

Consolidated Interim Financial Statements of

SKN RESOURCES LTD.

January 31, 2005 and 2004

(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
(Prepared by Management)

Stated in Canadian dollars	January 31, 2005	April 30, 2004
ASSETS	(Unaudited)	(Audited)
Current Assets		
Cash and cash equivalent	\$ 1,128,000	\$ 1,929,633
Short-term investments	4,200,000	5,000,000
Accounts receivable	56,738	128,671
Marketable securities	955,000	-
Prepaid expenses	95,767	162,046
Amount due from related parties	973	71,208
Amount due from joint venture parties	56,390	66,240
	<u>6,492,868</u>	<u>7,357,798</u>
Property, Plant and Equipment (Note 4)	600,995	649,738
Investment in and Expenditures on Resource Properties		
Mineral properties (Note 3)	2,904,923	1,232,712
Reclamation deposits	10,000	10,000
	<u>\$ 10,008,786</u>	<u>\$ 9,250,248</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 183,266	\$ 182,604
Amount due to related parties	48,085	-
Deposit received	-	27,414
	<u>231,351</u>	<u>210,018</u>
SHARE CAPITAL AND DEFICIT		
Share capital (Note 5(a))	24,897,012	24,124,435
Treasury shares held for cancellation (Note 5(a))	(99,574)	-
Contributed surplus (Note 5(a))	43,839	-
Stock options (Note 5(b))	2,215,233	1,411,031
Warrants (Note 5(c))	431,347	431,347
Share subscriptions received	-	9,000
Deficit	(17,710,422)	(16,935,583)
	<u>9,777,435</u>	<u>9,040,230</u>
	<u>\$ 10,008,786</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 nine months ended January 31, 2005 and 2004
(Unaudited - Prepared by Management)

Stated in Canadian dollars	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Expenses				
Bank charges and interest	\$ 768	\$ 2,749	\$ 3,341	\$ 4,002
Consulting	43,345	151,619	131,325	263,133
Depreciation	30,314	5,106	49,932	10,496
Foreign exchange loss	5,362	(33,052)	115,951	84,777
General exploration expenses	52,833	314,202	132,106	449,052
Mineral properties written off	-	119,389	-	202,027
Office and miscellaneous	70,610	331,869	213,401	430,018
Shareholder relations	21,078	110,482	96,413	218,747
Stock-based compensation expenses	225,922	59,663	498,080	246,683
Professional fees	34,692	102,802	92,192	195,843
Transfer agent and filing fees	5,802	10,399	19,562	45,636
	490,726	1,175,228	1,352,303	2,150,414
Operating loss	(490,726)	(1,175,228)	(1,352,303)	(2,150,414)
Other income and expenses				
Gain on disposal of furniture	-	-	-	147
Gain on disposal of subsidiary (Note 3(c))	503,518	-	503,518	-
Mineral property option income (Note 3(d))	443,072	-	443,072	-
Interest income	27,929	24,443	87,953	38,326
Other income	-	-	607	-
	974,519	24,443	1,035,150	38,473
Net income (loss) for the period	483,793	(1,150,785)	(317,153)	(2,111,941)
Deficit, beginning of period as previously reported	(18,194,215)	(14,192,420)	(16,935,583)	(13,231,264)
Stock-based compensation expenses (Note 2)	-	-	(457,686)	-
Deficit, beginning of period, restated	(18,194,215)	(14,192,420)	(17,393,269)	(13,231,264)
Deficit, end of period	\$ (17,710,422)	\$ (15,343,205)	\$ (17,710,422)	\$ (15,343,205)
Basic earnings (loss) per share	\$ 0.01	\$ (0.04)	\$ (0.01)	\$ (0.08)
Diluted earnings (loss) per share (Note 6)	\$ 0.01	\$ (0.04)	\$ (0.01)	\$ (0.08)
Weighted Average Number of Shares	38,882,907	30,455,125	37,282,007	26,384,521
Adjusted Weighted Average Number of Shares (Note 6)	41,538,787	30,455,125	37,282,007	26,384,521

(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 nine months ended January 31, 2005 and 2004
(Unaudited)

Stated in Canadian dollars	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Cash provided by (used for)				
Operating activities				
Net loss for the period	\$ 483,793	\$ (1,150,785)	\$ (317,153)	\$ (2,111,941)
Add (deduct) items not affecting cash :				
Gain on disposal of furniture	-	-	-	(147)
Gain on disposal of subsidiary	(503,518)	-	(503,518)	-
Mineral property option income	(443,072)	-	(443,072)	-
Mineral properties written off	-	119,389	-	202,027
Stock-based compensation	225,922	59,663	498,080	246,683
None-cash general exploration expenses	-	240,000	-	240,000
Depreciation	30,314	5,106	49,932	10,496
	(206,561)	(726,627)	(715,731)	(1,412,882)
Net change in non-cash working capital				
Accounts receivable	30,222	(53,666)	71,933	(64,928)
Prepaid expenses	17,656	(99,097)	66,279	(113,665)
Accounts payable and accrued liabilities	(54,679)	(67,029)	662	49,416
Deposit received	(27,414)	-	(27,414)	-
Cash used in operating activities	(240,776)	(946,419)	(604,271)	(1,542,059)
Investing activities				
Resource property additions	(357,833)	(593,662)	(1,672,211)	(681,019)
Equipment and furniture additions	(897)	(103,624)	(9,600)	(126,586)
Purchase of short-term investment	-	(2,800,000)	800,000	(3,800,000)
Proceeds from disposal of furniture	-	-	-	1,471
Cash used in investing activities	(358,730)	(3,497,286)	(881,811)	(4,606,134)
Financing activities				
Advance from (to) related companies	21,550	6,725	118,320	(88,915)
Advance to joint venture parties	94,623	-	9,850	-
Share subscriptions for cash, net of commission	-	5,602,408	612,014	7,244,440
Purchase of treasury shares	-	-	(151,636)	-
Proceeds from disposal of treasury shares	95,901	-	95,901	-
Cash provided by financing activities	212,074	5,609,133	684,449	7,155,525
Increase (decrease) in cash	(387,432)	1,165,428	(801,633)	1,007,332
Cash and cash equivalents, beginning of period	1,515,432	2,275,479	1,929,633	2,433,575
Cash and cash equivalents, end of period	\$ 1,128,000	\$ 3,440,907	\$ 1,128,000	\$ 3,440,907
Supplemental information:				
Interest paid	\$ -	\$ 1	\$ 291	\$ 1
Income tax paid	\$ -	\$ -	\$ 433	\$ -
Non-cash investing:				
2,000,000 shares of Dajin Resources Ltd. received for the disposal of Victor Gold Ltd.	\$ 500,000	\$ -	\$ 500,000	\$ -
650,000 shares of New Pacific Metals Corp. received as partial consideration for the Option Agreement in relation to the Kian Dian Project	\$ 455,000	\$ -	\$ 455,000	\$ -

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

SKN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
January 31, 2005
(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 Mining Ltd. and SKN Nickel & Platinum Ltd.. All significant inter-company transactions and accounts have been eliminated for the purpose of these financial statements.

Certain comparative figures have been reclassified to conform with current year presentation.

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 expenses 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.

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3. Mineral Properties

	January 31, 2005	April 30, 2004
Tuoboka Property	\$ 1,627,220	\$ 1,101,069
Ying Property	1,277,703	65,568
Gou Gold Property	-	21,028
Kang Dian Property	-	45,047
	<u>\$ 2,904,923</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 (\$1,196,800) 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 January 31, 2005, 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 (\$4,543,460) 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 (\$1,857,000) 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.

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3. Mineral Properties – Continued

(b) Ying Property - Continued

As of January 31, 2005, the Company has invested \$1,062,355 in HFMC and advanced \$16,297 to the Chinese party.

(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 (\$2,476,000) to Jin Fu over three years and payment of US\$30,000 (\$37,140) 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, Dajin Resources Corp. (“Dajin”), previously known as Windridge Technology Corp., signed an acquisition agreement with the Company whereby Dajin would 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, Dajin would issue 2,000,000 of its Treasury shares (received) 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 acquisition was completed on January 19, 2005 and 2,000,000 shares of Dajin Resources Corp. have been received by the Company as consideration. A gain on disposal of subsidiary of \$503,518 has been recorded on the income statement.

(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 (\$3,095,000) to fund the exploration and development of the Project over a period of four years and paying US\$80,000 (\$99,040) 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

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3. Mineral Properties - Continued

(d) Kang Dian property - Continued

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.

The Company has signed a letter agreement with New Pacific Metals Corp. ("NPM"), previously known as Nu-XMP Ventures Limited, whereby NPM 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 NPM 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 (\$463,012) 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 (\$1,238,000) 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 NPM determines not to continue contributing to the joint venture company to be created. The Company has the right to place a representative on the NPM board of directors.

As of January 31, 2005, NPM issued into escrow the first 2,500,000 SKN shares. From this tranche, 650,000 and 154,167 shares were released to the Company on December 20, 2004 and March 1, 2005 respectively. A mineral property option income of \$443,072 has been recorded on the income statement after offsetting the mineral property cost of \$11,927. The Company also has advanced \$40,094 to the Chinese party.

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4. Property, Plant and Equipment

	January 31, 2005			April 30, 2004
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Motor vehicle	\$ 77,956	\$ 16,077	\$ 61,879	\$ 72,487
Equipment & furniture	41,672	12,546	29,126	27,011
Computer equipment	88,461	40,173	48,288	65,901
Computer software	2,714	2,375	339	1,357
Mining equipment	482,143	20,780	461,363	482,982
	\$ 692,946	\$ 91,951	\$ 600,995	\$ 649,738

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	5,164,095	568,264
Exercise of options	125,000	43,750
Transfer to share capital upon exercise of options	-	151,563
Balance, January 31, 2005	38,882,907	\$ 24,897,012

In September 2004, the Company acquired on the open market 300,000 shares of its common stock at prices ranging from \$0.48 to \$0.51 per share for total cost of \$151,636. 103,000 of these shares were sold in January 2005 at prices ranging from \$0.94 to \$0.96 per share for proceeds of \$95,901. The gain on disposal of these shares, \$43,839, has been recorded as contributed surplus on the balance sheet. The remaining 197,000 shares at a cost of \$99,574 are held for cancellation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Share Capital, Options and Warrants (Continued)

(b) Options

The following is a summary of option transactions during the nine-month period ended January 31, 2005:

	Number of options	Weighted- average exercise price
Balance, May 1, 2004	2,183,875	\$ 0.45
Options granted	1,290,000	0.56
Options exercised	(125,000)	0.35
Options cancelled	<u>(20,000)</u>	0.63
Balance, January 31, 2005	<u><u>3,328,875</u></u>	0.48
Options exercisable at January 31, 2005	<u><u>2,486,375</u></u>	\$ 0.45

On September 27, 2004, the Company granted incentive stock options for 200,000 shares at a price of \$0.40 per share exercisable up to September 26, 2007 to an employee and consultants. 25% of the options were vested on the date of grant and 12.5% of the options are vested every three months after the date of grant for one and a half years.

On October 25, 2004, the Company granted incentive stock options for 800,000 shares at a price of \$0.55 per share exercisable up to October 25, 2009 to directors and an officer. 25% of the options were vested on the date of grant and 12.5% of the options are vested every three months after the date of grant for one and a half years.

On November 2, 2004, the Company granted incentive stock options for 200,000 shares at a price of \$0.56 per share exercisable up to November 1, 2006 to a consultant. 25% of the options were vested on the date of grant and 12.5% of the options are vested every three months after the date of grant for one and a half years.

On January 12, 2005, the Company granted incentive stock options for 90,000 shares at a price of \$1.00 per share exercisable up to November 1, 2006 to a consultant. 25% of the options were vested on the date of grant and 12.5% of the options are vested every three months after the date of grant for one and a half years.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Share Capital, Options and Warrants (Continued)

(b) Options - Continued

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

Risk free interest rate	3.25% to 3.84%
Expected life of options in years	1 to 5 years
Expected volatility	148% to 153%
Dividend per share	\$0.00

The following table summarizes information about stock options outstanding at January 31, 2005:

Number of Options	Exercise Price	Expiry Date
1,417,000	\$ 0.35	December 15, 2007
300,000	0.50	July 14, 2008
157,500	0.70	July 14, 2008
153,750	0.70	July 14, 2006
15,625	0.96	September 14, 2008
195,000	0.40	September 26, 2007
800,000	0.55	October 24, 2009
200,000	0.56	November 1, 2006
90,000	1.00	January 12, 2009
<u>3,328,875</u>		

During the nine months ended January 31, 2005, compensation expense of \$498,080 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 and the interim quarterly financial statements.

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5. Share Capital, Options and Warrants (Continued)

(c) Warrants

The following is a summary of warrant transactions during the nine-month period ended January 31, 2005:

	Number of warrants	Weighted- average exercise price
Balance, May 1, 2004	6,734,545	\$ 0.57
Warrants exercised	(5,163,295)	0.11
Warrants expired	<u>(1,371,250)</u>	2.24
Balance, January 31, 2005	<u><u>200,000</u></u>	1.05

Number of Warrants	Exercise Price	Expiry Date
<u><u>200,000</u></u>	1.05	September 23, 2005

6. Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing net earnings (loss) available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net earnings available to common stockholders by the weighted-average number of common shares outstanding during the period increased to include the number of additional common shares that would have been outstanding if potentially dilutive common shares had been issued under the treasury stock method.

The following table sets forth the computations of shares and net loss used in the calculation of basic and diluted loss per share for the three and nine months ended January 31, 2005 and 2004:

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6. Basic and Diluted Earnings (Loss) Per Share (Continued)

	Three months ended January 31,		Nine months ended January 31,	
	2005	2004	2005	2004
Net income (loss)	\$ 483,793	\$ (1,150,785)	\$ (317,153)	\$ (2,111,941)
Weighted-average number of shares outstanding	38,882,907	30,455,125	37,282,007	26,384,521
Effective of dilutive securities :				
Dilutive options - \$0.35	877,924	-	-	-
Dilutive options - \$0.40	110,217	-	-	-
Dilutive options - \$0.55	321,739	-	-	-
Dilutive options - \$0.56	78,261	-	-	-
Dilutive options - \$0.70	146,168	-	-	-
Dilutive options - \$0.96	-	-	-	-
Dilutive options - \$1.00	-	-	-	-
Dilutive warrants - \$1.05	-	-	-	-
Dilutive potential common shares	1,534,310	-	-	-
Adjusted weighted-average shares	40,417,217	30,455,125	37,282,007	26,384,521
Basic earnings (loss) per share	\$ 0.01	\$ (0.04)	\$ (0.01)	\$ (0.08)
Diluted earnings (loss) per share	\$ 0.01	\$ (0.04)	\$ (0.01)	\$ (0.08)

The effect of some of the outstanding options and warrants are not included as the effect will be antidilutive.

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7. Related Party Transactions

During the three-month and nine-month periods ended January 31, 2005 and 2004, the Company incurred the following transactions:-

	Three months ended		Nine months ended	
	January 31,		January 31,	
	2005	2004	2005	2004
Consulting fees by a company controlled by an officer and director	\$ 33,750	\$ 32,200	\$ 101,000	\$ 87,650
Legal fees by a law firm in which a director is a proprietor	11,354	36,010	33,709	83,807
Management fees by an officer and director	30,000	22,500	90,000	67,500
Office rental and accounting charges by a company controlled by an ex-director	-	-		4,375
Accounting fees by an accounting firm related to an officer	7,799	-	10,153	-
	<u>\$ 82,903</u>	<u>\$ 90,710</u>	<u>\$ 234,862</u>	<u>\$ 243,332</u>

As of January 31, 2005, the Company has an amount of \$973 due from a director in relation to a travel advance. The Company has an amount of \$12,440 due to a director in relation to expenses advanced on behalf of the Company.

As of January 31, 2005, the Company has an amount of \$14,960 due to a listed company with a director in common. The Company also has an amount of \$20,685 due to another listed company with two directors in common. The outstanding balances are non-interest bearing and repayable on demand.

8. Segmented Information

(a) Industry Information

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

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8. Segmented Information (Continued)

(b) Geographic Information

	China	Canada	Total
As of January 31, 2005			
Mineral properties	\$ 2,904,923	\$ -	\$ 2,904,923
Equipment and furniture	556,456	44,539	600,995
As of April 30, 2004			
Mineral properties	\$ 1,232,712	\$ -	\$ 1,232,712
Equipment and furniture	599,669	50,069	649,738

9. Subsequent Events

On February 15, 2005, the Company completed a non-brokered private placement of 1,500,000 Units at \$1.50 per Unit. Each Unit is comprised of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$1.75 per share for a period of one year. On 1,000,000 of the Units only, a finder's fee comprising 7% of the proceeds was paid in cash (\$105,000), together with 50,000 warrants (5%) exercisable at \$1.75 for one year. Proceeds will be used for general corporate purposes. The securities issued are subject to a hold period expiring June 23, 2005.

On February 28, 2005, the Company granted incentive stock options for 300,000 shares at a price of \$1.90 per share exercisable up to February 28, 2010 to a director. 25% of the options were vested on the date of grant and 12.5% of the options are vested every three months after the date of grant for one and a half year.

In March 2005, the Company, through a wholly owned subsidiary, has entered into a letter agreement with a Gansu Provincial Governmental exploration company to acquire a 70% interest in the high grade Liu-Hei silver-gold project, located in Gansu Province, Northwest China by making certain cash payment and investment over three years after a Sino-foreign joint venture company is established. The Liu-Hei Project is comprised of three exploration permits covering 77.12 square kilometers ("km"), and is easily accessible by road about 150 km southeast of Lanzhou, the capital city of Gansu Province. The acquisition is subject to completion of due diligence, including additional field visits and further confirmation of the data supplied by the Chinese party, an independent review of the project to conform to National Instrument 43-101, signing of a final joint venture contract and regulatory approvals.