

ROCA MINES INC.

(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2005 and 2004

(Expressed in Canadian Funds)

AUDITORS' REPORT

To the Shareholders of Roca Mines Inc.:

We have audited the consolidated balance sheets of Roca Mines Inc. (the "Company") as at August 31, 2005 and 2004 and the consolidated statements of loss and deficit, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“Staley, Okada & Partners”

Vancouver, B.C.
October 24, 2005 *(except for Note 10 b & c which is as at November 8, 2005)*

STALEY, OKADA & PARTNERS
CHARTERED ACCOUNTANTS

Consolidated Balance Sheets

As at August 31

Canadian Funds

ASSETS	2005	2004
Current		
Cash and cash equivalents	\$ 18,417	\$ 736,148
Receivables	86,985	71,694
B.C. Mining Exploration Tax Credit (BCMETC) receivable	238,435	-
Prepaid expenses and deposits	3,744	79,014
Marketable securities (Note 4)	23,250	-
	<u>370,831</u>	<u>886,856</u>
Resource Property Costs - Schedule (Note 5)	5,877,591	2,823,974
Reclamation Bonds	30,900	35,900
Property, Plant and Equipment (Note 6)	27,974	30,022
	<u>5,936,465</u>	<u>2,889,896</u>
	\$ 6,307,296	\$ 3,776,752
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 450,530	\$ 330,153
Due to related parties (Note 8d)	104,111	36,976
	<u>554,641</u>	<u>367,129</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 7a)	6,683,966	4,202,174
Contributed Surplus (Note 7i)	328,802	310,826
Deficit - Statement 2	(1,260,113)	(1,103,377)
	<u>5,752,655</u>	<u>3,409,623</u>
	\$ 6,307,296	\$ 3,776,752

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

For the Years Ended August 31

Canadian Funds

	2005	2004
Expenses		
Stock-based compensation	\$ 36,200	\$ 268,500
Consulting fees - related parties	87,050	101,250
Advertising, promotion and shareholder relations	56,883	68,619
Travel and insurance costs	21,485	58,060
Consulting fees	19,319	40,000
Accounting, audit and legal fees	44,817	31,947
Listing and filing fees	14,261	20,281
Banking charges, office and sundry	25,824	18,544
Amortization	12,030	6,489
Rent	6,000	6,000
Loss Before the Undernoted	323,869	619,690
Write-down of marketable securities	4,500	-
Reclamation costs spent on property previously written off	10,000	-
Write-off of resource property costs	-	186,198
Interest income	(3,633)	(3,909)
Loss for the Year Before Income Taxes	334,736	801,979
Future income tax recovery (Note 7e)	(178,000)	-
Loss for the Year	156,736	801,979
Deficit - Beginning of year	1,103,377	301,398
Deficit - End of Year	\$ 1,260,113	\$ 1,103,377
Loss per Share - Basic and Diluted	\$ (0.01)	\$ (0.05)
Weighted Average Number of Common Shares Outstanding	31,150,178	17,631,427

Consolidated Statements of Cash Flows

For the Years Ended August 31

Canadian Funds

Cash Resources Provided By (Used In)	2005	2004
Operating Activities		
Loss for the year	\$ (156,736)	\$ (801,979)
Items not affected by cash:		
Amortization	12,030	6,489
Write-off of resource property costs	-	186,198
Write-down of marketable securities	4,500	-
Stock-based compensation	36,200	268,500
Future income tax recovery	(178,000)	-
	<u>(282,006)</u>	<u>(340,792)</u>
Changes in non-cash working capital items:		
Receivables	(15,291)	(30,348)
B.C. Mining Exploration Tax Credit (BCMETC) receivable	(238,435)	-
Prepaid expenses and deposits	75,270	(70,958)
Accounts payable and accrued liabilities	120,377	201,361
Due to related parties	67,135	8,436
	<u>(272,950)</u>	<u>(232,301)</u>
Investing Activities		
Purchase of property, plant and equipment	(9,982)	(29,761)
Reclamation bonds posted, <i>net of reclamation costs</i>	5,000	(14,000)
Resource property costs, <i>net of exploration tax credits</i>	(3,006,367)	(1,701,321)
	<u>(3,011,349)</u>	<u>(1,745,082)</u>
Financing Activities		
Share issue proceeds	2,708,600	2,511,050
Share issue costs	(142,032)	(281,892)
	<u>2,566,568</u>	<u>2,229,158</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(717,731)	251,775
Cash and cash equivalents - Beginning of year	736,148	484,373
Cash and Cash Equivalents - End of Year	\$ 18,417	\$ 736,148
Supplemental Schedule of Non-Cash Investing and Financing Transactions		
Shares issued for property	\$ 75,000	\$ 59,500
Stock-based compensation	\$ 36,200	\$ 268,500
Future income tax recovery	\$ (178,000)	\$ -
Shares received for property	\$ (27,750)	\$ -

Consolidated Schedules of Resource Property Costs

For the Years Ended August 31

Canadian Funds

	2005	2004
FOREMORE VMS-Gold Project, B.C., Canada		
Acquisition Costs		
Option payment – cash	\$ 50,000	\$ 25,000
Option payment – shares	28,000	30,000
Additional staking and land costs	17,762	1,781
	<u>95,762</u>	<u>56,781</u>
Deferred Exploration Costs		
Drilling costs	447,322	254,903
Field transportation, mobilization	371,311	343,957
Geological and project management	280,889	168,413
Prospecting, labour, camp costs and meals	191,205	277,862
Geophysical	142,068	-
Assaying	65,032	28,615
Materials and equipment	42,373	73,463
Maps and reports	34,565	39,575
Travel and accommodation	26,010	30,658
Communication	10,061	13,146
Exploration tax credits	(175,487)	-
	<u>1,435,349</u>	<u>1,230,592</u>
	<u>1,531,111</u>	<u>1,287,373</u>
MAX Molybdenum Project, B.C., Canada		
Acquisition Costs		
Option payment – cash	50,000	50,000
Option payment – shares	33,000	22,000
Acquisition costs – cash	-	100,000
Additional staking and land costs	9,078	18,581
	<u>92,078</u>	<u>190,581</u>
Deferred Exploration Costs		
Materials, equipment and underground rehabilitation	609,735	30,944
Drilling costs	354,353	125,688
Engineering studies and consulting	154,483	-
Environmental studies and consulting	99,549	-
Travel and accommodation	95,787	11,931
Geological and project management	65,717	31,473
Labour costs	34,003	-
Assaying	29,636	681
Maps and reports	27,781	27,065
Communication	6,329	154
Exploration tax credits	(31,596)	-
	<u>1,445,777</u>	<u>227,936</u>
	<u>1,537,855</u>	<u>418,517</u>
Balance Forward	\$ 3,068,966	\$ 1,705,890

Consolidated Schedules of Resource Property Costs - *continued*

For the Years Ended August 31

Canadian Funds

	2005	2004
Balance Forward	\$ 3,068,966	\$ 1,705,890
SEAGOLD Project, B.C., Canada		
Acquisition Costs		
Option payment - shares	14,000	7,500
Option payment - cash	25,000	25,000
Option payment received - shares	(27,750)	-
Option payment received - cash	(25,000)	-
	<u>(13,750)</u>	<u>32,500</u>
Deferred Exploration Costs		
Assays	921	-
Geological	350	2,100
Field transportation	-	11,499
Labour, camp costs and meals	-	7,109
Exploration Tax Credits	(2,870)	-
	<u>(1,599)</u>	<u>20,708</u>
	<u>(15,349)</u>	<u>53,208</u>
PBR Property, B.C., Canada		
Deferred Exploration Costs		
Geological	-	1,500
Assaying	-	223
	<u>-</u>	<u>1,723</u>
Total Resource Property Costs for the Year	3,053,617	1,760,821
Balance - Beginning of year	2,823,974	1,249,351
Write-off of Resource property costs	-	(186,198)
Balance - End of Year	\$ 5,877,591	\$ 2,823,974

Roca Mines Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

August 31, 2005 and 2004

Canadian Funds

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

a) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less. The Company places its cash and cash equivalents with institutions of high-credit worthiness.

b) Marketable Securities

Marketable Securities are recorded at the lower of cost or market value. Marketable Securities are written down to market value when the decline in market value is deemed to be other than temporary.

c) Resource Properties and Deferred Exploration Expenditures

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Resource exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off. Payments received by the Company when a property is optioned to another party are recorded as a net to offset acquisition costs.

The recoverability of the amount capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

Roca Mines Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

August 31, 2005 and 2004

Canadian Funds

2. Significant Accounting Policies - Continued

d) Option Agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

e) Asset Retirement Obligations

Effective September 1, 2004, the Company adopted the recommendations of CICA Handbook Section 3110, Asset Retirement Obligations. This new section requires recognition of a legal liability for obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

There is no material impact on the financial statements resulting from the adoption of Section 3110 either in the current or prior years presented.

f) Amortization

The Company provides for amortization on its property, plant and equipment at an annual rate of 30% for computer and automobile equipment, 20% for office equipment and 100% for geological software on the declining balance method. One-half of the above rates are taken in the year of acquisition.

g) Income Taxes

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on future taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

h) Share Capital

- i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

i) Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method.

Roca Mines Inc.

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Notes to Consolidated Financial Statements

August 31, 2005 and 2004

Canadian Funds

2. Significant Accounting Policies - Continued

j) Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

k) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

l) Flow-Through Shares

The Company adopted the new recommendations of the Emerging Issues Committee relating to flow-through shares effective for all flow-through agreements dated after March 19, 2004. 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 (renounced expenditures multiplied by the effective tax rate) 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, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

m) Mineral Exploration Tax Credits ("METC")

The Company recognizes METC amounts and applies those amounts against deferred exploration costs when the Company's application for tax credits is approved by Canada Revenue Agency. Assessments, if any for taxes, penalties and interest under Part XII.6 under section 2.11.91 of the Income Tax Act are deducted from the tax credits when assessed.

n) Change in Accounting Policy

The Accounting Standards Board (AcSB) issued Accounting Guideline AcG 15 "Consolidation of Variable Interest Entities", to harmonize the Guideline with the equivalent FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities." The Guideline provides criteria for identifying VIEs and further criteria for determining what entity, if any, should consolidate them. The Guideline is effective for annual and interim periods beginning on or after November 1, 2004, and upon adoption, did not materially impact the Company's results of operations and financial position.

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****August 31, 2005 and 2004***Canadian Funds*

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, BCMETC receivable, marketable securities, reclamation bonds, accounts payable and amounts due to related parties. 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 150,000 (2004 – Nil) shares of Romios Gold Resources Inc. ("Romios") at a cost of \$27,750 and market value of \$23,250 on August 31, 2005. The Company's share ownership in Romios is very minimal and they have no control or significant influence over Romios.

5. Resource Property Costs

Details are as follows:

	Acquisition	Deferred Exploration	Total August 31, 2005	Total August 31, 2004
FOREMORE VMS-Gold Project	\$ 260,957	\$ 3,622,403	\$ 3,883,360	\$ 2,352,249
MAX Molybdenum Project	282,659	1,673,713	1,956,372	418,517
SEAGOLD Project	18,750	19,109	37,859	53,208
	<u>\$ 562,366</u>	<u>\$ 5,315,225</u>	<u>\$ 5,877,591</u>	<u>\$ 2,823,974</u>

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. All advance royalty payments paid to commercial production are a reduction of future royalty payments. The Company must issue 200,000 common shares to the vendor upon the commencement of commercial production.

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****August 31, 2005 and 2004***Canadian Funds***5. Resource Property Costs - Continued****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 Molybdenum 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 Venture Exchange approval (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	50,000	-
On or before January 16, 2006	-	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****August 31, 2005 and 2004***Canadian Funds***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	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	50,000	150,000	-
December 31, 2005	-	-	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 Financial Statements****August 31, 2005 and 2004***Canadian Funds***6. Property, Plant and Equipment**

Details are as follows:

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Office and Computers	\$ 15,342	\$ 7,222	\$ 8,120	\$ 4,725
Geological Software	4,292	2,146	2,146	-
Crew/Equipment Van	29,761	12,053	17,708	25,297
	<u>\$ 49,395</u>	<u>\$ 21,421</u>	<u>\$ 27,974</u>	<u>\$ 30,022</u>

7. Share Capital

a) Details are as follows:

Authorized:

100,000,000 common shares without par value

	Number of Shares	Amount
Balance - August 31, 2003	12,962,001	\$ 1,913,516
Issued for cash:		
Private placement	3,400,000	510,000
Exercise of agent's warrants	3,000	1,050
Short form offering	10,000,000	2,000,000
Issued to agent as corporate finance fee	100,000	-
Issued for MAX Project	100,000	22,000
Issued for Foremore Project	100,000	30,000
Issued for SeaGold Project	25,000	7,500
Share issuance costs	-	(281,892)
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 – November 2004	110,000	-
Issued to agent as corporate finance fee – January 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	<u>37,210,735</u>	<u>\$ 6,683,966</u>

Roca Mines Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

August 31, 2005 and 2004

Canadian Funds

7. Share Capital - Continued

- b) In November of 2004, the Company completed a flow-through private placement for gross proceeds of \$500,000. Two million units were issued for \$0.25, with each unit consisting of one flow-through common share and a half of one share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share for \$0.35 until November 26, 2005. The agent, with respect to \$400,000 of the total gross proceeds, received a commission of \$20,000 cash, 80,000 units (with the same terms as the above units) and 200,000 Agent's warrants to purchase up to 200,000 common shares until November 26, 2005 at a price of \$0.25 per share. The Company also paid the agent an administrative fee of \$5,000 and a corporate finance fee of 30,000 units, each consisting of one common share and one warrant exercisable at \$0.25 per share for one year following closing. Directors and officers of the Company subscribed for a total of 140,000 of the 2,000,000 units.

The Company also completed a private placement of 2,080,000 units (including an over-allotment option of 330,000 units) for gross proceeds of \$624,000 in January 2005. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share for a one year period for \$0.35 during the first six months, and \$0.40 during the second six months following closing. The co-agents for the private placement received commissions of \$49,920 and 166,400 warrants with the same terms as the warrants issued to subscribers, and a corporate finance fee of 40,000 units (with the same terms as the above units).

In July of 2005, the Company completed a non-brokered flow-through private placement consisting of 2,668,334 units issued at a price of \$0.30 per unit for gross proceeds of \$800,500. Each unit consists of one common share issued on a flow-through basis and one half of one share purchase warrant. Each full warrant entitles the holder to purchase one common share for 12 months following closing at price of \$0.35 for the first six months and at \$0.40 for the balance of the 12-month term. Various dealers received fees totalling \$18,672 and 77,800 Agent warrants with the same terms as those issued to subscribers. Directors purchased a total of 185,335 units.

- c) During the year ended August 31, 2005, the Company issued 100,000 shares at a price of \$0.33 per share pursuant to the terms of an option to earn a 100% interest in the MAX Molybdenum Project. The Company also issued 100,000 shares at a price of \$0.28 per share pursuant to the terms of an option to earn a 100% interest in the Foremore VMS-Gold Project and 50,000 shares at \$0.28 per share pursuant to the terms of an option to earn a 100% interest in the SeaGold Project.
- d) During the year, 1,000,000 previously granted Agent warrants exercisable at \$0.20 per unit were exercised for proceeds of \$200,000, 182,900 Agent warrants exercisable at \$0.25 per share were exercised for proceeds of \$45,725 and 2,009,500 previously granted warrants exercisable at \$0.25 per share were exercised for proceeds of \$502,375.

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****August 31, 2005 and 2004***Canadian Funds***7. Share Capital – Continued**

- e) Flow-through securities are securities issued by a company that incurs certain resource expenditures and renounces them for tax purposes thereby allowing the expenditures to flow-through to the subscriber who purchased the securities. Subscribers may in turn claim the expenditure as a deduction on their personal or corporate tax returns.

The total amount of funds raised through the sale of the Flow-through common shares must be spent on qualified mineral exploration. The proceeds from the Flow-through common shares are restricted in use for certain qualifying Canadian Exploration Expenditures ("CEE") under Canadian Tax Legislation.

Funds raised by the Company through the sale of the flow-through common shares must be spent on qualified mineral exploration. During the year ended August 31, 2005, the Company raised a total of \$1,300,500 through the issuance of flow-through securities (*Note 7b*), which funds have been expended on qualifying expenditures. \$500,000 was renounced, for income tax purposes, to the flow-through investors with an effective date of renunciation of December 31, 2004. The balance of \$800,500 will be renounced with an effective date of December 31, 2005.

For the \$500,000 that was renounced, the future tax liability amounted to \$178,000. The Company's tax pool balances exceed this estimated liability. Therefore, the Company has reduced its share capital account and recorded future income tax recovery of \$178,000.

- f) At August 31, 2005, 615,000 shares are held in escrow, to be released over time.
- g) At August 31, 2005 the following share purchase warrants are outstanding:

	Number	Exercise Price/Share	Expiry Date
Warrants	3,400,000	\$ 0.20	November 19, 2005
Warrants	1,000,000	\$ 0.35	November 26, 2005
Agent Warrants	230,000	\$ 0.25	November 26, 2005
Agent Warrants	40,000	\$ 0.35	November 26, 2005
Warrants	2,080,000	\$ 0.40	January 18, 2006
Agent Warrants	206,400	\$ 0.40	January 18, 2006
Warrants	1,334,167	\$ 0.35*	July 21, 2006
Agent Warrants	77,800	\$ 0.35*	July 21, 2006
	<u>8,368,367</u>	<u>\$ 0.20 - \$ 0.40</u>	<u>November 19, 2005 to July 21, 2006</u>

* Exercise price increases to \$0.40 on January 22, 2006

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****August 31, 2005 and 2004***Canadian Funds***7. Share Capital – Continued**

- h) 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.

A summary of the Company's options at August 31, 2005 and the changes for the year are as follows:

Number Outstanding August 31, 2004	Granted	Exercised	Cancelled	Expired	Number Outstanding August 31, 2005	Exercise Price Per Share	Expiry Date
908,000	-	-	-	-	908,000	\$0.20	December 17, 2007
150,000	-	-	-	-	150,000	\$0.20	January 7, 2008
180,000	-	(180,000)	-	-	-	\$0.20	June 30, 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
2,565,000	200,000	(180,000)	-	-	2,585,000		

As at August 31, 2005, all options have fully vested. The 200,000 options granted during the year vested immediately on the date of the grant.

During the prior fiscal year, 367,000 incentive stock options were granted to directors of the Company and 30,000 options were granted to consultants of the Company (a total of 397,000). These options have an exercise price of \$0.20 per share and expire on December 11, 2008. The total fair value of the options granted was calculated to be \$68,200 on the grant date.

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****August 31, 2005 and 2004***Canadian Funds***7. Share Capital - Continued**h) - *Continued*

Also in the prior fiscal year, 710,000 incentive stock options were granted to directors of the Company and 220,000 options were granted to consultants of the Company (a total of 930,000). These options have an exercise price of \$0.25 per share and expire on August 29, 2009. The total fair value of the options granted was calculated to be \$153,100 on the grant date. The offsetting entry is to contributed surplus.

At the Company's AGM held on December 15, 2003, shareholder's approved the repricing of 1,238,000 outstanding stock options ranging from prices of \$0.35 and \$0.25, to a price of \$0.20 per share. 808,000 of these options are held by directors of the Company with the balance of 430,000 options held by consultants to the Company. The total additional fair value of the options repriced was calculated to be \$47,200. The offsetting entry is to contributed surplus.

During the year ended August 31, 2005, 180,000 of the previously granted and repriced stock options exercisable at \$0.20 per share were exercised for proceeds of \$36,000. The fair value of the stock options exercised was calculated to be \$18,224 and that amount has been transferred to share capital from contributed surplus.

Also during the current fiscal year ended August 31, 2005, 200,000 incentive stock options were granted to a geological consultant of the Company having an exercise price of \$0.25 per share, expiring on November 26, 2009. The total fair value of the options granted was calculated to be \$36,200 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:

	2005	2004
Average risk-free interest rate	3.61%	3.76%
Expected dividend yield	Nil	Nil
Expected stock price volatility	92.27%	114.64%
Average expected option life in years	5 years	4.6 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.

i) **Contributed Surplus**

Details are as follows:

	2005		2004	
Balance – Beginning of year	\$ 310,826	\$	42,326	
Fair value of stock-based compensation	36,200		268,500	
Fair value of stock options exercised – transferred to share capital	(18,224)		-	
Balance – End of year	\$ 328,802	\$	310,826	

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****August 31, 2005 and 2004***Canadian Funds***8. Related Party Transactions**

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

- a) During the year ended August 31, 2005, consulting and contract fees of \$56,600 (2004 - \$54,000) were paid or accrued to the President and CEO of the Company. Services provided include general corporate, exploration and acquisition strategy, drafting and engineering work, contract negotiations, and investment presentations. Of this amount, \$23,800 is contained in deferred exploration costs for the year and the balance in related-party consulting.
- b) During the year ended August 31, 2005, related-party consulting fees of \$50,400 (2004 - \$44,450) were paid or accrued to the CFO and Secretary of the Company. Services provided include corporate finance and fund raising initiatives, contract negotiations, financial accounting, office management and general administration.
- c) During the year ended August 31, 2005 per-diem contract fees \$60,450 (2004 - \$46,450) were paid or accrued to a director or a company controlled by a director. Of this amount, \$56,600 is contained in deferred exploration costs for the year and \$3,850 is contained in related-party consulting.
- d) As at August 31, 2005, accounts payable include \$104,111 (2004 - \$36,976) 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	<u>178,000</u>	-
Income tax recovery	<u>\$ 178,000</u>	\$ -

Roca Mines Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

August 31, 2005 and 2004

Canadian Funds

10. Subsequent Events

- a.) On October 18, 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. This grant is subject to regulatory approval.
 - b.) In November 2005, 3,200,000 warrants exercisable at \$0.20 per share were exercised for proceeds of \$640,000.
 - c.) On November 8, 2005, the Company announced that its wholly-owned subsidiary, FortyTwo Metals Inc., had been awarded a permit from the British Columbia Ministry of Energy, Mines and Petroleum Resources (the "Ministry"). Subject to a number of conditions, including a \$730,000 reclamation deposit, the permit allows for the development and operation of an underground mine and onsite concentrator at the MAX Molybdenum Mine.
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11. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.
