

SKN RESOURCES LTD.

**Consolidated Financial Statements
April 30, 2003 and 2002**

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AUDITORS' REPORT

TO THE SHAREHOLDERS OF SKN RESOURCES LTD.

We have audited the consolidated balance sheets of SKN Resources Ltd. as at April 30, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2003 and 2002 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe"

Chartered Accountants

Vancouver, British Columbia

July 14, 2003

SKN RESOURCES LTD.
Consolidated Balance Sheets (note 1)
April 30

	2003	2002
Assets		
Current		
Cash	\$2,433,575	\$1,037
Accounts receivable	21,192	8,382
Prepaid expenses	5,500	0
	2,460,267	9,419
Portfolio Investments (note 6)	0	77,658
Fixed, net (note 5)	29,454	0
Investment in and Expenditures on Resource Properties (notes 4 and 7)		
Mineral claims	289,144	2,096,810
Oil and gas lease	0	1
Reclamation deposits	10,000	10,000
Licensing Agreement (note 8)	0	1
	\$2,788,865	\$2,193,889
Liabilities		
Current		
Accounts payable and accrued liabilities	\$45,721	\$365,616
Due to private companies (note 9)	0	1,364,067
	45,721	1,729,683
Shareholders' Equity		
Capital Stock (note 10)	15,944,018	11,652,818
Contributed Surplus	30,390	0
Deficit	(13,231,264)	(11,188,612)
	2,743,144	464,206
	\$2,788,865	\$2,193,889

Approved on behalf of the Board:

"G.A. Armstrong"
..... Director
G.A. Armstrong

"M. Armstrong"
..... Director
M. Armstrong

SKN RESOURCES LTD.
Consolidated Statements of Operations and Deficit
Years Ended April 30

	2003	2002
General and Administrative Expenses		
Professional fees	\$69,556	\$12,237
Consulting	62,045	0
Filing and transfer agent fees	32,767	4,550
Foreign exchange loss	29,750	0
Office	23,960	3,234
Interest, net	20,958	105,558
Travel and promotion	16,862	0
Printing and shareholder relations	15,464	,079
Rent	10,376	18,661
Management fees	7,500	30,000
Salary and benefits	0	19,028
B.C. corporation capital tax (recovery)	0	(13,459)
Property reclamation	0	8,109
Depreciation	4,481	0
	293,719	195,997
Gain on Sale of Investments	(138,129)	0
Debts Forgiven	141,670)	0
Write-down of Mineral Properties	2,028,730	0
Write-off of Oil and Gas Lease	1	0
Write-off of Licencing Agreement	1	0
Loss on Disposal of Capital Assets	0	3,994
Other Income	0	(10,000)
Net Loss for Year	2,042,652	189,991
Deficit, Beginning of Year	11,188,612	10,998,621
Deficit, End of Year	\$13,231,264	\$11,188,612
Loss Per Share	\$ 0.36	\$ 0.06
Weighted Average Number of Shares	5,671,616	3,211,422

SKN RESOURCES LTD.
Consolidated Statements of Cash Flows
Years Ended April 30

	2003	2002
Operating Activities		
Net loss	\$ (2,042,652)	\$(189,991)
Items not involving cash		
Gain on sale of investments	(138,129)	0
Debts forgiven	(141,670)	0
Write-down of mineral properties	2,028,730	0
Write-off of Oil and Gas Lease	1	0
Write-off of Licencing Agreement	1	0
Consulting fees	30,390	0
Interest on debt settled with shares	24,845	0
Loss on disposal of capital assets	0	3,994
Depreciation	4,481	0
Operating Cash Flow	(234,003)	(185,997)
Changes in Non-Cash Working Capital		
Accounts receivable	(12,810)	(791)
Prepaid expenses	(5,500)	0
Accounts payable and accrued liabilities	(190,604)	9,714
	(208,914)	18,923
Cash Used in Operating Activities	(442,917)	(167,074)
Investing Activities		
Expenditures on resource properties	(225,415)	0
Investment in mineral claims, net of recoveries	0	(7,496)
Proceeds from sale of investments	215,787	0
Reclamation deposits	0	24,000
Purchase of capital assets	(17,205)	0
Cash Provided by (Used in) Investing Activities	(26,833)	16,504
Financing Activities		
Issuance of shares	2,902,288	0
Advances from private company	0	150,014
Cash Provided by Financing Activities	2,902,288	150,014
Inflow (Outflow) of Cash	2,432,538	(556)
Cash, Beginning of Year	1,037	1,593
Cash, End of Year	\$2,433,575	\$1,037
Supplemental Cash Flow Information		
Interest paid	\$751	\$0
Income tax paid	\$0	\$0

SKN RESOURCES LTD.
Notes to Consolidated Financial Statements
Years Ended April 30, 2003 and 2002

1. NATURE OF OPERATIONS

The Company is a development stage public company. The principal business activity of the Company is the acquisition, exploration and development of mineral properties.

Since February 3, 2003, the Company's principal activity has been the acquisition, exploration and development of mineral properties located in China held through its subsidiary companies. All of the companies' projects in China are in the initial stages of contract formalization and obtaining necessary government approvals. The ability of the Company to continue operations is dependent upon the continued financial support of its shareholders, other investors and lenders and with the successful development of the Company's interests in the mineral properties.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned British Virgin Islands subsidiaries, Fortress Mining Inc., Fortune Copper Ltd. and Fortune Mining Limited, which were formed during the 2003 fiscal year.

(b) Portfolio investments

Portfolio investments are carried at written down value.

(d) Depreciation

Depreciation of fixed assets is calculated on the following bases and annual rates:

Computer equipment	- 30% Declining balance
Furniture and equipment	- 20% Declining balance
Telephone equipment	- 20% Declining balance

(e) Investment in and expenditures on resource properties

The Company is in the exploration stage with respect to its investment in mineral claims, and accordingly, follows the practice of capitalizing all costs relating to the acquisition of, exploration for and the development of mineral claims, net of all incidental revenues received.

At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on estimated recoverable reserves. The aggregate costs related to abandoned mineral claims will be charged to operations at the time of abandonment.

(f) Income taxes

Income taxes are calculated using the liability method of tax accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. A valuation allowance is provided to reduce the asset to the net amount management estimates to be reasonable to carry as a future income tax asset.

SKN RESOURCES LTD.
Notes to Consolidated Financial Statements
Years Ended April 30, 2003 and 2002

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Flow-through shares

The Company finances a portion of its exploration program with flow-through common share issues. Income tax deductions relating to these expenditures are claimable only by the investors. Proceeds from common shares issued pursuant to flow-through financing are credited to capital stock.

(h) Loss per share

Loss per share computations are based on the weighted average number of common shares outstanding during the year. The fully diluted loss per share was not calculated because the effects are anti-dilative. Escrow shares have not been included in the calculation of the weighted average number of common shares outstanding during the year.

(i) Stock based compensation plans

Effective May 1, 2002, the Company has adopted the new requirements of the Canadian Institute of Chartered Accountants with respect to accounting for stock based compensation. Options granted to employees are accounted for using the settlement method where no compensation expense is recorded when options are granted. Options granted to non-employees are accounted for using the fair value method where compensation expense is calculated using the Black-Scholes options pricing model. The new recommendations are being applied prospectively.

(j) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

(k) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and,
- (iii) Expenses at the average rate of exchange for the year.

Gains and losses arising from the translation of foreign currency are included in net income.

SKN RESOURCES LTD.
Notes to Consolidated Financial Statements
Years Ended April 30, 2003 and 2002

3. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts. At April 30, 2003, the fair value of portfolio investments approximate quoted market values as disclosed in note 6.

(b) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

(c) Credit risk

The Company is not exposed to credit risk with respect to its accounts receivable.

(d) Currency risk

The Company incurs a small portion of expenditures in foreign currencies and translates all foreign currency transactions into Canadian currency using rates prevailing at the time of the exchange which may vary from time to time. As at April 30, 2003, the Company holds approximately \$800,000 in U.S. dollar term deposits and translates it into Canadian currency using the foreign exchange rate effective at the balance sheet date. The Company's ongoing expenditures on its properties in China will be denominated in U.S. dollars. The Company is exposed to foreign currency risk for future expenditures and obligations related to its mineral properties.

4. REALIZATION OF ASSETS

The Company's investment in and expenditures on resource properties comprise a portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful production from the properties or from the proceeds of their disposal.

5. FIXED ASSETS

	2003		2002	
	Cost	Accumulated Depreciation	Net	Net
Computer equipment	\$21,744	\$3,262	\$18,482	\$0
Furniture and equipment	9,565	956	8,609	0
Telephone equipment	2,626	263	2,363	0
	\$33,935	\$4,481	\$29,454	\$0

SKN RESOURCES LTD.
Notes to Consolidated Financial Statements
Years Ended April 30, 2003 and 2002

6. PORTFOLIO INVESTMENTS

	2003		2002	
	Written Down Value	Market	Written Down Value	Market
International Enexco Limited, nil (2002 - 81,779) common shares	\$0	0	\$8,178	4,089
Ivory Oils and Minerals Inc. nil (2002 - 100,000) common shares	0	0	11,000	5,000
Rio Fortuna Exploration Corp. nil (2002 -974,667) common shares	0		58,480	116,960
	\$0	\$0	\$77,658	\$126,049

All of the portfolio investments were sold during the year ended April 30, 2003 for proceeds of \$215,787.

SKN RESOURCES LTD.
Notes to Consolidated Financial Statements
Years Ended April 30, 2003 and 2002

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES

	2003	2002
Mac Molybdenum Property (note 7(a))		
Cost	\$1,500,000	\$1,500,000
Deferred expenditures, net of revenues 108,583	2,532,258	2,532,258
Write-down of mineral property	(4,032,258)	(2,016,128)
		2,016,130
Clearwater Property (note 7(b))		
Deferred expenditures	80,679	80,679
Voisey's Bay Property (note 7(c))		
Cost	11,500	11,500
Deferred expenditures	45,964	45,964
Write-down of mineral property	(57,464)	(57,463)
	0	1
Tongchang Property (note 7(d))		
Cost	35,673	0
Dongchuan Property (note 7(e))		
Cost	149,085	0
Zage Property (note 7(f))		
Cost	0	0
Huidong Property (note 7(g))		
Cost	14,429	0
Gou Gold (note 14)		
Cost	9,278	0
	\$289,144	\$2,096,810

(a) Mac Molybdenum Property

During the year ended April 30, 1997, the Company acquired a 100% interest in eleven mineral claims located in the Omineca Mining Division, British Columbia from Rio Algom Exploration Inc. for the issue of 150,000 post consolidated common shares of the Company at a price of \$10 per share of the Company. During the year ended April 30, 2000, the Company wrote down the property by 50% to management's assessed recoverable value of the property. One claim was forfeited during the year ended April 30, 2002 and two forfeited during year ended April 30, 2003 bringing the total number of claims to eight. During the year ended April 30, 2003, the Company wrote down the property to \$nil.

SKN RESOURCES LTD.
Notes to Consolidated Financial Statements
Years Ended April 30, 2003 and 2002

7. INTEREST IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(b) Clearwater Property

During the year ended April 30, 1999, the Company acquired a 100% interest in 55 claim units in the Kamloops Mining Division, British Columbia. The claims are in good standing until November 2006.

(c) Voisey's Bay Property

The Company owns a 45% undivided interest in 100 mineral claims located at Tasiuyak in the Voisey's Bay area of Labrador, Newfoundland. During the year ended April 30, 2003, the Company wrote down the property to \$nil.

(d) Tongchang Property

On November 25, 2002, the Company entered into a share purchase agreement to acquire all of the outstanding shares of Fortress China Inc. ("Fortress China") in exchange for the issuance of 1,650,000 shares (the "Purchase Shares").

On October 22, 2002, Fortress China's subsidiary Fortress Gold Mining Ltd. ("Fortress Gold") entered into a Cooperative Agreement with Yunnan Geology Mineral Resources Co. Ltd. ("YGMR") to acquire up to a 70% interest in its Tongchang precious and base metal exploration permits (the "Permits") covering an area of approximately 173 square kilometres (km) in the Tongchang area of Yunnan Province, China. On January 20, 2003, Fortress Gold formalized and replaced the Cooperative Agreement with YGMR with a Cooperative Joint Venture Agreement ("JV Agreement"). Under the JV Agreement, which is in the process of review by Chinese government authorities, the parties agreed on the terms of the capitalization and operation of a Chinese cooperative joint venture Company, Yunnan Fu Quan Mining Co. Ltd. ("the JV Company"). The JV Company will be created upon receipt of final approval of Chinese Government authorities to the JV Agreement, and the issuance of the JV Company's business licence, and will hold the Tongchang permits as the joint venture vehicle.

In order to acquire its 70% interest in the JV Company, Fortress Gold must make cash payments to YGMR and contribute to the JV Company a total of US \$4,200,000 over four years. The first year's firm commitments are the contribution of US \$500,000 to the JV Company and the payment to YGMR of US \$250,000. Upon Fortress Gold earning its 70% interest, the parties will contribute to the JV Company based on their respective interests, subject to a standard dilution clause, provided that YGMR's interest will not be diluted to less than 10%.

Closing of the purchase of Fortress China is subject to receipt of TSX Venture Exchange acceptance, which is dependent upon receipt of all necessary Chinese Government approvals. The Purchase shares upon issuance, will be subject to a three year escrow agreement.

SKN RESOURCES LTD.
Notes to Consolidated Financial Statements
Years Ended April 30, 2003 and 2002

7. INTEREST IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(e) Dongchuan Property

On April 1, 2003, the Company's subsidiary Fortress Mining Inc. ("Fortress Mining") entered into a Cooperation Agreement with Yunnan Golden Industry Investment Co. Ltd. ("YGI") to acquire a 70% interest in the Dongchuan Gold Prospect. The Dongchuan Prospect is comprised of two exploration permits covering approximately 226 square kilometres in Northwestern Yunnan Province. Under the Cooperative Agreement the parties agree to form a Sino-Foreign Joint Venture Cooperative Company ("JV Company") in which Fortress Mining will have the right to earn a 70% interest by contributing US \$4,200,000 over four years. YGI will contribute the rights to the Dongchuan Prospect to the JV Company while Fortress Mining will have a first year minimum contribution of US \$600,000. After Fortress Mining has earned its 70% interest, contributions to the JV Company will be made pro rata, 70% by Fortress Mining and 30% by Yunnan Golden. Yunnan Golden's interest can be diluted to not less than 10% if Yunnan Golden elects not to make cash contributions. A finder's fee of 150,000 common shares is payable to two parties. The Cooperation Agreement is subject to Exchange approval. The creation and terms governing the JV Company are subject to Chinese Government approval.

(f) Zage Property

On April 8, 2003, the Company's subsidiary Fortune Copper Limited, ("Fortune Copper") entered into a Cooperative letter agreement with the Regional Geological Survey Team of Henan. ("RGST"), covering nine exploration permit areas aggregating approximately 197 square kilometres in the Zage area, Northeast Xizang Autonomous Region of China. The project area is 700 km northeast of Lhasa, the capital city of Tibet.

Under the terms of the Cooperative agreement, Fortune Copper will form a Sino-Foreign Joint Venture Cooperative Company (the "JV Company") with RGST in which it will have the right to earn a 80% interest by investing US \$3,200,000 over three years with a first year minimum contribution of US \$500,000. After Fortune Copper has earned its 80% interest, contributions to the Cooperative Company will be made pro rata, 80% by Fortune Copper and 20% by RGST. RGST's interest can be diluted to not less than 10% if RGST elects not to make cash contributions. The acquisition is subject to completion of due diligence, including field visits and confirmation of data supplied by the Chinese partner, an independent review of the project to conform to National Instrument 43-101, signing and Chinese Government approval of a formal joint Venture contract and regulatory approvals.

(g) Huidong Property

On April 10, 2003, the Company's subsidiary Fortune Mining Limited, ("Fortune Mining") entered into a Cooperative letter agreement with the Sichuan Province Geological and Minerals Resources Company Ltd. ("SPGMR") to acquire up to a 70% interest in four exploration permit areas applied for by SPGMR in the Huidong area of the Sichuan Province.

SKN RESOURCES LTD.
Notes to Consolidated Financial Statements
Years Ended April 30, 2003 and 2002

7. INTEREST IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

Under the terms of the agreement, Fortune Mining will form a Sino-Foreign Joint Venture Cooperative Company with SPGMR in which it has a right to earn 70% by investing US \$1,750,000 over three years, with a minimum first year contribution of US \$400,000. After Fortune Mining has earned its 70% interest, contributions to the Cooperative Company will be made pro rata, 70% by Fortune Mining and 30% by SPGMR. SPGMR's interest can be diluted to not less than 10% if SPGMR elects not to make cash contributions. The acquisition is subject to issuance of the exploration permits applied for by SPGMR, an independent review of the project to conform to National Instrument 43-101, signing and Chinese Government approval of a formal joint venture contract and regulatory approvals.

(h) Oil and gas lease

The Company's "Sunrise Prospect" consists of a 0.562% working interest in a petroleum and natural gas lease situated in Northeastern British Columbia. This lease is registered in the name of Enermark Resources Inc., Calgary, Alberta. During the year ended April 30, 2003, the Company wrote-off the property.

(i) The Company has renounced \$1,574,284 (2002 - \$1,574,284) of its deferred exploration and development expenditures for tax purposes to the investors of flow-through common shares.

8. LICENSING AGREEMENT

Pursuant to an agreement dated November 18, 1988, the Company was granted exclusive worldwide manufacturing and distribution rights (excluding Canada) for the "Firelight II" barbecue.

Pursuant to an agreement dated June 30, 1990, the Company assigned all its rights, title and interest in the Firelight II for consideration of \$225,000 in future royalties based on \$0.25 per unit sold, to a maximum of 900,000 units with a minimum annual royalty of \$12,500. The licensing agreement was written-down to a carrying value of one dollar (\$1) during the year ended April 30, 1991. During the years ended April 30, 2003 and 2002, no royalties were received by the Company. During the year ended April 30, 2003, the Company wrote-off the licencing agreement.

9. DUE TO PRIVATE COMPANIES

A private company controlled by the chairman has advanced to the Company \$1,344,598 (2002 - \$1,314,757), including accrued interest of \$135,856 (2002 - \$106,014) prior to debt settlement. The amount bears interest at prime plus 5%. The amount was included in the shares for debt settlement described in note 10(b).

In addition \$49,310 (2002 - \$49,310) was due to a company controlled by a director and a company with common management.

SKN RESOURCES LTD.
Notes to Consolidated Financial Statements
Years Ended April 30, 2003 and 2002

10. CAPITAL STOCK

- (a) Authorized
100,000,000 Common shares without par value
- (b) Issued and allotted

Issued	2003		2002	
	Number Of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	3,211,422	\$11,652,818	3,211,422	\$11,652,818
Issued during year				
debt settlement (note 9)	13,889,120	1,388,912	0	0
Brokered private placement	6,450,000	2,682,288	0	0
Non-brokered private Placement	500,000	220,000	0	0
Balance, end of year	24,050,542	\$15,944,018	3,211,422	\$11,652,818

On July 25, 2001, the Company consolidated its shares on the basis of one new common share issued for every ten old common shares issued and outstanding and increased its authorized capital to 100,000,000 common shares. These financial statements have been retroactively restated to reflect this adjustment.

On November 14, 2002, the Company held an extraordinary general meeting during which the shareholders approved the debt settlement agreements announced on September 20, 2002. The Company agreed to settle \$1,388,912 in outstanding debt through the issuance of 13,889,120 securities, issued at a deemed price of \$0.10 per security. The securities were issued as follows: 443,140 common shares to the chairman of the Company, G. Arnold Armstrong in settlement of outstanding legal fees billed on a 50% discounted basis; 750,000 common shares issued to Kelvin Grove Estates Ltd., a private company in which G. Armstrong is director and controlling shareholder; and a total of 12,695,980 units issued to 13 arm's-length parties. Each of the units is comprised of one common share and one-half of a purchase warrant exercisable for a period of two years at \$0.11 per share. The arm's length parties obtained their debt through assignments from Kelvin Grove Estates Ltd., which had \$1,344,598 (note 9) due from the Company as a result of cash advances made by Kelvin Grove Estates Ltd. to the Company to fund the Company's exploration programs in Mexico. Issuance of the shares on the debt settlement will not result in a change of control as all of the arm's length parties receiving shares under the debt settlement will individually hold less than 10% in the capital of the Company after issuance. The arm's-length parties have also represented that they are not acting jointly or in concert.

All shares issued on the debt settlement will be subject to a one year hold period from the date of issuance (note 10(e)).

On February 3, 2003, the Company completed a non-brokered private placement issuing 500,000 units for proceeds of \$225,000 less financing costs of \$5,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable for a period of one year from closing at a price of \$0.60 per share.

On February 18, 2003, the Company completed a brokered private placement issuing a total of 6,450,000 units for proceeds of \$2,902,500 less financing costs of \$220,212 for net proceeds of \$2,682,288. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable for a period of one year from closing at a price of \$0.60 per share.

SKN RESOURCES LTD.
Notes to Consolidated Financial Statements
Years Ended April 30, 2003 and 2002

10. CAPITAL STOCK (Continued)

(c) Stock option plan

The following activity occurred within the stock option plan:

	Number of Options	Weighted Average Price
Options outstanding as of April 30, 2002 and 2001	0	\$ 0.00
Options granted	2,042,000	\$ 0.35
Options outstanding as of April 30, 2003	2,042,000	\$ 0.35

On December 16, 2002, the Company granted options to directors, officers, employees and consultants to purchase up to 2,042,000 common shares, exercisable at a price of \$0.35 per share to December 16, 2005.

The Company applies the settlement method in accounting for its stock options granted to employees, and accordingly, no compensation expense is recorded in these financial statements for those options granted. Had compensation expense been determined as provided in the fair value method using the Black-Scholes options pricing model, the pro-forma effect on the Company's net loss and per share amounts for the period ended April 30, 2003 would have been as follows:

Loss, as reported	\$(2,042,652)
Loss, pro-forma	\$(2,214,862)
Loss per share, as reported	\$ 0.36
Diluted loss per share, as reported	\$ 0.36

The Company applies the fair value method using the Black-Scholes option pricing model to account for options granted to non-employees. During the year ended April 30, 2003, the Company granted 342,000 stock options to non-employees and as a result, additional compensation expense of \$30,390 was recognized in the books of the Company as consulting fees.

Expected life (years)	5
Interest rate	3.00%
Volatility	62.44%
Dividend yield	0.00%

SKN RESOURCES LTD.
Notes to Consolidated Financial Statements
Years Ended April 30, 2003 and 2002

10. CAPITAL STOCK (Continued)

(d) Warrants outstanding

The following warrants are outstanding at April 30, 2003.

Expiry Date	Number of Warrants		Exercise Price
	2003	2002	
November 14, 2004	6,347,190	0	\$ 0.11
February 3, 2004	250,000	0	\$ 0.60
February 18, 2004	3,225,000	0	\$ 0.60

(e) Escrow shares

At April 30, 2003, 11,466,839 (2002 - 0) common shares of the Company were subject to an escrow agreement under which the shares may not be transferred, assigned, or released without consent of the relevant regulatory authorities.

11. RELATED PARTY TRANSACTIONS

(a) Included in accounts payable are the following amounts payable to:

	2003	2002
A law firm in which an officer and director is the proprietor	\$0	\$119,140
A company controlled by an officer and director	0	114,802
An accounting firm in which a former officer and director is the proprietor	0	81,679
Directors for directors' fees	0	44,800
	\$0	\$360,421

During the year ended April 30, 2003, \$141,670 in accounts payable and accrued liabilities was forgiven. Included in this amount was \$40,760 in legal fees due to a law firm in which an officer and director is the proprietor, \$12,600 due to a private Company controlled by an officer and director, \$43,510 due to an accounting firm in which a former officer and director is the proprietor, and \$44,800 for directors' fees.

On November 14, 2002, as part of a debt settlement, the Company issued 443,140 shares at a deemed price of \$0.10 per share to the president of the Company in settlement of outstanding legal fees (note 10(b)).

(b) The amount due to private companies included \$75,000 due to a company controlled by a director of the Company (note 10 b). On November 14, 2002, as part of a debt settlement, the Company issued 750,000 shares at a deemed price of \$0.10 per share to settle the debt.

SKN RESOURCES LTD.
Notes to Consolidated Financial Statements
Years Ended April 30, 2003 and 2002

11. RELATED PARTY TRANSACTIONS

(c) The Company was charged the following amounts:

	2003	2002
Legal fees by a law firm in which the chairman and director is the proprietor	\$1,343	\$1,338
Management fees by a company controlled by an officer and director	7,500	30,000
Office rental by a company controlled by an officer and director	4,500	18,000
Consulting fees by an officer and director	29,950	0
Legal fees by a law firm in which the corporate secretary and director is the proprietor	49,049	0

(d) Other income is derived from consulting fees charged to two companies with common directors. During the year ended April 30, 2002, the Company discontinued their consulting service.

12. INCOME TAXES

The components of the future income tax assets are as follows:

	2003	2002
Future income tax assets		
Non-capital loss carry-forwards	\$2,183,400	\$2,308,900
Unused cumulative exploration and development expenses	4,845,000	2,821,000
Taxable portion of write-down of marketable securities	0	68,267
	7,028,400	5,198,167
Approximate tax rate	38%	45%
	2,670,792	2,339,175
Less: Valuation allowance	(2,670,792)	(2,339,175)
	\$0	\$0

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized.

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12. INCOME TAXES (Continued)

The non-capital losses which may be carried forward to apply against future years' income for Canadian income tax purposes will expire as follows:

2004	\$409,900
2005	316,900
2006	508,000
2007	401,100
2008	236,000
2009	186,000
2010	125,500
	<hr/>
	\$2,183,400

13. COMMITMENTS

The Company is committed to minimum rental payments for office space over the terms of the lease expiring in 2006. The Company has the option to renew the lease for additional three years at the end of the lease term.

Commitments in each of the next three years are approximately as follows:

2004	\$46,200
2005	46,200
2006	42,350

14. SUBSEQUENT EVENTS

Gou Project

On June 24, 2003, the Company's subsidiary, Victor Gold Ltd., entered into a Cooperative letter agreement with a unit of Gansu Non-Ferrous Metals Geological ("GNGB") covering three exploration permits and one permit application totalling about 52 square kilometres (km) in the Xihe area, Gansu Province, China.

Under the terms of the letter agreement, the Company will form a Sino-Foreign Cooperative Joint Venture company with GNGB in which the Company has the right to earn an 80% interest by investing US \$2,000,000 over three years, with a first year minimum contribution of US \$400,000. After the Company has earned its 80% interest, contributions to the Cooperative Company will be made pro rata, 80% by the Company and 20% by GNGB. GNGB's interest can be diluted to not less than 10% if GNGB elects not to make cash contributions.

The acquisition is subject to completion of due diligence, including additional field visits and confirmation of the data supplied by the Chinese partner, an independent review of the project to conform to National Instrument 43-101, signing and approval by Chinese Government authorities to a formal joint venture contract and regulatory approvals.