



TSXv:	ROK
Dow:	12,086.49
S&P 500:	1,377.93
Initial Coverage:	Strong Buy (Speculative)
Recommended Price:	C\$1.18
18 Month Target Price:	C\$5.00

U.S. Equity:	Micro Cap
Basic Materials:	Mineral Exploration/Development
Shares Outstanding:	60.30 million
Fully Diluted	64.53 million
Float:	(Approx.) 25.0 million
Market Capitalization:	C\$76.14 million
52 Week Range:	C\$0.21-\$1.45

Roca Mines, Inc. (Roca or the Company) is a metal's mining company focusing on high grade, small scale, small capital cost projects, which reduce risks on the outstanding mineral potential located within British Columbia. Roca Mines has specialized expertise in adding shareholder value through strategic acquisitions, exploration and development of metals projects. Holding Foremore VMS Gold Project and SeaGold Property in northern British Columbia as well as the MAX Molybdenum Project, the Company's focus in the near future will be the exploration of the two gold/base metal properties in the Liard Mining Division of British Columbia, where it is conducting soil sampling and drilling. Roca Mines' MAX project in the Revelstoke Mining Division is on the verge of going into production of Molybdenum (Moly), and will be the Company's first major source of Revenues and Profits in 2007. Roca plans to be the first new primary molybdenum producer in Canada, with production to commence in late 2006.

The Company's 3 Major Mining Assets:

- 1) MAX Molybdenum Project: Roca began construction of the MAX Molybdenum Mine in summer 2006, located 60km south

of Revelstoke, BC. MAX is a "pure play" in Molybdenum Mining.

- 2) FOREMORE Project: located in the Eskay Creek area, just east of NovaGold's Galore Creek Project in NW, BC. Foremore has camp-scale VMS-Gold settings with zones of high grade Gold and Silver. Numerous high priority drilling targets have been identified for drilling in 2007.
- 3) SEAGOLD Project: located near the Eskay Creek Mine in NW, BC, has high-grade gold occurrences in favorable geology—currently optioned

Industry Background - New Metal Opportunity

There is no commodities futures market in Molybdenum. There are many more Moly traders than trading companies buying and selling uranium for example, but it is a relatively small market. However, Moly could become the next big thing in the metals mining industry due to the "Moly boom" that has been underway for several years. The main reason for this boom is Moly's wide-reaching applicability, especially in the energy and construction sector.

This specialty metal is used in oil and natural gas pipelines, hydrocarbon desulphurization, oil drill rigs, pollution control equipment and nuclear energy applications. Moly is a key alloy in the manufacture of stainless and specialty steel, including pipelines and other energy-related steel infrastructure. The world will need more Moly during the current commodities boom. According to the International Molybdenum Associations (IMOA), nearly 80 percent of the Moly demand comes about for the manufacturing of tools, high speed steel, stainless steel and low alloy steel. Since World War I, Moly has become a lower cost replacement for Tungsten in hard and impact-resistant steels.

Malaysia's Petronas Towers, the world's tallest buildings, use a popular form of stainless steel, with three percent Moly content.

Moly-based catalysts are growing. The oil industry has been using Moly to remove sulphur from the compounds usually found in crude oil. As petroleum production turns to higher sulphur crude oil, they will require more Moly-based catalysts. U.S. molybdenum production, the largest in the world, reached 58,000 metric tons in 2005, up a whopping 37 percent from 2004. According to statistics, Increases for 2006 will be incremental. In 2006, China has continued its high level of steel production and consumption, thus providing another source of strong demand for Moly. Molybdenum currently trades in the US\$25-26/lb. range, off from recent highs above US\$28/lb. Perhaps it is time to look closely at molybdenum companies.

(Note: Grades are reported in either MoS₂ (Molybdenite) or Mo. To get the contained Mo equivalent in a MoS₂ figure multiply x .6)

MAX - A World Class Project

Besides the favorable market conditions and a clear strategy, Roca enjoys excellent exploration potential at the MAX Project due to the superior quality of the property geology:

* MAX has many geological similarities to the Urad - Henderson deposit (700+ million tons) in Colorado which is currently mining at roughly 35,000 tons of ore per day and 30 million lbs. of Moly per year. Henderson is considered the lowest cost, primary Moly mine in the world today.

* The Urad deposit (12 million tons @ .2% Mo) lies in the upper part of the mountain above the 700+ million ton Henderson deposit (0.17% Mo).

* MAX/Urad have comparable resource size and grade. The Urad deposit was 12 million tons grading 0.2% Mo (0.33% MoS₂). MAX has 11.25 million tons (using a 0.2% cutoff) grading 0.36% MoS₂ (0.216% Mo).

* MAX is located inside the top of a mountain where three deeper exploration holes were drilled by Newmont in the 1980's. Exploration below the known MAX deposit remains a focus of the project,

and Roca will be drilling deeper exploration holes in 2007 based on advice from its Exploration Advisory Board, which includes ex-officers and geologists of Climax Moly, Inc., Newmont Mining, Inc. and the B.C. Securities Commission.

MAX Molybdenum Project

Past

Newmont Mining and Esso Minerals invested US\$15 million on this project in the late 1970s and early 1980s, only to shelve the project due to a drop in Moly prices. As a result of previous operators' efforts, the project already contains a large production-sized access adit, and a comprehensive geological, engineering and environmental database. The high-grade zones and existing access at MAX provide an opportunity for fast-tracked near-term production, with the potential to develop into a long-term mine.

Present

Roca has completed independent engineering studies and preliminary economic assessments for a 500 ton per day operation and reviewed alternatives for expansion. The Company continues to progress in its plan for fast-tracked production to commence in late 2006. The project started its construction and development activities in the summer of 2006. The exploration of the MAX Molybdenum Mine, located 60km south of Revelstoke, British Columbia, is a 'pure' molybdenum project, distinguished by its significant high-grade resources contained within a much larger deposit. Fully permitted (permitting for an expanded mine will be undertaken in 2007) by the BC Ministry of Mines in B.C., the Phase I mine plan for Max will focus on the deposit's high-grade zone containing 280,000 measured and indicated tons grading 1.95 percent MoS₂ (refer to T.N. Macauley's 43-101 compliant technical report dated September, 2004). With a grade of nearly 2%, this is approximately ten times higher than most Moly mines, and equates to in excess of 113 million lbs. of contained Moly. An off take agreement was signed in 2006 for the sale of 100% of the concentrate produced at MAX. Furthermore, the deposit is open at depth and Roca intends to test for additional mineralization, as well as explore a number of tungsten targets on the property.



Future

The initial phase of mining is expected to produce approximately 1.5 million lbs. of contained Moly per year based on an initial production rate of up to 75,000 tons per year. Total annual operating costs (mine, mill and overhead) are estimated at US\$7.5 million (approximately \$100/tonne) with start-up capital costs of US\$10-12 million. Roca plans to recover much of the high-grade resource within the first few years of production. With total cash costs conservatively estimated at US\$100/ton, the high-grade zones within the deposit provide compelling economics down to a price of US\$5 for contained Moly, a lower price than the vast majority of Moly deposits.

The Company can produce about three million pounds of contained molybdenum, starting at the end of 2006, through to the same period in 2007, at US\$24/pound, the Company can produce US\$72 million in revenues over approximately 14 months, with operating costs of US\$15 million per year. At that point, Roca will have sufficient cash flow from which to explore the depths of its molybdenum deposit to discover whether or not its "Henderson model" materializes. Additionally, this will allow Roca to expand to a 1000-ton-per-day scenario in 2008.

MAX Milestones

Development of the Phase I, 500-ton-per-day MAX mine is progressing well with site work continuing in advance of planned production for late 2006.

Progress milestones have been met in the following principal project areas:

Funding – Fully-funded with over C\$9 million, including C\$5 million from Spratt Asset Management (all financings were shares only, no warrants outstanding).

Underground Development - Decline development to the planned production areas has commenced, including the development of 25 meter sub-levels which will provide access to open stopes for the Phase I mine plan. Development of refuge stations, muck transfer points and other work on the 960 meter adit level is now complete.

Mill Transport/Relocation – 80% of the total equipment, including all of the mill and crusher building structural steel, many of the mechanized components including flotation cells, conveyors and pumps and feeders have been transported to the MAX mill site. Heavier ball mills and crushers will be shipped shortly, and primary electrical motors have been shipped to an inspection shop and refurbished where required.

Mill Foundation - The majority of the formwork for mill bases, bin supports, internal and perimeter walls have been completed with concrete work for this 1,000 ton/day Mill, leaving crusher foundations to be completed in November.

Structural Engineering - Design updates have been completed for the mill and crusher buildings. Original structures have been analyzed in detail and upgraded to meet B.C. codes and snow loads. All modifications will be completed as building is re-erected at MAX site.

Electrical Engineering - Completed design of an electrical power and distribution system for the MAX mine and mill. Procurement of diesel generators, switch gear and other electrical components is complete.

Tailings Facility - Completed drilling investigations and final designs for the tailings facility, has mobilized engineering staff to provide QA/QC services for its construction. Site has been cleared and construction of the starter dams is ongoing. Pipeline work for tailings and reclaim water line is complete.

Recent Private Placement – August '06

Roca continues to successfully finance its operation. On August 26, 2006, the Company closed the non-brokered common share private placement by issuing a total of 7,042,254 common shares at a price of C\$0.71 per share raising gross proceeds of C\$5 million. Cash fees totaling C\$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 C\$0.90 per share. Proceeds of this financing will be used to complete construction of the mine, mill and tailings facilities at Roca's Max Molybdenum Mine.



Valuation/Conclusion

A review of the National Instrument 43-101 remarks made about the Moly deposit was encouraging: 42,940,000 ton grading 0.2 percent MOS2 multiplied by 0.60 (the molybdenum equivalent) equals 111,368,000 pounds. According to the document filed with Canadian regulators, the gross value of the molybdenum deposit is valued at more than \$2.7 billion (using \$25/pound Moly prices).

Demand for molybdenum is unlikely to fade as long as oil and gas companies advance their projects, and this bodes well for the energy sector supporting Moly demand going forward. Roca controls a high-grade Moly deposit situated near substantial infrastructure and it will be in production in a matter of months, as part of a strategy that offers a rapid payback of start-up capital. We forecast the mine to have a lifespan of approximately ten years, and believe Roca Mines has the right geological setting and will become a vehicle for investors to play the molybdenum side of this energy bull market.

We see Roca Mines as a company with tremendous potential, hidden value and takeover potential after studying comparable valuations (Table 1). Accordingly, we initiate coverage of Roca Mines, Inc. with a Strong Buy (Speculative), and an 18 month price target of US\$5.00.

Risks to Model

- The Company has a limited operating history and the business and its prospects must be considered in light of the risks and uncertainties to which early stage companies are exposed.
- The Company cannot provide assurances that their business strategy will be successful or that it will be successfully implemented.
- Insufficient funds may require a delay, reduce or eliminate some or all of the Company's planned activities and operations.
- There is a limited trading market for the Company's common stock, a more active and liquid trading market may never develop, and if developed, may not be sustained. Furthermore the Company's common stock is traded on the Toronto-Venture Stock Exchange which is subject to Canadian Securities rules that may restrict the market for the common stock.
- The Company is exposed to special risks in foreign markets which include, but are not limited to, currency risks, price controls, expropriation, nationalization, political instability, military and security.

Table 1 – Comparable Valuations – Roca Mines Inc & Canadian Mining “Universe”

<u>Symbol / Name</u>	<u>Price (10/31/06)</u>	<u>Market Cap.</u>	<u>Revenues(ttm)</u>
<u>CBJ</u> – Cambior, Inc	\$3.50	\$970 M	\$377 M
<u>TGB</u> – Taseko Mines, Ltd.	\$2.40	\$290 M	\$149 M
<u>QEE</u> – Queenstake R., Ltd.	\$0.24	\$140 M	\$95 M
<u>GLE</u> – Glencairn Gold Corp.	\$0.55	\$95 M	\$34 M
<u>CGR</u> – Claude R., Inc.	\$1.30	\$95 M	\$30 M
<u>ROK</u> – Roca Mines, Inc.	\$1.18	\$75 M	- - -



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Investors should review a complete information package on the Company, which should include, but not be limited to, the Company's annual report, quarterly report, press releases, as well as all regulatory filings. Readers should verify all claims and do their own due diligence before investing in any securities mentioned herein. Readers should become familiar with the following web sites: the Securities and Exchange Commission (SEC) at <http://www.sec.gov> and/or the National Association of Securities Dealers (NASD) at <http://www.nasdr.com>. Readers can review all public filings by the Company at the SEC's EDGAR page. Neither IRP nor its officers, directors, partners, employees or consultants accept liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

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