

**SKEENA RESOURCES LIMITED**  
(an exploration stage company)

**MANAGEMENT'S DISCUSSION & ANALYSIS – 1<sup>ST</sup> QUARTER**

The following Management's Discussion and Analysis ("MD&A"), prepared as of **May 24, 2007**, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2006, and the interim consolidated financial statements for the 1<sup>st</sup> quarter ended March 31, 2007, 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 to acquire 50% of a gold exploration property at El Corazon, Ecuador, and, as of May 2, 2007, the Malpica project in Mexico. 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 and is the operator of the El Corazon property. The Company is closely watching the recent political changes in Ecuador and is of the opinion the political situation is short term and only indicative of the country's long standing efforts to democratize. Contrary to news reports, recent statements by the government confirm its desire to build a mining industry in Ecuador and create a stable environment for foreign investment. However this situation of perceived uncertainty, has given the Company further reason to advance discussions with other vendors in other jurisdictions.

Subsequent to the quarter, the Company announced an agreement, pending regulatory approval, to acquire a 90% interest in the Malpica copper-gold project in Sinaloa State, Mexico. Refer to News Release dated May 8, 2007 for project description and historical details. The terms of the agreement are spread over a 48 month period. A Mexican subsidiary, Skeena Mexico SA de C.V. ("Skeena Mexico"), owned by a private company, Reyna Mining & Engineering S.A. de C.V. ("Reyna Mining"), has the right to purchase a 100% equity interest in the Malpica project. The Company can acquire 90% of Skeena Mexico by paying \$25,000 US and issuing 1,000,000 shares and 1,000,000 2 year warrants exercisable at \$0.75 to Reyna Mining who will retain the remaining 10%. The Company intends to pay \$250,000 US to Grupo México, the vendor of the Malpica property to begin a 12 month due diligence period during which the Company must conduct a \$1,500,000 US exploration program, including a minimum 5,000 metres of drilling. If the Company elects to continue, it must pay the Grupo México \$1,000,000 US after the 12 months due diligence period, \$2,000,000 US after 18 months, \$3,750,000 US after 24 months and \$3,500,000 US after 36 months. After one year if it elects to continue, the Company must also pay the Reyna Mining \$500,000 and issue 2,000,000 shares, and after 2 years, pay \$225,000 US and issue 2,000,000 shares.

Further details and a table of payments and share issuances follow in the next section.

**Mineral Properties and Expenditures**

At March 31, 2007, the Company's mineral properties and expenditures thereon were as follows:

	BLACKHORN	RONOKE	EL CORAZON	TOTAL
BALANCE, DEC. 31, 2006	\$ 128,087	\$ 7,403	\$ 5,441,787	\$ 5,577,277
ANALYTICAL SERVICES	-	-	9,162	9,162
DRILLING / TRENCHING	-	-	-	-
FIELD SUPPORT	-	-	5,246	5,246
GEOLOGY / GEOPHYSICS	-	-	17,654	17,654
LAND COSTS	4,698	-	-	4,698
LOCAL OFFICE	-	-	16,758	16,758
LEGAL	-	-	234	234
STOCK-BASED COMPENSATION	-	-	-	-
TRAVEL COSTS	-	-	4,112	4,112
COSTS FOR YEAR	4,698	-	53,166	57,864
TOTAL COSTS	132,785	7403	5,494,953	5,635,141
WRITE OFF OF MINERAL PROPERTY INTERESTS	-	-	-	-
BALANCE, MAR. 31, 2007	\$ 132,785	\$ 7,403	\$ 5,494,953	\$ 5,635,141

### Mineral Exploration Projects

#### *Malpica copper gold project, Mexico*

Subsequent to the quarter, on May 2, 2007, the Company entered into an agreement with Reyna Mining & Engineering S.A. de C.V. ("Reyna Mining"), a private Mexican mining and engineering firm, to acquire 90% of a new Mexican incorporation, Skeena Mexico S.A. de C.V. ("Skeena Mexico"), leaving Reyna Mining with the remaining 10%. Skeena Mexico has entered into an option to purchase a 100% interest in the Malpica property over a 48 month period from Grupo México, who requires a non-refundable cash down payment of \$250,000 US for a 12 month due diligence period with certain work obligations. The agreement with Reyna Mining requires a cash down payment of \$25,000 US and the issuance of 1 million shares of the Company and 1 million 2 year warrants exercisable at \$0.75. After one year, if Skeena elects to purchase the property, certain requirements and payments occur as per the following table.

The Company's Agreements with Grupo México and Reyna Mining are as follows:

	CASH PAYMENTS TO GRUPO MÉXICO US\$	CASH PAYMENTS TO REYNA MINING US\$	EXPENDITURES (EXPLORATION COMMITMENTS) US\$	SHARE ISSUANCES TO REYNA
On signing	\$ 250,000	\$ 25,000	-	1,000,000 *
1 year anniversary	\$ 1,000,000	\$ 500,000	\$ 1,500,000	2,000,000
18 month anniversary	\$ 2,000,000	\$ -	\$ -	-
2 year anniversary	\$ 3,750,000	\$ 225,000	\$ 2,500,000	2,000,000
3 year anniversary	\$ 3,500,000	\$ -	\$ 3,500,000	-
	\$ 10,500,000	\$ 750,000	\$ 7,500,000	5,000,000

\* 1 million shares at \$0.39 per share and 1 million 2-year warrants exercisable at \$0.75

#### *Malpica copper gold project, Mexico (cont'd...)*

Reyna is carried during the first \$7.5 million US exploration and development expenditures on the Malpica

Project and shall become a pro rata contributing party thereafter. If Reyna elects not to contribute, the Company retains the right to purchase Reyna's 10% shareholding in Skeena Mexico for \$2,000,000 US. The Company will not be fully vested until it has placed the project in production at an ore rate of not less than 1.5 million tonnes per year within 36 months of electing to acquire the project. Grupo México retains a first right of refusal on purchase of concentrates from the property at prevailing market prices and retains a sliding-scale royalty interest on production from the property; and a first right of refusal to re-acquire Malpica should Skeena Mexico fail to complete the purchase or offer it for sale prior to the end of the term of the purchase agreement.

### *El Corazon gold project, Ecuador*

On July 03, 2003, the Company 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 4<sup>th</sup> 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, 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 Agreements 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

\* \$1.3 million of this commitment spent to date

\*\* 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, British Columbia*

A private placement of flow-through units was completed subsequent to the quarter and will fund a mapping, prospecting and sampling program for the summer of 2007.

***Ronoke Claims, British Columbia***

The Ronoke property is under option to a private British Columbia corporation attempting to obtain a public stock exchange listing and has assigned its option rights and obligations to the new company. Option payments of \$5,500 have been received with a further commitment to receive common shares from the public company valued at \$20,000 once it is publicly traded. In addition, a deficient option payment that was due June 30, 2006 will be satisfied by the new company upon its public listing by an undertaking to issue 82,500 shares.

**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 first quarter***

During the quarter, the Company incurred losses of \$160,050 (2006 - \$47,318). The most significant component of the losses was stock-based compensation, a non-cash item that attempts to put a dollar value on the benefit being given on the granting of stock options. It is based on statistical models, taking into account the volatility of the stock, the risk free rate and the weighted average life of the options. Where the market is highly volatile and not very liquid the results may not be very meaningful. Consulting fees of \$31,380 (2006 - \$26,240) were paid for geological and management services. Rent and administration costs were \$7,450 (2006 - \$6,250), of which \$3,599 (2006 - \$nil) was for insurance coverage.

***Cash flows for the first quarter***

During the quarter, the Company had cash expenditures on resource properties (essentially all spent in Ecuador), of \$57,864 (2006 - \$100,130) resulting in an increase in cash of \$62,872 (2006 - (\$183,379)) for a total cash of \$333,721 (2006 - \$88,623).

***Capitalized property expenditures for the first quarter***

During the quarter, the Company capitalized \$57,864 (2006 - \$100,130) in property expenditures, primarily expended on the El Corazon property.

**Summary of Quarterly Results**

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

Quarter ended	31-Mar-07	31-Dec-06	30-Sep-06	30-Jun-06
Capitalized property acquisition and exploration costs	\$ 57,864	\$ 505,739	\$ 384,279	\$ 191,024 <sup>(3)</sup>
Revenue <sup>(4)</sup>	-	-	-	-
Loss for the quarter	\$ (160,050) <sup>(1)</sup>	\$ (55,029)	\$ (467,871) <sup>(2)</sup>	\$ (67,167)
Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.00)

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 <sup>(5)</sup>	\$ 275,581	\$ 349,959
Revenue <sup>(4)</sup>	-	-	-	-
Loss for the quarter	\$ (47,319)	\$ (11,375)	\$ (470,269) <sup>(6)</sup>	\$ (146,644) <sup>(7)</sup>
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

(1) includes \$82,904 stock based compensation.

(2) includes \$410,006 stock based compensation.

(3) includes \$41,775 stock based compensation granted to a consultant for El Corazon.

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

(5) 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 to complete the drill program.

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

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

All amounts are expressed in Canadian dollars unless otherwise indicated.

### **Liquidity and Capital Resources**

The Company has sufficient working capital to cover general corporate purposes and begin a small exploration work program on the Blackhorn property. The Company will need to raise funds in order to continue its exploration program in El Corazon and meet commitments on the Malpica acquisition. The Company has been successful raising funds in the past and under current economic conditions is optimistic that it will be able to secure private placement financing to meet its requirements.

Subsequent to the quarter, the Company completed a financing on May 24, 2007 to raise a total of \$250,750 and issued 557,222 units comprised of one flow through common share and one half of one non-flow through share purchase warrant, exercisable at \$0.75 for one year.

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.

### **Transactions with related parties**

The Company has monthly consulting service arrangements with two of its officers, one of whom is also a director. The director is paid \$9,000 per month by an agreement that can be terminated at any time by the

Company by paying one years compensation currently being paid. Cash paid or payable pursuant to these arrangements for the first quarter, was \$27,000 for geological and management services and \$4,380 for accounting and corporate administrative services for a total of \$31,380. 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 \$2,922 a month.

### **Disclosure controls and procedures**

The Board of Directors of the Company has adopted a formal Corporate Disclosure Policy relating to disclosure controls and procedures. This Policy extends to the conduct of directors, officers, spokespersons and other employees and agents of the Company, and all methods that the Company uses to communicate to the public. The disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures, and believes that they have been effective in providing reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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**

#### *Financial instruments*

Effective January 1, 2007 the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income" ("Section 1530"), Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855"), Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges". These new sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net

#### **Changes in accounting policy (cont'd...)**

income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify

for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company is required to classify its cash, marketable securities, receivables, and accounts payable and accrued liabilities.

### **Other Management's Discussion and Analysis**

1. Additional disclosure for venture issuers without significant revenue:

#### ***Capital Stock and Distributed Surplus as May 24, 2007:***

Authorized:

Unlimited common shares without par value

Issued:

46,162,838 common shares

Warrants:

- 1,592,500 exercisable at \$0.75 for 2 years, date of expiry June 25, 2007
- 2,060,000 exercisable at \$0.75 for 2 years, date of expiry July 16, 2007
- 1,600,000 exercisable at \$0.40 for 18 months, date of expiry December 17, 2007
- 180,810 exercisable at \$0.50 for 1 year, date of expiry June 16, 2007
- 515,000 exercisable at \$0.40 for 18 months, date of expiry December 21, 2007
- 21,000 exercisable at \$0.50 for 1 year, date of expiry July 7, 2007
- 278,611 exercisable at \$0.75 for 1 year, date of expiry May 24, 2008

Total warrants:

6,247,921

Stock options:

Number	Exercise Price	Date of Expiry
1,250,000	\$0.30	November 21, 2008
950,000	\$0.52	February 18, 2010

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100,000	\$0.54	April 15, 2010
300,000	\$0.25	December 21, 2010
200,000	\$0.25	June 28, 2011
1,125,000	\$0.37	September 02, 2011
380,000	\$0.37	March 19, 2012

Total stock options:

4,305,000

Fully diluted:

56,715,759

**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