

*Consolidated Interim Financial Statements of*

**SKN RESOURCES LTD.**

*October 31, 2004 and 2003*

(Unaudited – Prepared by Management)

Notice: These interim consolidated financial statements have not been reviewed or audited by the Company's independent auditor.

**SKN RESOURCES LTD.  
CONSOLIDATED BALANCE SHEETS**

<b>Stated in Canadian dollars</b>	<b>October 31, 2004</b>	<b>April 30, 2004</b>
<b>ASSETS</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current Assets</b>		
Cash and cash equivalent	\$ 1,515,432	\$ 1,929,633
Short-term investments	4,200,000	5,000,000
Accounts receivable	86,960	128,671
Marketable securities	151,636	-
Prepaid expenses	113,423	162,046
Amount due from related parties	1,628	71,208
Amount due from joint venture parties	151,013	66,240
	<u>6,220,092</u>	<u>7,357,798</u>
<b>Property, Plant and Equipment (Note 4)</b>	635,822	649,738
<b>Investment in and Expenditures on Resource Properties</b>		
Mineral properties (Note 3)	2,547,090	1,232,712
Reclamation deposits	10,000	10,000
	<u>\$ 9,413,004</u>	<u>\$ 9,250,248</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 238,033	\$ 182,604
Amount due to related parties	27,190	-
Deposit received	24,414	27,414
	<u>289,637</u>	<u>210,018</u>
<b>SHARE CAPITAL AND DEFICIT</b>		
Share capital (Note 5(a))	24,896,924	24,124,435
Stock options (Note 5(b))	1,989,311	1,411,031
Warrants (Note 5(c))	431,347	431,347
Share subscriptions received	-	9,000
Deficit	(18,194,215)	(16,935,583)
	<u>9,123,367</u>	<u>9,040,230</u>
	<u>\$ 9,413,004</u>	<u>\$ 9,250,248</u>

Approved on behalf of the Board:

"Rui Feng"  
Director

"Paul Simpson"  
Director

(The accompanying notes are an integral part of these consolidated financial statements)

**SKN RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**  
**For the three months and six months ended October 31, 2004 and 2003**  
**(Unaudited)**

<b>Stated in Canadian dollars</b>	<b>Three months ended October 31,</b>		<b>Six months ended October 31,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Expenses</b>				
Bank charges and interest	\$ 1,135	\$ 1,084	\$ 2,573	\$ 1,253
Consulting	43,283	80,641	87,980	111,514
Depreciation	9,877	3,010	19,618	5,390
Foreign exchange loss	76,044	87,515	110,589	117,829
General exploration expenses	41,720	91,917	79,273	134,850
Mineral properties written off	-	82,638		82,638
Office and miscellaneous	69,815	39,406	142,791	98,149
Shareholder relations	66,971	76,850	75,335	108,265
Stock-based compensation expenses	215,165	114,191	272,158	187,020
Professional fees	32,900	67,970	57,500	93,041
Transfer agent and filing fees	9,602	31,848	13,760	35,237
	<u>566,512</u>	<u>677,070</u>	<u>861,577</u>	<u>975,186</u>
<b>Operating loss</b>	(566,512)	(677,070)	(861,577)	(975,186)
<b>Other income and expenses</b>				
Gain on disposal of furniture	-	-	-	147
Interest income	29,295	6,217	60,024	13,883
Other income	607	-	607	-
	<u>29,902</u>	<u>6,217</u>	<u>60,631</u>	<u>14,030</u>
<b>Net loss for the period</b>	(536,610)	(670,853)	(800,946)	(961,156)
<b>Deficit, beginning of period as previously reported</b>	(17,657,605)	(13,521,567)	(16,935,583)	(13,231,264)
Stock-based compensation expenses (Note 2)	-	-	(457,686)	-
<b>Deficit, beginning of period, restated</b>	<u>(17,657,605)</u>	<u>(13,521,567)</u>	<u>(17,393,269)</u>	<u>(13,231,264)</u>
<b>Deficit, end of period</b>	<u>\$ (18,194,215)</u>	<u>\$ (14,192,420)</u>	<u>\$ (18,194,215)</u>	<u>\$ (14,192,420)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>
<b>Weighted Average Number of Shares</b>	<u>38,901,063</u>	<u>24,647,896</u>	<u>36,436,287</u>	<u>24,349,219</u>

(The accompanying notes are an integral part of these consolidated financial statements)

**SKN RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the three months and six months ended October 31, 2004 and 2003**  
**(Unaudited)**

Stated in Canadian dollars	Three months ended October 31,		Six months ended October 31,	
	2004	2003	2004	2003
<b>Cash provided by (used for)</b>				
<b>Operating activities</b>				
Net loss for the period	\$ (536,610)	\$ (670,853)	\$ (800,946)	\$ (961,156)
Add (deduct) items not affecting cash :				
Gain on disposal of furniture	-	-	-	(147)
Mineral properties written off	-	82,638	-	82,638
Stock-based compensation	215,165	114,191	272,158	187,020
Depreciation	6,017	3,010	19,618	5,390
	(315,428)	(471,014)	(509,170)	(686,255)
Net change in non-cash working capital				
Accounts receivable	75,858	5,271	41,711	(11,262)
Prepaid expenses	86,162	(11,430)	48,623	(14,568)
Accounts payable and accrued liabilities	114,175	106,550	55,429	116,445
<b>Cash used in operating activities</b>	(39,233)	(370,623)	(363,407)	(595,640)
<b>Investing activities</b>				
Resource property additions	(951,987)	(75,942)	(1,314,378)	(87,357)
Equipment and furniture additions	(4,948)	(6,589)	(8,703)	(22,962)
Purchase of short-term investment	800,000	-	800,000	(1,000,000)
Purchase of marketable securities	(151,636)	-	(151,636)	-
Proceeds from disposal of furniture	-	-	-	1,471
<b>Cash used in investing activities</b>	(308,571)	(82,531)	(674,717)	(1,108,848)
<b>Financing activities</b>				
Repayment on advance to a related company	40,946	-	96,770	-
Advance to joint venture parties	150,231	(95,640)	(84,773)	(95,640)
Share subscriptions for cash, net of commission	314,201	1,642,032	611,926	1,642,032
<b>Cash provided by financing activities</b>	505,378	1,546,392	623,923	1,546,392
<b>Decrease in cash</b>	157,574	1,093,238	(414,201)	(158,096)
<b>Cash and cash equivalents, beginning of period</b>	1,357,858	1,182,241	1,929,633	2,433,575
<b>Cash and cash equivalents, end of period</b>	\$ 1,515,432	\$ 2,275,479	\$ 1,515,432	\$ 2,275,479
<b>Supplemental information:</b>				
Interest paid	\$ 263	\$ 1	\$ 291	\$ 1
Income tax paid	\$ 444	\$ -	\$ 444	\$ -

(The accompanying notes are an integral part of these consolidated financial statements)

**SKN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**October 31, 2004**  
**(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 subsidiaries, Yunnan Jin Chang Jiang Mining Co. Ltd., Fortune Mining Ltd., Fortune Copper Ltd., Fortress Gold Mining Inc., Fortress Mining Inc., Victor Resources Ltd., Lachlan Gold Ltd., Victor Gold Ltd., Victor Mining Ltd. and SKN Nickel & Platinum Ltd.. All significant inter-company transactions and accounts have been eliminated for the purpose of these financial statements.

**2. Change of Accounting Policy**

Effective May 1, 2004, the Company adopted the new requirements of the Canadian Institute of Chartered Accountants Standard 3870 which requires an expense to be recognized in the financial statements for all forms of employee stock-based compensation, including stock options. Previously, the Company did not record any compensation cost on the granting of stock options to employees and directors as the exercise price was equal to or greater than the market price at the date of the grants.

Accordingly, the opening deficit was restated on a retroactive basis to show the effect of compensation expense associated with stock option grants to employees and directors from January 1, 2002 to April 30, 2004, which amounted to \$457,686, and an increase of \$122,156 to share capital and \$335,530 to stock options.

**SKN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**October 31, 2004**  
**(Unaudited)**  
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**3. Mineral Properties**

	October 31, 2004	April 30, 2004
Tuoboka Property	\$ 1,617,297	\$ 1,101,069
Ying Property	863,718	65,568
Gou Gold Property	21,028	21,028
Kang Dian Property	45,047	45,047
	<u>\$ 2,547,090</u>	<u>\$ 1,232,712</u>

(a) Tuobuka Property

On August 1, 2003, the Company, through its wholly-owned subsidiary Lachlan Gold Ltd., signed a cooperative joint venture agreement with a Chinese party to form a Sino-Foreign Joint Venture Cooperative Company, Yunnan Jin-Chang-Jiang Mining Co. Ltd. ("YJCJM"), to explore the Tuobuka Gold property located in Yunnan Province, China. Under the terms of the cooperative joint venture agreement, the Chinese party held a 20% interest in YJCJM in consideration of transference of the Tuobuka project exploration permit to YJCJM, and the Company was to earn its 80% interest in YJCJM by contributing RMB8,000,000 (\$1,324,800) to YJCJM over three years and paying RMB1,000,000 (\$165,000) (paid) to the Chinese party. On January 13, 2004, the Company acquired the remaining 20% interest in YJCJM from the Chinese party by paying additional RMB1,600,000 (\$256,978) (paid). The Company now has a 100% interest in the Tuobuka Gold Project and no longer has any remaining commitments under the joint venture agreement.

As of October 31, 2004, the Company has invested \$2,447,102 in YJCJM.

(b) Ying Property

In May 2004, the Company, through its wholly owned subsidiary, Victor Mining Ltd., entered into a cooperative joint venture agreement with a Chinese party to acquire a 77.5% interest in the high grade Ying Silver-Gold Project located in Hennan Province, China. Under the cooperative agreement with the Chinese party, the Company holds the right to acquire 77.5% of the Ying Project by funding exploration and development of the Project in the amount of US\$3,670,000 (\$4,479,969) to the joint venture company, Hennan Found Mining Co. Ltd. ("HFMC"), over a period of three years for a 55% interest in HFMC and pay US\$1,500,000 (\$1,831,050) to the Chinese party over a period of three years for purchasing another 22.5% interest in HFMC. After the Company has earned its 77.5% interest, contributions to fund the exploration and development of the Project will be made pro rata. The interest of the Chinese party can be diluted to not less than 10% if it elects not to make cash contributions.

**SKN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**October 31, 2004**  
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**3. Mineral Properties – Continued**

(b) Ying Property - Continued

As of October 31, 2004, the Company has advanced \$73,892 to the Chinese party for the initial preparation work and the amount will be repaid by HFMC.

(c) Gou Gold Property

On June 24, 2003, the Company, through its wholly owned subsidiary Victor Gold Ltd. (“Victor”), signed a co-operative letter agreement with a Chinese party. 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, Gansu Jin Fu Mining Co. Ltd. (“Jin Fu”) to hold the Gou Project permits located in Gansu Province, China. Victor can earn an 80% interest in Jin Fu by making capital contributions of US\$2,000,000 (\$2,441,400) to Jin Fu over three years and payment of US\$30,000 (\$36,621) to the Chinese party. After Victor has earned its 80% interest, contributions to Jin Fu will be made on a pro-rata basis. The Chinese party’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 (\$24,414) (received) for expenses previously incurred in relation to its acquisition of the Gou Property. The sale of Victor Gold Ltd. is nearing Exchange acceptance as at the date hereof.

(d) Kang Dian property

In November 2003, the Company, through a wholly owned subsidiary SKN Nickel & Platinum Ltd. (“SNP”), has entered into two letter agreements with the respective holders of the permits and permit applications comprising the Kang Dian Project located in Sichuan Province, China, thereby obtaining the rights to acquire 75% and 90% interests, respectively, in the exploration permits by contributing US\$2,500,000 (\$3,051,750) to fund the exploration and development of the Project over a period of four years and paying US\$80,000 (\$97,656) to a Chinese party within 10 days after obtaining the approvals from China government. 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%, respectively, if they elect not to make cash contributions.

**SKN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**October 31, 2004**  
**(Unaudited)**  
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**3. Mineral Properties - Continued**

(d) Kang Dian property - Continued

The Company has signed a letter agreement with New Pacific Metals Corp. ("NUX"), previously known as Nu-XMP Ventures Limited, 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 are being 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 (\$456,542) 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 (\$1,220,700) 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 obtained the right to place a representative on the NUX board of directors. The Company's chairman, Rui Feng, and the Company's president, Myles Gao were elected to the Board of directors of NUX at their Annual General Meeting in September.

As of October 31, 2004, the Company has advanced \$77,121 to the Chinese party for the initial preparation work and the amount will be repaid by the joint venture company, Sichuan Huan-xi Exploration Co. Ltd., which was created to hold the Kang Dian exploration permits.

**4. Property, Plant and Equipment**

	October 31, 2004			April 30, 2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Motor vehicle	\$ 77,956	\$ 12,732	\$ 65,224	\$ 72,487
Equipment & furniture	41,883	10,875	31,008	27,011
Computer equipment	88,461	32,531	55,930	65,901
Computer software	2,714	2,036	678	1,357
Mining equipment	482,982	-	482,982	482,982
	\$ 693,996	\$ 58,174	\$ 635,822	\$ 649,738

**SKN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**October 31, 2004**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

**5. Share Capital, Options and Warrants**

**(a) Share Capital**

Since April 30, 2004, the Company has issued the following share capital :

	Number of Shares		Amount
Balance, April 30, 2004	33,578,812	\$	24,124,435
Shares issued for subscription received	15,000		9,000
Exercise of warrants	5,163,295		568,176
Exercise of options	125,000		43,750
Transfer to share capital upon exercise of options	-		151,563
Balance, October 31, 2004	<u>38,882,107</u>	<u>\$</u>	<u>24,896,924</u>

**(b) Options**

The following is a summary of option transactions during the six-month period ended October 31, 2004:

	Number of options		Weighted- average exercise price
Balance, May 1, 2004	2,183,875	\$	0.45
Options granted	1,010,000		0.52
Options exercised	<u>(125,000)</u>		0.35
Balance, October 31, 2004	<u>3,068,875</u>		0.48
Options exercisable at October 31, 2004	<u>2,275,125</u>	\$	0.46

**SKN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**October 31, 2004**  
**(Unaudited)**  
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**5. Share Capital, Options and Warrants – Continued**

**(b) Options - Continued**

The following table summarizes information about stock options outstanding at October 31, 2004:

	Range of exercise prices	Number outstanding at October 31, 2004	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number exercisable at October 31, 2004	Weighted-average exercise price
\$	0.35	1,417,000	3.13	\$ 0.35	1,417,000	\$ 0.35
	0.70	626,250	3.22	0.70	596,250	0.70
	0.96	15,625	3.88	0.96	9,375	0.96
	0.40	210,000	2.92	0.40	52,500	0.40
	0.55	800,000	5.00	0.55	200,000	0.55
	\$0.35 - \$0.96	<u>3,068,875</u>	3.62	0.48	<u>2,275,125</u>	0.46

During the six months ended October 31, 2004, compensation expense of \$272,158 was recognized for options previously granted and vesting over time using the Black-Scholes option pricing model with the assumptions disclosed in the annual audited consolidated financial statements.

**(c) Warrants**

The following is a summary of warrant transactions during the six-month period ended October 31, 2004 :

	Number of warrants	Weighted-average exercise price
Balance, May 1, 2004	6,734,545	\$ 0.57
Warrants exercised	<u>(5,163,295)</u>	(0.11)
Balance, October 31, 2004	<u>1,571,250</u>	2.27

**SKN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**October 31, 2004**  
**(Unaudited)**  
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**5. Share Capital, Options and Warrants – Continued**

**(c) Warrants - Continued**

Number of Warrants	Exercise Price	Expiry Date
1,219,900	\$ 2.25	November 4, 2004
151,350	2.18	November 4, 2004
200,000	1.05	September 23, 2005
<u>1,571,250</u>		

**6. Related Party Transactions**

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

	Three months ended October 31,		Six months ended October 31,	
	2004	2003	2004	2003
Consulting fees by a company controlled by an officer and director	\$ 35,750	\$ 55,450	\$ 67,250	\$ 55,450
Legal fees by a law firm in which a director is a proprietor	12,815	40,530	22,355	54,255
Management fees by an officer and director	30,000	22,500	60,000	45,000
Office rental and accounting charges by a company controlled by an officer and director	-	-		4,375
Accounting fees by an accounting firm related to an officer	4,604	-	4,604	-
	<u>\$ 83,169</u>	<u>\$ 118,480</u>	<u>\$ 154,209</u>	<u>\$ 159,080</u>

**SKN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**October 31, 2004**  
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**7. 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
As of October 31, 2004			
Mineral properties	\$ 2,547,090	\$ -	\$ 2,547,090
Equipment and furniture	587,678	48,144	635,822
As of April 30, 2004			
Mineral properties	\$ 1,232,712	\$ -	\$ 1,232,712
Equipment and furniture	599,669	50,069	649,738

**8. Subsequent Events**

New Pacific Metals Corp. issued 2,500,000 shares to the Company on December 13, 2004 as the initial tranche of the 6,500,000 shares of New Pacific Metals Corp. due to the Company under the Option Agreement governing the Kang Dian Project.