

**MANAGEMENT DISCUSSION AND ANALYSIS**

**ANNUAL and 4TH QUARTER ENDED DECEMBER 31, 2015**

*This Management Discussion and Analysis ("MD&A") is intended to supplement Skeena Resources Limited's (the "Company" or "Skeena") audited consolidated financial statements and related notes for the years ended December 31, 2015. This report is as at **April 26, 2016**.*

*All monetary amounts are in Canadian dollars unless otherwise specified.*

*The above referenced consolidated financial statements and the Company's other public filings can be found on SEDAR at ([www.sedar.com](http://www.sedar.com)).*

**INTRODUCTION**

The MD&A has been prepared by management and reviewed and approved by the Board of Directors on April 26, 2016. The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2015 and December 31, 2014. The information provided herein supplements but does not form part of the consolidated financial statements. This discussion covers the year and the subsequent period up to the date of issue of this MD&A. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**FORWARD LOOKING STATEMENTS**

*Certain information included in this MD&A contains forward-looking statements or forward-looking information within the meaning of applicable Canadian securities laws, including, without limitation, in respect of the Company's priorities, plans and strategies and the Company's anticipated financial and operating performance and prospects. All statements and information, other than statements of historical fact, included in or incorporated by reference into this MD&A are forward-looking statements and forward-looking information, including, without limitation, statements regarding activities, events or developments that we expect or anticipate may occur in the future. Such forward-looking statements and information can be identified by the use of forward-looking words such as "will", "expect", "intend", "plan", "estimate", "anticipate", "believe" or "continue" or similar words and expressions or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which such forward-looking statements and information are based will occur or, even if they do occur, will result in the performance, events or results expected.*

*We caution readers of this MD&A not to place undue reliance on forward-looking statements and information contained herein, which are not a guarantee of performance, events or results and are subject to a number of risks, uncertainties and other factors that could cause actual performance, events or results to differ materially from those expressed or implied by such forward-looking statements and information. These factors include: the ability to obtain work permits; changes in priorities, plans, strategies and prospects; general economic, industry, business and market conditions; changes in law; the ability to implement business plans and strategies, and to pursue business opportunities; rulings by courts or arbitrators, proceedings and investigations; disruptions or changes in the credit or securities markets; inflationary pressures; and various other events, conditions or circumstances that could disrupt Skeena's priorities, plans, strategies and prospects.*

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*Shareholders are cautioned that all forward-looking statements and information involve risks and uncertainties, including those risks and uncertainties set out above and as detailed in Skeena's continuous disclosure and other filings with applicable Canadian securities regulatory authorities, copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The Company undertakes no obligation to publicly release the results of any revisions to forward-looking statements and information that may be made to reflect events or circumstances after the above-stated date or to reflect the occurrence of unanticipated events*

*The technical information presented here has been reviewed by Michael S. Cathro, MSc, PGeo, the Company's vice-president of operations and a qualified person as defined by National Instrument 43-101.*

### **THE COMPANY**

Skeena Resources Limited ("the Company") is a mineral exploration stage corporation that owns or controls several properties in northwest British Columbia including a 100% interest in the Spectrum gold property ("Spectrum Property"), an option to acquire a 100% interest in the recently acquired GJ copper and gold property ("GJ Property"), an option to earn a 100% interest in the past-producing Snip gold mine ("Snip").

The Company is a reporting issuer in British Columbia, Alberta and Saskatchewan. The Company trades on the TSX Venture Exchange under the symbol SKE.

### **DEVELOPMENTS**

On November 4, 2015, the Company acquired an option to earn a 100% interest in the **GJ property** from majority owner Teck Resources Limited and its 49% joint venture partner, NGEEx Resources Inc. The GJ property is comprised of 80 mineral claims totaling 37,508 hectares and is located adjacent to the eastern boundary of the Company's Spectrum project in the Golden Triangle of northwest British Columbia. Under the terms of a Purchase Agreement dated October 5, 2015, a payment of \$500,000 was made and 12,947,538 common shares were issued to the vendors. Share issues worth \$1.5 million each will be issued on or before the 2<sup>nd</sup> and 5<sup>th</sup> anniversaries of the agreement and a cash payment of \$4 million paid on commencement of commercial production from the GJ property.

On November 6, 2015, the Company completed a non-brokered private placement and raised \$4,685,500 in a combination of 600,000 non-flow through shares priced at \$0.075 and 47,594,874 flow through shares priced at \$0.0975. Combined with earlier **financings** in June, a total of \$12.8 million was raised in 2015 for the advancement of the Spectrum and GJ projects.

At the **Spectrum** gold project, a drill program comprising 17,350 m ("metres") in 61 holes was completed on October 26, 2015. Final assay results were released on November 19, 2016

On January 14, 2016, the Company released an **updated National Instrument 43-101** independent resource estimate for the Donnelly and North Donnelly copper-gold deposits on the **GJ property**. The new resource incorporates drilling completed in 2007 and 2011 to 2013, but not included in the previous resource estimate released in April 2007.

The Donnelly and North Donnelly deposits host an updated measured and indicated resource, using a 0.2% copper cut-off, of 133.67 million tonnes grading 0.32% copper and 0.36 grams per tonne gold for a total of 940.23 million pounds of copper, and 1.56 million troy ounces of gold. In addition, 53.69 million tonnes grading 0.26% copper and 0.33 grams per tonne ("g/t") gold has been estimated in the inferred category, using a 0.2% copper cut-off, for a total of 312.53 million pounds of copper and 0.57 million troy ounces of gold.

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The overall tonnage of resources in the measured and indicated categories increased by 9%, at a 0.2% copper cut-off and slightly higher average grade, in comparison with the 2007 resource by Canadian Gold Hunter Corp. (see technical report by D.T. Mehner, G.H. Giroux and G.R. Peatfield, April 30, 2007). A significant proportion of the resource has been upgraded to the measured category. At the same 0.2% copper cut-off, the inferred tonnage has increased by 234%. The measured material is within the Main Donnelly zone while the increase in indicated resource is a combination of converting inferred to indicated within the Main Donnelly zone and adding the North Donnelly zone, the latter of which was not estimated in 2007.

Contained pounds of copper and ounces of gold in the measured and indicated categories increased by 12% each, in comparison to the 2007 estimate. Inferred pounds of copper and ounces of gold increased by 200% and 280% respectively.

The Donnelly and North Donnelly zones have a width of 340 metres, a strike length of 1600 metres and an average depth of 200 metres below surface. Good potential exists for resource expansion to the west and at depth on the Donnelly deposits. It is recommended that drill targets be selected following a detailed review of available geological, geophysical and geochemical data. The report authors also recommend resource modelling the nearby GJ deposit which is not included in the current resource estimate, and completing a property wide target review to evaluate exploration potential of other porphyry and high-grade vein prospects. The Company has engaged Mr. David Mehner, P.Geol., to complete this target review.

The Main and North Donnelly Zone resource estimate has an effective date of September 9, 2015 and was completed by Mr. Gary H. Giroux, M.A.Sc., P.Eng. of Giroux Consultants Ltd. of Vancouver B.C., Canada, an Independent Qualified Person as defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI-43-101") in accordance with Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council, as amended.

Further details are available in a NI 43-101 technical report by Dr. Giles Peatfield, Ph.D., P. Eng., Mr. Gary H. Giroux, M.A.Sc., P.Eng., and Mr. Michael S. Cathro, M.Sc., P.Geol., titled "Technical Report on the Donnelly-GJ Deposit Area, GJ Property, Liard Mining Division B.C. Canada" was filed February 26th, 2016 under Skeena's profile on the SEDAR website [www.sedar.com](http://www.sedar.com) and is also available on the Company website. A revised version of this report, dated April 11, 2016 and incorporating minor changes, was filed on SEDAR on April 20, 2016, and is also available on the Company website.

On February 12, 2016, the Company announced it had compiled historic work on high-grade gold-silver and bulk tonnage copper-gold exploration targets on its GJ property. The review focused on targets within the northern portion of the GJ property and does not include the Donnelly, North Donnelly, GJ and Camp (North) porphyry copper-gold deposits in the central core of the property.

The review identified five additional high-priority targets, four of which have received minimal or no previous drilling. Two are drill-ready bulk tonnage copper-gold porphyry targets (QC and Wolf Plateau – Blow Down), and three are high-grade gold-silver vein targets (Gordon, Trevor Paek, and Seestor) that require only minimal work to bring to the drill stage.

On March 23, 2016 Skeena announced the signing of an agreement with Barrick Gold Inc., ("**Barrick**") granting an option to the Company to acquire a 100% interest in the **past-producing, high-grade Snip gold mine** in northwest British Columbia. The property consists of one mining lease and four mineral tenures totaling approximately 1,932 hectares. The Snip mine produced approximately 1 million ounces of gold from 1991 until 1999 at an average gold grade of 25 g/t at a 12 g/t reserve cut-off.

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Under the terms of the option agreement, Skeena may acquire a 100% interest in the Snip Property in consideration for:

- The issuance of up to 3,250,000 common shares of the Company of which 2,000,000 shares will be issued upon receipt of TSX Venture Exchange approval and a further 1,250,000 shares will be issued once all other conditions to the exercise of the option have been completed
- Work commitment by Skeena of \$500,000 within the first 12 months of the agreement
- An additional work commitment of \$1,500,000 within 30 months of the agreement
- 1% NSR royalty interest retained by Barrick on the Snip property
- Subject to exercise of the option and to Skeena delineating in excess of 2 million ounces of gold, Barrick may exercise a back-in right to purchase a 51% interest in the property in return for a payment of three times Skeena's cumulative expenditures, following which the parties will form a joint venture.

The Golden Triangle district has become one of the most important metal regions in Western Canada and is being further enhanced with recent significantly improved infrastructure, including paving of the Stewart-Cassiar highway north from Smithers, ocean port facilities for export of concentrate at Stewart, and completion of BC Hydro's 287 kilovolt Northwest Transmission Line from Terrace to Bob Quinn Lake and north to the Red Chris mine. The hydroelectric facility at McLymont Creek, built 2 years ago, is located approximately 20 kilometres east of Snip. Road access to the McLymont Creek facility is currently within 20 kilometres of the Snip mine along predominantly flat terrain in the Iskut River valley bottom.

The Snip deposit is an auriferous southwest-dipping shear vein system, hosted within Upper Triassic Stuhini Group feldspathic meta-sediments that are intruded by Early Jurassic age stocks and plutons. Other major deposits within the Golden Triangle are also related to compositionally similar Early Jurassic intrusions. The Snip deposit occurs within the southeast trending Bronson structural corridor, which also controls the other significant deposits within the Iskut River area. Approximately 60% of the production was obtained from the Twin Zone, a 0.5 to 15 metre wide sheared quartz-carbonate-sulphide vein system that cuts through a massively bedded felspathic greywacke-siltstone sequence. Other sub parallel structures located in the footwall to the Twin Zone accounted for the rest of the production. A barren, post mineralization dike divides the main vein into two parts for most of its length, hence the name Twin Zone. Gold mineralization occurs in one centimetre to one metre wide alternating bands of massive calcite, disseminated to massive pyrite, biotite-calcite as thin bands or streaks, or in quartz with sulphides in a crackle breccia or pyritic to non-pyritic fault gouge. Total sulphide content seldom exceeds two percent and the mineralized structures characteristically contain minor pyrrhotite, arsenopyrite, sphalerite, chalcopyrite and rare galena.

The Twin Zone occupies an east-southeast striking structure with dips varying from 30 to 90 degrees to the southwest. The zone has been traced by drilling and mining over a strike length of approximately 1,000 metres and over a dip length of 500 metres. The deposit remains partially open along strike, and in some production areas, where the estimated cut-off grade of 23 g/t Au was below the economic limit for mining at the time.

Snip was historically burdened by the high cost of being a stand-alone operation restricted to fly-in servicing via the Bronson airstrip, augmented with support by a hovercraft from Wrangell, Alaska by way of the Iskut River. All of this required high grades to ensure economic viability. Compounding this, mechanized mining shrunk from approximately 82% of mine production during the first production year (1991), to approximately 16% by 1998, which resulted in a near-doubling of the unit mining cost over the mine life at the same time the gold price fell from a high of US\$383 per ounce in 1994 to US\$300 per ounce by 1999.

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The maiden **National Instrument 43-101 independent resource estimate on the Spectrum** deposit was released on April 25, 2016. Within a conceptual open pit and at a 0.50 g/t gold equivalent (“AuEq”) NSR cut-off (Tables 1 and 2 below), the Central Zone of the Spectrum deposit hosts an **Indicated Mineral Resource of 8.95 million tonnes grading 1.04 g/t Au, 6.58 g/t Ag and 0.11% Cu** and containing 290,000 ounces of gold, 1.82 million ounces of silver and 20.835 million pounds of copper. At the same cut-off, the deposit hosts an additional **22.63 million tonnes in the Inferred category, with average grades of 1.03 g/t Au, 3.85 g/t Ag and 0.11% Cu** and containing 750,000 ounces gold, 2.8 million ounces silver and 54.889 million pounds copper. Drilling to date shows that the Central Zone extends from surface to 400 m below surface and that it has lateral dimensions of approximately 1100 m (north-south) and 380 m (east-west). It remains open to the west, south, north and to depth. Mineralization comprises high-grade gold-bearing quartz-carbonate-sulphide veinlet stockworks cutting a broad zone of porphyry gold-copper mineralization.

Table 1: Indicated Mineral Resource Within Conceptual Pit at Various Cut-Off Grades

AuEq NSR Cut-Off (g/t)	Tonnes	Average Grades			Contained Metal		
		Au (g/t)	Ag (g/t)	Cu (%)	Au (oz)	Ag (oz)	Cu (lb)
0.25	26,610,000	0.56	3.40	0.10	480,000	2,910,000	58,675,000
0.30	21,010,000	0.64	3.88	0.10	430,000	2,620,000	46,327,000
<b>0.50</b>	<b>8,590,000</b>	<b>1.04</b>	<b>6.58</b>	<b>0.11</b>	<b>290,000</b>	<b>1,820,000</b>	<b>20,835,000</b>
0.70	4,610,000	1.39	8.82	0.11	210,000	1,310,000	11,182,000

Table 2: Inferred Mineral Resource Within Conceptual Pit at Various Cut-off Grades

AuEq NSR Cut-Off (g/t)	Tonnes	Average Grades			Contained Metal		
		Au (g/t)	Ag (g/t)	Cu (%)	Au (oz)	Ag (oz)	Cu (lb)
0.25	61,660,000	0.61	2.42	0.11	1,200,000	4,800,000	149,556,000
0.30	56,460,000	0.64	2.52	0.11	1,160,000	4,570,000	136,944,000
<b>0.50</b>	<b>22,630,000</b>	<b>1.03</b>	<b>3.85</b>	<b>0.11</b>	<b>750,000</b>	<b>2,800,000</b>	<b>54,889,000</b>
0.70	9,270,000	1.64	5.93	0.09	490,00	1,770,000	18,396,000

The Central Zone Mineral Resource estimate has an effective date of December 02, 2015. It was completed by Mr. Gary H. Giroux, M.A.Sc., P.Eng. of Giroux Consultants Ltd. of Vancouver B.C., Canada, an Independent Qualified Person as defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”). The

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estimate was prepared in accordance with Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council, as amended. The methods used to estimate the Mineral Resource are summarized in the April 25 news release. Further details will be available in a NI 43-101 Technical Report, to be co-authored by Jacques R. Stacey, M.Sc. P.Geol., an Independent Qualified Person as defined by NI 43-101, which will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) within 45 days of the release.

The Mineral Resource estimate is considered preliminary because the porphyry gold-copper style mineralization is open to the west along its known 1.1 kilometre length, as well as to the north and south. Evidence for continuity of the mineralization to the south is provided by several widely-spaced and well-documented historic holes that report good gold and copper grades. Evidence that the mineralization extends to the west is provided by four well-defined and strong, multi-element soil geochemical anomalies (predominantly gold and copper).

A drill program has been laid out to define the limits of the deposit in each of the directions outlined. The entire target zone will also be investigated in 2016 by an Induced Polarization geophysical survey, as soon as field conditions permit. Drilling of the porphyry-style gold-copper mineralization will be wider spaced and less detailed than previous drilling directed at the narrow, high-grade gold zones. However, definition drilling along the margins of the Central Zone and future in-fill drilling is still expected to capture more of the high-grade structures.

The \$4.0 million work program proposed for the 2016 field season involves an initial four to six week ground investigation program, overlapping with and followed by a six to eight week drill program totaling 8,000 to 10,000 metres. The program is expected to run from late May or early June through October, 2016. Significant effort will be made to trench and drill outlying targets away from the Central Zone. To date only 19 holes (3,644 metres) out of a total of 165 holes (31,965 metres) on the property have been drilled outside the Central zone. Several targets, that are ready for drilling, require only limited refinement through prospecting, detailed mapping, IP geophysics and trenching.

## **EXPLORATION AND VALUATION INTERESTS**

### ***Spectrum Project, Northwest British Columbia***

The 100% owned 3,580-hectare Spectrum Gold property is situated approximately 37 kilometres ("km") west of Imperial Metals' Red Chris Mine. The property contains more than 10 occurrences of high-grade sulphide-gold and bulk tonnage gold-copper mineralization, spatially associated with steeply-dipping fracture and brecciated zones. These are contained within a broad area of propylitic and potassic-altered Stuhini Group intermediate volcanics and volcanoclastic rocks at the contact zone and within the dike-like monzonite intrusion of Jurassic age. This is the same type of geological setting as many of the major copper-gold deposits in the Golden Triangle area of northwest British Columbia.

A N.I. 43-101 compliant technical report by Mr. Jacques Stacy, M.Sc., P.Geol, dated August 5, 2014 and entitled "Evaluation and Technical Report on the Spectrum Gold Property, Liard Mining Division, BC" is available on the Company website and on SEDAR at [www.sedar.com](http://www.sedar.com).

### 2014 Exploration Program

In late September 2014, a due diligence program of diamond drilling, limited geological mapping and prospecting, detailed GPS surveying, and re-sampling of on-site historic drill core was completed under the direction of Jacques Stacey. During the month of October, nine NQ diameter diamond drill holes were completed from 4 separate drill

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platforms for a cumulative total of 1,940 m. The drill assay results were released on December 11, 2014 and January 14, 2015. Seven of the nine holes intersected significant gold mineralization demonstrating that both the Central Zone and the 500 Colour Zone remain open at depth. A summary of the better intercepts follows:

14-SP-003:	<b>23.84 g/t Au (“grams gold per tonne”) over 6.5 m, including 40.43 g/t Au over 3.5 m</b>
14-SP-004:	<b>10.63 g/t Au over 27.0 m, including 66.00 g/t Au over 2.0 m and 20.4 g/t Au over 2.0 m, 9.2 g/t Au over 2.0 m, 8.0 g/t Au over 2.0 m and 22.7 g/t Au over 2.0 m</b>
14-SP-005:	<b>18.60 g/t Au over 2.0 m and 7.32 g/t Au over 2.0 m</b>
14-SP-006:	<b>43.80 g/t Au over 2.0 m</b>
14-SP-007:	<b>9.50 g/t Au over 2.0 m</b>
14-SP-008:	<b>4.58 g/t Au over 9.0 m</b>
14-SP-009:	<b>13.70 g/t Au over 4.0 m and 254.50 g/t Au over 2.0 m</b>

On May 14, 2015 and July 20, 2015, the Company released favourable preliminary results of bench-scale metallurgical tests. The tests were designed to investigate gold recovery and utilized two composite samples. The laboratory investigations were conducted by the Saskatchewan Research Council under the direction of an independent consultant, Michael Yakimchuk, P.Eng.

### 2015 Exploration Program

On June 29, 2015 the Company announced that it received a three-year drilling permit, began field work and camp construction, and mobilized two drills to the Spectrum project. Drilling commenced on July 4. Archaeological and wildlife studies were also completed to support the 2015 exploration work. A total of 12,000 m of drilling in 50 to 60 holes was planned for the 2015 field season, with holes averaging 200 m and varying from 50 to 350 m in depth. The drill program was designed to expand the historic resource at the 500 Colour and Central zones.

On August 20, 2015, the Company released assay results for the first six holes of its summer drilling program at Spectrum. All six holes had multiple high-grade intercepts. In addition, visible gold was noted in seven holes.

The initial six holes totalled 1363 m. Significant intersections included:

- Hole S15-010 intersected 3.6 m grading 16.4 g/t Au beginning at 3.4 m down the hole, 1.4 m grading 15.9 m g/t Au at 199.0 m. Visible gold was noted at 5.1 m and 199.5 m.
- Hole S15-011 intersected 6 m grading 7.86 g/t Au at 6.0 m down the hole, plus 1.6 m grading 8.56 g/t Au beginning at 20 m, and 14 m grading 3.28 g/t Au beginning at 130 m, which includes 2.0 m grading 9.5 g/t Au.
- Hole S15-012 intersected 10.59 g/t Au over 6.6 m beginning at 102 m, including a 1.4 m sample that assayed 37.8 g/t Au. Further down the hole, two other high-grade sections yielded assays of 25.27 g/t Au over 3.9 m at 197.6 m (including 1.9 m of 49.8 g/t Au, 118 g/t Ag and 0.63% Cu), and 4.0 m grading 7.08 g/t Au at 234.0 m.

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- Hole S15-013 intersected a broad interval of 127 m grading 1.26 g/t Au beginning at 3.0 m, including several higher grade intervals such as 2.2 m grading 9.6 g/t Au.
- Hole S15-014 intersected 24.0 m grading 3.77 g/t Au, 15.5 g/t Ag, and 0.54% Cu beginning at 77 m (including 7.0 m grading 7.95 g/t Au, 35.5 g/t Ag and 0.93% Cu), 2.0 m grading 21.3 g/t Au at 153.0 m, and 1.75 m grading 11.7 g/t Au at 171.0 m.
- Hole S15-017 intersected three high-grade intervals including 0.85 m grading 9.79 g/t Au and 430 g/t Ag starting at 103.2 m, 8.0 m grading 10.46 g/t Au starting at 128 m, and 3.6 m grading 11.68 g/t Au starting at 157.4 m.

The deposit comes to surface and was tested with relatively short drill holes averaging 230 m in length. The drill pattern was designed to provide pierce points spaced at approximately 50 m vertically and horizontally through the zones. The goal of the exploration program was to expand the known mineralization in the 500 Colour and Central zones to depth and along strike.

On September 8, 2015, the Company released assay results from a second batch of 15 drill holes from the Spectrum gold project. All 43 holes (11,000 m) completed to that point were directed at expanding the Central and 500 Colour zones along strike, at depth and in some cases up-dip toward surface in areas untested by previous drilling. Due to positive results, the 2015 drilling campaign was expanded to 16,000 m from the original 12,000 m goal.

Highlight results from this these 15 drill holes included:

- Hole S15-015 intersected 26.15 metres grading 8.21 g/t Au, including 2.0 m grading 74.5 g/t Au.
- Hole S15-016 intersected 61 m grading 1.62 g/t Au and 0.14 % Cu, including 2.0 m grading 9.18 g/t Au and 0.22 % Cu.
- Hole S15-018 intersected 2.3 m grading 11.1 g/t Au, and 2.0 m grading 13.2 g/t Au and 63.8 g/t silver.
- Hole S15-022 intersected 14.9 m grading 8.97 g/t Au, including 2.9 m grading 38.5 g/t Au.
- Hole S15-024 intersected 9.64 m grading 6.81 g/t Au, 20.7 g/t Ag and 0.09 per cent Cu, including 1.7 m grading 14.1 g/t Au, 20.4 g/t Ag and 0.14 per cent Cu.
- Hole S15-026 intersected 8.0 m grading 5.67 g/t Au and 0.15 % Cu, including 2.0 m grading 8.9 g/t Au, 8.0 g/t Ag and 0.27 % Cu, and 2.0 m grading 10.1 g/t Au and 0.14 % Cu.
- Hole S15-028 intersected 44.0 m grading 1.17 g/t Au.

In addition, positive prospecting and soil results were released for the Anomaly A area. Twenty-four bedrock prospecting samples returned values averaging 5.4 g/t Au and ranging from 0.12 to 17.3 g/t Au, plus anomalous



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silver, zinc and lead. These were grab and narrow chip samples of quartz-sulphide veins, located within and east of the historic Boundary zone, which has been previously tested by only one drill hole and a small number of hand trenches.

On October 8, 2015, the Company released assay results for 13 holes from Spectrum. Highlights from drilling in the Central zone included:

Hole S15-043, drilled on Section 4700N at the south end of the deposit, intersected three high-grade intervals between 197 and 232 m. The most significant interval is 11.4 m grading 16.73 g/t Au, including 2.0 m grading 81.8 g/t Au. The other significant intervals included 4.0 m grading 24.24 g/t Au, including 2.0 m grading 44.8 g/t Au, and 4.0 m grading 26.59 g/t Au, including 2.0 m grading 46.5 g/t Au. These high-grade intervals are especially noteworthy, because they are located 45 m south of hole SP-14-009, which cut several high-grade sections, including 2.0 m grading 254.5 g/t Au. Mineralization is open to the south, at depth and up-dip of the intersections in hole S15-043. Several other holes were drilled on 50-metre centres in this area.

Deeper holes in the northern portions of the Central zone, including S15-032, 033, 034 035 and 037, encountered only weak mineralization, and it appears the zone may have pinched out to depth in this area. Strong gold-in-soil values to the north and east of the area of drilling indicated that the mineralization could continue, but the mineralized trend may have shifted over to the Boundary and Road zones.

Several holes intersected long intervals of near-surface porphyry-style gold-copper mineralization as follows:

- Hole S15-031 intersected 224.5 m grading 0.60 g/t Au, 0.22 % Cu (“copper”) and 5.13 g/t Ag (“silver”), beginning at a downhole depth of 5.5 m.
- Hole S15-039 intersected 140.5 m grading 0.82 g/t Au, 0.17 % Cu and 4.35 g/t Ag, beginning at a downhole depth of 3.0 m.
- Hole S15-042 intersected 205.8 m grading 0.94 g/t Au, 0.05 % Cu and 1.86 g/t Ag, beginning at a downhole depth of 5.6 m.

A review of other previously released 2015 holes has identified low-grade porphyry Au-Cu mineralization in several 2015 and historic holes. The mineralization appears to flank the monzonite unit.

On October 26, 2015, the Company released assay results for nine holes totaling 2,828 m from Spectrum. Highlights included:

- Hole S15-049, drilled on Section 4810N toward the south end of the central zone, intersected four intervals with greater than 5 g/t Au between 197 m and 232 m, with the best being 14 m grading 7.82 g/t Au, including 2.0 m grading 35 g/t Au. Hole S15-048, drilled above S15-049 on the same section, was abandoned due to drilling problems at 149.8 m, short of its target, and returned no significant values.
- Hole S15-046, drilled on Section 4930N at depth in the middle part of the Central zone, intersected a high-grade interval of 4 m grading 16.97 g/t Au, including 2 m grading 29.8 g/t Au.

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- Hole S15-044, also drilled on Section 4930N in the west-central portion of the deposit, encountered two broad intervals of porphyry gold-copper mineralization with 172 m grading 0.6 g/t Au and 0.14 % Cu, beginning at a downhole depth of 6.0 m, and a deeper interval of 47.73 m grading 0.49 g/t Au and 0.13 % Cu. The results suggest that the tenor of porphyry mineralization in this area is improving to the west. This mineralization is thought to form a north-trending, moderately to steeply west-dipping panel, associated with the main monzonite body, and partially overlapping with high-grade gold zones that have been the primary focus of the 2015 drilling. Based on 2015 and historical drilling, the porphyry-style gold-copper mineralization has dimensions of approximately 600 m in a north-south direction, 100 m to 150 m in width and 200 m to 250 m in depth.

On November 23, 2015, Skeena released assay results for the final 18 holes (6,576 m) of the 2015 program at the Spectrum project. The 2015 program delivered 8,817 drill core assays, which totaled 17,350 m of drilling from 61 exploration holes. Three of the holes tested outlying targets identified through soil sampling surveys, as described below. In addition, 2,992 soil and 387 prospecting rock samples were collected. The data derived from this work will form the basis of the resource calculation on the Spectrum project and assist in picking new drill targets for 2016. The resource calculation is underway and will be released in the first half of 2016.

Highlights of this final batch of drill holes included the following:

#### Central zone

- Hole S15-60 intersected 18 m grading 6.13 g/t Au, beginning at a downhole depth of 252 m, including 1.0 m grading 30 g/t Au and 1.7 m grading 30.6 g/t Au. This hole is the deepest on Section 4930N and is 70 m below an intersection in S15-046 of 4.0 m grading 16.97 g/t Au.
- Hole S15-055 intersected 2.0 m grading 8.27 g/t Au, beginning at 204.6 m, plus a deeper interval of 1.0 m grading 23.1 g/t Au.
- Hole S15-061 intersected 18 m grading 2.69 g/t Au, including 2.0 m grading 11.9 g/t Au. This interval was assayed by metallic screen analysis due to the presence of five sections containing visible gold.
- The final exploration hole of the season, S15-070 intersected three zones of mineralization, including 2.0 m grading g/t Au, 2.6 m grading 10.18 g/t Au and 0.9 m grading 8.04 g/t Au.

#### **Soil Sampling and Prospecting**

Prospecting and soil sampling surveys focused on possible extensions to the known mineralized structures. The most promising is Target A, where a total of 168 soil samples were taken over a 300 by 600 m area north and east of the Central zone.

These samples averaged 550 ppb (“parts per billion”) Au, with seven over 1000 ppb Au and a maximum of 19,500 ppb Au. These soil results are considered very significant as they indicate a potential new zone of high-grade mineralization parallel to and situated from 100 to 200 m east of previous drilling and trenching. The soil anomaly is open in several directions and follow-up mapping, soil sampling and prospecting were undertaken to expand the

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target and select drill locations.

The Central Zone remains open for greater than 1,500 m on strike to the north and south, based on recent geological mapping and soil geochemistry.

#### Boundary zone

- This zone is located 200 m east of the Central zone and is outlined by very strong gold in soil values and strong bedrock grab and chip samples, including 0.2 m grading 18.5 g/t Au and 0.4 m grading 13.7 g/t Au. Hole S15-065 intersected 2.0 m grading 3.62 g/t Au and a deeper intersection of 1.14 m grading 10.5 g/t Au. Including the historical drilling, this area has only been tested by three holes in total and is open to the north, south and at depth.

#### 300 Colour zone

- Two holes tested this zone, which has a very strong gold-in-soil anomaly and is open to the north, south and to depth. It is located 400 m northwest and parallel to the Central zone. Both 2015 holes intersected gold mineralization at shallow depths. Hole S15-066 intersected 2.0 grading 4.64 g/t Au, beginning at a depth of 32 m. Hole S15-068 intersected 48 m grading 1.05 g/t Au, beginning at a downhole depth of 50 m, including 2.0 m grading 3.62 g/t Au.

### ***GJ Project, Northwest British Columbia***

On November 4, the company announced the closing of the acquisition of an option to earn a 100% interest in the GJ Property in consideration for \$500,000 in cash and an aggregate of 12,947,538 common shares, with a value of \$1,000,000 based on a 10-day weighted average price of \$0.0772 per share as of the closing share price and further staged payments as follows:

- \$1,500,000 worth of common shares to be issued on or before the 2<sup>nd</sup> anniversary of the closing;
- \$1,500,000 worth of common shares to be issued on or before the 5<sup>th</sup> anniversary of the closing; and
- \$4,000,000 cash payment on or before the date that is 45 days from commencement of commercial production from the GJ property.

The main GJ Property claim block is subject to a 2% net smelter return royalty ("NSR") in favour of the vendors, of which 50% can be purchased for a \$2,000,000 cash payment. The northern GJ Property is subject to a 1% NSR of which 50% can be purchased for a \$1,000,000 cash payment. The GJ Property is also subject to a 1% NSR payable pursuant to a royalty agreement dated January 21, 2005, as amended, originally entered into between Canadian Gold Hunter Corp. and 650399 B.C. Ltd.

The Donnelly deposits are similar to those at the newly commissioned Red Chris mine located 25 kilometres to the northeast. The most attractive grades at Red Chris were found below the current open-pit operation, while the GJ property has not yet been systematically drill tested to depth. More than \$30-million in exploration work was recorded at GJ by various operators since the mid-1960s, including nearly \$25-million spent by Teck and NGEx between 2000 and 2014.

In addition to the porphyry Cu-Au deposits, about 14 other prospects are reported, including several high-grade

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gold-silver vein targets, which received only limited exploration.

***Tropico Copper-Platinum-Palladium-Gold Project, Sinaloa State, Mexico***

No exploration activities were conducted during the six months ended June 30, 2015. In order to focus exclusively on high-grade gold prospects in Canada, the Company has instigated joint venture and sale discussions with several potentially interested parties which have resulted in several due diligence field visits.

Mining concession fees for Tropico due twice a year since January 31, 2014 remain outstanding and are estimated to be \$100,000 annually with interest and penalties. The Company recognized an impairment loss of \$686,784 in 2014 against the Tropico mineral properties, which is equivalent to its carrying value. Field equipment was also written off in 2014.

**SELECTED ANNUAL INFORMATION**

The following table sets forth selected annual information from the audited consolidated financial statements for the years ended December 31, 2015, 2014 and 2013:

<b>Year ended</b>	<b>2015</b>		<b>2014</b>		<b>2013</b>	
Loss	\$	<sup>(1)</sup> (7,070,154)	\$	<sup>(2)</sup> (3,123,760)	\$	<sup>(3)</sup> (191,363)
Basic & diluted loss per share	\$	(0.03)	\$	(0.01)	\$	(0.01)
Total assets	\$	12,768,740	\$	8,091,192	\$	740,585
Non-current financial liability		Nil		Nil		Nil
Cash dividends paid		Nil		Nil		Nil

(1) Includes \$6,667,976 of exploration and evaluation expenditures, primarily on the Spectrum Property and \$(1,576,980) flow-through share premium recovery.

(2) Includes \$1,252,442 of exploration and evaluation expenditures, primarily on the Spectrum Property and \$759,495 in share-based payment calculated using Black-Scholes fair valuation

(3) Includes \$109,128 of Tropico mineral property expenditures;

**DISCUSSION 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.

On November 6, 2015, the Company completed the first tranche of a non-brokered private placement and raised \$4,685,500 in a combination of 600,000 non flow through shares issued at \$0.075 and 47,594,874 flow through shares issued at \$0.0975. Combined with earlier financings in June, a total of \$12.8 million has been raised in 2015 for the advancement of the Spectrum and GJ projects.

The Company completed their seasonal exploration program drilling 17,350 m before demobilization in early November.

**EVALUATION AND EXPLORATION EXPENDITURES**

	Spectrum		GJ		Tropico		Total
Claim renewals and permits	\$	130,343	\$	1,816	\$	(91,117)	\$ 41,042
Fieldwork, camp support and local office		2,955,280		31,474		4,400	2,991,154
Assays & analysis/storage		379,023		-		-	379,023
Community relations		8,141		-		-	8,141
Drilling		2,099,549		-		-	2,099,549
Environmental studies		47,566		-		-	47,566
Geology/geophysics/geochemical		1,028,898		24,630		-	1,053,528
Maps and reports		17,214		-		-	17,214
Road construction		17,620		13,139		-	30,759
<b>Total exploration and evaluation expenses during 2015</b>	<b>\$</b>	<b>6,683,634</b>	<b>\$</b>	<b>71,059</b>	<b>\$</b>	<b>(86,717)</b>	<b>\$ 6,667,976</b>
Claim renewals and permits	\$	46,932	\$	-	\$	100,000	\$ 146,932
Assays and analysis		47,713		-		7,321	55,034
Drilling		255,701		-		-	255,701
Fieldwork, camp support and local office		394,317		-		9,017	403,334
Site visits		5,309		-		-	5,309
Exploration and sampling		318,785		-		-	318,785
Geology/geophysics/geochemical		45,897		-		-	45,897
Maps and reports		21,450		-		-	21,450
<b>Total exploration and evaluation expenses during 2014</b>	<b>\$</b>	<b>1,136,104</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>116,338</b>	<b>\$ 1,252,442</b>

**SUMMARY OF QUARTERLY RESULTS**

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

Quarter ended	31-Dec-15		30-Sep-15		30-Jun-15		31-Mar-15	
Revenue <sup>(1)</sup>		-		-		-		-
Loss for the quarter	\$	<sup>(2)</sup> (1,157,994)	\$	<sup>(3)</sup> (4,652,800)	\$	<sup>(4)</sup> (856,670)	\$	(402,690)
Loss per share	\$	(0.00)	\$	(0.02)	\$	(0.01)	\$	(0.00)
Quarter ended	31-Dec-14		30-Sep-14		30-Jun-14		31-Mar-14	
Revenue <sup>(1)</sup>		-		-		-		-
Loss for the quarter	\$	<sup>(5)</sup> (1,754,028)	\$	(440,287)	\$	(903,454)	\$	(25,991)
Loss per share	\$	(0.02)	\$	(0.02)	\$	(0.04)	\$	(0.00)

(1) this being an exploration stage company, there are no revenues from operations;

(2) includes exploration expenditures of \$1,362,391

(3) includes exploration expenditures of \$4,713,343

(4) includes exploration expenditures of \$531,391

(5) includes exploration expenditures of \$940,423 in fall of 2014 and \$759,495 share based payments expense

***Loss for the fourth quarter***

Losses of \$1,157,994 in the three months ended December 31, 2015 (2014 - \$1,754,028) were primarily due to expenditures on this season's drill program and follow up after dismantling the camp in November. The exploration expenditures on Spectrum for the quarter were \$1,362,391 (2014 - 940,423). Other major expenditures were consulting fees of \$131,807 (2014 - \$41,537) and investor relations \$244,364 (2014 - \$82,872), property research of \$88,335 (2014 - nil) and office and administration \$37,284 (2014 - \$15,848).

***Loss for the year ended December 31, 2015***

Losses of \$7,070,154 occurred in the year ended December 31, 2015 (2014 - \$3,123,760), primarily with respect to this season's drill program on the Spectrum property. The exploration expenditures primarily on Spectrum were \$6,667,976 (2014 - 1,252,442). Due to increased activity over the prior year, consulting fees were \$449,502 (2014 - \$198,285) and investor relations \$652,199 (2014 - \$115,294), professional fees \$198,275 (2014 - \$57,060) and office and administration \$101,528 (2014 - \$28,633). Share-based payments of \$64,701 (2014 - \$759,495), using Black-Scholes fair value inputs.

Flow-through share premium recovery was recorded for \$1,576,980 (2014 - \$83,782). As a result of the issuances of flow-through shares on June 2, 2015 and November 6, 2015, the Company had a commitment to incur \$7,220,500 in qualifying CEE on or before December 31, 2016. As of December 31, 2015, the remaining commitment was \$1,552,479.

***Cash flows for the year ended December 31, 2015***

The Company used net cash in operating activities in the year ended December 31, 2015 of \$8,649,569 (2014 - \$1,651,000). In addition, the Company paid a \$100,000 refundable security deposit on leased premises and a further \$70,000 to the Ministry of Mines of BC to increase the environmental security bond on Spectrum to a total of \$90,000 and \$103,000 for a reclamation bond on the GJ property. Payments of \$521,535 were paid to vendors and for legal fees to acquire the GJ property.

In conjunction with a financing, Eros Resources Corp. paid \$1,500,000 to be spent in qualifying Canadian exploration expenditures.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company had working capital of \$1,617,742 as of December 31, 2015.

During the year, in two tranches, on May 15, and June 2, 2015, the Company issued an aggregate 99,216,666 units for proceeds of \$6,598,000 consisting of 32,250,000 flow-through shares at a price of \$0.08 per share and 66,966,666 non-flow-through shares at a price of \$0.06 per share. The Company paid a total of \$458,538 in share issuance costs. In relation to the financing, 1,666,666 shares were issued with a fair value of \$100,000.

On November 6, 2015, the Company completed a private placement and raised \$4,685,500 in a combination of 600,000 non-flow through shares priced at \$0.075 and 47,594,874 flow through shares issuances at \$0.0975.

## **RELATED PARTY TRANSACTIONS**

### *Key management compensation*

Key management personnel at the Company are the directors and officers of the Company. The remuneration of key management personnel during the year ended December 31, 2015 and 2014 is as follows:

	<b>2015</b>		<b>2014</b>	
Short-term benefits <sup>1</sup>	\$	449,502	\$	118,892
Share-based payments	\$	-	\$	685,907

1 Short-term benefits consist exclusively of salaries, bonuses, health benefits if applicable and consulting fees for key management personnel.

In accordance with Item 1.9 of Part 2 of Form 51-102.F1 the Company has no ongoing contractual commitments with related parties. Short term benefits were paid or are payable to Virginia Uranium Inc. for services of the Chief Executive Officer, to Forde Management & Associates Ltd. for services of the Chief Financial Officer, to Cold Stream Exploration Ltd. for services of the Vice-President of Exploration and to Cathro Exploration Inc. for services of the Vice-President of Operations. Other than the amounts disclosed above, there were no short-term employee benefits or share-based payments granted to key management personnel during the years ended December 31, 2015 and 2014.

### *Accounts payable and accrued liabilities*

Included in accounts payable and accrued liabilities at December 31, 2015 is \$164,664 (2014 - \$264,266) due to directors or officers or companies with common directors or officers.

### *Loans*

During the year ended December 31, 2013, the Company obtained a loan from Keewatin for \$142,000. The loan was non-interest-bearing and due on demand in addition to the loan arranged during the year ended December 31, 2012, totalling \$200,000 from Keewatin, secured by a non-interest-bearing promissory note for consideration of 500,000 shares for a loan fee fair valued at \$35,000. On October 27, 2014, pursuant to the Spectrum Property acquisition, the total loan of \$342,000 was settled by issuing 4,560,000 common shares.

In conjunction with a financing in 2015, the Company received \$1,500,000 from Eros. The funds were exclusively for exploration activities that qualify as eligible CEE. Subsequent to the year ended December 31, 2015, the loan was converted to 25,000,000 common shares of the Company, on April 21, 2016. The Company and Eros share a common director and an officer.

### *Property acquisition*

On October 27, 2014, pursuant to the Spectrum property acquisition, Keewatin was issued 25,333,333 common shares for its 20% interest in the Spectrum property together with a promissory note for \$700,000 owed by Eilat Exploration Ltd ("Eilat").

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**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 retains experienced consultants 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.

**CONTINGENCY**

Due to the nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. Eilat has on a number of occasions asserted certain claims against the Company pertaining to the Asset Purchase Agreement dated April 14, 2014 and on April 27, 2015. To avoid the possible risk of selective disclosure, the Company is disclosing the existence of the claims regardless of the fact that the Company considers that the claims have no merit and that it has not received any formal notice of claim with respect to any litigation that has been commenced by Eilat. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of the Company.

On February 17, 2015, Skeena Resources Limited ("Skeena") and Keewatin Consultants (2002) Inc ("Keewatin") brought an action in British Columbia Supreme Court against Eilat arising out of an alleged breach of a pooling agreement between Skeena, Keewatin, Eilat and others. The action alleges that Eilat breached the pooling agreement by failing to deliver pooled shares to the pooling agent and wrongfully pledging pooled shares to a third party. The action seeks an order for specific performance of the pooling agreement, or in the alternative, damages for breach of the pooling agreement. Eilat has denied the allegation that it breached the pooling agreement. At present, the action has not been scheduled for trial.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.



**PROPOSED TRANSACTIONS**

The Company has not entered into any proposed transactions.

**OTHER MANAGEMENT'S DISCUSSION AND ANALYSIS**

Additional disclosure for venture issuers without significant revenue:

***Capital Stock and Distributed Surplus as at April 26, 2016:***

Authorized:

Unlimited common shares without par value

Issued:

350,401,172 common shares

Warrants:

Number	Exercise Price	Date of Expiry
<u>40,397,000</u>	\$0.10	October 27, 2016
40,397,000		

Stock options:

Number	Exercise Price	Date of Expiry
13,900,000	\$0.10	November 6, 2019
600,000	\$0.10	January 29, 2020
<u>200,000</u>	\$0.10	May 11, 2020
14,700,000		

Fully diluted:

**381,716,440**

**OTHER INFORMATION**

***List of Directors and Officers***

***Directors***

J. Rupert Allan, *Victoria, BC*  
Ronald K. Netolitzky, *Victoria, BC*  
Peter N. Tredger, *Vancouver, BC*  
Walter Coles, Jr., *New York, NY*

***Officers***

Walter Coles, Jr., President & CEO  
Rupert Allan, VP Exploration  
Mike Cathro, VP Operations  
Karen A. Allan, CPA, CMA, CFO & Corporate Secretary

***Auditors:***

Smythe LLP

***Company solicitors:***

Fasken Martineau DuMoulin LLP