

RJK Explorations Ltd.
Audited
Financial Statements
Years Ended
December 31, 2005 and 2004

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, 2005 and 2004 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, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

March 22, 2006

Parker Simone LLP.

RJK Explorations Ltd.

Balance Sheet

<i>As at December 31,</i>	2005	2004
Assets		
Current Assets		
Cash	\$ 2,140	\$ 79,453
GST recoverable	582	9,188
	2,722	88,641
Mineral Properties and Deferred Expenditures <i>(Note 2)</i>	1,370,606	1,332,904
Capital Assets <i>(Note 3)</i>	3,142	3,741
	\$ 1,376,470	\$ 1,425,286
<hr/>		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities <i>(Note 4)</i>	\$ 147,720	\$ 89,061
Due to related parties <i>(Note 4)</i>	23,323	23,104
	171,043	112,165
Shareholders' Equity		
Capital Stock <i>(Note 5)</i>		
Class B shares Issued 854,140 shares	427,070	427,070
Class A shares	17,057,049	17,055,549
Contributed Surplus <i>(Note 6)</i>	81,000	-
Deficit	(16,359,692)	(16,169,498)
	1,205,427	1,313,121
	\$ 1,376,470	\$ 1,425,286

Approved by the Board:

("Signed") Robert Kasner , Director

("Signed") Glenn Kasner , Director

RJK Explorations Ltd.
Statement of Operations and Deficit

Year Ended December 31,	2005	2004
Operating Expenses		
Stock Based Compensation (Note 5)	\$ 81,000	\$ -
Office and general	59,762	173,371
Shareholder information	15,450	27,766
Professional fees	13,238	24,609
Salaries and benefits	1,711	26,078
	171,161	251,824
Write-off of mineral properties	19,033	105,550
Net Loss	190,194	357,374
Deficit, beginning of year	16,169,498	15,812,124
Deficit, End of Year	\$ 16,359,692	\$ 16,169,498
Net Loss Per Share	0.7¢	1.3¢

RJK Explorations Ltd.
Statement of Cash Flow

<i>Year Ended December 31,</i>	2005	2004
Operations		
Net loss	\$ (190,194)	\$ (357,374)
Adjustments to reconcile net loss to cash flow from operating activities:		
Stock based compensation	81,000	-
Write-off of mineral properties	19,033	105,550
Amortization	599	727
Net change in non-cash operating working capital items:		
GST recoverable	8,606	4,011
Prepaid investor relations fees	0	51,781
Accounts payable and accrued liabilities	58,659	(28,792)
Cash Flow from Operating Activities	(22,297)	(224,097)
Financing		
Advances from related parties	219	23,104
Issuance of Class A shares	-	240,000
Cash Flow from Financing Activities	219	263,104
Investing		
Expenditures on mineral properties	(55,235)	(190,144)
Cash Flow from Investing Activities	(55,235)	(190,144)
Net Decrease in Cash	(77,313)	(151,137)
Cash, beginning of year	79,453	230,590
Cash, End of Year	\$ 2,140	\$ 79,453

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2005 and 2004

1. Summary of Significant Accounting Policies

Nature of Operations and Going Concern Considerations

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.

If the going concern basis of accounting is not appropriate, material adjustments may be necessary in the Company's accounts and/or classifications of assets, liabilities and expenses in the financial statements.

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.

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 anti-dilutive and, therefore, basic and diluted losses per share are the same.

Stock-Based Compensation Plan

GLR 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 2005.

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2005 and 2004

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.

2. Mineral Properties and Deferred Expenditures

	2004	2003
Mineral Properties		
Balance, beginning of year	\$ 156,448	\$ 205,897
Mineral property additions	9,463	-
Write-downs	-	(49,449)
Balance, end of year	165,911	156,448
Deferred Exploration Expenditures		
Balance, beginning of year	1,176,456	1,042,413
Deferred exploration expenditures, net of option receipts	47,272	190,144
Write-downs	(19,033)	(56,101)
Balance, end of year	1,204,695	1,176,456
	\$ 1,370,606	\$ 1,332,904

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2005 and 2004

2. Mineral Properties and Deferred Expenditures (Continued)

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

	Cash	No. Of Shares	Expenditures
2006	\$ 10,000	60,000	\$ 70,000
2007	10,000	60,000	-
2008	20,000	50,000	-
	\$ 40,000	170,000	\$ 70,000

3. Capital Assets

	2005		2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 10,153	\$ 8,357	\$ 10,153	\$ 7,908
Building	3,475	2,129	3,475	1,979
	\$ 13,628	\$ 10,486	\$ 13,628	\$ 9,887
Net Book Value	\$ 3,142		\$ 3,741	

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:

	2005	2004
Transactions during the year		
Consulting fees included in office and general expense	\$ 60,000	\$ 60,000
Legal fees	1,183	10,800
Related party payables included in accounts payable and accrued liabilities	131,941	71,888

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

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2005 and 2004

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.

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

	Number of Shares	
Balance, December 31, 2003	25,793,539	\$ 16,815,549
Issued for Cash:		
Private placements	2,140,000	256,800
Share issue costs	-	(16,800)
Balance, December 31, 2004	27,933,539	17,055,549
Issued for Cash:		
Private placement	3,000	1,500
Share issue costs	-	(81,000)
Balance, December 31, 2005	27,936,539	\$ 16,976,049

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2005 and 2004

5. Capital Stock (Continued)

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:

	2005		2004	
	Weighted Average Exercise Price	No. of Options (000's)	Weighted Average Exercise Price	No. of Options (000's)
Outstanding, beginning of year	\$ 0.27	1,620	\$ 0.24	2,180
Transactions during the year:				
Granted	0.15	900	-	-
Expired	(27.00)	(945)	(0.20)	(410)
Forfeited	-	-	(0.15)	(150)
Outstanding, end of year	\$ 0.20	1,575	\$ 0.27	1,620
Exercisable, year end	\$ 0.20	1,575	\$ 0.27	1,620

The following table provides additional information about outstanding stock options at December 31, 2005:

Range of Exercise Prices	No. of Options Outstanding (000's)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
\$0.15 - \$ 0.19	900	4.50	\$ 0.15
0.20 - 0.25	575	1.79	0.23
0.26 - 0.47	100	0.50	0.47
\$0.15 - \$0.50	1,575	3.26	\$ 0.20

RJK Explorations Ltd.

Notes to the Audited Financial Statements

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5. Capital Stock (Continued)

Stock-Based Compensation Costs

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of stock-based compensation costs for the stock options issued during the year ended December 31, 2005.

Issue date		Jul 4
No. of options		900,000
Price	\$	0.15
Volatility		270.7%
Expected life (years)		5
Risk free interest rate		4.12%
Dividend yield		0.0%
Vesting period in years		-
Value of options granted	\$	81,000
Stock-based compensation	\$	81,000

Warrants

As of December 31, 2005 the Company has 140,000 Class A Subordinate Voting Share purchase warrants outstanding. These warrants have an exercise price of \$0.12 price and expire in May 2006.

6. Contributed Surplus

	2005	2004
Balance at beginning of year	\$ -	\$ -
Value assigned to:		
Options related to stock-based compensation costs	81,000	-
Balance at end of year	\$ 81,000	\$ -

7. Potential Income Taxes Benefits

At December 31, 2005, RJK has \$7,007,300 (2004 - \$6,492,600) 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.