

parker simone LLP



**RJK Explorations Ltd.**

**Audited  
Financial Statements**

**Years Ended  
December 31, 2008 and 2007**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying audited financial statements of RJK Explorations Ltd. were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2008 audited financial statements. Management acknowledges responsibility for the preparation and presentation of the year end audited financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the period end unaudited interim financial statements together with other financial information. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the audited financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial statements, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

## **parker simone LLP**

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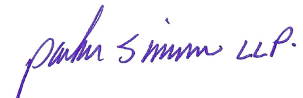
### **Auditors' Report**

To the Shareholders of  
RJK Explorations Ltd.

We have audited the balance sheets of RJK Explorations Ltd. as at December 31, 2008 and 2007 and the statements of operations and comprehensive net loss and deficit and cash flow for the years 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 audits.

We conducted our audits 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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



April 22, 2009

Licensed Public Accountants

## RJK Explorations Ltd.

### Balance Sheet

<i>As at December 31,</i>	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 266,809	\$ 965,254
GST recoverable	3,006	10,583
Prepaid expenses	-	10,000
	<b>269,815</b>	<b>985,837</b>
<b>Mineral Properties and Deferred Expenditures (Note 2)</b>	<b>1,748,474</b>	<b>1,838,406</b>
<b>Capital Assets (Note 3)</b>	<b>9,521</b>	<b>10,899</b>
	<b>\$ 2,027,810</b>	<b>\$ 2,835,142</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 217,486	\$ 352,924
	<b>217,486</b>	<b>352,924</b>
<b>Shareholders' Equity</b>		
<b>Capital Stock (Note 5)</b>		
Class B shares Issued 854,140 shares	427,070	427,070
Class A shares	18,671,686	18,489,986
<b>Contributed Surplus (Note 6)</b>	<b>626,800</b>	<b>630,000</b>
<b>Deficit</b>	<b>(17,915,232)</b>	<b>(17,064,838)</b>
	<b>1,810,324</b>	<b>2,482,218</b>
	<b>\$ 2,027,810</b>	<b>\$ 2,835,142</b>

Approved by the Board:

("Signed") Glenn Kasner \_\_\_\_\_, Director

("Signed") Barry Milne \_\_\_\_\_, Director

## RJK Explorations Ltd.

### Statement of Operations and Comprehensive Net Loss and Deficit

<i>Year Ended December 31,</i>	<b>2008</b>	<b>2007</b>
<b>Revenue</b>		
Interest income	\$ 15,534	\$ 24,484
	<b>15,534</b>	<b>24,484</b>
<b>Operating Expenses</b>		
Office and general	136,871	127,380
Shareholder information	109,187	160,034
Professional fees	95,050	23,409
Stock based compensation <i>(Note 5)</i>	16,000	289,000
	<b>357,108</b>	<b>599,823</b>
<b>Net Loss Before Write-off of Mineral Properties</b>	<b>(341,574)</b>	<b>(575,339)</b>
Write-off of mineral properties	<b>(508,820)</b>	<b>(535)</b>
<b>Net Loss and Comprehensive Net Loss</b>	<b>(850,394)</b>	<b>(575,874)</b>
Deficit, beginning of year	<b>(17,064,838)</b>	<b>(16,488,964)</b>
<b>Deficit, End of Year</b>	<b>\$ (17,915,232)</b>	<b>\$ (17,064,838)</b>
<b>Basic and fully diluted net loss per share</b>	<b>(2.2)¢</b>	<b>(1.7)¢</b>
<b>Weighted average number of shares (000's)</b>	<b>38,755</b>	<b>27,937</b>

**RJK Explorations Ltd.**  
**Statement of Cash Flow**

<i>Year Ended December 31,</i>	<b>2008</b>	<b>2007</b>
<b>Operations</b>		
Net loss	\$ (850,394)	\$ (575,874)
Adjustments to reconcile net loss to cash flow from operating activities:		
Stock based compensation	16,000	289,000
Write-off of mineral properties	508,820	535
Amortization	2,948	1,937
Net change in non-cash operating working capital items:		
Prepaid expenses	10,000	(10,000)
GST recoverable	7,577	(10,470)
Accounts payable and accrued liabilities	(135,438)	142,666
Cash Flow used in Operating Activities	<b>(440,487)</b>	(162,206)
<b>Financing</b>		
Issuance of common shares	90,000	1,730,000
Cost of share issuances	-	(103,313)
Repayments to related parties	-	(48,323)
Cash Flow from Financing Activities	<b>90,000</b>	1,578,364
<b>Investing</b>		
Purchase of capital assets	(1,570)	(10,188)
Expenditures on mineral properties	(346,388)	(485,460)
Option payments received	-	40,000
Cash Flow used in Investing Activities	<b>(347,958)</b>	(455,648)
<b>Net Increase (Decrease) in Cash</b>	<b>(698,445)</b>	960,510
Cash, beginning of year	<b>965,254</b>	4,744
<b>Cash, End of Year</b>	<b>\$ 266,809</b>	<b>\$ 965,254</b>

# RJK Explorations Ltd.

## Notes to the Audited Financial Statements

Years Ended December 31, 2008 and 2007

### 1. Summary of Significant Accounting Policies

#### *Nature of Operations*

RJK Explorations Ltd. (RJK, or the Company) is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of RJK to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of such properties.

The Company's Canadian exploration activities are undivided interests in properties that are explored jointly with others. Accordingly, these financial statements also reflect RJK's pro rata share of the assets, liabilities, and expenditures of these undivided interests.

#### *Going Concern*

The Company is in the process of exploring and evaluating its mineral properties. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable mineral deposits. The amounts shown as mineral properties and deferred expenditures represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral properties is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest, the ability of the Company to obtain the necessary financing to complete development, and future profitable production.

At December 31, 2008 the Company had working capital of \$52,329, had not yet achieved profitable operations, has accumulated losses of \$17,915,232 and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company's ability to continue as a going concern. RJK will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report RJK's assets and liabilities on a liquidation basis could be material to these financial statements.

#### *Income Taxes*

RJK follows the liability method of accounting for income taxes. Under this method future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax liabilities and assets are measured using enacted tax rates. The effect on future tax liabilities and assets of a change in tax rates is recognized in the period that the change occurs.

#### *Flow-Through Common Shares*

Proceeds received on the issuance of common shares or warrants, which transfer the tax deductibility of mineral exploration expenditures to investors, are credited to the capital stock and the related exploration costs are charged to deferred exploration expenditures.

## RJK Explorations Ltd.

### Notes to the Audited Financial Statements

Years Ended December 31, 2008 and 2007

#### 1. Summary of Significant Accounting Policies (Continued)

##### **Mineral Properties and Deferred Expenditures**

RJK defers the costs of exploration and capital assets on existing projects and carries them as assets until production commences. Mineral properties and the deferred exploration expenditures are recorded at cost and do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration expenditures will be amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and the related deferred exploration expenditures are written off. Option payments received are applied against the mineral property or deferred exploration.

##### **Capital Assets**

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the declining basis at rates varying from 10% to 30% per year.

##### **Net Loss Per Share**

Net loss per share is calculated based on the weighted average number of shares issued and outstanding during the quarter or year, as appropriate. In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted losses per share are the same.

##### **Stock-Based Compensation Plan**

RJK records employee stock-based compensation using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the equity instruments issued and are amortized over the vesting period. The offset to the recorded cost is recorded to contributed surplus. Contributed surplus is relieved of these costs to the extent that the value of any exercised options is less than the current market price of the shares acquired by the optionee.

The Company uses the Black-Scholes option pricing model to determine the stock-based compensation expense. The table below summarizes the assumptions used with the Black-Scholes valuation model for determining the stock-based compensation costs for the stock options issued in 2008 and 2007. The weighted-averages used in the Black-Scholes option pricing method were as follows

	2008	2007
Dividend yield	0.0%	0.0%
Expected volatility	135.2%	132.4%
Risk-free interest rate	3.6%	4.3%
Expected life (years)	5	5

## **RJK Explorations Ltd.**

### **Notes to the Audited Financial Statements**

**Years Ended December 31, 2008 and 2007**

#### **1. Summary of Significant Accounting Policies (Continued)**

##### ***Asset Retirement Obligations***

As the Company currently has no projects under construction, there is no legal obligation requiring remediation. However, as the development of any project commences, senior management will assess whether an asset retirement obligation (“ARO”) liability will arise. At the point where such liability arises, the financial statement adjustment required will be to increase the project’s property value and related ARO liability by the discounted value of the total liability. Thereafter, the Company will be required to record a charge to earnings each year to accrete the discounted ARO obligation amount to the final expected liability.

##### ***Impairment of Long-Lived Assets***

Senior management periodically reviews the carrying value of mineral properties and deferred exploration costs to consider whether there are any conditions that may indicate impairment. Where estimates of future cash flows are available, a reduction in the carrying value is recorded to the extent the net book value of the investment exceeds the estimated fair value which is normally the discounted value of future cash flows. Where estimates of future cash flows are not available and where other conditions suggest impairment, management assesses if carrying value can be recovered and provides for impairment if so indicated, by reducing the carrying value of the property to its estimated fair value.

##### ***Use of Estimates***

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make assumptions about future events 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 reporting period. Actual results could differ from these estimates.

##### ***Revenue Recognition***

The Company recognizes interest revenue over the passage of time on a monthly basis.

##### ***Comprehensive Income***

Section 1530 – “Comprehensive Income” introduces the concept of comprehensive income to Canadian GAAP. Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income.

##### ***Financial Instruments***

Section 3855 – “Financial Instruments – Recognition and Measurement” prescribes when a financial asset, financial liability, or non-financial derivative should be recognized on the balance sheet as well as its measurement amount. This section also specifies how financial instruments gains and losses are to be presented.

## **RJK Explorations Ltd.**

### **Notes to the Audited Financial Statements**

**Years Ended December 31, 2008 and 2007**

#### **1. Summary of Significant Accounting Policies (Continued)**

##### ***Hedging***

Section 3865 of the CICA Handbook specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at December 31, 2008, the Company had no hedges in place.

##### ***New Accounting Standards***

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosure (Handbook Section 1535); Financial Instruments Disclosures (Handbook Section 3862); and Financial Instruments Presentation (Handbook Section 3863). RJK was required to adopt these new standards effective January 1, 2008.

##### ***Capital Disclosures***

Handbook Section 1535 specifies the disclosures of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits.

The Company manages its capital structure in a manner that provides sufficient funding for operational activities. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions.

The Company manages its capital to ensure that the Company will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of a reasonable debt and equity balance commensurate with current operating requirements. The current capital structure consists of cash and shareholders' equity excluding accumulated other comprehensive income (loss). The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure.

##### ***Financial Instruments***

Handbook Section 3862 and 3863 replaces Handbook s.3861, Financial Instruments Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how the entity manages those risks.

# RJK Explorations Ltd.

## Notes to the Audited Financial Statements

Years Ended December 31, 2008 and 2007

### 1. Summary of Significant Accounting Policies (Continued)

#### **Financial Instruments (continued)**

All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

Cash	Held for trading
Accounts payable and accrued liabilities	Other liabilities

Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are expensed on initial recognition.

#### **Section 3863 - Financial Instruments - presentation**

This section establishes standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, and the classification of related interest, dividends, losses and gains.

#### **Future Accounting Policies**

Effective January 1, 2009, the CICA has issued a new standard which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009. The Company will adopt the requirements commencing in the quarter ended March 31, 2009 and is considering the impact this will have on the Company's financial statements. Section 3064, Goodwill and intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new operations. The adoption of this new policy will have no impact on the Company at the present time.

#### **Convergence with International Financial Reporting Standards**

The Canadian Institute of Chartered Accountants plans to transition Canadian GAAP for public companies to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Corporation's consolidated financial statements is not yet determinable.

#### **Other Standards**

The CICA issued new accounting standard Section 3031 Inventory which becomes effective for the fiscal year beginning on or after October 1, 2008. Section 3031 establishes standards for the measurement of inventories, allocations of overhead, accounting for write-downs and disclosures. The Corporation has determined that this new standard will have no material impact on the financial statements.

## RJK Explorations Ltd.

### Notes to the Audited Financial Statements

Years Ended December 31, 2008 and 2007

#### 2. Mineral Properties and Deferred Expenditures

The following table summarizes the Company's mineral properties and deferred expenditures:

Year ended December 31, 2008

	Opening Balance \$	Additions (\$)	Write-offs (\$)	Net (\$)
Stares, Ontario	774,481	14,296	-	<b>788,777</b>
Goldie, Ontario	481,131	23,892	-	<b>505,023</b>
Blackwell, Ontario	237,834	978	(238,812)	-
Mylake, Ontario	135,654	1,378	(137,032)	-
Savant Lake, Ontario	98,628	405	(99,033)	-
St. Lawrence Lowlands, Quebec	-	153,749	-	<b>153,749</b>
Lama Hiero, Cuba <sup>(1)</sup>	-	223,685	-	<b>223,685</b>
General and other	110,678	505	(33,943)	<b>77,240</b>
	<b>1,838,406</b>	<b>418,888</b>	<b>(508,820)</b>	<b>1,748,474</b>

<sup>(1)</sup> The Company is in negotiations to acquire this property. These costs relate to the acquisition and due diligence investigations on this property. The Company expects to close on this property acquisition in 2009. If an agreement is not completed, these costs will result in a charge of \$223,685 to the income statement.

Year ended December 31, 2007

	Opening Balance \$	Additions (\$)	Option Payments Received	Write-offs (\$)	Net (\$)
Stares, Ontario	703,181	71,300	-	-	<b>774,481</b>
Goldie, Ontario	126,701	354,430	-	-	<b>481,131</b>
Blackwell, Ontario	234,523	3,311	-	-	<b>237,834</b>
Mylake, Ontario	132,827	2,827	-	-	<b>135,654</b>
Savant Lake, Ontario	97,255	1,373	-	-	<b>98,628</b>
General and other	32,744	118,469	(40,000)	(535)	<b>110,678</b>
	<b>1,327,231</b>	<b>551,710</b>	<b>(40,000)</b>	<b>(535)</b>	<b>1,838,406</b>

RJK enters into exploration agreements whereby they may earn an interest in certain mineral properties by issuing common shares, making cash option payments and/or incurring expenditures in varying amounts by specified dates. Failure by RJK to meet such requirements can result in a reduction of ownership interest. Several of the properties are subject to a net smelter royalty in amounts of one to three percent.

## RJK Explorations Ltd.

### Notes to the Audited Financial Statements

Years Ended December 31, 2008 and 2007

#### 2. Mineral Properties and Deferred Explorations (Continued)

In order to maintain its options in good standing, RJK is required to make the following cash payments and issue the following number of common shares:

		Cash	No of Shares	Exploration Expenditures
2009	\$	20,000	100,000	\$ 40,000
2010		30,000	75,000	40,000
2011		40,000	75,000	80,000
2012		50,000	75,000	120,000
On commencement of production		-	500,000	-
	\$	140,000	825,000	\$ 280,000

Included in the commitment schedule are commitments relating to property agreement acquisition entered into subsequent to year end (see Note 9).

On November 17, 2008, the Company entered into a Farmin Agreement to acquire a 100% undivided interest in oil and gas permit 2008PG988 (Farmont Land) in the Sept-Iles area of Quebec. As consideration for this Farmin, the Company is required to issue 1,000,000 shares of RJK as follows; (i) 500,000 on signing, and (ii) 500,000 upon the acceptance of the Earn-in Option. Under the terms of the agreement, the Company must also drill 1,200 meters in depth on the property by no later than January 23, 2009 in order to earn its Earn-in Option. As part of the agreement, the farmee retains a 15% Amending Royalty on all proceeds from the Farmont Land.

In 2007 and subsequently amended in 2008, the Company optioned two of its properties off to Green Bull Energy ("GBE"). The first property was optioned off as an exclusive right and option to allow GBE to earn a 60% interest in 16 claims in the Lavant, Palmerston and Sherbrooke Townships for consideration of: (1) \$25,000 cash to be paid \$5,000 upon signing and \$20,000 received by June 15, 2007; (2) Receive 400,000 common shares of GBE with 100,000 shares of GBE between June 16, 2007 and June 15, 2008, 150,000 shares of GBE between June 16, 2008 and June 15, 2009 and 150,000 shares of GBE between June 16, 2009 and June 15, 2010. GBE is also required to incur \$905,000 in Exploration Expenditures, with \$75,000 incurred between June 16, 2007 and June 15, 2008, \$230,000 between June 16, 2008 and June 15, 2009 and \$600,000 between June 16, 2009 and June 15, 2010. RJK will retain a Net Smelter Return of 1% provided that GBE may purchase up to 0.5% of the NSR at a rate of \$300,000 per 0.25% to a maximum of \$600,000 (0.5%). The second property was optioned off as an exclusive right and option to allow GBE to earn a 60% interest in 10 claims in the Palmerston and Olden Townships for consideration of: (1) \$15,000 cash to be paid upon signing; (2) Receive 225,000 common shares of GBE with 75,000 shares of GBE between October 11, 2007 and October 11, 2008, 75,000 shares of GBE between October 11, 2008 and October 11, 2009 and 75,000 shares of GBE between October 11, 2009 and October 11, 2010. GBE is also required to incur \$400,000 in Exploration Expenditures, with \$30,000 incurred between October 11, 2007 and October 11, 2008, \$100,000 between October 11, 2008 and October 11, 2009 and \$270,000 between October 11, 2009 and October 11, 2010. RJK will retain a Net Smelter Return of 1% provided that GBE may purchase up to 1.5% of the NSR at a rate of \$250,000 per 0.25% to a maximum of \$1,000,000 (1%).

**RJK Explorations Ltd.**

**Notes to the Audited Financial Statements**

**Years Ended December 31, 2008 and 2007**

**3. Capital Assets**

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 21,911	\$ 13,360	\$ 20,341	\$ 10,532
Building	3,475	2,505	3,475	2,385
	<b>\$ 25,386</b>	<b>\$ 15,865</b>	<b>\$ 23,816</b>	<b>\$ 12,917</b>
<b>Net Book Value</b>	<b>\$ 9,521</b>		<b>\$ 10,899</b>	

**4. Related Party Transactions**

The financial statements include balances and transactions with directors and officers of the Company and corporations related to directors of RJK. These transactions are recorded at their exchange amounts, being the amounts agreed to by the parties. The following summarizes related party transactions entered into:

	2008	2007
Transactions during the year		
Consulting fees included in office and general expense	\$ 102,000	\$ 99,000
Related party payables included in accounts payable and accrued liabilities	<b>191,941</b>	199,891

The amount due to related parties is a non-interest bearing promissory note payable and is due on demand.

**5. Capital Stock**

***Share Capital***

RJK's authorized share capital consists of an unlimited number of Class A Subordinate Voting Shares, 854,140 Class B Voting Shares, and an unlimited number of Class C Preference Shares without par value. The holders of the Class A Subordinate Shares are entitled to one vote per share while the holders of the Class B Voting Shares are entitled to five votes per share. The Class B and C Shares rank equally as to dividends. The Class C Preference Shares are issuable in series with the rights, privileges, restrictions, and conditions designated by the Directors at the time the particular series is created.

At any time, a holder of Class B Voting Shares may require the Company to redeem, in whole or, any part of the Class B Voting Shares so held upon the payment of 20¢ for each share redeemed. Any holder of Class B Voting Shares is entitled, at the holder's option, to convert any number of the Class B Voting Shares into Class A Subordinate Voting Shares upon a 1:1 basis. The Class B Voting shares will be deemed to be converted into Class A Subordinate Voting Shares under a take-over bid that is at a price above the market price of the Class A Subordinate Voting Shares.

## RJK Explorations Ltd.

### Notes to the Audited Financial Statements

Years Ended December 31, 2008 and 2007

#### 5. Capital Stock (Continued)

The issued share capital of RJK's Class A Subordinate Voting Shares is as follows:

	Number of Shares	Amount
Balance, December 31, 2006	27,963,529	\$ 17,057,049
Issued for cash:		
Private placements	9,500,000	1,730,000
Issued for agent's fees	261,000	26,100
Issued for property option payment	450,000	66,250
Share issue costs	-	(156,413)
Fair value of warrants issued on private placement	-	(233,000)
Balance, December 31, 2007	38,174,529	\$ 18,489,986
Issued for cash:		
Warrants exercised	600,000	90,000
Issued for property option payment	500,000	72,500
Fair value of warrants transferred on exercise	-	19,200
Balance, December 31, 2008	39,274,529	\$ 18,671,686

On February 26, 2007, the Company completed a brokered private placement financing by issuing 3,000,000 units for gross proceeds of \$300,000. Each unit consists of one Class A Subordinate Voting Share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one Class A Subordinate Voting Share at \$0.15 for a period of 18 months from closing. Under the terms of the private placement, RJK issued 261,000 common shares to finders of the private placement as finders shares for a fair value of \$26,100.

The warrants were assigned a value of \$48,000, using the Black-Scholes valuation model with the following assumptions: a 18 month expected term; 142.62% volatility; risk-free interest rate of 4.04% p.a.; and a dividend yield of Nil%;

On June 8, 2007, the Company completed a private placement of 6,500,000 units at a price of \$0.22 per unit for gross cash proceeds of \$1,430,000. Each unit consisted of one Class A Subordinate Voting Share and one one-half share purchase warrant. Each whole purchase warrant entitles the holder thereof to acquire one Class A Subordinate Voting Share at a price of \$0.27 for a period of 12 months from the closing date.

The warrants were assigned a value of \$185,000, using the Black-Scholes valuation model with the following assumptions: a 12 month expected term; 125.31% volatility; risk-free interest rate of 4.62% p.a.; and a dividend yield of Nil%;

## RJK Explorations Ltd.

### Notes to the Audited Financial Statements

Years Ended December 31, 2008 and 2007

#### 5. Capital Stock (Continued)

Agents were paid a cash commission of 7% of the gross proceeds of the private placement totaling \$63,910. Agents were also given Broker warrants equal to 10% of the gross units of the private placement totaling 415,000 Broker warrants. Each whole Broker warrant entitles the holder thereof to acquire one Class A Subordinate Voting Share at a price of \$0.22 for a period of 12 months from the closing date.

These warrants were assigned a value of \$27,000, using the Black-Scholes valuation model with the following assumptions: a 12 month expected term; 125.31% volatility; risk-free interest rate of 4.62% p.a.; and a dividend yield of Nil%.

#### *Stock Options*

RJK has a stock option plan pursuant to which options to purchase Class A Subordinate Voting Shares may be granted to certain officers, directors and employees. The plan allows for the issuance of a rolling 10% of common shares outstanding. As at December 31, 2008, the Company has 2,027,453 options available for issuance under the plan (2007 - 1,167,454). The following table summarizes the activity for the options to purchase Class A Subordinate Voting Shares:

	2008		2007	
	Weighted Average Exercise Price	No. of Options (000's)	Weighted Average Exercise Price	No. of Options (000's)
Outstanding, beginning of year	\$ 0.18	2,650	\$ 0.18	1,375
Transactions during the year:				
Granted	0.20	100	0.20	1,600
Expired	(0.20)	(250)	(0.25)	(225)
Forfeited	(0.18)	(600)	(0.15)	(100)
Outstanding, end of year	\$ 0.19	1,900	\$ 0.18	2,650
<b>Exercisable, year end</b>	<b>\$ 0.19</b>	<b>1,900</b>	<b>\$ 0.18</b>	<b>2,650</b>

The following table provides additional information about outstanding stock options at December 31, 2008:

Range of Exercise Prices	No. of Options Outstanding (000's)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
\$0.15	500	1.49	\$ 0.15
0.20	1,400	3.48	0.20
\$0.15 - \$0.20	1,900	2.95	\$ 0.19

The weighted average grant-date fair value of options granted during the year was \$0.16 (2007 - \$0.18).

## RJK Explorations Ltd.

### Notes to the Audited Financial Statements

Years Ended December 31, 2008 and 2007

#### 6. Contributed Surplus

	2008	2007
Balance at beginning of year	\$ 630,000	\$ 81,000
Value assigned to:		
Warrants issued on private placements	-	233,000
Warrants issued to agents on private placements	-	27,000
Options related to stock-based compensation costs	16,000	289,000
Fair value of warrants transferred on exercise	(19,200)	-
Balance at end of year	\$ 626,800	\$ 630,000

#### 7. Income Taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	2008	%	2007	%
Income taxes at Federal and Provincial statutory rates	\$ (284,900)	(33.5)	\$ (207,900)	(36.1)
Expenses not deductible for income tax purposes:				
Stock-based compensation	5,400	0.6	104,300	18.1
Other	-	-	(46,500)	(8.1)
Changes in current and future tax rates	705,500	83.0	-	-
Valuation adjustment of future tax assets	(426,000)	(50.1)	150,100	(26.1)
Income Taxes	\$ -	-	\$ -	-

## RJK Explorations Ltd.

### Notes to the Audited Financial Statements

Years Ended December 31, 2008 and 2007

#### 7. Income Taxes (Continued)

The Canadian statutory income tax rate of 33.5% (2007 - 36.1%) is comprised of the federal income tax rate at approximately 19.5% (2007 - 22.1%) and the provincial income tax rate of approximately 14.0% (2007 - 14.0%). The primary differences which give rise to the future income tax recoveries at December 31, 2008 and 2007 are as follows:

	2008	2007
<b>Future income tax assets</b>		
Temporary difference	\$ 1,745,000	\$ 2,048,800
Capital losses carried forward	398,000	524,700
Operating losses carried forward	13,000	8,500
	<b>2,156,000</b>	2,582,000
Less: valuation allowance	<b>(2,156,000)</b>	(2,582,000)
<b>Net future tax assets</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Future tax liabilities</b>		
	-	-
<b>Net future taxes</b>	<b>\$ -</b>	<b>\$ -</b>

The unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately \$78,000 (2007 - \$104,000) and will be deductible in Canada over the next three years.

At December 31, 2008, the Company has income tax loss carry forwards expiring as follows:

	Canada
	\$
2027	26,000
2028	26,000
	<b>52,000</b>

## **RJK Explorations Ltd.**

### **Notes to the Audited Financial Statements**

**Years Ended December 31, 2008 and 2007**

#### **8. Financial Instruments**

##### ***Fair Value of Financial Instruments***

The carrying value of the Company's cash, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject in and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

##### ***Credit Risk***

The Company is not exposed to major credit risk as its only receivable is from a government agency. Additionally, the majority of the Company's cash and cash equivalents are held with a high rated Canadian financial institution in Canada.

##### ***Interest Rate Risk***

The Company invests its cash surplus to its operational needs in investment-grade short term deposit certificates issued by the bank where it keeps its Canadian Bank accounts. The Company periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short term deposit certificates. A change in the interest rate of 1% would cause interest income to change by less than \$2,000.

##### ***Foreign Currency Risk***

The Company's exploration and evaluation activities are substantially denominated in Canadian dollars. The Company's funds are kept in Canadian dollars, with a major Canadian financial Institution.

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. The Company believes that a change of 10% in F/X rates would have no impact on the Company.

##### ***Political Risk***

The properties are located in Canada and Cuba; accordingly, the Company is subject to risks normally associated with exploration and development of mineral properties in these countries. The Company's ability to conduct future exploration and development activities is subject to changes in government regulations and shifts in political attitudes over which the Company has no control.

##### ***Business Risk***

There are numerous business risks involved in the mineral exploration industry, some of which are outlined below. RJK current or future operations, including development activities, are subject to environmental regulations which may make operations not economically viable or prohibit them altogether. The success of the operations and activities is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgment, as well as the expertise and competence of the outside contractors, experts and other advisors. The company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect RJK's operations and financial performance.

## RJK Explorations Ltd.

### Notes to the Audited Financial Statements

Years Ended December 31, 2008 and 2007

#### 8. Financial Instruments

##### *Liquidity Risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had current assets of \$269,815 (2007 - \$985,837) and current liabilities of \$217,486 (2007 - \$352,924). All of the Company's financial liabilities and receivables have contractual maturities of less than 90 days and are subject to normal trade terms. Current working capital of the Company is \$52,329 (2007 - \$632,913).

##### *Commodity Price Risk*

The price of the common shares in the capital the Company ("Common Shares"), its financial results, exploration and development activities have been, or may in the future be, adversely affected by declines in the price of zinc, gold and/or other metals. Gold prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of commodities by various central banks, financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Company's revenues, if any, are expected to be in large part derived from mining and sale of precious and base metals or interests related thereto. The effect of these factors on the price of precious and base metals, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

#### 9. Subsequent Events

- (a) Subsequent to year end, the Company entered into an agreement to acquire a 100% undivided interest in various claims in the Thunder Bay area. As consideration for this option the Company is required to pay \$140,000 as follows; (i) \$20,000 on signing, (ii) \$30,000 on the first anniversary, (iii) \$40,000 on the second anniversary, and (iv) \$50,000 on the third anniversary. Under the terms of the agreement, RJK must also issue 325,000 shares as follows; (i) 100,000 on signing, (ii) 75,000 on the first anniversary, (iii) 75,000 on the second anniversary, and (iv) 75,000 on the third anniversary. The Company also has an exploration work commitment on the property totalling \$280,000 which is to be incurred as follows; (i) \$40,000 in year one (ii) \$40,000 in year two, (iii) \$80,000 in year three, and (iv) \$120,000 in year four. As part of the agreement the optionee maintains a 3% Net Smelter Return, with the option for RJK to purchase up to 1.5% of the NSR at the rate of \$500,000 per 0.5% to a maximum of \$1.5 million (1.5%).
- (b) In April, 2009, the Company completed a non-brokered private placement for gross proceeds of \$200,000 through the sale of 4,000,000 units at \$0.05 per unit to the Mineral Fields Group. Each unit consists of one class A subordinate voting share of the Company and one Share purchase warrant, each such Share and Share purchase warrant issued on a flow-through basis pursuant to the Income Tax Act (Canada). Each whole Share purchase warrant entitles the holder thereof to purchase one Share at a price of \$0.10 until April 16, 2010 and thereafter at a price of \$0.20 until April 16, 2011.

In connection with the Offering, the Company paid an aggregate cash finder's fee of \$2,000 and issued an aggregate of 160,000 units and 400,000 non-transferable options. Each Finder Unit consists of one Share and one non-transferable Share purchase warrant. Each whole Share purchase warrant entitles the holder thereof to purchase one Share at a price of \$0.10 until April 16, 2010 and thereafter at a price of \$0.20 until April 16, 2011. Each Finders Option is exercisable until April 16, 2011 into one Finders Unit at a price of \$0.05 per Finders Unit.

## RJK Explorations Ltd.

### Notes to the Audited Financial Statements

Years Ended December 31, 2008 and 2007

#### 10. Segmented Information

RJK is in the business of mineral exploration and production in Canada and Cuba. As such, management has organized the Company's reportable segments by geographic area. The Cuban segment is responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities and is responsible for the Canadian mineral exploration and production activities. Information concerning RJK's reportable segments is as follows:

	2008	2007
Consolidated net loss		
Canada	\$ 850,394	\$ 575,874
Cuba	-	-
	<b>\$ 850,394</b>	<b>\$ 575,874</b>
Identifiable assets		
Canada	1,804,125	2,835,142
Cuba	223,685	-
	<b>\$ 2,027,810</b>	<b>\$ 2,835,142</b>
Significant non-cash items		
Canada		
Stock-based compensation	\$ 16,000	\$ 289,000