

## RJK EXPLORATIONS LTD.

### Balance Sheet

As at March 31, 2005 and December 31, 2004

	March 31, 2005 (Unaudited)	December 31, 2004 (Audited)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 62,125	\$ 79,453
GST recoverable	1,438	9,188
	<b>63,563</b>	<b>88,641</b>
<b>Other Assets</b>		
Mineral properties and deferred expenditures	1,348,711	1,332,904
Capital assets	3,591	3,741
	<b>1,352,302</b>	<b>1,336,645</b>
	<b>\$ 1,415,865</b>	<b>\$ 1,425,286</b>
<b>Current Liabilities</b>		
Due to a related party	\$ 23,104	\$ 23,104
Accounts payable and accrued liabilities	103,009	89,061
	<b>126,113</b>	<b>112,165</b>
<b>Shareholders' Equity</b>		
Capital stock class B	427,070	427,070
Capital stock class A	17,055,549	17,055,549
Deficit	-16,192,867	-16,169,498
	<b>1,289,752</b>	<b>1,313,121</b>
	<b>\$ 1,415,865</b>	<b>\$ 1,425,286</b>

## RJK EXPLORATIONS LTD.

### Statement of Operations and Deficit

For the Three Months Ended March 31

	Three Months ended March 31, 2005	Three Months ended March 31, 2004
<b>(Unaudited)</b>		
<b>Administrative expenditures</b>		
General and administrative	\$ 3,747	\$ 23,550
Consulting	15,000	18,000
Professional fees	0	4,381
Financing fees	0	15,534
Travel, promotion and trade shows	383	13,697
Shareholders' information	4,161	4,379
Bank charges	78	33
<b>Loss for the period</b>	<b>23,369</b>	<b>79,574</b>
<b>Deficit - beginning of period</b>	<b>16,169,498</b>	<b>15,812,124</b>
<b>Deficit - end of period</b>	<b>\$ 16,192,867</b>	<b>\$ 15,891,698</b>
Loss per share	<b>\$0.01</b>	<b>\$0.01</b>

**RJK EXPLORATIONS LTD.**  
**Statement of Cash Flow**  
**For the Three Months Ended March 31**

<b>(Unaudited)</b>	<b>Three Months ended March 31, 2005</b>	<b>Three Months ended March 31, 2004</b>
<b>Operating activities</b>		
Loss for the period	\$ (23,369)	\$ (79,574)
Add:		
Amortization	150	182
	<b>-23,219</b>	<b>-79,392</b>
Decrease (increase) in other receivables	7,750	8,527
Decrease in accounts payable and accrued liabilities	13,948	-8,661
Cash Flow from Operating Activities	<b>-1,521</b>	<b>-79,526</b>
<b>Financing activities</b>		
Cash provided by issuance of Class "A" shares	0	0
Cash Flow from Financing Activities	<b>0</b>	<b>0</b>
<b>Investment activities</b>		
Mineral properties and deferred expenditures	-15,807	-58,075
Deferred exploration expenditures	0	
Cash Flow from Investing Activities	<b>-15,807</b>	<b>-58,075</b>
Increase (decrease) in cash and cash equivalents	-17,328	-137,601
Cash beginning of the period	79,453	230,590
Cash end of period	\$ 62,125	\$ 92,989

**RJK EXPLORATIONS LTD.**  
**Statement of Mineral Properties and Deferred Expenditures**  
**For the Three Months Ended March 31**

<b>(Unaudited)</b>	<b>Three Months ended March 31, 2005</b>	<b>Three Months ended March 31, 2004</b>
Balance beginning period	\$ 1,332,904	\$ 1,248,310
Additions	15,807	58,075
Balance end of the period	\$ 1,348,711	\$ 1,306,385

# **RJK Explorations Ltd.**

## **Notes to Financial Statements**

(Unaudited)

**March 31, 2005**

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### **General**

RJK Explorations Ltd. (RJK) is incorporated under the laws of Ontario. RJK's principal business activity is that of a junior mineral exploration company with its primary focus of exploration being in Canada.

### **1. Summary of Significant Accounting Policies**

These interim financial statements follow the same accounting policies and their methods of application as the 2003 audited financial statements, except for the treatment of employee stock-based compensation. Effective January 1, 2004, RJK adopted the new recommendations of the CICA with respect to employee stock-based compensation. The new recommendations are applied prospectively to options granted after that date. In prior years, the Company accounted for stock-based compensation by the settlement method whereby no compensation expense was recorded for options granted. As a result, RJK records stock-based payments granted on or after January 1, 2004 using the fair value method.

Not all disclosures required by generally accepted accounting principles for annual financial statements are present, and accordingly, the interim financial statements should be read in conjunction with RJK's 2004 audited financial statements.

### **2. Mineral Properties and Deferred Expenditures**

The Company enters into exploration agreements with other companies whereby the parties to the agreement may earn an interest in certain mineral properties by issuing common shares and/or making options payments and/or incurring expenditures in varying amounts by varying dates. Failure by a party to meet such requirements in certain circumstances can result in a reduction of ownership interest.

### **3. 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 \$0.20 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 Shares into Class A Subordinate Voting Shares on 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 Financial Statements**

(Unaudited)

**March 31, 2005**

**3. Capital Stock (Continued)**

The issued Class A Subordinate Voting Share capital is as follows:

	Number of Shares	Dollars
Balance December 31, 2004	27,933,529	\$17,055,549
Shares issued for cash private placements	0	0
<b>Balance Class "A" Shares March 31, 2005</b>	<b>27,933,529</b>	<b>\$17,055,549</b>

**Options**

RJK has a stock option plan pursuant to which options to purchase Class A Subordinate Voting Common Shares may be granted to certain officers, directors and employees. A continuity of the unexercised options to purchase Class A Subordinate Voting Common Shares is as follows:

	Weighted Average Exercise Price	No. of Options
Outstanding at beginning of period	\$ 0.27	1,620,000
Transactions during the period		
Expired	0.25	(500,000)
<b>Outstanding at end of period</b>	<b>\$ 0.27</b>	<b>1,120,000</b>
<b>Exercisable at end of period</b>	<b>\$ 0.27</b>	<b>1,120,000</b>

The Company uses the Black-Scholes option pricing model to determine its 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 2003 and in 2004. If the fair value method was applied to options granted during the three months ended March 31, 2005, the stock-based compensation expense would be \$8,131 which would increase the contributed surplus and the deficit at the beginning of 2004 by the same amount.

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

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

**Warrants**

Outstanding warrants to purchase Class A Common shares are as following:

Month of Expiry	No. 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	

**RJK Explorations Ltd.**

**Notes to Financial Statements**

(Unaudited)

**March 31, 2005**

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**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:

Transactions during the three month period ended March 31, 2005	
Consulting Fees	\$15,000
Related party payables included in accounts payable	86,189

**5. Cash**

The amount of \$43,936 included in cash is restricted for flow-through expenditures