



**ROCA MINES INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(FORM 51-102F1)**

**SIX MONTHS ENDED FEBRUARY 28, 2009**

**April 27, 2009**



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### Date of Report

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated unaudited financial statements and related notes thereto for the three and six months ended February 28, 2009 and February 29, 2008, and the consolidated audited financial statements and related notes thereto for the years ended August 31, 2008 and August 31, 2007, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). This MD&A is prepared as of April 27, 2009. All amounts in the financial statements and this MD&A are expressed in Canadian dollars, unless otherwise indicated.

### Description of Business

Roca Mines Inc. (the "Company") is engaged in the exploration, development and production of mineral resources including base, precious and strategic metals in British Columbia ("BC"), Canada. The Company, through its wholly-owned subsidiary, FortyTwo Metals Inc., operates the MAX molybdenum mine, a producer of molybdenite concentrates that are sold at the mine gate and under the terms of an offtake agreement.

### Highlights

- Successfully progressed past the December 2008 rockfall at the Max molybdenum mine and restarted at Phase I production rates in January of 2009;
- Revenues of \$11.6 million for September 1 to February 28, 2009;
- Cash flows from operations of \$5.35 million or \$0.06 cents per share during the six months ended February 28, 2009;
- Cash costs of Cdn\$8.01 (approx. US\$6.80) per lb of molybdenum produced during the six months ended February 28, 2009.
- Q1 and Q2 average molybdenum recoveries of approximately 95%; and
- Q1 and Q2 molybdenum in concentrate production of 679,697 pounds and 451,130 lbs respectively.

### Selected Annual Financial Results

The information below has been extracted from the Company's annual financial statements.

	Year Ended August 31, 2008	Year Ended August 31, 2007	Year Ended August 31, 2006
Total revenues	\$ 18,785,083	\$ Nil	\$ Nil
Net loss	\$ (2,493,151) <sup>1</sup>	\$ (838,029) <sup>2</sup>	\$ (318,654) <sup>3</sup>
Net loss per share	\$ (0.03)	\$ (0.01)	\$ (0.01)
Total assets	\$ 60,462,014	\$ 53,361,488	\$ 17,607,739
Total long term debt	\$ Nil	\$ Nil	\$ Nil

Notes:

- 1) The loss for the year-ended August 31, 2008 includes non-cash stock-based compensation of \$1,453,191 and future income tax recovery of (\$3,017,573).
- 2) The loss for the year-ended August 31, 2007 includes non-cash stock-based compensation of \$1,121,450 and future income tax recovery of (\$811,942).
- 3) The loss for the year-ended August 31, 2006 includes non-cash stock-based compensation of \$111,059 and future income tax recovery of (\$273,130).



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**Summary of Quarterly Results (unaudited)**

	<b>Feb 28, 2009</b>	<b>Nov. 30, 2008</b>	<b>Aug. 31, 2008</b>	<b>May 31, 2008</b>
Total revenues	3,267,337	8,310,517	12,509,316	6,275,767 <sup>2</sup>
Net income (loss)	(6,780,592)	(5,121,724)	(2,058,422) <sup>1</sup>	1,516,846
Net income (loss) per share	(0.08)	(0.06)	(0.03)	0.02
Total assets	47,610,009	52,611,063	60,462,014	59,553,816
Total long term debt	Nil	Nil	Nil	Nil

  

	<b>Feb. 29, 2008</b>	<b>Nov. 30, 2007</b>	<b>Aug. 31, 2007</b>	<b>May 31, 2007</b>
Total revenues	Nil	Nil	Nil	Nil
Net income (loss)	(361,243)	(1,590,332) <sup>3</sup>	631,766 <sup>4</sup>	(158,172)
Net income (loss) per share	(0.01)	(0.01)	0.01	(0.01)
Total assets	57,396,530	57,098,261	53,361,488	37,818,994
Total long term debt	Nil	Nil	Nil	Nil

Note 1: The loss for the fourth quarter ended August 31, 2008 includes stock-based compensation expense of (\$1,453,191) and income and mining tax recoveries of \$2,792,009.

Note 2: Concentrate sales prior to April 13, 2008 have been recorded as a development cost recovery, not as revenues.

Note 3: The loss for the quarter ended November 30, 2007 includes stock-based compensation expense of (\$1,355,363).

Note 4: The income recorded in the quarter ended August 31, 2007 includes a future income tax recovery of \$811,942.

Note 5: The loss for the quarter ended February 28, 2007 includes stock-based compensation expense of (\$1,062,267).

**Results of Operations**

During the six months ended February 28, 2009, the Company recorded production revenues of \$11,577,854 and a net loss of \$11,850,042. Cash flows from operations totalled \$5,349,824 during the period, which funds were invested in property plant and equipment upgrades, exploration expenditures and a share repurchase program. The Company was in the development stage, had \$Nil revenues and a loss of \$1,951,575 (including non-cash stock based compensation of \$1,381,075) during the six months ended February 29, 2008. General and administrative expenses increased by approximately 15% over 2008, reflecting the Company's transition from exploration and development-company to producer.

The Company was in the development stage, had \$Nil revenues and a loss of \$361,243 during the three months ended February 29, 2008. During the three months ended February 28, 2009, the Company recorded production revenues of \$3,267,337 and a net loss of \$6,780,592. The Company recorded negative operating cash flows of \$939,893 during the period because of lower grade ore processed in December of 2008 and the significant maintenance costs incurred after a rockfall occurred at the Max molybdenum mine. Cash flows from January-February sales and from an equity issuance completed during the quarter were used to offset these operating losses and to successfully restart the operation. The investments in mine development and underground maintenance at the mine ultimately allowed the Company to return to positive cash-flow in the latter part of quarter.

**MAX Molybdenum Mine**

Through its wholly-owned subsidiary, FortyTwo Metals Inc., the Company holds a 100% interest in the MAX molybdenum mine located approximately 60 kilometres southeast of Revelstoke, B.C. The MAX claims and related holdings cover approximately 8,200 hectares in the Revelstoke Mining Division.

*Resource Estimate*

A resource estimate completed in September of 2004 in compliance with the CIM Standards stipulated by National Instrument 43-101 of the Canadian securities commissions is summarized below:



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

Notes: In addition to the above measured and indicated resources, inferred resources total 8,900,000 tonnes averaging 0.16% MoS<sub>2</sub> at the 0.10 cut-off, including 460,000 tonnes averaging 0.33% at the 0.20 cut-off.

To convert molybdenite (MoS<sub>2</sub>) values to molybdenum (Mo) value, divide MoS<sub>2</sub> by 1.6681 (e.g. 1% MoS<sub>2</sub> = 0.60% Mo).

*Production Results*

The Company announced that it had achieved its commercial production targets on April 12, 2008 at its MAX molybdenum mine located in BC, Canada. The mine became BC's first new metal mine in a decade and the newest primary molybdenum mine in Canada.

Revenues of \$11.6 million for the six months ended February 28, 2009 result from shipments during September, 2008 through February, 2009 and reflecting final and/or estimated final pricing at February 28, 2009. The Company sells its concentrates to a UK-based buyer with sales revenues based on average prevailing molybdenum oxide prices subsequent to delivery. The Company has no hedging program nor has it sold forward any of its production.

The table below is a summary of the operating statistics for the three months ended November 30, 2008:

MAX Mine Statistics	Q1-2009			
	SEPT '08	OCT '08	NOV '08	TOTAL
Molybdenum Produced (lbs) <sup>1</sup>	269,331	187,979	222,387	679,697
Average Head Grade (% Mo)	1.18	0.79	1.01	
Molybdenum Recovery (%)	95.8	94.8	96.1	
Mill Availability (%)	96	100	95	
Average Daily Throughput (tpd)	375	382	358	

Notes: (1) molybdenum contained in concent

Cash costs of production during the first quarter were significantly lower than the fourth quarter of fiscal 2008, as a result of an ongoing grade control program and higher average grades received at the mill during September through November. Cash costs averaged approximately Cdn\$7.07 per lb (US\$5.80) of molybdenum during the first quarter. Daily mine production was lower than targets due to equipment availability.

During December 2008, a rockfall occurred underground at the mine which impacted the immediate availability of production ore. The rockfall was localized to the stope development area of the 875 metre level. No workers were present on the level at the time and no one was harmed. The rockfall poses no threat to other working areas of the mine, but did impact the production schedule for the second quarter ending February 28, 2009. A maintenance break originally scheduled between December 12 and December 29, 2008, was extended to excavate the rockfall and adjacent ore in the stope. The mine recommenced production on January 8, 2009.



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The table below is a summary of the operating statistics for the three months ended February 28, 2009:

MAX Mine Statistics	Q2-2009			
	DEC '08	JAN '09	FEB '09	TOTAL
Molybdenum Produced (lbs) <sup>1</sup>	40,498	162,557	248,075	451,130
Average Head Grade (% Mo)	0.50	0.73	0.87	
Molybdenum Recovery (%)	96.3	94.9	94.0	
Mill Availability (%)	98	97	98	
Average Daily Throughput (tpd)	311	467	498	

Notes: (1) molybdenum contained in concent

Cash costs of production during the second quarter were higher than the first quarter as result of higher costs and lower production during December and substantially lower operating efficiencies given the twenty-seven day shutdown between December and January. Cash costs averaged approximately Cdn\$9.35 per lb (US\$7.57) of molybdenum during the second quarter ended February 28, 2009. For the six months ended February 28, 2009 cash costs averaged of Cdn\$8.01 (approx. US\$6.80) per lb of molybdenum sold.

#### *Phase II Expansion Project*

Initial production at MAX is focusing on the "HG" Zone, including an estimated 280,000 tonnes of ("measured + indicated") ore grading 1.95% MoS<sub>2</sub>. Expansion of the mine and mill is being guided by prevailing molybdenum prices and an assessment of ongoing operating costs throughout 2009.

The Company plans to seek graduated permitting to increase the production of the mine over time including the Phase II mine. Under the current operating plan, a permit to operate at the as-built capacity will be required in late 2009. An application for this increase in production rate will be submitted after environmental and water quality data is collected and compiled. The information will demonstrate that the mine is working well within its compliance requirements and with minimal impact to the environment.

As a result of recent global economic uncertainty and declining commodity prices, management of the Company has undertaken several initiatives to cut costs at the MAX molybdenum mine while continuing to operate under its Phase I mine plan. Phase II expansion plans, including completing capital spending for that expansion, are being minimized. However, the opportunity to rapidly accelerate that work has been preserved.

Costs associated with the Company's Phase II expansion and associated direct overhead costs will continue to be capitalized until those assets are substantially completed and ready for use in accordance with Canadian GAAP.

#### *Foremore VMS-Gold Project*

The Company holds a 100% interest in the Foremore VMS-Gold project situated in the "Golden Triangle" one of the most active mining and exploration areas in north-western British Columbia. The property comprises 65 contiguous mineral claims totaling 23,609 hectares in the Liard Mining Division. Significant operations in the area include Barrick Gold's legendary Eskay Creek Mine, Cominco's historic Snip Mine and NovaGold and Teck Cominco's Galore Creek Project. Foremore has been the focus of the Company's exploration efforts dating back to the summer of 2002 and was the focus of exploration by Cominco Limited between 1989 and 1996.

Expenditures on the Foremore Project during the six months ended February 28, 2009 were \$952,494 and at February 28, 2009 totalled \$6,501,003 including \$448,776 in acquisition, staking costs and advance royalties.



### ***SeaGold Property***

The Company holds a 50% interest in the SeaGold Project, comprising 8 claim blocks of 4,000 hectares, centered on a number of gold and copper occurrences approximately 35 km north of Barrick Gold's Eskay Creek gold/silver mine in BC. The balance of the property interest is now held by Romios Gold Resources Inc. ("Romios"). Romios serves as the operator of a 50:50 joint venture on the SeaGold project. The Company expended \$15,000 on this project during the six months ended February 28, 2009.

### ***Lardeau Properties***

A 2006 exploration program by the Company reviewed potential targets within a 100 km radius of the MAX molybdenum mine. This work resulted in the optioning of a 100% interest in four projects in the historic Lardeau Mining Camp covering an area of approximately 5,600 hectares. The Company has recently conducted exploratory prospecting and limited diamond drill programs on these four properties.

In 2007, the Company acquired by staking a 100% interest in the *Butters Peak Molybdenum Property*, located approximately 25 km northeast of the MAX Mine. The Company conducted limited prospecting and reconnaissance on the property in 2008.

In light of current economic conditions, the Company has now abandoned all of these early-stage prospects in order to focus on its more advanced mining and exploration projects. Therefore the Company has taken an impairment charge of the total \$28,013 in expenditures incurred on these projects during the six months ended February 28, 2009. The *Butters Peak* project claims have been allowed to lapse and all other properties will revert back to the original vendors.

### **Liquidity and Financial Position**

The consolidated financial statements of the Company have been prepared using Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the six months ended February 28, 2009, the Company reported a loss of \$11,850,042 and an accumulated deficit of \$17,403,989 at that date. Cash and cash equivalents at February 28, 2009 amounted to \$394,701. While the Company had positive cash flow from operations for the six-month period, a recent decline in the price for molybdenite concentrates has significantly reduced cash operating margins. These circumstances lend significant doubt as to the ability of the Company to continue as a going concern and accordingly, the validity of the going concern assumption.

The ability of the Company to continue as a going concern is dependent upon its ability to reduce costs and improve operating margins or to continue to raise adequate financing. Management has implemented a series of cost cutting measures and contingency plans for future financing should economic conditions deteriorate. There is no assurance that these initiatives will be successful in the future.

### **Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, reclamation deposits, accounts payable and accrued liabilities, amounts due to related parties and other long term liabilities. The Company is exposed to potential loss from various risks including credit risk, interest rate risk, currency risk, liquidity risk, market risk and commodity price risk.

#### ***i) Credit Risk***

A concentration of credit risk in trade accounts receivable resides with the Company's only customer in the United Kingdom. Management has considered payment history and other factors and estimated that no allowances are required to allow for potential credit losses, as the risk of non-performance is remote. The Company's maximum exposure to credit risk is the carrying value of its accounts receivables.



*ii) Foreign Exchange Risk*

The Company's revenues from the production and sale of molybdenum are denominated in US dollars however the Company's operating expenses are incurred primarily in Canadian dollars and its liabilities are denominated primarily in Canadian dollars. Consequently, the Company's operations are subject to currency translation risk. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuation of the US dollar in relation to the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

*iii) Interest Rate Risk*

The Company is exposed to interest rate risk on its cash and cash equivalents and reclamation bonds. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher yielding cash equivalents and investments mature and the proceeds are invested at lower interest rates.

*iv) Liquidity Risk*

The Company is exposed to liquidity risk. The Company manages liquidity risk by maintaining sufficient cash and short-term investment balances for settlement of its obligations. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital in order to meet short-term obligations.

*v) Pledged Financial Assets*

The Corporation has financial assets that are pledged for reclamation obligations. Reclamation deposits are maintained to satisfy the Corporation's obligation for future reclamation expenditures at its MAX mine site and various exploration properties.

*vi) Market and Commodity Price Risk*

The Company is exposed to market risk and commodity price risk. Declines in the market price of commodities, most significantly molybdenum, can not only adversely affect operating results, but may also affect the Company's ability to raise capital to fund its ongoing exploration, development or mining activities. The Company does not currently enter into forward contracts for any of its production.

**Critical Accounting Estimates**

The Company's accounting policies are described in Note 2 to the interim and annual consolidated financial statements. The preparation of these financial statements in conformity with generally accepted accounting policies requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on past experience, industry trends and known commitments and events. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. The estimates made in applying the policies below can be uncertain and a change in these estimates could materially impact the financial statements.

**Resource Property Costs, Property Plant and Equipment**

Resource property costs and Property, Plant and Equipment represent the most significant assets of the Company. The costs associated with resource costs and/or property, plant and equipment include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. These costs are capitalized on an individual project. If production commences, these costs would be amortized over the estimated life of mine. Unrecoverable costs for projects determined to be commercially not feasible are expensed in the year in which the determination



is made or when the project is allowed to lapse, abandoned or determined to be impaired. The Company's management regularly reviews the carrying value of the Company's mineral properties. Where information is available and conditions suggest impairment, estimated future net cash flows from each property are calculated using estimated future prices, proven and probable reserves, and operating and capital costs on an undiscounted basis. An impairment charge is recorded if the undiscounted future net cash flows are less than the carrying amount. Reductions in the carrying value of each property, with a corresponding charge to operations, are recorded to the extent that the estimated future net cash flows on a discounted basis are less than the property carrying value in accordance with CICA Handbook Section 3063, "Impairment of Long-lived Assets". Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered. If any impairment is identified, the carrying value of the property is written down to its estimated fair value.

Depreciation and depletion is also determined based on property, plant and equipment carrying values. Depreciation and depletion is calculated on the units of production basis over existing mineral reserves or resources. Mineral resources or reserves are an estimate of the quantity of economically recoverable ore and/or mineralization and will change from time to time as a result of additional geological information, actual grade or recoveries different from original estimates or commodity price changes.

#### ***Asset Retirement Obligations***

The Company is subject to various laws governing reclamation of its mine sites and exploration sites. These laws are continually changing and these changes may affect the procedures and costs required to complete reclamation obligations. Estimates of the fair value of these liabilities for asset retirement obligations are recognized in the period they are incurred. A corresponding increase in the related asset is recorded and depreciated over the estimated life of the asset. If the fair value of the liability decreases due to changes in future cash flow estimates, a corresponding decrease in the related asset is recorded. If the reduction exceeds the value of the related asset, the remaining amount is reduced through earnings. Where a related asset is not identifiable with a liability, the change in fair value is charged to earnings in the period. Each period, the liability is increased to reflect the accretion (or interest) portion of the initial fair value estimate and changes in estimated cost and timing of the reclamation procedures. Actual future reclamation costs may be materially different from the costs estimated by the Company.

#### ***Stock Option and Warrant Valuation***

The determination of the fair value of stock options and warrants issued requires management to estimate future stock volatility, expected life, and a risk-free rate of return. The Company uses historic information to estimate these future variables. Given the change in the Company from an exploration to emerging producer, historic information may no longer be valid and these estimates could materially impact the consolidated financial statements.

#### ***Income and Mining Taxes***

The Company uses the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are determined based on differences between the financial statement carrying amounts and their respective tax bases, and for tax losses and other deductions carried forward. The Company evaluates the carrying values of its future tax assets periodically by assessing its valuation allowance and by adjusting the amount of such valuation allowance in the period, if necessary. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

#### ***Changes in Accounting Policies***

Effective September 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").



i) Section 1535, *Capital Disclosures*, establishes standards for disclosing information about an entity's capital and how it is managed. The purpose will be to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

ii) Sections 3862 and 3863 – *Financial Instruments-Disclosures* and *Financial Instruments-Presentation*, 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.

iii) Section 1400, *General Standards of Financial Statement Presentation - Going Concern* requires management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date.

iv) Section 3031, *Inventories*, prescribes the accounting treatment for inventories and provides guidance on the determination of costs and their 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.

The adoption of these new accounting standards did not impact the amounts reported in the Company's financial statements, however, it did result in expanded disclosure.

### **New Accounting Developments**

The CICA has issued various new standards which may affect the financial disclosures and results of operations of the Company for future interim and annual periods.

For interim and annual financial periods beginning on or after October 1, 2008, the following standard will be adopted by the Company. The Company is currently assessing the impact that this new standard will have on the disclosures in the consolidated financial statements.

v) Section 3064 – *Goodwill and Intangible Assets* replaces sections 3062 and 3450 and establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred.

### **International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB's strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February of 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.



### **Related Party Transactions**

During the six months ended February 28, 2009, contract fees and bonuses of \$80,000 (2008 - \$30,450) were paid or accrued to a company controlled by a director and per-diem consulting fees of \$10,850 (2008 - \$5,950) were paid or accrued to another director. During the six months ended February 28, 2009, the Company was reimbursed for rent and office expenses totalling \$16,330 (2008 - \$10,419) by a company with common management. As at February 28, 2009, current liabilities include \$25,410 (2008 - \$362,641) 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% MoS<sub>2</sub> at a 1% cut-off 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.

### **Legal Claims and Contingent Liabilities**

At February 28, 2009, there were no material legal claims or contingent liabilities outstanding.

### **Off-balance Sheet Arrangements**

The Company has no material off-balance sheet arrangements.

### **Share Capital**

In May of 2008, the Company received approval to repurchase up to a maximum of 4,078,500 outstanding common shares in the Company through the facilities of the TSX Venture Exchange (the "Exchange") until June 1, 2009. Pursuant to the policies of the Exchange, the Company is permitted to repurchase through open market purchases, up to 2 per cent of its outstanding common shares in any given 30-day period. During September and October of 2008, the Company purchased and subsequently cancelled a total of 1,460,700 common shares under its normal course issuer bid.

In January and February of 2009, the Company completed a private placement for gross proceeds of \$2,435,000 in two tranches. 9,740,000 units were issued at a price of \$0.25, each consisting of one common share and one common share purchase warrant, each warrant entitling the holder to acquire one additional common share until January 27, 2011 (as to 5,600,000 warrants) or February 13, 2011 (as to 4,140,000 warrants) at a price of \$0.35 per common share. 66,000 Agent warrants were issued in



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connection with this offering, the Agent warrants exercisable until January 27, 2011, at \$0.35 per common share. The Company's Chief Financial Officer purchased 100,000 units of this private placement.

During the six months ended February 28, 2009 a total of 8,354,978 warrants and 121,000 stock options expired unexercised. 246,000 options were exercised for proceeds of \$49,200.

Common shares and convertible securities outstanding as at the date of this report are:

<b>Security</b>	<b>Expiry Dates</b>	<b>Exercise Prices</b>	<b>Common Shares on Exercise</b>
Common Shares	-	-	90,495,628
Warrants	Aug 7, 2009 to Feb. 13, 2011	\$0.35-\$4.00	12,157,750
Options	Aug 24, 2009 to Aug 21, 2013	\$0.25 to \$3.55	7,065,000
<b>Total (fully-diluted)</b>			<b>109,718,378</b>

### **Outlook**

As a result of recent global economic uncertainty and rapidly declining commodity prices, management has decisively cut costs at the MAX molybdenum mine while continuing to operate under its Phase I mine plan. Phase II expansion plans, including completion capital spending for that expansion, are being minimized. Similarly, exploration work at the Company's projects, including the MAX property, will be limited to definition drilling where required. Management will continue to operate the mine while it generates positive cash flow, recognizing that the MAX molybdenum mine was originally designed to operate at historically low prices. Significant gains have also been realized from the recent Canada-USA exchange rate and fuel cost reductions.

It remains management's belief that molybdenum prices should remain significantly greater than historic values for the foreseeable future due to i) production problems globally, ii) the reduction of by-product production related to copper mines and iii) the inability of new mines to achieve financing. In real terms, recent events have seriously eroded the global supply of molybdenum and management believes that a realization of supply and demand fundamentals in the medium-term will result in positive changes to pricing. It is therefore management's goal to remain in operation and preserve the opportunity to readily produce molybdenite concentrate in a rapidly appreciating price environment.

In the interim, production at the MAX molybdenum mine will be limited to current target levels in an effort to preserve the molybdenum resource, and the mine will be readied, with minimal additional cost, for a rapid response to periods when greater margins on sales can be realized. Few other producers will have similar ability to ramp-up production.

Management has observed that experience with the geological controls on mineralization, its grade control program and underground infrastructure improvements have dramatically reduced the average production costs and anticipate continued low cash costs going forward.

### ***Molybdenum and the Molybdenum Market***

Molybdenum's attributes include its high heat strength, hardness, corrosion resistance and chemical qualities rendering it vital in a variety of industrial applications. "Moly" is used primarily as an alloy in specialty steels including numerous applications within the energy industry used to discover (drilling equipment), deliver (pipelines) and clean (de-sulphurization catalyst) various petroleum products. Many analysts have embraced the notion that with increases in future demand for molybdenum and molybdenum products, the potential exists for sustained higher moly prices. New infrastructure development in China and India, and planned replacement of infrastructure in North America will generate



demand for the metal; especially in basic delivery of energy but also to meet increasingly stringent regulations for emissions control.

Until recently, the molybdenum price remained relatively stable over the last 4 years at over US\$20/lb. Many have projected demand growth for molybdenum at rates of approximately 4-6% per year. In contrast to many other exchange-traded metals and the general financial markets, molybdenum has not experienced the same volatility nor has it seen to have been impacted by hedging or speculation as with other commodities. The molybdenum market is further supported by a lack of new, significant near-term production which may result in future supply shortages and potential increases in the price for molybdenum products. Elevated capital costs coupled with challenges in the ability to secure timely financing to develop new mining operations may also extend the horizon for robust molybdenum prices to the benefit of existing producers.

#### **Additional Information**

Additional information is available for viewing at the Company's website [www.rocamines.com](http://www.rocamines.com) or on the SEDAR website [www.sedar.com](http://www.sedar.com).

#### **Forward-Looking Information**

This management discussion and analysis contains certain forward-looking statements and information relating to 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. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change except as required by law. These statements are based on a number of assumptions, including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of the Company and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.