

**MANAGEMENT DISCUSSION AND ANALYSIS**

**1ST QUARTER ENDED MARCH 31, 2014**

*This Management Discussion and Analysis (“MD&A”) is intended to supplement Skeena Resources Limited’s (the “Company” or “Skeena”) condensed consolidated interim financial statements and related notes for the three months ended March 31, 2014. This report is as at **May 29, 2014.***

*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 May 29, 2014. 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, 2013 and December 31, 2012. The information provided herein supplements but does not form part of the consolidated financial statements for the three months ended March 31, 2014. This discussion covers the three months ended March 31, 2014 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**

*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 every effort 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.*

**THE COMPANY**

Skeena Resources Limited (“the Company”) is a mineral exploration stage corporation that owns a 100% interest in the Tropico copper-platinum-palladium-gold project in Sinaloa State, Mexico. The Company is a reporting issuer in British Columbia, Alberta and Saskatchewan. The Company trades on the TSX Venture Exchange under the symbol SKE.

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### **DEVELOPMENTS IN THE QUARTER**

Mr. Walter Coles, Jr. agreed to join the board of directors on December 18, 2013 and has accepted the position of CEO. Rupert Allan stepped down as CEO and was appointed Vice-President of Exploration. All the current board members were re-elected and Walter Coles was elected to the board at the Company's Annual and General Meeting held April 11, 2014.

### **SUBSEQUENT EVENTS**

On April 28, 2014 the Company announced that it had entered into a conditional asset purchase agreement with two private British Columbia corporations, Eilat Exploration Ltd. ("Eilat") and Keewatin Consultants (2002) Inc. ("Keewatin"), a Company owned by a director with respect to the acquisition of a 100% interest in the Spectrum Gold Property ("Spectrum") located in the Golden Triangle of the Stikine Arch in northwest British Columbia. The 3,580 hectare property is situated approximately 37 km west of Imperial Metals' Red Chris mine and 16 km west-northwest of the NGEx/Teck GJ deposit.

The property contains more than 10 different showings of high-grade sulphide-gold mineralization, spatially associated with steeply-dipping fracture zones contained within a broad area of propylitic and potassic-altered Stuhini Group intermediate volcanics and volcanoclastic rocks at the contact zone of a sill-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 except that Spectrum has demonstrated much higher gold grades.

In 2013, Keewatin, acquired a 15% interest in the Spectrum Project and a further 5% interest in February 2014 for total cash consideration of \$1.2 million.

The Company will acquire ownership of the Spectrum property via the execution of the Asset Purchase Agreement however, the Acquisition is conditional on a six-month due diligence program and obtaining shareholder approval. Closing of the Acquisition, which is further subject to regulatory review as described below, including the approval of the TSX Venture Exchange, is anticipated to occur in mid-October 2014. The total consideration for the 100% interest in Spectrum is 80 million common shares of the Company (the "**Consideration Shares**"), of which 64 million Consideration Shares are to be issued to Eilat and 16 million Consideration Shares are to be issued to Keewatin, together with an interest free note payable to Eilat in the amount of \$700,000 (due September 30, 2015), the right for Eilat to nominate a member to Skeena's Board of Directors, replacement of existing environmental bonds, and certain other minor rights and benefits. The Company will also pay up to \$50,000 as a non-refundable deposit to cover certain near term operating expenses incurred by Eilat. Skeena's interest in Spectrum will remain subject to a pre-existing 1.75% net smelter return royalty payable to Pacific Ridge Exploration (formerly Columbia Gold Mines) and other parties. The closing of the Acquisition is also subject to the Company completing a financing with net proceeds of at least \$2 million. There can be no assurance that the transaction will be completed as proposed or at all. In the event that management of Skeena decides not to proceed with the Acquisition, after shareholder approval has been obtained, Eilat would be entitled to a \$700,000 termination fee.

The Company is presently investigating financing options and another news release will be issued in this regard in due course. The majority of the financing will be applied to Spectrum, a small portion to Tropicco, and the remainder to general working capital.

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

In 2010 the Company acquired the remaining minority interests in the previously optioned 27,329 hectare Tropico copper-platinum-palladium-gold Project in Sinaloa State, Mexico in order to own the property 100%. The property is exceptionally well located with respect to readily available infrastructure, being crossed by two paved highways, two major power lines, within 10 km of the north-south coastal rail line, and 25 km north of the deep water port of Mazatlan (20 km north of the city limits). A new, natural gas pipeline, which will cross the western end of the property on the west side of the highway, is currently being constructed from Sonora State to the thermal electric plant at Mazatlan (to replace burning fuel oil). Completion is expected in 2014.

#### Geologic Setting & History

The property covers a steeply NNW dipping, ENE striking (ie, at a right angle to the regional trend of the Sierra Madre Occidental to the east), 19 km long by 1 to 3 km wide, Late Jurassic to Early Cretaceous classic, layered mafic/ultramafic igneous complex that intrudes Paleozoic schists (meta-sediments). The complex is cored by pyroxenite, or mixed pyroxenite-gabbro, which in turn is commonly enclosed by gabbro. It is intruded by Late Cretaceous to Early Tertiary diorite, which is locally cut by quartz diorite to granodiorite (possibly part of the Sinaloa Batholith). Late stage Oligocene volcanics overlie much of the Complex (particularly the southern contact).

The primary exploration targets are large tonnage, open pitable, low-grade zones of disseminated copper sulphide mineralization with associated platinum, palladium and gold values. To date, known occurrences are preferentially deposited proximal to gabbro-pyroxenite contacts in stratigraphically controlled zones where there is a change from predominantly plagioclase cumulate to pyroxene cumulate (both at the hangingwall and footwall contacts of the pyroxenite or mixed pyroxenite-gabbro core). There is some potential for massive, high-grade, copper-nickel-platinum-palladium-gold occurrences in “feeder-pipe” zones or along major faults or within fold structures.

To date, nine sulphide occurrences have been identified at Tropico, consisting of variable, sparse amounts of chalcopyrite, cubanite, bornite, pyrrhotite, pyrite and minor pentlandite. This is a sulphide-deficient system – generally with less than 2 to 3% total sulphides. Some of the better mineralized trenches at the Maricela Occurrence were reported to assay 0.50 to 1.00 % copper and up to 1 gram/tonne (“g/t”) combined platinum + palladium + gold (generally with platinum to palladium ratio in the order of 0.75:1) over widths of 15 to 160 metres. Some 39 drill holes totaling approximately 6,550 metres are reported in the JV summary report. The best reported drill intercepts were 0.5% Cu and 0.75 g/t Pt+Pd+Au over 38.9 metres (hole M-02-08) and 0.39 % Cu and 0.55 g/t Pt+Pd+Au over 128.1 metres (hole M-01-03) at Maricela; and 0.47% Cu and 0.45 g/t Pt+Pd+Au over 59.0 metres and 0.82 % Cu and 0.70 g/t Pt+Pd+Au over 15.5 metres at San Pablo (hole SP-02-01).

#### Exploration

During the spring and summer of 2011, a 4,900 metre (21 holes – NQ core) diamond drill program was undertaken. This work was focused on the apparently geochemically and geophysically continuous, 5,000-metre-long Maricela - San Pablo Zone, which had previously been explored by 22 trenches and 24 drill holes, and the 1,500-metre-long El Pochote zone, which was investigated by four trenches and two drill holes. These two zones characteristically occur along a low ridge crest with sparse overburden and tree cover in an area bounded by agricultural fields. The historic Maricela-San Pablo Zone drilling was not particularly definitive -- two holes were vertical with no platinum group metal assays having been undertaken; one vertical hole was outside the zone; six angle holes were outside of the zone; one reverse circulation hole was drilled at right angles to the zone; seven holes were apparently drilled down dip; and only six holes appear to have been successfully drilled at the proper orientation. The El Pochote zone was even less well explored.

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Tropico is a classic, layered, mafic/ultramafic complex. When the historic and current multi-element soil geochemical database is geospatially and statistically analyzed, the most striking observation is the enrichment and the strong inter-element correlation amongst copper, nickel, cobalt, chrome, platinum, palladium and gold. The correlations and metal ratios are typical of sulphides segregating from a moderately to highly fractionated basic magma with possible alkaline affinities. Furthermore, there is no clear evidence of any significant supergene enrichment. The more mobile copper and palladium are strongly correlative with the more immobile nickel, chrome, cobalt and platinum.

The complex appears to be dipping to the north-northwest (at least in the Main Maricela-San Pablo area) at approximately 80 degrees as indicated by modeling and profiling of the Fugro DIGHEM airborne magnetic survey data.

Mineralization, at least of 'significant' grade, appears to be stratigraphically restricted to the pyroxenite units. There is often widespread very low grade (0.05 to 0.1% Cu) mineralization in the adjacent, often much thicker gabbro units [occasionally >500 metre thick flows], but generally these horizons contain only trace to weakly anomalous PGM values. While many of the strong soil anomalies out in this terrain have yet to be properly investigated (this will require extensive, but inexpensive back-hoe trenching), the Company's interpretation at this stage is that the gabbro is not as prospective a target horizon as the pyroxenite.

Partial to strong surface oxidation (now characterized by the presence of chrysocolla and malachite) extends downward from 30 to 100 metres.

The Skeena drilling shows that there are more bands of pyroxenite than had previously been mapped or interpreted, generally varying from 20 to >100 metres thick. In the central Maricela area, there are 4 main pyroxenite horizons, and each is mineralized [from N (up) to S (base of complex) respectively, 30 metres and 54 metres thick in Hole SK11-001, and 20 metres and 64 metres thick in Hole SK11-002]. The 2 horizons on the north side appear to have good continuity over a strike length of 2.5 km; the 2 horizons on the south side are interpreted to have continuity over a strike length of at least 1.5 km.

In retrospect, this pyroxenite banding is partially evident, but not well delineated, in the previous operator's work. Their back-hoe trenches were almost everywhere placed on the down-dip slope of a low outcrop ridge – thus slightly amplifying the thicknesses of the mineralized horizons. While the previous operator intentionally took advantage of the moderate slopes to provide for efficient machine trenching and wasting of overburden, it unintentionally and inadvertently masked the true thickness of individual bands by 'spreading' the surficial mineralized and lateritic weathered material down-slope. Thus, where the Company anticipated a single mineralized horizon of 100 to 125 metres thick, it has drill intersected two horizons of 30 and 54 metres, separated by 20 to 50 metres of un-mineralized gabbro.

There is some mineralogical zonation within the pyroxenites; generally more chalcopyrite-rich in the upper sections and more bornite-rich toward the base of each unit. Thus, the importance of drilling thru to the base of the layered complex – which Skeena did not achieve on the two more-or-less complete 'fences' (Holes 001 and 002, and Holes 007 and 008) - becomes very apparent. Initially, the Company was more focused on testing for strike continuity, trying to determine dip attitude and investigating the correlation between the soil geochemical responses and the re-interpreted airborne resistivity.

Assay results are encouraging – with only a single drill hole having missed the zones.

The following table summarizes some of the better drill results from (refer to website drill plan map for a more complete summary):

**TROPICO DRILL RESULTS – 2011**

<b>Drill Hole No.</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Interval (m)</b>	<b>% Cu</b>	<b>PGM Pl + Pd + Au g/t</b>	<b>Ag g/t</b>
SKE 11 - 01	74.0 -	104.0	30.0	0.504	573	3.2
SKE 11 - 01	128.0 -	182.1	54.1	0.465	570	2.6
SKE 11 - 02	108.7 -	129.1	20.4	0.405	539	2.3
SKE 11 - 02	148.6 -	212.9	64.3	0.360	503	1.9
SKE 11 - 04	92.9 -	121.3	28.4	0.235	402	1.4
SKE 11 - 08	114.6 -	178.5	63.9	0.395	635	2.3
SKE 11 - 10	221.0 -	265.7	44.7	0.336	431	1.9
SKE 11 - 15	74.0 -	194.5	120.5	0.255	345	1.4
SKE 11 - 17	70.9 -	155.7	84.8	0.224	292	1.1
SKE 11 - 17	166.7 -	218.5	51.8	0.189	318	1.9
SKE 11- 18	0 -	27.0	27.0	0.200	408	2.4
SKE 11 - 18	76.0 -	122.7	46.7	0.176	296	1.9

Metallurgical testing

A bench-scale metallurgical test was undertaken on available drill core, and the very favorable results are summarized as follows (Skeena news release dated Jan. 30, 2013):

The metallurgical sample was composited from 6 widely-spaced NQ drill holes and consisted of 4-metre long half-core mineralized intercepts obtained at an average vertical depth of approximately 75 metres. The weighted average head-grade of the sample was 0.433 % copper, 0.16 g/t gold, 0.20 g/t platinum, 0.27 g/t palladium and 2.3 g/t silver. The sample was processed in a conventional circuit consisting of crush, grind and flotation, with a standard three-stage cleaner flowsheet, and yielded batch test copper recovery of 85% to a concentrate grade of 27% copper. Primary grinding size was 80% passing 100 microns with re-grinding to 30 microns in the cleaning stage and with industry standard reagents being utilized in the test work.

A “locked cycle test” resulted in copper recovery of 88% to a 25% grade copper concentrate. Gold grade was 5.14 g/t at 53% recovery, platinum grade was 3.14 g/t at 29% recovery, and palladium grade was 5.43 g/t at 40% recovery.

The test work, which was performed by SGS Minerals Services in Vancouver, was focused specifically on the grind-recovery relationship for copper in both the rougher and cleaner stages of flotation. **The recoveries of copper, gold, silver and platinum group metals have not been optimized** as there was insufficient fresh core available in this shipment. SGS have suggested that with further optimization these recoveries could be improved. Nevertheless, it is apparent that a “saleable grade” copper concentrate with payable amounts of precious and platinum group metals could feasibly be obtained from this partially oxidized, low grade mineralization.

Proposed Evaluation Program

In order to significantly de-risk the project, the next stage of investigation at Tropicoco will consist of approximately 1,000 metres of in-fill diamond drilling, primarily to be undertaken in order to obtain fresh core for a second bench-scale metallurgical test. This work will focus on the precious metal recoveries from a copper concentrate.

**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. Current market conditions have not been favourable for raising capital and the Company arranged three non-interest bearing two year repayable loans for \$200,000, \$57,000 and \$85,000 respectively from a private company owned by a director which funded the metallurgical study on the Tropico property, the mining concession payments for the 2013 year and certain administrative costs both for Skeena Mexico SA de CV and head office. Consideration for the first loan as approved by the TSX-V Exchange was the issuance of 500,000 common shares valued at \$35,000 calculated using the closing market price on the date of the issuance. Subsequent to year end, the terms were amended to mature on December 31, 2014.

**SUMMARY OF QUARTERLY RESULTS**

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

<b>Quarter ended</b>	<b>31-Mar-14</b>		<b>31-Dec-13</b>		<b>30-Sep-13</b>		<b>30-Jun-13</b>	
Revenue <sup>(1)</sup>		-		-		-		-
	\$	\$	\$	\$	\$	\$		
Loss for the quarter		(25,991)		(82,097)		(19,954)		(69,189)
Loss per share	\$	(0.00)	\$	(0.00)	\$	(0.00)	\$	(0.00)

  

<b>Quarter ended</b>	<b>31-Mar-13</b>		<b>31-Dec-12</b>		<b>30-Sep-12</b>		<b>30-Jun-12</b>	
Revenue <sup>(1)</sup>		-		-		-		-
	\$	\$	\$	\$	\$	\$		
Loss for the quarter		(20,123)		(57,565)		(99,951)		(22,828)
Loss per share	\$	(0.00)	\$	(0.00)	\$	(0.00)	\$	(0.00)

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

***Loss for the three months ended March 31, 2014***

The Company reported a net loss of \$25,991 for the three months ended March 31, 2014 (2013 - \$20,121), of which exploration expenditures of \$nil (2013 - \$5,328), professional fees of \$6,511 (2013 - \$nil) and transfer agent and listing fees of \$6,460 (2013 - \$6,090) were the main expenditures. The Company recorded \$2,560 (2012 - \$2,438) in consulting and management fees.

***Cash flows for the year ended December 31, 2013***

The Company used \$25,991 (2013 - \$20,121) cash in operating activities in the three months ended March 31, 2014.

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### **LIQUIDITY AND CAPITAL RESOURCES**

The Company is currently in a working capital deficiency of \$401,303 and while the Company has been successful in obtaining the required financing in the past through additional equity and non-arm's length loans, there is no assurance that such financing will be available on favourable terms. An inability to raise additional financing within the next six months will adversely impact the future assessment of the Company as a going concern.

### **TRANSACTIONS WITH RELATED PARTIES**

The Company entered into the following transactions with related parties in addition to those discussed elsewhere in the consolidated financial statements:

- (a) The Company paid or accrued consulting fees of \$2,560 during the three months ended March 31, 2014 (2013 - \$2,438) to companies controlled by directors or officers.
- (b) The Company paid or accrued office and administration fees on a cost recovery basis of \$3,142 during the three months ended March 31, 2014 (2013 - \$3,269) to a private company with a common director.
- (c) Included in accounts payable and accrued liabilities at March 31, 2014 is \$35,845 (2013 - \$10,221) due to directors or officers or companies with common directors or officers.
- (d) During the year ended December 31, 2013, the Company obtained a loan from a private company held by a director of the Company for \$142,000. The loan is non-interest bearing and due on demand.
- (e) During the year ended December 31, 2012, the Company arranged a loan totalling \$200,000 from a private company held by a director of the Company. The loan is secured by a non-interest-bearing promissory note for consideration of 500,000 shares for a loan fee fair value at \$35,000.

### **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.

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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.

### **PROPOSED TRANSACTIONS**

On April 28, 2014 the Company announced that it had entered into a conditional asset purchase agreement with two private British Columbia corporations, Eilat and Keewatin, with respect to the acquisition of a 100% interest in the Spectrum Gold Property located in the Golden Triangle of the Stikine Arch in northwest British Columbia. The proposed transaction is described above in the Subsequent Events section.

### **OTHER MANAGEMENT'S DISCUSSION AND ANALYSIS**

Additional disclosure for venture issuers without significant revenue:

#### ***Capital Stock and Distributed Surplus as at May 29, 2014:***

Authorized:

Unlimited common shares without par value

Issued:

25,551,762 common shares

Warrants:

800,000 exercisable at \$2.50 until September 1, 2015.

Stock options:

<u>Number</u>	<u>Exercise Price</u>	<u>Date of Expiry</u>
50,000	\$0.75	January 11, 2015
<u>795,000</u>	\$0.50	September 22, 2015
845,000		

Fully diluted:

**27,196,762**



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**OTHER INFORMATION**

***List of Directors and Officers***

***Directors***

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

***Officers***

Walter Coles, Jr., President & CEO  
Rupert Allan, VP Exploration  
Karen A. Allan, CMA, Corporate Secretary

***Auditors:***

Smythe Ratcliffe LLP

***Company solicitors:***

Northwest Law Group