



**SKEENA**  
RESOURCES LTD.

*(an exploration stage enterprise)*

**Condensed Interim Consolidated Financial Statements**

**Nine months ended September 30, 2018 and 2017**

*(Unaudited - expressed in Canadian Dollars)*

## NOTICE OF NO AUDITOR REVIEW

### NOTICE TO READERS

Under National Instrument 51-102, Part 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The condensed interim consolidated financial statements of Skeena Resources Limited (an exploration stage company) are the responsibility of the Company's management. The condensed interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles 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 Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

*"Walter Coles, Jr."*

Walter Coles, Jr.  
Chief Executive Officer

*"Andrew MacRitchie"*

Andrew MacRitchie  
Chief Financial Officer

Vancouver, British Columbia  
November 27, 2018

**SKEENA RESOURCES LIMITED***(an exploration stage enterprise)***CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited - expressed in Canadian dollars)

	Note	September 30, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 435,803	\$ 1,017,391
Receivables	5	3,086,287	1,316,901
Prepaid expenses		311,815	215,248
		3,833,905	2,549,540
Deposits	6	2,066,500	2,042,500
Exploration and evaluation interests	7	16,203,417	20,528,183
Marketable Securities	8	1,805,000	-
Equipment	9	672,226	672,806
		\$ 24,581,048	\$ 25,793,029
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	10	\$ 2,798,900	\$ 1,794,757
Flow-through share premium liability	11	551,555	805,551
		3,350,455	2,600,308
Provision for closure and reclamation	12	1,091,398	1,091,398
		4,441,853	3,691,706
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	13	78,638,658	71,362,300
Reserves	13	10,941,442	9,299,442
Deficit		(69,440,905)	(58,560,419)
		20,139,195	22,101,323
		\$ 24,581,048	\$ 25,793,029

**GOING CONCERN (NOTE 1)****SUBSEQUENT EVENT (NOTE 15)**

ON BEHALF OF THE BOARD OF DIRECTORS:

*signed "Ronald K. Netolitzky"*

Director

*signed "Donald Siemens"*

Director

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

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

(expressed in Canadian dollars)

	Note	For the three months ended September 30		For the nine months ended September 30	
		2018	2017	2018	2017
<b>ADMINISTRATIVE EXPENSES</b>					
Exploration and evaluation	7	\$ 2,935,231	\$ 2,617,241	\$ 7,467,237	\$ 4,419,827
Share-based payments	13, 10	-	-	1,166,000	606,123
Consulting	10	-	101,295	12,023	392,639
Investor relations		177,198	203,092	542,060	442,873
Professional fees		59,184	4,152	135,746	127,024
Rent and administration		47,909	53,173	149,854	171,584
Wages	10	218,593	53,124	571,753	165,961
Travel		12,060	15,525	48,455	71,756
Transfer agent and listing fees		1,917	2,893	25,893	30,646
Office and administration		31,072	23,491	210,183	90,708
Property research		2,250	242	62,904	60,175
Shareholder communications		305	205	30,601	9,750
Amortization		48,350	48,364	129,464	99,890
		3,534,069	3,122,797	10,552,173	6,688,956
<b>OTHER ITEMS</b>					
Foreign exchange loss (gain)		173	(6,185)	1,859	(1,502)
Flow-through share premium recovery	11	(266,387)	(30,255)	(676,353)	(151,873)
Interest income		(13,342)	(24,675)	(16,960)	(27,343)
Accretion	7,12	8,836	-	26,508	-
Unrealized gain on marketable securities	8	(332,500)	-	(332,500)	-
Impairment of mineral property interests	7	-	-	1,325,759	-
<b>Net loss and comprehensive loss for the period</b>					
		\$ (2,930,849)	\$ (3,061,682)	\$ (10,880,486)	\$ (6,508,238)
<b>Loss per share</b>					
		\$ (0.03)	\$ (0.05)	\$ (0.13)	\$ (0.11)
<b>Weighted average number of common shares outstanding</b>					
		90,328,548	64,435,032	86,808,969	57,912,552

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

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

(Unaudited - expressed in Canadian dollars)

	Capital Stock		Options	Reserves		Deficit	Total Shareholders' Equity
	Shares	Amount		Warrants	Total Reserves		
Balance at December 31, 2016	53,587,569	\$ 60,241,924	\$ 5,875,106	\$ 2,735,214	\$ 8,610,320	\$ (48,558,352)	\$ 20,293,892
Private placement	10,622,154	5,747,424	-	-	-	-	5,747,424
Share issue costs	125,925	(513,291)	-	-	-	-	(513,291)
Property option payment	125,000	56,250	-	-	-	-	56,250
Flow-through share premium	-	(373,385)	-	-	-	-	(373,385)
Option vesting	-	-	689,122	-	689,122	-	689,122
Loss for the nine months	-	-	-	-	-	(6,508,238)	(6,508,238)
Balance at Sept. 30, 2017	64,460,648	\$ 65,158,922	\$ 6,564,228	\$ 2,735,214	\$ 9,299,442	\$ (55,066,590)	\$ 19,391,774
Balance at December 31, 2017	76,928,037	71,362,300	6,564,228	2,735,214	9,299,442	(58,560,419)	22,101,323
Issue of shares, net of cost	13,400,511	7,276,358	-	-	-	-	7,276,358
Share issue costs	-	-	1,642,000	-	1,642,000	-	1,642,000
Loss for the nine months	-	-	-	-	-	(10,880,486)	(10,880,486)
Balance at Sept. 30, 2018	90,328,548	\$ 78,638,658	\$ 8,206,228	\$ 2,735,214	\$ 10,941,442	\$ (69,440,905)	\$ 20,139,195

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

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

(Unaudited - expressed in Canadian dollars)

	<b>For the nine months ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (10,880,486)	\$ (6,508,238)
Items not affecting cash		
Amortization	129,464	99,890
Accretion of reclamation liability	26,508	7,107
Share-based payments	1,642,000	689,122
Impairment of mineral property	1,325,759	-
Flow-through recovery	(676,353)	(151,873)
Unrealized gain on marketable securities	(332,500)	-
Changes in non-cash working capital		
Receivables	(269,386)	(93,284)
Prepaid expenses	(96,568)	(194,589)
Accounts payable and accrued liabilities	1,010,347	1,422,680
Net cash used in operating activities	(8,121,215)	(4,729,185)
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuance	7,698,715	5,234,133
Net cash used in financing activities	7,698,715	5,234,133
<b>INVESTING ACTIVITIES</b>		
Reclamation costs paid	-	(63,773)
Purchase of equipment	(135,088)	(508,950)
Deposits	(24,000)	(1,563,000)
Net cash (used in) investing activities	(159,088)	(2,135,723)
<b>Change in cash and cash equivalents during the period</b>	<b>(581,588)</b>	<b>(1,630,775)</b>
<b>Cash, beginning of the period</b>	<b>1,017,391</b>	<b>2,617,268</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 435,803</b>	<b>\$ 986,493</b>

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

## **SKEENA RESOURCES LIMITED**

*(an exploration stage enterprise)*

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2018 and 2017

(Unaudited - expressed in Canadian dollars)

#### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Skeena Resources Limited (the “Company”) is incorporated under the laws of the province of British Columbia, Canada, and its principal business activity is the exploration of mineral properties. The Company’s corporate office is located at Suite 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 of yet, achieved commercial production.

The condensed interim 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 funding 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.

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Working capital (deficiency)	\$ <b>483,450</b>	\$ (50,768)
Deficit	\$ <b>(69,440,905)</b>	\$ (58,560,419)

#### **2. BASIS OF PRESENTATION**

##### **Statement of Compliance and Accounting Policies**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, are in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and are consistent with interpretations by the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements have been prepared using the accounting policies as set out in the audited annual financial statements for the year ended December 31, 2017, with the adoption of updated policies described in Note 3. The disclosures which follow do not include all disclosures required for the annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2017.

The Board of Directors approved these condensed interim consolidated financial statements on November 27, 2018.

## **SKEENA RESOURCES LIMITED**

*(an exploration stage enterprise)*

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2018 and 2017

(Unaudited - expressed in Canadian dollars)

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## **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.

<b>100% Owned Subsidiaries</b>	<b>Location</b>
Skeena Mexico S.A. de C.V.	Mexico
Sona Resources Corp.	Canada
No. 75 Corporate Ventures Ltd.	Canada
Mount Rainey Silver Inc. until sold on August 15, 2018 (Note 7, Porter Idaho)	Canada

All significant intercompany balances and transactions have been eliminated.

### **Significant accounting estimates and judgments**

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

## **3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

The following new standards, and amendments to standards and interpretations, were not yet effective and have not been applied in preparing these condensed interim consolidated financial statements.

### **Accounting standards issued and effective January 1, 2019**

#### *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. The Company is in the process of determining the impact of IFRS 16 on its financial statements.



## **SKEENA RESOURCES LIMITED**

*(an exploration stage enterprise)*

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2018 and 2017

(Unaudited - expressed in Canadian dollars)

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#### **3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)**

Several amendments to existing accounting standards became effective January 1, 2018 and were first adopted by the Company in the nine-month period ended September 30, 2018:

##### *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 measured at fair value, this change had no impact on the financial statements.

##### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. As the Company does not have any revenue from customers, this change had no impact on the financial statements.

##### *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 change had no impact on the 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 and marketable securities are classified as FVTPL; receivables and deposits are classified as loans and receivables; and accounts payable and accrued liabilities and exploration advances, if any, 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, and secured receivables in relation to the sale of Mt. Rainey (Note 7, Porter Idaho).

##### **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 September 30, 2018.

## SKEENA RESOURCES LIMITED

(an exploration stage enterprise)

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018 and 2017

(Unaudited - expressed in Canadian dollars)

#### 4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

##### 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 September 30, 2018, the Company is not exposed to significant interest rate risk or foreign currency risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company's marketable securities are carried at market value, and are therefore directly affected by fluctuations in the market value of the underlying securities. Changes in market prices of securities in the portfolio can have a material effect on net income (loss). A 20% increase in the market price of the Company's marketable securities would have decreased the Company's net loss by \$361,000 (December 31, 2017 - \$nil). A 20% decrease in the market price of those securities would have increased the Company's net loss by the same amount.

#### 5. RECEIVABLES

Receivables consist primarily of amounts due from governments in relation to refundable Mineral Exploration Tax Credits, or Goods and Services Tax, and from StrikePoint (Note 7).

	2018	2017
Mineral Exploration Tax Credits	\$ 855,712	\$ 855,712
Goods and Services Tax	730,134	389,438
Due from StrikePoint (Note 7)	1,250,000	-
Other	250,441	71,750
Total	\$ 3,086,287	\$ 1,316,901

#### 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, 2016	\$ 70,000	\$ 216,000	\$ -	\$ 97,993	\$ 100,000	\$ 483,993
Additions/disposals	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
Additions/disposals	45,000	-	(21,000)	-	-	24,000
September 30, 2018	\$ 1,657,000	\$ 216,000	\$ -	\$ 93,500	\$ 100,000	\$ 2,066,500

As part of the Mines Act, the reclamation security required over the Snip property is \$2,982,000. The Company is currently in discussion with the Ministry of Energy, Mines and Petroleum Resources to quantify the anticipated reduction in reclamation security as a result of building an access road, and to determine the timing of payment of the remaining unfunded portion of the reclamation security.

## **SKEENA RESOURCES LIMITED**

*(an exploration stage enterprise)*

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2018 and 2017

(Unaudited - expressed in Canadian dollars)

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#### **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 200,000 common shares to the vendor on April 7, 2016, and a further 125,000 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. The closure and reclamation cost estimate is reviewed periodically, with any increase in the estimate being added to 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 and developing 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 0.3 ounces of gold per ton.

Subsequent to the period end, on October 19, 2018, Skeena entered into an agreement with Hochschild Mining Holdings Limited which included an option on a portion of Skeena's interest in the Snip Property, as well as a private placement financing through the sale of flow-through common shares. See Note 15, *Subsequent Event* for details.

##### ***GJ Property, British Columbia, Canada***

On October 27, 2014, the Company acquired a 100% interest in the Spectrum Property in exchange for 8,000,000 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 14). Of these shares, 6,400,000 common shares were issued to Eilat and 1,600,000 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.

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 1,294,753 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 (issued), 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.

## **SKEENA RESOURCES LIMITED**

*(an exploration stage enterprise)*

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2018 and 2017

(Unaudited - expressed in Canadian dollars)

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#### **7. EXPLORATION AND EVALUATION INTERESTS (CONTINUED)**

##### ***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 \$17.7 million. These funds will be first directed towards providing the government with security over the reclamation bond amount on the property, with any remaining amount being paid to Barrick as part of the purchase price.

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 form 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"). 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 treated this transaction as an asset acquisition.

During the second quarter of 2018, the Company received an offer to purchase the Porter Idaho Property for a value which was lower than the property's carrying value. The Company considered this an indicator of impairment and conducted an impairment assessment on the property. As a result of the impairment assessment, the Company recorded an impairment of the mineral property interest of \$1,325,759, reducing the carrying value of the property to \$2,972,499, the value of consideration receivable on the sale to StrikePoint Gold Inc. ("StrikePoint").

On August 15, 2018, the Company sold Mount Rainey to StrikePoint in exchange for 9,500,000 securities of StrikePoint (Note 8), and a series of cash payments totalling \$1,500,000 over a period ending December 31, 2019, and secured by a first claim over the issued and outstanding shares of Mount Rainey. In addition, Skeena holds a 1% NSR on the Property and StrikePoint has the option to buy back 0.5% at a price of \$750,000.

##### ***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 addition, \$12 million in Canadian corporate income tax loss carry forwards were also acquired along with a mill, mobile equipment and a camp. Due to the age and condition of the related infrastructure and equipment, it was assigned zero value as part of the acquisition.

**SKEENA RESOURCES LIMITED***(an exploration stage enterprise)***NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2018 and 2017

(Unaudited - expressed in Canadian dollars)

**7. EXPLORATION AND EVALUATION INTERESTS (continued)**

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. On September 28, 2018, the BC Court of Appeal rendered its reasons for judgment in the appeal of the trial decision. The BC Court of Appeal agreed with the majority of the factual findings and legal conclusions of the trial decision, including that the option agreements remain in full force and effect. The BC Court of Appeal directed the parties to make further submissions on the length of time that remains for Skeena to exercise its options rights under the Option Agreements. It is not yet known when the BC Court of Appeal will issue a decision on this issue. As a result of the court case, which was pending at the time of acquisition by Skeena, none of the total purchase consideration of \$3,428,165 was allocated to the Elizabeth property.

**Exploration and evaluation interests assets**

Acquisition costs have been capitalised as follows:

	Snip	GJ	Eskay	Porter Idaho	Blackdome	Total
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
Impairment	-	-	-	(1,325,759)	-	(1,325,759)
Adjust closure liability	(26,508)	-	-	-	-	(26,508)
Disposal on sale	-	-	-	(2,972,499)	-	(2,972,499)
Total at Sept. 30, 2018	\$ 897,874	\$ 10,388,710	\$ 250,000	\$ -	\$ 4,666,833	\$ 16,203,417

**Exploration and evaluation expenses**

Exploration and evaluation costs have been incurred as follows:

2018	Snip	GJ	Eskay	Porter Idaho	Blackdome	Total
Claim renewals and permits	\$ 164,191	\$ 8,461	\$ 43,109	\$ 22,931	\$ 97,302	\$ 335,994
Fieldwork, camp support and local office	1,782,739	5,975	358,896	236	8,332	2,156,178
Assays and analysis/storage	295,158	119	74,512	-	-	369,789
Community relations	45,994	2,250	2,250	-	-	50,494
Drilling	814,390	-	486,923	-	-	1,301,313
Environmental studies	11,342	19,690	44,528	-	537	76,097
Geology, geophysics, and geochemical	1,246,786	71,895	240,578	15,927	42,718	1,617,904
Fuel	166,501	-	19,018	-	-	185,519
Helicopter	381,590	-	360,866	-	5,371	747,827
Electrical	147,962	-	2,160	-	-	150,122
Share based payments	476,000	-	-	-	-	476,000
Total for the nine months ended Sept. 30, 2018	\$ 5,532,653	\$ 108,390	\$ 1,632,840	\$ 39,094	\$ 154,260	\$ 7,467,237

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**7. EXPLORATION AND EVALUATION INTERESTS (continued)**

<b>2017</b>	<b>Snip</b>	<b>GJ</b>	<b>Eskay</b>	<b>Porter Idaho</b>	<b>Blackdome</b>	<b>Total</b>
Claim renewals and permits	\$ 37,727	\$ 130	\$ -	\$ 14,705	\$ 10,287	\$ 62,849
Fieldwork & camp support	1,435,578	25,516	-	12,806	2,878	1,476,778
Assays and analysis/storage	3,478	23,366	-	161	-	27,005
Community relations	32,393	58,171	-	-	788	91,352
Environmental studies	117,238	58,085	-	-	32,709	208,032
Fuel	108,779	-	-	-	-	108,779
Geology, geophysics, and geochemical	692,107	594,233	-	42,051	173,759	1,502,150
Government relations	3,231	-	-	-	-	3,231
Helicopter	526,476	-	-	10,585	-	537,061
Metallurgy	-	152,350	-	-	-	152,350
Mine infrastructure	275,875	-	-	-	-	275,875
Share based payments	27,666	55,332	-	-	-	82,998
Cost recovery	(16,906)	(23,414)	-	(352)	(4,187)	(44,859)
Reduction of Asset Reclamation Obligation	-	-	-	-	(63,774)	(63,774)
Total for the nine months ended September 30, 2017	\$ 3,243,642	\$ 943,769	\$ -	\$ 79,956	\$ 152,460	\$ 4,419,827

**8. MARKETABLE SECURITIES**

On August 15, 2018, the Company sold Mount Rainey to StrikePoint in exchange for 9,500,000 securities of StrikePoint (the "StrikePoint Securities"), and a series of cash payments totalling \$1,500,000 (Note 7). The StrikePoint Securities consist of 7,100,000 common shares in the capital of StrikePoint, and 2,400,000 special warrants, that are convertible to common shares in the capital of StrikePoint for no additional consideration, provided that the conversion will not result in Skeena becoming an insider of StrikePoint. The StrikePoint special warrants received are valued on par with StrikePoint common shares given that they are convertible to common shares for a \$nil exercise price.

On August 15, 2018 the fair value of the StrikePoint Securities received was \$1,472,500, and increased to \$1,805,000 at September 30, 2018 due to an increase in StrikePoint's share price, resulting in an unrealized gain on marketable securities of \$332,500.

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**9. EQUIPMENT**

<b>Cost</b>	<b>Computer Software</b>	<b>Computer Equipment</b>	<b>Field Equipment</b>	<b>Office Equipment</b>	<b>Total</b>
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
Additions	10,488	51,704	66,692	-	128,884
<b>Balance, September 30, 2018</b>	<b>\$ 57,852</b>	<b>\$ 78,743</b>	<b>\$ 708,835</b>	<b>\$ 95,616</b>	<b>\$ 941,046</b>
<b>Accumulated Amortization</b>					
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
Amortization	13,116	11,773	95,597	8,978	129,464
<b>Balance, September 30, 2018</b>	<b>\$ 48,289</b>	<b>\$ 23,906</b>	<b>\$ 151,881</b>	<b>\$ 44,744</b>	<b>\$ 268,820</b>
<b>Carrying Value</b>					
Balance, December 31, 2017	\$ 12,191	\$ 14,906	\$ 585,859	\$ 59,850	\$ 672,806
<b>Balance, September 30, 2018</b>	<b>\$ 9,563</b>	<b>\$ 54,837</b>	<b>\$ 556,954</b>	<b>\$ 50,872</b>	<b>\$ 672,226</b>

**10. 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 periods is as follows:

	<b>Nine months ended</b>	
	<b>September 30, 2018</b>	<b>Nine months ended September 30, 2017</b>
Director remuneration <sup>1</sup>	\$ 142,125	\$ 58,500
Officer remuneration <sup>1</sup>	\$ 393,000	\$ 472,886
Share-based payments	\$ 1,352,477	\$ 611,353

<sup>1</sup> Remuneration consists exclusively of salaries, bonuses, health benefits, if applicable, and consulting fees.

Other than the amounts disclosed above, there were no short-term employee benefits or share-based payments granted to key management personnel during the nine months ended September 30, 2018 and 2017.

*Accounts payable and accrued liabilities*

Included in accounts payable and accrued liabilities at September 30, 2018 is \$37,000 (December 31, 2017 - \$155,000) due to directors or officers or companies with common directors or officers in relation to key management compensation noted above.

## SKEENA RESOURCES LIMITED

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#### 11. FLOW-THROUGH SHARE PREMIUM LIABILITY

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

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
Creation of flow-through share premium liability on issuance of flow-through shares		422,357
Settlement of flow-through share premium liability pursuant to qualified expenditures		(676,353)
<b>Balance at September 30, 2018</b>	\$	<b>551,555</b>

Issued in 2016: 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.

Issued 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 September 30, 2018, the remaining commitment was \$3,496,970.

Issued in 2018: As a result of the issuances of flow-through shares on March 29, 2018, the Company had a commitment to incur \$2,956,500 in qualifying CEE on or before December 31, 2019. As of September 30, 2018, the remaining commitment was \$348,139. See also Note 15, Subsequent Event.

#### 12. PROVISION FOR CLOSURE AND RECLAMATION

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

	Blackdome	Snip	Total
<b>Balance at December 31, 2016</b>	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
<b>Balance at December 31, 2017</b>	\$ 442,154	\$ 649,244	\$ 1,091,398
Accretion	15,795	10,713	26,508
Revision of liability estimate	(15,795)	(10,713)	(26,508)
<b>Balance at September 30, 2018</b>	\$ 442,154	\$ 649,244	\$ 1,091,398

The Company periodically updates information and inputs in order to enable it to refine its estimate of the present value of its future closure and reclamation obligation. The estimate of the closure and reclamation obligation is subject to uncertainty in both timing and amount of expenditures that may be required.

At its active above-ground exploration sites, the Company fulfils its drill-site restoration obligations on an on-going basis when a drill site is no longer required, and accordingly no liability has been accrued for in relation to the Companies other properties.



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### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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#### **13. CAPITAL STOCK AND RESERVES**

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

##### *Private placements*

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.

On March 29, 2018, the Company raised total gross proceeds of \$8,462,664. The Company issued 9,176,940 Units at a price of C\$0.60 per Unit for gross NFT proceeds of C\$5,506,164, and 4,223,571 FT Shares at a price of C\$0.70 per FT Share for gross FT proceeds of C\$2,956,500. Each Unit consists of one common share of the Company and one-half of one 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 C\$0.90 until March 29, 2020.

During the third quarter of 2018, the Company incurred share issuance costs of \$86,338, in relation to the Hochschild agreement (Note 15), which closed subsequent to September 30, 2018. Under the agreement with Hochschild, on October 19, 2018, Skeena raised gross proceeds of \$6,767,398 from the sale of 7,519,331 flow-through common shares of the Company at a price of \$0.90 per share.

##### *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.

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#### 13. CAPITAL STOCK AND RESERVES (continued)

##### *Escrow shares*

Under the policies of the TSX Venture Exchange (the "Exchange"), 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. 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.

##### *Share-based payments*

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. 75,000 of the stock options are subject to vesting over one year with the balance vesting immediately.

On January 15, 2018, the Company granted 2,250,000 stock options to directors, officers, employees and consultants, exercisable at \$0.77 per option until January 15, 2023. The options vested immediately, were valued using the Black-Scholes option pricing model and have a fair value of \$1,642,000.

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. Inputs used were as follows:

	2018	2017
Expected life	5.0 yrs	5.0 yrs
Annualized volatility	171%	135%
Dividend rate	0.00%	0.00%
Fair value of a share at grant date	\$0.77	\$0.95
Risk-free interest rate	1.99%	1.11%

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**13. CAPITAL STOCK AND RESERVES (continued)***Share-based payments (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, 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
Expired	(411,018)	\$ 0.80	-	-
Cancelled	-	-	(69,000)	\$ 0.82
Issued/granted	5,338,650	\$ 0.87	2,250,000	\$ 0.77
Outstanding, September 30, 2018	21,278,491	\$ 1.12	7,416,444	\$ 1.11
Number exercisable, September 30, 2018	21,278,491	\$ 1.12	7,416,444	\$ 1.11

The weighted average remaining contractual life of the stock options is 2.95 years (September 30, 2017 - 3.89 years).

The weighted average remaining contractual life of the warrants is 1.21 years (September 30, 2017 – 2.20 years).

As at September 30, 2018, incentive stock options and share purchase warrants were outstanding as follows:

	Number	Exercise Price	Expiry Date
<b>Options</b>	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
	792,500	\$ 1.00	January 31, 2022
	2,196,000	\$ 0.77	January 15, 2023
	77,944	\$ 11.74	Various – approx. 1.83 years left.
	7,416,444	\$ 1.11	
<b>Warrants</b>	2,364,500	\$ 1.60	June 29, 2019
	3,024,635	\$ 1.60	July 8 to 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 16, 2020
	750,180	\$ 0.70	March 29, 2019
	4,588,470	\$ 0.90	March 29, 2020
	21,278,491	\$ 1.12	

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#### **14. 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 for such items when a liability is probable, 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 an asset purchase agreement ("APA") dated April 14, 2014 and April 27, 2015 governing Skeena's acquisition 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 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.

#### **15. SUBSEQUENT EVENT**

On October 19, 2018, Skeena entered into an agreement with Hochschild Mining Holdings Limited ("Hochschild"). The agreement included an option to acquire a portion of Skeena's Snip Property, as well as a private placement financing through the sale of flow-through common shares.

Under the property option agreement, Skeena granted Hochschild an option to earn a 60% undivided interest in Snip located in the Golden Triangle of British Columbia (the "Option") by spending twice the amount Skeena has spent since it optioned Snip from Barrick. Hochschild will have three years to provide notice to Skeena that it wishes to exercise the Option. Once exercised, Hochschild shall then have three years (the "Option Period") to:

- incur expenditures on Snip that are no less than twice the amount of such expenditures incurred by Skeena from March 23, 2016 up until the time of exercise of the Option by Hochschild. (As of September 30 2018, Skeena had incurred C\$18.2 million of expenditures at Snip);
- incur no less than C\$7.5 million in exploration or development expenditures on Snip in each 12-month period of the Option Period; and
- provide 60% of the financial assurance required by governmental authorities for the Snip mining properties.

After completing a minimum spend of \$22,500,000, Hochschild may extend the Option Period by a further period of 12 months by making a cash payment to Skeena of \$1.0 million.

Concurrent with entering into the agreement with Hochschild, Skeena collected proceeds of \$6,767,398 from the sale of 7,519,331 flow-through common shares of the Company at a price of \$0.90 per share.