

**ROCA MINES INC.**

*(A Development Stage Company)*

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Six Months Ended**

**FEBRUARY 28, 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 February 28, 2006.

## Consolidated Balance Sheets

Canadian Funds

	As at February 28, 2006 (Unaudited)	As at August 31, 2005
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 143,745	\$ 18,417
Marketable securities (Note 4)	39,000	23,250
Receivables	31,155	86,985
B.C. Mining Exploration Tax Credit (BCMETC) receivable	-	238,435
Prepaid expenses and deposits	44,582	3,744
	<u>258,482</u>	<u>370,831</u>
<b>Resource Property Costs - Schedule (Note 5)</b>	<b>6,328,889</b>	<b>5,877,591</b>
<b>Reclamation Bonds</b>	<b>30,900</b>	<b>30,900</b>
<b>Property, Plant and Equipment (Note 6)</b>	<b>22,711</b>	<b>27,974</b>
	<u>6,382,450</u>	<u>5,936,465</u>
	<b>\$ 6,640,982</b>	<b>\$ 6,307,296</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 98,238	\$ 450,530
Due to related parties (Note 8d)	21,521	104,111
	<u>119,759</u>	<u>554,641</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 7a)</b>	<b>7,677,001</b>	<b>6,683,966</b>
<b>Contributed Surplus (Note 7f)</b>	<b>499,108</b>	<b>328,802</b>
<b>Deficit - Statement 2</b>	<b>(1,654,886)</b>	<b>(1,260,113)</b>
	<u>6,521,223</u>	<u>5,752,655</u>
	<b>\$ 6,640,982</b>	<b>\$ 6,307,296</b>

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 Six Months Ended	
	Feb. 28, 2006	Feb. 28, 2005	Feb. 28, 2006	Feb. 28, 2005
<b>Expenses</b>				
Advertising, promotion and shareholder relations	\$ 37,263	\$ 23,240	\$ 64,147	\$ 31,186
Consulting fees-related party	28,925	23,900	52,625	47,200
Travel and Insurance	19,493	3,281	40,612	9,130
Consulting fees	11,500	3,150	17,629	10,350
Accounting, audit, legal fees	10,687	22,628	20,958	23,964
Listing and filing fees	6,447	7,348	10,096	9,075
Office and sundry	5,521	5,388	12,088	13,249
Amortization	2,631	2,317	5,263	4,656
Rent	1,500	1,500	3,000	3,000
Stock-based Compensation	-	-	170,306	36,200
<b>Loss before the Under-noted</b>	<b>123,967</b>	<b>92,752</b>	<b>396,724</b>	<b>188,010</b>
<b>Interest income for the period</b>	<b>(1,397)</b>	<b>(907)</b>	<b>(1,951)</b>	<b>(2,199)</b>
<b>Loss for the period</b>	<b>\$ 122,570</b>	<b>\$ 91,845</b>	<b>\$ 394,773</b>	<b>\$ 185,811</b>
<b>Deficit, beginning of period</b>	<b>1,532,316</b>	<b>1,197,343</b>	<b>1,260,113</b>	<b>1,103,377</b>
<b>Deficit, end of period</b>	<b>\$ 1,654,886</b>	<b>\$ 1,289,188</b>	<b>\$ 1,654,886</b>	<b>\$ 1,289,188</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

- See Accompanying Notes -

## Consolidated Statements of Cash Flows

Canadian Funds

Unaudited

	For the Three Months Ended		For the Six Months Ended	
	Feb. 28, 2006	Feb. 28, 2005	Feb. 28, 2006	Feb. 28, 2005
<b>Cash Resources Provided By (Used In):</b>				
Loss for the period	\$ (122,570)	\$ (91,845)	\$ (394,773)	\$ (185,811)
Items not affected by cash:				
Amortization	2,631	2,317	5,263	4,656
Stock-based compensation	-	-	170,306	36,200
	<b>(119,939)</b>	<b>(89,528)</b>	<b>(219,204)</b>	<b>(144,955)</b>
Changes in working capital:				
Receivables	(14,628)	10,237	55,830	33,334
B.C. METC receivable	-	-	238,435	-
Prepaid expenses	(11,040)	(270)	(40,838)	(3,059)
Accounts payable, accrued liabilities, due to related parties	(51,114)	(319,900)	(434,882)	(238,978)
	<b>(196,721)</b>	<b>(399,461)</b>	<b>(400,659)</b>	<b>(353,658)</b>
<b>Investing Activities</b>				
Purchase of capital assets	-	-	-	(2,610)
Resource property costs	(257,223)	(226,436)	(432,048)	(895,711)
	<b>(257,223)</b>	<b>(226,436)</b>	<b>(432,048)</b>	<b>(898,321)</b>
<b>Financing Activities</b>				
Share issuance proceeds	300,000	839,795	1,037,500	1,339,795
Share issuance costs	(19,465)	(61,000)	(79,465)	(98,711)
	<b>280,535</b>	<b>778,795</b>	<b>958,035</b>	<b>1,241,084</b>
<b>Net Increase (decrease) in cash and cash equivalents</b>	<b>(173,409)</b>	<b>152,898</b>	<b>125,328</b>	<b>(10,895)</b>
<b>Cash and cash equivalents - Beginning of Period</b>	<b>317,154</b>	<b>572,355</b>	<b>18,417</b>	<b>736,148</b>
<b>Cash and cash equivalents - End of Period</b>	<b>\$ 143,745</b>	<b>\$ 725,253</b>	<b>\$ 143,745</b>	<b>\$ 725,253</b>

### Supplemental Schedule of non-cash Transactions

Stock-based compensation	\$ -	\$ -	\$ 170,306	\$ 36,200
Shares issued for property	\$ 35,000	\$ 33,000	\$ 35,000	\$ 33,000
Shares received for property	\$ (15,750)	\$ -	\$ (15,750)	\$ -

- See Accompanying Notes -

## Consolidated Schedules of Resource Property Costs

Canadian Funds

Unaudited

	For the Three Months Ended		For the Six Months Ended	
	Feb. 28, 2006	Feb. 28, 2005	Feb. 28, 2006	Feb. 28, 2005
<b>FOREMORE VMS-Gold Project, B.C., Canada</b>				
<b>Acquisition Costs</b>				
Additional staking and land costs	\$ -	\$ -	\$ -	\$ 6,472
<b>Deferred Exploration Costs</b>				
Geological/Project Management	1,400	38,122	3,458	103,063
Drilling costs	-	-	-	196,481
Materials and equipment	1,011	1,841	2,353	11,713
Geophysical	-	-	13,967	58,235
Field transport, mobilization	-	-	5,278	154,359
Travel and accommodation	-	3,837	1,298	8,348
Communication	-	848	4,578	3,506
Prospecting, labour, camp costs	200	7,187	3,448	44,233
Maps and reports	-	11,276	-	23,363
Assaying	2,426	3,053	2,435	53,107
	<b>5,037</b>	<b>66,164</b>	<b>36,815</b>	<b>662,880</b>
<b>MAX Molybdenum Project, B.C., Canada</b>				
<b>Acquisition Costs</b>				
Option payment - cash	50,000	50,000	50,000	50,000
Option payment - shares	35,000	33,000	35,000	33,000
Additional staking, land costs	4,786	4,310	16,207	5,933
<b>Deferred Exploration Costs</b>				
Mill equipment and materials	117,170	-	117,170	-
Engineering studies/consulting	52,160	58,476	74,802	58,476
Environmental studies/consulting	19,037	9,275	70,095	16,739
Misc. materials, equipment and underground rehabilitation	8,957	1,637	18,969	23,604
Labour costs	8,600	-	15,476	-
Geological/Project Management	8,400	5,623	27,650	11,903
Travel, accommodation, Meals	6,742	14,160	23,269	18,188
Communication	1,335	2,128	2,957	4,186
Maps and reports	-	14,663	-	17,531
Assays	-	-	2,638	-
	<b>312,187</b>	<b>193,272</b>	<b>455,233</b>	<b>239,560</b>
<b>SEAGOLD Project, B.C., Canada</b>				
<b>Acquisition Costs</b>				
Option payment - cash	25,000	-	25,000	25,000
Option payment received - cash	(50,000)	-	(50,000)	-
Option payment received - shares	(15,750)	-	(15,750)	-
<b>Deferred Exploration Costs</b>				
Geological	-	-	-	350
Assays	-	-	-	921
	<b>(40,750)</b>	<b>-</b>	<b>(40,750)</b>	<b>26,271</b>
<b>Total Resource Costs for Period</b>	<b>276,474</b>	<b>259,436</b>	<b>451,298</b>	<b>928,711</b>
Balance - Beginning of period	6,052,415	3,493,249	5,877,591	2,823,974
<b>Balance - End of Period</b>	<b>\$ 6,328,889</b>	<b>\$ 3,752,685</b>	<b>\$ 6,328,889</b>	<b>\$ 3,752,685</b>

**Roca Mines Inc.***(A Development Stage Company)***Notes to Consolidated Financial Statements****February 28, 2006 and 2005***Canadian Funds***Unaudited**

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**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.

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**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.

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**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.

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**4. Marketable Securities**

Marketable securities consist of 300,000 (2004 – Nil) shares of Romios Gold Resources Inc. ("Romios") at a cost of \$43,500 and a recorded market value of \$39,000. Romios common shares closed at a price of \$0.24 per share on February 28, 2006. The Company's share ownership is minimal and it has no control or significant influence over Romios.

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**5. Resource Property Costs**

Details are as follows:

	Acquisition (recovery)	Deferred Exploration	Total February 28 2006	Total February 28 2005
FOREMORE VMS-Gold Project	\$ 260,957	3,659,218	<b>3,920,175</b>	3,015,759
MAX Molybdenum Project	372,659	2,038,946	<b>2,411,605</b>	658,077
SEAGOLD Project	(22,000)	19,109	<b>(2,891)</b>	79,479
	<b>\$ 611,616</b>	<b>5,717,273</b>	<b>6,328,889</b>	<b>3,753,315</b>

**Roca Mines Inc.***(A Development Stage Company)***Notes to Consolidated Financial Statements****February 28, 2006 and 2005***Canadian Funds***Unaudited****5. Resource Property Costs - Continued****a) 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. 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.

**b) 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.

**Roca Mines Inc.***(A Development Stage Company)***Notes to Consolidated Financial Statements****February 28, 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	-	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****February 28, 2006 and 2005***Canadian Funds***Unaudited****6. Property, Plant and Equipment**

Details are as follows:

	Cost	Accumulated Amortization	<b>February 28, 2006 Net Book Value</b>	February 28, 2005 Net Book Value
Office/Computer equipment	\$ 15,342	\$ 8,755	\$ 6,587	\$ <b>6,474</b>
Geological Software	4,292	3,219	1,073	-
Crew and Equipment Van	29,761	14,710	15,051	<b>21,502</b>
	<b>\$ 49,395</b>	<b>\$ 26,684</b>	<b>\$ 22,711</b>	<b>\$ 27,976</b>

**7. Share Capital**

a) Details are as follows:

Authorized:

100,000,000 common shares without par value

	Number of Shares	Amount
<b>Balance - August 31, 2004</b>	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 <i>(Note 7i)</i>	-	18,224
Share issuance costs	-	(142,032)
Flow-through share renunciation – tax effect	-	(178,000)
<b>Balance – August 31, 2005</b>	37,210,735	\$ 6,683,966
Issued for cash:		
Private placement – December 2005	1,000,000	300,000
Exercise of Warrants	3,400,000	680,000
Exercise of Agent warrants	230,000	57,500
Issued for MAX Project	100,000	35,000
Share issuance costs	-	(79,465)
<b>Balance – February 28, 2006</b>	41,940,735	\$ 7,677,001

**Roca Mines Inc.***(A Development Stage Company)***Notes to Consolidated Financial Statements****February 28, 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. The terms and conditions of the warrants provide that, if the Company's 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) As at February 28, 2006 the following share purchase warrants are outstanding:

	Number	Exercise Price/Share	Expiry Date
Warrants	1,334,167	\$0.40	July 21, 2006
Warrants*	1,000,000	\$0.40	December 8, 2006
Agent Warrants	77,800	\$0.40	July 21, 2006
	2,411,967	\$0.40	

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

- d) 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.
- e) A summary of the Company's options at February 28, 2006 and the changes for the period are as follows:

Number Outstanding August 31 2005	Granted	Exercised	Cancelled	Expired	Number Outstanding February 28, 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
2,565,000	1,125,000	-	-	-	3,710,000		

**Roca Mines Inc.***(A Development Stage Company)***Notes to Consolidated Financial Statements****February 28, 2006 and 2005***Canadian Funds***Unaudited**

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**7. Share Capital - Continued**

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 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 in years	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.

**f) Contributed Surplus**

Details are as follows:

Balance at August 31, 2005	\$ 328,802
Fair value of stock-based compensation	170,306
Fair value of stock options exercised – to share capital	Nil
Balance – End of Period	<u>\$ 499,108</u>

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**8. Related Party Transactions**

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

- a) During the six month period ended February 28, 2006, consulting fees of \$39,200 (2005 - \$23,800) 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, \$25,600 is contained in deferred exploration costs for the period and the balance in related-party consulting.
- b) During the six month period ended February 28, 2006, consulting fees of \$35,875 (2005 – 22,750) were paid or accrued to the current CFO and Secretary. Services provided include corporate finance and fund raising initiatives, contract negotiations, financial accounting, office management and general administration.
- c) During the six month period ended February 28, 2006, per-diem contract fees of \$36,050 (2005 - \$20,550) were paid or accrued to a director or a company controlled by a director. Of this amount, \$32,900 is contained in deferred exploration costs for the period and the balance in related-party consulting.
- d) As at February 28, 2006, current liabilities include \$21,521 (2005 -\$46,906) payable to related parties. These amounts were incurred in the ordinary course of business, are non-interest bearing, and without specific repayment terms.

**Roca Mines Inc.***(A Development Stage Company)***Notes to Consolidated Financial Statements****February 28, 2006 and 2005***Canadian Funds***Unaudited**

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**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
	<hr/> \$ 880,215

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	<hr/> <b>35.6%</b>	35.6%
Income tax recovery at statutory rate	<b>\$ 1,748,079</b>	\$ 724,370
Effect on income taxes of:		
Valuation allowance	<b>(1,748,079)</b>	(724,370)
Reversal of valuation allowance	<b>178,000</b>	-
Income tax recovery	<hr/> <b>\$ 178,000</b>	\$ -

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**10. Subsequent Events**

Subsequent to the six month period ended February 28, 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. Finder's fees consisting of 350,000 common shares were issued in connection with this transaction. Also subsequent to February 28, 2006, 225,000 warrants and 40,000 Agent warrants were exercised for \$0.40 per share resulting in additional proceeds of \$106,000.

In March, the Company granted 200,000 incentive stock options to an investor relations consultant, exercisable at a price of \$0.55 per common share until March 13, 2011, to vest over a period of twelve months.

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