

SKEENA RESOURCES LIMITED
(an exploration stage company)

MANAGEMENT'S DISCUSSION & ANALYSIS – 2ND QUARTER

The following Management's Discussion and Analysis ("MD&A"), prepared as of **August 18, 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 2nd quarter ended June 30, 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 road rehabilitation, camp construction, mapping, trenching of 65 line kilometers of 3D induced polarization and ground magnetic surveys and approximately 6,000 metres of NQ diamond drilling in 31 holes.

Exploration activity in Ecuador has increased dramatically in 2006 due to major discoveries and project feasibility studies by Aurelian, Iamgold, Corriente, Dynasty Metals and others. This, combined with favorable mineral regulations and tax structure, is attracting attention to a demonstrably under explored terrain analogous to its neighbors, Peru and Columbia. Skeena, as a relatively early participant in Ecuador, has benefited through increased trading volumes and share price. Now, with the release of positive trench results and recommenced diamond drilling, the Company is anticipating an active fall season.

The 2006 field work on the Company's optioned El Corazon gold project commenced May 11th. An on-going program of surveying, hand trenching, geologic mapping and channel sampling is being undertaken to prioritize and refine drill targets. The main areas of interest, which were judged to be prospective from the 2005 program, or were poorly mapped and under-explored as a consequence of widespread recent volcanic ash cover, are the Gramalote Vein, the SKE-019 drainage system, the T. Larga system and the Chorrera Zone, the area around Trenches 1x2 and 2x2, and the Planatal Zone.

To date, trenching and mapping results have been very encouraging (news releases July 18 and August 17, 2006). A new zone of silicification and a high-grade vein system with abundant visible gold have been uncovered at Gramalote. A composite grab sample of this **0.33-metre-wide vein assayed 94.9 grams per tonne gold**. The vein was exposed for a length of nine metres before it was mantled by volcanic ash. A channel sample cut in the immediate area of this vein and across another new zone of silicification assayed **10.44 g/t Au over seven metres**. Neither the vein nor the zone of silicification have yet been drill tested.

A series of trenches were excavated at the SKE-019 drainage system. This narrow, linear, fault-related trough is the collar site of hole SKE-019 which yielded multiple gold intercepts including **36.22 g/t Au over 16.87 metres** in the 2005

drilling (true thickness unknown). Trenching has exposed an extensive zone of pyrite enrichment and silicification within a wide area of argillic alteration. Sampling along the strike of this zone yielded **2.14 g/t Au over 17 metres**.

At the One by Two trench, located approximately 310 metres northwest of the mine adit, a new zone of argillically altered, limonitic and hematitic tuffs exhibiting weak quartz stockwork assayed **19.84 g/t Au over 24.4 metres** (including 58.51 grams per tonne Au over eight m, which in turn included 132.5 g/t Au over two m).

Ninety metres to the southeast of the One by Two trench, at the Two by Two trench, two anomalous zones have been exposed. The western portion of this trench assayed 0.75 g/t Au over 6.2 metres while the eastern sector assayed **2.94 g/t Au over 42 metres** (including 11.3 g/t Au over two m). A significant portion of this trench consists of a sequence of veined and silicified tuffs similar to those discovered in the highly anomalous SKE-019 drainage system (news release July 19, 2006).

On July 7, 2006 the Company closed the 2nd tranche of the non-brokered private placement raising a further \$257,500 and issued 1,030,000 units for a total of 5,408,000 units to raise a total of \$1,262,000. Each unit is 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 continues to pursue 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 June 30, 2006

During the period ended June 30, 2006, the Company incurred losses of \$67,167 (2005 - \$146,644). Stock options granted during this period were to an Ecuadorean national and capitalized to the project's deferred costs as opposed to \$33,657 of stock-based compensation expensed in 2005). Consulting fees of \$28,050 (\$28,358 - 2005) were paid for geological and management services.

Cash flows for period ended June 30, 2006

In the period ended June 30, 2006, the Company had stock issuances for cash of \$1,004,500 (\$633,420 - 2005). Cash expenditures (deferred) on resource properties, all spent in Ecuador except for \$3,112, were \$149,249 (\$349,959 - 2005) resulting in an increase in cash of \$729,886 (increase in cash of \$94,979 - 2005) for a total cash of \$818,509 (\$647,412 - 2005). The number of issued and outstanding common shares increased during the quarter by 6,518,000 (1,687,500 - 2005) for a total of 43,616,616 (34,598,616 - 2005) common shares outstanding. This includes the 2,500,000 issued on April 21, 2006 to Alpha Oil as per commitment made in December 2005 to ensure the continuance of the El Corazon option agreement. As well, 4,018,000 units were issued to raise \$1,004,500 in the first tranche of the private placement to raise a total of \$1,262,000.

Capitalized property expenditures for period ended June 30, 2006

In the period ended June 30, 2006, the Company capitalized \$191,024 in property expenditures, of which \$41,775 were stock-based compensation charges for options granted to an Ecuadorian consultant. In 2005, there were property expenditures of \$349,959, also spent in Ecuador.

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	30-Jun-06	31-Mar-06	31-Dec-05	30-Sep-05
Capitalized property acquisition and exploration costs	\$ (191,024) ⁽¹⁾	\$ (100,130)	\$ 1,090,003 ⁽²⁾	\$ 275,581
Revenue ⁽⁶⁾	-	-	-	-
Loss for the quarter	\$ (67,167)	\$ (47,319)	\$ (8,939)	\$ (470,267) ⁽³⁾
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Quarter ended	30-Jun-05	31-Mar-05	30-Dec-04	30-Sep-04
Capitalized property acquisition and exploration costs	\$ 349,959	\$ 302,834	\$ 1,738,726 ⁽⁷⁾	-
Revenue ⁽⁶⁾	-	-	-	-
Loss for the quarter	\$ (146,644) ⁽⁴⁾	\$ (461,476) ⁽⁵⁾	\$ (113,877)	\$ (20,688)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

(1) includes \$41,775 stock based compensation.

(2) 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.

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

(4) includes \$ 33,657 stock based compensation.

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

(6) this being an exploration stage company, there are no revenues from operations.

(7) 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 August 18, 2006, the Company had working capital of \$800,000. This is considered sufficient to cover the costs of the current drill program at the Company's El Corazon gold project and for general corporate purposes. The Company will need to raise funds in order to pursue its exploration program in El Corazon and pursue further property acquisition opportunities.

The Company completed the financing July 7, 2006 to raise \$1,262,000 and issued 5,048,000 units comprised of one common share and one half of one share purchase warrant to finance the drill program.

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 June 30, 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	-	-	22,775	22,775
DRILLING / TRENCHING	-	-	-	-
FIELD SUPPORT	-	-	22,135	22,135
GEOLOGY / GEOPHYSICS	-	-	56,192	56,192
LAND COSTS	3,112	-	56,000	59,112
LOCAL OFFICE	-	-	40,951	40,951
LEGAL	-	-	34,073	34,073
STOCK-BASED COMPENSATION	-	-	41,775	41,775
TRAVEL COSTS	-	-	14,141	14,141
COSTS FOR YEAR	3,112	-	288,042	291,154
TOTAL COSTS	128,087	7403	4,551,769	4,687,259
WRITE OFF OF MINERAL PROPERTY INTERESTS	-	-	-	-
BALANCE, JUN. 30, 2006	\$128,087	\$7,403	\$4,551,769	\$4,687,259

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.

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

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, Compañía 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.

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 paid			
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 June 30, 2006, was \$21,000 and \$7,050 for a total of \$28,050. 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 August 18, 2006:**Authorized:**

100,000,000 common shares without par value

Issued:

44,646,616 common shares with a recorded capital stock value of \$12,967,396 and contributed surplus of \$917,981 for a total combined value of \$13,885,377.

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
- 2,009,000 exercisable at \$0.40 for 18 months, date of expiry December 22, 2007
- 215,810 exercisable at \$0.50 for 1 year, date of expiry June 22, 2007
- 515,000 exercisable at \$0.40 for 18 months, date of expiry January 7, 2008
- 21,000 exercisable at \$0.50 for 1 year, date of expiry July 7, 2007

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
	300,000	\$0.25	December 21, 2010
	200,000	\$0.25	June 28, 2011
	<u>3,155,000</u>		

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