

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **3<sup>RD</sup> QUARTER ENDED SEPTEMBER 30, 2010**

*This Management Discussion and Analysis (“MD&A”) is intended to supplement the Company’s interim consolidated financial statements for the nine months ended September 30, 2010 and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2009. This report is as at **November 26, 2010**.*

*The Company prepares and files its financial statements and MD&A in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). All amounts presented in this MD&A are in Canadian dollars unless otherwise indicated.*

*The above referenced financial statements and the Company’s other public filings can be found on SEDAR at ([www.sedar.com](http://www.sedar.com)).*

**November 26, 2010**

#### **OVERVIEW**

Skeena Resources Limited (“the Company”) is a mineral exploration stage corporation that owns a 100% interest in the Tropico copper-platinum-palladium-gold project in Sinaloa State, Mexico. The Company is a reporting issuer in British Columbia, Alberta and Saskatchewan. The Company trades on the TSX Venture Exchange under the symbol SKE.

#### **HIGHLIGHTS AND OVERALL PERFORMANCE**

During the quarter ended September 30, 2010, the Company advanced exploration programs on its recently acquired Tahte, Yukon property, a porphyry copper-molybdenum-gold target and its 100% owned property, Tropico, a copper-platinum-palladium-gold project in Mexico. Results are pending.

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**MINERAL PROPERTIES AND EXPENDITURES**

At September 30, 2010, the Company's mineral properties and expenditures thereon were as follows:

	METS, BC	TAHTE, YK	ANGLO- ROUYN, SK	EL CORAZON	MALPICA, MX	TROPICO, MX	TOTAL
BALANCE, DEC.31, 2008	\$ -	\$ -	\$ 186,043	\$ -	\$ 5,217,565	\$ 354,254	\$ 5,757,862
ANALYTICAL SERVICES	-	-	1,726	-	271	-	1,997
DRILLING/ TRENCHING	-	-	2,130	-	-	-	2,130
FIELD SUPPORT	-	-	263	7,893	39,719	-	47,875
GEOLOGY/ GEOPHYSICS	-	-	7,716	-	27,221	-	34,937
LAND COSTS	2,775	-	50,000	-	464,529	22,275	539,578
LEGAL/OTHER	2,407	-	-	-	67,216	-	69,624
TRAVEL COSTS	-	-	2,856	-	2,543	-	5,399
COSTS FOR YEAR	5,182	-	64,691	7,893	601,499	22,275	701,540
WRITE-OFF MIN. PROPERTY INTERESTS	-	-	(250,734)	(7,893)	(5,819,064)	-	(6,077,691)
BALANCE, DEC 31, 2009	\$ 5,182	\$ -	\$ -	\$ -	\$ -	\$ 376,529	\$ 381,711

	METS, BC	TAHTE, YK	ANGLO- ROUYN, SK	EL CORAZON	MALPICA, MX	TROPICO, MX	TOTAL
BALANCE, DEC 31, 2009	\$ 5,182	\$ -	\$ -	\$ -	\$ -	\$ 376,529	\$ 381,711
ANALYSIS	-	-	-	-	138	401	539
DRILLING/ TRENCHING	-	-	3,230	-	29,161	-	32,391
FIELD SUPPORT	-	14,515	-	-	(4,120)	28,835	39,230
GEOLOGY/ GEOPHYSICS	-	19,584	215	-	9,772	12,567	42,138
LAND COSTS	2,000	60,000	-	-	-	476,630	538,630
TRAVEL COSTS	-	-	-	-	3,942	4,670	8,612
COSTS FOR YEAR	2,000	94,099	3,445	-	38,893	523,103	661,540
WRITE-OFF MIN. PROPERTY INTERESTS	(7,182)	-	(3,445)	-	(38,893)	-	(49,520)
BALANCE, SEP 30, 2010	\$ -	\$ 94,099	\$ -	\$ -	\$ -	\$ 899,632	\$ 993,731

***Tropico Copper-Platinum-Palladium-Gold Project, Mexico***

The Company acquired the remaining minority interests from three underlying vendors in the previously optioned 27,329 hectare Tropico copper-platinum-palladium-gold project in Sinaloa State, Mexico to now own 100%.

The Tropico Project, located 25 kilometres north of Mazatlan, Sinaloa, Mexico, covers an east-west trending belt (1 to 3 km wide by greater than 19 km long) of layered mafic/ultramafic rocks that host a number of well documented copper-platinum-palladium-gold occurrences. An extensive program by the Santoy-Almaden joint venture, of soil sampling, ground geophysical surveys, machine trenching and diamond drilling was abruptly terminated prior to completion in 2002 due to depressed metal prices (Cu at \$0.75/lb., Pt at \$590/oz., Pd at

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\$230/oz., and Au at \$345/oz). The recent surge in metal prices (nearly quadruple the values that drove the initial rush in this area) has again made this a robust exploration play. The strengthened Canadian dollar and the superb local infrastructure (the main rail line, two paved highways, and two major power lines cross the property, and the deep water port of Mazatlan is within 30 km of the main occurrences) have further enhanced the potential for delineating a bulk tonnage open-pit polymetallic resource.

During the past four months the Company has completed 160 line kilometres of in-fill and extensions to the historic geochemical sampling grid with the acquisition of approximately 3,500 soil samples (generally at 50 metre sample intervals on 100 metre spaced grid lines). Analytical results for this material should be available from the laboratory by early December. Geologic mapping of the new grid area is in progress. A recently completed environmental investigation and report has been prepared by an independent Mazatlan-based environmental consulting company, Servicios Profesionales Nautilus, S.C., and submitted to SEMARNAT (Mexican Government Ministry of Environment). Permitting for machine trenching, drill road construction and diamond drilling is anticipated before the end of November. A machine trenching program, initially of 12 trenches totaling approximately 2,000 metres, is scheduled to commence at the beginning of December.

A compilation of all of the historic project data in conjunction with the new geologic mapping, the recently completed soil geochemical sampling results, information from the proposed trenching program, and the re-processed airborne geophysical data (1,000 line kilometers of 100 metre line spacing magnetic and DIGHEM electromagnetic survey) will be completed by early January. It is anticipated that an analysis of this work will result in a proposal for a 5-10,000 metre diamond drill program.

### ***Tahte Property, Yukon (porphyry copper-molybdenum-gold target)***

The Company entered into an option agreement on June 15<sup>th</sup>, 2010 with Cathro Resources Corp. to acquire a 100% undivided equity interest over four years in a copper porphyry prospect situated 40 kilometres south of Carmacks, Yukon pursuant to which the Company paid \$10,000 and is to issue 1,000,000 common shares. The vendor retains a 2% royalty, of which half (1%) may be purchased at any time for \$2,000,000. Payment terms of the agreement are as follows:

<u>Date</u>	<u>Payment terms</u>
June 15, 2011	\$75,000 in cash or equivalent shares at the Company's election
June 15, 2012	\$125,000 in cash or equivalent shares at the Company's election
June 15, 2013	\$175,000 in cash or equivalent shares at the Company's election
June 15, 2014	\$225,000 in cash or equivalent shares at the Company's election

During the Quarter, the Company undertook a reconnaissance prospecting, mapping and stream sediment geochemical sampling program; followed by re-logging and partially re-sampling of the historic drill core, the latter being available at the Government core library in Whitehorse. The re-logging has confirmed that Cu-Mo-Au mineralization is associated with silica, clay and sericite-pyrite alteration of a multi-phase intrusive complex (news release dated Nov. 8, 2010). Hole 1980-2 was essentially barren; however holes 1980-1 and 1980-3 encountered strongly anomalous Au, Cu, and Mo values over their full lengths with maximum values reaching 170ppb Au, 1,134 ppm Cu and 229 ppm Mo. The alteration, host rocks and metal values are consistent with porphyry-style mineralization.

The prospecting program discovered a new zone of porphyry-style molybdenum mineralization in bedrock and subcrop – now called the Ribbon Showing – located approximately one kilometer north of the historic drill holes described above. Grab samples of quartz-molybdenite veins up to 5 metres wide yielded assays of up to 1,835 ppm Mo (or 0.306 percent MoS<sub>2</sub>). Of additional importance, a broad area (greater than 500 metres by 1,000 metres) of

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pervasive silica-clay-sericite-pyrite alteration of intrusive rock was mapped in the area of the new showing and the historic holes.

Based on a review of the historic work, the three drill holes appear to have been drilled 60 metres apart on a single fence on the flank of a 1,500 metre-long induced polarization chargeability high (5 to 10 times background). The Company believes that the holes intersected only the marginal halo of a porphyry occurrence based on a classic zonation model for this type of deposit.

Skeena is pleased with the results of the 2010 program and would like to acknowledge the support of the Yukon Government which provided a grant of \$25,000 under the Yukon Mining Incentive Program.

Additional soil sampling, IP surveying, prospecting and geological mapping are warranted to define targets for future trenching and drilling.

## **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 at September 30, 2010***

During the 3<sup>rd</sup> quarter, the Company incurred losses of \$413,002 (2009 - \$87,194) and \$552,620 (2009 - \$208,966) for the nine months. The largest component of this is stock-based compensation of \$310,280, calculated using the Black-Scholes method of valuation for 4,525,000 stock options granted during the quarter and \$314,486 for the nine months, of which 3,850,000 vested immediately, and 675,000 investor relations' options vest over a year. Another 250,000 investor relation options awarded in January make up the balance of the stock-based compensation expense. Consulting fees for the quarter were \$25,050 (2009 - \$9,450) and \$56,025 (2009 - \$38,100) for the nine months. The Company paid \$17,700 (2009 - nil) for investor relations during the quarter and \$45,187 (2009 - \$4,154) for the nine months.

### ***Cash flows at September 30, 2010***

During the nine months, the Company raised \$1,067,500 by way of a private placement and issuing capital stock. During the quarter, the Company completed \$120,108 in mineral property cash expenditures and \$169,930 for the nine months.

**SUMMARY OF QUARTERLY RESULTS**

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

<b>Quarter ended</b>	<b>30-Sep-10</b>	<b>30-Jun-10</b>	<b>31-Mar-10</b>	<b>31-Dec-09</b>
Capitalized property acquisition and exploration costs	\$ 581,166 <sup>(1)</sup>	\$ 29,531	\$ 1,323	\$ (5,960,750) <sup>(3)</sup>
Revenue <sup>(5)</sup>	-	-	-	-
Gain (loss) for the quarter	\$ (413,002) <sup>(2)</sup>	\$ (71,034)	\$ (68,585)	\$ (5,808,617) <sup>(3)</sup>
Gain (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

<b>Quarter ended</b>	<b>30-Sep-09</b>	<b>30-Jun-09</b>	<b>31-Mar-09</b>	<b>31-Dec-08</b>
Capitalized property acquisition and exploration costs	\$ 39,840	\$ 190,051	\$ 354,708	\$ 79,971
Revenue <sup>(4)</sup>	-	-	-	-
Loss for the quarter	\$ (85,967)	\$ (19,979)	\$ (101,967)	\$ (376,686) <sup>(4)</sup>
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

<sup>(1)</sup> includes issue of 9,500,000 common shares valued at \$475,000 for mineral property acquisition;

<sup>(2)</sup> includes \$310,280 in stock-based compensation;

<sup>(3)</sup> includes write-off of mineral property interests of \$6,077,691;

<sup>(4)</sup> includes write-off of mineral property interests of \$212,533 and \$154,358 stock based compensation;

<sup>(5)</sup> this being an exploration stage company, there are no revenues from operations.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company had working capital of \$341,478 at September 30, 2010. The Company raised \$1,067,500 in June of 2010 by issuing 21,350,000 common shares and 21,350,000 warrants exercisable at \$0.10 for a period of 2 years. Although currently able to meet its immediate financial obligations, the Company will need to raise funds or secure financing in order to advance its exploration programs. The Company has been successful raising funds in the past but volatile market conditions can make the environment for raising additional equity financing unfavourable.

**TRANSACTIONS WITH RELATED PARTIES**

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- (a) During the fiscal year, the Company paid or accrued consulting fees of \$56,025 (2009 - \$38,100) to companies controlled by directors or officers.

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- (c) Included in accounts payable at September 30, 2010 is \$14,999 (December 31, 2009 - \$119,807), which is due to directors or officers or companies with common directors or officers.
- (e) The Company arranged a loan from a director for \$50,000 secured by a non-interest-bearing promissory note. The Company issued 200,000 bonus shares to the director as loan fees valued at \$10,000.
- (f) Loans for \$170,000 from two directors matured in January 2010 and repayment terms have been extended to June 30, 2011.

## **FORWARD LOOKING STATEMENTS**

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.

## **RISK FACTORS AND MANAGEMENT'S RESPONSIBILITY OVER FINANCIAL REPORTING**

### ***Risk Factors***

Development-stage mineral exploration companies face a variety of risks and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible.

Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and retains experienced consultants to assist in its risk management and to make timely adequate decisions.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties.

The price of the commodities being explored is also a significant risk factor, as a substantial decline in their price could result in a decision to abandon a specific project.

Environmental laws and regulation could also impact the viability of a project. The Company has ensured that it has complied with these regulations, but there can be changes in legislation outside the Company's control that could also add a risk factor to a project.

Finally, operating in a specific country has legal, political and currency risks that must be carefully considered to ensure their level is commensurate to the Company's assessment of the project.

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.

## **CORPORATE GOVERNANCE**

Management of the company is responsible for the preparation and presentation of the annual and interim consolidated financial statements and notes thereto and the accompanying MD&A and other information contained therein. Additionally, it is management's responsibility to ensure the company complies with the laws and regulations applicable to its activities.

The company's management is accountable to the Board of Directors ("Directors"), each member of which is elected annually by the shareholders of the company.

Responsibility for the reviewing and approving of the company's quarterly unaudited interim consolidated financial statements and related MD&A is delegated by the Directors to the Audit Committee, which is comprised of three directors, two of whom are independent of management; this meets requirements for TSX Venture Exchange issuers.

The consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

All relevant information related to the Corporation is filed electronically at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.skeenaresources.com](http://www.skeenaresources.com).

## **CHANGES IN ACCOUNTING POLICY**

### **International Financial Reporting Standards**

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises ("PAEs"). The effective changeover date is January 1, 2011, at which time Canadian GAAP will cease to apply for Skeena and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at January 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended December 31, 2011 with restated comparatives for the year ended December 31, 2010.

Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that will need to be addressed by management. As of the date of this report, the International Accounting Standards Board has projects underway that should result in new pronouncements; accordingly the Company is assessing the impact of the ultimate adoption of IFRS on the Company's consolidated financial statements. Management has

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considered key areas where IFRS transition may have an impact. During the next phase of transition a technical analysis will be conducted in order to identify potential financial impacts thereby providing the platform upon which decisions on accounting policy choices will be made. Management has reviewed its business systems and determined that they are capable of processing and recording the transitional period reporting requirements.

The International Accounting Standards Board will continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

### **Business Combinations, Non-controlling Interest and Consolidated Financial Statements**

For interim and annual financial statements relating to fiscal years beginning on or after July 1, 2011, the Company will be required to adopt new CICA Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*. Section 1582 replaces existing Section 1581, *Business Combinations*, and Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. The adoption of Sections 1582 and collectively Sections 1601 and 1602 provides the Canadian equivalent to IFRS 3, *Business Combination*, and International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements*, respectively. The impact of adopting these new standards has not yet been assessed and cannot reasonably be estimated at this time.

### **OTHER MANAGEMENT'S DISCUSSION AND ANALYSIS**

1. Additional disclosure for venture issuers without significant revenue:

#### ***Capital Stock and Distributed Surplus as November 26, 2010:***

Authorized:

Unlimited common shares without par value

Issued:

113,233,449 common shares

Warrants:

- 4,126,000 exercisable at \$0.25 for 2 years, date of expiry June 26, 2011 \*
- 3,925,000 exercisable at \$0.10 for 2 years, date of expiry February 27, 2011 \*\*
- 1,470,000 exercisable at \$0.10 for 2 years, date of expiry May 06, 2011 \*\*
- 567,000 exercisable at \$0.10 for 1 year, date of expiry June 17, 2011
- 21,350,000 exercisable at \$0.10 for 2 years, date of expiry June 17, 2012 \*\*
- 2,665,722 exercisable at \$0.10 for 2 years, date of expiry July 5, 2012 \*\*
- 4,000,000 exercisable at \$0.50 until September 1, 2012 and \$1.25 until September 1, 2015.

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\* warrants were extended by 12 months, and re-priced to \$0.25. An accelerator clause reduces the expiry date to 20 days if the stock trades at \$0.30 or greater for 10 consecutive business days.

\*\* An accelerator clause reduces the expiry date to 25 days if the stock trades at \$0.40 or greater for 10 consecutive business days.

38,103,722 total warrants

Stock options:

Number	Exercise Price	Date of Expiry
300,000	\$0.25	December 21, 2010
200,000	\$0.25	June 28, 2011
600,000	\$0.37	September 02, 2011
280,000	\$0.33	March 19, 2012
1,420,000	\$0.40	September 26, 2012
1,200,000	\$0.30	June 26, 2013
1,950,000	\$0.10	May 14, 2014
250,000	\$0.15	January 11, 2015
<u>4,525,000</u>	<u>\$0.10</u>	<u>September 22, 2015</u>
10,725,000		

Fully diluted:

**162,062,171****OTHER INFORMATION*****List of Directors and Officers******Directors***

J. Rupert Allan, *Vancouver, BC*  
Ronald K. Netolitzky, *Victoria, BC*  
Peter N. Tredger, *Vancouver, BC*  
David Stone, *Seattle, Washington*  
Alfredo Sebastia, *Quito, Ecuador*  
Steve Cook, *Vancouver, BC*

***Officers***

J. Rupert Allan, P.Geol., President & CEO  
Karen A. Allan, CMA, Corporate Secretary

***Auditors:***

Davidson &amp; Company

***Company solicitors:***

DuMoulin &amp; Black

***Company banker:***

HSBC Bank of Canada