
SKEENA RESOURCES LIMITED
(an exploration stage company)

MANAGEMENT'S DISCUSSION & ANALYSIS – 1st QUARTER

The following Management's Discussion and Analysis ("MD&A"), prepared as of **May 25, 2006**, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2005, and the interim consolidated financial statements for the 1st quarter ended March 31, 2006, 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 an option on 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, Alpec Alpha Ecuador S.A., ("Alpec") holds the option interest in the El Corazon gold property in Ecuador acquired in 2004.

During fiscal 2005, the Company undertook a program of toad rehabilitation, camp construction, 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.

The Company's community relations program continued throughout the winter months under the direction of Alfredo Sebastia, managing director of Alpec.

The El Corazon option agreement stipulates the issuance of 2.5 million shares of the Company to Alpha Oil Inc. on December 11, 2005. In this regard, an up-dated 43-101 compliant geological summary and evaluation report was prepared by David F. Reid, P.Geol., the project manager for the drilling program. Upon review of the technical report, the 2.5 million shares were issued to Alpha Oil Inc. on April 21, 2006, to ensure the continuance of the option agreement. The report includes detailed recommendations for a second round of drilling, designed to explore the depth extensions of several high-grade intercepts and a proposed budget for this next phase of drilling which is expected to commence this summer. A surface program consisting of surveying, trenching, sampling, mapping and core re-logging is currently underway with a view to refining & prioritizing the drill targets. Approximately 3,000 metres of diamond drilling is scheduled to commence early this summer contingent upon rig and crew availability. Preparation work on site is under way.

The Company is undertaking a non-brokered, best efforts private placement of up to \$1.25 million through the issuance of 5 million units comprised of one common share and one half of one share purchase warrant. Proceeds will finance the drill program at the Company's El Corazon gold project and general corporate purposes. The Company will continue to seek out new quality advanced gold and base metal projects within Canada and internationally to enhance its portfolio of exploration properties.

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 period ended March 31, 2006

During the period ended March 31, 2006, the Company incurred losses of \$47,318 (2005 - \$461,476). No stock options were granted during this period (\$360,772 of stock-based compensation – 2005). Consulting fees of \$26,240 (\$29,710 - 2005) were paid for geological and management services. In the prior year's corresponding quarter, the Company incurred \$34,302 and \$20,000 in legal and financing fees respectively for a financing the Company chose not to pursue further and alternatively arranged a private placement to ultimately raise \$1,525,000.

Cash flows for period ended March 31, 2006

In the period ended March 31, 2006, the Company had no stock issuances for cash (\$574,499 – 2005). Cash expenditures (deferred) on resource properties, all spent in Ecuador, were \$100,130 (\$302,835 – 2005) resulting in a decrease in cash of \$183,379 (increase in cash of \$48,073 – 2005) for a total cash of \$88,623 (\$552,433 – 2005). The number of issued and outstanding common shares did not change during the quarter (5,380,000 – 2005) for a total of 37,098,616 (32,911,116 – 2005) common shares outstanding.

Capitalized property expenditures for period ended March 31, 2006

In the period ended March 31, 2006, the Company capitalized \$100,130 in property expenditures (\$302,835 - 2005) all spent in Ecuador. Company stock of 2,500,000 common shares was committed for issuance to Alpha Oil at a value of \$600,000 in December 2005. Subsequent to the end of this quarter, on April 21, 2006, once satisfied with the technical report of the property, 2,500,000 common shares were issued to Alpha Oil to ensure the continuance of the El Corazon option agreement.

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. Currently, 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-Mar-06	31-Dec-05	30-Sep-05	30-Jun-05
Capitalized property acquisition and exploration costs	\$ (100,130)	\$ 1,090,003 ⁽¹⁾	\$ 275,581	\$ 349,959
Revenue ⁽⁵⁾	-	-	-	-
Loss for the quarter	\$ (47,319)	\$ (8,939)	\$ (470,267) ⁽²⁾	\$ (146,644) ⁽³⁾
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Quarter ended	31-Mar-05	30-Dec-04	30-Sep-04	30-Jun-04
Capitalized property acquisition and exploration costs	\$ 302,834	\$ 1,738,726 ⁽⁶⁾	\$ -	\$ 45,365
Revenue ⁽⁵⁾	-	-	-	-
Loss for the quarter	\$ (461,476) ⁽⁴⁾	\$ (113,877)	\$ (20,688)	\$ (59,007)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

(1) includes 2,500,000 capital stock valued at \$ 600,000 the Company committed to issue to Alpha Oil for continuance of the El Corazon option and \$594,155 in exploration expenditures 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 stage company, there are no revenues from operations.

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

All amounts are expressed in Canadian dollars unless otherwise indicated.

Liquidity and Capital Resources

As at May 26, the Company has working capital of \$60,000 available for general usage. The Company will need to raise funds in order to pursue its exploration program in El Corazon.

The Company expects to raise up to \$1.25 million through the issuance of 5 million units comprised of one common share and one half of one share purchase warrant. Proceeds will finance the drill program at the Company's El Corazon gold project and for general corporate purposes.

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 expatriate geologists are paid over and above the local costs.

Mineral Properties and Expenditures

At March 31, 2006, the Company's mineral properties and expenditures thereon were as follows:

	BLACKHORN	RONOKE	EL CORAZON	TOTAL
BALANCE, DEC.31, 2005	\$124,975	\$7403	\$4,263,727	\$4,396,105
ANALYTICAL SERVICES	-	-	19,381	19,381
DRILLING / TRENCHING	-	-	-	-
FIELD SUPPORT	-	-	6,398	6,398
GEOLOGY / GEOPHYSICS	-	-	23,571	23,571
LAND COSTS	-	-	-	-
LOCAL OFFICE	-	-	28,041	28,041
LEGAL	-	-	20,388	20,388
STOCK-BASED COMPENSATION	-	-	-	-
TRAVEL COSTS	-	-	2,351	2,351
COSTS FOR YEAR	-	-	100,129	100,129
TOTAL COSTS	124,975	7403	4,363,856	4,496,234
WRITE OFF OF MINERAL PROPERTY INTERESTS	-	-	-	-
BALANCE, MAR. 31, 2006	\$124,975	\$7,403	\$4,363,856	\$4,496,234

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 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 (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) 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 are as follows:

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

Transactions with related parties

The Company has monthly consulting service arrangements with two of its officers, one of whom is also a director. Cash paid or payable pursuant to these arrangements for the quarter ended March 31, 2006, was \$21,000 and \$5,250 for a total of \$26,250. 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 \$2,375 a month.

Disclosure controls and procedures

The Company's management, including the chief executive officer and chief financial officer, are responsible for establishing and maintaining disclosure controls and procedures for the Company, and have designed such disclosure controls and procedures, or caused them to be designed under the supervision of management, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiary, is made known to management by others within those entities, particularly during the period in which the interim filings are being prepared.

Other Management's Discussion and Analysis

1. Additional disclosure for venture issuers without significant revenue:

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

Authorized:

100,000,000 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.

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

1. 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
<u>300,000</u>	\$0.25	December 21, 2010
2,955,000		

2. Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website www.skeenaresources.com.
3. 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