

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **2<sup>ND</sup> QUARTER ENDED JUNE 30, 2009**

*This Management Discussion and Analysis (“MD&A”) is intended to supplement the Company’s interim consolidated financial statements for the six months ended June 30, 2009 and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2008. This report is as at **August 24, 2009**.*

*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)).*

**August 24, 2009**

#### **OVERVIEW**

Skeena Resources Limited (“the Company”) is a mineral exploration stage corporation with an option to acquire a 90% working interest in the advanced Malpica copper-gold-molybdenum project in Mexico; an option to acquire a 60% interest in the Tropico copper-platinum-palladium-gold project, also in Sinaloa State, Mexico; and an option to acquire 100% of the METS gold exploration property in the Toodoggone District of north-central BC, an option to acquire a 100% interest in the past producing Anglo-Rouyn copper gold mine north of La Ronge, Saskatchewan and an option to acquire a 100% interest in the Anglo-Rouyn Tailings Recovery Project. 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**

The Company completed the second tranche of its financing to raise a total of \$539,500 by way of a non-brokered private placement with Units priced at \$0.05, each unit comprised of one common share and one half of a share purchase warrant. Each full warrant is exercisable for one common share for two years at \$0.10 per share. The warrants have an accelerator clause wherein if the Company’s stock trades at or greater than \$0.40 for 10 consecutive trade days, the remaining expiry period of the warrants may be reduced, upon notice to holders and at the election of the Company, to 10 days, subject to the four-month hold period.

A preliminary economic assessment or Scoping Study at Malpica, the Company’s core property in Mexico, is underway and is scheduled to be completed by the end of October. In July, one of the independent engineers and the Company’s CEO undertook a field examination of the property and an examination of selected diamond drill core.

**SKEENA RESOURCES LIMITED**

*Management Discussion and Analysis*

June 30, 2009

**MINERAL PROPERTIES AND EXPENDITURES**

At June 30, 2009, the Company's mineral properties and expenditures thereon were as follows:

	BLACKHORn /RONOKE	METS	ANGLO-ROUYN	EL CORAZON	MALPICA	TROPICO	TOTAL
BALANCE, DEC.31, 2007	\$ 190,042	\$ -	\$ -	\$ 5,684,186	\$1,680,384	\$ 47,776	\$7,602,388
ANALYTICAL SERVICES	-	-	-	-	187,418	-	187,418
DRILLING / TRENCHING	-	-	178,543	20	803,105	-	981,668
FIELD SUPPORT	-	-	-	9,164	113,641	-	122,805
GEOLOGY/ GEOPHYSICS	(106)	-	7,500	-	504,327	121,154	632,875
LAND COSTS	15,000	-	-	-	1,845,092	181,278	2,041,370
LOCAL OFFICE	-	-	-	13,102	26,901	4,046	44,049
LEGAL	-	-	-	4,469	7,963	-	12,432
TRAVEL COSTS	-	-	-	319	48,734	-	49,053
<b>COSTS FOR YEAR</b>	<b>14,894</b>	<b>-</b>	<b>186,043</b>	<b>27,074</b>	<b>3,537,181</b>	<b>306,478</b>	<b>4,071,670</b>
<b>TOTAL COSTS</b>	<b>204,936</b>	<b>-</b>	<b>186,043</b>	<b>5,711,260</b>	<b>5,217,565</b>	<b>354,254</b>	<b>11,674,058</b>
WRITE-OFF MIN. PROPERTY INTERESTS	(212,533)	-	-	(5,711,260)	-	-	(5,923,793)
SALE OF MINERAL PROPERTY	7,597	-	-	-	-	-	7,597
<b>BALANCE, DEC.31, 2008</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 186,043</b>	<b>\$ -</b>	<b>\$5,217,565</b>	<b>\$ 354,254</b>	<b>\$5,757,862</b>
	BLACKHORn /RONOKE	METS	ANGLO-ROUYN	EL CORAZON	MALPICA	TROPICO	TOTAL
BALANCE, DEC.31, 2008	\$ -	\$ -	\$ 186,043	\$ -	\$5,217,565	\$ 354,254	\$5,757,862
ANALYTICAL SERVICES	-	-	1,098	-	142	-	1,240
DRILLING/TRENC HING	-	-	2,130	-	-	-	2,130
FIELD SUPPORT	-	-	263	5,215	20,453	-	25,931
GEOLOGY/ GEOPHYSICS	-	-	750	-	-	-	750
LAND COSTS	-	2,025	50,000	-	443,690	22,156	517,871
TRAVEL COSTS	-	-	1,842	-	210	-	2,052
<b>COSTS FOR YEAR</b>	<b>-</b>	<b>2,025</b>	<b>56,083</b>	<b>5,215</b>	<b>464,495</b>	<b>22,156</b>	<b>549,974</b>
WRITE-OFF MIN. PROPERTY INTERESTS	-	-	-	(5,215)	-	-	(5,215)
<b>BALANCE, JUN.30, 2009</b>	<b>\$ -</b>	<b>\$ 2,025</b>	<b>\$ 242,126</b>	<b>\$ -</b>	<b>\$ 5,682,060</b>	<b>\$ 376,410</b>	<b>\$6,302,621</b>

**Malpica copper gold project, Mexico**

The Company arranged a loan from 2 directors to complete a Scoping Study on the 7,718-hectare property, located 40 kilometres east of the deepwater port of Mazatlan and 20 km east of the Mazatlan International airport. Data compilation of geologic mapping and soil geochemical sampling with the recently completed helicopter-borne magnetic and multi-frequency electromagnetic DIGHEM survey is progressing and additional exploration targets were delineated. The Company was able to verify prior historic data and achieved sufficient drill density to commence work on an initial NI 43-101 compliant resource calculation. An “inferred resource” calculation is in its final stages. This would form the basis for a scoping study going forward.

No field activities were undertaken on Malpica during the quarter, and the project is on a care and maintenance basis. During the quarter the Company terminated the lease on the rental house in Mazatlan and took a new lease on a small office and storage facility in the business sector of Mazatlan.

Skeena Mexico’s Agreements with Grupo México and the Company’s Agreement with Reyna Mining with revised payment schedules are as follows:

	SKEENA MEXICO CASH PAYMENTS TO GRUPO MÉXICO US\$	SKEENA MEXICO EXPENDITURES (EXPLORATION COMMITMENTS) US\$	SKEENA CASH PAYMENTS TO REYNA MINING US\$	SKEENA SHARE ISSUANCES TO REYNA
On signing [May 2007]	\$ 250,000 paid	-	\$ 25,000 paid	1,000,000 issued <sup>(1)</sup>
1 year anniversary	\$ 1,000,000 paid	\$ 1,500,000 <sup>(2)</sup>	-	2,000,000 issued
February 24, 2009	\$ 250,000 paid	-	-	-
April 6, 2009	-	-	-	2,000,000 issued
July 24, 2009	\$ 50,000 <sup>(3)</sup>	-	-	-
January 24, 2010	\$ 1,000,000	-	-	-
July 24, 2010	\$ 1,000,000	-	-	-
January 25, 2011	\$ 7,569,830 <sup>(4)</sup>	-	-	-
	\$ 11,119,830	\$ 1,500,000	\$ 25,000	5,000,000

<sup>(1)</sup> includes 1 million 2-year warrants exercisable at \$0.75;

<sup>(2)</sup> expenditure commitments met;

<sup>(3)</sup> paid subsequently; and

<sup>(4)</sup> includes 4.5% interest [0.38% monthly] on the original payment schedule; financial cost total is \$619,830

A preliminary economic assessment or Scoping Study, financed by way of a loan arrangement by two directors, at Malpica is underway and is scheduled to be completed by the end of October. In July, one of the independent engineers and the Company’s CEO undertook a field examination of the property and an examination of selected diamond drill core.

**Anglo-Rouyn Property, Saskatchewan**

A 9 hole NQ core diamond drill program totaling 1287.7 metres was completed by the Company this past winter targeting geophysical anomalies as interpreted from an historic Induced Polarization and ground magnetic survey. Assay results are pending.

## **SKEENA RESOURCES LIMITED**

*Management Discussion and Analysis*

June 30, 2009

### ***Anglo-Rouyn Tailings Recovery Project, Saskatchewan***

In June 2009, the Company undertook a 1.5 tonne bulk sample at 26 sites on the tailings pond. These samples were trucked to Atlin, BC, co-mingled, and processed in an EZ Panner sluicing system. The concentrate was assayed by agitated cyanide and the 'tails' by a screened metallic process by Acme Laboratories in Vancouver. The 'free gold' obtained by the EZ Panner approximately equivalent to 0.4 g. per cubic yard. These results warrant further investigation of the use of a conventional sluice plant with an added Bennett Box as a method of exploiting the tailings for its gold content only.

In July, the property vendor, Kristo Gold Inc., received an unsolicited offer for the gravity recovery plant. The Company has agreed to back the value of the plant out of the Option Agreement and the Agreement will be revised pending regulatory approval. The plant has now been sold and is currently being dismantled, containerized, and shipped to Chile. The removal of this equipment will further reduce the Company's future site remediation liability.

The Company is looking for a joint venture partner to assist with financing the purchase of a used sluice plant, which has been sourced in the Yukon.

### ***METS Property, British Columbia***

No work was conducted on this project during the quarter.

### ***El Corazon gold project, Ecuador***

This project was written off in fiscal 2008 and the Company's wholly owned subsidiary, ALPHEC Alpha Ecuador SA de CV will be either dissolved or returned to the original vendor.

## **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 second quarter***

During the quarter ended June 30, 2009, the Company incurred losses of \$19,979 (2008 - \$5,906,876 when the El Corazon property in Ecuador was written off). General and administrative expenses were \$12,078 (2008 - \$209,646), mitigated by gains in foreign exchange \$25,690 (2008 - \$59,849); there were consulting fees of \$11,925 (2008 - \$36,075) paid or payable for geological and management services. Office and other administration costs were \$13,590 (2008 - \$17,517).

### ***Cash flows for the second quarter***

During the quarter ended June 30, 2009, the Company raised \$147,000 (2008 - \$641,500) of which \$120,000 was held on deposit from the proceeds of a non-brokered private placement financing, the second tranche, which closed May 6, 2009. A total of \$539,500 was raised.

### ***Capitalized property expenditures for second quarter***

**SKEENA RESOURCES LIMITED**  
*Management Discussion and Analysis*  
 June 30, 2009

During the quarter, the Company capitalized \$190,051 in property expenditures and acquisition costs.

**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-Jun-09</b>	<b>31-Mar-09</b>	<b>31-Dec-08</b>	<b>30-Sep-08</b>
Capitalized property acquisition and exploration costs	\$ 190,051	\$ 354,708	\$ 79,971	\$ 374,892
Revenue <sup>(4)</sup>	-	-	-	-
Gain (loss) for the quarter	\$ (19,979)	\$ (101,967)	\$ (376,686) <sup>(1)</sup>	\$ 2,140
Gain (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.00

<b>Quarter ended</b>	<b>30-Jun-08</b>	<b>31-Mar-08</b>	<b>31-Dec-07</b>	<b>30-Sep-07</b>
Capitalized property acquisition and exploration costs	\$ (3,429,105) <sup>(2)</sup>	\$ 935,716	\$ 1,214,495	\$ 284,545
Revenue <sup>(4)</sup>	-	-	-	-
Loss for the quarter	\$ (5,906,877) <sup>(2)</sup>	\$ (56,373)	\$ (134,192)	\$ (410,694) <sup>(3)</sup>
Loss per share	\$ (0.10)	\$ (0.00)	\$ (0.00)	\$ (0.01)

<sup>(1)</sup> includes writeoff of mineral property interests of \$212,533 and \$154,358 stock based compensation;

<sup>(2)</sup> includes writeoff of mineral property interests of \$5,699,724;

<sup>(3)</sup> includes \$277,932 stock based compensation; and

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

**LIQUIDITY AND CAPITAL RESOURCES**

The Company had a working capital deficit of \$140,029 as at June 30, 2009. The Company must raise funds or secure financing in order to advance its exploration programs and meet its financial obligations. The Company has been successful raising funds in the past but current market conditions make the present environment for raising additional equity financing unfavourable. An inability to raise additional financing may impact the future assessment of the Company as a going concern.

The Company settled certain payables in May 2009, with an officer to cancel \$40,950 in payables.

In May 2009, the Company completed a non-brokered private placement to raise \$539,500 @ \$0.05 per unit whereby each unit is comprised of one common share and one half of a non-transferable warrant. Each full warrant is exercisable to \$0.10 per common share for a period of two years. The first tranche was completed February 27, 2009 and 7,850,000 units were issued for proceeds of \$392,500. May 6, 2009, a second tranche was completed and 2,940,000 units were issued for proceeds of \$147,000. The Company paid finders' fees and other issuance costs of \$17,399 and issued 93,800 broker warrants to acquire one common share at \$0.10 for 12 months.

## **SKEENA RESOURCES LIMITED**

*Management Discussion and Analysis*

June 30, 2009

Subsequent to the quarter ended June 30, 2009, the Company arranged a 6 month non-interest bearing loan for \$120,000 from two directors to complete a Scoping Study on the Malpica, Mexican property, secured by the Company's wholly-owned Mets mining lease. Subject to regulatory approval, the Company will issue 480,000 common shares to the participating directors, 400,000 to one director and 80,000 to the other, as a bonus for making the loan.

### **TRANSACTIONS WITH RELATED PARTIES**

The Company has monthly consulting service arrangements with two of its officers, one of whom is also a director. The CEO was paid \$9,000 per month by an agreement that can be terminated at any time by the Company by paying one year's compensation. This was reduced to \$2,500 per month in January 2009.

### **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 employs experienced consulting 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.

#### ***Management's responsibility for financial information***

The Company's management is responsible for presentation and preparation of the interim consolidated financial statements and the Management's Discussion and Analysis ("MD&A"). The interim consolidated financial statements have been prepared in

accordance with Canadian generally accepted accounting principles (“GAAP”).

The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

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).

## **RECENT ACCOUNTING PRONOUNCEMENTS**

### **Goodwill and Intangible Assets**

The CICA issued a new accounting standard, Section 3064 “Goodwill and Intangible Assets” which will replace the existing Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This standard is effective for the Company’s interim and annual consolidated financial statements commencing January 1, 2009. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements.

### **International Financial Reporting Standards (“IFRS”)**

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is reviewing the significant IFRS differences to identify the key areas which are likely to be impacted by the accounting policy change. After which, the Company will perform a more detailed review of the impact of IFRS on the Company’s consolidated financial statements and other areas of the Company. Any changes required to systems and controls will be identified.

While the Company has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting

## **SKEENA RESOURCES LIMITED**

*Management Discussion and Analysis*

June 30, 2009

for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

### **Credit Risk and the Fair Value of Financial Assets and Liabilities**

In January 2009 the Emerging Issues Committee ("EIC") issued EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2009. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

### **CHANGES IN ACCOUNTING POLICY**

On January 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. The adoption of these new pronouncements did not effect the Company's financial position or results of operation. The new standards and accounting policy changes are as follows:

#### Section 1400 – Assessing Going Concern

CICA Handbook Section 1400 was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

#### Section 1535 – Capital Disclosures

This Section requires the disclosure of qualitative and quantitative information that enables the users to evaluate the Company's objectives, policies and processes for managing capital as well as the implications of non-compliance.

#### Section 3862 – Financial Instruments – Disclosures

This Section requires the Company to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in Note 12.

#### Section 3863 – Financial Instruments – Presentation

This Section was issued to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the

perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The initial adoption of this standard did not have an effect on the consolidated financial statements.

**OTHER MANAGEMENT'S DISCUSSION AND ANALYSIS**

1. Additional disclosure for venture issuers without significant revenue:

***Capital Stock and Distributed Surplus as August 24, 2009:***

Authorized:

Unlimited common shares without par value

Issued:

79,037,727 common shares

Warrants:

- 3,791,000 exercisable at \$0.25 for 2 years, date of expiry June 29, 2010 \*
- 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 January 30, 2011
- 28,000 exercisable at \$0.10 for 1 year, date of expiry January 30, 2010
- 1,470,000 exercisable at \$0.10 for 2 years, date of expiry May 06, 2011
- 65,800 exercisable at \$0.10 for 1 year, date of expiry May 06, 2010

\* warrants were extended by 12 months, and re-priced to \$0.25)

13,405,800 total warrants

Stock options:

Number	Exercise Price	Date of Expiry
550,000	\$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
675,000	\$0.37	September 02, 2011
280,000	\$0.33	March 19, 2012
1,670,000	\$0.40	September 26, 2012
1,200,000	\$0.30	June 26, 2013
<u>2,125,000</u>	\$0.10	May 14, 2014
7,100,000		

Fully diluted:

**99,543,527**

**SKEENA RESOURCES LIMITED**

*Management Discussion and Analysis*  
June 30, 2009

**OTHER INFORMATION**

***List of Directors and Officers***

***Directors***

J. Rupert Allan, *Vancouver, BC*  
Ronald K. Netolitzky, *Victoria, BC*  
Peter N. Tredger, *Vancouver, BC*  
Alan Lee Barker, *Whitby, Ontario*  
David Stone, *Seattle, Washington*

***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