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

**MANAGEMENT'S DISCUSSION & ANALYSIS – 4<sup>TH</sup> QUARTER and ANNUAL 2006**

The following Management's Discussion and Analysis ("MD&A"), prepared as of **April 24, 2006**, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 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 to acquire 50% of 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, Alphec Alpha Ecuador S.A., ("Alphec") holds the option interest and is the operator of the El Corazon property.

The 2006 field program on the El Corazon gold project commenced May 11<sup>th</sup>. An on-going program of surveying, geologic mapping, hand trenching and sampling was undertaken in order to prioritize and refine drill targets, and to better understand this structurally complex epithermal setting. Diamond drilling commenced mid-August and 4,273 metres in 14 NTW core holes were completed by mid-November. The field crew was demobilized and the camp placed on a standby basis on November 23<sup>rd</sup> pending on an analysis of this season's drilling results. A decision on the next round of drilling is expected by late May.

Comprehensive news releases pertaining to the trenching results were issued July 18<sup>th</sup> and August 17<sup>th</sup>, 2006, with diamond drill results reported October 30<sup>th</sup>, November 23<sup>rd</sup>, 2006 and December 19<sup>th</sup>, 2006. These are available for public viewing on [www.sedar.com](http://www.sedar.com) and on the Company's website <http://www.skeenaresources.com>.

Management is actively researching and reviewing project submittals in the search for new acquisitions, both in Latin America and Canada. Detailed discussions have been held with several vendors and one bid for an advanced gold-copper project remains outstanding.

## Mineral Properties and Expenditures

At December 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	-	-	52,217	52,217
DRILLING / TRENCHING	-	-	515,499	515,499
FIELD SUPPORT	-	-	145,255	145,255
GEOLOGY / GEOPHYSICS	-	-	146,398	146,398
LAND COSTS	3,112	-	60,321	63,433
LOCAL OFFICE	-	-	108,526	108,526
LEGAL	-	-	58,310	58,310
STOCK-BASED COMPENSATION	-	-	41,775	41,775
TRAVEL COSTS	-	-	49,759	49,759
COSTS FOR YEAR	3,112	-	1,178,060	1,181,172
TOTAL COSTS	128,087	7403	5,441,787	5,577,277
WRITE OFF OF MINERAL PROPERTY INTERESTS	-	-	-	-
BALANCE, DEC. 31, 2006	\$ 128,087	\$ 7,403	\$ 5,441,787	\$ 5,577,277

## Mineral Exploration Projects

### *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, 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 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

\* 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***

No field activities were undertaken on Blackhorn in 2006, primarily as a consequence of staffing shortages. A mapping, prospecting and sampling program is proposed for the summer of 2007 and management has recommended a private placement of flow-through units to fund this work.

#### ***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 due June 30, 2006 will be satisfied by the new company upon its public listing by an undertaking to issue 82,500 shares.

#### **Selected Annual Information**

The following table sets forth selected annual information from the audited financial statements for the years ended December 31, 2006, 2005, and 2004:

<b>Year ended</b>	<b>2006</b>		<b>2005</b>		<b>2004</b>
Loss	\$	<sup>(1)</sup> (637,386)	\$	<sup>(3)</sup> (1,089,764)	\$ (222,651)
Basic & diluted loss per share	\$	(0.02)	\$	(0.03)	\$ (0.01)
Total assets	\$	<sup>(2)</sup> 6,078,330	\$	<sup>(4)</sup> 4,728,543	\$ <sup>(5)</sup> 2,855,136
Long term debt		Nil		Nil	Nil
Cash dividends paid		Nil		Nil	Nil

**Selected Annual Information (cont'd...)**

- (1) includes \$ 410,006 stock-based compensation.
- (2) increase in total assets from prior year is due to \$1,262,000 cash proceeds from a private placement expended primarily on El Corazon property exploration of \$ 1,178,060, including stock-based compensation of \$41,775 capitalized to the project.
- (3) includes \$ 329,854 stock-based compensation and \$411,976 in abandonment of British Columbia Ice claims.
- (4) increase in total assets from prior year is due to \$1,090,371 net cash proceeds from a private placement expended primarily on El Corazon property exploration of \$ 1,786,929, stock-based compensation of \$38,926 capitalized to the project and stock issued to the vendor valued at \$600,000.
- (5) increase in total assets compared to December 31, 2003 is primarily as a result of a stock issue in consideration of \$1,150,000 and cash payments of \$377,250 for acquisition of El Corazon property; also, stock issued for cash proceeds of \$345,000 and net proceeds of \$390,000 of convertible debentures.

### **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 year ended December 31, 2006***

During the year ended December 31, 2006, the Company incurred losses of \$637,386 (2005 - \$1,089,764). General and administrative expenses were \$638,973 (2005 - \$651,832), of which \$410,006 (2005 - \$336,864) were stock-based compensation. Stock-based compensation is 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 \$107,765 (2005 - \$113,205) were paid for geological and management services. Rent and administration costs were \$25,825 (2005 - \$16,962), of which \$7,065 (2005 - \$nil) was for insurance coverage.

#### ***Cash flows for year ended December 31, 2006***

In the year ended December 31, 2006, the Company raised \$1,262,000 (2005 - \$1,525,000) from the proceeds of a non-brokered private placement financing, \$106,500 (2005 - \$99,000) from exercise of options and \$301,100 (2005 - \$528,000) from exercise of warrants for total cash proceeds of \$1,669,600 (2005 - \$2,152,000). Commission costs for the financing were \$65,513 (2005 - \$85,004) and were netted against share capital. Cash expenditures on resource properties (essentially all spent in Ecuador), were \$1,168,480 (2005 - \$1,771,802) resulting in an increase in cash of \$124,591 (2005 - (\$232,358)) for a total cash of \$396,593 (2005 - \$272,002).

#### ***Capitalized property expenditures for year ended December 31, 2006***

In the year ended December 31, 2006, the Company capitalized \$1,181,172 (2005 - \$2,535,853) in property expenditures, primarily expended on the El Corazon property.

#### ***Loss for the fourth quarter***

During the quarter ended December 31, 2006, the Company incurred losses of \$55,029 (2005 - \$11,375). Consulting fees of \$28,600 (2005 - \$24,660) were paid for geological and management services.

#### ***Cash flows for the fourth quarter***

During the quarter ended December 31, 2006, the Company issued shares on the exercise of warrants for cash proceeds of \$317,600. Cash expenditures on resource properties all spent in Ecuador, were \$534,823 resulting in

a decrease in cash of \$393,380.

### *Capitalized property expenditures for the fourth quarter*

In the year ended December 31, 2006, the Company capitalized \$705,999 (2005 - \$1,090,003) 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.

<b>Quarter ended</b>	<b>31-Dec-06</b>	<b>30-Sep-06</b>	<b>30-Jun-06</b>	<b>31-Mar-06</b>
Capitalized property acquisition and exploration costs	\$ 705,999	\$ 384,279 <sup>(1)</sup>	\$ 191,024 <sup>(2)</sup>	\$ (100,130)
Revenue <sup>(4)</sup>	-	-	-	-
Loss for the quarter	\$ (55,029)	\$ (467,871)	\$ (67,167)	\$ (47,319)
Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.00)

<b>Quarter ended</b>	<b>31-Dec-05</b>	<b>30-Sep-05</b>	<b>30-Jun-05</b>	<b>31-Mar-05</b>
Capitalized property acquisition and exploration costs	\$ 1,090,003 <sup>(3)</sup>	\$ 275,581	\$ 349,959	\$ 302,835
Revenue <sup>(4)</sup>	-	-	-	-
Loss for the quarter	\$ (11,375)	\$ (470,269) <sup>(5)</sup>	\$ (146,644) <sup>(6)</sup>	\$ (461,476) <sup>(7)</sup>
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

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

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

(3) 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.

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

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

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

(7) includes \$ 306,722 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. The Company will need to raise funds in order to continue its exploration program in El Corazon and pursue further property acquisition opportunities. 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.

### **Liquidity and Capital Resources (cont'd...)**

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

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. Cash paid or payable pursuant to these arrangements for the year ended December 31, 2006, was \$88,000 for geological and management services and \$19,765 for accounting and corporate administrative services for a total of \$107,765. 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 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)

### **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.

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

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 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 April 24, 2007:***

Authorized:

Unlimited common shares without par value

Issued:

45,605,616 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

Total warrants:

5,969,310

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:		
55,879,926		

**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