

ROCA MINES INC.

(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended

MAY 31, 2006 and 2005

(Expressed in Canadian Dollars)

Prepared by Management without Audit

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the period ended May 31, 2006.

Consolidated Balance Sheets

Canadian Funds

	As at May 31, 2006 (Unaudited)	As at August 31, 2005
ASSETS		
Current		
Cash and cash equivalents	\$ 2,607,616	\$ 18,417
Marketable securities <i>(Note 4)</i>	26,000	23,250
Receivables	22,361	86,985
B.C. Mining Exploration Tax Credit (BCMETS) receivable	470,209	238,435
Prepaid expenses and deposits	140,062	3,744
	<u>3,266,248</u>	<u>370,831</u>
Resource Property Costs - Schedule (Note 5)	6,697,656	5,877,591
Reclamation Bonds	760,900	30,900
Property, Plant and Equipment (Note 6)	41,441	27,974
	<u>7,499,997</u>	<u>5,936,465</u>
	\$ 10,766,245	\$ 6,307,296
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 136,065	450,530
Due to related parties <i>(Note 8f)</i>	113,403	104,111
	<u>249,468</u>	<u>554,641</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 7a)	11,760,105	6,683,966
Contributed Surplus (Note 7k)	727,625	328,802
Deficit - Statement 2	(1,970,953)	(1,260,113)
	<u>10,516,777</u>	<u>5,752,655</u>
	\$ 10,766,245	\$ 6,307,296

ON BEHALF OF THE BOARD:

"Scott E. Broughton", Scott E. Broughton, Director

"John M. Mirko", John M. Mirko, Director

- See Accompanying Notes -

Consolidated Statements of Loss and Deficit

Canadian Funds

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	May 31, 2006	May 31, 2005	May 31, 2006	May 31, 2005
Expenses				
Consulting Fees – stock based	\$ 228,517	\$ -	\$ 398,823	\$ 36,200
Consulting and management	37,800	23,269	108,054	80,819
Advertising, promotion and shareholder relations	30,448	11,827	94,595	43,013
Travel and Insurance	20,399	8,923	61,011	18,053
Office and sundry	18,054	7,722	30,142	20,971
Listing and filing fees	4,812	1,891	14,908	10,966
Accounting, audit, legal fees	4,332	11,246	25,290	35,210
Rent	3,925	1,500	6,925	4,500
Amortization	2,757	3,743	8,020	8,399
Loss before the Under-noted	351,044	70,121	747,768	258,131
Property Investigation Costs	14,000	-	14,000	-
Gain on marketable securities	(27,239)	-	(27,239)	-
Interest income for the period	(21,738)	(1,070)	(23,689)	(3,269)
Loss for the period	\$ 316,067	\$ 69,051	\$ 710,840	\$ 254,862
Deficit, beginning of period	1,654,886	1,289,188	1,260,113	1,103,377
Deficit, end of period	\$ 1,970,953	\$ 1,358,239	\$ 1,970,953	\$ 1,358,239
Loss per Share - Basic and Diluted	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.01

- See Accompanying Notes -

Consolidated Statements of Cash Flows

Canadian Funds

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	May 31, 2006	May 31, 2005	May 31, 2006	May 31, 2005
Cash Resources Provided By (Used In):				
Loss for the period	\$ (316,067)	\$ (69,051)	\$ (710,840)	\$ (254,862)
Items not affected by cash:				
Amortization	2,757	3,743	8,020	8,399
Stock-based compensation	228,517	-	398,823	36,200
	(84,793)	(65,308)	(303,997)	(210,263)
Changes in working capital:				
Marketable securities	13,000	-	13,000	-
Receivables	8,794	(31,971)	64,624	1,363
B.C. METC receivable	(470,209)	-	(231,774)	-
Prepaid expenses	(95,480)	4,345	(136,318)	1,286
Accounts payable, accrued liabilities, due to related parties	129,709	376,326	(305,173)	137,348
	(498,979)	283,392	(899,638)	(70,266)
Investing Activities				
Purchase of capital assets	(22,814)	(7,432)	(22,814)	(10,042)
Reclamation Bonding	(730,000)	(5,000)	(730,000)	(5,000)
Resource property costs – net of METC	(332,940)	(1,043,516)	(764,988)	(1,939,227)
	(1,085,754)	(1,055,948)	(1,517,802)	(1,954,269)
Financing Activities				
Share issuance proceeds	4,212,579	42,600	5,250,079	1,382,395
Share issuance costs	(163,975)	1,348	(243,440)	(97,363)
	4,048,604	43,948	5,006,639	1,285,032
Net Increase (decrease) in cash and cash equivalents	2,463,871	(728,608)	2,589,199	(739,503)
Cash and cash equivalents - Beginning of Period	143,745	725,253	18,417	736,148
Cash and cash equivalents – (bank overdraft) - End of Period	\$ 2,607,616	\$ (3,355)	\$ 2,607,616	\$ (3,355)

Supplemental Schedule of non-cash Transactions

Stock-based compensation	\$ 228,517	\$ -	\$ 398,823	\$ 36,200
Shares issued for property	\$ 34,500	\$ 42,000	\$ 69,500	\$ 75,000
Shares received for property	\$ -	\$ -	\$ (15,750)	\$ -

- See Accompanying Notes -

Consolidated Schedules of Resource Property Costs

Canadian Funds

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	May 31, 2006	May 31, 2005	May 31, 2006	May 31, 2005
MAX Molybdenum Project, B.C., Canada				
Acquisition Costs				
Additional staking, land costs	\$ 1,296	\$ 237	\$ 17,503	\$ 18,581
Option payment - cash	-	-	50,000	50,000
Option payment - shares	-	-	35,000	22,000
	1,296	237	102,503	90,581
Deferred Exploration and Development Costs				
Mill equipment, materials and relocation costs	368,498	-	485,668	-
Mining equipment, materials and underground rehabilitation	170,408	480,979	189,377	504,583
Project Management	71,668	30,041	99,318	41,944
Travel, accommodation and meals	43,148	60,493	67,417	78,681
Environmental studies/consulting	39,773	28,640	109,868	45,379
Labour costs	18,392	-	33,868	-
Camp materials and equipment	17,532	-	17,532	-
Engineering studies/consulting	9,643	75,763	84,445	134,239
Office and sundry	5,011	-	5,011	-
Communication	2,907	1,124	5,864	5,310
Amortization	1,328	-	1,328	-
Drilling Costs	-	240,441	-	240,441
Maps and reports	-	5,563	-	23,094
Assays	-	28	2,638	28
Exploration Tax Credits	(249,211)	-	(249,211)	-
	499,097	923,072	853,123	1,073,699
Balance Forward	\$ 500,393	\$ 923,309	\$ 955,626	\$ 1,162,869

- See Accompanying Notes -

Consolidated Schedules of Resource Property Costs - continued

Canadian Funds

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	May 31, 2006	May 31, 2005	May 31, 2006	May 31, 2005
Balance Forward	\$ 500,393	\$ 923,309	\$ 955,626	\$ 1,162,869
FOREMORE VMS-Gold Project, B.C., Canada				
Acquisition Costs				
Cash Payment/Advance Royalties	50,000	50,000	50,000	50,000
Option payment - shares	-	28,000	-	28,000
Staking and land costs	-	1,008	-	7,480
	50,000	79,008	50,000	85,480
Deferred Exploration Costs				
Geological/Project Management	4,617	53,306	8,075	156,369
Materials and equipment	255	629	2,608	12,342
Drilling costs (recovery)	-	(5,000)	-	191,481
Geophysical	-	1,975	13,967	60,210
Field transport, mobilization	-	2,879	5,278	157,238
Travel and accommodation	-	3,195	1,298	11,543
Communication	-	-	4,578	3,506
Prospecting, labour, camp costs	-	1,537	3,448	45,770
Maps and reports	-	10,678	-	34,041
Assaying	-	-	2,435	53,107
Exploration Tax Credits	(220,998)	-	(220,998)	-
	(216,126)	69,199	(179,311)	725,607
	(166,126)	148,207	(129,311)	811,087
SEAGOLD Project, B.C., Canada				
Acquisition Costs				
Option payment - shares	34,500	14,000	34,500	14,000
Option payment - cash	-	-	25,000	25,000
Option payment received - cash	-	-	(50,000)	-
Option payment received - shares	-	-	(15,750)	-
	34,500	14,000	(6,250)	39,000
Deferred Exploration Costs				
Geological	-	-	-	350
Assays	-	-	-	921
	-	-	-	1,271
	34,500	14,000	(6,250)	40,271
Total Resource Costs for Period	368,767	1,085,517	820,065	2,014,227
Balance - Beginning of period	6,328,889	3,752,685	5,877,591	2,823,974
Balance - End of Period	\$ 6,697,656	\$ 4,838,201	\$ 6,697,656	\$ 4,838,201

- See Accompanying Notes -

Notes to Consolidated Financial Statements

May 31, 2006 and 2005

Canadian Funds

Unaudited

1. Nature of Operations

The Company was incorporated on June 19, 2001 as 629645 BC Ltd. and changed its name to Roca Mines Inc. on April 29, 2002.

These financial statements are presented on a consolidated basis as the Company incorporated a wholly owned subsidiary, FortyTwo Metals Inc. on February 3, 2005. FortyTwo Metals, a British Columbia corporation, holds the mineral claims and underlying agreements and will serve as the operating subsidiary for the Max Molybdenum Project.

The Company is a development stage company that engages principally in the acquisition, exploration and development of resource properties. The recovery of the Company's investment in its resource properties is dependent upon the discovery, development and sale of ore reserves and the ability to raise sufficient capital to finance these operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

2. Significant Accounting Policies

These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements as at August 31, 2005.

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, prepaid expenses, reclamation bonds and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

4. Marketable Securities

Marketable securities consist of 200,000 (2005 – Nil) common shares of Romios Gold Resources Inc. ("Romios") at a recorded book value of \$26,000 and a market value of approximately \$80,000 (\$0.40 per share) on May 31, 2006. The Company's share ownership is minimal and it has no control or significant influence over Romios.

5. Resource Property Costs

Details are as follows:

	Acquisition	Deferred Exploration	Total May 31, 2006	Total May 31, 2005
MAX Molybdenum Project	\$ 373,954	\$ 2,538,043	\$ 2,911,997	\$ 1,581,386
FOREMORE VMS-Gold Project	310,957	3,443,093	3,754,050	3,163,336
SEAGOLD Project	12,500	19,109	31,609	93,479
	\$ 697,411	\$ 6,000,245	\$ 6,697,656	\$ 4,838,201

Notes to Consolidated Financial Statements

May 31, 2006 and 2005

Canadian Funds

Unaudited

5. Resource Property Costs - *Continued*

a) MAX Molybdenum Project, Revelstoke Mining Division, B.C., Canada

By agreement dated January 16, 2004, the Company was granted an option to acquire a 100% interest in certain properties, known as the Max Project located in the Revelstoke Mining Division, B.C. In order to earn its interest the Company, at its option, must complete the following:

	Cash Payments	Share Issuances
Upon signing of the agreement (paid)	\$ 50,000	-
Upon TSX approval and before February 29, 2004 (issued)	-	100,000
On or before January 1, 2005 (paid)	50,000	-
On or before January 16, 2005 (issued)	-	100,000
On or before January 1, 2006 (paid)	50,000	-
On or before January 16, 2006 (issued)	-	100,000
On or before January 1, 2007	50,000	-
On or before January 16, 2007	-	100,000
Upon commencement of commercial production	-	200,000
	<u>\$ 200,000</u>	<u>600,000</u>

The MAX Project is subject to a 2.5% Net Smelter Return ("NSR"). The Company may purchase, at any time prior to commencement of commercial production, up to 60% of the NSR by paying \$1,000,000 for each 30% (\$2,000,000 for the full 60% of the 2.5% NSR). Advance royalty payments of \$50,000 will be payable by the Company starting from the earlier of the one-year anniversary of the date the property option is fully exercised and January 16, 2008, ceasing in the year in which commercial production commences.

On August 6, 2004, the Company acquired a 100% interest in certain crown grants, mining leases and mineral claims contiguous to the MAX Project mineral claims. Under the terms of this acquisition agreement, the Company agreed to pay \$100,000 (paid) for the contiguous property and original data detailing all previous exploration. This \$100,000 has been included in acquisition costs for the year ended August 31, 2004. The Company has granted a 2.5% NSR, reducible to 1% upon payment of \$2,000,000, and has agreed to issue 200,000 shares if it commences commercial production from any part of the newly acquired contiguous property.

b) FOREMORE VMS-Gold Project, Liard Mining Division, B.C., Canada

The Company acquired a 100% interest in certain properties, known as the Foremore mineral claims located in the Liard Mining Division, B.C. by paying cash payments of \$100,000 (paid) and issuing 400,000 common shares (issued) to the property vendor.

The Foremore Project is subject to a 2.5% Net Smelter Return ("NSR"). The Company may purchase, at any time prior to commencement of commercial production, up to 60% of the NSR by paying \$1,000,000 for each 30% (\$2,000,000 for the full 60% of the 2.5% NSR). The Company will be required to make annual advance royalty payments of \$50,000 starting May 1, 2006 (\$50,000 paid to date). This advance royalty ceases in the year in which commercial production commences and all advance royalty payments paid are a reduction of future royalty payments. The Company must issue 200,000 common shares to the vendor upon the commencement of commercial production.

Notes to Consolidated Financial Statements

May 31, 2006 and 2005

Canadian Funds

Unaudited

5. Resource Property Costs - *Continued*

c) SEAGOLD Project, Liard Mining Division, B.C., Canada

By agreement dated December 1, 2003, the Company was granted an option to acquire a 100% interest in certain properties, known as the SeaGold Project in the Liard Mining Division, B.C. In order to earn its interest the Company, at its option, must complete the following:

	Cash Payments	Share Issuances
Upon signing of the agreement (paid)	\$ 25,000	-
On or before May 1, 2004 (issued)	-	25,000
On or before December 1, 2004 (paid)	25,000	-
On or before May 1, 2005 (issued)	-	50,000
On or before December 1, 2005 (paid)	25,000	-
On or before May 1, 2006 (issued)	-	50,000
On or before December 1, 2006	25,000	75,000
Upon commencement of commercial production	-	200,000
	\$ 100,000	400,000

The SeaGold Project is subject to a 2.5% NSR. The Company may purchase, at any time prior to commencement of commercial production, up to 60% of the NSR by paying \$1,000,000 for each 30% (\$2,000,000 for the full 60% of the 2.5% NSR). Advance royalty payments of \$30,000 will be payable by the Company starting from the earlier of the one-year anniversary of the date the property option is fully exercised and December 1, 2007, ceasing in the year in which commercial production commences.

The Company has signed an agreement dated May 1, 2005 with Romios Gold Resources Inc. ("Romios") whereby Romios can earn up to a 50% interest in the SeaGold Property by completing the following:

	Cash Payments	Share Issuances	Property Expenditures
Upon Exchange Approval (received)	\$ 25,000	150,000	\$ -
December 1, 2005 (received)	50,000	150,000	-
December 31, 2005 (incurred)	-	-	150,000
December 1, 2006	50,000	150,000	-
December 31, 2006	-	-	150,000
December 1, 2007	75,000	150,000	-
December 31, 2007	-	-	700,000
	\$ 200,000	600,000	\$ 1,000,000

Romios will also assume the Company's obligation to issue the original property vendor 200,000 common shares upon commencement of commercial production, and advance royalty payments of \$30,000 per annum commencing on the earlier of one year from the date the option is fully exercised and December 1, 2007.

An additional 25% (up to 75%) can be earned by Romios by paying the Company \$2,000,000 in cash or common share equivalent within 90 days of the vesting of the initial 50%.

Roca Mines Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

May 31, 2006 and 2005

Canadian Funds

Unaudited

6. Property, Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	May 31, 2006 Net Book Value	May 31, 2005 Net Book Value
Office/Computer equipment	\$ 37,311	\$ 10,763	\$ 26,548	\$ 8,841
Software	5,137	3,967	1,170	3,219
Crew and Equipment Van	29,761	16,038	13,723	19,605
	<u>\$ 72,209</u>	<u>\$ 30,768</u>	<u>\$ 41,441</u>	<u>\$ 31,665</u>

7. Share Capital

a) Details are as follows:

	Number of Shares	Amount
Authorized:		
Unlimited common shares without par value		
Balance - August 31, 2004	26,690,001	\$ 4,202,174
Issued for cash:		
Private placement – November 2004	2,000,000	500,000
Private placement – January 2005	2,080,000	624,000
Private placement – July 2005	2,668,334	800,500
Exercise of Warrants	2,009,500	502,375
Exercise of Agent warrants at \$0.20	1,000,000	200,000
Exercise of Agent warrants at \$0.25	182,900	45,725
Exercise of Incentive stock options	180,000	36,000
Issued to agent as commission and fees – Nov. 2004	110,000	-
Issued to agent as corporate finance fee – Jan. 2005	40,000	-
Issued for MAX Project	100,000	33,000
Issued for Foremore Project	100,000	28,000
Issued for SeaGold Project	50,000	14,000
Fair value of stock options exercised (Note 7i)	-	18,224
Share issuance costs	-	(142,032)
Flow-through share renunciation – tax effect	-	(178,000)
Balance – August 31, 2005	37,210,735	\$ 6,683,966
Issued for cash:		
Private placement - December 2005	1,000,000	300,000
Private placement - March 2006	5,000,000	2,000,000
Private placement - May 2006	2,857,143	2,000,000
Exercise of \$0.20 Warrants	3,400,000	680,000
Exercise of \$0.40 July Warrants	436,647	174,659
Exercise of \$0.40 July Agent Warrants	59,800	23,920
Exercise of \$0.25 November Agent Warrants	230,000	57,500
Exercise of \$0.40 December Warrants	35,000	14,000
Issued to finders on March 2006 private placement	350,000	-
Issued for MAX Project	100,000	35,000
Issued for SeaGold Project	50,000	34,500
Share issuance costs	-	(243,440)
Balance – May 31, 2006	50,729,325	\$ 11,760,105

Notes to Consolidated Financial Statements

May 31, 2006 and 2005

Canadian Funds

Unaudited

7. Share Capital - Continued

- b) In December of 2005, the Company completed a private placement for gross proceeds of \$300,000. One million units were issued each consisting of one common share and one common share purchase warrant, each warrant entitling the holder to acquire one additional common share for one year following closing at price of \$0.40 per share. If the Company's common shares trade above \$0.80 for 10 consecutive trading days, the warrant holders will be given notice that they have 30 days to exercise or the warrants will expire.
- c) The Company issued 100,000 common shares in December of 2005, required under the terms of the MAX Project option agreement.
- d) In March of 2006, the Company completed a private placement for gross proceeds of \$2,000,000. Five million common shares were issued at price of \$0.40 per share. 350,000 shares were issued to certain finders in connection with this private placement.
- e) In April of 2006, the Company issued 50,000 common shares as required under the terms of the SeaGold Property option agreement.
- f) In May of 2006, the Company completed an additional private placement for gross proceeds of \$2,000,000. 2,857,143 common shares were issued at price of \$0.70 per share. The Company paid a cash fee of \$140,000 in connection with this private placement.
- g) During the nine months ended May 31 2006, 3,400,000 million, \$0.20 warrants were exercised for gross proceeds of \$680,000 and 230,000, \$0.25 Agent warrants were exercised for proceeds of \$57,500. 436,647 Warrants expiring in July 2006, 35,000 Warrants expiring in December 2006, and 59,800 Agent Warrants were exercised all at \$0.40, for additional proceeds of \$174,659, \$14,000, and \$57,500 respectively.
- h) As at May 31, 2006 the following share purchase warrants are outstanding:

	<u>Number</u>	<u>Exercise Price/Share</u>	<u>Expiry Date</u>
Warrants	897,518	\$0.40	July 21, 2006
Warrants*	965,000	\$0.40	December 8, 2006
Agent Warrants	18,000	\$0.40	July 21, 2006
	<u>1,880,518</u>	<u>\$0.40</u>	

* Accelerated exercise clause if common shares trade above \$0.80 for ten consecutive days.

- i) The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. The maximum number of shares issuable under the stock option plan shall not exceed 10% of the issued and outstanding common shares. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the board of directors and the exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant date. Options vest on the grant date unless determined otherwise by the board of directors.

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****May 31, 2006 and 2005***Canadian Funds***Unaudited****7. Share Capital - Continued**

j) A summary of the Company's options at May 31, 2006 and the changes for the period are as follows:

Number Outstanding August 31 2005	Granted	Exercised	Cancelled	Expired	Number Outstanding May 31, 2006	Exercise Price Per Share	Expiry Date
908,000	-	-	-	-	908,000	\$0.20	December 17, 2007
150,000	-	-	-	-	150,000	\$0.20	January 7, 2008
397,000	-	-	-	-	397,000	\$0.20	December 11, 2008
930,000	-	-	-	-	930,000	\$0.25	August 24, 2009
200,000	-	-	-	-	200,000	\$0.25	November 26, 2009
-	1,125,000	-	-	-	1,125,000	\$0.25	October 18, 2010
-	200,000	-	-	-	100,000	\$0.55	March 13, 2011
-	450,000	-	-	-	450,000	\$0.55	April 10, 2011
-	100,000	-	-	-	100,000	\$0.60	May 8, 2011
2,585,000	1,875,000	-	-	-	4,460,000		

During the first quarter period ended November 30, 2005, the Company granted incentive stock options to directors and consultants of the Company to purchase up to 1,125,000 common shares of the Company at a price of \$0.25 per share for a period of five years. The total fair value of the options granted was calculated to be \$170,306 on the grant date. The offsetting entry is to contributed surplus. The fair value of stock options used to calculate the first quarter compensation expense is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	3.69%
Expected dividend yield	Nil
Expected stock price volatility	70.05%
Average expected option life	5 years

In the third quarter, on March 13, 2006, the Company granted 200,000 incentive stock options to a consultant providing investor relations services. The stock options are exercisable at a price of \$0.55 per share for a period of five years and vest as to 50,000 options in equal quarterly instalments of 50,000 options over a period of twelve months. The total fair value of the options granted was calculated to be \$66,866 on the grant date of which \$14,512 was recorded during the third quarter. The offsetting entry is to contributed surplus. The fair value of stock options used to calculate the compensation expense is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumption:

Average risk-free interest rate	4.22%
Expected dividend yield	Nil
Expected stock price volatility	69.5%
Average expected option life	5 years

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****May 31, 2006 and 2005***Canadian Funds***Unaudited**

7. Share Capital - Continuedj) - *Continued*

On April 10, 2006, the Company granted 450,000 incentive stock options to consultants providing mining and mill related services. The stock options are exercisable at a price of \$0.55 per share for a period of five years. The total fair value of the options granted was calculated to be \$169,178 on the grant date. On May 8, 2006, the Company granted 100,000 incentive stock options to a consultant providing milling and lab services. The stock options are exercisable at a price of \$0.60 per share for a period of five years. The total fair value of the options granted was calculated to be \$44,827 on the grant date. The offsetting entries are to contributed surplus. The fair value of stock options used to calculate the compensation expense for these grants is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumption:

Average risk-free interest rate	4.27%
Expected dividend yield	Nil
Expected stock price volatility	69.5%
Average expected option life	5 years

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

k) **Contributed Surplus**

Details are as follows:

Balance at August 31, 2005	\$ 328,802
Fair value of stock-based compensation	398,823
Fair value of stock options exercised – to share capital	Nil
Balance – End of Period	<u>\$ 727,625</u>

8. Related Party Transactions

Except as noted elsewhere in these financial statements, related party transactions are as follows:

- a) During the nine month period ended May 31, 2006, consulting fees of \$60,400 (2005 - \$41,800) were paid or accrued to the President and CEO. Services provided include general corporate, exploration and acquisition strategy, drafting and engineering work, contract negotiations, and investment presentations. Of this amount, \$33,200 is contained in deferred exploration costs for the period and the balance in consulting fees.
- b) During the nine month period ended May 31, 2006, consulting fees of \$52,675 (2005 – \$36,750) were paid or accrued to the Company's Chief Financial Officer and Secretary. Services provided include corporate finance and fund raising initiatives, contract negotiations, financial accounting, office management and general administration.

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****May 31, 2006 and 2005***Canadian Funds***Unaudited****8. Related Party Transactions - Continued**

- c) During the nine month period ended May 31, 2006, per-diem contract fees of \$52,500 (2005 - \$36,300) were paid or accrued to a director or a company controlled by a director. Of this amount, \$46,200 is contained in deferred exploration costs for the period and the balance in consulting fees.
- d) During the nine month period ended May 31, 2006, consulting fees of \$26,000 (2005 - nil) were paid or accrued to the Company's Vice President of Mining. Services provided include drafting and engineering work, equipment procurement, and general project management. This amount is contained in deferred exploration costs for the period.
- e) During the nine month period ended May 31, 2006, the Company was reimbursed for rent and office expenses of \$1,832 (2005-nil) by a company with common management.
- f) As at May 31, 2006, current liabilities include \$113,403 (2005 -\$48,700) payable to related parties. These amounts were incurred in the ordinary course of business, are non-interest bearing, and without specific repayment terms.

9. Income Taxes

The Company has incurred certain resource property related expenditures of approximately \$4,030,120 that may be carried forward indefinitely and are available to offset future taxable income.

The Company has non-capital losses for tax purposes of approximately \$880,215 that are available to offset future taxable income. These losses may be carried forward and expire as follows:

	Amount
2010	\$ 190,999
2014	367,244
2015	321,972
	<u>\$ 880,215</u>

The potential future tax benefits of these expenditures and tax losses have not been recognized in these financial statements.

Income Tax Recovery

	2005	2004
Canadian and British Columbia income tax rate	<u>35.6%</u>	35.6%
Income tax recovery at statutory rate	\$ 1,748,079	\$ 724,370
Effect on income taxes of:		
Valuation allowance	(1,748,079)	(724,370)
Reversal of valuation allowance	178,000	-
Income tax recovery	<u>\$ 178,000</u>	\$ -

10. Subsequent Events

Subsequent to May 31, 2006, 478,018 warrants and 6,500 Agent warrants were exercised for \$0.40 per share resulting in the issuance of a total of 484,518 common shares for proceeds of \$193,807.