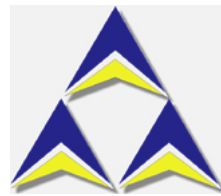


parker simone LLP



RJK Explorations Ltd.

**Audited
Financial Statements**

**Years Ended
December 31, 2006 and 2005**

parker simone LLP

Chartered Accountants
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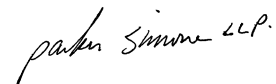
Auditors' Report

To the Shareholders of
RJK Explorations Ltd.

We have audited the balance sheets of RJK Explorations Ltd. as at December 31, 2006 and 2005 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



March 12, 2007

Licensed Public Accountants

RJK Explorations Ltd.

Balance Sheet

<i>As at December 31,</i>	2006	2005
Assets		
Current Assets		
Cash	\$ 4,744	\$ 2,140
GST recoverable	113	582
	4,857	2,722
Mineral Properties and Deferred Expenditures (Note 2)	1,327,231	1,370,606
Capital Assets (Note 3)	2,648	3,142
	\$ 1,334,736	\$ 1,376,470
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 210,258	\$ 147,720
Due to related parties (Note 4)	48,323	23,323
	258,581	171,043
Shareholders' Equity		
Capital Stock (Note 5)		
Class B shares Issued 854,140 shares	427,070	427,070
Class A shares	17,057,049	17,057,049
Contributed Surplus (Note 6)	81,000	81,000
Deficit	(16,488,964)	(16,359,692)
	1,076,155	1,205,427
	\$ 1,334,736	\$ 1,376,470

Approved by the Board:

("Signed") Glenn Kasner _____, Director

("Signed") Barry Milne Kasner _____, Director

RJK Explorations Ltd.
Statement of Operations and Deficit

<i>Year Ended December 31,</i>	2006	2005
Operating Expenses		
Office and general	\$ 60,821	\$ 59,762
Professional fees	13,594	13,238
Shareholder information	9,991	15,450
Stock based compensation (Note 5)	-	81,000
Salaries and benefits	-	1,711
	84,406	171,161
Write-off of mineral properties	44,866	19,033
Net Loss	129,272	190,194
Deficit, beginning of year	16,359,692	16,169,498
Deficit, End of Year	\$ 16,488,964	\$ 16,359,692
Net Loss Per Share	0.5¢	0.7¢

RJK Explorations Ltd.
Statement of Cash Flow

<i>Year Ended December 31,</i>	2006	2005
Operations		
Net loss	\$ (129,272)	\$ (190,194)
Adjustments to reconcile net loss to cash flow from operating activities:		
Stock based compensation	-	81,000
Write-off of mineral properties	44,866	19,033
Amortization	494	599
Net change in non-cash operating working capital items:		
GST recoverable	469	8,606
Accounts payable and accrued liabilities	62,538	58,659
Cash Flow used in Operating Activities	(20,905)	(22,297)
Financing		
Advances from related parties	25,000	219
Cash Flow from Financing Activities	25,000	219
Investing		
Expenditures on mineral properties	(1,491)	(55,235)
Cash Flow used in Investing Activities	(1,491)	(55,235)
Net Increase Decrease in Cash	2,604	(77,313)
Cash, beginning of year	2,140	79,453
Cash, End of Year	\$ 4,744	\$ 2,140

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2006 and 2005

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 carrying 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.

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.

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

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2006 and 2005

1. Summary of Significant Accounting Policies (Continued)

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 2006 and 2005.

The weighted-averages used in the Black-Scholes option pricing method were as follows

	2006	2005
Dividend yield	-	-
Expected volatility	-	270.7%
Risk-free interest rate	-	4.1%
Expected life (years)	-	5

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.

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2006 and 2005

2. Mineral Properties and Deferred Expenditures

	2006	2005
Mineral Properties		
Balance, beginning of year	\$ 165,911	\$ 156,448
Mineral property additions	-	9,463
Write-downs	(13,263)	-
Balance, end of year	152,648	165,911
Deferred Exploration Expenditures		
Balance, beginning of year	1,204,695	1,176,456
Deferred exploration expenditures	1,491	47,272
Write-downs	(31,603)	(19,033)
Balance, end of year	1,174,583	1,204,695
	\$ 1,327,231	\$ 1,370,606

3. Capital Assets

	2006		2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 10,153	\$ 8,717	\$ 10,153	\$ 8,357
Building	3,475	2,263	3,475	2,129
	\$ 13,628	\$ 10,980	\$ 13,628	\$ 10,486
Net Book Value	\$ 2,648		\$ 3,142	

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:

	2006	2005
Transactions during the year		
Consulting fees included in office and general expense	\$ 60,000	\$ 60,000
Legal fees	-	1,183
Related party payables included in accounts payable and accrued liabilities	191,941	131,941

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, 2006 and 2005

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.

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

	Number of Shares	Amount
Balance, December 31, 2004	27,933,539	\$ 17,055,549
Issued for property option payment	30,000	1,500
Balance, December 31, 2005 and 2006	27,963,539	\$ 17,057,049

During February 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.

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2006 and 2005

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 plan allows for the issuance of a rolling 10% of common shares outstanding. As at December 31, 2006 and 2005 the maximum allowable outstanding was 2,796,354. The following table summarizes the activity for the options to purchase Class A Subordinate Voting Shares:

	2006		2005	
	Weighted Average Exercise Price	No. of Options (000's)	Weighted Average Exercise Price	No. of Options (000's)
Outstanding, beginning of year	\$ 0.20	1,575	\$ 0.27	1,620
Transactions during the year:				
Granted	-	-	0.15	900
Expired	(0.36)	(200)	(0.27)	(945)
Outstanding, end of year	\$ 0.18	1,375	\$ 0.20	1,575
Exercisable, year end	\$ 0.18	1,375	\$ 0.20	1,575

The following table provides additional information about outstanding stock options at December 31, 2006:

Range of Exercise Prices	No. of Options Outstanding (000's)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
\$0.15 - \$ 0.19	900	3.50	\$ 0.15
0.20 - 0.25	475	1.02	0.22
\$0.15 - \$0.25	1,375	2.64	\$ 0.18

RJK Explorations Ltd.
Notes to the Audited Financial Statements
Years Ended December 31, 2006 and 2005

6. Contributed Surplus

	2006	2005
Balance at beginning of year	\$ 81,000	\$ -
Value assigned to:		
Options related to stock-based compensation costs	-	81,000
Balance at end of year	\$ 81,000	\$ 81,000

7. Potential Income Taxes Benefits

At December 31, 2006, RJK has \$7,083,300 (2005 - \$7,007,300) 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.

Income Taxes

The income tax provision differs from that computed using the statutory tax rates for the following reasons:

	2006	%	2005	%
Income taxes at Federal and Provincial statutory rates	\$ (46,700)	(36.1)	(68,700)	(36.1)
Expenses not deductible for income tax purposes:				
Stock-based compensation	-	-	29,200	15.4
Write-down of investment	16,200	19.1	6,900	3.6
Valuation adjustment of future tax assets	30,500	17.0	32,600	17.1
Income Taxes	\$ -		\$ -	-