
SKEENA RESOURCES LIMITED
(an exploration stage company)

MANAGEMENT'S DISCUSSION & ANALYSIS – 4th QUARTER and ANNUAL 2005

The following Management's Discussion and Analysis ("MD&A"), prepared as of **April 26, 2006**, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2005, which are prepared in accordance with Canadian generally accepted accounting principles.

This information may contain forward-looking statements that involve inherent risks and uncertainties. The Company's actual results may differ significantly from those anticipated in the forward-looking statements and readers are cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to publicly release the results of any revisions to forward-looking statements that may be made to reflect events or circumstances after the above-stated date or to reflect the occurrence of unanticipated events.

Description of the Business and Overall Performance

Skeena Resources Limited ("the Company") is a mineral exploration stage corporation with two exploration properties in British Columbia, Canada and a gold exploration property at El Corazon, Ecuador, the latter being the Company's flagship project. The Company is a reporting issuer in British Columbia, Alberta, and Saskatchewan and trades on the TSX Venture Exchange under the symbol SKE.

The Company's wholly owned subsidiary, Alphec Alpha Ecuador S.A., holds the option interest in the El Corazon gold property in Ecuador acquired in 2004. During fiscal 2005, the Company undertook a program of mapping, trenching, 65 line kilometers of 3D induced polarization and ground magnetic surveys and approximately 6,000 metres of NQ diamond drilling in 31 holes.

An updated NI 43-101 evaluation report on the El Corazon project has been completed and a second round of drilling, designed to explore the depth extensions of the high-grade intercepts, is proposed for this year. After the drilling was completed, the camp was placed on care and maintenance and all of the portable equipment warehoused in Quito. The access road rehabilitation was completed in 2005 providing easier access to the camp and to the village of El Corazon. The Company's community relations program is under the direction of Alfredo Sebastia, managing director of Alphec Alpha Ecuador S.A. and continued throughout the winter months.

The El Corazon option agreement stipulates the issuance of 2.5 million shares of the Company to Alpha Oil Inc. on December 11, 2005. The shares were issued April 26, 2006. An up-dated 43-101 compliant geological summary and evaluation report was prepared by David F. Reid, P.Geo., the project manager for the drilling program. The report, SEDAR filed on April 26, 2006, includes detailed recommendations and a proposed budget for the next phase of drilling anticipated to commence shortly.

In July 2005, the Company completed a non-brokered private placement of 3,812,500 units to raise \$1,525,000. Each unit consists of one common share at \$0.40 per share and one two-year share purchase warrant exercisable at \$0.75 per share. Proceeds financed the drill program, campsite construction and road access improvements at the Company's El Corazon gold project. The Company will continue to seek out new quality advanced gold and base metal projects within Canada and internationally to enhance the portfolio of exploration properties.

Selected Annual Information

The following table sets forth selected annual information from the audited financial statements for the years ended December 31, 2005, 2004, and 2003:

Year ended	2005		2004		2003	
Loss	\$	⁽¹⁾ (1,089,764)	\$	(222,651)	\$	⁽⁴⁾ (599,093)
Basic & diluted loss per share	\$	(0.01)	\$	(0.01)	\$	(0.03)
Total assets	\$	⁽²⁾ 4,728,543	\$	⁽³⁾ 2,855,136	\$	⁽⁵⁾ 910,094
Long term debt		Nil		Nil		Nil
Cash dividends paid		Nil		Nil		Nil

- (1) includes \$ 336,864 stock-based compensation and \$411,976 in abandonment of the Ice claims in British Columbia.
- (2) increase in total assets from prior year is due to \$2,535,853 expenditures primarily on El Corazon property (\$2,419,312) which includes stock-based compensation of \$38,926 capitalized to the project and stock issued for mineral property interests valued at \$600,000 for El Corazon and \$82,000 for Blackhorn.
- (3) increase in total assets compared to December 31, 2003 is primarily as a result of a stock issue in consideration of \$1,150,000 and cash payments of \$377,250 for acquisition of El Corazon property; also, stock issued for cash proceeds of \$345,000 and net proceeds of \$390,000 of convertible debentures.
- (4) includes \$ 411,882 stock-based compensation.
- (5) increase in total assets as at December 31, 2003 is primarily as a result of net cash received of \$598,000 from a private placement.

Results of Operations

Being in the exploration stage, the Company does not have revenues from operations, and relies on equity funding for its continuing financial liquidity.

Loss for the year ended December 31, 2005

During the year ended December 31, 2005, the Company incurred losses of \$1,089,764 (2004 - \$222,651). The Ice project claims were returned to the vendor and \$411,976 of costs attributed to that project was written off (\$26,282 - 2004). General and administrative expenses were \$651,832 (2004 - \$198,171), of which \$336,864 (nil – no stock options were granted in 2004) were stock-based compensation. A conversion of Otish Mountain diamond exploration and property acquisition expenditures to shares in a public company resulted in a write down of marketable securities of \$37,938. Consulting fees of \$113,205 (\$76,988 - 2004) were paid for geological and management services. During the year, the Company incurred \$53,423 and \$20,000 in legal and financing fees, respectively, for a brokered financing the Company chose not to complete, and alternatively arranged a non-brokered private placement and raised \$1,525,000.

Cash flows for year ended December 31, 2005

In the year ended December 31, 2005, the Company raised \$2,152,000, of which \$99,000 was from exercise of options, \$528,000 from exercise of warrants and \$1,525,000 from the proceeds of a non-brokered private placement financing by way of issuing 3,812,500 shares. Commission costs for the financing of \$85,004 was netted against share capital. Cash expenditures (deferred) on resource properties (essentially all spent in Ecuador), was \$1,771,802 resulting in a decrease in cash of \$232,358 (increase in cash of \$147,800 – 2004) for a total cash of \$272,002 (\$504,360 – 2004). The number of issued and outstanding common shares increased during the year by 9,567,500 (2,675,000 – 2004) for a total of 37,098,616 (27,531,116 – 2004) common shares outstanding.

Capitalized property expenditures for year ended December 31, 2005

In the year ended December 31, 2005, the Company capitalized \$2,535,853 in property expenditures. The Company issued 200,000 common shares to the vendor of Blackhorn property and committed to issue 2,500,000 common shares to Alpha Oil at a value of \$82,000 and \$600,000 respectively. At El Corazon, the capitalized property value increased by \$2,419,312 (\$1,844,415 – 2004) for a total \$4,263,727 as per the table of Mineral Properties and Expenditures on Page 5. Of note, \$93,600 was spent to improve the road access to the project site, which also was a benefit to the villagers of El Corazon and a semi-permanent camp was constructed on site to house the workers at a cost of \$74,800.

Loss for the fourth quarter

During the quarter ended December 31, 2005, the Company incurred losses of \$11,375 (\$113,877), primarily consisting of an amendment to a stock-based compensation calculation and an adjustment for non-vested stock options, using the Black-Scholes method of determining fair value which is a combination of the discount rate of 5 year bond equivalent benchmark daily rates and tracking the closing prices of the Company's stock trades over a 20 week period in an attempt to measure volatility, resulting in a credit of \$57,565. Consulting fees of \$24,660 (\$19,500 - 2004) were paid for geological and management services.

Cash flows for the fourth quarter

During the quarter ended December 31, 2005, cash expenditures (deferred) on resource properties (all spent in Ecuador completing the drill program), were \$583,700 resulting in a decrease in cash of \$687,515 for a net total cash position at the year end of \$272,002 (\$504,360 – 2004). The number of issued and outstanding common shares did not change in the quarter.

Capital expenditures for the fourth quarter

During the quarter ended December 31, 2005, the Company committed to issue 2,500,000 common shares valued at \$600,000 to Alpha Oil pursuant to a 2004 option agreement for continuance of its exploration program at El Corazon in Ecuador. A further \$583,700 was spent on exploration during the quarter.

Risk of Doing Business

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The commercial viability of a mineral deposit is also dependent upon a number of factors which are beyond the Company's control. Some of these factors are the attributes of the mineral occurrences, commodity prices, market trends, cost of financing and country risks including uncertain political and economic environments, restrictions on export and repatriation of capital and profits.

The development of the El Corazon property requires licenses and permits from various levels of government. The Company believes that as it progresses in the future it will be able to obtain all necessary licenses and permits for continuing its exploration programs although there is no assurance of this. The Company intends to comply with all licenses and permits it acquires.

The El Corazon property is in a region of Ecuador where exploration and artisanal mining is being conducted. Within the Company's property boundaries, there is a lease that requires renewal in 2008. The Company believes it has been conducting business in a responsible and prudent manner and to date has been able to progress as planned. The majority of the Company's money is held in Canada and funds are transferred to Ecuador to meet current obligations. At present, inflation is not a material issue in Ecuador.

Summary of Quarterly Results

The following tables report selected financial information of the Company for the past eight quarters.

Quarter ended	31-Dec-05		30-Sep-05		30-Jun-05		31-Mar-05	
Capitalized property acquisition and exploration costs	\$	1,190,003 ⁽¹⁾	\$	275,580	\$	349,959	\$	302,835
Revenue ⁽⁵⁾		-		-		-		-
Loss for the quarter	\$	(11,375)	\$	(470,269) ⁽²⁾	\$	(146,644) ⁽³⁾	\$	(461,476) ⁽⁴⁾
Loss per share	\$	(0.00)	\$	(0.00)	\$	(0.00)	\$	(0.00)

Quarter ended	30-Dec-04		30-Sep-04		30-Jun-04		31-Mar-04	
Capitalized property acquisition and exploration costs	\$	1,738,726 ⁽⁶⁾	\$	-	\$	45,365	\$	(51,129)
Revenue ⁽⁵⁾		-		-		-		-
Loss for the quarter	\$	(113,877)	\$	(20,688)	\$	(59,007)	\$	(29,079)
Loss per share	\$	(0.00)	\$	(0.00)	\$	(0.00)	\$	(0.00)

(1) includes 2,500,000 capital stock valued at \$ 600,000 issued to Alpha Oil for continuance of the El Corazon option and \$594,155 in exploration expenditures at El Corazon to complete the drill program.

(2) includes \$ 411,976 in mineral property write-offs.

(3) includes \$ 33,657 stock based compensation

(4) includes \$ 306,722 stock-based compensation.

(5) this being an exploration company, there are no revenues.

(6) includes 2,500,000 capital stock valued at \$ 1,150,000 issued to Alpha Oil for acquisition of the El Corazon option.

The Company's financial statements have been prepared in accordance with generally accepted accounting principles in Canada and all amounts are expressed in Canadian dollars unless otherwise indicated.

Liquidity and Capital Resources

As at April 21, the Company has working capital of \$50,000 available for general usage. The cash on hand is considered sufficient to meet current obligations only. The Company will need to raise funds in order to pursue its exploration program in El Corazon.

The functional currency of the Company is the Canadian dollar and to date most new funding has been raised in Canadian dollars. The government of Ecuador uses the US dollar as its currency and all transactions in the country are done in US dollars. The Company is funding the El Corazon operation at an average rate of \$50,000 US a month mainly for camp costs, labour and administration. Contractors for drilling and two expatriate geologists were paid over and above the local costs.

Mineral Properties and Expenditures

At December 31, 2005, the Company's mineral properties and expenditures thereon were as follows:

	ICE PROJECT	BLACK HORN	RONOKE	EL CORAZON	TOTAL
BALANCE, DEC.31, 2004	\$ 390,087	\$ 30,323	\$ 12,903	\$ 1,844,415	\$ 2,277,728
ANALYTICAL SERVICES	-	-	-	57,576	57,576
DRILLING / TRENCHING	-	-	-	716,452	716,452
FIELD SUPPORT	-	-	-	468,560	468,560
GEOLOGY / GEOPHYSICS	-	-	-	261,480	261,480
LAND COSTS	21,889	94,652	-	593,457	709,998
LOCAL OFFICE	-	-	-	61,150	61,150
LEGAL	-	-	-	143,646	143,646
STOCK-BASED COMPENSATION	-	-	-	38,926	38,926
TRAVEL COSTS	-	-	-	78,065	78,065
COSTS FOR YEAR	21,889	94,652	-	2,419,312	2,535,853
TOTAL COSTS	411,976	124,975	12,903	4,263,727	4,813,581
RECOVERY	-	-	(5,500)	(5,500)	(5,500)
WRITE OFF OF MINERAL PROPERTY INTERESTS	(411,976)	-	-	-	(411,976)
BALANCE, DEC.31, 2005	\$ -	\$ 124,975	\$ 7,403	\$ 4,263,727	\$ 4,396,105

Mineral Exploration Projects***El Corazon gold project, Ecuador***

On July 03, 2003, Skeena announced that it had entered into a Letter of Intent to option an interest in the El Corazon gold project in Ecuador, South America. This road accessible property is located approximately 100 km by road northwest of Quito at an elevation of approximately 1,000 metres. The terms of the Agreement with Alpha Oil Inc. ("Alpha Oil"), a private British Columbia corporation, required the Company to issue five million of its common shares (2.5 million in year one – issued - and 2.5 million committed to be issued in year 2 – also issued), to assume all of Alpha's option obligations as outlined below and, subject to the Company completing a pre-feasibility study by the 4th anniversary of the agreement, pay \$1,500,000 (in cash or the equivalent value in common shares, at the Company's election) to earn 100% of Alpha's interest in the Project.

The Company operates in Ecuador via its wholly owned subsidiary, ALPHEC Alpha Ecuador SA ("ALPHEC"). ALPHEC has one employee, managing director Mr. Alfredo Sebastia, and one contract geologist, Mr. Franklin Saltos. ALPHEC may earn a 50% interest in the property held by the vendor group, Compañia AgroIndustrial El Corazon S.A. ("AgroIndustrial"), a private Ecuadorean company, by making certain expenditure commitments over 4 years, and providing certain technical advice and assistance to AgroIndustrial to operate their small, high-grade underground mine/mill facility. The AgroIndustrial operation will continue to function as a separate entity and will be confined to a limited, pre-determined area and vertical extent within the property, to a maximum of 50 tonnes per day, and to a cumulative total of 33,000 oz. of gold (by mill head-grade calculation). Additionally, the Company has a first right of refusal on any further capitalization of AgroIndustrial and the sale of any shares outside the present shareholder group.

Mineral Exploration Projects (El Corazon gold project, Ecuador, cont'd...)

The Company's agreement with AgroIndustrial and Alpha Oil is as follows:

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

* cash or shares, at Skeena's election.

** includes pre-feasibility study

The Company is the operator of the exploration project. All of the database and drill core are currently stored on site and are available to the Company.

Blackhorn Property, B.C. - gold

No field activities were undertaken on the project during 2005. In January of 2005, a title dispute arose on certain of the Blackhorn claims between the underlying owner and a third party. On July 14, 2005, the Company announced in a news release the resolution of the title dispute on Blackhorn mineral claims in favour of the Company's vendor. The Company took advantage of this decision to accelerate, and to significantly reduce the final acquisition cost to acquire a 100% interest in both the Blackhorn and Ronoke properties. A \$10,000 cash payment and the issuance of 200,000 shares were made in return for removal of the Net Smelter Return royalty interest and for canceling the cash payment and stock issuances due next year.

Ronoke Claims, B.C. - gold

The optionor, Crucible Resources Ltd., made option payments of \$5,500 during the year, but has missed a stock issuance to the Company valued at \$20,000; the date has been extended to July 1, 2006 with a penalty payment of \$5,000 due to the Company.

Ice Claims, Elkford District, S.E. British Columbia

During fiscal 2005, the Company returned the Ice Claims at Elkford in southeast British Columbia to the vendor, Doublestar Resources Ltd. and wrote off \$422,976 of capitalized costs attributed to this project. This was the Company's last remaining diamond exploration interest.

Related party transactions

During the fiscal 2005 year, the Company had monthly consulting service arrangements with two of its officers, one of whom is also a director. Cash paid or payable pursuant to these arrangements was \$82,000 and \$28,205; an additional \$3,000 was paid to a director for geological services for a total of \$113,205. Beginning in June 2005, a company with a common officer provides offices, reception and administrative duties, systems maintenance and office supplies on a shared basis among a group of public and private companies at a cost to the Company of \$2,100 a month.

Critical Accounting Estimates

Exploration property costs – The company records its interest in exploration properties at cost. The costs of acquiring mineral properties and related exploration and development expenditures are deferred and would be amortized against future production following commencement of commercial production or are written off if the properties are sold, allowed to lapse or abandoned. Management regularly reviews the net carrying value of each mineral property, and where management believes that the carrying value cannot be recovered, the carrying value is written down to fair value.

Stock-based compensation – Management is required to make significant estimates about future volatility and the period in which stock options will be exercised. The selection of the volatility factor, and the estimate of the period in which an option will be exercised will have a significant impact on the cost recognized for stock-based compensation. The estimates concerning volatility are made with reference to historical volatility, which is not necessarily an accurate indicator of volatility, which will be experienced in the future. Management assumes that stock options will remain unexercised until immediately prior to their expiry date, which may not be the case.

Other Management's Discussion and Analysis

1. Additional disclosure for venture issuers without significant revenue:

Capital Stock and Distributed Surplus as at April 26, 2006:

Authorized:

Unlimited common shares without par value

Issued:

39,598,616 common shares with a recorded capital stock value of \$11,764,871 and contributed surplus of \$876,206 for a total combined value of \$12,641,077.

Commitment to issue common shares:

2,500,000 common shares issued April 26, 2006 with respect to continuance of El Corazon property agreement (included in issued above for a value of \$600,000).

Warrants:

- 875,000 exercisable at \$0.58 in year 2, date of expiry December 13, 2006
- 1,592,500 exercisable at \$0.75 for 2 years, date of expiry June 25, 2007
- 2,220,000 exercisable at \$0.75 for 2 years, date of expiry July 16, 2007
- 157,800 exercisable at \$0.55 for 1 year, date of expiry June 25, 2006
- 130,500 exercisable at \$0.55 for 1 year, date of expiry July 16, 2006

2. Stock options:

Number	Exercise Price	Date of Expiry
1,605,000	\$0.30	November 21, 2008
950,000	\$0.52	February 18, 2010
100,000	\$0.54	April 15, 2010
300,000	\$0.25	December 21, 2010
<u>2,955,000</u>		

3. Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com.

4. The Company filed an up-dated Annual Information Form on SEDAR on May 5, 2005.

Other Information

List of Directors and Officers

Directors

J. Rupert Allan, *Vancouver, BC*
 Ronald K. Netolitzky, *Victoria, BC*
 Peter N. Tredger, *Vancouver, BC*
 Allan Lee Barker, *Whitby, Ontario*
 Kenneth E. MacNeill, *Saskatoon, SK*

Officers

J. Rupert Allan, P.Geol., President & CEO
 Robert V. Matthews, CFO
 Karen A. Allan, CMA, Corporate Secretary

Auditors:

Davidson & Company

Company solicitors:

DuMoulin & Black

Company banker:

HSBC Bank of Canada