Auditors' Report and Consolidated Financial Statements of

SKN RESOURCES LIMITED

April 30, 2004

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Deloitte & Touche

Auditors' Report

To the Shareholders of
SKN Resources Limited

We have audited the consolidated balance sheet of SKN Resources Limited as at April 30, 2004 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at April 30, 2003 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 14, 2003.

(Signed) Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
July 27, 2004

SKN RESOURCES LTD.
Consolidated Balance Sheet
April 30, 2004

		2004		2003
ASSETS				(Note 3)
CURRENT				
Cash and cash equivalent (Note 4)	**$**	**1,929,633**	$	2,433,575
Short-term investments (Note 5)		**5,000,000**		-
Accounts receivable		**128,671**		21,192
Prepaid expenses		**162,046**		5,500
Amount due from a related company		**71,208**		-
Refundable advance (Note 7 (d))		**66,240**		-
		7,357,798		2,460,267
PROPERTY, PLANT AND EQUIPMENT (Note 6)		**649,738**		29,454
INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Note 7)				
Mineral properties		**1,232,712**		289,144
Reclamation deposits		**10,000**		10,000
	$	**9,250,248**	$	2,788,865
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**182,604**	$	45,721
Deposit for sale of property (Note 7 (b))		**27,414**		-
		210,018		45,721
SHAREHOLDERS' EQUITY				
Share capital (Note 8)		**24,124,435**		15,073,268
Stock options		**1,411,031**		30,390
Warrants		**431,347**		870,750
Share subscriptions received		**9,000**		-
Deficit		**(16,935,583)**		(13,231,264)
		9,040,230		2,743,144
	$	**9,250,248**	$	2,788,865

COMMITMENTS (Note 13)

APPROVED BY THE DIRECTORS

(Signed) Rui Feng

Rui Feng, Director

(Signed) Myles Gao

Myles Gao, Director

See accompanying Notes to the Consolidated Financial Statements.

SKN RESOURCES LTD.
Consolidated Statement of Operations and Deficit
Year ended on April 30, 2004

		2004		2003
EXPENSES				
Bank charges and interest	**$**	**5,004**	$	20,958
Consulting		**313,525**		31,655
Depreciation		**18,810**		4,481
Foreign exchange loss		**64,883**		29,750
General exploration expenses		**537,022**		16,862
Mineral properties written off		**299,417**		2,028,730
Office and miscellaneous		**515,982**		41,836
Shareholder relations		**297,446**		15,464
Stock-based compensation (Note 8 (d))		**1,421,483**		30,390
Professional fees		**244,998**		69,556
Transfer agent and filing fees		**59,224**		32,767
		3,777,794		2,322,449
OPERATING LOSS		**(3,777,794)**		(2,322,449)
OTHER INCOME AND EXPENSES				
Gain on disposal of furniture		**147**		-
Gain on sale of investments		**-**		138,129
Debts forgiven		**-**		141,670
Write-off of oil and gas lease		**-**		(1)
Write-off of licencing agreement		**-**		(1)
Interest income		**73,328**		-
		73,475		279,797
NET LOSS FOR THE YEAR		**(3,704,319)**		(2,042,652)
DEFICIT, BEGINNING OF YEAR		**(13,231,264)**		(11,188,612)
DEFICIT, END OF YEAR	**$**	**(16,935,583)**	$	(13,231,264)
BASIC AND DILUTED LOSS PER SHARE	**$**	**(0.13)**	$	(0.36)
WEIGHTED-AVERAGE NUMBER OF SHARES		**27,873,060**		5,671,616

See accompanying Notes to the Consolidated Financial Statements.

SKN RESOURCES LTD.
Consolidated Statement of Cash Flows
Year ended on April 30, 2004

		2004		2003
OPERATING ACTIVITIES				
Net loss	$	**(3,704,319)**	$	(2,042,652)
Items not involving cash				
Gain on sale of investments		**-**		(138,129)
Debts forgiven		**-**		(141,670)
Write-off of mineral properties		**299,417**		2,028,730
Write-off of oil and gas lease		**-**		1
Write-off of licensing agreement		**-**		1
Interest on debt settled with shares		**-**		24,845
Gain on disposal of furniture		**(147)**		-
Stock-based compensation		**1,421,483**		30,390
Non-cash general exploration expenses		**240,000**		-
Depreciation		**18,810**		4,481
		(1,724,756)		(234,003)
Changes in non-cash working capital				
Accounts receivable		**(107,479)**		(12,810)
Prepaid expenses		**(156,546)**		(5,500)
Accounts payable and accrued liabilities		**136,883**		(190,604)
Deposit for sale of property		**27,414**		-
		(1,824,484)		(442,917)
INVESTING ACTIVITIES				
Mineral property additions		**(1,242,985)**		(225,415)
Property, plant and equipment additions		**(640,418)**		(17,205)
Purchase of short-term investment		**(5,000,000)**		-
Proceeds from sale of investments		**-**		215,787
Proceeds from disposal of furniture		**1,471**		-
		(6,881,932)		(26,833)
FINANCING ACTIVITIES				
Advance to a related company		**(71,208)**		-
Refundable advance		**(66,240)**		-
Common shares issued for cash, net of commission		**8,330,922**		2,902,288
Share subscriptions		**9,000**		-
		8,202,474		2,902,288
(DECREASE) INCREASE IN CASH		**(503,942)**		2,432,538
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR		**2,433,575**		1,037
CASH AND CASH EQUIVALENT, END OF YEAR	$	**1,929,633**	$	2,433,575
SUPPLEMENTAL CASH FLOW INFORMATION:				
Interest paid	$	**1**	$	751
Income taxes paid	$	**-**	$	-

See accompanying Notes to the Consolidated Financial Statements.

1. NATURE OF OPERATIONS

SKN Resources Limited, together with its subsidiaries (individually and collectively referred to as 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 ability of the Company to continue operations is dependent upon the continued financial support of its shareholders, other investors and lenders, and upon the successful development of the mineral properties in which the Company holds an interest.

Although the Company has taken steps to verify title to the mineral properties in which it, through its subsidiaries, has an interest, in accordance with industry standards for the stage of exploration of such property, those procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). The significant accounting policies used in these consolidated financial statements are as follows:

(a) Principles of consolidation

These consolidated financial statements of the Company include the accounts of the Company and its subsidiaries, Yunnan Jin Chang Jiang Mining Co. Ltd., Fortune Mining Ltd., Fortune Copper Ltd., Fortress Mining Inc., Victor Gold Ltd., Lachlan Gold Ltd., Victor Resources Ltd., Victor Mining Ltd. and SKN Nickel & Platinum Ltd.. All significant intercompany balances and transactions have been eliminated upon consolidation.

(b) Accounting estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at the average exchange rate in effect during the period. Realized and unrealized foreign exchange gains and losses are included in earnings.

(d) Cash and cash equivalent

Cash and cash equivalent includes cash and short-term investments maturing within 90 days of the original date of acquisition.

(e) Mineral properties

Acquisition costs of mineral properties, excluding indirect costs relating to securing mineral interests, and direct exploration and development expenditures thereon are capitalized. Costs incurred for general exploration that do not result in the acquisition of mineral properties with ongoing exploration or development potential are charged to operations. Costs relating to properties abandoned are written-off when such decision is made. When production is attained, the capitalized costs will be amortized using the unit of production method based upon estimated proven and probable recoverable reserves.

The Company reviews the carrying value of each property that is in the exploration or development stage by reference to the project economics including the timing of the exploration and/or development work, the work programs and the exploration results experienced by the Company and others. The review of the carrying value of each producing property is made by reference to the estimated future operating results and net cash flows. When the carrying value of a property exceeds its estimated net recoverable amount, provision is made for the decline in value.

The recoverability of the amounts capitalized for the undeveloped mineral properties and deferred development costs is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is computed using the straight-line method at the following rates calculated to amortize the cost of the assets less their residual values over their estimated useful lives.

Motor vehicle	20%, straight line
Equipment and furniture	20%, declining balance (except for equipment and furniture located in China which is 20%-50% straight line)
Computer equipment	30%, declining balance (except for computer equipment located in China which is 50% straight line)
Computer software	50%, straight line
Mining equipment	10%, straight line

Amortization on mining equipment is not taken until the equipment is used in production. As at April 30, 2004, the mining equipment had not been placed into production.

(g) Stock-based compensation plans

All stock-based awards made to non-employees are measured and recognized using a fair value based method. Awards that the Company has the ability to settle in stock are recorded as equity.

The Company uses the intrinsic value method for stock-based awards made to employees, officers and directors whereby compensation cost is recorded for the excess, if any, of the quoted market price over the exercise price, at the date the stock options are granted.

(h) Income taxes

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantively enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carryforwards and other deductions. The valuation of future income tax assets is reviewed yearly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Loss per common share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the "treasury stock method" is used whereby the assumed proceeds upon the exercise of stock options and warrants are used to purchase common shares at the average market price during the year.

(j) Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation as at and for the year ended December 31, 2003.

3. CHANGE IN ACCOUNTING POLICY

Effective May 1, 2003, the Company changed its accounting policy on a retroactive basis with respect to the method of accounting for warrants issued as compensation. The Company has chosen to account for all warrants issued as compensation in accordance with the fair value method of accounting, using the Black-Scholes option pricing model.

This change was applied retroactively with restatement to 2003. The impact of the change was to decrease share capital by $870,750 and increase warrants by $870,750 for a net effect of $Nil to shareholders' equity as at April 30, 2003. The change in accounting policy had no impact on the reported results of operations in any year presented.

4. CASH AND CASH EQUIVALENT

Cash and cash equivalent includes a guaranteed investment certificate ("GIC") of $400,000 (2003 - $Nil) with an interest rate of prime minus 2% maturing on May 28, 2004. As of April 30, 2004, the interest receivable is $7,364 (2003 - $Nil).

5. SHORT-TERM INVESTMENTS

Short term investments of $5,000,000 (2003 - $Nil) are made up of GICs with the following terms:

Principal Amount	Interest Rate	Maturity Date
$ 2,000,000	2.55%	November 16, 2004
800,000	2.30%	January 17, 2005
400,000	1.95%	February 7, 2005
400,000	1.95%	February 11, 2005
1,400,000	1.90%	March 17, 2005
$ 5,000,000		

As of April 30, 2004, the interest receivable is $35,059 (2003 - $Nil).

6. PROPERTY, PLANT AND EQUIPMENT

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Motor vehicle	**$ 77,956**	**$ 5,469**	**$ 72,487**	$ -
Equipment and furniture	**33,268**	**6,257**	**27,011**	10,972
Computer equipment	**83,853**	**17,952**	**65,901**	18,482
Computer software	**2,714**	**1,357**	**1,357**	-
Mining equipment	**482,982**	**-**	**482,982**	-
	$ 680,773	**$ 31,035**	**$ 649,738**	$ 29,454

7. MINERAL PROPERTY

	2,004	2003
Tuobuka Property	**$ 1,101,069**	$ -
Gou Gold Property	**21,028**	9,278
Kang Dian Property	**45,047**	-
Ying Property	**65,568**	-
Clearwater Property	-	80,679
Tongchang Property	-	35,673
Dongchuan Property	-	149,085
Huidong Property	-	14,429
	$ 1,232,712	$ 289,144

7. MINERAL PROPERTY (Continued)

(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 the 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 an additional RMB1,600,000 ($256,978) (paid). The Company now has a 100% interest in the Tuobuka project. Upon acquisition of 100% of the Tuobuka property, the Company no longer has any remaining commitments under the joint venture agreement.

(b) Gou Gold Property

On June 24, 2003, the Company, through its wholly-owned subsidiary, Victor Gold Ltd. (“Victor”), signed a cooperative 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 (“JV Company”) to hold the Gou Project permits located in Gansu Province, China. Victor can earn an 80% interest in the joint venture by making capital contributions of US$2,000,000 ($2,741,400) to the JV Company over 3 years and payment of US$30,000 ($41,121) to the Chinese party. After Victor has earned its 80% interest, contributions to the JV Company 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 ($27,414) for expenses previously incurred in relation to its acquisition of the Gou property. The transaction is subject to shareholders’ approval of Windridge and has received conditional regulatory approval. The US$20,000 ($27,414) has been received from Windridge.

7. MINERAL PROPERTY (Continued)

(c) Kang Dian Property

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 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 ($3,426,750) to fund the exploration and development of the Project over a period of four years and paying US$80,000 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% and 12%, respectively, 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 ($512,642) 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 ($1,370,700) 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 will have the right to place a representative on the NUX board of directors. The transactions referred to have received conditional regulatory approvals.

7. MINERAL PROPERTY (Continued)

(d) *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 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 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. The acquisition of the Ying Project obtained conditional regulatory approval subsequent to the year ended April 30, 2004.

The Company has advanced $66,240 (RMB400,000) to the Chinese party for the initial preparation work and the amount will be repaid upon the formation of HFMC.

(e) *Clearwater Property*

During the year ended April 30, 2004, the Company decided to write off its investment of $80,679 in the Clearwater Property located in the Province of British Columbia, Canada, as the Company intends to concentrate its effort on its mineral properties in China.

A reclamation deposit of $10,000 is pledged until the expiry of the mineral claims in November 2006.

(f) *Tongchang Property*

During the year ended April 30, 2004, the Company determined not to proceed with the Tongchang Property located in Yunnan Province, China as a final joint venture contract with the property owner could not be completed on acceptable terms. The Company wrote off of its investment of $35,673 in the Tongchang Property. The Company did not issue any shares for the acquisition of the Tongchang Property.

(g) *Dongchuan Property*

During the year ended April 30, 2004, 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, China.

7. MINERAL PROPERTY (Continued)

(h) Huidong Property

During the year ended April 30, 2004, the Company determined not to proceed with the Huidong Property located in Sichuan Province, China as the initial geological result was disappointing. The Company wrote off of its investment of $14,429 in the Huidong Property.

(i) Zage Property

During the year ended April 30, 2004, the Company incurred exploration expenditures of $1,958 in the Zage Property located in the Northeast Xizang Autonomous Region of China. After an initial assessment of the Project, the Company decided to write off its investment.

(j) Feng Ma Property

During the year ended April 30, 2004, the Company incurred exploration expenditures of $85,203 on the Feng-Ma project located on the boundaries of Yunnan, Guizhou and Guangxi Provinces of China. The Company wrote off of its investment of $85,203 in the Feng-Ma Property as a final joint venture contract with the property owner could not be completed on acceptable terms.

8. SHARE CAPITAL

(a) Authorized

100,000,000 common shares without par value

(b) Issued and outstanding

Changes in outstanding common shares were as follows:

	Number of Shares	Amount (Note 3)
Balance, April 30, 2002	3,211,422	$ 11,652,818
Issued for debt settlement	13,889,120	1,388,912
Issued for cash under private placement in February 2003	6,450,000	2,682,288
Issuance of brokers warrants for commission on private placement	-	(870,750)
Issued for cash under private placement in February 2003	500,000	220,000
Balance, April 30, 2003	24,050,542	15,073,268
Issued for cash under private placement in September 2003	220,000	187,000
Issued for cash under private placement in November 2003	2,750,000	4,578,750
Issuance of brokers warrants for commission on private placement (Note 8 (c))	-	(712,500)
Issuance for finders' fee of the projects	150,000	240,000
Exercise of warrants		
Cash received	5,885,145	3,371,546
Transfer from warrants account	-	1,151,903
Exercise of options		
Cash received	523,125	193,625
Transfer from stock options account	-	40,843
Balance, April 30, 2004	33,578,812	$ 24,124,435

On September 10, 2003, the Company raised $187,000 through a non-brokered private placement of the sale of 220,000 units at $0.80 per unit with two officers of the Company. Each unit was comprised of one common share and one share purchase warrant, exercisable for a period of two years at a price of $1.05 per share.

On November 4, 2003, the Company raised $4,950,000 (net proceeds of $4,578,750) through a brokered and non-brokered private placement of a total of 2,750,000 units at $1.80 per unit. Each unit was 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. On the 2,500,000 brokered units the agents received a cash commission equal to 7.5% of the gross proceeds, or $337,500, together with 250,000 brokers warrants (Note 8 (c)) exercisable for one year at $2.18 per share. On the 250,000 non-brokered units a finder's fee equal to 7.5% of the gross proceeds, or $33,750, was paid.

8. SHARE CAPITAL (Continued)

(c) Warrants

The following is a summary of warrant transactions:

	Number of Warrants	Weighted Average Exercise Price
Balance, May 1, 2002	-	$ -
Issued for debt settlement	6,347,190	0.11
Issued for cash on non-brokered private placement	250,000	0.60
Issued for cash on brokered private placement	3,225,000	0.60
Issued for broker commission on private placement	967,500	0.60
Balance, April 30, 2003	10,789,690	0.31
Issued for cash on non-brokered private placement	220,000	1.05
Issued for cash on brokered private placement	1,375,000	2.25
Issued for broker commission on private placement	250,000	2.18
Warrants exercised and shares issued	(5,885,145)	(0.57)
Warrants exercised but shares not issued (Note 8 (f))	(15,000)	(0.60)
Balance, April 30, 2004	6,734,545	$ 0.57

The warrants will expire on the following dates:

Number	Exercise Price	Expiry Date
5,163,195	$ 0.11	November 14, 2004
200,000	1.05	September 23, 2005
1,220,000	2.25	November 4, 2004
151,350	2.18	November 4, 2004
6,734,545		

8. SHARE CAPITAL (Continued)

(c) Warrants (continued)

As part of the consideration of arranging the private placement on November 4, 2003, 250,000 share purchase warrants were granted to the agent. These warrants are exercisable until November 4, 2004 at a price of $2.18 per share. A fair value of $712,500 has been recorded as a cost of the private placement, which is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows (Note 8 (b)):

Risk free interest rate	1.43%
Expected life	1 year
Expected volatility	155%
Dividend per share	$0.00

(d) Options

The Company is able to grant stock options up to 3,420,000 shares. The options are exercisable for a period of up to ten years from the date of grant, as determined by the Board of Directors, and the exercise price cannot be less than the last price on the TSX Venture Exchange immediately preceding the grant of the option. Options vest over a minimum period of eighteen months from the date of grant.

A summary of the status of the Company's stock options as of April 30, 2004 and 2003, and changes during the years ended on those dates is presented below:

	Number of Shares	Weighted Average Exercise Price Per Share
Balance, April 30, 2002	-	$ -
Options granted	2,042,000	0.35
Balance, April 30, 2003	2,042,000	0.35
Options granted	665,000	0.71
Options exercised	(523,125)	(0.39)
Balance, April 30, 2004	2,183,875	$ 0.45

The fair value of options granted to non-employees and non-directors of $1,421,483 (2003 - $30,390) has been recorded as compensation expenses.

On July 15, 2003, the Company granted incentive stock options for 480,000 shares at a price of $0.70 per share exercisable up to July 14, 2008, to consultants, directors and employees. 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 eighteen months.

8. SHARE CAPITAL (Continued)

(d) Options (continued)

On July 15, 2003, the Company granted incentive stock options for 160,000 shares at a price of $0.70 per share exercisable up to July 14, 2006, to two consultants. On the date of grant, 25% of the options vested and 12.5% of the options vest every three months after the date of grant for eighteen months.

On September 15, 2003, the Company granted incentive stock options for 25,000 shares at a price of $0.96 per share exercisable up to September 14, 2008, to a consultant. On the date of grant, 25% of the options vested and 12.5% of the options vest every three months after the date of grant for eighteen months.

The Company accounts for its stock-based plans to employees, officers and directors using the intrinsic value method whereby no compensation costs are recognized in the financial statements. If the fair value method had been used for options granted subsequent to January 1, 2002, a value of $285,476 would be recorded for the year ended April 30, 2004 (2003 - $172,210). The Company's net loss and net loss per share would approximate the following pro forma amounts:

	2004	2003
Net loss as reported	**$ (3,704,319)**	$ (2,042,652)
Compensation expense of employees	**285,476**	172,210
Pro forma net loss	**$ (3,989,795)**	$ (2,214,862)
Pro forma basic and diluted loss per common share	**$ (0.14)**	$ (0.39)

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:

	2004	2003
Risk free interest rate	**3.00% to 4.47%**	3.00%
Expected life of options in years	**1 to 5 years**	1 to 5 years
Expected volatility	**155% to 157%**	62%
Dividend per share	**$0.00**	$0.00

8. SHARE CAPITAL (Continued)

(d) Options (continued)

The following table summarizes information about stock options outstanding at April 30, 2004:

Range of Exercise Prices	Number Outstanding at April 30, 2004	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at April 30, 2004	Weighted Average Exercise Price
$ 0.35	1,517,000	3.58	$ 0.35	1,261,750	$ 0.35
0.70	626,250	3.68	0.70	386,250	0.70
0.96	15,625	4.33	0.96	3,125	0.96
$0.35 to $0.96	2,158,875	3.61	$ 0.46	1,651,125	$ 0.43

(e) Escrow shares

At April 30, 2004, 4,568,738 (2003 - 11,466,839) common shares of the Company were subject to escrow arrangements.

(f) Share subscriptions

In April 2004, the Company received total proceeds of $9,000 in connection with the exercise of 15,000 common share purchase warrants. The shares were issued subsequent to the year ended April 30, 2004.

(g) Normal course issuer bid

In March 2004 the Company announced its intention and received regulatory approval to commence a normal course issuer bid. The Company intends to purchase up to 1,355,000 of its common shares over a one year period, from the period of March 26, 2004 to March 25, 2005. All of the shares acquired under this program will be held for possible future resale or cancellation at a later date.

9. RELATED PARTY TRANSACTIONS

(a) During the year ended April 30, 2004, the Company:

(i) incurred consulting fees of $122,150 (2003 - $29,950) payable to an officer and director;

(ii) incurred legal fees of $116,645 (2003 - $49,049) payable to a law firm of which a director of the Company is the proprietor.

(iii) incurred management fees of $97,500 (2003 - $7,500) payable to an officer and director.

(iv) incurred rental charges of $Nil (2003 - $4,500) payable to a director.

(b) Included in accounts payable is an amount of $76,461 (2003 - $Nil) due to a law firm of which a director of the Company is the proprietor.

(c) Included in accounts payable is an amount of $24,025 (2003 - $Nil) due to two directors for their services in April 2004.

(d) Included in prepaid expenses is an amount of $12,471 (2003 - $Nil) due from two directors as travel advances for normal business courses.

10. INCOME TAXES

The provision for income taxes differs from the amount computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before income tax provision due to the following:

		2004		2003
Canadian basic statutory tax rate		**37.62%**		39.62%
Expected income tax recovery	**$**	**(1,393,565)**	$	(809,299)
Non-deductible expenses		**540,017**		13,205
Losses producing no current tax benefit		**853,548**		796,094
	$	**-**	$	-

10. INCOME TAXES (Continued)

The approximate tax effect of each type of temporary difference that gives rise to the Company's future tax assets is as follows:

	2004	2003
Future income tax assets arising from tax loss carryforwards	**$ 1,409,700**	$ 829,692
Unused cumulative exploration and development expenses	**1,486,804**	1,841,100
	2,896,504	2,670,792
Valuation allowance	**(2,896,504)**	(2,670,792)
Net future income tax assets	**$ -**	$ -

Due to the uncertainty surrounding the realization of future income tax assets in future income tax returns, the Company has made a 100% valuation allowance against its future income tax assets.

The Company has non-capital losses of approximately $3,739,000 available to apply against future Canadian income for tax purposes. The non-capital losses will expire as follows:

2005	$ 317,000
2006	508,000
2007	401,000
2008	236,000
2009	186,000
2010	140,000
2011	1,951,000
	$ 3,739,000

The Company also has capital losses of approximately $16,000 available to apply against future capital gain.

11. FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, short-term investments, accounts receivable, refundable advance, accounts payable and deposit for sale of property are estimated to approximate their carrying values. Due to the non-arms length nature of amounts due from a related company, the fair value is not determinable.

The Company undertakes transactions denominated in foreign currencies and as such is exposed to risk due to fluctuations in foreign exchange rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risks.

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company invests its cash balances in money market instruments with financial institutions with high credit standing.

12. 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

Property, plant and equipment	China	Canada	Total
Year ended April 30, 2004			
Mineral properties	$ 1,232,712	$ -	$1,232,712
Property, plant and equipment	50,069	116,687	166,756
Year ended April 30, 2003			
Mineral properties	208,465	80,679	289,144
Property, plant and equipment	-	29,454	29,454

13. COMMITMENTS

The Company has entered into a consulting agreement with a company controlled by the President of the Company to provide consulting services at $10,000 per month expiring on February 28, 2005. The agreement can be cancelled by either party with 30 days' written notice.

The Company has entered into a consulting agreement with a company controlled by the Chairman and CEO of the Company to provide consulting services at a rate of $700 per day expiring on April 30, 2005. The agreement can be cancelled by either party with 30 days' written notice.