



RJK Explorations Ltd.

**Audited
Financial Statements**

**Years Ended
December 31, 2009 and 2008**

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, 2009 and 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.

("Signed") Glenn Kasner _____, CEO

("Signed") Barry Milne _____, CFO

parker simone LLP

Chartered Accountants
129 Lakeshore Road East
Suite 201 Mississauga Ontario
L5G 1E5
T 905 271.7977
F 905 271.7677

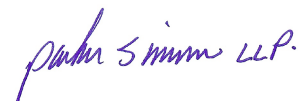
Auditors' Report

To the Shareholders of
RJK Explorations Ltd.

We have audited the balance sheets of RJK Explorations Ltd. as at December 31, 2009 and 2008 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, 2009 and 2008 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.



March 15, 2010

Licensed Public Accountants

RJK Explorations Ltd.

Balance Sheets

<i>As at December 31,</i>	2009	2008
Assets		
Current Assets		
Cash	\$ 153,989	\$ 266,809
GST recoverable	2,085	3,006
	156,074	269,815
Mineral Properties and Deferred Expenditures (Note 2)	1,831,050	1,748,474
Capital Assets (Note 3)	9,377	9,521
	\$ 1,996,501	\$ 2,027,810
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 191,026	\$ 217,486
	191,026	217,486
Shareholders' Equity		
Capital Stock (Note 5)		
Class B shares	427,070	427,070
Class A shares	18,861,957	18,671,686
Contributed Surplus (Note 6)	908,800	626,800
Deficit	(18,392,352)	(17,915,232)
	1,805,475	1,810,324
	\$ 1,996,501	\$ 2,027,810

Nature of Operations/Going Concern (Note 1)
Commitments and Contractual Obligations (Note 9)

Approved by the Board:

(“Signed”) Glenn Kasner _____, Director

(“Signed”) Barry Milne _____, Director

see notes to audited financial statements

RJK Explorations Ltd.

Statements of Operations and Comprehensive Net Loss and Deficit

<i>Year Ended December 31,</i>	2009	2008
Revenue		
Interest income	\$ 152	\$ 15,534
Operating Expenses		
Office and general (Note 4)	172,103	136,871
Stock based compensation (Note 5)	98,000	16,000
Professional fees	41,311	95,050
Shareholder information	36,628	109,187
	348,042	357,108
Net Loss Before Write-off of Mineral Properties and Income Taxes	(347,890)	(341,574)
Write-off of mineral properties	198,230	508,820
Net Loss before Income Taxes	(546,120)	(850,394)
Future income tax recovery (Note 7)	(69,000)	-
Net Loss and Comprehensive Net Loss	(477,120)	(850,394)
Deficit, beginning of year	(17,915,232)	(17,064,838)
Deficit, End of Year	\$ (18,392,352)	\$17,915,232)
Basic and fully diluted net loss per share	(1.0)¢	(2.2)¢
Weighted average number of shares (000's)	45,931	38,755

see notes to audited financial statements

RJK Explorations Ltd.
Statements of Cash Flow

<i>Year Ended December 31,</i>	2009	2008
Operations		
Net loss	\$ (477,120)	\$ (850,394)
Adjustments to reconcile net loss to cash flow from operating activities:		
Stock based compensation	98,000	16,000
Write-off of mineral properties	198,230	508,820
Future income tax recovery	(69,000)	-
Amortization	2,466	2,948
Net change in non-cash operating working capital items:		
Prepaid expenses	-	10,000
GST recoverable	921	7,577
Accounts payable and accrued liabilities	(26,460)	(135,438)
Cash Flow used in Operating Activities	(272,963)	(440,487)
Financing		
Issuance of common shares	485,000	90,000
Costs of share issuances	(49,979)	-
Cash Flow from Financing Activities	435,021	90,000
Investing		
Purchase of capital assets	(2,322)	(1,570)
Expenditures on mineral properties and deferred expenditures	(272,556)	(346,388)
Cash Flow used in Investing Activities	(274,878)	(347,958)
Net Decrease in Cash	(112,820)	(698,445)
Cash, beginning of year	266,809	965,254
Cash, End of Year	\$ 153,989	\$ 266,809

see notes to audited financial statements

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

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.

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 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, 2009 the Company had a working capital deficiency of \$34,952 (2008 - \$52,329 working capital), had not yet achieved profitable operations, has accumulated losses of \$18,392,352 (2008 - \$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 its assets and discharge its 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. 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 asset and 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

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through shares arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the future income taxes relating to the temporary difference that will arise when the qualifying expenditures are incurred are recorded at the time of filing the renunciation with the tax authorities. The recognition of the future income tax liability will result in a corresponding reduction to the carrying value of the shares issued.

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

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 and deferred expenditures.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the declining basis at rates varying from 10% to 20% per year.

Net Loss Per Share

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. When fully-diluted loss per share is calculated, only those options and warrants with average exercise prices "in-the-money" are included.

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 2009 and 2008.

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

	2009	2008
Dividend yield	0.0%	0.0%
Expected volatility	149.5%	135.2%
Risk-free interest rate	2.8%	3.6%
Expected life (years)	5	5

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

1. Summary of Significant Accounting Policies (Continued)

Other Stock-based Payments

The Company accounts for other stock-based payments based on the fair value of services granted or the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions at the measurement date, whichever is the more reliably measured.

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. Accounts specifically affected by estimates in these financial statements are mineral exploration properties and stock based compensation.

Revenue Recognition

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

Comprehensive Income

The Company records unrealized gains and losses from temporary changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

1. Summary of Significant Accounting Policies (Continued)

Financial Instruments

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held-for-trading are recorded at fair value with gains and losses recognized in net income; financial assets which are loans and receivables or held-to-maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income; financial assets which are available-for-sale are recorded at fair value with gains and losses recognized (net of applicable future income taxes) in other comprehensive income; financial liabilities that are not held-for-trading are recorded at amortized cost using the effective interest rate method and recognized in net income.

Effective January 1, 2009, RJK adopted the amendment to CICA Handbook 3862, financial instruments, which requires disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

New Accounting Standards

Going Concern

On January 1, 2009 the Company adopted *Section 1400 - General standards of financial statement presentation*, and it has since been amended to include going concern requirements. The amendments require management to make an assessment of the Company's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern. The Company's disclosures in the going concern note reflect such assessments.

Future Accounting Pronouncements

Convergence with International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

1. Summary of Significant Accounting Policies (Continued)

Business combinations, financial statements & Non-controlling interests

In October 2008, the CICA issued Sections 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests". Section 1582 establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601 carries forward the existing Canadian guidance on aspects of the preparation of financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company in the first quarter of fiscal 2011 with earlier adoption permitted. The Company does not expect that the adoption of these new Sections will have a material impact on its financial statements.

2. Mineral Properties and Deferred Expenditures

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

Year ended December 31, 2009

	Opening Balance \$	Additions (\$)	Write-offs (\$)	Net (\$)
Stares, Ontario	788,777	4,016	-	792,793
Goldie, Ontario	505,023	1,640	-	506,663
St. Lawrence Lowlands, Quebec	153,749	19,843	(173,592)	-
Loma Hierro, Cuba ⁽¹⁾	223,685	727	-	224,412
Dorion South, Ontario	-	180,639	-	180,639
Buda, Ontario	-	71,568	-	71,568
General and other	77,240	2,373	(24,638)	54,975
	1,748,474	280,806	(198,230)	1,831,050

⁽¹⁾ The Company is in negotiations to acquire this property. These costs relate to acquisition and due diligence on the property. At year end, negotiations on the property were still ongoing. The Company expects to close this deal in 2010. If an agreement is not completed, these costs would be charged to the statement of operations.

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

2. Mineral Properties and Deferred Expenditures (Continued)

Year ended December 31, 2008

	Opening Balance \$	Additions (\$)	Write-offs (\$)	Net (\$)
Stares, Ontario	774,481	14,296	-	788,777
Goldie, Ontario	481,131	23,892	-	505,023
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		153,749
Loma Hierro, Cuba ⁽¹⁾	-	223,685		223,685
General and other	110,678	505	(33,943)	77,240
	1,838,406	418,888	(508,820)	1,748,474

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 two percent.

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 \$
2010	30,000	75,000	-
2011	40,000	75,000	-
2012	50,000	75,000	120,000
	120,000	225,000	120,000

Buda Property

On September 30, 2009, 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 paid \$5,000 and issued 50,000 shares of the corporation with a market value of \$3,250. As part of the agreement the optionee maintains a 1% Net Smelter Return ("NSR"). RJK has the option to buy back up to 0.5% of the NSR for \$250,000.

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

2. Mineral Properties and Deferred Expenditures (Continued)

Dorion South Property

On February 14, 2009, 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. In addition, issue 325,000 shares of the corporation 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. Finally the Company must complete exploration on the property of \$280,000 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% NSR. RJK has the option to buy back 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%). During the year ended December 31, 2009, the Company paid \$20,000 (2008 - \$nil), issued 100,000 (2008 - nil) shares with a market value of \$5,000 (2008 - \$nil) and completed exploration work of \$157,400 (2008 - \$nil).

St Lawrence Lowlands Property

On November 17, 2008, the Company entered into an agreement to acquire a 100% undivided interest in oil and gas permit 2008PG988 in the Sept-Iles area of Quebec. As consideration for this option the Company is required to issue 1,000,000 shares of the corporation as follows; (i) 500,000 on signing, and (ii) 500,000 upon the acceptance of the Earn-in Option. Also the Company must drill 1,200 meters in depth on the property by no later than January 23, 2009. As part of the agreement the optionee maintains a right to 15% of the Net Proceeds received from the sale of any minerals or oil and gas from the property. This property was written off in the fourth quarter of 2009.

On Strike Property

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 \$73,000 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 12, 2008, 50,000 shares of GBE between October 12, 2008 and October 11, 2009 and 75,000 shares of GBE between October 12, 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 12, 2008 and October 11, 2009 and \$270,000 between October 12, 2009 and October 11, 2010. RJK will retain a Net Smelter Return of 1.5% provided that GBE may purchase up to 1.0% of the NSR at a rate of \$250,000 per 0.25% to a maximum of \$1,000,000 (1.0%).

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

3. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 24,233	\$ 15,730	\$ 21,911	\$ 13,360
Building	3,475	2,601	3,475	2,505
	\$ 27,708	\$ 18,331	\$ 25,386	\$ 15,865
Net Book Value	\$ 9,377		\$ 9,521	

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:

	2009	2008
Transactions during the year		
Consulting fees included in office and general expense	\$ 102,000	\$ 102,000
Related party payables included in accounts payable and accrued liabilities	166,941	191,941

The amount due to related parties is non-interest bearing and due on demand.

5. 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, 2009 and 2008

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, 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
Issued for cash:		
Private placement FT units - \$0.05	6,600,000	330,000
Private placement Hard units - \$0.05	3,100,000	155,000
Finder's Fee	160,000	5,120
Issued for properties option payments	150,000	8,250
Future income tax liability pursuant to flow through shares		(83,000)
Fair market value assigned to warrants		(165,000)
Costs of issuances		
Cash commissions paid and legal fees		(49,979)
Finder's fee		(5,120)
Fair market value assigned to broker warrants		(19,000)
Future income tax benefit on costs of issuance		14,000
Balance, December 31, 2009	49,284,529	\$ 18,861,957

On April 16, 2009, the Company completed a brokered private placement financing by issuing 4,000,000 flow-through units for gross proceeds of \$200,000. Each flow-through unit consists of one Class A Subordinate Voting Share and one share purchase warrant. Each warrant entitles the holder to purchase one Class A Subordinate Voting Share at \$0.10 for the first year and \$0.20 until the end of year two. The warrants were assigned a value of \$71,000, using the Black-Scholes valuation model with the following assumptions: a 24 month expected term; 155.93% volatility; risk-free interest rate of 0.01% p.a.; and a dividend yield of Nil%.

Agents were paid a cash commission of \$2,000 and were given 160,000 units. Each unit entitles the holder to purchase one Class A Subordinate Voting Share and one share purchase warrant with the same terms as above. The warrants were assigned a value of \$3,000, using the Black-Scholes valuation model with the following assumptions: a 24 month expected term; 155.93% volatility; risk-free interest rate of 0.01% p.a.; and a dividend yield of Nil%.

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

5. Capital Stock (continued)

5. Share Capital (continued)

Broker options were also issued entitling the holder to purchase 400,000 units with the same terms as above. The options were assigned a value of \$9,000, using the Black-Scholes valuation model with the following assumptions: a 24 month expected term; 155.93% volatility; risk-free interest rate of 1.12% p.a.; and a dividend yield of Nil%. The warrants on exercise of finder options were assigned a value of \$7,000, using the Black-Scholes valuation model with the following assumptions: a 24 month expected term; 155.93% volatility; risk-free interest rate of 1.12% p.a.; and a dividend yield of Nil%.

On May 14, 2009, the Company completed a brokered private placement financing by issuing 2,600,000 flow-through units for gross proceeds of \$130,000. Each flow-through unit consists of one Class A Subordinate Voting Share and one share purchase warrant. Each warrant entitles the holder to purchase one Class A Subordinate Voting Share at \$0.10 for a period of 24 months. Under the terms of the private placement, RJK paid \$5,000 in cash as a finder's fee. The warrants were assigned a value of \$47,000, using the Black-Scholes valuation model with the following assumptions: a 24 month expected term; 156.32% volatility; risk-free interest rate of 1.10% p.a.; and a dividend yield of Nil%.

On May 14, 2009, the Company completed a private placement of 3,100,000 units at a price of \$0.05 per unit for gross cash proceeds of \$155,000. Each unit consisted of one Class A Subordinate Voting Share and one share purchase warrant. Each purchase warrant entitles the holder thereof to acquire one Class A Subordinate Voting Share at a price of \$0.10 for a period of 18 months from the closing date. The warrants were assigned a value of \$47,000, using the Black-Scholes valuation model with the following assumptions: a 18 month expected term; 150.20% volatility; risk-free interest rate of 0.89% 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 granting of stock options up to a maximum of 10% the outstanding Class A Subordinate Voting Shares. As at December 2009, the Company has 2,253,453 options available for granting under the plan (2008 - 2,027,453). The following table summarizes the activity for the options to purchase Class A Subordinate Voting Shares:

	2009		2008	
	Weighted Average Exercise Price	No. of Options (000's)	Weighted Average Exercise Price	No. of Options (000's)
Outstanding, beginning of year	\$ 0.19	1,900	\$ 0.18	2,650
Transactions during the year:				
Granted	0.10	1,200	0.20	100
Expired	-	-	(0.20)	(250)
Forfeited	(0.19)	(425)	(0.18)	(600)
Outstanding, end of year	\$ 0.15	2,675	\$ 0.19	1,900

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

5. Capital Stock (continued)

The following table provides additional information about outstanding stock options at December 31, 2009:

Range of Exercise Prices	No. of Options Outstanding (000's)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
\$ 0.10	1,200	4.44	\$ 0.10
0.15	425	0.49	0.15
0.20	1,050	2.49	0.20
\$0.10 - \$0.20	2,675	3.05	\$ 0.15

The weighted average grant-date fair value of options granted during the year was \$0.08 (2008 -\$0.16).

Warrants

Month of Expiry	No. of Warrants	Exercise Price
April 2011	4,560,000	\$ 0.10
April 2011	400,000	0.05
May 2011	2,600,000	0.10
November 2010	3,100,000	0.10
	10,660,000	

6. Contributed Surplus

	2009	2008
Balance at beginning of year	\$ 626,800	\$ 630,000
Value assigned to:		
Warrants issued on private placements	165,000	-
Warrants issued to agents on private placements	19,000	-
Options related to stock-based compensation costs	98,000	16,000
Fair value of warrants transferred on exercise	-	(19,200)
Balance at end of year	\$ 908,800	\$ 626,800

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

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:

	2009	2008
Loss before income taxes	\$ (546,120)	\$ (850,394)
Estimated recovery of income taxes at statutory income tax rate of 33.0% (2008 - 33.5%)	(180,000)	(284,900)
Permanent differences	32,000	5,400
Difference between current and future tax rates	27,000	705,500
Change in valuation allowance	52,000	(426,000)
Future income tax recovery	\$ (69,000)	\$ -

The Canadian statutory income tax rate of 33% (2008 - 33.5%) is comprised of the federal income tax rate at approximately 19% (2008 - 19.5%) and the provincial income tax rate of approximately 14.0% (2008 - 14.0%). The primary differences that give rise to the future income tax recoveries at December 31, 2009 and 2008 are as follows:

	2009	2008
<i>Future income tax assets</i>		
Temporary difference	\$ 1,788,000	\$ 1,745,000
Capital losses carried forward	398,000	398,000
Operating losses carried	22,000	13,000
	2,208,000	2,156,000
Less: valuation allowance	(2,208,000)	(2,156,000)
Net future tax assets	\$ -	\$ -
<i>Future tax liabilities</i>		
Net future tax liabilities	\$ -	\$ -
Net future tax liability	\$ -	\$ -

The unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately \$89,000 (2008 - \$78,000) and will be deductible in Canada over the next four years.

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

7. Income Taxes (continued)

At December 31, 2009, the Company has income tax loss carry forwards expiring as follows:

	Canada
2027	\$ 26,000
2028	26,000
2029	37,000
	\$ 89,000

8. Financial Risk Factors

Fair Value

The Company has, designated its cash as held-for-trading, which are measured at fair value. GST recoverable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair value. Fair values of GST recoverable and accounts payable and accrued liabilities are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements.

As at December 31, 2009, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

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 does not have any interest bearing debt. The Company invest cash surplus to its operational needs in investment-grade short term deposits 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 deposits certificates.

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 functional currency is 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.

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Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

8. Financial Risk Factors (continued)

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, 2009, the Company had current assets of \$156,074 (2008 - \$269,815) and current liabilities of \$191,026 (2008 - \$217,486). All of the Company's financial liabilities and receivables have contractual maturities of less than 90 days and are subject to normal trade terms. The Company currently has a working capital deficiency of \$34,952 (2008 - \$52,329 working capital).

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. Commitments and Contractual Obligations

As part of its 2009 flow-through funding agreements, the Company is committed to spending approximately \$171,000 on Canadian exploration costs by December 31, 2010.

10. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

RJK Explorations Ltd.

Notes to the Audited Financial Statements

Years Ended December 31, 2009 and 2008

10. Capital Management (continued)

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, contributed surplus, and deficit, which as at December 31, 2009 totaled \$1,805,475 (2008 - \$1,810,324).

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 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. 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.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. 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.

11. 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:

	2009	2008
Consolidated net loss		
Canada	\$ 477,120	\$ 850,394
Cuba	-	-
	477,120	850,394
Identifiable assets		
Canada	1,772,089	1,804,125
Cuba	224,412	223,685
	1,996,501	2,027,810
Significant non-cash items		
Canada		
Write-down of mineral properties	198,230	508,820
Stock-based compensation	98,000	16,000