

**SKN RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS**

Stated in Canadian dollars	July 31, 2003	April 30, 2003
ASSETS	(Unaudited)	(Audited)
Current Assets		
Cash and cash equivalents	\$ 1,182,241	\$ 2,433,575
Short-term investments	1,000,000	-
Accounts receivable	37,725	21,192
Prepaid expenses	8,638	5,500
	<u>2,228,604</u>	<u>2,460,267</u>
Capital assets	42,123	29,454
Investment in and Expenditures on Resource Properties		
Mineral properties (Note 2)	300,559	289,144
Reclamation deposits	10,000	10,000
	<u>\$ 2,581,286</u>	<u>\$ 2,788,865</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 55,616	\$ 45,721
SHARE CAPITAL AND DEFICIT		
Share capital (Note 3)	15,944,018	15,944,018
Contributed surplus	103,219	30,390
Deficit	(13,521,567)	(13,231,264)
	<u>2,525,670</u>	<u>2,743,144</u>
	<u>\$ 2,581,286</u>	<u>\$ 2,788,865</u>

Approved on behalf of the Board:

"Rui Feng"

Director

"Myles Gao"

Director

SKN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
For the three-month period ended July 31, 2003 and 2002
(Unaudited)

Stated in Canadian dollars	July 31, 2003	July 31, 2002
Expenses		
Amortization	\$ 2,380	\$ -
Bank charges and interest	169	24,930
Consulting	103,702	-
Foreign exchange loss	30,314	-
General exploration expenses	1,620	-
Management fees	22,500	7,500
Office and miscellaneous	21,513	358
Printing and shareholder relations	31,415	3,398
Professional fees	25,071	100
Rent	14,730	4,665
Transfer agent and filing fees	3,389	1,244
Travel and promotion	41,313	-
	<u>298,116</u>	<u>42,195</u>
Other income		
Gain on disposal of capital assets	147	-
Gain on sale of securities	-	2,625
Interest income	7,666	-
	<u>7,813</u>	<u>2,625</u>
Net loss for the period	(290,303)	(39,570)
Deficit, beginning of period	<u>(13,231,264)</u>	<u>(11,188,612)</u>
Deficit, end of period	<u>\$ (13,521,567)</u>	<u>\$ (11,228,182)</u>
Basic and diluted loss per share	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>
Weighted Average Number of Shares	<u>5,671,616</u>	<u>3,211,422</u>

SKN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three-month period ended July 31, 2003 and 2002
(Unaudited)

Stated in Canadian dollars	July 31, 2003	July 31, 2002
Cash provided by (used for)		
Operating activities		
Net loss for the period	\$ (290,303)	\$ (39,570)
Add (deduct) items not affecting cash :		
Gain on sale of securities	-	(2,625)
Gain on disposal of capital assets	(147)	-
Non-cash consulting fee	72,829	-
Amortization	2,380	-
	<u>(215,241)</u>	<u>(42,195)</u>
Net change in non-cash working capital		
Accounts receivable	(16,533)	(401)
Prepaid expenses	(3,138)	-
Accounts payable and accrued liabilities	9,895	8,659
	<u>(225,017)</u>	<u>(33,937)</u>
Financing activities		
Advances from private companies	-	29,841
Investing activities		
Resource property additions	(11,415)	-
Capital asset additions	(16,373)	-
Purchase of short-term investment	(1,000,000)	-
Proceeds from sale of securities	-	3,225
Proceeds from disposal of capital assets	1,471	-
	<u>(1,026,317)</u>	<u>3,225</u>
Decrease in cash	(1,251,334)	(871)
Cash, beginning of period	2,433,575	1,037
Cash, end of period	\$ <u>1,182,241</u>	\$ <u>166</u>

SKN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2003
(Unaudited)
(Expressed in Canadian Dollars)

1. Basis of Presentation

The accompanying interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). However, they do not include all the information and disclosures required by Canadian GAAP for financial statements. They have been prepared on the same accounting policies and methods of applications as the latest annual consolidated financial statements. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. The information contained in the interim financial statements should be read in conjunction with the Company’s latest annual consolidated financial statements and the notes thereto.

The unaudited consolidated financial statements include SKN Resources Ltd. (“the Company”) and its wholly owned British Virgin Islands subsidiaries, Fortress China Inc., Fortress Gold Mining Inc., Fortune Mining Ltd., Fortune Copper Ltd., Fortress Mining Inc., Victor Resources Ltd. and Victor Gold Ltd.. All significant inter-company transactions and accounts have been eliminated for the purpose of these financial statements.

2. Mineral Properties

	July 31, 2003	April 30, 2003
Clearwater property	\$ 80,679	\$ 80,679
Tongchang property	35,673	35,673
Dongchuan property	159,574	149,085
Zage property	926	-
Huidong property	14,429	14,429
Gou Gold property	9,278	9,278
	<u>\$ 300,559</u>	<u>\$ 289,144</u>

On June 24, 2003, the Company’s subsidiary, Victor Gold Ltd., entered into a co-operative letter agreement with a Chinese partner to explore the Gou Project at Gansu Province, China. Under the agreement, the Company can earn an 80% interest in the joint venture company to be established by investing US\$2,000,000 (\$2,814,600) over three years, with a first year minimum contribution of US\$400,000 (\$562,920). After the Company has earned its 80% interest, contributions to the joint venture company will be made on a pro-rata basis. The Chinese partner’s interest can be diluted to not less than 10% if they elect not to make cash contributions.

SKN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2003
(Unaudited)
(Expressed in Canadian Dollars)

3. Share Capital, Options and Warrants

(a) Share Capital

Since April 30, 2003, the Company has not issued any capital stock. The issued and outstanding shares as of July 31, 2003 can be summarized as follows : -

	Number of shares	Amount
Authorized : -		
100,000,000 Common shares without par value		
Issued and outstanding : -		
Balance, April 30, 2003 and July 31, 2003	<u>24,050,542</u>	<u>\$ 15,944,018</u>

There were 11,466,839 common shares subject to escrow arrangements as of July 31, 2003.

(b) Options

During the three months ended July 31, 2003, the Company granted the following options to a director : -

Name of optionees	Capacity	No. of options granted	Date of grant	Expiry date	Exercise price
Michael Armstrong	Director	<u>100,000</u>	15-Jul-03	14-Jul-08	\$ 0.70
		<u>100,000</u>			

During the three months ended July 31, 2003, the Company also granted 465,000 and 75,000 stock options to consultants and employees, respectively, on July 15, 2003 at an exercise price of \$0.70 each with an expiry dates ranging from July 14, 2006 to July 14, 2008.

SKN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2003
(Unaudited)
(Expressed in Canadian Dollars)

3. Share Capital, Options and Warrants - continued

(b) Stock Options - continued

If the fair value method had been used for the 175,000 stock options granted to directors and employees, a fair value of \$98,000 would be recorded and amortized over the vesting period.

There were no stock options exercised during the three months ended July 31, 2003.

The outstanding options as at July 31, 2003 can be summarized as follows:

Number	Exercise price	Expiry date
2,042,000	\$ 0.35	15-Dec-07
150,000	0.70	14-Jul-06
490,000	0.70	14-Jul-08
<u>2,682,000</u>		

These stock options are exercisable by the optionees at different vesting periods at the amount per share specified.

The Company's net loss and net loss per share would approximate the following pro forma amounts if the compensation expenses on options granted to employees and directors are also recorded in these financial statements :

	Three months ended	
	July 31, 2003	July 31, 2002
Compensation costs for the period	\$ 74,103	\$ -
Net loss :		
As reported	\$ (290,303)	\$ (39,570)
Pro forma	(364,406)	(39,570)
Net loss per common share		
Basic and diluted		
As reported	\$ (0.01)	\$ (0.01)
Pro forma	(0.02)	(0.01)

SKN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2003
(Unaudited)
(Expressed in Canadian Dollars)

3. Share Capital, Options and Warrants - continued

(c) Warrants

There were no warrants exercised during the three months ended July 31, 2003.

The outstanding warrants as at July 31, 2003 can be summarized as follows:

Number	Exercise price	Expiry date
6,347,990	\$ 0.11	14-Nov-04
250,000	0.60	3-Feb-04
4,192,500	0.60	18-Feb-04
<u>10,790,490</u>		

4. Related Party Transactions

During the three months ended July 31, 2003 and 2002, the Company incurred the following transactions :-

	<u>July 31, 2003</u>	<u>July 31, 2002</u>
Management fees by a company controlled by an officer and director	\$ 22,500	\$ 7,500
Office rental and accounting charges by a company controlled by an officer and director	4,375	4,800
Legal fees by a law firm in which a director is the proprietor	13,725	-
	<u>\$ 40,600</u>	<u>\$ 12,300</u>

SKN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2003
(Unaudited)
(Expressed in Canadian Dollars)

5. Segmented Information

(a) Industry Information

The Company operates in one reportable operating segment, being the acquisition exploration and development of mineral properties.

(b) Geographic Information

		China		Canada		Total
July 31, 2003						
Resource properties	\$	219,880	\$	80,679	\$	300,559
Capital assets		-		42,123		42,123
April 30, 2003						
Resource properties	\$	208,465	\$	80,679	\$	289,144
Capital assets		-		29,454		29,454

6. Subsequent Events

On August 1, 2003, the Company has signed a cooperative joint venture contract with Kunming Gold Exploration Engineering Co., Ltd. ("KGEE"), a subsidiary of a large Chinese national gold exploration organization, to form a Sino-Foreign Joint Venture Cooperative Company (the "Cooperative Company") to explore the Tuobuka Gold Property, Yunnan Province, China. Under the terms of the cooperative joint venture contract, KGEE will have a 20% interest in the Cooperative Company by transferring the Tuobuka Project exploration permit to the Cooperative Company, and the Company will earn its 80% interest in the Cooperative Company by making certain cash payments to KGEE and the Cooperative Company over three years. The specific terms of the cooperative agreement are being kept confidential for competitive reasons. The Company has made its first cash payment to KGEE. After the Company has earned its 80% interest, cash contributions to the Cooperative Company will be made pro rata, 80% by SKN Resources and 20% by KGEE. KGEE's interest may be diluted to not less than 10% if KGEE elects not to make cash contributions.

On September 15, 2003, the Company granted 25,000 stock options to a consultant at an exercise price of \$0.96 each, with an expiry date of September 14, 2008. The fair value of the stock options granted is \$22,500 and will be amortized over the vesting period.