

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **1<sup>st</sup> QUARTER ENDED MARCH 31, 2011**

*This Management Discussion and Analysis (“MD&A”) is intended to supplement the Company’s interim consolidated financial statements for the three months ended March 31, 2011 and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2010. This report is as at **June 28, 2011**.*

*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)).*

**June 28, 2011**

#### **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 March 31, 2011, the Company focused its attention on advancing the exploration program on its 100% owned Tropico property, a copper-platinum-palladium-gold project in Mexico. A 5,000 metre drill program is in its final stages of completion.

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**MINERAL PROPERTIES AND EXPENDITURES**

At March 31, 2011, the Company's mineral properties and expenditures thereon were as follows:

	METS, BC	TAHTE, YK	ANGLO- ROUYN, SK	MALPICA, MX	TROPICO, MX	TOTAL
<b>BALANCE, DEC 31, 2009</b>	\$ 5,182	\$ -	\$ -	\$ -	\$ 376,529	\$ 381,711
ANALYSIS	-	-	-	138	401	539
DRILLING/ TRENCHING	-	-	3,230	9,304	-	12,534
FIELD SUPPORT	-	14,515	-	(4,120)	256,427	266,822
GEOLOGY/ GEOPHYSICS	-	24,582	215	9,772	28,979	63,548
LAND COSTS	2,000	61,977	-	-	569,085	633,062
COMMUNITY RELATIONS	-	-	-	-	25,191	25,191
TRAVEL COSTS	-	-	-	3,942	10,733	14,675
<b>COSTS FOR YEAR</b>	<b>2,000</b>	<b>101,074</b>	<b>3,445</b>	<b>19,036</b>	<b>890,816</b>	<b>1,016,371</b>
QUIT CLAIM	-	(26,700)	-	-	-	(26,700)
CANCELLATION OF SHARES	-	(50,000)	-	-	-	(50,000)
GOVT. GRANTS WRITE-OFF MIN. PROPERTY INTERESTS	(7,182)	(5,521)	(3,445)	(19,036)	-	(35,184)
	(7,182)	(101,074)	(3,445)	(19,036)	-	(130,737)
<b>BALANCE, DEC 31, 2010</b>	\$ -	\$ -	\$ -	\$ -	\$ 1,267,345	\$ 1,267,345
DRILLING/ TRENCHING	-	-	-	-	11,409	11,409
FIELD SUPPORT	-	-	-	-	2,703	2,703
GEOLOGY/ GEOPHYSICS	-	-	-	-	58,155	58,155
LAND COSTS	-	-	-	-	19,466	19,466
COMMUNITY RELATIONS	-	-	-	-	14,755	14,755
ENVIRONMENTAL & LEGAL	-	-	-	-	1,092	1,092
TRAVEL COSTS	-	-	-	-	6,581	6,581
<b>COSTS FOR YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114,161</b>	<b>114,161</b>
<b>BALANCE, MAR 31, 2011</b>	\$ -	\$ -	\$ -	\$ -	\$ 1,381,506	\$ 1,381,506

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

In 2010, 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 in order to own the property 100%.

A 2% NSR royalty interest is reserved for the Virginia Energy – Almaden Joint Venture on certain of the lands within the original JV, with half of that interest purchasable for fair market value upon presentation of a feasibility study. A 2% NSR royalty interest is also reserved for Minera Cascabel on the area of that mineral concession

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known as San Pablo.

The Tropico Project, located 25 kilometres north of Mazatlan, Sinaloa, Mexico, covers an east-west trending belt (1 to 3 kilometres 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 \$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 kilometres of the main occurrences) have further enhanced the potential for delineating a bulk tonnage open-pit polymetallic resource.

During the late summer and fall of 2010, the Company 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). Geologic mapping of the new grid area is in progress. An 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).

A compilation of all of the historic project data in conjunction with the new geologic mapping, the recently completed soil geochemical sampling results, and the re-processed airborne geophysical data (1,000 line kilometers of 100 metre line spacing magnetic and DIGHEM electromagnetic survey) is nearing completion.

In March 2011 Skeena awarded an initial contract for 5,000 metres of NQ diameter core drilling to Maza Diamond Drilling of Mazatlan. Sample preparation is being done in Guadalajara, Mexico and the final laboratory analyses is undertaken at Acme Laboratories in Vancouver.

Drilling is being directed at the five-kilometre-long Maricela-San Pablo zone, which has previously been explored by 22 trenches and 18 drill holes, and the 1.5-kilometre-long El Pochote zone, which has been investigated by four trenches and two drill holes.

Within the nearly vertically dipping Maricela-San Pablo zone, gaps of 900 metres (at the west end of the zone), 800 metres (internally) and 1,000 metres (at the east-northeast end of the zone) have not previously been tested by drilling. All three of these gaps exhibit good geophysical/geological continuity with the main zone, are characterized by numerous trenches with excellent assay results, or display strongly anomalous Cu-Pt-Pd-Au soil geochemical values along their lengths.

To date, 17 holes totaling 4,023 metres have been completed out of 21 or 22 proposed holes. Results from the first 11 holes were released May 30<sup>th</sup> and June 13<sup>th</sup>, 2011. It is anticipated that this first stage of drilling will be completed by mid July.

Within the central portion of the Maricela-San Pablo zone, up to four parallel 16-metre to greater than 60-metre thick horizons of mineralized pyroxenite, interspersed with barren gabbro, have been drill intersected, each yielding 0.2 to 0.5 per cent copper, from 0.2 gram per tonne to 0.6 gram per tonne platinum, + palladium + gold (PGM) and an average silver content of two g/t. The two pyroxenite bands on the north side appear to have good

continuity over a strike length of at least 2.5 kilometres. The two horizons on the south side are less well investigated at this stage but are interpreted to have continuity over a strike length of at least 1.5 kilometres.

## 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 March 31, 2011**

During the 1<sup>st</sup> quarter, the Company incurred losses of \$95,986 (2010 - \$68,584). The Company paid \$17,700 (2010 – \$14,287) for investor relations during the quarter, \$25,050 (2010 – \$16,425) for consulting and management fees and recorded stock based compensation of \$13,200 (2010 - \$6,721), a calculation made using the Black-Scholes basis of valuation.

### **Cash flows at March 31, 2011**

During the 1<sup>st</sup> quarter, the Company issued 7,550,000 common shares for cash proceeds of \$755,000 from the exercise of warrants. During the quarter ended March 31, 2011, the Company had cash expenditures of \$92,416 in mineral property interests and received \$26,700 in property payments due from the Tahte Quit Claim agreements. During the quarter ended March 31, 2011, the Company repaid \$170,000 to extinguish loans held by two directors.

## SUMMARY OF QUARTERLY RESULTS

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

<b>Quarter ended</b>	<b>31-Mar-11<sup>(5)</sup></b>	<b>31-Dec-10<sup>(5)</sup></b>	<b>30-Sep-10<sup>(5)</sup></b>	<b>30-Jun-10<sup>(5)</sup></b>
Capitalized property acquisition and exploration costs	\$ 114,161	\$ 273,614	\$ 581,166 <sup>(2)</sup>	\$ 29,531
Revenue <sup>(1)</sup>	-	-	-	-
Gain (loss) for the quarter	\$ (95,986)	\$ (204,297)	\$ (413,002) <sup>(3)</sup>	\$ (71,034)
Gain (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

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<b>Quarter ended</b>	<b>31-Mar-10<sup>(5)</sup></b>	<b>31-Dec-09<sup>(6)</sup></b>	<b>30-Sep-09<sup>(6)</sup></b>	<b>30-Jun-09<sup>(6)</sup></b>
Capitalized property acquisition and exploration costs	\$ 1,323	\$ (5,960,750) <sup>(4)</sup>	\$ 39,840	\$ 190,051
Revenue <sup>(1)</sup>	-	-	-	-
Loss for the quarter	\$ (68,584)	\$ (5,808,617) <sup>(4)</sup>	\$ (87,194)	\$ (19,979)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

- (1) this being an exploration stage company, there are no revenues from operations;  
 (2) includes issue of 9,500,000 common shares valued at \$475,000 for mineral property acquisition;  
 (3) includes \$310,280 in stock-based compensation;  
 (4) includes write-off of mineral property interests of \$6,077,691;  
 (5) in accordance with IFRS; and  
 (6) in accordance with Canadian GAAP.

## LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2011, the Company had working capital of \$541,499. During the first quarter, warrant holders exercised 7,550,000 warrants that were set to expire or advance to \$0.20 for the year two of a two year term, for cash proceeds of \$755,000. 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 cyclical market conditions can make the environment for raising additional equity financing unfavourable.

## TRANSACTIONS WITH RELATED PARTIES

These related party 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) The Company paid or accrued consulting fees of \$25,050 (2010 - \$16,425) to companies controlled by directors or officers; a further \$4,861 recorded to mineral properties was paid to a director for management services in Mexico.
- (b) The Company paid or accrued office and administrative fees of \$8,776 (2010 - \$5,375) to a Company with a common director.
- (c) Included in accounts payable is \$13,069 (December 31, 2010 - \$8,129), due to directors or officers or companies with common directors or officers.
- (d) During 2009 and 2010, the Company arranged loans totalling \$170,000 from two directors secured by non-interest-bearing promissory notes for consideration of 680,000 shares for loan fees valued at \$34,000. The loans were repaid in full during the quarter ended March 31, 2011.

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**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.

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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 and annual 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**

### **FIRST TIME ADOPTION OF IFRS**

IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However, there are important differences with regard to recognition, measurement and disclosure.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities charge or credited to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010:

a) *Business Combinations*

The Company elected under IFRS 1 as a first-time adopter not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS.

b) *Share-based payments*

The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which has been accounted for in accordance with Canadian GAAP.

c) *Compound financial instruments*

IAS 32 requires that a compound financial instrument at inception be split into separate liability and equity components. The Company has elected to take the IFRS 1 exemption to not require separation of these two portions since the liability component is no longer outstanding at the transition date.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

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### d) *Estimates*

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous GAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

### e) *Exploration and Evaluation*

The Company will maintain its current policy and will continue to capitalize all costs related to project costs. In accordance with IFRS 6, this permits the inclusion of general administrative costs as long as these are related to the project; this is consistent with current treatment under Canadian GAAP. In accordance with IFRS, the Company has elected to use the cost method and not the revaluation method due to the difficulty in determining accurate fair value information and the effort required to continually monitor fair values.

Management has determined that adoption of IFRS has not resulted in changes to the Company's Balance Sheet, Statement of Comprehensive Loss nor Statement of Changes in Equity. Therefore, a reconciliation adjustment schedule to transition GAAP to IFRS is not required.

## **SIGNIFICANT ACCOUNTING POLICIES**

### *Deferred mineral property costs*

The Company currently expenses all exploration costs incurred until the date of establishing that a property has mineral resources with the potential of being economically recoverable. Under IFRS, development costs incurred subsequent to this date are capitalized until such time as the projects are brought into production or are deemed economically unfeasible. Under IFRS, deferred exploration and evaluation costs can be recognized at cost or at fair value, while Canadian GAAP did not allow for the revaluation of exploration and evaluation assets other than during a business combination. The Company has elected to use the cost method and not the revaluation method due to the difficulty in determining accurate fair value information and the effort required to continually monitor fair values.

### *Impairment of long-lived assets*

The requirements under IFRS and Canadian GAAP are similar, other than, under IFRS, the Company must assess whether there is any indication that an asset may be impaired each reporting period. There were no impairments to report in the quarter ended March 31, 2011.

### *Property Plant and Equipment*

IFRS requires that assets be disaggregated into individual components for amortization purposes and revaluation of property, plant and equipment to fair value is also permitted. The Company currently tracks individual assets with distinct useful lives and depreciates separately. Similar to the deferred mineral property costs, the Company elected to use the cost method and not the revaluation method due to the difficulty in determining accurate fair value information and the effort required to continually monitor fair values.

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### Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share-based transactions with only a few differences. Canadian GAAP allows either accelerated or straight-line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the graded-vesting method and is compliant with IFRS 2 for all grants and therefore the change to IFRS standards has not had a material impact on transitioning to IFRS.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while the Canadian GAAP forfeitures can be recognized as they occur. The Company intends to use the estimate of forfeitures in future grants when determining the number of equity instruments expected to vest.

## OTHER MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Additional disclosure for venture issuers without significant revenue:

### **Capital Stock and Distributed Surplus as June 28, 2011:**

Authorized:

Unlimited common shares without par value

Issued:

125,258,949 common shares

Warrants:

- 13,350,000 exercisable at \$0.10 until June 17, 2011 and \$0.20 until June 17, 2012 \*
- 2,665,722 exercisable at \$0.10 until July 5, 2011 and \$0.20 until July 5, 2012 \*
- 4,000,000 exercisable at \$0.20 until September 1, 2012 and \$0.50 until September 1, 2015.

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

20,015,722 total warrants

Stock options:

Number	Exercise Price	Date of Expiry
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>	\$0.10	September 22, 2015
10,225,000		

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Fully diluted:

**155,674,671**

**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 & Company

***Company solicitors:***

DuMoulin & Black

***Company banker:***

HSBC Bank of Canada