits.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Financial liabilities

The Company classifies its financial liabilities in the following category:

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, leases payable and the exploration advances.

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). The net present value of future monitoring and 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 obligation is calculated using a pre-tax discount rate that reflects the time value of money.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, 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 interest expense.

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, field equipment and vehicle.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 11. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss per share (continued)

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 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 and iii) a 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 flow-through share proceeds. See Note 9.

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.

New standards, amendments and interpretations not yet effective

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

Accounting standards issued and effective in future periods

IAS 7 Statement of Cash Flows – Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Company is currently evaluating the impact of this change on its financial statements. This standard is effective for annual reporting periods beginning on or after January 1, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards issued and effective in future periods (continued)

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, the company anticipates that this change will have no impact on the financial statements. This standard is effective for annual reporting periods beginning on or after January 1, 2017.
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 and deposits are classified as loans and receivables; and accounts payable and accrued liabilities and exploration advances, 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:

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, 2016, the Company is not exposed to significant market risk.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

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, 2016.

5. 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	Blackdome	Snip	Spectrum	GJ	Office	Total
December 31, 2014	$ -	$ -	$ 20,000	$ -	$ -	$ 20,000
Additions	-	-	70,000	103,000	100,000	273,000
December 31, 2015	-	-	90,000	103,000	100,000	293,000
Additions	97,993 -	70,000	-	23,000	-	190,993
December 31, 2016	$ 97,993	$ 70,000	$ 90,000	$ 126,000	$ 100,000	$ 483,993

6. 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 property consists of one mining lease, holding the former Snip gold mine, and four mineral tenures totalling approximately 1,932 hectares. Under the terms of the option agreement, 2,000,000 common shares were issued to the vendor on April 7, 2016, and a further 1,250,000 shares will be issued as the final condition to complete the exercise of the option. Pursuant to the agreement, a work commitment of $500,000 must be completed within the first 12 months and a work commitment of $1,500,000 must be completed within 30 months of signing the agreement. Both expenditure commitments have been met. In addition, Barrick retains either a 1% net smelter return royalty ("NSR") on the property, or, subject to Skeena delineating in excess of 2 million ounces of gold, Barrick may instead exercise the 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.

6. EXPLORATION AND EVALUATION INTERESTS (Continued)

Spectrum 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 15). 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.

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 8, 11).

GJ Property, British Columbia, Canada

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 in year two, shares valued at $1,500,000 on or before end of year five 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.

Prosperity – Porter Idaho – Silverado 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. 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 has treated this transaction as an asset acquisition.

6. EXPLORATION AND EVALUATION INTERESTS (Continued)

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 11) 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 against Sona by the vendors of the Elizabeth property, alleging non-performance under the option agreements, is currently being adjudicated before the Supreme Court and is being vigorously defended by Skeena. As a result, none of the total purchase consideration of $3,428,165 was allocated to the Elizabeth property.

Tropico Property, Mexico

In September 2010, the Company acquired a 100% interest in, and clear title to, the Tropico Property, in consideration for 800,000 common shares of the Company, valued at $400,000, and five-year warrants, which can be exercised to acquire an additional 800,000 common shares (expired), from Anthem Resources Incorporated, Almaden Minerals Corp. and Minera Cascabel S.A. de C.V, superseding all previous agreements. The total acquisition costs for the Tropico Property amounted to $686,784. Mining concession fees due twice a year from January 31, 2014 remain outstanding (Note 15) The Company recognized an impairment loss of $686,784 against the Tropico mineral properties during the year ended December 31, 2014, which has written down the property to $nil. In addition, related field equipment was written off.

Exploration and evaluation assets

	Snip	Spectrum	GJ	Porter Idaho	Blackdome	Total
Total at Dec. 31, 2014	$ -	$ 6,862,175	$ -	$ -	$ -	$ 6,862,175
Share payments	-	-	1,000,000	-	-	1,000,000
Cash payments	-	-	500,000	-	-	500,000
Costs	-	-	21,535	-	-	21,535
Total at Dec. 31, 2015	-	6,862,175	1,521,535	-	-	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	$ 7,362,175	$ 1,526,535	$ 4,298,258	$ 4,630,016	$ 18,041,014

6. EXPLORATION AND EVALUATION INTERESTS (Continued)

Exploration and evaluation expenses

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
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

2015	Blackdome	Porter Idaho	Spectrum	GJ	Tropico	Total
Claim renewals and permits	$ -	$ -	$ 130,343	$ 1,816	$ (91,117)	41,042
Fieldwork, camp support and local office	-	-	2,955,280	31,474	4,400	2,991,154
Assays & analysis/storage	-	-	379,023	-	-	379,023
Community relations	-	-	8,141	-	-	8,141
Drilling	-	-	2,099,549	-	-	2,099,549
Environmental studies	-	-	47,566	-	-	47,566
Geology, geophysics, and geochemical	-	-	1,028,898	24,630	-	1,053,528
Maps and reports	-	-	17,214	-	-	17,214
Road construction	-	-	17,620	13,139	-	30,759
Total, for the year ended December 31, 2015	$ -	$ -	$ 6,683,634	$ 71,059	$ (86,717)	$6,667,976

7. EQUIPMENT

Cost	Computer Software	Computer Equipment	Field Equipment	Office Equipment	Total
Balance, December 31, 2014	$ -	$ 12,229	$ 20,038	$ 5,945	$ 38,212
Additions	-	15,493	2,893	63,411	81,797
Disposals	-	(11,676)	(20,038)	(5,945)	(37,659)
Balance, December 31, 2015	-	16,046	2,893	63,411	82,350
Additions	30,537	9,596	86,040	32,205	158,378
Balance, December 31, 2016	**$ 30,537**	**$ 25,642**	**$ 88,933**	**$ 95,616**	**$ 240,728**
Accumulated Amortization					
Balance, December 31, 2014	$ -	$ 11,187	$ 16,971	$ 5,161	$ 33,319
Amortization	-	2,483	290	6,341	9,114
Disposals	-	(10,808)	(16,970)	(5,161)	(32,939)
Balance, December 31, 2015	-	2,862	291	6,341	9,494
Amortization	8,284	5,043	6,817	14,461	34,605
Balance, December 31, 2016	**$ 8,284**	**$ 7,905**	**$ 7,108**	**$ 20,802**	**$ 44,099**
Carrying Value					
Balance, December 31, 2015	$ -	$ 13,184	$ 2,602	$ 57,070	$ 72,856
Balance, December 31, 2016	**$ 22,253**	**$ 17,737**	**$ 81,825**	**$ 74,814**	**$ 196,629**

8. 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, 2016 and 2015 is as follows:

	2016	**2015**
Short-term benefits[1]	$ 837,080	$ 449,502
Share-based payments	$ 2,245,543	$ 43,918

[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, 2016 and 2015.

8. RELATED PARTY TRANSACTIONS (Continued)

Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities at December 31, 2016 is $82,105 (2015 - $37,055) due to directors or officers or companies with common directors or officers in relation to key management compensation noted above.

Capital transaction

In 2016, the Company received an exploration advance of $1,500,000 from Eros. As further described in Note 6, *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.

9. FLOW-THROUGH SHARE PREMIUM LIABILITY

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

Balance at December 31, 2014	$	219,360
Creation of flow-through share premium liability on issuance of flow-through shares		1,715,884
Settlement of flow-through share premium liability pursuant to qualified expenditures		(1,576,980)
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

As a result of the issuances of flow-through shares on October 27, 2014 and December 17, 2014, the Company had a commitment to incur $2,174,175 in qualifying CEE on or before December 31, 2015. As of December 31, 2014, the remaining commitment was $1,085,003.

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. As of December 31, 2015, the remaining commitment was $3,052,479.

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.

10. PROVISION FOR CLOSURE AND RECLAMATION

The following is a continuity schedule of the provision for closure and reclamation related to the Blackdome mine:

Balance at September 15, 2016	$	430,301
Accretion		2,000
Balance at December 31, 2016	$	432,301

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. 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*).

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

11. CAPITAL STOCK AND RESERVES

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

Private placements

In two tranches, on May 15, and June 2, 2015, the Company issued an aggregate 99,216,666 shares for proceeds of $6,598,000 consisting of 32,250,000 flow-through shares at a price of $0.08 per share and 66,966,666 non-flow-through shares at a price of $0.06 per share. The Company paid a total of $458,538 in share issuance costs in relation to the financing, including the issuance of 1,666,666 finders shares , with a fair value of $100,000.

On November 6, 2015, the Company issued an aggregate 48,194,874 shares for proceeds of $4,685,500 consisting of 47,594,874 flow-through shares at a price of $0.0975 per share and 600,000 non-flow-through shares at a price of $0.075 per share. The Company paid a total of $343,882 in share issuance costs in relation to the financing.

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 107,982,690 units consisting of 30,569,848 Flow Through ("FT") Units at a price of $0.104 per share and 77,412,842 Non-Flow Through ("NFT") Units at a price of $0.08 per share. 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 $0.12 in the first year, $0.14 in the second year and $0.16 in the third year. Finders fees of $542,780 were paid in cash and 4,110,183 finders warrants were issued in conjunction with the financing. Finders warrants are exercisable at $0.10 for a period of two years from the date of issuance.

On December 23, 2016, the Company issued an aggregate 8,107,777 flow-through common shares at $0.09 per share for gross proceeds of $729,700. The Company paid a total of $53,618 in share issuance costs.

11. 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 14,936,415 common shares of the Company (Note 6, "Blackdome property"). Holders of options to acquire common shares of Sona ("Sona Options") exchanged their 1,524,991 Sona Options for 779,438 options to acquire shares in the Company ("Skeena Options") at an exercise price of $1.1744. 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 10,000,000 non-transferable Skeena share purchase warrants exercisable for a period of three years at $0.10 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 26,539,576 common shares of the Company. (Note 6 *Prosperity – Porter Idaho – Silverado property*)

Escrow shares

Under the policies of the TSX Venture Exchange (the "Exchange"), an aggregate 99,018,452 common shares, 400,000 incentive stock options and 200,000 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. Those shares subject to the pooling agreement were to be forwarded to the pooling agent.

The common shares held by Eilat Exploration Ltd. ("Eilat") and Keewatin Consultants (2002) Inc. ("Keewatin") were subject to a pooling agreement that included a voting trust over such shares, which was controlled by the Company's chairman. Throughout the pooling period, the Company retained a right-of-first-offer to find a purchaser, at the prevailing volume-weighted average price on the Exchange, with respect to sales of blocks of common shares having a value of more than $250,000. After many attempts, Eilat was successful in having the pooling agreement set aside by a court of law.

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.

11. CAPITAL STOCK AND RESERVES (Continued)

Share-based payments

On January 29, 2015, the Company granted 600,000 stock options to an officer, exercisable at $0.10 per option until January 29, 2020. The options were valued using the Black-Scholes option pricing model and have a fair value of $43,918. On May 11, 2015, the Company granted 200,000 stock options to a consultant, exercisable at $0.10 per option until May 11, 2020. The options were valued using the Black-Scholes option pricing model and have a fair value of $11,049.

On June 23, 2016, the Company granted 20,000,000 stock options to directors, officers, employees and consultants, exercisable at $0.10 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. 500,000 of the stock options are subject to vesting over one year with the balance vesting immediately.

On July 25, 2016, the Company granted 10,000,000 stock options to directors, officers, employees and consultants, exercisable at $0.15 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. 200,000 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 779,438 stock options to consultants, exercisable at $1.1744 with various lives (weighted average remaining life of 4.083 years at Sept 30, 2016). 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.

Additional options were granted subsequent to year end (Note 17).

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	**2016**	**2015**
Expected life	3.8 to 5.0 yrs	5.0 yrs
Annualized volatility	139%	120%
Dividend rate	0.00%	0.00%
Fair value of a share at grant date	$0.085, $0.15 & $0.17	$0.07
Risk-free interest rate	0.59% - 0.75%	0.70%

11. 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, 2014	42,415,268	$	0.15	14,625,000	$	0.12
Expired	(2,018,268)		(2.50)	(725,000)	$	(0.75)
Issued/granted	-		-	800,000	$	0.10
Outstanding, December 31, 2015	40,397,000	$	0.10	14,700,000	$	0.10
Expired	(14,486,923)	$	0.10	(200,000)	$	0.10
Exercised	(25,910,077)	$	0.10	-	$	0.10
Issued/granted	68,101,528	$	0.11	30,779,438	$	0.14
Outstanding, December 31, 2016	68,101,528	$	0.11	45,279,438	$	0.13
Number exercisable, December 31, 2016	68,101,528	$	0.11	44,704,438	$	0.13

The weighted average remaining contractual life of the stock options is 3.96 (2015 -3.89) years.

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

	Number		Exercise Price	Expiry Date
Options	13,900,000	$	0.10	November 6, 2019
	600,000	$	0.10	January 29, 2020
	20,000,000	$	0.10	June 23, 2021
	10,000,000	$	0.15	July 25, 2021
	779,438	$	1.17	Various – approx. 3.6 years left.
	45,279,438	$	0.10	
Warrants	4,110,183	$	0.08	June 29, 2018
	53,991,345	$	0.12*	June 29 to July 22, 2019
	10,000,000	$	0.10	September 15, 2019
	68,101,528	$	0.11	

*$0.12 in year one, $0.14 in year two, $0.16 in year three.

11. CAPITAL STOCK AND RESERVES (Continued)

As at December 31, 2015, incentive stock options and share purchase warrants were outstanding as follows:

	Number		Exercise Price	Expiry Date
Options	13,900,000	$	0.10	November 6, 2019
	600,000	$	0.10	January 29, 2020
	200,000	$	0.10	May 11, 2020 (subsequently forfeited)
	14,700,000	$	0.10	
Warrants	40,397,000	$	0.10	October 27, 2016
	40,397,000	$	0.10	

12. 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, 2016.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Non-cash transactions and other supplemental disclosures:		**2016**		2015
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 finders fees in a private placement	$	-	$	100,000
Issuance of shares for mineral property interests	$	190,000	$	1,000,000
Interest paid	$	-	$	-
Income taxes paid	$	-	$	-

14. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.00% (2015 - 26.00%) to income before income taxes. The reasons for the differences are as follows:

	2016	2015
Loss for the year	$ (13,551,479)	$ (7,070,154)
Statutory income tax rate	26.00%	26.00%
Expected income tax benefit	(3,523,385)	(1,838,240)
Items not deductible for income tax purposes	717,561	16,633
Difference between Canadian and foreign tax rates	-	(298)
Non-taxable items	(283,905)	-
Flow through share issuances	1,662,524	
Changes in timing differences	-	1,565,619
Impact of foreign exchange on tax assets and liabilities	-	16,727
Unrecognized benefit of deferred tax assets	1,427,205	239,559
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:

	2016	2015
Equipment	$ 77,244	$ 44,786
Share issuance costs	1,168,772	831,546
Net Capital losses	120,881	120,881
Non-capital losses carried forward	22,890,704	6,958,203
Exploration and evaluation	3,879,502	2,043,388
Unrecognized deductible temporary differences	$ 28,137,103	$ 9,998,804

14. INCOME TAXES (Continued)

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

	Canada	Mexico	Ecuador
2018	$ -	$ 2,189,000	$ -
2020	-	16,000	-
2021	-	53,000	-
2026	2,576,000	-	-
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	3,870,000	-	-
	$ 20,633,000	$ 2,258,000	$ -

15. 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. 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 relevant subsidiary companies. There may be amounts owed by those subsidiary companies, 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.

16. 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		589,400
After 5 years	$	1,200,100

Please refer also to Note 9 for a discussion of commitments related to the issuance of flow-through shares and to Note 8 for a commitment to spend advanced funds on CEE.

17. SUBSEQUENT EVENTS

On January 31, 2017, the Company granted 8,300,000 incentive stock options to directors, officers and employees of the Company. The options are exercisable at $0.10 and expire on January 31, 2022.

On April 28, 2017, the Company provided Barrick with notice of exercise of the Snip option. The Companies will now work together to have title transferred, following which the Company will issue to Barrick the final share payment of 1,250,000 shares (Note 6).