



ROCA MINES INC.

(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2006 and 2005

(Expressed in Canadian Funds)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Roca Mines Inc.:

The accompanying consolidated financial statements of the Roca Mines Inc. (the "Company") were prepared by management in accordance with accounting principles generally accepted in Canada, and within the framework of the summary of significant accounting policies noted in these consolidated financial statements. Management is responsible for all information in the annual report. All financial and operating data in the annual report is consistent, where appropriate, with that contained in the consolidated financial statements.

A system of internal accounting control is maintained in order to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization. This system includes established policies and procedures, the selection and training of qualified personnel and an organization providing for appropriate delegation of authority and, where possible, segregation of responsibilities.

The Board of Directors discharges its responsibilities for the consolidated financial statements primarily through activities of its Audit Committee composed of three directors. This Committee meets with management to assure that it is performing its responsibility to maintain financial controls and systems and to approve the quarterly unaudited and annual audited consolidated financial statements of the Company. The Audit Committee also meets with the independent auditors to discuss the scope and the results of their audit and audit report prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited on behalf of the shareholders by the Company's independent auditors, PricewaterhouseCoopers, in accordance with Canadian generally accepted auditing standards. The auditors' report outlines the scope of their audit and their opinion on the consolidated financial statements.

"David Skerlec"

David J. Skerlec
Chief Financial Officer and Secretary

"Scott Broughton"

Scott E. Broughton
President and Chief Executive Officer

Auditors' Report

To the Shareholders of Roca Mines Inc.

We have audited the consolidated balance sheet of Roca Mines Inc. as at August 31, 2006 and the consolidated statements of loss and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at August 31, 2005, and for the year then ended, were audited by predecessor auditors who expressed an opinion without reservation on those statements in their report dated October 24, 2005 (except for Note 10 b & c which is as at November 8, 2005).

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, British Columbia

December 20, 2006

Consolidated Balance Sheets

As at August 31

Canadian Funds

ASSETS	2006	2005
Current		
Cash and cash equivalents	\$ 4,909,936	\$ 18,417
Receivables	213,754	86,985
Prepaid expenses	31,047	3,744
Marketable securities (Note 4)	24,700	23,250
B.C. Mining Exploration Tax Credit (BCMETC) receivable	-	238,435
	<u>5,179,437</u>	<u>370,831</u>
Resource Property Costs - Schedule (Note 5)	11,373,439	5,877,591
Reclamation Bonds (Note 9)	752,900	30,900
Deposits on Contracts (Note 12b)	265,000	-
Equipment (Note 6)	36,963	27,974
	<u>12,428,302</u>	<u>5,936,465</u>
	\$ 17,607,739	\$ 6,307,296
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,212,432	\$ 450,530
Due to related parties (Note 10f)	79,769	104,111
	<u>1,292,201</u>	<u>554,641</u>
Asset Retirement and Mine Closure Obligations (Note 8)	126,000	-
	<u>1,418,201</u>	<u>554,641</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 7a)	17,004,359	6,683,966
Contributed Surplus (Note 7h)	763,946	328,802
Deficit - Statement 2	(1,578,767)	(1,260,113)
	<u>16,189,538</u>	<u>5,752,655</u>
	\$ 17,607,739	\$ 6,307,296

ON BEHALF OF THE BOARD:

"Scott Broughton", Scott E. Broughton, Director

"John Mirko", John M. Mirko, Director

- See Accompanying Notes -

Consolidated Statements of Loss and Deficit

For the Years Ended August 31

Canadian Funds

	2006	2005
Expenses		
Consulting and management fees	\$ 137,055	\$ 106,369
Advertising, promotion and shareholder relations	133,977	56,883
Consulting fees - stock-based compensation	111,059	36,200
Travel and insurance costs	76,520	21,485
Accounting, audit and legal fees	73,000	44,817
Banking charges, office and sundry	53,955	25,824
Listing and filing fees	20,483	14,261
Rent	17,042	6,000
Amortization	13,154	12,030
Loss Before the Undernoted	636,245	323,869
Property investigation/generative exploration costs	21,050	-
Write-down of marketable securities	-	4,500
Reclamation costs spent on property previously written off	-	10,000
Gain on sale of marketable securities	(28,839)	-
Interest income	(36,672)	(3,633)
Loss for the Year Before Income Taxes	591,784	334,736
Future income tax recovery (Note 11)	(273,130)	(178,000)
Loss for the Year	318,654	156,736
Deficit - Beginning of year	1,260,113	1,103,377
Deficit - End of Year	\$ 1,578,767	\$ 1,260,113
Loss per Share - Basic and Diluted	\$ (0.01)	\$ (0.01)
Weighted Average Number of Common Shares Outstanding	44,667,377	31,150,178

Consolidated Statements of Cash Flows

For the Years Ended August 31

Canadian Funds

Cash Resources Provided By (Used In)	2006	2005
Operating Activities		
Loss for the year	\$ (318,654)	\$ (156,736)
Items not affected by cash:		
Amortization	13,154	12,030
Write-down of marketable securities	-	4,500
Stock-based compensation	111,059	36,200
Gain on sale of marketable securities	(28,839)	-
Future income tax recovery (Note 11)	(273,130)	(178,000)
	(496,410)	(282,006)
Changes in non-cash working capital items:		
Receivables	(126,769)	(15,291)
B.C. Mining Exploration Tax Credit (BCMETC) receivable	238,435	(238,435)
Prepaid expenses and deposits	(27,303)	75,270
Accounts payable and accrued liabilities	18,517	9,402
	(393,530)	(451,060)
Investing Activities		
Purchase of equipment	(24,800)	(9,982)
Reclamation bonds posted	(722,000)	5,000
Resource property costs, <i>net of exploration tax credits</i>	(3,929,943)	(2,828,257)
Deposits on contracts	(265,000)	-
Proceeds on disposal of marketable securities	43,139	-
	(4,898,604)	(2,833,239)
Financing Activities		
Share issue proceeds	10,707,119	2,708,600
Share issue costs	(523,466)	(142,032)
	10,183,653	2,566,568
Net Increase (Decrease) in Cash and Cash Equivalents	4,891,519	(717,731)
Cash and cash equivalents - Beginning of year	18,417	736,148
Cash and Cash Equivalents - End of Year	\$ 4,909,936	\$ 18,417
Supplemental Schedule of Non-Cash Investing and Financing Transactions		
Exploration expenditures included in accounts payable	\$ 719,045	\$ 178,110
Shares issued for property	\$ 429,500	\$ 75,000
Stock-based compensation recorded in resource property costs	\$ 304,456	\$ -
Fair value of Aug. 2006 warrants issued for finder's fees	\$ 24,526	\$ -
Shares received for property	\$ (15,750)	\$ (27,750)

Consolidated Schedules of Resource Property Costs

For the Years Ended August 31

Canadian Funds

	2006	2005
MAX Molybdenum Project, B.C., Canada		
Acquisition Costs		
Option payment – shares	\$ 395,000	\$ 33,000
Option payment – cash	100,000	50,000
Additional acquisition, staking and land costs	87,152	9,078
	<u>582,152</u>	<u>92,078</u>
Deferred Exploration and Development Costs		
Mill equipment, materials and relocation	1,789,153	-
Mining materials, equipment and underground development	934,147	609,735
Camp equipment, construction costs and materials	510,440	-
Engineering studies and consulting	320,038	154,483
Tailings pond equipment and materials	287,864	-
Consulting and contract fees – stock based compensation	269,638	-
Environmental studies and consulting	196,808	99,549
Roads and roadwork	186,370	-
Geological and project management	157,262	65,717
Lab, assay and metallurgical	132,499	29,636
Travel and accommodation	126,792	95,787
Electrical	110,153	-
Estimated mine closure and reclamation costs	104,400	(31,596)
General labour costs	91,214	34,003
Office equipment, communication, maps, reports and sundry	25,005	34,110
Drilling costs	-	354,353
Exploration tax credits	(249,211)	-
	<u>4,992,572</u>	<u>1,445,777</u>
	<u>5,574,724</u>	<u>1,537,855</u>
Balance Forward	<u>\$ 5,574,724</u>	<u>\$ 1,537,855</u>

Consolidated Schedules of Resource Property Costs - continued

For the Years Ended August 31

Canadian Funds

	2006	2005
Balance Forward	\$ 5,574,724	\$ 1,537,855
FOREMORE VMS-Gold Project, B.C., Canada		
Acquisition Costs		
Option payment – cash	\$ 50,000	\$ 50,000
Additional staking and land costs	127	28,000
Option payment – shares	-	17,762
	<u>50,127</u>	<u>95,762</u>
Deferred Exploration Costs		
Consulting and contract fees – stock based compensation	34,818	-
Estimated reclamation costs	21,600	-
Geophysical	13,967	142,068
Geological and project management	8,076	280,889
Field transportation, mobilization	5,278	371,311
Communication	4,578	10,061
Prospecting, labour, camp costs and meals	3,446	191,205
Materials and equipment	2,749	42,373
Assaying	2,435	65,032
Travel and accommodation	1,298	26,010
Maps and reports	-	34,565
Drilling costs	-	447,322
Exploration tax credits	(220,998)	(175,487)
	<u>(122,753)</u>	<u>1,435,349</u>
	<u>(72,626)</u>	<u>1,531,111</u>
SEAGOLD Project, B.C., Canada		
Acquisition Costs		
Option payment - shares	34,500	14,000
Option payment - cash	25,000	25,000
Option payment received - shares	(15,750)	(27,750)
Option payment received - cash	(50,000)	(25,000)
	<u>(6,250)</u>	<u>(13,750)</u>
Deferred Exploration Costs		
Assays	-	921
Geological	-	350
Exploration Tax Credits	-	(2,870)
	<u>-</u>	<u>(1,599)</u>
	<u>(6,250)</u>	<u>(15,349)</u>
Total Resource Property Costs for the Year	5,495,848	3,053,617
Balance - Beginning of year	5,877,591	2,823,974
Balance - End of Year	\$ 11,373,439	\$ 5,877,591

Roca Mines Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

August 31, 2006 and 2005

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 Inc., 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 and developing 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 mine are amortized on a unit-of-production method based on the estimated life of the mine, 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, 2006 and 2005

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 and receipts 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.

f) Amortization

The Company provides for amortization on its 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 and warrants are recorded as share capital in the amount for which the option or warrant 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.

(A Development Stage Company)

Notes to Consolidated Financial Statements

August 31, 2006 and 2005

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 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 did not materially impact the Company's results of operations and financial position upon adoption.

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

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, 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 190,000 (2005 – 150,000) shares of Romios Gold Resources Inc. ("Romios") at a recorded book value of \$24,700 (2005 - \$23,250) with a market value of \$49,400 (2005 - \$23,250) on August 31, 2006. The Company's share ownership is minimal and it has no control or significant influence over Romios.

5. Resource Property Costs

Details are as follows:

	Acquisition	Deferred Exploration & Development	Total August 31, 2006	Total August 31, 2005
Max Molybdenum Project	\$ 864,811	\$ 6,666,285	\$ 7,531,096	\$ 1,956,372
Foremore VMS-Gold Project	311,084	3,499,650	3,810,734	3,883,360
SeaGold Project	12,500	19,109	31,609	37,859
	\$ 1,188,395	\$ 10,185,044	\$ 11,373,439	\$ 5,877,591

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

On August 31, 2006, the Company completed the acquisition of 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 and prepare for commercial production from the property, the Company issued 600,000 shares to the vendor and made cash payments totalling \$200,000.

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). Advance annual royalty payments of \$50,000 will be payable by the Company starting from August 31, 2007, 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 Molybdenum Project mineral claims. Under the terms of this acquisition agreement, the Company paid \$100,000 for the property and original data detailing all previous exploration. 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.

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****August 31, 2006 and 2005***Canadian Funds***5. Resource Property Costs - Continued****b) FOREMORE VMS-Gold Project, Liard Mining Division, B.C., Canada**

On May 1, 2005, the Company completed the acquisition of a 100% interest in certain properties, known as the Foremore Project 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, up to 60% of the NSR by paying \$1,000,000 for each 30% (\$2,000,000 for the full 60% of the 2.5% NSR). The Company will be required to make annual advance royalty payments of \$50,000 starting May 1, 2006 (\$50,000 paid to date). This advance royalty ceases in the year in which commercial production commences. All advance royalty payments paid to commercial production are a reduction of future royalty payments. The Company must also issue 200,000 common shares to the vendor upon the commencement of commercial production.

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

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

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

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 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.

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****August 31, 2006 and 2005***Canadian Funds***5. Resource Property Costs - Continued**

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

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

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%.

6. Equipment

Details are as follows:

	Cost	Accumulated Amortization	August 31, 2006 Net Book Value	August 31, 2005 Net Book Value
Office and Computers	\$ 39,297	\$ 15,151	\$ 24,146	\$ 8,120
Geological Software	5,137	4,715	422	2,146
Crew/Equipment Van	29,761	17,366	12,395	17,708
	<u>\$ 74,195</u>	<u>\$ 37,232</u>	<u>\$ 36,963</u>	<u>\$ 27,974</u>

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

a) Details are as follows:

Authorized:	Number of Shares	Amount
Unlimited common shares without par value		
Balance - August 31, 2004	26,690,001	\$ 4,202,174
Issued for cash:		
Private placement – November 2004	2,000,000	500,000
Private placement – January 2005	2,080,000	624,000
Private placement – July 2005	2,668,334	800,500
Exercise of Warrants	2,009,500	502,375
Exercise of Agent warrants at \$0.20	1,000,000	200,000
Exercise of Agent warrants at \$0.25	182,900	45,725
Exercise of Incentive stock options	180,000	36,000
Issued to agent as commission and fees – Nov. 2004	110,000	-
Issued to agent as corporate finance fee – Jan. 2005	40,000	-
Issued for MAX Project	100,000	33,000
Issued for Foremore Project	100,000	28,000
Issued for SeaGold Project	50,000	14,000
Fair value of stock options exercised <i>(Note 7h)</i>	-	18,224
Share issuance costs	-	(142,032)
Flow-through share renunciation – tax effect <i>(Note 11)</i>	-	(178,000)
Balance – August 31, 2005	37,210,735	\$ 6,683,966
Issued for cash:		
Private placement of units - December 2005		
- prorated fair value of common shares issued	1,000,000	249,094
Private placement - March 2006	5,000,000	2,000,000
Private placement - May 2006	2,857,143	2,000,000
Private placement - August 2006	7,042,254	5,000,000
Exercise of \$0.20 November Warrants	3,400,000	680,000
Exercise of \$0.25 November Agent Warrants	230,000	57,500
Exercise of \$0.40 July Warrants	1,334,165	533,666
Exercise of \$0.40 July Agent Warrants	77,800	31,120
Exercise of \$0.40 December Warrants	168,333	67,333
Exercise of Incentive stock options	150,000	37,500
Issued to finders on March 2006 private placement	350,000	140,000
Issued for MAX Project	400,000	395,000
Issued for SeaGold Project	50,000	34,500
Fair value of Aug. 2006 warrants issued as finder fees	-	24,526
Fair value of stock options exercised <i>(Note 7h)</i>	-	22,708
Fair value of warrants exercised <i>(Note 7h)</i>	-	8,569
Share issuance costs	-	(687,993)
Flow-through share renunciation – tax effect <i>(Note 11)</i>	-	(273,130)
Balance – August 31, 2006	59,270,430	\$ 17,004,359

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

- b) In December of 2005, the Company completed a private placement for gross proceeds of \$300,000. One million units were issued each consisting of one common share and one common share purchase warrant, each warrant entitling the holder to acquire one additional common share for one year following closing at price of \$0.40 per share. The prorated fair value of the warrants issued was calculated to be \$50,906 on the grant date and is accounted for as a reduction to proceeds from the common shares (to \$249,094) with the offsetting entry to contributed surplus. The total fair value of warrants was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	3.76%
Expected dividend yield	Nil
Expected stock price volatility	57.16%
Average expected option life	1 year

In March of 2006, the Company completed a private placement for gross proceeds of \$2,000,000. 5,000,000 common shares were issued at price of \$0.40 per share. 350,000 shares were issued to certain finders in connection with this private placement, which shares were valued at \$140,000, the price of the private placement being \$0.40.

In May of 2006, the Company completed an additional private placement for gross proceeds of \$2,000,000. 2,857,143 common shares were issued at price of \$0.70 per share. The Company paid a cash fee of \$140,000 in connection with this private placement.

In August of 2006, the Company completed a private placement issuing 7,042,254 common shares at a price of \$0.71 per share raising gross proceeds of \$5 million. Cash fees totalling \$242,727 were paid and 39,335 Agent warrants were issued to various arm's length finders and agents in connection with this offering, each Agent warrant entitling the holder to purchase one common share of the Company until August 28, 2007 at a price of \$0.90 per share. The total fair value of the Agent warrants issued was calculated to be \$24,526 on the grant date and is accounted for in share issuance costs. The offsetting entry is to share capital. The fair value of Agent warrants was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Average risk-free interest rate	4.08%
Expected dividend yield	Nil
Expected stock price volatility	68.9%
Average expected option life	1 year

- c) The Company issued 100,000 common shares in December of 2005, required under the terms of the MAX Project option agreement. On August 31, 2006, the Company issued an additional 300,000 common shares required to exercise its option in full and commence commercial production from the property.
- d) In April of 2006, the Company issued 50,000 common shares as required under the terms of the SeaGold Property option agreement.

Roca Mines Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

August 31, 2006 and 2005

Canadian Funds

7. Share Capital - Continued

- e) A summary of the Company's warrants and Agent warrants ("B-Warrants") outstanding at August 31, 2006 and the changes for the year are as follows:

Number Outstanding August 31, 2005	Issued	Exercised	Expired	Number Outstanding August 31, 2006	Exercise Price Per Share	Expiry Date	Description
3,400,000	-	(3,400,000)	-	-	\$0.20	19-Nov-05	Warrant
1,000,000	-	-	(1,000,000)	-	\$0.35	26-Nov-05	Warrant
40,000	-	-	(40,000)	-	\$0.35	26-Nov-05	B-Warrant
230,000	-	(230,000)	-	-	\$0.25	26-Nov-05	B-Warrant
2,080,000	-	-	(2,080,000)	-	\$0.40	18-Jan-06	Warrant
206,400	-	-	(206,400)	-	\$0.40	18-Jan-06	B-Warrant
1,334,165	-	(1,334,165)	-	-	\$0.40	21-Jul-06	Warrant
77,800	-	(77,800)	-	-	\$0.40	21-Jul-06	B-Warrant
-	1,000,000	(168,333)	-	*831,667	\$0.40	8-Dec-06	Warrant
-	39,335	-	-	39,335	\$0.90	28-Aug-07	B-Warrant
8,368,365	1,039,335	(5,210,298)	(3,326,400)	871,002			

* Exercised subsequent to year-end.

- f) The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. The maximum number of shares issuable under the stock option plan shall not exceed 10% of the issued and outstanding common shares. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the board of directors and the exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant date. Options vest on the grant date unless determined otherwise by the board of directors.
- g) A summary of the Company's options at August 31, 2006 and the changes for the year are as follows:

Number Outstanding August 31, 2005	Granted	Exercised	Number Outstanding August 31, 2006	Exercise Price Per Share	Expiry Date
908,000	-	-	908,000	\$0.20	17-Dec-07
150,000	-	-	150,000	\$0.20	7-Jan-08
397,000	-	-	397,000	\$0.20	11-Dec-08
930,000	-	-	930,000	\$0.25	24-Aug-09
200,000	-	-	200,000	\$0.25	26-Nov-09
-	1,125,000	(150,000)	975,000	\$0.25	18-Oct-10
-	200,000	-	200,000	\$0.55	13-Mar-11
-	450,000	-	450,000	\$0.55	10-Apr-11
-	100,000	-	100,000	\$0.60	8-May-11
2,585,000	1,875,000	(150,000)	4,310,000	\$0.29	

At August 31, 2006, all but 100,000 options (exercisable at \$0.55 and expiring on March 13, 2011) had vested.

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

During the prior fiscal year ended August 31, 2005, 180,000 previously granted and later 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 prior fiscal year, 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 with the offsetting entry to contributed surplus.

During the first quarter of fiscal 2006, 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. Since all options vested immediately, the \$170,306 total fair value of the options was recorded, with the offsetting entry is to contributed surplus.

In March of 2006, the Company granted 200,000 incentive stock options to a consultant providing investor relations services. The stock options are exercisable at a price of \$0.55 per share for a period of five years and vest as to 50,000 options in equal quarterly instalments of 50,000 options over a period of twelve months. The total fair value of the options granted was calculated to be \$66,866 on the grant date of which \$31,204 was recorded during the year, with the offsetting entry to contributed surplus.

In April of 2006, the Company granted 450,000 incentive stock options to consultants providing mining and mill related services. The stock options are exercisable at a price of \$0.55 per share for a period of five years. Since all options vested immediately, the \$169,178 total fair value of the options was recorded, with the offsetting entry to contributed surplus. On May 8, 2006, the Company granted 100,000 incentive stock options to a consultant providing milling and lab services. The stock options are exercisable at a price of \$0.60 per share for a period of five years. Since all options vested immediately, the \$44,827 total fair value of the options was recorded, with the offsetting entry to contributed surplus.

The fair value of stock options used to calculate the compensation expense for these grants is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	<u>2006</u>	<u>2005</u>
Average risk-free interest rate	3.69-4.27%	3.61%
Expected dividend yield	Nil	Nil
Expected stock price volatility	69.5-70.05%	92.27%
Average expected option life	5 years	5 years

During the year ended August 31, 2006, 150,000 previously granted stock options exercisable at \$0.25 per share were exercised for proceeds of \$37,500. The fair value of the stock options exercised was calculated to be \$22,708 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.

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

Details are as follows:

	2006		2005
Balance – Beginning of Year	\$ 328,802	\$	310,826
Fair value of stock-based compensation	415,515		36,200
Fair value of warrants issued in December 2005	50,906		-
Fair value of warrants exercised – to share capital	(8,569)		-
Fair value of options exercised – to share capital	(22,708)		(18,224)
Balance – End of Year	\$ 763,946	\$	328,802

8. Asset Retirement and Mine Closure Obligations

For each property, management has estimated the costs of reclaiming its projects in accordance with the Company's accounting policy (*Note 2e*). Details of management's estimates of reclamation and mine closure costs are as follows:

	2006		2005
Balance – Beginning of Year	\$ -	\$	-
Foremore Project – estimated camp closure and other reclamation costs	21,600		-
Max Molybdenum – estimated mine closure and other reclamation costs	104,400		-
Balance – End of Year	\$ 126,000	\$	-

9. Reclamation Bonds

During the year ended August 31, 2006, the Company was refunded its exploration bonds at the SeaGold and Max Molybdenum projects. The Company was required to place a new bond at Max, to cover estimated mine closure costs. At year end, reclamation bonds totalling \$752,900 remain in safekeeping with the British Columbia Ministry of Energy, Mines and Petroleum Resources as summarized below:

	2006		2005
Max Molybdenum Project	\$ 730,000	\$	5,000
Foremore Project	22,900		22,900
SeaGold Project	-		3,000
Total	\$ 752,900	\$	30,900

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

10. Related Party Transactions

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

- a) During the year ended August 31, 2006, consulting fees of \$81,800 (2005 - \$56,600) 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, \$45,200 is recorded in deferred exploration and development costs for the year and the balance in consulting fees.
- b) During the year ended August 31, 2006, consulting fees of \$70,875 (2005 - \$50,400) 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, 2006, per-diem contract fees of \$69,650 (2005 - \$60,450) were paid or accrued to a director or a company controlled by a director. Of this amount, \$58,800 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 year ended August 31, 2006, monthly consulting fees of \$65,000 (2005 - \$nil) were paid or accrued to the Company's Vice President of Mining. Services provided include drafting and engineering work, equipment procurement, and general project management. This amount is contained in deferred exploration and development costs for the year.
- e) During the year ended August 31, 2006, the Company was reimbursed for rent and office expenses totalling \$7,078 (2005 - \$nil) by a company with common management.
- f) As at August 31, 2006, current liabilities include \$79,769 (2005 - \$104,111) payable to related parties. These amounts were incurred in the ordinary course of business, are non-interest bearing, and without specific repayment terms.

11. Income Taxes

- a) Reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2006	2005
Earnings (Loss) before income taxes	\$ (591,784)	\$ (334,736)
Canadian federal and provincial income tax rate	34.12%	35.60%
Income tax expense (recovery)	(201,917)	(119,166)
Increase (decrease) due to:		
Non-deductible expenses for tax purposes	82,576	41,039
Deductible expenses for tax purposes	(105,235)	(54,056)
Renouncement of exploration credit	(273,130)	(178,000)
Reversal of valuation allowance	224,576	132,182
Income tax expense (recovery)	\$ (273,130)	\$ (178,000)

Roca Mines Inc.*(A Development Stage Company)***Notes to Consolidated Financial Statements****August 31, 2006 and 2005***Canadian Funds***11. Income Taxes - Continued**

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, 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 was renounced with an effective date of December 31, 2005.

For the \$800,500 that was renounced in 2005 (2004 - \$500,000), the future tax liability amounted to \$273,130 (2005 - \$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 \$273,130 (2005 - \$178,000).

The Company has incurred certain resource property related expenditures of approximately \$8,287,580 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 \$1,587,738 that are available to offset future taxable income. These losses may be carried forward and expire in the years 2010 to 2016.

- b) The significant components of future income tax assets and liabilities are as follows:

	2006	2005
Non-capital loss carry forwards	\$ 541,736	\$ 330,917
Temporary difference in value:		
Resource property costs	(1,052,895)	(667,839)
Equipment	21,644	25,160
Future income tax assets (liabilities)	(489,515)	(311,762)
Valuation allowance	489,515	311,762
Net future income tax asset (liability)	\$ -	\$ -

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

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

12. Commitments

- a) During the year, the Company 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) During the year, the Company entered into several contracts as part of the development plan for the Max Molybdenum Mine. At August 31, 2006, the Company had recorded deposits of \$265,000 for construction and future mining costs. If the Company were to cancel the contracts prior to performance, up to 100% of this amount could be forfeited based on the timing of the cancellation.
- c) The Company has entered into a stipulated price contract for concrete works at the Max Molybdenum Mine. The contract requires the Company to pay approximately \$1.2 million for foundation work at the mill and concentrator site if the contractor meets the design and specifications contained in the agreement. At August 31, 2006, approximately 25% of the concrete work had been completed with the balance to be completed subsequent to year-end.
- d) 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 calendar years 2006 and 2007. Thereafter, the contract is renewable through 2017 by mutually agreed upon pricing. The Purchaser will accept delivery at the Company's storage facility at the Max site and will be responsible for all downstream roasting and/or processing charges, transportation, insurance and marketing costs after pickup at the mine gate.

13. Subsequent Events

- a) 831,667 warrants exercisable at \$0.40 per share were exercised for proceeds of \$332,667.
- b) 250,000 incentive stock options were exercised at \$0.55 for proceeds of \$137,500.
- c) In December, 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. The Company paid \$7,500 and issued 60,000 shares on TSX Venture Exchange approval of the agreements. To maintain all options in good standing, the Company must pay an additional \$148,500 and issue 255,000 common shares in stages on or before April 1, 2010. Each property is subject to a 2-per-cent net smelter return royalty which may be purchased by the company for \$2-million.
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