

RJK Explorations Ltd.

**Audited
Financial Statements**

**Years Ended
December 31, 2004 and 2003**

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, 2004 and 2003 and the statements of operations 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, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

January 25, 2005

parker simone LLP.

RJK Explorations Ltd.

Balance Sheet

<i>As at December 31,</i>	2004	2003
Assets		
Current Assets		
Cash	\$ 79,453	\$ 230,590
GST recoverable	9,188	13,199
Prepaid investor relations fees	-	51,781
	88,641	295,570
Mineral Properties and Deferred Expenditures (Note 2)	1,332,904	1,248,310
Capital Assets (Note 3)	3,741	4,468
	\$ 1,425,286	\$ 1,548,348
<hr style="border-top: 3px double #000;"/>		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 89,061	\$ 117,853
Due to related parties (Note 4)	23,104	-
	112,165	117,853
Shareholders' Equity		
Capital Stock (Note 5)		
Class B shares Issued 854,140 shares	427,070	427,070
Class A shares	17,055,549	16,815,549
Deficit	(16,169,498)	(15,812,124)
	1,313,121	1,430,495
	\$ 1,425,286	\$ 1,548,348

Approved by the Board:

("Signed") Barry Milne, Director

("Signed") Glenn Kasner, Director

RJK Explorations Ltd.
Statement of Operations and Deficit

<i>Year Ended December 31,</i>	2004	2003
Operating Expenses		
Office and general	\$ 173,371	\$ 108,363
Shareholder information	27,766	75,884
Salaries and benefits	26,078	23,448
Professional fees	24,609	41,920
	251,824	249,615
Write-off of mineral properties	105,550	117,751
Net Loss	357,374	367,366
Deficit, beginning of year	15,812,124	15,444,758
Deficit, End of Year	\$ 16,169,498	\$ 15,812,124
Net Loss Per Share	1.3¢	1.6¢

RJK Explorations Ltd.
Statement of Cash Flow

Year Ended December 31,	2004	2003
Operations		
Net loss	\$ (357,374)	\$ (367,366)
Adjustment to reconcile net loss to cash flow from operating activities:		
Write-off of mineral properties	105,550	117,752
Amortization	727	886
Net change in non-cash operating working capital items:		
GST recoverable	4,011	(9,308)
Prepaid investor relations fees	51,781	(51,781)
Accounts payable and accrued liabilities	(28,792)	259
Cash Flow from Operating Activities	(224,097)	(309,558)
Financing		
Advances from related parties	23,104	-
Issuance of Class A shares	240,000	710,855
Cash Flow from Financing Activities	263,104	710,855
Investing		
Expenditures on mineral properties	(190,144)	(287,823)
Cash Flow from Investing Activities	(190,144)	(287,823)
Net Increase (Decrease) in Cash	(151,137)	113,474
Cash, beginning of year	230,590	117,116
Cash, End of Year	\$ 79,453	\$ 230,590

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2004 and 2003

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.

Mineral Properties

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.

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.

2. Mineral Properties and Deferred Expenditures

	2004	2003
Mineral Properties		
Balance, beginning of year	\$ 205,897	\$ 216,567
Write-downs	(49,449)	(10,670)
Balance, end of year	156,448	205,897
Deferred Exploration Expenditures		
Balance, beginning of year	1,042,413	861,672
Deferred exploration expenditures, net of option receipts	190,144	287,823
Write-downs	(56,101)	(107,082)
Balance, end of year	1,176,456	1,042,413
	\$ 1,332,904	\$ 1,248,310

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2004 and 2003

3. Capital Assets

	2004		2003	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 10,153	\$ 7,908	\$ 10,153	\$ 7,347
Building	3,475	1,979	3,475	1,813
	\$ 13,628	\$ 9,887	\$ 13,628	\$ 9,160
Net Book Value	\$ 3,741		\$ 4,468	

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 as follows:

	2004	2003
Transactions during the year		
Consulting fees included in office and general expense	\$ 60,000	\$ 60,000
Legal fees	10,800	23,400
Related party payables included in accounts payable and accrued liabilities	71,188	89,284

The amount due to related parties is non-interest bearing and without any fixed terms of repayment.

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 C 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, 2004 and 2003

5. Capital Stock (Continued)

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

	Number of Shares	
Balance, December 31, 2002	21,576,539	\$ 16,104,694
Issued for Cash:		
Private placements	4,217,000	749,400
Share issue costs	-	(38,545)
Balance, December 31, 2003	25,793,539	16,815,549
Issued for Cash:		
Private placement	2,140,000	256,800
Share issue costs	-	(16,800)
Balance, December 31, 2004	27,933,539	\$ 17,055,549

In May 2004, RJK issued 2.0 million flow-through Class A subordinate voting shares for a total cash consideration of \$240,000. As part of this private placement, the Company issued 140,000 flow-through Class A subordinate voting shares, with an assigned value of \$16,800, to the agent as a commission.

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 following table summarizes the activity for the options to purchase Class A Subordinate Voting Shares:

	2004		2003	
	Weighted Average Exercise Price	No. of Options (000's)	Weighted Average Exercise Price	No. of Options (000's)
Outstanding, beginning of year	\$ 0.24	2,180	\$ 0.26	1,850
Transactions during the year:				
Granted	-	-	0.20	880
Expired	(0.20)	(410)	0.20	(325)
Forfeited	(0.15)	(150)	0.25	(225)
Outstanding, end of year	\$ 0.27	1,620	\$ 0.24	2,180
Exercisable, year end	\$ 0.27	1,620	\$ 0.24	2,180

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2004 and 2003

5. Capital Stock (Continued)

The following table provides additional information about outstanding stock options at December 31, 2004:

Range of Exercise Prices	No. of Options Outstanding (000's)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
\$0.20 - \$ 0.25	920	1.81	\$ 0.24
0.26 - 0.30	600	0.56	0.29
0.31 - 0.47	100	1.50	0.47
\$0.20 - \$0.50	1,620	1.34	\$ 0.27

During 2003, RJK granted 880,000 stock options to employees, officers, and directors. If the Company adopted the fair method of accounting for stock options, the stock-based compensation costs associated with these options would have an impact on net loss and net loss per share as follows:

	2003
Net loss as reported	\$ (367,366)
Stock-based compensation cost	(8,100)
Pro forma net loss	\$ (375,466)
Pro forma net loss per share - basic	\$ (1.7)¢

Assumptions used in Black-Scholes option pricing model:

Dividend yield	-
Expected volatility	13.3%
Risk-free interest rate	5.0%
Expected life (years)	5

Warrants

As of December 31, 2004 the Company has the following Class A Subordinate Voting Share purchase warrants outstanding:

Month of Expiry	Number of Warrants	Exercise Price
October 2005	100,000	0.20
December 2005	1,000,000	0.25
May 2006	140,000	0.20
	1,240,000	

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6. Potential Income Taxes Benefits

At December 31, 2004, RJK has \$6,492,600 (2003 - \$6,559,300) of unused cumulative Canadian exploration and development expenses available to offset future taxable income. The tax benefits pertaining to these expenses are available to carry forward indefinitely. The Company also has \$3,180,000 in capital losses that are available to reduce future taxable capital gains.