

# **RX Exploration Inc.**

## **Interim Financial Statements**

**Three and six months ended December 31, 2007**  
(unaudited)

### Notice to Reader

The accompanying unaudited interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

# RX Exploration Inc.

## Interim Balance Sheets

(unaudited - see Notice to Reader)

	Note	December 31, 2007	June 30, 2006 (audited)
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 272,242	\$ 43,847
Subscription receivable		2,299,135	-
		<b>2,571,377</b>	43,847
Mining claims and deferred exploration expenditures		674,672	422,261
		<b>\$ 3,246,049</b>	\$ 466,108
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 88,182	\$ 258,073
<b>Shareholders' Equity</b>			
Capital stock	4	4,758,749	2,086,920
Deposit on share subscription		-	30,000
Contributed surplus	6	6,166	3,000
Share purchase warrants	7	468,800	108,600
Deficit		(2,075,848)	(2,020,485)
		<b>3,157,867</b>	208,035
		<b>\$ 3,246,049</b>	\$ 466,108

See accompanying notes.

# RX Exploration Inc.

## Interim Statements of Operations and Deficit

(unaudited - see Notice to Reader)

	Three Months Ended December 31		Six Months Ended December 31	
	2007	2006	2007	2006
<b>Expenses</b>				
Office and general	\$ 25,879	\$ 7,657	\$ 41,303	\$ 7,697
Professional fees	9,310	11,747	14,060	11,747
Travel	-	700	-	6,348
	<b>35,189</b>	<b>20,104</b>	<b>55,363</b>	<b>25,792</b>
<b>Net loss for period</b>	<b>(35,189)</b>	<b>(20,104)</b>	<b>(55,363)</b>	<b>(25,792)</b>
<b>Deficit at beginning of period</b>	<b>(2,040,659)</b>	<b>(1,801,594)</b>	<b>(2,020,485)</b>	<b>(1,795,906)</b>
<b>Deficit at end of period</b>	<b>\$ (2,075,848)</b>	<b>\$ (1,821,698)</b>	<b>\$ (2,075,848)</b>	<b>\$ (1,821,698)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.001)</b>	<b>\$ (0.002)</b>	<b>\$ (0.002)</b>	<b>\$ (0.002)</b>
<b>Weighted average number of shares</b>	<b>24,776,541</b>	<b>12,355,616</b>	<b>23,088,673</b>	<b>12,355,616</b>

See accompanying notes.

# RX Exploration Inc.

## Interim Statements of Cash Flows

(unaudited - see Notice to Reader)

	Note	Three Months Ended December 31		Six Months Ended December 31	
		2007	2006	2007	2006
<b>Cash flows from operating activities</b>					
Net loss from operations		\$ (35,189)	\$ (20,104)	\$ (55,363)	\$ (25,792)
Changes in non-cash working capital items					
Accounts payable and accrued liabilities		38,380	16,360	11,669	15,629
		<b>3,191</b>	<b>(3,744)</b>	<b>(43,694)</b>	<b>(10,163)</b>
<b>Cash flows from investing activity</b>					
Mining claims and deferred exploration expenditures		(216,620)	(193,365)	(252,411)	(239,078)
<b>Cash flows from financing activities</b>					
Deposit on share subscription		-	514,500	-	514,500
Issuance of capital stock		229,500	-	524,500	-
		<b>229,500</b>	<b>514,500</b>	<b>524,500</b>	<b>514,500</b>
<b>Increase in cash during the period</b>		<b>16,071</b>	<b>317,391</b>	<b>228,395</b>	<b>265,259</b>
<b>Cash at beginning of period</b>		<b>256,171</b>	<b>43,129</b>	<b>43,847</b>	<b>95,261</b>
<b>Cash at end of period</b>		<b>\$ 272,242</b>	<b>\$ 360,520</b>	<b>\$ 272,242</b>	<b>\$ 360,520</b>

See accompanying notes.

# **RX Exploration Inc.**

## **Notes to Interim Financial Statements**

(unaudited - see Notice to Reader)

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### **1. NATURE OF OPERATIONS**

The Company's principal assets are mining claims and deferred exploration expenditures made on properties which are not in commercial production. The Company is in the process of exploring its mining claims and has not yet determined whether or not the properties will contain economically recoverable reserves.

As is common with exploration companies, the Company is dependent upon obtaining necessary equity financing from time to time to finance its on-going and planned exploration activities.

### **2. INTERIM REPORTING**

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. The disclosures contained in these unaudited interim financial statements do not include all requirements of Canadian generally accepted accounting principles for annual financial statements. The unaudited interim financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended June 30, 2007. The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2007.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. In the opinion of management, the accompanying unaudited interim financial statements include all adjustments of a normal recurring nature to present fairly the position of the Company as at December 31, 2007 and the results of operations for the three and six month periods ended December 31, 2007.

# **RX Exploration Inc.**

## **Notes to Interim Financial Statements**

(unaudited - see Notice to Reader)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to Canadian generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

#### **Mining Properties and Deferred Exploration Costs**

All direct costs related to the acquisition and exploration of specific properties are capitalized as incurred. If a property is brought into production, these costs will be amortized against the income generated from the property. If a property is abandoned, sold or impaired, an appropriate charge will be made. Discretionary option payments arising on the acquisition of mining properties are only recognized when paid.

The amounts shown for mining claims and related deferred costs represent costs incurred to date, and do not necessarily reflect present or future values of the particular properties. The recoverability of amounts shown for mining properties is dependent upon discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

On a periodic basis, management reviews the carrying values of deferred mining property acquisition and exploration expenditures to assess whether there has been any impairment in value. In the event that management determines the carrying values of any mining property to be permanently impaired, the carrying value will be written down or written off, as appropriate.

Although the Company has taken steps to verify title to mining 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.

#### **Income Taxes and Flow Through Shares**

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized, thereby reducing share capital.

If a company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, such unrecognized losses are recorded as income to the extent that the future income tax liabilities relating to the issuance of flow through shares are expected to reverse in the loss carry forward period.

# RX Exploration Inc.

## Notes to Interim Financial Statements

(unaudited - see Notice to Reader)

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### 4. CAPITAL STOCK

Authorized  
unlimited common shares

Issued

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	Number of Shares	Amount
Balance at June 30, 2007	<b>17,968,115</b>	<b>\$2,086,920</b>
Shares issued on settlement of liabilities <sup>(i)</sup>	1,815,560	181,560
Shares issued for cash <sup>(ii)</sup>	3,250,000	325,000
Shares issued for cash <sup>(iii)</sup>	3,333,333	293,010
Shares issued for cash <sup>(iv)</sup>	3,722,000	1,861,000
Shares issued through exercise of purchase warrants <sup>(v)</sup>	2,497,500	480,059
Value allocated to warrants issued (Note 7)	-	(468,800)
<b>Balance at December 31, 2007</b>	<b>32,586,508</b>	<b>\$4,758,749</b>

- (i) The Company's legal counsel, a significant shareholder, agreed to convert accrued liabilities in the amount of \$181,556 into common shares.
- (ii) The Company issued 3,250,000 common shares for gross proceeds of \$325,000 by way of a private placement.
- (iii) The Company issued 3,333,333 common shares for gross proceeds of \$500,000. Share issue costs of \$206,990 have been netted against the proceeds. In addition the Company issued 333,333 broker warrants. Each broker warrant entitles the holder to acquire one common share at a price of \$0.15 per share for a period of two years.
- (iv) The Company issued 3,722,000 units for gross proceeds of \$1,861,000. Each unit consists of one flow through common share and one-half a warrant to purchase one common share at a price of \$0.75 per share for a period of two years. In addition, the Company issued 372,200 broker warrants. Each broker warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of two years.
- (v) Included in the value of the shares issued through the exercise of warrants is \$105,434 relating the fair value of the warrants on the date of issue (Note 7).

# RX Exploration Inc.

## Notes to Interim Financial Statements

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### 5. STOCK OPTIONS AND WARRANTS

#### (i) Stock Options

The Company had the following stock options outstanding as of December 31, 2007:

<u>Number of Options</u>	<u>Exercisable</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
400,000	400,000	\$0.15	November 10, 2011

#### (ii) Warrants

The Company had the following warrants outstanding at December 31, 2007:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
333,333 <sup>(i)</sup>	\$0.15	December 20, 2009
372,000 <sup>(i)</sup>	\$0.50	December 20, 2009
1,760,000	\$0.75	December 20, 2009
<u>2,465,333</u>		

- (i) These warrants were issued to brokers in connection with raising cash during the period (Note 4).

### 6. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

	2007
Balance, beginning of year	\$ 3,000
Expired warrants (Note 7)	3,166
<u>Balance, end of year</u>	<u>\$ 6,166</u>

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## Notes to Interim Financial Statements

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### 7. SHARE PURCHASE WARRANTS

The following summarizes the change in contributed surplus:

	2007
Balance, beginning of year	\$ 108,600
Exercise of warrants allocated to share capital (Note 4)	(105,434)
Expired warrants allocated to contributed surplus (Note 6)	(3,166)
Value of warrants issued <sup>(i)</sup>	468,800
Balance, end of year	\$ 468,800

- (i) During the period the Company issued 2,566,533 warrants (Note 4). The fair value of each warrant granted in the period has been estimated at the date of grant or the date when it became measurable using the Black-Scholes pricing model with the following weighted-average assumptions: (i) dividend yield of 0%; (ii) expected volatility of 148%; (iii) risk-free interest rate of 3.08% and; (iv) expected life of 2 years.

### 8. SUBSEQUENT EVENT

On February 1, 2008, the Company granted 1,650,000 stock options to certain officers, directors and consultants pursuant to its incentive stock option plan. The options are exercisable at a price of \$0.32 per share for two years.