



ROCA MINES INC.

(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2007 and 2006

(Expressed in Canadian Funds)

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 November 30, 2007.

Roca Mines Inc.*(A Development Stage Company)***Consolidated Balance Sheets***Canadian Funds*

Statement 1

| | As at November 30, 2007 (Unaudited) | As at August 31, 2007 |
|--|--|-----------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 1,077,327 | \$ 8,697,717 |
| Receivables | 930,320 | 1,199,096 |
| Prepaid expenses and deposits | 424,727 | 788,280 |
| Marketable securities <i>(Note 4)</i> | 60,000 | - |
| Future income tax asset | 123,225 | 123,225 |
| | <u>2,615,599</u> | <u>10,808,318</u> |
| Resource Property Costs - Schedule <i>(Note 5)</i> | 53,685,886 | 41,674,073 |
| Reclamation Bonds <i>(Note 9)</i> | 752,900 | 752,900 |
| Equipment <i>(Note 6)</i> | 43,876 | 36,197 |
| | <u>54,482,662</u> | <u>42,553,170</u> |
| | <u>\$ 57,098,261</u> | <u>\$ 53,361,488</u> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 3,630,380 | \$ 2,293,693 |
| Due to related parties <i>(Note 10f)</i> | 245,155 | 51,369 |
| | <u>3,875,535</u> | <u>2,345,062</u> |
| Asset Retirement and Mine Closure Obligations <i>(Note 8)</i> | 870,961 | 870,961 |
| | <u>4,746,496</u> | <u>3,216,023</u> |
| SHAREHOLDERS' EQUITY | | |
| Share Capital <i>(Note 7a)</i> | 44,895,349 | 44,779,405 |
| Contributed Surplus <i>(Note 7e)</i> | 11,463,544 | 7,782,856 |
| Deficit - Statement 2 | (4,007,128) | (2,416,796) |
| | <u>52,351,765</u> | <u>50,145,465</u> |
| | <u>\$ 57,098,261</u> | <u>\$ 53,361,488</u> |

Commitments *(Note 12)*

ON BEHALF OF THE BOARD:

"Scott Broughton", Scott E. Broughton, Director

"David Skerlec", David J. Skerlec, Director

- See Accompanying Notes -

Roca Mines Inc.*(A Development Stage Company)*Statement 2**Consolidated Statements of Loss, Comprehensive Loss and Deficit**

For the Three Months Ended November 30

Canadian Funds

Unaudited

| | 2007 | 2006 |
|---|---------------------|---------------------|
| Expenses | | |
| Stock-based compensation | \$ 1,355,363 | \$ 16,692 |
| Advertising, promotion and shareholder relations | 82,244 | 39,464 |
| Accounting, audit and legal fees | 67,804 | 13,600 |
| Travel and insurance costs | 61,372 | 8,148 |
| Consulting and management fees | 55,855 | 30,500 |
| Banking charges, office and sundry | 42,733 | 23,933 |
| Rent | 10,417 | 5,890 |
| Listing and filing fees | 5,000 | 2,223 |
| Amortization | 5,095 | 3,722 |
| Loss Before the Undernoted | 1,685,883 | 144,172 |
| Property investigation/generative exploration costs | - | 46,005 |
| Gain on sale of marketable securities <i>(Note 4)</i> | - | (11,370) |
| Exchange loss | 2,406 | - |
| Interest income | (97,957) | (30,388) |
| Loss and Comprehensive Loss for the Period | 1,590,332 | 148,419 |
| Deficit - Beginning of period | 2,416,796 | 1,578,767 |
| Deficit - End of Period | \$ 4,007,128 | \$ 1,727,186 |
| | | |
| Loss per Share - Basic and Diluted | \$ (0.02) | \$ (0.01) |
| | | |
| Weighted Average Number of Common Shares Outstanding | 79,625,954 | 60,161,653 |

- See Accompanying Notes -

Roca Mines Inc.*(A Development Stage Company)*Statement 3**Consolidated Statements of Cash Flows****For the Three Months Ended November 30***Canadian Funds***Unaudited**

| Cash Resources Provided By (Used In) | 2007 | 2006 |
|---|---------------------|--------------------|
| Operating Activities | | |
| Loss for the period | \$ (1,590,332) | \$ (148,419) |
| Items not affected by cash: | | |
| Amortization | 5,095 | 3,722 |
| Stock-based compensation | 1,355,363 | 16,692 |
| Gain on sale of marketable securities | - | (11,370) |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 220,185 | (202,005) |
| Prepaid expenses and deposits | 363,553 | 550 |
| Accounts payable and accrued liabilities | (2,165,608) | 568,248 |
| | (1,811,744) | 227,418 |
| Investing Activities | | |
| Purchase of equipment | (12,774) | (2,800) |
| Prepaid expenses and deposits on resource properties | 48,590 | 45,000 |
| Resource property costs, <i>net of exploration tax credits</i> | (5,915,462) | (5,384,617) |
| Proceeds on disposal of marketable securities | - | 23,070 |
| | (5,879,646) | (5,319,347) |
| Financing Activities | | |
| Share and warrant issuance proceeds | 71,000 | 602,329 |
| | 71,000 | 602,329 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (7,620,390) | (4,489,600) |
| Cash and cash equivalents - Beginning of Period | 8,697,717 | 4,909,936 |
| Cash and Cash Equivalents - End of Period | \$ 1,077,327 | \$ 420,336 |
| Supplemental Schedule of Non-Cash Investing and Financing Transactions | | |
| Stock-based compensation recorded in resource property costs | \$ 2,370,270 | \$ - |
| Property expenditures included in accounts payable | \$ 3,696,081 | \$ 1,912,985 |
| Shares received for property | \$ (60,000) | \$ - |

- See Accompanying Notes -

Roca Mines Inc.*(A Development Stage Company)*Schedule**Consolidated Schedules of Resource Property Costs****For the Three Months Ended November 30***Canadian Funds***Unaudited**

| | 2007 | 2006 |
|---|----------------------|---------------------|
| MAX Molybdenum Project, B.C., Canada | | |
| Acquisition Costs | | |
| Additional acquisition, staking and land costs | \$ 5,950 | \$ - |
| | <u>5,950</u> | <u>-</u> |
| Deferred Exploration and Development Costs | | |
| Mining materials, equipment and underground development | 3,586,542 | 767,130 |
| Stock-based compensation | 2,200,215 | - |
| Tailings pond equipment and materials | 1,986,968 | 2,651,596 |
| Mill equipment, materials and relocation | 1,578,319 | 1,756,801 |
| Electrical | 720,136 | 789,746 |
| Drilling costs | 476,498 | - |
| Camp equipment, construction costs and materials | 402,879 | 151,446 |
| Geological and project management | 280,268 | 129,286 |
| Engineering studies and consulting | 226,131 | 511,991 |
| Permitting, environmental studies and consulting | 134,939 | 98,055 |
| Office equipment, communication, maps, reports and sundry | 114,139 | 70,348 |
| Powerhouse equipment, construction costs and materials | 100,809 | - |
| Lab, assay and metallurgical | 57,669 | 54,895 |
| Consumables inventory | 40,859 | - |
| Roads and roadwork | 31,757 | 31,602 |
| Travel and accommodation | 27,340 | 82,500 |
| General labour costs | 20,803 | 150,212 |
| Office building construction costs and materials | 10,155 | - |
| Estimated mine closure and reclamation costs | - | 398,400 |
| Pre-production concentrate sales, net of milling costs | (231,089) | - |
| | <u>11,765,337</u> | <u>7,644,008</u> |
| | <u>11,771,287</u> | <u>7,644,008</u> |
| SEAGOLD Project, B.C., Canada | | |
| Acquisition Costs | | |
| Option payment received - shares | (60,000) | - |
| Option payment received - cash | (75,000) | - |
| | <u>(135,000)</u> | <u>-</u> |
| Balance Forward | <u>\$ 11,636,287</u> | <u>\$ 7,644,008</u> |

- See Accompanying Notes -

Roca Mines Inc.*(A Development Stage Company)*Schedule**Consolidated Schedules of Resource Property Costs - continued****For the Three Months Ended November 30***Canadian Funds*

| | 2007 | 2006 |
|---|----------------------|----------------------|
| Balance Forward | \$ 11,636,287 | \$ 7,644,008 |
| FOREMORE VMS-Gold Project, B.C., Canada | | |
| Acquisition Costs | | |
| Additional staking and land costs | \$ 9,926 | \$ 1,100 |
| | 9,926 | 1,100 |
| Deferred Exploration Costs | | |
| Stock based compensation | 144,212 | - |
| Geological and project management | 21,704 | - |
| Maps and reports | 19,813 | 13,730 |
| Field transportation, mobilization | 10,710 | - |
| Assaying | 9,173 | - |
| Materials and equipment | 4,510 | 140 |
| Prospecting, labour, camp costs and meals | 4,215 | 2,800 |
| Travel and accommodation | 2,594 | - |
| Communication | 200 | - |
| | 217,131 | 16,670 |
| | 227,057 | 17,770 |
| OTHER Projects, B.C., Canada | | |
| Acquisition Costs | | |
| Staking and land costs | 4,145 | - |
| | 4,145 | - |
| Deferred Exploration Costs | | |
| Stock based compensation | 25,843 | - |
| Materials and equipment | 8,491 | - |
| Assaying | 5,169 | - |
| Field transportation, mobilization | 1,559 | - |
| | 41,062 | - |
| | 45,207 | - |
| Total Resource Property Costs for the Period | 11,908,551 | 7,661,778 |
| Balance - Beginning of Period | 41,764,073 | 11,373,439 |
| Balance - End of Period | \$ 53,672,624 | \$ 19,035,217 |

- See Accompanying Notes -

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Notes to Consolidated Financial Statements

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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 Inc., a British Columbia corporation, holds the mineral claims and underlying agreements and serves 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. FortyTwo Metals started commissioning the mine and mill facilities at the Max Molybdenum Project in the first quarter ended November 30, 2007. The recovery of the Company's investment in its resource properties is dependent upon the discovery, development and sale of metal bearing concentrates and the ability to raise sufficient capital to finance these operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

2. Significant Accounting Policies

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods consistent with those used in the preparation of the most recent annual audited consolidated financial statements except as noted below. The interim consolidated financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2007.

Changes in accounting policies

Effective September 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

a) Section 3855, *Financial Instruments – Recognition and Measurement* prescribes when a financial asset, financial liability and non-financial derivative is to be recognized on the Balance Sheet and whether fair value or cost-based measures should be used. It also specifies how financial instruments gains or losses should be presented.

The Company is required to designate its financial instruments into one of the following five categories: held-for-trading; available-for-sale; held-to-maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held-for-trading or available-for-sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

All derivative financial instruments, including derivative features embedded in financial instruments or other contracts but which are not considered closely related to the host financial instrument or contract, are generally classified as held-for-trading and, therefore, must be measured at fair value with changes in fair value recorded in net earnings. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded in other comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net earnings.

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2. Significant Accounting Policies - *Continued*

The Company has designated its financial instruments as follows:

- Cash, cash equivalents, and marketable securities are classified as “*Available-for-Sale*”. Due to their short-term nature, management believes that their carrying value approximates their fair value;
- Receivables and prepaid expenses are classified as “*Loans and Receivables*”. These financial assets are recorded at values that approximate their amortized cost using the effective interest method; and
- Accounts payable and accrued liabilities are classified as “*Other Financial Liabilities*”. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

Under Section 3855, embedded derivatives are required to be separated from the host contract and accounted for as a derivative financial instrument if the embedded derivative and host contract are not closely related, and the combined contract is not held-for-trading or designated at fair value. This change did not have any impact on the Company as it does not have any embedded derivatives.

b) Section 1530, *Comprehensive Income*, introduces a new financial statement “Statement of Comprehensive Income” and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available-for-sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments. The Company has not recognized any adjustments through other comprehensive income for the three months ended November 30, 2007.

c) Section 3865, *Hedges* specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did not have an impact on the Company for the three months ended November 30, 2007.

New Accounting Pronouncements

The CICA has issued three new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning September 1, 2008. The company will adopt the requirements commencing in the interim period ended November 30, 2008 and is considering the impact this will have on the Company's financial statements.

a) Section 1535, *Capital Disclosures*, establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

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2. Significant Accounting Policies - *Continued*

- (i) qualitative information about its objectives, policies and processes for managing capital;
- (ii) summary quantitative data about what it manages as capital;
- (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject; and
- (iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

b) Section 3031, *Inventories*, prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

c) Section 3862 – *Financial Instruments - Disclosures*, requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks.

Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments. The Section requires specific disclosures to be made, including the criteria for:

- (i) designating financial assets and liabilities as held for trading;
 - (ii) designating financial assets as available-for-sale; and
 - (iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.
-

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, deposits on contracts, 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 (2006 – 100,000) common shares of Romios Gold Resources Inc. ("Romios") at a recorded book value of \$60,000 (2006 - \$13,000) and a market value of \$60,000 (2006 - \$30,000) on November 30, 2007.

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Unaudited

5. Resource Property Costs

Details are as follows:

| | Acquisition | Deferred Exploration & Development | Total November 30, 2007 | Total August 31, 2007 |
|---------------------------|---------------------|--|-------------------------------|-----------------------------|
| Max Molybdenum Project | \$ 876,178 | \$ 47,953,298 | \$ 48,829,476 | \$ 37,058,189 |
| Foremore VMS-Gold Project | 398,757 | 4,001,985 | 4,400,742 | 4,173,685 |
| SeaGold Project | (100,250) | 19,109 | (81,141) | 53,859 |
| Other | 304,857 | 218,690 | 523,547 | 478,340 |
| | <u>\$ 1,479,542</u> | <u>\$ 52,193,082</u> | <u>\$ 53,672,624</u> | <u>\$ 41,130,466</u> |

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

The Company holds a 100% interest in certain properties, known as the Max Molybdenum Project located in the Revelstoke Mining Division, B.C. The MAX Project is subject to a 2.5% Net Smelter Return ("NSR"). The Company may purchase, at any time, 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 has also acquired a 100% interest in certain crown grants, mining leases and mineral claims contiguous to the core MAX Molybdenum Project mineral claims. The Company granted a 2.5% NSR on the contiguous property, reducible to 1% upon payment of \$2,000,000 at any time prior to commencement of commercial production. The Company must also issue 200,000 shares if it commences commercial production from any part of the contiguous property.

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

The Company holds a 100% interest in certain properties, known as the Foremore Project located in the Liard Mining Division, B.C. The Foremore Project is subject to a 2.5% Net Smelter Return ("NSR"). The Company may purchase at any time, 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 (\$100,000 paid to date). This advance royalty ceases in the year in which commercial production commences. All advance royalty payments paid to commercial production may be applied as a reduction of future royalty payments. The Company must also issue 200,000 common shares to the vendor upon the commencement of commercial production.

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Canadian Funds

Unaudited

5. Resource Property Costs - Continued

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

The Company has completed the acquisition of a 100% interest in certain properties, known as the SeaGold Project in the Liard Mining Division, B.C. The Company made cash payments totalling \$100,000 and issued 200,000 common shares to the vendor to acquire this property. The SeaGold Project is subject to a 2.5% NSR. The Company may purchase at any time, 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 annual royalty payments of \$30,000 will be payable by the Company starting on December 1, 2007, ceasing in the year in which commercial production commences. The Company must also issue 200,000 common shares to the vendor upon the commencement of commercial production

On November 30, 2007 Romios Gold Resources Inc. ("Romios") completed the acquisition of a 50% interest in the SeaGold Property by paying \$200,000, and issuing 600,000 common shares to the Company. Romios has also assumed 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 (\$30,000 paid to date).

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 vesting the initial 50%.

d) OTHER Projects, Revelstoke Mining Division, B.C., Canada

In December of 2006, the Company signed four agreements with a group of prospectors, pursuant to which the Company may acquire a 100% interest in four separate properties in the Revelstoke Mining Division, British Columbia. Each property is subject to a 2% net smelter return royalty which may be purchased by the company for \$2-million. To maintain all options in good standing, the Company must complete the following:

| | Cash Payments | Share Issuances |
|--------------------------------------|-------------------|--------------------|
| Upon Exchange Approval (paid/issued) | \$ 7,500 | 60,000 |
| April 1, 2007 (paid/issued) | 24,000 | 60,000 |
| April 1, 2008 | 31,500 | 60,000 |
| April 1, 2009 | 42,000 | 60,000 |
| April 1, 2010 | 51,000 | 75,000 |
| | <u>\$ 156,000</u> | <u>315,000</u> |

In July of 2007, the Company signed an option agreement to acquire a 100% interest in 513 hectares contiguous with the Tin City Property. The Company paid the vendor \$12,300 on signing and, at its option, must pay an additional \$100,000 and issue 50,000 common shares on or before June 5, 2009 to complete the acquisition. This contiguous property is subject to a 2.5% Net Smelter Return, which may be reduced to 0.5% upon payment of \$1.5 million.

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****November 30, 2007 and 2006***Canadian Funds***Unaudited****6. Equipment**

Details are as follows:

| | | | November 30, 2007 | | August 31, 2007 |
|------------------------|-------------------|-----------------------------|------------------------------|-----------|--------------------|
| | Cost | Accumulated Amortization | Net Book Value | | Net Book Value |
| Office and Computers | \$ 67,248 | \$ 31,398 | \$ 35,850 | \$ | 27,515 |
| Software | 5,543 | 5,543 | - | \$ | 5 |
| Crew/Equipment Vehicle | 29,761 | 21,735 | 8,026 | \$ | 8,677 |
| | <u>\$ 102,552</u> | <u>\$ 58,676</u> | <u>\$ 43,876</u> | <u>\$</u> | <u>36,197</u> |

The Company provides for amortization on its equipment at an annual rate of 45% for computer hardware, 30% for automobile equipment, 20% for office equipment and 100% for computer software on the declining balance method. One-half of the above rates are taken in the year of acquisition

7. Share Capital

a) Details are as follows:

| | Number of Shares | Amount |
|---|-------------------|-------------------|
| Authorized: | | |
| Unlimited common shares without par value | | |
| Balance – August 31, 2006 | 59,270,430 | \$ 17,004,359 |
| Issued for cash: | | |
| Private placement of units – February 2007 | | |
| - prorated fair value of common shares issued | 5,000,000 | 5,910,352 |
| Private placement of units – March 2007 | | |
| - prorated fair value of common shares issued | 7,142,857 | 8,319,686 |
| Private placement of units – March 2007 | | |
| - prorated fair value of common shares issued | 1,212,121 | 1,453,663 |
| Private placement of units – August 2007 | | |
| - prorated fair value of common shares issued | 4,703,500 | 12,961,423 |
| Exercise of \$0.40 warrants | 831,667 | 332,667 |
| Exercise of \$0.90 Agent warrants | 39,335 | 35,402 |
| Exercise of Incentive stock options | 1,175,000 | 432,250 |
| Issued for SeaGold Project | 75,000 | 98,250 |
| Issued for Bonanza Project | 30,000 | 63,150 |
| Issued for Ellesmere Project | 30,000 | 63,150 |
| Issued for Farside Project | 30,000 | 63,150 |
| Issued for Tin City Project | 30,000 | 63,150 |
| Fair value of warrants exercised | - | 42,337 |
| Fair value of stock options exercised | - | 300,916 |
| Share issuance costs | - | (2,309,390) |
| Future Income Tax | - | (55,109) |
| Balance – August 31, 2007 | <u>79,569,910</u> | <u>44,779,405</u> |
| Issued for cash: | | |
| Exercise of incentive stock options | 80,000 | 71,000 |
| Fair value of stock options exercised (Note 7d) | - | 44,944 |
| Balance – November 30, 2007 | <u>79,649,910</u> | <u>44,895,349</u> |

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7. Share Capital - Continued

- b) A summary of the Company's warrants and agent/underwriter warrants ("B-Warrants") outstanding at November 30, 2007 and the changes for the period are as follows:

| Number Outstanding August 31, 2007 | Issued | Exercised | Number Outstanding November 30, 2007 | Exercise Price Per Share | Expiry Date | Description |
|---|--------|-----------|---|--------------------------------|----------------|-------------|
| 1,828,571 | - | - | 1,828,571 | \$2.25 | 4-Jul-08 | Warrant |
| 3,171,429 | - | - | 3,171,429 | \$2.25 | 9-Aug-08 | Warrant |
| 7,142,857 | - | - | 7,142,857 | \$2.25 | 6-Sep-08 | Warrant |
| 1,212,121 | - | - | 1,212,121 | \$2.25 | 28-Sep-08 | Warrant |
| 2,351,750 | - | - | 2,351,750 | \$4.00 | 7-Aug-09 | Warrant |
| 18,750 | - | - | 18,750 | \$2.25 | 9-Aug-08 | B-Warrant |
| 245,400 | - | - | 245,400 | \$3.18 | 7-Aug-08 | B-Warrant |
| 36,810 | - | - | 36,810 | \$3.18 | 20-Aug-08 | B-Warrant |
| 16,007,688 | - | - | 16,007,688 | | | |

- c) 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 a prescribed discount from the closing price on the TSX Venture Exchange on the last trading day preceding the grant date. Options vest on the grant date unless determined otherwise by the board of directors.

- d) A summary of the Company's options at November 30, 2007 and the changes for the period are as follows:

| Number Outstanding August 31, 2007 | Granted | Exercised | Cancelled | Number Outstanding November 30, 2007 | Exercise Price Per Share | Expiry Date |
|---|--------------------------|-----------------|------------------|---|--------------------------------|-------------|
| 758,000 | - | - | - | 758,000 | \$0.20 | 17-Dec-07 |
| 367,000 | - | - | - | 367,000 | \$0.20 | 11-Dec-08 |
| 760,000 | - | - | - | 760,000 | \$0.25 | 24-Aug-09 |
| 100,000 | - | - | - | 100,000 | \$0.25 | 26-Nov-09 |
| 900,000 | - | - | - | 900,000 | \$0.25 | 18-Oct-10 |
| 50,000 | - | - | - | 50,000 | \$0.55 | 13-Mar-11 |
| 200,000 | - | (50,000) | (150,000) | - | \$0.55 | 10-Apr-11 |
| 2,600,000 ⁽¹⁾ | - | (30,000) | - | 2,570,000 | \$1.45 | 19-Feb-12 |
| - | 2,000,000 ⁽²⁾ | - | - | 2,000,000 | \$3.55 | 15-Nov-12 |
| 5,735,000 | 2,000,000 | (80,000) | (150,000) | 7,505,000 | | |

1) At November 30, 2007, all but 50,000 of these options had vested.

2) At November 30, 2007, all but 75,000 of these options had vested.

Subsequent to November 30, 2007, 758,000 incentive options expiring on December 17, 2007 were exercised for proceeds of \$151,600 and 100,000 options expiring on November 26, 2009 were exercised for proceeds of \$25,000.

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7. Share Capital - Continued

In November of 2007, the Company granted 2,000,000 incentive stock options to directors and consultants of the Company. The stock options are exercisable at a price of \$3.55 per share for a period of five years. The fair value of stock options used to calculate the compensation expense in February of 2007 was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

| | |
|---------------------------------|------------|
| Average risk-free interest rate | 4.01% |
| Expected dividend yield | Nil |
| Expected stock price volatility | 70.8% |
| Average expected option life | 3.75 years |

The total fair value of the options granted was calculated to be \$3,811,678 on the grant date, \$1,333,816 of which amount was expensed and \$2,370,270 capitalized to resource property costs during the first quarter. The balance of \$107,592 is to be expensed over fiscal 2008 and 2009. The offsetting entries are to contributed surplus.

In the prior fiscal year, the Company granted 2,600,000 incentive stock options to directors and consultants of the Company. The stock options are exercisable at a price of \$1.45 per share for a period of five years. The total fair value of the options granted was calculated to be \$2,266,043 on the grant date, \$1,085,788 of which amount was expensed and \$1,139,340 capitalized to resource property costs. The balance of \$40,915 is to be expensed in fiscal 2008 of which \$21,547 was expensed in the first quarter ended November 30, 2007. The offsetting entry is to contributed surplus.

During the first quarter ended November 30, 2007, 30,000 options expiring on February 19, 2012 were exercised, 50,000 options expiring April 10, 2011 were exercised and 150,000 options were cancelled upon termination of a consulting contract. The fair value of the stock options exercised was calculated to be \$44,944 and that amount has been transferred to share capital from contributed surplus.

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.

e) Contributed Surplus

Details are as follows:

| | November 30, 2007 | August 31, 2007 |
|---|----------------------|--------------------|
| Balance – Beginning of Period | \$ 7,782,856 | 763,946 |
| Fair value of stock-based compensation | 3,725,633 | 2,260,790 |
| Fair value of warrants issued | - | 5,312,006 |
| Fair value of agent/underwriter warrants issued | - | 217,731 |
| Issuance costs attributed to warrants | - | (428,364) |
| Fair value of options exercised – to share capital | (44,944) | (300,916) |
| Fair value of warrants exercised – to share capital | - | (42,337) |
| Balance – End of Period | \$ 11,463,544 | 7,782,856 |

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8. Asset Retirement and Mine Closure Obligations

For each property, management has estimated the costs of reclaiming any disturbances to its projects in accordance with the Company's accounting policies at August 31, 2007. There were no changes made to this estimate in the period ending November 30, 2007. Details of management's estimates of reclamation and mine closure costs are as follows:

| | November 30, 2007 | August 31, 2007 |
|---|----------------------|--------------------|
| Balance – Beginning of Period | \$ 870,961 | \$ 126,000 |
| Foremore Project – estimated camp closure and other reclamation costs | - | - |
| Max Molybdenum - estimated mine closure and other reclamation costs | - | 744,961 |
| Balance – End of Period | \$ 870,961 | \$ 870,961 |

The Company obtained an independent assessment of Max Molybdenum site restoration costs at August 31, 2007 of \$971,826, which includes a 10% contingency to reflect uncertainty and the potential for inflation. Based on the Company's Phase 1 mine plan, the reclamation is to be completed in the summer of 2010, 28 months following start-up.

This amount has been discounted by a risk free rate of 4.38% on the first \$730,000 and 7.75% on the remaining balance of \$241,826. The net present value of \$849,361 is recorded as a long-term liability to be accreted over time with the corresponding asset to be amortized on a unit-of-production method over the estimated mine-life.

Retirement obligations of \$21,600 for the Foremore Project have been estimated by management and are presented on an undiscounted basis due to the uncertainty in forecasting an ultimate closure date.

It is possible the Company's estimate of its ultimate reclamation, site restoration and closure liability could materially change due to possible changes in laws and regulations or changes in cost estimates.

9. Reclamation Bonds

At November 30, 2007, reclamation bonds totalling \$752,900 remain in safekeeping with the British Columbia Ministry of Energy, Mines and Petroleum Resources as summarized below:

| | November 30, 2007 | August 31, 2007 |
|------------------------|----------------------|--------------------|
| Max Molybdenum Project | \$ 730,000 | \$ 730,000 |
| Foremore Project | 22,900 | 22,900 |
| Total | \$ 752,900 | \$ 752,900 |

Interest received on the funds held in safekeeping accrue to the Company's benefit and are recorded as interest income in the period in which they are received by the Company.

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10. Related Party Transactions

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

- a) During the first quarter ended November 30, 2007, consulting fees of \$30,800 (2006 – \$23,600) 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, \$12,000 (2006 - \$12,000) is recorded in deferred exploration and development costs for the period and the balance in consulting fees.
- b) During the first quarter ended November 30, 2007, consulting fees of \$23,800 (2006 - \$16,800) 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 first quarter ended November 30, 2007, per-diem contract fees of \$30,450 (2006 - \$20,050) were paid or accrued to a director or a company controlled by a director. Of this amount, \$28,350 (2006 - \$15,850) is contained in deferred exploration and development costs for the year and the balance has been expensed as consulting fees or generative exploration expense.
- d) During the first quarter ended November 30, 2007, per-diem consulting fees of \$5,950 (2006 - \$Nil) were paid or accrued to a director. This amount is contained in deferred exploration and development costs.
- e) During the first quarter ended November 30, 2007, the Company was reimbursed for rent and office expenses totalling \$5,209 (2006 - \$5,309) by a company with common management.
- f) As at November 30, 2007, current liabilities include \$245,155 (2006 - \$647,938) payable to related parties. These amounts were incurred in the ordinary course of business, are non-interest bearing, and without specific repayment terms.

12. Commitments

- a) The Company has signed a lease agreement for the rental of office space. The lease began April 1, 2006 and ends on March 31, 2009. The future minimum lease obligations are as follows:

| | Amount |
|------|------------------|
| 2007 | \$ 36,523 |
| 2008 | 36,523 |
| 2009 | 21,305 |
| | <u>\$ 94,351</u> |

- b) The Company has signed an offtake agreement with a U.K.-based purchaser (the "Purchaser"), for molybdenum concentrates produced at the Company's Max Molybdenum Mine. Under the terms of the offtake agreement, the Purchaser has agreed to purchase 100 per cent of the molybdenum concentrates produced at the mine during the 2007 calendar year. Thereafter, the contract is renewable through 2017 by mutually agreed upon pricing
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