



# **RJK EXPLORATIONS LTD.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2017 & 2016**

**EXPRESSED IN CANADIAN DOLLARS**

**UNAUDITED**

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*The independent auditor of RJK Explorations Ltd. has not performed a review of the unaudited condensed interim financial statements for the three and nine month periods ended September 30, 2017 and 2016.*

# RJK EXPLORATIONS LTD.

## CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2017 and DECEMBER 31, 2016  
(UNAUDITED) - EXPRESSED IN CANADIAN DOLLARS

	SEPTEMBER 30 2017	DECEMBER 31 2016
<b>ASSETS</b>		
CURRENT ASSETS		
Cash (Note 6)	\$ 742,587	\$ 129,320
Accounts receivable (Note 7)	8,282	-
Prepaid expenses	512	206
<b>TOTAL CURRENT ASSETS</b>	<b>751,381</b>	<b>129,526</b>
Mineral properties (Note 5)	653,569	4,304,216
Plant and equipment (Note 8)	19,714	24,997
<b>TOTAL ASSETS</b>	<b>\$ 1,424,664</b>	<b>\$ 4,458,739</b>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	\$ 378,017	\$ 404,083
<b>TOTAL CURRENT LIABILITIES</b>	<b>378,017</b>	<b>404,083</b>
NON-CURRENT LIABILITIES		
Class B preferred shares (Note 9)	170,828	170,828
<b>TOTAL LIABILITIES</b>	<b>548,845</b>	<b>574,911</b>
<b>SHAREHOLDERS' EQUITY</b> (Note 9)		
Common stock (Class A shares)	23,201,282	22,833,516
Class B preferred shares	256,242	256,242
Contributed surplus and reserves	3,148,892	2,919,357
Deficit	(25,730,597)	(22,125,287)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>875,819</b>	<b>3,883,828</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,424,664</b>	<b>\$ 4,458,739</b>

The accompanying notes are an integral part to these condensed interim financial statements.



## RJK EXPLORATIONS LTD.

CONDENSED INTERIM STATEMENT OF OPERATIONS AND DEFICIT  
AND OTHER COMPREHENSIVE INCOME (LOSS)  
NINE MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016  
(UNAUDITED) - EXPRESSED IN CANADIAN DOLLARS

	3 months ended September 30		9 months ended September 30	
	2017	2016	2017	2016
EXPENSES				
Shareholder information	\$ 101,574	\$ 27,845	\$ 192,419	\$ 38,761
Professional fees	63,187	70,210	158,051	152,110
Office and general expenses	21,684	10,662	63,220	11,520
Depreciation	1,986	1,986	5,958	5,958
NET LOSS	188,431	110,703	419,648	208,349
Loss (gain) on sale of mineral properties	712,585	-	3,185,673	-
<b>NET AND COMPREHENSIVE LOSS</b>	<b>901,016</b>	<b>110,703</b>	<b>3,605,321</b>	<b>208,349</b>
Weighted average number of common shares outstanding	17,795,742	12,028,451	17,436,263	10,196,949
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.051)	\$ (0.009)	\$ (0.207)	\$ (0.020)

The accompanying notes are an integral part to these condensed interim financial statements.



# RJK EXPLORATIONS LTD.

CONDENSED INTERIM STATEMENT OF CASH FLOWS  
NINE MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016  
(UNAUDITED) - EXPRESSED IN CANADIAN DOLLARS

	9 months ended September 30	
	2017	2016
<b>OPERATING ACTIVITIES</b>		
NET INCOME (LOSS)	\$ (3,605,321)	\$ (208,349)
ADD ITEMS NOT REQUIRING A CASH OUTLAY		
Depreciation	5,958	5,958
Write-down of mineral properties	3,185,673	-
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Accounts receivable	(8,282)	(22,354)
Prepays	(306)	(331)
Accounts payable and accrued liabilities	(26,066)	114,422
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(448,344)</b>	<b>(110,654)</b>
<b>INVESTING ACTIVITIES</b>		
Mineral properties	(520,689)	(276,725)
Sale of Blackwater Properties	1,000,000	-
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>479,311</b>	<b>(276,725)</b>
<b>FINANCING ACTIVITIES</b>		
Net proceeds from issue of common stock	582,300	574,326
<b>CHANGE IN CASH DURING THE PERIOD</b>	<b>613,267</b>	<b>186,947</b>
CASH, beginning of period	129,320	12,932
<b>CASH, end of period</b>	<b>\$ 742,587</b>	<b>\$ 199,879</b>

The accompanying notes are an integral part to these condensed interim financial statements.



# RJK EXPLORATIONS LTD.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
NINE MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016  
(UNAUDITED) - EXPRESSED IN CANADIAN DOLLARS

	COMMON STOCK (Class A Shares)		CLASS B PREFERRED SHARES	CONTRIBUTED SURPLUS AND RESERVES	DEFICIT	TOTAL
	# OF SHARES	AMOUNT				
<b>Balance, January 1, 2016</b>	92,811,980	\$ 22,327,008	\$ 256,242	\$ 2,667,669	\$(22,178,637)	\$ 3,072,282
Rollback of RJX.A shares 10:1	(83,530,782)	-	-	-	-	-
Private placement	5,000,000	575,000	-	-	-	575,000
Fair value of warrants issued with private placements	-	(542,906)	-	542,906	-	-
Share issue costs	-	(684)	-	-	-	(684)
Loss and comprehensive loss for the period	-	-	-	-	(208,349)	(208,349)
<b>Balance, September 30, 2016</b>	14,281,198	\$ 22,358,418	\$ 256,242	\$ 3,210,575	\$(22,386,976)	<b>\$ 3,438,259</b>
<b>Balance, December 31, 2016</b>	14,971,111	\$ 22,833,516	\$ 256,242	\$ 2,919,357	\$(22,125,287)	<b>\$ 3,883,828</b>
Private placements	3,656,332	598,140	-	-	-	598,140
Fair value of warrants issued with private placements	-	(229,535)	-	229,535	-	-
Issued for properties option payments	100,000	15,000	-	-	-	15,000
Loss and comprehensive loss for the period	-	-	-	-	(3,605,320)	(3,605,320)
Share issue costs	-	(15,839)	-	-	-	(15,839)
<b>Balance, September 30, 2017</b>	<b>18,727,443</b>	<b>\$ 23,201,282</b>	<b>\$ 256,242</b>	<b>\$ 3,148,892</b>	<b>\$(25,730,597)</b>	<b>\$ 875,819</b>

The accompanying notes are an integral part to these condensed interim financial statements.



# RJK EXPLORATIONS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016  
(UNAUDITED) - EXPRESSED IN CANADIAN DOLLARS

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## 1. DESCRIPTION OF BUSINESS

RJK Exploration Ltd. (the "Company") is a mineral exploration company originally formed in 1922 and is engaged in the acquisition and exploration of early stage mineral resource properties in productive Greenstone belts. The Company's current focus is on gold, silver and base metals in British Columbia, and platinum and palladium in Ontario. The Company continues to evaluate its mineral properties and may acquire additional properties as venture capital and opportunities present themselves. The Company is a reporting issuer in Ontario, Alberta and British Columbia and trades on the TSX Venture Exchange as a Tier II reporting issuer under the symbol "RJK.A".

The address of the Company's corporate office and principal place of business is 4 Al Wende Avenue, Kirkland Lake, Ontario, Canada.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral deposits that are economically recoverable. The Company will periodically have to raise additional funds to continue its exploration activities and, while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation properties. The recoverability of deferred exploration expenses is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals; and attaining profitable production.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements.

## 2. BASIS OF PRESENTATION

### (a) Condensed Interim Financial Statements

These interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Certain disclosures included in the notes to the annual financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed interim financial statements should be read in conjunction with the Company's 2016 annual consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 28, 2017.

### (b) Basis of Presentation

These condensed interim financial statements have been prepared on a historical cost basis. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.



# RJK EXPLORATIONS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)  
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016  
(UNAUDITED) - EXPRESSED IN CANADIAN DOLLARS

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## (c) *Going Concern of Operations*

The Company has not generated revenue from operations. The Company incurred a net and comprehensive loss of \$3,605,321 during the nine months ended September 30, 2017 and, as at that date the Company's deficit was \$25,730,597. The Company has a positive working capital of \$373,364. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

## 3. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

### (a) *Changes in Accounting Policies*

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

#### *IAS 7, Statement of Cash Flows*

The IASB issued amendments to IAS 7, Statement of Cash flows ("IAS 7"), in January 2016. The amendments are effective for annual periods beginning on or after January 1, 2017. This amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes. The amendments to the standard did not have any impact on the Company's condensed interim financial statements.

#### *IAS 12, Income Taxes ("IAS 12")*

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of a reporting period, and is not affected by possible future changes in the carrying amount or expected recovery of the asset. The amendments to the standard did not have any impact on the Company's condensed interim financial statements.

### (b) *Standards, Amendments and Interpretations Not Yet Effective*

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017 and earlier application is permitted; however, the Company has not early adopted any of these standards or amendments in these condensed consolidated interim financial statements. The Company does not have any updates to information provided in the last annual consolidated financial statements about the standards issued but not yet effective that may have a significant impact on the Company's condensed consolidated interim financial statements.

## 4. CRITICAL ACCOUNT ESTIMATES AND JUDGMENTS

RJK Explorations Ltd. makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

### (a) *Mineral Exploration and Evaluation Expenditures*



# RJK EXPLORATIONS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)  
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016  
(UNAUDITED) - EXPRESSED IN CANADIAN DOLLARS

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## 4. CRITICAL ACCOUNT ESTIMATES AND JUDGMENTS (*continued*)

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

### (b) *Title to Mineral Property Interest*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

### (c) *Income Taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

### (d) *Share-Based Payment Transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model. This estimate also requires determining the most appropriate inputs to the Black Scholes valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for stock-based payment transactions are disclosed in Note 9.



# RJK EXPLORATIONS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)  
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016  
(UNAUDITED) - EXPRESSED IN CANADIAN DOLLARS

## 5. MINERAL PROPERTIES

The Company's mineral property interests consist of various early stage exploration projects as detailed below.

	September 30, 2017	December 31, 2016
<b>STARES-GOLDIE PROPERTY:</b>		
Balance, beginning of the year	\$ 516,919	\$ 516,919
Other exploration costs	2,925	-
Balance, end of the period	\$ 519,844	\$ 516,919
<b>WEST BLACKWATER PROPERTY:</b>		
Balance, beginning of the year	\$ 1,901,624	\$ 1,901,624
Assaying, surveys and maps	1,820	-
Write off	(1,903,444)	-
Balance, end of the period	\$ -	\$ 1,901,624
<b>EAST BLACKWATER PROPERTY:</b>		
Balance, beginning of the year	\$ 942,456	\$ 942,456
Other exploration costs	7,389	-
Write off	(949,845)	-
Balance, end of the period	\$ -	\$ 942,456
<b>NORTHEAST BLACKWATER PROPERTY:</b>		
Balance, beginning of the year	\$ 611,144	\$ 611,144
Write off	(611,144)	-
Balance, end of the period	\$ -	\$ 611,144
<b>MAUDE LAKE GOLD PROPERTY:</b>		
Balance, beginning of the year	\$ 316,962	\$ 332,073
Acquisition/staking	55,625	-
Drilling	286,189	-
Other exploration costs	53,809	-
Write off	(712,585)	-
Balance, end of the period	\$ -	\$ 332,073
<b>NORMETAL EAST/SHALLOW RIVER PROPERTIES:</b>		
Balance, beginning of the year	\$ -	\$ -
Acquisition/staking	100,000	-
Assaying, surveys and maps	33,725	-
Balance, end of the period	\$ 133,725	\$ 0



# RJK EXPLORATIONS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)  
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016  
(UNAUDITED) - EXPRESSED IN CANADIAN DOLLARS

<b>Mineral Properties, end of the period</b>	<b>\$</b>	<b>653,569</b>	<b>\$</b>	<b>4,304,216</b>
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The Company has no work commitments on these properties over the next three years.

Subsequent to shareholder approval on June 26, 2017, The Company completed the sale to New Gold Inc. ("New Gold") on June 30, 2017 of all its interest in the Blackwater East claims, the Blackwater West claims, and the Blackwater Southwest claims located in British Columbia for \$1,000,000. The sale resulted in a one-time write-off of the carrying value of the Blackwater mineral assets in the amount of \$2,473,088, net of the \$1,000,000 in cash received.

The Company also entered into a mutual termination agreement with Globex Mining Enterprises Inc. regarding the Maude Lake Gold property, and as such, has written off \$712,585 in capitalized exploration work on this property in the quarter.

The impairment assessment of mineral exploration and evaluation assets resulted in no further amounts being written off the carrying value of the Company's properties during the quarter ended September 30, 2017, or the year ended December 31, 2016. All the properties noted above are 100% owned and located throughout Canada.

## 6. CASH

Cash at banks and on hand earn interest at floating rates based on daily bank deposit rates.

As at September 30, 2017, there were no unspent flow through funds to be spent.

		<b>September 30, 2017</b>		December 31, 2016
<b>Total Cash</b>	<b>\$</b>	<b>742,587</b>	<b>\$</b>	129,320

## 7. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts receivable is comprised solely of harmonized goods and service tax receivable from the Federal Government of Canada.

Accounts payable consists of the following:

		<b>September 30, 2017</b>		December 31, 2016
Trade accounts payable	<b>\$</b>	<b>64,951</b>	<b>\$</b>	53,886
Related parties included in accounts payable		<b>211,441</b>		208,941
Accrued liabilities		<b>19,625</b>		11,375
Amount due to related parties		<b>82,000</b>		72,000
Promissory note payable due to Mistango River Resources		-		57,881
<b>Total</b>	<b>\$</b>	<b>378,017</b>	<b>\$</b>	404,083

In Q4 2016, \$117,285 of debt was exchanged for 689,913 common shares. Of this shares-for-debt settlement, \$60,000 (352,942 common shares) were to related parties.

In Q4 2016, the CEO of the Company also forgave \$435,900 in management fees and former debt owing to him, of which \$49,400 was accrued HST receivable. \$10,800 of accounts payable to a vendor was also forgiven during the period.



# RJK EXPLORATIONS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)  
 NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016  
 (UNAUDITED) - EXPRESSED IN CANADIAN DOLLARS

## 8. PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	September 30, 2017 Net Book Value
Building	\$ 3,475	\$ 3,279	\$ 196
Equipment	79,243	59,725	19,518
	<u>\$ 82,718</u>	<u>\$ 63,004</u>	<u>\$ 19,714</u>

	Cost	Accumulated Amortization	December 31, 2016 Net Book Value
Building	3,475	3,213	262
Equipment	78,567	53,832	24,735
	<u>\$ 82,042</u>	<u>\$ 57,045</u>	<u>\$ 24,997</u>

Depreciation expense for the nine month period amounted to \$5,958 (2016 - \$5,958).

## 9. SHAREHOLDERS' EQUITY

### (a) i) COMMON SHARES

The Company is authorized to issue an unlimited number of common shares.

### ii) ISSUED

	Number of Shares	Amount
Balance, December 31, 2015	92,811,980	\$ 22,327,008
Rollback of RJX.A shares 10:1 July 22, 2016 (iii)	(83,530,782)	-
Private placement (iv)	5,000,000	575,000
Black Scholes value of warrants issued with private placement	-	(185,092)
Shares for debt (v)	689,913	117,285
Share issuance costs	-	(685)
Balance, December 31, 2016	14,971,111	\$ 22,833,516
Private placement (vi)	1,656,332	298,140
Private placement (vii)	2,000,000	300,000
Black Scholes value of warrants issued with private placement	-	(229,535)
Issued for properties option payments	100,000	15,000
Share issuance costs	-	(15,839)
Balance, September 30, 2017	18,727,443	23,201,282



# RJK EXPLORATIONS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)  
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016  
(UNAUDITED) - EXPRESSED IN CANADIAN DOLLARS

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## 9. SHAREHOLDERS' EQUITY (continued)

### iii) July 22, 2016 Share Consolidation

The TSX Venture Exchange approved a share consolidation of the Company's issued and outstanding Class "A" subordinate voting shares effective at the open of the Market on July 22, 2016. The Board of Directors of the Company has determined, in accounting with the special resolution approved by the Shareholders on May 28, 2016, to consolidate the outstanding Class "A" shares at a ratio of ten pre-consolidation shares to one post-consolidation share. Prior to consolidation, the Company had 92,811,980 Class "A" Shares outstanding. As of the effective date of July 22, 2016 and after giving effect to the consolidation, the Company had 9,281,198 Class "A" Shares issued outstanding. For period ended December 31, 2015, the 10:1 share consolidation was applied for comparative purposes.

With shareholder approval on October 4, 2016, all authorized, issued and outstanding Class B Multiple Voting Shares ("Class B Shares") were also consolidated on a ration of ten pre-consolidation Class B Shares for each one post-consolidation Class B Shares, such that the number of authorized post-consolidation Class B Shares is 85,414.

### iv) August 11, 2016 Private Placement

The Company closed a non-brokered private placement, raising gross proceeds of \$575,000. Under the terms of the offering, 5,000,000 units were sold at a price of \$0.115 per unit, each unit being comprised of one Class A subordinate voting share of the Company and one Class A voting share purchase warrant, with each warrant entitling the holder to purchase an additional Class A subordinate voting share for up to two years at a price of \$0.20 per warrant share during the first year of the term, and at a price of \$0.30 during the second year of the term.

### v) Shares for Debt

On November 9, 2016, the Company completed a shares-for-debt settlement to related parties and a consultant. An aggregate of 689,913 Class A subordinate voting shares of the Company were issued to settle \$117,285 of debt. The debt settlement share issuances were at a deemed price of \$0.17 per share.

### vi) APRIL 12, 2017 PRIVATE PLACEMENT

The Company closed the first tranche of its non-brokered private placement of units, raising gross proceeds of \$298,140. 1,656,332 units were sold at a price of \$0.18 per unit, with each unit comprised of one Class A Subordinate Voting Share, and one-half Class A Purchase Warrant of the Company. Each whole Warrant entitles the holder to purchase an additional Class A Share for up to one year following the date of issue at a price of \$0.35. The Company paid a finder's fee in the amount of \$15,840.

### vii) MAY 26, 2017 PRIVATE PLACEMENT

The Company closed a non-brokered private placement of units, raising gross proceeds of \$300,000. 2,000,000 units were sold at a price of \$0.15 per unit, with each unit comprised of one Class A Subordinate Voting Share, and one Class A Purchase Warrant of the Company. Each whole Warrant entitles the holder to purchase an additional Class A Share for up to years following the date of issue at a price of \$0.25 per share during the next twelve months, and at a price of \$0.35 during the subsequent 12 months.



# RJK EXPLORATIONS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)  
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016  
(UNAUDITED) - EXPRESSED IN CANADIAN DOLLARS

## 9. SHAREHOLDERS' EQUITY (continued)

### vi) CLASS B PREFERRED SHARES

There are currently 85,414 Class B preferred shares outstanding, which are bifurcated as both a liability and equity. These shares have been classified as a compound financial instrument. The Company recognizes \$170,828 (\$170,828 – 2015) as a liability and \$256,242 (\$256,242 – 2015) as equity. 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 Voting 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.

### (b) WARRANTS

	Number of Warrants	Amount	Weighted Average Exercise Price
Balance, December 31, 2016	5,000,000	\$ 185,092	\$ 0.20
Warrants issued throughout the year	2,828,166	229,535	0.28
Balance, September 30, 2017	7,828,166	\$ 414,627	\$ 0.23

The warrants expire as follows:

Number of Warrants	Exercise price	Expiry Date
5,000,000	0.20 / 0.30	August 2018
828,166	0.35	April 2018
2,000,000	0.25 / 0.35	May 2019

The fair value at issue date is determined using a Black-Scholes pricing model that takes into account the exercise price, the term of the warrant, the impact of dilution, the share price at grant date and expected price volatility (August 2018: 153.2%; April 2018: 210.32%; May 2019: 216.13%) of the underlying share, the expected dividend yield (0% for all grants) and the risk free interest rate (August 2018: 0.52%; April 2018: 0.72%; May 2019: 0.69%) for the term of the option.

The warrants issued in 2016 have a two-year term, with the exercise price being \$0.20 in the first year, and \$0.30 in the second.

### (b) 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.

The change in stock options issued during the 9 month period ended are as follows:

		Weighted average exercise price	Amount
Options outstanding - December 31, 2016	875,000	\$ 0.12	\$ 216,774
Expired	(175,000)	0.10	(150,178)
Options outstanding - September 30, 2017	700,000	\$ 0.12	\$ 66,596



# RJK EXPLORATIONS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)  
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016  
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## 9. SHAREHOLDERS' EQUITY (continued)

The following table summarizes information about stock options outstanding and exercisable at September 30, 2017:

Exercise Price	Number of Options	Number of Options Vested	Expiry Date
0.12	700,000	700,000	December 2021
	700,000	700,000	

### OPTIONS ISSUED TO EMPLOYEES

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The company grants all employee stock options with an exercise price equal to or greater than the market value of the underlying common shares on the date of grant. Compensation expense recorded for the nine months ended September 30, 2017 was \$NIL (\$NIL for the same period in 2016).

Option pricing models require the input of highly subjective assumptions noted above. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's purchase options.

### OPTIONS ISSUED TO NON-EMPLOYEES

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

## (d) CONTRIBUTED SURPLUS AND RESERVES

Contributed surplus is made up of the following amounts:

	Amount
Options reserve	\$ 66,596
Warrants reserve	414,627
Contributed surplus	2,667,669
Total contributed surplus	\$ 3,148,892

The following events have impacted contributed surplus during the current period:

	Amount
Balance, December 31, 2015	\$ 2,667,669
Warrants issued during the period	185,092
Options issued during the period	66,596
Balance, December 31, 2016	\$ 2,919,357
Warrants issued during the period	229,535
Balance, September 30, 2017	\$ 3,148,892

## (e) NATURE AND PURPOSE OF EQUITY AND RESERVES

The reserves recorded in equity on the Company's balance sheet include 'Contributed Surplus' and 'Deficit'.



# RJK EXPLORATIONS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)  
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016  
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## 9. SHAREHOLDERS' EQUITY (continued)

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise.

'Deficit' is used to record the Company's change in deficit from earnings and losses from period to period.

## 10. RELATED PARTY TRANSACTIONS

The Company defines its officers (CEO and CFO) and directors as Key Management Personnel ("KMP"). During the nine months ended September 30, 2017, officers and companies controlled by officers charged consulting fees totalling \$58,500 (\$108,000 for the same period in 2016). At the end of the period, there was \$293,441 remaining payable to KMP (\$780,041 as at September 30, 2016). Directors' fees paid during the quarter ended September 30, 2017 totalled \$NIL (\$NIL at September 30, 2016). KMP and directors received no stock options during the period (\$NIL during the quarter ended September 30, 2016).

There are no post-employment benefits.

## 11. 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 Company considers its capital to be shareholders' equity, which is comprised of capital stock, contributed surplus, and deficit.

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. The Company is not subject to externally imposed capital requirements.

## 12. SEGMENTAL REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition, exploration and evaluation activities in Canada.

## 13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The Company is exposed through its operations to the following financial risks:

Market Risk  
Credit Risk  
Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.



# RJK EXPLORATIONS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)  
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016  
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There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

## General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies, and whilst remaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies for the Company's finance function.

## Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

### *Foreign Currency Risk*

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and the US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

### *Interest Rate Risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

### *Commodity Price Risk*

The ability of the Company to develop its mining properties and the future profitability of the Company is directly related to the market price of gold, silver and other base metals.

### *Equity Price Risk*

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings. The Company does not hold any equity investments at this time.

## Credit Risk

Credit risk is the risk that a third party will be unable to pay or receive any amounts owed or owing by the Company. Management's assessment of the Company's risk is low as it is primarily attributable to goods and services tax due from the Federal Government of Canada.

## Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Should the Company be unable to secure such financing, it may have to, at any time, cease its operations. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company intends on fulfilling its obligations.

## Sensitivity Analysis



# **RJK EXPLORATIONS LTD.**

*NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)*  
*NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016*  
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The Company has designated its cash and short-term investments as held-for-trading, which are measured at fair value. Financial instruments included in amounts receivable are classified as accounts receivable, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at September 30, 2017, the carrying value and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period.

- (i) The Company currently has no short-term investments as at September 30, 2017; therefore, percentage change in interest rates will not have a significant impact on the Company.
- (ii) The Company does not hold foreign currencies to give rise to exposure to foreign exchange risk. Therefore, a percentage change in certain foreign exchange rates will not have a significant impact on the Company.
- (iii) The Company has no long-term loans as at September 30, 2017. Therefore, percentage change in interest rates will not have a significant impact on the Company.

## Determination of Fair Values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. The Balance Sheet carrying amounts for cash and cash equivalents and trade and other payables approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of financial instruments. There are no available for sale investments.



The accompanying notes are an integral part to these condensed financial statements.

