

MANAGEMENT DISCUSSION AND ANALYSIS

4TH QUARTER AND YEAR ENDED DECEMBER 31, 2009

*This Management Discussion and Analysis ("MD&A") is intended to supplement the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2009. This report is as at **April 28, 2010**.*

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).

April 28, 2010

OVERVIEW

Skeena Resources Limited ("the Company") is a mineral exploration stage corporation with an option to acquire a 60% interest in the Tropic copper-platinum-palladium-gold project in Sinaloa State, Mexico and holds the 100% owned METS gold property in the Toodoggone District of north-central BC. 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

Subsequent to the year end, the Company dropped the Malpica property in Mexico when it missed a payment and was unable to renegotiate the terms of the agreement with Grupo Mexico. The Company also returned the Anglo Rouyn Property in Saskatchewan and allowed the Belle Property in British Columbia to lapse. The Company wrote off \$6,077,691 in mineral property expenditures.

In support of its Mexican base and precious metals focus, it has successfully negotiated the purchase of a minority carried interest in its Mexican subsidiary, Skeena Mexico SA de CV ("Skeena Mexico") from a private, Mexico City-based engineering company, Reyna Mining Engineering ("Reyna") (refer to previous news releases dated April 25, 2007 and January 8, 2009). In consideration for the ten percent equity interest in Skeena Mexico held by Reyna, the Company will issue 500,000 common shares of Skeena Resources and settle an outstanding inter-company expense adjustment, subject to regulatory approval. Skeena Resources now owns 100% of Skeena Mexico.

This transaction is the first of a proposed series of corporate re-structurings which will include changes to the current board of directors and the acquisition of additional Mexican projects once they have been identified.

In order to facilitate the corporate re-structuring, a director has advanced a short-term, non interest bearing loan in the amount of \$50,000. A bonus of 200,000 common shares will be payable upon receipt of funds, subject to

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regulatory approval.

MINERAL PROPERTIES AND EXPENDITURES

At December 31, 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
COSTS FOR YEAR	14,894	-	186,043	27,074	3,537,181	306,478	4,071,670
TOTAL COSTS	204,936	-	186,043	5,711,260	5,217,565	354,254	11,674,058
WRITE-OFF MIN. PROPERTY INTERESTS	(212,533)	-	-	(5,711,260)	-	-	(5,923,793)
SALE OF MINERAL PROPERTY	7,597	-	-	-	-	-	7,597
BALANCE, DEC.31, 2008	\$ -	\$ -	\$ 186,043	\$ -	\$5,217,565	\$ 354,254	\$5,757,862
	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	-	-	1,726	-	271	-	1,997
DRILLING/TRENC HING	-	-	2,130	-	-	-	2,130
FIELD SUPPORT	-	-	263	7,893	39,719	-	47,875
GEOLOGY/ GEOPHYSICS	-	-	7,716	-	27,221	-	34,937
LAND COSTS	-	2,775	50,000	-	464,529	22,275	539,578
LEGAL/OTHER	-	2,407	-	-	67,216	-	69,624
TRAVEL COSTS	-	-	2,856	-	2,543	-	5,399
COSTS FOR YEAR	-	5,182	64,691	7,893	601,499	22,275	701,540
WRITE-OFF MIN. PROPERTY INTERESTS	-	-	(250,734)	(7,893)	(5,819,064)	-	(6,077,691)
BALANCE, SEP30, 2009	\$ -	\$ 5,182	\$ -	\$ -	\$ -	\$ 376,529	\$ 381,711

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Tropico Copper-Platinum-Palladium-Gold Project, Mexico

The Company acquired a one hundred percent undivided equity interest from three underlying vendors in the previously optioned 27,329 hectare Tropico copper-platinum-palladium-gold project in Sinaloa State, Mexico. The property is well located with respect to low-cost infrastructure, being crossed by a paved highway, a major powerline, within 10 km of the coastal N-S rail line, and 25 km north of the deep water port of Mazatlan.

The project area has had considerable prospecting, soil geochemistry and ground geophysics, originally by the Consejo De Recursos Minerales, by BHP Minerals and others in the late 1990's. Soil geochemistry, extensive mechanical trenching and drilling during the period 1999 to 2002 were completed by a joint venture of Virginia Energy Resources Inc. (formerly Santoy Resources Ltd.) and Almaden Minerals Ltd. of Vancouver. This latter work was largely financed by Sumitomo Metal Mining Co. Ltd. of Japan. Historic expenditures are in the order of \$4.5 million. Refer to News Release dated April 28, 2010.

The project was terminated by the JV in December, 2002 due to depressed metal prices (copper at \$0.75/lb., platinum at \$590/oz., palladium at \$230/oz., and gold at \$345/oz.) and a proposed follow-up drill program was never initiated. The recent surge in metal prices (nearly triple the values that drove the initial rush in this area) has again made this a robust exploration play.

The majority of the Tropico Project area was acquired in two Option Agreements; the first with the Virginia Energy (60%) – Almaden Minerals (40%) Joint Venture, and the second with privately-held Minera Cascabel SA de CV (refer to news release dated February 19, 2008). In order to effect a 100% buy-out of these two underlying Option Agreements, with no further obligations or payments by the Company to the vendors, the Company shall issue 8 million common shares and 4 million share purchase warrants to the 3 parties, subject to regulatory approval, as follows:

	<u>Common shares</u>	<u>Share Purchase Warrants*</u>
Virginia Energy	3,840,000	1,920,000
Almaden Minerals Ltd.	2,560,000	1,280,000
Minera Cascabel SA de CV	1,600,000	800,000

* 5-year non-transferable share purchase warrants, exercisable at \$0.50/share during the first 2 years, and at \$1.25/share during the last 3 years, subject to certain conditions and provisions.

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 known as San Pablo. As the Skeena and Virginia Energy boards are not fully at arm's length, this agreement has been approved by independent committees of both companies.

In 2008 the Company contracted Fugro Airborne Surveys to undertake a helicopter-borne DIGHEM multi-frequency electromagnetic and magnetic survey of the property (1,100 km of 100 metre spaced lines). The Company plans to undertake a new structural interpretation of the project area and a re-compilation of both the airborne and historic ground geophysics in preparation for expanding the property coverage by soil geochemical sampling and machine trenching. The project is expected to be at the drilling stage upon completion of this program.

Malpica copper gold project, Mexico

The Company arranged a loan from 2 directors to complete a Preliminary Assessment or 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

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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 formed the basis for the scoping study. In spite of 358 million pounds of estimated net recoverable copper and 385,900 oz. of gold as reported in the Scoping Study and fully compliant 43-1-1 Preliminary Assessment (news release dated December 3, 2009), the Company was unable to raise the necessary funds to make the option payments and advance the project to feasibility.

The Company had renegotiated the payment schedule to Grupo México which deferred a \$250,000 payment to February 24, 2009 (paid) and \$2,000,000 in payments due in fiscal 2008 to fiscal 2010. The Company missed a \$1,000,000 payment due January 2010 payment and was not been able to renegotiate. Consequently, the arrangement with Grupo México was terminated and the Company wrote off \$5,819,064 in mineral property expenditures.

Anglo-Rouyn Property and 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.

The Company decided to return the property and wrote off \$250,734 in mineral property expenditures.

METS Property, British Columbia

The Company entered into a Purchase Agreement with two non-arm’s length directors of the Company to earn a 100% interest in a high-grade gold occurrence covered by the historic METS Mining Lease in the Toodoggone precious metals district in north-central British Columbia and the nearby Belle claims for 1 million shares and the reservation of a two percent Net Smelter Return (NSR) royalty interest. The two NSR interests on each property are purchasable at any time for \$750,000 each. An independent committee of the Company reviewed the Agreement, subject to regulatory approval which has not been received. The Belle claims were allowed to lapse, subsequent to December 31, 2009 year end.

The main area of interest on the METS Mining Lease, is a tabular core of silicified rock and quartz-barite veining in three separate but genetically related zones; the A zone (and its extension), the Footwall zone, and the 400 South zone. Exploratory work between the mid 1980’s and 1992 consisted of various geological and geochemical surveys, excavator trenching, 8,784 metres of diamond drilling and 350 metres of underground development on one level. On this basis, two previous operators calculated a gold resource. These historic tonnages are quoted here for context only, as the calculations are not compliant with current Canadian Securities 43-101 reporting guidelines and will require both verification and updating. The A zone has a strike length of 140 metres, a true thickness of 6 to 10 metres and vertical extent of up to 75 metres. Measured geological resource for the A zone is 143,321 tonnes grading 11.31 grams per tonne gold (Assessment Report 16692, source BC Minfile). Inferred resource for the less tested combined Footwall and N75 zones are 317,485 tonnes grading 11.31 g/t Au (source BC Minfile, Property File - M.E.G. Talk, November 18, 1987).

In 1992 under the “Small Mines” category, Cheni Gold Mines Inc. optioned the Mets property, completed an

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in-house feasibility study, permitted the project, and undertook a brief underground program. Their last re-calculation of the A Zone resource was a “diluted mine reserve” of 53,215 tons grading 11.6 grams per tonne gold. Development material from this deposit was to have been trucked over two field seasons to their nearby Lawyers Mill. The program was abandoned when the French owners of Cheni prematurely shut down their Canadian gold operations. In 1993 the stock-piled development rock was placed back underground, the adit was sealed and the site re-claimed.

A program of environmental assessment and re-engineering is required in order to again permit the property under the Small Mine section of the British Columbia Mining Act (Health, Safety & Reclamation Code).

No work was conducted on this project during the year.

SELECTED ANNUAL INFORMATION

The following table sets forth selected annual information from the audited financial statements for the years ended December 31, 2009, 2008, and 2007:

Year ended	2009		2008		2007	
Loss	\$	⁽¹⁾ (6,016,530)	\$	⁽²⁾ (6,337,836)	\$	⁽³⁾ (822,522)
Basic & diluted loss per share	\$	(0.08)	\$	(0.11)	\$	(0.02)
Total assets	\$	440,598	\$	6,032,585	\$	9,846,510
Long term debt		Nil		Nil		Nil
Cash dividends paid		Nil		Nil		Nil

⁽¹⁾ includes \$ 95,285 in stock-based compensation and \$6,077,691 in write off of mineral property interests in Mexico and British Columbia;

⁽²⁾ includes \$ 288,606 in stock-based compensation and \$5,923,793 in write off of mineral property interests in Ecuador and British Columbia;

⁽³⁾ includes \$ 364,273 in stock-based compensation; and

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, 2009

During the year, the Company incurred losses of \$6,016,530 (2008 –\$6,337,836) due to the write off of Malpica and Anglo Rouyn expenditures and in 2008, the write off of El Corazon expenditures). General and administrative expenses were \$363,052 (2008 - \$534,178), of which \$95,285 (2008 - \$288,606) was stock-based compensation for incentive stock options, consulting fees of \$49,500 (2008 - \$131,025) paid or payable for geological and management services, office and other administration costs of \$38,745 (2008 - \$68,629), of which \$15,712 (2008 - \$30,301) was for insurance coverage.

Cash flows for the year ended December 31, 2009

During the year, the Company raised \$539,500 (2008 - \$1,031,500) from the proceeds of non-brokered private placement financings. Commission costs for the financings were \$17,400 (2008 - \$60,650) and were netted against

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share capital. The Company arranged a loan with two directors, one for \$100,000 and the other for \$20,000. The loan is secured by a non-interest-bearing 6 month promissory note and a pledge of the Company's wholly owned Mets mining lease. The Company issued 480,000 bonus shares to the two directors as loan fees valued at \$24,000. The loans matured in January 2010 and have not been repaid. The lenders have not demanded settlement. Cash expenditures on resource properties were \$649,697 (2008 - \$2,808,135) resulting in a decrease in cash of \$41,945 (2008 - \$2,031,147) for total cash of \$6,332 (2008 - \$48,277).

SUMMARY OF QUARTERLY RESULTS

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

Quarter ended	31-Dec-09	30-Sep-09	30-Jun-09	31-Mar-09
Capitalized property acquisition and exploration costs	\$ (5,960,750) ⁽¹⁾	\$ 39,840	\$ 190,051	\$ 354,708
Revenue ⁽⁴⁾	-	-	-	-
Gain (loss) for the quarter	\$ (5,808,617) ⁽¹⁾	\$ (85,967)	\$ (19,979)	\$ (101,967)
Gain (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Quarter ended	31-Dec-08	30-Sep-08	30-Jun-08	31-Mar-08
Capitalized property acquisition and exploration costs	\$ 79,971	\$ 374,892	\$ (3,429,105) ⁽³⁾	\$ 935,716
Revenue ⁽⁴⁾	-	-	-	-
Loss for the quarter	\$ (376,686) ⁽²⁾	\$ 2,140	\$ (5,906,877) ⁽³⁾	\$ (56,373)
Loss per share	\$ (0.00)	\$ 0.00	\$ (0.10)	\$ (0.00)

⁽¹⁾ includes write-off of mineral property interests of \$6,077,691;

⁽²⁾ includes write-off of mineral property interests of \$212,533 and \$154,358 stock based compensation;

⁽³⁾ includes write-off of mineral property interests of \$5,923,793; and

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

Loss for the 4th quarter

During the quarter, the Company incurred losses before other comprehensive income of \$5,808,617 due to the write off of Malpica property expenditures of \$5,819,064 and \$250,734 Anglo Rouyn expenditures. General and administrative expenses were \$164,515 of which \$73,610 was stock-based compensation for incentive stock options, consulting fees of \$11,400.

Cash flows for the 4th quarter

There were no financings during the quarter.

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LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficit of \$456,176 at December 31, 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 issued 2,876,889 common shares to settle \$215,767 of payables in May 2009.

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.

The following 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) During the fiscal year, the Company paid or accrued consulting fees of \$49,500 (2008 - \$131,025) to companies controlled by directors or officers.
- (b) The Company entered into a debt settlement with three related parties and issued 1,023,680 common shares to satisfy payables of \$24,686 (note 9.).
- (c) Included in accounts payable at December 31, 2009 is \$119,807 (2008 - \$79,399), which is due to directors or officers or companies with common directors or officers.
- (d) The Company entered into an option agreement with two non-arm's length directors of the Company to acquire a 100% interest in the Mets mining lease and Belle Claims, subject to regulatory approval and review by an Independent Committee of the Board.
- (e) The Company arranged a loan from two directors for \$120,000 secured by a non-interest-bearing promissory note and a pledge of the Mets mining lease. The Company issued 480,000 bonus shares to the two directors as loan fees valued at \$24,000. The loans matured in January 2010 and have not been repaid. The lenders have not demanded settlement.

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.

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.

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 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

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

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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 and on the Company's website at www.skeenaresources.com.

CHANGES IN ACCOUNTING POLICY

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises ("PAEs"). The effective changeover date is January 1, 2011, at which time Canadian GAAP will cease to apply for Skeena and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at January 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended December 31, 2011 with restated comparatives for the year ended December 31, 2010.

Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that will need to be addressed by management. As of the date of this report, the International Accounting Standards Board has projects underway that should result in new pronouncements; accordingly the Company is assessing the impact of the ultimate adoption of IFRS on the Company's consolidated financial statements. Management has considered key areas where IFRS transition may have an impact. During the next phase of transition a technical analysis will be conducted in order to identify potential financial impacts thereby providing the platform upon which decisions on accounting policy choices will be made. Management has reviewed its business systems and determined that they are capable of processing and recording the transitional period reporting requirements.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a

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discounted cash flow basis.

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. IFRS 2, on the other hand, allows only the accelerated method.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur.

Currently, the Company is using the accelerated method of amortization for the fair value of stock options under graded vesting.

Exploration and Evaluation Assets

Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized.

Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation assets. The Company can decide to apply the International Accounting Standards Board ("IASB") Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study or disregard the IASB Framework and keep the existing Company's policy, if relevant and reliable.

Management has yet to decide on whether or not to fully adopt IFRS 6, "Exploration and Evaluation of Mineral Properties", and apply the IASB framework. If management elects to fully adopt IFRS 6, the result of the application of the IASB Framework at the transition date, mineral properties will decrease by \$381,711 together with an increase to accumulated deficit by the same amount reflecting the derecognized exploration costs.

Property, Plant and Equipment

Under IFRS, Property, Plant and Equipment ("PP&E") can be measured at fair value or at cost while under Canadian GAAP, the Company has to carry PP&E on a cost basis and the revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Management has yet to decide on which model to adopt. The Company is in the process of identifying the potential impact on the property, plant and equipment balance.

In accordance with IAS 16 "Property, Plant and Equipment", upon acquisition of significant assets, the Company will need to allocate an amount initially recognized in respect of an asset to its component parts and accounts for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern.

Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Currently the functional currency of the consolidated entity is the Canadian dollar ("CAD") which is also the presentation currency of the Company's financial statements.

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As events and conditions relevant to the Company change, it will re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity.

Going forward under IFRS, management will assess the appropriate functional currency based on existing circumstances which may have a significant impact on the Company's consolidated financial statements prepared under IFRS.

Future Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company expects the impact of implementing IAS 12, Income Taxes to not have an impact on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces CICA 3062 and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. This adoption has not resulted in any impact on the Company's financial statements.

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

For interim and annual financial statements relating to fiscal years beginning on or after July 1, 2011, the Company will be required to adopt new CICA Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial*

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Statements, and Section 1602, *Non-controlling Interests*. Section 1582 replaces existing Section 1581, *Business Combinations*, and Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. The adoption of Sections 1582 and collectively Sections 1601 and 1602 provides the Canadian equivalent to IFRS 3, *Business Combination*, and International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements*, respectively. The impact of adopting these new standards has not yet been assessed and cannot reasonably be estimated at this time.

OTHER MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Additional disclosure for venture issuers without significant revenue:

Capital Stock and Distributed Surplus as April 28, 2010:

Authorized:

Unlimited common shares without par value

Issued:

79,517,727 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 February 27, 2011 **
- 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). An accelerator clause reduces the expiry date to 20 days if the stock trades at \$0.30 or greater for 10 consecutive business days.

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

13,377,800 total warrants

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Stock options:

Number	Exercise Price	Date of Expiry
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
2,125,000	\$0.10	May 14, 2014
<u>250,000</u>	\$0.15	January 11, 2015
6,700,000		

Fully diluted:

99,595,527

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