

**ROCA MINES INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(FORM 51-102F1)**  
**YEAR ENDED AUGUST 31, 2005**

**December 14, 2005**

**ROCA MINES INC.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2005**  
**Dated as of December 14, 2005**

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*This discussion and analysis should be read in conjunction with the audited financial statements and related notes thereto for the years ended August 31, 2005 and 2004, which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in the financial statements and this discussion and analysis are expressed in Canadian dollars, unless otherwise indicated.*

**Forward-Looking Information**

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Roca Mines Inc. (the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, amongst other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration of the Company's properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the annual MD&A, additional, important factors, if any, are identified here.

**Description of Business and Overview of Operations and Financial Condition**

The Company is engaged in exploration for mineral resources including base, precious and strategic metals. Exploration is focused on the search for precious and base metals on two properties located in the Liard Mining Division, near the Eskay Creek Mine, in northern British Columbia, Canada. The Company, through its wholly-owned subsidiary, FortyTwo Metals Inc., also holds an option to earn a 100% interest in the development-stage MAX Molybdenum Project, near Revelstoke, British Columbia.

During the year ended August 31, 2005, the Company incurred a loss of \$156,736 and incurred exploration and acquisition costs of \$3,053,617.

The Company's loss of \$156,736 decreased significantly from a loss of \$801,979 for the prior year. During the year ended August 31, 2004, the Company wrote-off resource property costs of \$186,198 and recorded stock-based compensation expense of \$268,500 versus only \$36,200 during the current year. The Company also recorded a future income tax recovery of \$178,000 in the current year and gradually reduced overhead expenses in an effort to maximize funding for its various exploration and development projects.

Exploration and acquisition expenditures were \$3,053,617 for the year, up significantly from the \$1,760,821 incurred during the prior year as the Company conducted a significant underground rehabilitation and infill drilling program at the MAX Molybdenum project. The Company also worked towards rapidly advanced engineering and environmental work at the site, culminating in the filing of a permit application to develop a mine and an onsite concentrator. A significant

**ROCA MINES INC.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2005**  
**Dated as of December 14, 2005**

---

exploration program was also conducted at the Foremore VMS-Gold Project during the year ended August 31, 2005 with final results and analysis still pending at the date of this report.

The Company incurred costs over its original budget estimates for various programs and studies related to the Max Molybdenum Project, including; infill diamond drilling program, new engineering studies and expanded environmental baseline work. While these program additions have resulted in a working capital deficit position of \$183,810 as at August 31, 2005 they were required, and have paved the way for, a successful BC Small Mines Permit application.

Subsequent to year end, a number of warrants were exercised and an additional private completed for total gross proceeds of \$1,037,500 (unaudited), leaving the Company in a much stronger financial position entering 2006 (see *Subsequent Events*). The Company is now adequately funded to continue operations in the short term but will require additional funds prior to conducting significant exploration programs at the Foremore VMS-Gold Project or prior to funding development of the MAX Molybdenum Mine.

### **Selected Annual Financial Results**

	<b>Year Ended August 31, 2005</b>	<b>Year Ended August 31, 2004</b>	<b>Year Ended August 31, 2003</b>
Total revenues	Nil	Nil	Nil
Net loss	(156,736)	(801,979) <sup>1</sup>	(243,451)
Net loss per share	(0.01)	(0.05)	(0.03)
Total assets	6,307,296	3,776,752	1,811,776
Total long term debt	Nil	Nil	Nil

Notes:

- 1) The loss for the year-ended August 31, 2004 includes a one-time write-off of \$186,198 in resource property costs and non-cash stock-based compensation of \$268,500.

### **Results of Operations**

#### ***Foremore VMS-Gold Project***

The Company has earned a 100% interest in the Foremore VMS-Gold Project ("FOREMORE") subject to a 2.5% net smelter return ("NSR"), by paying four cash payments totalling \$100,000 and by issuing 400,000 common shares to the original property vendor. 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 from the earlier of the one-year anniversary of the date when the option is fully exercised or 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. In addition, the Company must issue 200,000 common shares to the vendor upon the commencement of commercial production.

FOREMORE is located in one of the most active mining and exploration areas in British Columbia - the Eskay/Iskut Camp. This camp includes Barrick Gold's legendary Eskay Creek Mine, Cominco's historic Snip Mine and NovaGold's Galore Creek Project. FOREMORE

**ROCA MINES INC.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2005**  
**Dated as of December 14, 2005**

---

comprises a number of volcanogenic massive sulphide (VMS) and gold/silver targets and showings on its 235 km<sup>2</sup> (92 sq. miles) area. The project is located approximately 45 km north of Barrick Gold Ltd.'s Eskay Creek Mine and 20 km east of NovaGold Resources Inc.'s Galore Creek Project.

FOREMORE has been the focus of the Company's exploration efforts dating back to the summer of 2002 and was the focus of exploration by Cominco Limited between 1989 and 1996. Drawn to the area because of its abundance of mineralized boulders, Cominco's work failed to locate a source of several boulder fields containing thousands of well-mineralized boulders. Roca's exploration crews have now succeeded in discovering numerous showings and mineralized zones in outcrop and in diamond drill-holes, in a relatively short period of time.

At August 31, 2005, the Company had expended a total of \$3,883,360 at FOREMORE including \$260,957 in acquisition costs and \$3,622,403 in exploration costs.

The Company's Foremore VMS-Gold Project remains at an early exploration stage although the Company's consulting geologists are now focusing their efforts on a potential source of several high grade volcanogenic massive sulphide ("VMS") boulder fields on the property (several new gold target areas also exist on the property). The 'North Zone' exhibits all of the characteristics of major world-class VMS systems and clearly shows good precious and base metal grades within the edges of the system drilled to date. With a strike length of some 6 kilometres, the North Zone itself (a small portion of the total project area) has the potential to hold one or several significant deposits. The Company's geological team is awaiting final interpretation of an airborne geophysical study and will provide a comprehensive geological interpretation of the results from the 2005 exploration programs when completed.

### ***MAX Molybdenum Project***

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 ("MAX") located in the Revelstoke Mining Division, B.C. Under the terms of its option agreement, the Company may earn a 100% interest by paying cash payments totalling \$200,000 and by issuing 400,000 common shares to the vendor at certain dates up to January 16, 2007. In addition, the Company must issue 200,000 common shares to the vendor upon the commencement of commercial production. As at the date of this report, \$100,000 in cash payments have been made and 200,000 common shares have been issued to the vendor. The vendor will retain a 2.5% NSR of which 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 also acquired a 100% interest in certain crown grants, mining leases and mineral claims contiguous to the original MAX 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 was 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.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2005**  
**Dated as of December 14, 2005**

---

MAX was previously explored by a joint venture of Newmont Mines Limited ('Newmont') and Esso Minerals Canada Ltd. ('Esso') from 1975 to 1982. Work expenditure during that period totalled \$14.9 million. Work on the project was suspended by the Newmont-Esso joint venture in 1982 due to a price decline and poor market projection for molybdenum products.

On September 21, 2004, the Company announced that a comprehensive geological report on its 100% controlled MAX Molybdenum Project was completed by independent qualified person and geologist T.N. Macauley, P.Eng. The mineral resource estimate by the previous operators was reviewed and modified by Mr. Macauley to bring it into compliance with the CIM Standards stipulated by National Instrument 43-101. The following table provides a summary by cutoff grade and classification:

**MAX Molybdenum 43-101 Compliant Resource Estimate**

Cutoff Grade (% MoS <sub>2</sub> )	Total Measured		Total Indicated		Total Measured + Indicated	
	Tonnes	Grade (% MoS <sub>2</sub> )	Tonnes	Grade (% MoS <sub>2</sub> )	Tonnes	Grade (% MoS <sub>2</sub> )
0.10	27,870,000	0.21	15,070,000	0.18	42,940,000	0.20
0.20	9,340,000	0.35	2,010,000	0.41	11,350,000	0.36
0.50	1,010,000	1.01	370,000	0.77	1,380,000	0.94
1.00	260,000	1.95	20,000	1.87	280,000	1.95

In addition to these estimates, Inferred Resources total 8,900,000 tonnes averaging 0.16% MoS<sub>2</sub> at the 0.10% cutoff, including 460,000 tonnes averaging 0.33% at the 0.20 cutoff. All estimates were made manually by drawing grade contours at the 0.10, 0.20, 0.25, 0.50, 1.00% MoS<sub>2</sub> levels on the 30m (98 ft) spaced sections, and then dividing the material bounded by the contours into polygons, generally based on one or several drill intercepts. Bulk sampling of the underground adit, crosscut and drift rounds confirmed the grades of diamond drill holes and grade contours in those areas.

The Company more recently announced that Hatch Limited ("Hatch"), an independent engineering services company in Vancouver, B.C., had completed its Preliminary Assessment (a scoping level engineering study) of the MAX Molybdenum Project. The Preliminary Assessment demonstrates that at current molybdenum oxide prices the MAX Molybdenum Project has positive economics as a high-grade (greater than 0.5% MoS<sub>2</sub>) underground mine.

Hatch reviewed the capital and operating costs for two mutually-exclusive underground mining scenarios; a continuously-operated 500 tonne per day ("tpd") mine working at a 0.50% MoS<sub>2</sub> cutoff grade, and a 2,500 tpd mine operating at a 0.20% MoS<sub>2</sub> cutoff grade. Both scenarios include a conventional concentrator to be constructed onsite that would produce a molybdenite (MoS<sub>2</sub>) concentrate for direct sale.

***2500 tpd Mine plan***

The 2,500 tpd plan also includes the development of 25m sublevels and open stopes producing an estimated 31.7 million pounds of Mo (contained in concentrate) from approximately 8.66 million tonnes of mill feed over 10 years. The study reviews a mine development plan that

**ROCA MINES INC.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2005**  
**Dated as of December 14, 2005**

---

would yield 2,500 tpd on a continuous basis and includes the development of decline and incline ramps, ventilation raises and sublevel stopes. The concentrator was designed using conventional crushing, grinding, flotation, thickening and dewatering unit operations. All capital and operating costs were based on conceptual designs and benchmarked to operations of similar capacities and nature. Capital costs for the 2,500 tpd project are estimated to be US\$104.8 million based on all 'new' equipment, with mine operating costs of US\$29.44/tonne mined and US\$10.64/tonne milled. Due to the uncertainty of molybdenum product prices for a 10 year mine life, Hatch opted to prepare a simplified break-even cash flow analysis, rather than a sensitivity to price type analysis. Based on this analysis, and the conceptual designs and cost estimates, the project requires prices in the range of US\$20/lb for years 1-5, US\$15/lb for years 6-8 and US\$10/lb for years 9-10 to produce a near breakeven result. Since these prices are significantly higher than Hatch's consultant predicted, no additional work has been carried out on this model. However, the results indicate the potential for expansion of a small mine if commodity prices are sustained at high levels over an extended period of time.

***500 tpd Mine Plan***

The 500 tpd plan includes the development of 25m sublevels and open stopes from the existing adit level. It would produce an estimated 6.1 million pounds of Mo (contained in concentrate) from approximately 476,211 tonnes of mill feed over three years. The mine life could be expanded by developing other areas of the deposit and by backfilling stopes to permit extraction of pillars; these additions to the total tonnage have not been included in the study at this time.

The study is based on a mine development plan and schedule that could yield 500 tpd on a continuous basis over the life of the mine. To facilitate this, a decline ramp needs to be excavated in advance of production representing a large component of the total capital cost of the 500 tpd study. A concentrator was also designed using conventional crushing, grinding, flotation, thickening and dewatering unit operations. All capital and operating costs were based on conceptual designs and benchmarked to operations of similar capacities and nature.

Capital costs for the continuously-operated 500 tonne per day project are estimated to be US\$24.16 million based on all 'new' equipment, with mine operating costs of US\$44.50/tonne mined and US\$20.64/tonne milled. Payback periods of less than 13 months are calculated for commodity prices of +US\$20 per pound of contained Mo. All costs are based on the assessment of achievable mining and processing conditions as described in the report. Consistent with a scoping level of engineering the study's cost estimates have been prepared with a level of accuracy range of +/- 30%. Because of its nature, the reader should be aware that this study is intended to provide guidance for further investigation, design and engineering that may change the range of both capital and operating costs, potentially affecting the cash flow analysis. The following table provides a 'before tax' cash flow summary of the 500 tonne per day (tpd) scenario producing an estimated 6.1 million pounds of molybdenum (Mo) contained in concentrate;

**ROCA MINES INC.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2005**  
**Dated as of December 14, 2005**

---

*Cash Flow Summary: Continuously Operated 500 tpd Mine and Mill with New Equipment*

<b>Molybdenum Oxide Price (US\$/lb)</b>	<b>Internal Rate of Return (IRR) <sup>(1)</sup></b>	<b>Net Present Value (NPV) <sup>(1)</sup></b>		<b>Payback Period <sup>(1)</sup></b>
		<b>At 0% Discount (US\$ millions)</b>	<b>At 5% Discount (US\$ millions)</b>	
15 (Year 1) 10 (Year 2-3)	-5.8%	-2.87	-4.58	n/a
20	59.5%	48.33	37.35	13 months
30	112.4%	110.47	88.71	7 months

Note (1): All cash flow results are calculated on a 'before tax' basis

The Hatch study has served to reinforce the Company's assertion that a small, fast-tracked mine with near-term production would provide the most attractive and lowest-risk mine development plan. Working together with its consultants, management refining the CASE1 mine plan described above to produce a 'campaigned' plan with rescheduled underground development and used concentrator equipment. That plan formed the basis for an application for a British Columbia Small Mines Permit.

The Company recently completed a 21 hole, 3,101 metre (10,174 feet) underground infill drilling program. Drilling was conducted from the existing adit and crosscuts at the MAX Molybdenum deposit and was focused on the HG (High-Grade) Zone to confirm overall size and grade for mine planning. Mr. David Taylor, P.Eng. was the NI 43-101 Qualified Person supervising the infill drilling and sampling program. The sampling program included quality control procedures, including the use of blanks and duplicates in addition to internal quality control at the assay laboratory, ACME Analytical of Vancouver, BC, an ISO 9001:2000 accredited laboratory.

A comprehensive drill hole and assay summary is provided in the table below, with estimated true-widths of all drill hole intervals calculated based on horizontal projection to mine sections and vertical projection to plan view.

ROCA MINES INC.  
Management's Discussion and Analysis  
Year Ended August 31, 2005  
Dated as of December 14, 2005

MAX Molybdenum Project – Infill Drilling Program, Selected Results

Drill Hole	Sample Interval			Hole Dip (°)	Mine Section #	Offset from Section (°)	Est. True Thickness <sup>(1)</sup> (m)	Assay Result (% MoS <sub>2</sub> )
	From (m)	To (m)	Length (m)					
MU-05-1 including	70	80	10	15	7	20	9.1	0.74
	70	76	6					
MU-05-2 including	66	82	16	-15	7	20	14.6	0.87
	72	82	10					
MU-05-3 including	94	118	26	-45	7	20	17.3	1.45
	108	116	8					
	118	144	26					
MU-05-4 including including including including including including including including including including	118	136	18	-60	7	20	8.5	0.52
	124	126	1.95					
	136	146	10					
	146	158	12					
	146	148	2					
	154	156	2					
	158	168	10					
	168	176	8					
	176	196	20					
	196	200	4					
200	214	14						
MU-05-5 including including including	36	50	14	-20	9	10	12.9	0.58
	38	40	2					
	46	50	4					
MU-05-6 including including	58	78	20	-47	9	10	13.4	0.34
	58	66	8					
MU-05-7 including including	46.25	62	15.75	-41	9	10	11.7	0.6
	56	62	6					
MU-05-8 including including including including including including including including including	75.75	82.8	7.05	-10	7	0	6.9	0.54
	82.8	90.1	7.3					
	90.1	92.35	2.25					
	92.35	93.75	1.4					
	93.75	103.5	9.75					
	103.5	112.25	8.75					
	106.25	110.25	4					
MU-05-9 including including including	28	34	6	-40	7	20	4.3	0.41
	94	99	5					
	120	130	10					

ROCA MINES INC.  
Management's Discussion and Analysis  
Year Ended August 31, 2005  
Dated as of December 14, 2005

MAX Molybdenum Project – Infill Drilling Program, Selected Results (Cont'd)

Drill Hole	Sample Interval			Hole Dip (°)	Mine Section #	Offset from Section (°)	Est. True Thickness <sup>(1)</sup> (m)	Assay Result (% MoS <sub>2</sub> )	
	From (m)	To (m)	Length (m)						
MU-05-10	2	12	10	-60	7	20	4.7	0.43	
	40	46	6				20	2.8	0.82
	50	56	6				20	2.8	0.4
	112	118	6				20	2.8	0.42
	162	166	4				20	1.9	0.72
	166	180	14				20	6.6	0.47
	180	188	8				20	3.8	0.95
	Including	180	182				2	20	0.9
MU-05-11	88	98	10	-10	7	20	9.0	0.82	
including	90	96	6				20	5.5	0.98
MU-05-12	62	66	4	-60	8	20	1.9	0.66	
	82	104	22				20	10.3	0.39
Including	82	88	6	20	2.8	0.62			
	104	202	98	20	46.0	0.54			
Including	116	122	6	20	2.8	0.65			
Including	124	136	12	20	5.6	0.7			
Including	138	142	4	20	1.9	0.91			
Including	148	152	4	20	1.9	0.76			
Including	174	184	10	20	4.7	0.81			
Including	176	180	4	20	1.9	1.21			
Including	198	200	2	20	0.9	1.48			
MU-05-13	42	70	28	-30	8	20	22.7	0.34	
	70	96	26				20	21.1	1.41
Including	70	82	12	20	9.8	1.5			
Including	86	90	4	20	3.3	2.18			
Including	90	94	4	20	3.3	1.56			
MU-05-14	58	74	16	-10	8	20	14.8	2.25	
	Including	67	68				1	20	0.9
Including	68	70	2	20	1.9	2.44			
Including	72	74	2	20	1.9	4.99			
	74	92	18	20	16.6	0.4			
MU-05-15	0.2	6	5.8	-47	8	20	3.8	0.78	
	64	78	14				20	8.9	0.57
	78	91.35	13.35	20	8.5	1.07			
Including	91.35	100	8.65	20	5.5	3.75			
	98	100	2	20	1.3	6.47			
Including	102	111	9	20	5.7	2.27			
	105	107	2	20	1.3	4.76			
	136	146	10	20	6.4	0.46			
MU-05-16	100	115.36	9.36	-40	7	0	7.2	1.4	
including	108	115.36	7.36				5.6	1.57	
MU-05-17	76	94	18	-20	7	0	16.9	0.86	
	including	84	92				8	7.5	1.38
	including	82	84				2	1.9	2.18

**ROCA MINES INC.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2005**  
**Dated as of December 14, 2005**

**MAX Molybdenum Project – Infill Drilling Program, Selected Results (Cont'd)**

Drill Hole	Sample Interval			Hole Dip (°)	Mine Section #	Offset from Section (°)	Est. True Thickness <sup>(1)</sup> (m)	Assay Result (% MoS <sub>2</sub> )
	From (m)	To (m)	Length (m)					
<b>MU-05-18</b>	86	102	16	-30	6	10	<b>13.6</b>	<b>0.33</b>
<b>MU-05-19 Including</b>	51.15	62	10.85	-20	8	10	<b>10.0</b>	<b>0.63</b>
	58	62	4			10	<b>3.7</b>	<b>0.83</b>
	78	86	8			10	<b>7.4</b>	<b>0.42</b>
<b>MU-05-20 Including</b>	65	74	9	-45	8	10	<b>6.3</b>	<b>0.46</b>
	65	68	3			10	<b>2.1</b>	<b>0.69</b>
	74	94	20			10	<b>13.9</b>	<b>0.6</b>
<b>MU-05-21 Including Including Including Including Including</b>	43	52	9	-60	8	10	<b>4.4</b>	<b>0.59</b>
	43	44	3			10	<b>1.5</b>	<b>2.42</b>
	88	108	20			10	<b>9.9</b>	<b>0.41</b>
	120	145.69	25.69			10	<b>12.7</b>	<b>0.45</b>
	122	128	6			10	<b>3.0</b>	<b>0.7</b>
<b>Including</b>	138	145.69	7.69	10	<b>3.7</b>	<b>0.5</b>		

Note (1): Estimated true-widths of all drill hole intervals were calculated based on horizontal projection to mine sections and vertical projection to plan view.

This infill drill program brings sampling in a portion of the measured resource area of 260,000 tonnes grading 1.95% MoS<sub>2</sub> (at a 1.00% MoS<sub>2</sub> cutoff grade) to approximately 20-25 metre spacing, and provides the basis for detailed design of a decline ramp and stopes for a final production decision. Historic and recent diamond drilling at the MAX Project demonstrates that the deposit hosts zones of continuous molybdenite mineralization with grades that are an order of magnitude greater than many operating molybdenite mines.

Subsequent to the year-ended August 31, 2005 in November of 2005, the Company's wholly-owned subsidiary, FortyTwo Metals Inc., was granted a permit (the "Permit") which allows for the development and operation of an underground mine and onsite concentrator at the MAX Project. The Company intends to fast-track initial development of a 500 tonne per day mining operation that would produce up to 72,000 tonnes per year on a campaigned basis. Initial production will focus on the "HG" Zone, including an estimated 260,000 tonnes ("measured") grading 1.95% MoS<sub>2</sub> hosted within the larger MAX deposit comprising 42.9 million tonnes ("measured" + "indicated") grading 0.20% MoS<sub>2</sub>. The Company's strategy to fast-track a high-grade mine, is intended to minimize the lead time to production and reduce initial capital costs. The use of existing production-sized underground access to the deposit will be maximized. Expansion of the proposed 500 tonne per day mine and mill will be guided by prevailing molybdenum prices and an assessment of ongoing operating costs in late 2006 and in 2007.

During the year ended August 31, 2005, the Company incurred acquisition and exploration costs \$1,537,855 at MAX. Exploration costs included costs associated with road and underground rehabilitation, environmental and engineering consulting, geology, reporting and diamond drilling. As at August 31, 2005, a total of \$1,956,372 in acquisition and deferred exploration costs have been incurred at MAX.

### ***SeaGold Property***

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. Under the terms of its option agreement, the Company may earn a 100% interest by paying four cash payments totalling \$100,000 and by issuing 200,000 common shares to the vendor at certain dates up to December 1, 2006. In addition, the Company must issue 200,000 common shares to the vendor upon the commencement of commercial production. At the date of this report, \$75,000 in cash payments have been made and 75,000 shares issued to the vendor who will retain a 2.5% NSR subject to various conditions. 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 SeaGold Project is a relatively early stage exploration project located 35 km north of Barrick Gold's Eskay Creek gold/silver mine. The property comprises 160 units in 8 claim blocks and covers an area of approximately 40 square kilometers, centered on a number of gold and copper occurrences. During the quarter ended May 31, 2005, the Company issued 50,000 shares to the vendor at a price of \$0.28, or \$14,000 to maintain the SeaGold option in good standing.

Management has decided to focus all efforts at MAX and Foremore and to allow a partner to fund exploration at SeaGold. The Company has signed an agreement dated May 1, 2005 with Romios Gold Resources Inc. ("Romios") whereby Romios can earn up to a 75% interest in the SeaGold Property. To earn its initial 50% interest, Romios has agreed to pay the Company a total of \$200,000 in cash (\$75,000 received as of the date of this report), issue to Roca 600,000 common shares of Romios (300,000 shares received as of the date of this report), and incur aggregate exploration expenses of \$1 million in stages ending on or before December 31, 2007. Upon vesting its initial 50% interest, Romios will have the right to earn an additional 25% interest in the SeaGold Property by paying the Company \$2 million in cash or common share equivalent value at that time the additional option is exercised. 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.

### **Operating Expenses and Loss**

During the year ended August 31, 2005, the Company incurred a loss of \$156,736 and incurred exploration and acquisition costs of \$3,053,617.

The Company's loss of \$156,736 decreased significantly from a loss of \$801,979 for the prior year. During the year ended August 31, 2004, the Company wrote-off resource property costs of \$186,198 and recorded stock-based compensation expense of \$268,500 versus only \$36,200 during the current year. The Company also recorded a future income tax recovery of \$178,000 in the current year and gradually reduced overhead expenses in an effort to maximize funding for its various exploration and development projects.

Exploration and acquisition expenditures were \$3,053,617 for the year, up significantly from the \$1,760,821 incurred during the prior year as the Company conducted a significant underground

**ROCA MINES INC.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2005**  
**Dated as of December 14, 2005**

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rehabilitation and infill drilling program at the MAX Molybdenum project. The Company also worked towards rapidly advanced engineering and environmental work at the site, culminating in the filing of a permit application to develop a mine and an onsite concentrator. A significant exploration program was also conducted at the Foremore VMS-Gold Project during the year ended August 31, 2005 with final results and analysis still pending at the date of this report.

**Liquidity and Capital Resources**

The Company incurred costs over its original budget estimates for various programs and studies related to the Max Molybdenum Project, including; infill diamond drilling program, new engineering studies and expanded environmental baseline work. While these program additions have resulted in a working capital deficit position of \$183,810 as at August 31, 2005 they were required, and have paved the way for, a successful BC Small Mines Permit application.

Subsequent to year end, a number of warrants were exercised and an additional private completed for total gross proceeds of \$1,037,500 (unaudited), leaving the Company in a much stronger financial position entering 2006 (see *Subsequent Events*). The Company is now adequately funded to continue operations in the short term but will require additional funds prior to conducting significant exploration programs at the Foremore VMS-Gold Project or prior to funding development of the MAX Molybdenum Mine.

**Summary of Quarterly Results**

	<b>Aug. 31, 2005</b>	<b>May 31, 2005</b>	<b>Feb. 28, 2005</b>	<b>Nov. 30, 2004</b>
Total revenues	Nil	Nil	Nil	Nil
Net income (loss)	98,126 <sup>1</sup>	(69,051)	(91,845)	(93,966)
Net income (loss) per share	0.00	(0.01)	(0.01)	(0.01)
Total assets	6,307,296	5,058,825	4,662,247	4,262,197
Total long term debt	Nil	Nil	Nil	Nil

	<b>Aug. 31, 2004</b>	<b>May 31, 2004</b>	<b>Feb. 29, 2004</b>	<b>Nov. 30, 2003</b>
Total revenues	Nil	Nil	Nil	Nil
Net loss	(300,050) <sup>2</sup>	(111,552)	(286,451) <sup>3</sup>	(103,926)
Net loss per share	(0.02)	(0.01)	(0.02)	(0.01)
Total assets	3,776,752	1,891,384	1,771,177	2,066,790
Total long term debt	Nil	Nil	Nil	Nil

Note 1: The income recorded in the quarter ended August 31, 2005 includes a future income tax recovery of \$178,000.

Note 2: The loss for the quarter ended August 31, 2004 includes stock-based (non-cash) compensation expense of \$247,800.

Note 3: The loss for the quarter ended February 29, 2004 includes a one-time write-off of \$186,198 in resource property costs.

### **Related Party Transactions**

Each of Scott Broughton, David Skerlec and John Mirko, either directly or through a wholly owned company, provides consulting or contract services to the Company pursuant to a consulting agreement. Mr. Broughton charges a per diem rate of \$400, and Messrs. Skerlec and Mirko charge per diem rates of \$350. 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. Services provided include general corporate, exploration and acquisition strategy, drafting and engineering work, investor presentations and contract negotiations. Of this amount, \$23,800 is contained in deferred exploration costs for the period and the balance in related-party consulting. Consulting fees of \$50,400 (2004 - \$44,450) were paid or accrued to the CFO and Secretary for corporate finance services, contract negotiations, financial accounting and general management. Per-diem geological and contract management fees of \$60,450 (2004 - \$46,450) were paid or accrued to a director during the year ended August 31, 2005. As at August 31, 2005, accounts payable included \$104,111 (2004 - \$36,976) payable to related parties, these amounts being incurred in the normal course of business.

### ***Risks and Uncertainties***

The Company's financial success will be dependent upon the extent to which it can discover mineralization or acquire mineral properties and the economic viability of developing its properties. The Company competes with many companies possessing greater financial resources and technical facilities than itself. The market price of minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Company's mineral exploration and development activities will be successful. The development of mineral resources involves many risks in which even a combination of experience, knowledge and careful evaluation may not be able to overcome. All of the Company's short to medium term operating and exploration cash flow must be derived from external financing. Actual funding may vary from what is planned due to a number of factors including the progress of exploration and development on its current properties. Should changes in equity market conditions prevent the Company from obtaining additional external financing; the Company will need to review its exploration property holdings to prioritize project expenditures based on funding availability.

**ROCA MINES INC.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2005**  
**Dated as of December 14, 2005**

*Outstanding Share Data*

Authorized: 100,000,000 common shares without par value	<b>Number</b>	<b>Amount</b>
<b>Balance as at August 31, 2003</b>	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)
<b>Balance as at 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/ 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	-	18,224
Share issuance costs	-	(142,032)
Flow-through share renunciation – tax effect	-	(178,000)
<b>Balance as at 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
<b>Balance as at December 14, 2005 (unaudited)</b>	41,840,735	\$ 7,721,466

**ROCA MINES INC.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2005**  
**Dated as of December 14, 2005**

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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.

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.

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.

At August 31, 2005 and at the date of this report, 615,000 shares were held in escrow, to be released on December 17, 2005.

Subsequent to the year ended August 31, 2005, the Company completed a private placement for gross proceeds of \$300,000 (unaudited). One million units were issued each consisting of one common share and one common share purchase warrant, each warrant entitling the holder to

**ROCA MINES INC.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2005**  
**Dated as of December 14, 2005**

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.

As at August 31, 2005, the following share purchase warrants are outstanding:

	<b>Number</b>	<b>Exercise Price/Share</b>	<b>Expiry Date</b>
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
	<b>8,368,367</b>	<b>\$0.20-\$0.40</b>	<b>November 19, 2005 to July 21, 2006</b>

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

Subsequent to the year ended August 31, 2005, 3.4 million warrants exercisable at \$0.20 were exercised for proceeds of \$680,000, 230,000 previously granted Agent warrants exercisable at \$0.25 per share were exercised for proceeds of \$57,500. 1,000,000 warrants and 40,000 Agent warrants exercisable at \$0.35 expired unexercised. The Company also completed a private placement consisting of units issued at a price of \$0.30 per unit. 1,000,000 units were issued, each consisting of one common share and one share purchase warrant, each warrant entitling the holder to purchase one common share for 12 months following closing at price of \$0.40. 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.

At the date of this report, the following share purchase warrants were outstanding (unaudited):

	<b>Number</b>	<b>Exercise Price/Share</b>	<b>Expiry Date</b>
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
Warrants	1,000,000	\$0.40**	December 8, 2006
	<b>4,698,367</b>	<b>\$0.20-\$0.40</b>	<b>Nov. 19, 2005 to Dec. 8, 2006</b>

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

\*\* Forced exercise clause at \$0.80.

**ROCA MINES INC.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2005**  
**Dated as of December 14, 2005**

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

Number at Aug 31, 2004	Granted	Exercised	Cancelled	Expired	Number at August 31, 2005	Exercise Price	Expiry
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		

Subsequent to August 31, 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. A summary of the Company's stock options at the date of this report as follows:

Number at Aug 31, 2005	Granted	Exercised	Cancelled	Expired	Number at December 14, 2005	Exercise Price	Expiry
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
2,585,000	1,125,000	-	-	-	3,710,000		

**Subsequent Events (unaudited)**

Subsequent to the year ended August 31, 2005, 3.4 million warrants exercisable at \$0.20 were exercised for proceeds of \$680,000, 230,000 previously granted Agent warrants exercisable at \$0.25 per share were exercised for proceeds of \$57,500. 1,000,000 warrants and 40,000 Agent warrants exercisable at \$0.35 expired unexercised.

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.

In December, 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.