



ROCA MINES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(FORM 51-102F1)

YEAR ENDED AUGUST 31, 2006

DECEMBER 20, 2006

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Management's Discussion and Analysis
Year Ended August 31, 2006
Dated as of December 20, 2006

This discussion and analysis should be read in conjunction with the annual consolidated financial statements and related notes thereto for the years ended August 31, 2006 and 2005, 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 and development of 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 a 100% interest in the Max Molybdenum Project, located near Revelstoke, British Columbia. FortyTwo Metals is now completing construction on this mine, where it plans to produce a readily saleable concentrate of approximately 90% molybdenite (containing approximately 55% by weight of the strategic, transition-metal, molybdenum).

During the year ended August 31, 2006, the Company incurred a loss of \$318,654 and incurred exploration, development and acquisition costs of \$5,495,848 (net of tax credits), compared to a loss of \$156,736 and exploration expenditures of \$3,053,617 for the prior fiscal year. General and administrative expenses increased substantially as a result of \$111,059 in non-cash compensation expense being recognized in 2006 versus only \$36,200 in 2005. Higher travel costs, advertising and shareholder relations expenses also help account for the overall increased in general and administrative costs over 2005, reflecting the Company's rapid expansion and transition from exploration-company to emerging producer.

The Company hired new personnel and moved to new office premises in April of 2006, resulting in higher rent and operating expenses. Exploration, development and acquisition

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expenditures increased significantly in the last six months of the current fiscal year, as the Company accelerated construction at the Max Molybdenum Mine.

During the year ending August 31, 2006, the Company raised over \$10.7 million through various private placements and through warrant and stock option exercises. At August 31, 2006, the Company held cash and cash equivalents of \$4,909,936 and working capital of \$3,887,236 compared to cash of \$18,417 and a working capital deficit of \$183,810 for the prior fiscal year. The Company is adequately funded to continue operations in the short term. However, due to cost overruns and construction delays, the Company will require additional funding prior to completing development of the MAX Molybdenum Mine.

Selected Annual Financial Results

	Year Ended August 31, 2006	Year Ended August 31, 2005	Year Ended August 31, 2004
Total revenues	\$ Nil	\$ Nil	\$ Nil
Net loss	\$ (318,654) ¹	\$ (156,736)	\$ (801,979) ²
Net loss per share	\$ (0.01)	\$ (0.01)	\$ (0.05)
Total assets	\$ 17,607,739	\$ 6,307,296	\$ 3,776,752
Total long term debt	\$ Nil	\$ Nil	\$ Nil

Notes:

- 1) The loss for the year-ended August 31, 2006 includes non-cash stock-based compensation of \$111,059.
- 2) 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

MAX Molybdenum Project

In August of 2006, the Company completed the 100% acquisition of 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).

In August of 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.

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.

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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. 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 approximately 75,000 tonnes per year on a campaigned basis. Initial production will focus on the "HG" Zone, including an estimated 280,000 tonnes ("measured + indicated") grading 1.95% MoS₂ hosted within the larger MAX deposit comprising 42.9 million tonnes ("measured" + "indicated") grading 0.20% MoS₂. 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 2007.

The Company's wholly-owned subsidiary, FortyTwo Metals Inc, has now completed the purchase of a complete 1000 ton per day (tpd) mill and concentrator (in two separate 500 tpd circuits), and related equipment for the MAX Project for total consideration of US\$325,000. The Van Stone Mill, located near Colville, Washington State, is well suited for use at MAX and will significantly reduce capital costs, lead-time and engineering design requirements for bringing the MAX Molybdenum Mine into production. The rated capacity of the Van Stone mill is greater than the initial planned production at MAX and therefore provides a ready opportunity for possible future expansion of the project. It is located approximately 380 highway kilometres (230 miles) south of the MAX site. The Company is in the process of completing the mill reassembly at the Max Molybdenum site with minor engineering and design changes already completed.

During the year ended August 31, 2006, the Company incurred acquisition, development and exploration costs of \$5,574,724 net of exploration tax credits compared to \$1,537,855 for the year-ended August 31, 2005. Development costs included costs associated with road and underground rehabilitation, environmental consulting, engineering, mine and mill and tailings facility development. As at August 31, 2006, a total of \$7,531,096 in acquisition and deferred exploration and development costs have been incurred at MAX, net of recorded tax credits.

Foremore VMS-Gold Project

In May of 2005, the Company completed the acquisition of a 100% interest in certain properties, known as the Foremore project 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 is required to make annual advance royalty payments of \$50,000 on May 1 of each year (\$50,000 paid to date). This advance royalty ceases in the year in which commercial production commences at which time all advance royalty payments paid to commercial production are a reduction of future

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royalty payments. The Company must also issue 200,000 common shares to the vendor upon the commencement of commercial production.

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. It is situated in one of the most active mining and exploration areas in British Columbia. Significant operations include Barrick Gold's legendary Eskay Creek Mine, Cominco's historic Snip Mine and NovaGold's massive Galore Creek Project. Foremore is located approximately 45 km north of the Eskay Creek Mine and is on the planned road access route to the Galore Creek Project.

Drawn to the area because of its abundance of mineralized boulders, previous explorers failed to locate a source for several fields of well-mineralized boulders at Foremore. In contrast, the Company's exploration crews have succeeded in discovering numerous showings and mineralized zones in outcrop and in diamond drill-holes, over the past few seasons. The 'North Zone' exhibits all of the characteristics of major world-class volcanogenic massive sulphide ("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.

To date, the Company had expended a total of \$3,810,734 (net of recorded tax credits) at Foremore including \$311,084 in acquisition costs and the balance in deferred exploration costs.

While relatively inactive at Foremore during the year ended August 31, 2006, the Company is planning an exploration program for 2007 to include the following key components;

- Mapping & prospecting over Airborne anomalies;
- Ground EM to more precisely locate drill sites;
- Drill testing of EM/Mag anomalies; and,
- Step-out drilling of intersections in the More Creek Area.

SeaGold Property

The SeaGold Project is a relatively early stage exploration project located 35 km north of Barrick Gold's Eskay Creek gold/silver mine in the Liard Mining Division, British Columbia. 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.

On December 1, 2006 (subsequent to year-end), the Company completed the acquisition of a 100% interest in the SeaGold Project for staged payments totalling \$100,000 and 200,000 common shares. The SeaGold 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 must also issue 200,000 common shares to the vendor upon the commencement of commercial production and

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advance royalty payments of \$30,000 per annum commencing on December 1, 2007. This advance royalty ceases in the year in which commercial production commences at which time all advance royalty payments paid to commercial production are a reduction of future royalty payments.

Management has now focused all efforts and budget at MAX and Foremore and allowed a partner to fund exploration at the SeaGold Project. The Company has signed an agreement dated May 1, 2005 with Romios Gold Resources Inc. ("Romios") whereby Romios can earn an additional 50% interest in the SeaGold Property.

	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>

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 December 1, 2007.

During the year ended August 31, 2006, the Company paid \$25,000 (2005 - \$25,000) and issued 50,000 shares (2005 - 50,000) to the original property vendor to maintain its option in good standing and received \$50,000 (2005 - \$25,000) and 150,000 shares (2005 - 150,000) due under the terms of its option agreement with Romios. Subsequent to year-end, the Company made its final payment of \$25,000 cash and 75,000 common shares to the original vendor, and received a further \$50,000 and 150,000 common shares from Romios.

Vice President Mining Retained

In April of 2006, the Company appointed John Kiernan, P.Eng, as vice-president, mining. Mr. Kiernan's primary responsibility will be overseeing all aspects of the development and construction of the MAX molybdenum mine and its subsequent operations.

Mr. Kiernan is a mining engineer with 22 years of operating and engineering experience in the mining industry, including: capital project implementation, mine design, underground development, production engineering and operations scheduling. In addition, he brings experience as a principal mining engineer from his eight years with AMEC/MRDI, and six years as a mine planning engineer and project manager with Inco in Sudbury, Ontario and Thompson, Manitoba.

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Mr. Kiernan has worked on a number of base metal, diamond and gold projects in North America and internationally, including; Campbell Red Lake, Creighton, Diavik, Getchell, Pogo, Snap Lake and Nanisivik. He has also worked as a financial analyst and qualified person and has built economic models to assess project viability including consideration of risk through simulation, scenario and sensitivity analyses. Mr. Kiernan is a member of the Canadian Institute of Mining and Metallurgy (CIM) and is a past chairman of the Vancouver branch of the CIM.

Operating Expenses and Loss

The Company is engaged in exploration and development of 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 a 100% interest in the Max Molybdenum Project, located near Revelstoke, British Columbia. FortyTwo Metals is now completing construction on this mine, where it plans to produce a readily saleable concentrate of approximately 90% molybdenite (containing approximately 55% by weight of the strategic, transition-metal, molybdenum).

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The Company hired new personnel and moved to new office premises in April of 2006, resulting in higher rent and operating expenses. Exploration, development and acquisition expenditures increased significantly in the last six months of the current fiscal year, as the Company accelerated construction at the Max Molybdenum Mine.

Liquidity and Capital Resources

During the year ending August 31, 2006, the Company raised over \$10.7 million through various private placements and through warrant and stock option exercises. At August 31, 2006, the Company held cash and cash equivalents of \$4,909,936 and working capital of \$3,887,236 compared to cash of \$18,417 and a working capital deficit of \$183,810 for the prior fiscal year. The Company is adequately funded to continue operations in the short term. However, due to cost overruns and construction delays, the Company will require additional funding prior to completing development of the MAX Molybdenum Mine.

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Summary of Quarterly Results

	Aug. 31, 2006	May 31, 2006	Feb. 28, 2006	Nov. 30, 2005
Total revenues	Nil	Nil	Nil	Nil
Net income (loss)	392,186 ¹	(316,067) ²	(122,570)	(272,203) ³
Net income (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
Total assets	17,607,739	10,766,245	6,640,982	6,499,131
Total long term debt	Nil	Nil	Nil	Nil

	Aug. 31, 2005	May 31, 2005	Feb. 28, 2005	Nov. 30, 2004
Total revenues	Nil	Nil	Nil	Nil
Net loss	98,126 ⁴	(69,051)	(91,845)	(93,966)
Net 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

Note 1: The income recorded in the quarter ended August 31, 2006 includes a future income tax recovery of \$273,130 and significant reallocations of stock-based compensation expense from general and administrative expenses to deferred exploration and development costs.

Note 2: The loss for the quarter ended May 31, 2006 includes stock-based compensation expense of \$228,517.

Note 3: The loss for the quarter ended November 30, 2005 includes stock-based compensation expense of \$170,306.

Note 4: The income recorded in the quarter ended August 31, 2005 includes a future income tax recovery of \$178,000.

Related Party Transactions

Each of Scott Broughton, David Skerlec, John Mirko, and John Kiernan 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. Mr. Kiernan is paid a monthly consulting fee of \$13,000. 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 contained in deferred exploration and development costs for the year and the balance in consulting fees. 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. During the year ended August 31, 2006 per-diem contract fees \$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. During the year ended August 31, 2006, consulting fees of \$65,000 (2005 - \$nil) were paid or accrued to the Company's Vice

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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. 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. 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.

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, exploration and development 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 and development property holdings to prioritize project expenditures based on funding availability.

Developing mineral deposits is subject to various risks and is dependent on a number of criteria, including the deposit size, grade, proximity to infrastructure, as well as commodity prices. While management believes that the grade and quantity of the high-grade measured and indicated molybdenite resource (280,000 tonnes of 1.95% at a 1% cutoff grade) at the MAX project is sufficient to justify mining and production, no feasibility study has been completed and therefore these resources should not be considered mineable reserves.

Contractual Commitments

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:

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

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

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\$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.

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.

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.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of August 31, 2006. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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Outstanding Share Data

	Number of Shares	Amount
Balance - August 31, 2004	26,690,001	\$ 4,202,174
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	-	18,224
Share issuance costs	-	(142,032)
Flow-through share renunciation – tax effect	-	(178,000)
Balance – August 31, 2005	37,210,735	\$ 6,683,966
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	-	22,708
Fair value of warrants exercised	-	8,569
Share issuance costs	-	(687,993)
Flow-through share renunciation – tax effect	-	(273,130)
Balance – August 31, 2006	59,270,430	\$ 17,004,359
Exercise of Warrants	831,667	332,667
Exercise of Stock Options	250,000	137,500
Issued for Revelstoke Properties	60,000	90,000
Balance – December 20, 2006	60,412,097	\$ 17,564,526

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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).

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. 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 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. In April of 2006, the Company issued 50,000 common shares as required under the terms of the SeaGold Property option agreement.

During the year ended August 31 2006, 3,400,000, \$0.20 warrants were exercised for gross proceeds of \$680,000 and 230,000, \$0.25 Agent warrants ("B-Warrants") were exercised for proceeds of \$57,500. 1,334,165 Warrants expiring in July 2006, 168,333 Warrants expiring in December 2006, and 77,800 Agent Warrants were exercised all at \$0.40, for additional proceeds of \$533,666, \$67,333, and \$31,120 respectively.

Subsequent to year-end, the remaining 831,667 warrants exercisable at \$0.40 per share were exercised for proceeds of \$332,667 leaving only 39,335 Agent Warrants outstanding at the date of this report.

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A summary of the Company's warrants outstanding at August 31, 2006 and the changes for the year are as follows:

Description	Expiry Date	Exercise Price Per Share	Number Outstanding August 31, 2005	Issued	Exercised	Expired	Number Outstanding August 31, 2006	Proceeds Received
Warrant	19-Nov-05	\$0.20	3,400,000	-	(3,400,000)	-	-	\$ 680,000
Warrant	26-Nov-05	\$0.35	1,000,000	-	-	(1,000,000)	-	-
B-Warrant	26-Nov-05	\$0.35	40,000	-	-	(40,000)	-	-
B-Warrant	26-Nov-05	\$0.25	230,000	-	(230,000)	-	-	57,500
Warrant	18-Jan-06	\$0.40	2,080,000	-	-	(2,080,000)	-	-
B-Warrant	18-Jan-06	\$0.40	206,400	-	-	(206,400)	-	-
Warrant	21-Jul-06	\$0.40	1,334,165	-	(1,334,165)	-	-	533,666
B-Warrant	21-Jul-06	\$0.40	77,800	-	(77,800)	-	-	31,120
Warrant	8-Dec-06	\$0.40	-	1,000,000	(168,333)	-	831,667	67,333
B-Warrant	28-Aug-07	\$0.90	-	39,335	-	-	39,335	-
			8,368,365	1,039,335	(5,210,298)	(3,326,400)	871,002	\$ 1,369,619

In October of 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. 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 installments of 50,000 options over a period of twelve months. In April, 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. In May, the Company granted 100,000 incentive stock options to a consultant providing milling and lab services. These options are exercisable at a price of \$0.60 per share for a period of five years.

A summary of the Company's stock options at August 31, 2006 and changes for the year is 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	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	(150,000)	975,000	\$0.25	October 18, 2010
-	200,000	-	200,000	\$0.55	March 13, 2011
-	450,000	-	450,000	\$0.55	April 10, 2011
-	100,000	-	100,000	\$0.60	May 8, 2011
2,585,000	1,875,000	(150,000)	4,310,000	\$0.29	

Subsequent to year-end, an additional 250,000 options exercisable at \$0.55 were exercised for proceeds of \$137,500.

Subsequent Events

831,667 warrants exercisable at \$0.40 per share were exercised for proceeds of \$332,667. 250,000 incentive stock options were exercised at \$0.55 for proceeds of \$137,500. 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.

Outlook

The Company is rapidly advancing development of the Max Molybdenum Mine near Revelstoke, British Columbia. While weather conditions have delayed construction at MAX, the Company remains focused on achieving a production start-up in the first calendar quarter of 2007. To make up for schedule slippage, the Company is now concentrating on expanding underground mine development and accelerating assembly of the second 500-tonne-per-day mill circuit to a total mill capacity of approximately 1,000 tonnes per day. Expansion of these elements will provide the surplus capacity and scheduling flexibility to meet the Company's production targets in 2007.

The Company also remains committed to new project generation and exploration.

Exploration at the Max Project will focus on expanding the known molybdenite mineralization at depth and following up on various tungsten zones of interest, some of which were newly discovered in 2006. Recently the Company also acquired four early stage exploration projects within a 100-kilometre radius of MAX, in the historically important Lardeau mining camp.

In the Eskay/Iskut camp in north-western British Columbia, the Company will continue to work with its partner on a gold exploration program at SeaGold and looks forward to renewing its advanced stage exploration program at the Foremore VMS-Gold project in 2007. The Foremore program will focus on both base and precious metal targets, following up on encouraging geological, diamond drilling and geophysical programs conducted in the summer of 2005.