



British Columbia  
Securities Commission

QUARTERLY AND YEAR END REPORT  
BC FORM 51-901F (previously Form 61)

**Freedom of Information and Protection of Privacy Act:** The personal information requested on this form is collected under the authority of and used for the purpose of administering the *Securities Act*. Questions about the collection or use of this information can be directed to the Supervisor, Financial Reporting (604-899-6731), P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2. Toll Free in British Columbia 1-800-373-6393.

INCORPORATED AS PART OF:

\_\_\_\_\_ Schedule A

  X   Schedule B  
(place X in appropriate category)

**ISSUER DETAILS**

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
SKN Resources Ltd.	January 1, 2004	04/03/30

ISSUER'S ADDRESS Suite 1588, 609 Granville Street

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Vancouver	B.C.	V7Y 1G5	604-669-9397	604-669-9387

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
Rui Feng	Chairman	604-669-9397

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
info@sknresources.com	<a href="http://www.sknresources.com">www.sknresources.com</a>

**CERTIFICATE**

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

<i>"Rui Feng"</i>	Rui Feng	04/03/30 DATE SIGNED YY/MM/DD
DIRECTOR'S SIGNATURE	PRINT FULL NAME	

<i>"Myles Gao"</i>	Myles Gao	04/03/30 DATE SIGNED YY/MM/DD
DIRECTOR'S SIGNATURE	PRINT FULL NAME	

(Electronic signatures should be entered in "quotations")

**SKN RESOURCES LTD.**  
**SCHEDULE B : SUPPLEMENTARY INFORMATION**  
**January 31, 2004**  
(Expressed in Canadian Dollars)

**1. Related Party Transactions**

During the three-month and nine-month periods ended January 31, 2004 and 2003, the Company incurred the following transactions :-

	Three months ended January 31,		Nine months ended January 31,	
	2004	2003	2004	2003
Consulting fees by a company controlled by an officer and director	\$ 32,200	\$ -	\$ 87,650	\$ -
Office rental and accounting charges by a company controlled by an officer and director	-	-	4,375	5,200
Legal fees by a law firm in which a director is a proprietor	36,010	-	83,807	1,344
Management fees by an officer and director	22,500	-	67,500	7,500
	<u>\$ 90,710</u>	<u>\$ -</u>	<u>\$ 243,332</u>	<u>\$ 14,044</u>

**SKN RESOURCES LTD.**  
**SCHEDULE B : SUPPLEMENTARY INFORMATION**  
**January 31, 2004**

(Expressed in Canadian Dollars)

**2. Capital Stock**

Since April 30, 2003, the Company has issued the following share capital :

	Number of Shares	Amount
Balance, April 30, 2003 and July 31, 2003	24,050,542	\$ 15,944,018
Exercise of warrants	1,495,574	897,344
Private placement for cash	220,000	187,000
Exercise of options	130,625	47,688
Transfer to share capital upon exercise of options	-	3,150
Balance, October 31, 2003	<u>25,896,741</u>	<u>17,079,200</u>
Private placement for cash	2,750,000	4,578,750
Exercise of warrants	2,613,921	1,397,345
Exercise of options	366,250	136,312
Issuance for finders' fee of the projects	150,000	240,000
Transfer to share capital upon exercise of options	-	15,138
Balance, January 31, 2004	<u><u>31,776,912</u></u>	<u><u>\$ 23,446,745</u></u>

There were 4,586,738 common shares subject to escrow arrangements as of January 31, 2004.

**3. Stock Options**

The Company has not granted or cancelled any stock options during the three months ended January 31, 2004.

The outstanding options as of January 31, 2004 can be summarized as follows:

Number	Exercise price	Expiry date
1,567,000	\$ 0.35	December 15, 2007
472,500	0.70	July 14, 2008
155,000	0.70	July 14, 2006
15,625	0.96	September 14, 2008
<u><u>2,210,125</u></u>		

**SKN RESOURCES LTD.**  
**SCHEDULE B : SUPPLEMENTARY INFORMATION**  
**January 31, 2004**  
**(Expressed in Canadian Dollars)**

**3. Stock Options – Continued**

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

**4. Share Purchase Warrants**

During the three months ended January 31, 2004, the Company issued 1,375,000 share purchase warrants at an exercise price of \$2.25 each with an expiry date on November 5, 2004 and 125,000 share purchase warrants at an exercise price of \$2.18 with an expiry date on November 5, 2004.

The outstanding warrants as at January 31, 2004 can be summarized as follows:

<b>Number</b>	<b>Exercise price</b>	<b>Expiry date</b>
5,998,195	\$ 0.11	November 14, 2004
682,000	0.60	February 18, 2004
220,000	1.05	September 4, 2005
1,375,000	2.25	November 5, 2004
125,000	2.18	November 5, 2004
<u>8,400,195</u>		

**5. Directors and Officers**

The name of the directors and officers as at the date this report is signed and filed are as follows:-

Rui Feng, Director, Chairman & Chief Executive Officer  
Myles Gao, Director & President  
Paul Simpson, Director & Secretary  
Michael G. Armstrong, Director

**SKN RESOURCES LTD.**  
**SCHEDULE C: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL**  
**CONDITION AND RESULTS OF OPERATIONS**  
**January 31, 2004**  
**(Expressed in Canadian Dollars)**

**Description of Business**

SKN Resources Ltd. ("the Company") is a development stage company engaged in the acquisition and exploration of mineral properties in the People's Republic of China ("China"). The Company is a reporting issuer in British Columbia and trades on the TSX Venture Exchange under the symbol SRL.

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, none of the Company's properties has a known body of commercial ore. Other risks facing the Company include competition, reliance on third parties and joint venture partners, environmental and insurance risks, political and environmental instability, statutory and regulatory requirements, fluctuations in mineral prices and foreign currencies, share price volatility, title risks, and uncertainty of additional financing.

**Mineral Properties**

The Company has the right to earn interests in the joint venture companies set up, or being set up, to hold the exploration permits for the following seven mineral properties in China (note that the exchange rate used below is 1 US\$ = 1.3264 CAN\$):

1. Tuobuka Property

The Tuobuka Property consists of an exploration permit covering 24.62 square kilometres (km) located approximately 2 km south of the Boka 7 zone of Southwestern Resources Corp.'s ("Southwestern") Boka Gold Project in north eastern Yunnan Province, China.

On August 1, 2003, the Company, through its wholly-owned subsidiary Lachlan Gold Ltd., signed a cooperative joint venture agreement with a Chinese partner to form a Sino-Foreign Joint Venture Cooperative Company, Yunnan Jin-Chang-Jiang Mining Co. Ltd. ("YJCJM"), to explore the Tuobuka Gold Property. Under the terms of the cooperative joint venture agreement, the Chinese partner has a 20% interest in YJCJM in consideration of the transference of the Tuobuka Project exploration permit to YJCJM, and the Company will earn its 80% interest in YJCJM by making certain cash payments to the Chinese partner and YJCJM over three years. By January 13, 2004, the Company had acquired the remaining 20% interest in YJCJM by making certain payments to its Chinese Partner. The Company now has a 100% interest in the Tuobuka project though holding 100% of YJCJM. The specific terms of the contracts are being kept confidential for competitive reasons.

As of January 31, 2004, the Company had invested \$55,291 in the Property and had contributed \$423,046 to YJCJM.

2. Gou Property

The Gou Property covers three exploration permits and one permit application totalling about 33.62 square km in the Xihe area, Gansu Province, China. The Gou Property is located about 250 km southeast of the capital city, Lanzhou.

On June 24, 2003, the Company, through its wholly-owned subsidiary, Victor Gold Ltd., signed a co-operative letter agreement with a Chinese partner. This was replaced by a Cooperative Joint Venture Contract on November 21, 2003, under which the parties have agreed to form a Sino-Foreign Cooperative Joint Venture Company ("JV Company") to hold the Gou Project permits. The Company can earn an 80%

interest in the joint venture by making capital contributions to the JV Company over 3 years. In the first year, the Company must contribute US\$400,000 (\$530,560). After the Company has earned its 80% interest, contributions to the JV Company will be made on a pro-rata basis. The Chinese partner's interest can be diluted to not less than 10% if it elects not to make cash contributions.

On February 4, 2004, Windridge Technology Corp. ("Windridge"), signed an Acquisition Agreement with the Company whereby Windridge will acquire 100% of the Company's rights in the Gou Gold Project through the purchase of 100% of the issued and outstanding shares of Victor Gold Ltd. Under the terms of the Agreement, Windridge will issue 2,000,000 of its treasury shares to the Company at a deemed price of \$0.25 per share and reimburse the Company the sum of US\$20,000 (\$26,528) for expenses previously incurred in relation to its acquisition of the Gou property. The transaction is subject to regulatory approval and shareholders' approval of Windridge.

As of January 31, 2004, the Company had invested \$16,859 in the Gou Property.

### 3. Feng-Ma Property

The Feng-Ma Gold Property, consisting of 6 separate gold prospects, is located about 220 km northwest of Nanning, the capital city of Guangxi Province, China. The project area is situated in the southeast of the Gold Triangle region which is centred on the boundaries of Yunnan, Guizhou and Guangxi Provinces.

On October 22, 2003, the Company, through its wholly owned subsidiary Victor Resources Ltd., entered into a letter agreement with a Chinese partner to form a Sino-Foreign Cooperative Joint Venture Company ("JV Company") in which the Company has the right to earn an 80% interest by making capital contributions to the JV Company over three years, with a first year minimum contribution of US\$600,000 (\$795,840). After the Company has earned its 80% interest, contributions to the JV Company will be made pro rata, 80% by the Company and 20% by the Chinese partner. The Chinese partner's interest can be diluted to not less than 10% if it elects not to make cash contributions.

As of January 31, 2004, the Company has invested \$85,203 in the Feng-Ma Property.

### 4. Tongchang Gold Property

The Tongchang Gold Property is located about 500 km south of Kunming, the capital city of Yunnan Province, China. The precious and base metal exploration permits constituting the Tongchang Gold Property cover an area of approximately 173 square km in the Tongchang area of Yunnan Province.

The Company entered into a Share Purchase Agreement dated November 25, 2002, under which it has the right to acquire all of the issued shares of Fortress China Inc, and thereby its wholly owned subsidiary, Fortress Gold Mining Ltd., through the issuance of 1,650,000 common shares of the Company.

On January 20, 2003, Fortress Gold Mining Ltd., ("Fortress") signed a co-operative joint venture contract with a Chinese partner over the Tongchang Gold Property. Under the cooperative joint venture contract, Fortress can earn a 70% interest in Yunnan Fu Quan Mining Co. Ltd. ("Fu Quan"), the joint venture company set up to hold the Tongchang exploration permits, by contributing US\$4,200,000 (\$5,570,880) to Fu Quan over 4 years. In the first year, Fortress must contribute US\$500,000 (\$663,200) to Fu Quan and pay the Chinese partner US\$250,000 (\$331,600). After the Company has earned its 70% interest, contributions to Fu Quan will be made on a pro-rata basis. The Chinese partner's interest can be diluted to not less than 10% if it elects not to make cash contributions.

As of January 31, 2004, the Company had invested \$35,673 in the Tongchang Property. The purchase of Fortress China by the Company remains subject to regulatory approval.

### 5. Huidong Property

The Huidong Property is adjacent to the west of Southwestern's Boka Gold Project and covers a total of approximately 380 square km through four exploration permit applications. The Property is located in Sichuan Province, Southwestern China about 500 km south of the capital city of Chengdu.

On April 10, 2003, the Company, through its wholly-owned subsidiary Fortune Mining Ltd. ("Fortune Mining"), entered into a Cooperative letter agreement with a Chinese partner to acquire up to a 70% interest in four exploration permit areas applied for by the Chinese partner in the Huidong area of the Sichuan Province, China. Under the terms of the agreement, a sino-foreign cooperative joint venture company will be formed and the Company has the right to earn a 70% interest in the joint venture company by investing US\$1,750,000 (\$2,321,200) over three years, with a minimum first year contribution of US\$400,000 (530,560). After the Company has earned its 70% 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 it elects not to make cash contributions. The acquisition is subject to the issuance of the exploration permits applied for by the Chinese partner, an independent review of the project to conform to National Instrument 43-101, approval of the joint venture company by the Chinese government and the approval of the regulatory authority.

As of January 31, 2004, the Company has invested \$14,429 in the Huidong Property.

#### 6. Kang Dian Property

The Kang-Dian Property is comprised of seven properties, covered by 8 exploration permits (82 square km) and 4 permit applications (813 square km), located 50 to 210 km west and southwest of Chengdu, the capital city of the Sichuan Province. The permits cover several Nickel(Ni) - Copper(Cu) - Platinum Group Metal(PGM) prospects, collectively called the Kang Dian Project.

In November 2003, the Company, through a wholly owned subsidiary SKN Nickel & Platinum Ltd. ("SNP"), entered into two letter agreements with the respective holders of the permits and permit applications comprising the Kang Dian Project, thereby obtaining right to acquire 75% and 90% interests, respectively, in the exploration permits by contributing US\$2,780,000 (\$3,687,400) to fund the exploration and development of the Project over a period of four years with a first year minimum contribution of US\$600,000 (\$795,840). After SNP has earned its 75% and 90% interests, respectively, contributions to fund the exploration and development of the project will be made pro rata. The interest of the Chinese property owners can be diluted to not less than 10% to 12% if they elect not to make cash contributions.

The Company has signed a letter agreement with Nu-XMP Ventures Limited ("NUX"), whereby NUX has the option to acquire SNP and thereby the Kang Dian Project through the issuance of a total of 7,000,000 of its shares at a deemed price of \$0.375 per share. The Company will receive 6,500,000 of these Shares (the "SKN Shares"), while one of the Chinese property owners will receive 500,000 of the NUX Shares. The SKN Shares will be issued on the basis of 2,500,000 on issuance of a Bulletin by the TSX Venture Exchange accepting the transaction; a further 2,000,000 shares will be issued upon successful completion of the US\$374,000 (\$496,100) work program recommended under the Technical Report that has been completed on the Project; and 2,000,000 shares will be issued on completion of US\$1,000,000 (\$1,326,400) in funding obligations by SNP under the Agreement with one of the permit holders. The SKN Shares will be subject to escrow for three years with quarterly releases. SKN Shares remaining in escrow are subject to cancellation in the event NUX determines not to continue contributing to the joint venture company to be created. The Company will have the right to place a representative on the NUX board of directors. The transactions referred to are subject to regulatory approvals.

As of January 31, 2004, the Company has invested \$32,060 in the Kang Dian Property.

#### 7. Ying Silver-Gold Project

The Ying Project consists of the SGX Silver and YDG Silver-Gold Prospects located about 200 km south of Zhenzhou, the capital city of Henan Province, central China. The SGX Prospect is comprised of five exploration permits covering 52.4 square km and the YDG prospect, which is about 85 km southeast of the

SGX prospect, is comprised of three exploration permits totaling 27 square km. Artisanal mining is taking place on both prospects.

On March 8, 2004, the Company, through its wholly owned subsidiary, entered into a letter agreement with a Chinese partner to acquire a 70% interest in the high grade Ying Silver-Gold Project. Under the letter agreements with the Chinese partner, the Company holds the right to acquire 70% of the Ying Project by funding exploration and development of the Project and making cash payments over a period of four years with a first year minimum contribution of US\$750,000 (\$994,800). After the Company has earned its 70% interest, contributions to fund the exploration and development of the Project will be made pro rata. The interest of the Chinese partner can be diluted to not less than 10% if it elects not to make cash contributions. The acquisition of the Ying Project remains subject to regulatory approvals.

### **Mineral Properties Written Off**

#### 1. Zage Property

The Company decided to write off its investment of \$1,958 in the Zage Property located in the Northeast Xizang Autonomous Region of China in the quarter ended October 31, 2003 after an initial assessment of the Project.

#### 2. Clearwater Property

The Company decided to write off its investment of \$80,679 in the Clearwater Property located in the Province of British Columbia, Canada, in the quarter ended October 31, 2003 as the Company intends to concentrate its effort on its mineral properties in China.

#### 3. Dongchuan Property

Due to its grass root nature, the Company decided to write off its investment of \$119,389 in the Dongchuan Property located in Yunnan Province, south China in the quarter ended January 31, 2004.

### **Exploration Programs, Results and Future Development**

The Company makes capital contributions to the joint venture companies to enable them to carry out exploration activities in the mineral properties. The exploration programs, results and future development plans for each project will be finalized when the relevant joint venture companies holding the mineral properties have been established and the related exploration permits have been transferred to them. The Company may elect in the future to drop one or more of the properties after initial due diligence exploration and may acquire new properties as part of its on-going effort to maximize value for its shareholders.

Currently, the Tuobuka Project is the only project for which a joint venture company has been established to hold the exploration permit covering the Project, and for which the exploration permit has been transferred into the joint venture company from the original Chinese partner.

The boundary between the Boka and Tuobuka Projects is located approximately 2 kilometres south of the Boka 7 zone from which Southwestern has reported positive drill results. Mr. L.D.S. Winter, P.Geol., has completed a NI43-101 qualifying report on the Tuobuka Gold Project.

Mr. Winter's report is available for review in full by the public under SKN's filings on the SEDAR system: [www.sedar.com](http://www.sedar.com). Mr. Winter states in the "Interpretation and Conclusions" section of his report that:

"It is considered that the Tuobuka - Boka zones of gold mineralization were produced by a very large, robust mineralizing system. Gold mineralization has been identified, on the adjacent (to the north) Boka property, from Boka 11 in the north through Boka 1 North and South to over 1700 m south of Boka 7 to the Boka - Tuobuka Property boundary, a total north-south distance of approximately 6.5 km. On the Tuobuka

Property, mineralization may be present for an additional 3 km for a total strike length of 9.5 km. The main north-south-trending east-dipping Upper Mineralized Horizon, contained within a package of Middle Proterozoic age, eugeosynclinal sediments, consists of a stratigraphic interval of carbonaceous shales/slates with minor siltstone, mudstone and carbonate interbeds which shows evidence of multiple episodes of ductile-brittle deformation. This Horizon hosts the main areas of known gold mineralization, Boka 11, Boka 1 North and South and Boka 7 and projects into the Tuobuka Property at an elevation of about 1975 m. A second (Lower) Mineralized Horizon has been identified at Tuobuka approximately 200 m below the Upper Horizon and for a strike length of at least 1 km.”

In summary, it is considered that the Tuobuka Property hosts a 3 km strike length and a significant downdip portion of the favourable package of mineralized Proterozoic carbonaceous shales/slates which project onto the Tuobuka Property from the Boka property to the north. On the Tuobuka Property there are two Mineralized Horizons, an Upper one and a Lower one. The Upper Mineralized Horizon is mainly covered and will require drilling to confirm its characteristics and to evaluate its potential. The Lower Horizon is exposed on the western side of the plateau over a strike length of at least 1 km and shows a potential thickness of at least 75 m based on the presence of artisanal workings currently exploiting Gold-enriched Zones within the Mineralized Horizon. Drilling will also be required to assess the full potential of the Lower Mineralized Horizon."

Mr. Winter's Summary states:

"In summary, it is considered that the Boka - Tuobuka gold mineralization was produced by a very large mineralizing system and that the area, based on the evidence to date, has the potential to host a very large, world-class gold deposit or group of deposits. The Cooperative Company has recently commenced a preliminary program of exploration. A Phase 1 exploration program with a budget of \$Cdn1,064,500 and with 2500 metres of diamond drilling is recommended to begin the evaluation of the Tuobuka Property. Additional work and expenditures would be conditional upon the results of the Phase 1 program."

Drilling is currently underway on the Tuobuka Project. The first drill hole reported on a central portion of Tuobuka Property (projected upper mineralized zone) encountered only lower grade mineralization. Upon studying the geology and location of that first hole, the Company believes that it likely sited the first hole off the main Boka-Tuobuka mineralized trend. The technical report of Stewart Winter, P.Geo considers that the mineralized trend from Southwestern's Boka Project is in place at Tuobuka. Recent drill results by Southwestern immediately to the north of Tuobuka indicate the trend may be located along the projected lower mineralized zone where there has been artisanal mining and tunneling along the exposed lower mineralized zone.

As reported in a March 12 Press Release, the Company assayed tunnel samples from 24 different tunnels along the 2.5-kilometer exposed length of the Tuobuka lower mineralized zone, with sample lengths per tunnel ranging from 1.5 and 5.8 meters to 19.5 meters. This procedure yielded assay results ranging from 0.82 grams per ton ("g/t") gold over 12 meters to 20.6 g/t gold over 1.5 meters, but generally in the range of 2 g/t to 4 g/t gold. The hand-dug mining tunnels, which are shallow and irregular, extend over a 2-kilometer distance along the lower mineralized horizon and show a thickness of mineralization of at least 75 meters.

The Company has shifted its focus to the lower mineralized zone with two drill rigs currently testing the down dip of the exposed lower zone which contains the numerous hand-dug mine and tunnel workings produced by artisanal miners.

## **Results of Operations**

### Three months ended January 31, 2004

The Company incurred consulting fees during the quarter of \$211,218, of which \$59,599 was recorded as compensation expenses for stock options granted to consultants.

The Company incurred \$110,482 during the quarter on shareholder relations, of which \$103,122 was for mailing of newsletters to investors and shareholders and \$7,360 was for issuance of press releases.

The Company incurred \$102,866 during the quarter in professional fees, of which \$31,500 was incurred for legal fees for the preparation of documents for the joint ventures properties, private placements and corporate maintenance and were paid to a law firm of which a director is the proprietor. Legal fees of \$12,728 were incurred for the preparation of various legal documents in China and \$15,000 was incurred in relation to private placements. Professional fees include \$13,426 incurred for accounting and audit fees. The sum of \$3,217 was incurred for incorporation and maintenance of the British Virgin Islands subsidiaries during the period.

The Company wrote off its investment of \$119,389 in the Dongchuan property during the quarter.

The Company incurred general exploration expenses of \$314,202, of which \$240,000 represented the fair value of 150,000 shares issued as finders' fee for the Tuobuka project, \$9,117 was incurred for meals and promotion, and \$59,509 was paid for travelling to and from the properties by the directors and consultants of the Company.

As the Company became active in mineral exploration activities beginning in November 2002, operating expenses were significantly higher than that incurred in the same period of 2002/3.

#### Nine months ended January 31, 2004

The Company incurred consulting fees of \$496,473 during the period, of which \$233,334 was recorded as compensation expenses for stock options granted to consultants.

The Company spent \$218,747 for shareholder relations during the period, of which \$202,982 was for mailing of newsletters to investors and shareholders and \$15,765 was for issuance of press releases.

The Company incurred \$209,186 in professional fees during the period, of which \$81,505 represented legal fees for the preparation of documents for the joint ventures properties, private placements and corporate maintenance and were paid to a law firm of which a director is the proprietor. Legal fees of \$17,825 were incurred for the preparation of various legal documents in China and \$15,000 was incurred in relation to private placements. Professional fees include \$41,818 incurred for accounting and audit fees, of which \$8,800 related to the under-provision of audit fees for the fiscal year ended April 30, 2003 and \$13,343 represented compensation expenses for stock options granted to an accountant. The sum of \$17,861 was incurred for incorporation and maintenance of the British Virgin Islands subsidiaries during the period.

The Company wrote off its investment of \$202,027 in three mineral properties during the period. \$80,679 was in relation to the Clearwater property, \$1,958 was in relation to the Zage property and \$119,389 was in relation to the Dongchuan project.

The Company incurred general exploration expenses of \$449,052, of which \$240,000 represented the fair value of 150,000 shares issued as finders' fee for the Tuobuka project, \$29,897 was incurred for advertising and promotion, \$145,477 was paid for travel to and from the properties by directors and consultants of the Company and \$26,068 was paid for meals and promotion.

As the Company became active in mineral exploration activities beginning in November 2002, its operating expenses were significantly higher than that incurred in the same period of 2002/3.

#### **Financial Condition, Liquidity and Capital Resources**

Working capital increased by \$5,025,424 to \$7,439,970, primarily as a result of share subscriptions which netted \$7,244,439 after offsetting expenses incurred for the operating activities of the Company. The Company's obligations under various joint venture projects currently exceed the working capital on hand. While additional capital may be available through the exercise of options and warrants, the Company shall endeavour to raise additional capital as and when required to meet its obligations.

On November 4, 2003, the Company closed a brokered private placement of \$4,500,000 through the sale of 2,500,000 Units at \$1.80 per Unit. Each Unit is comprised of one common share and one half-share purchase warrant, exercisable for a period of one year at a price of \$2.25 per share. The brokers received a cash commission equal to 7.5% of the gross proceeds, or \$337,500, together with 250,000 brokers warrants exercisable for one year at \$2.18 per share.

On November 4, 2003, the Company also closed a non-brokered private placement of \$450,000 through the sale of 250,000 Units at \$1.80 per Unit. Each Unit is comprised of one common share and one half-share purchase warrant, exercisable for a period of one year at a price of \$2.25 per share. A finder's fee equal to 7.5% of the gross proceeds, or \$33,750, was paid.

The Company is of the opinion that its shares are undervalued in the current market, and that current share prices do not reflect the Company's strong balance sheet and portfolio of highly prospective exploration properties. The Company announced on March 17, 2004 that it intends to commence a Normal Course Issuer Bid to acquire up to 1,630,758 of its Common Shares (being approximately 5% of the 31,776,912 shares currently issued and outstanding), over a period running from March 26, 2004 to March 25, 2005. . The Company is limited, pursuant to the policies of the TSX Venture Exchange, to purchasing not more than 2% of the Company's outstanding shares during any 30-day period. Shares purchased pursuant to the Normal Course Issuer Bid by the Company will be acquired at a price that is not higher than the last independent trade of a board lot of common shares of the Company. Purchases will be made at the discretion of the Directors at prevailing market prices, through the facilities of the TSX Venture Exchange and with the assistance of a broker firm. The Company intends to hold all shares acquired under the issuer bid for cancellation or possible resale at a later date.

## **Outlook**

In the coming few months, the Company will concentrate on its drilling program on the Tuobuka Gold project in the Yunnan Province, China and on the legal procedures to complete the acquisition of the Ying Silver-Gold Project in Henan Province of China. The Company will also proceed to complete regulatory approvals on disposing the Kang-Dian Project to NU XMP Limited.

The Company will consider acquiring additional projects as opportunities arise.

Some of the foregoing statements may contain forward-looking information that involves inherent risk and uncertainty affecting the business of the Company. Actual results may differ materially from those currently anticipated in such statements.