CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED
MAY 31, 2006, 2005 and 2004

(Expressed in Canadian Dollars)

AUDITORS' REPORT

To the Shareholders of
Rockwell Ventures Inc.

We have audited the consolidated balance sheets of Rockwell Ventures Inc. as at May 31, 2006 and 2005 and the consolidated statements of operations and deficit, cash flows and the schedule of exploration expenses for the years ended May 31, 2006, 2005 and 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 May 31, 2006 and 2005 and the results of its operations and its cash flows for the years ended May 31, 2006, 2005 and 2004 in accordance with Canadian generally accepted accounting principles.

Davidson & Company LLP

Vancouver, Canada

Chartered Accountants

September 8, 2006

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ROCKWELL VENTURES INC.

Consolidated Balance Sheets
(Expressed in Canadian Dollars)

	As at May 31	
	2006	**2005**
ASSETS		
Current assets		
Cash and equivalents	$ 192,031	$ 352,677
Marketable securities (note 4)	1	109,514
Amounts receivable	30,776	9,836
Prepaid expenses	33,648	31,344
Due from related parties (note 7)	–	77,159
	256,456	580,530
Security deposit (note 5)	32,190	32,190
Mineral property interests (note 5)	1	46,857
	$ 288,647	$ 659,577
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities	$ 167,600	$ 29,976
Due to related parties (note 7)	978,470	–
	1,146,070	29,976
Shareholders' equity (deficit)		
Share capital (note 6)	11,857,649	11,815,792
Contributed surplus (note 6)	523,420	451,628
Deficit	(13,238,492)	(11,637,819)
	(857,423)	629,601
Nature and continuance of operations (note 1)		
Subsequent events (note 10)		
	$ 288,647	$ 659,577

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

/s/ Ronald W. Thiessen

Ronald W. Thiessen
Director

/s/ Jeffrey R. Mason

Jeffrey R. Mason
Director

ROCKWELL VENTURES INC.

Consolidated Statements of Operations and Deficit

(Expressed in Canadian Dollars)

	Years ended May 31		
	2006	**2005**	**2004**
Expenses			
Exploration (schedule)	$ 307,390	$ 920,902	$ 525,619
Foreign exchange loss (gain)	(46,881)	3,105	(34,856)
Legal, accounting and audit	175,782	80,078	48,402
Office and administration	489,014	285,618	325,178
Property investigation	399,006	–	–
Shareholder communications	32,129	19,896	16,987
Stock-based compensation - exploration (note 6)	36,415	4,979	144,208
Stock-based compensation - administration (note 6)	47,101	6,534	300,812
Travel and conferences	132,647	30,293	49,325
Transfer agent filings	20,843	22,795	33,139
	1,593,446	1,374,200	1,408,814
Other items			
Gain on sale of marketable securities	(56,585)	(6,138)	(9,645)
Interest income	(2,172)	(17,854)	(28,151)
Write-down of marketable securities	19,128	135,486	25,000
Write-down of mineral property interests (note 5)	46,856	–	–
	7,227	111,494	(12,796)
Loss for the year	(1,600,673)	(1,485,694)	(1,396,018)
Deficit, beginning of year	(11,637,819)	(10,152,125)	(8,756,107)
Deficit, end of year	$ (13,238,492)	$ (11,637,819)	$ (10,152,125)
Basic and diluted loss per common share	$ (0.07)	$ (0.06)	$ (0.08)
Weighted average number of common shares outstanding	23,640,123	23,376,122	17,744,545

The accompanying notes are an integral part of these consolidated financial statements.

ROCKWELL VENTURES INC.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Years ended May 31		
Cash provided by (used in)	**2006**	**2005**	**2004**
Operating activities			
Loss for the year	$ (1,600,673)	$ (1,485,694)	$ (1,396,018)
Items not affecting cash			
Gain on sale of marketable securities	(56,585)	(6,138)	(9,645)
Disposition of Gibraltar exploration property interest	–	–	(220,000)
Write-down of marketable securities	19,128	135,486	25,000
Write-down of mineral property interests	46,856	–	–
Stock-based compensation	83,516	11,513	445,020
Changes in non-cash working capital items			
Amounts receivable and prepaids	(23,244)	25,347	(41,707)
Accounts payable and accrued liabilities	137,624	(3,430)	22,317
Cash used in operating activities	(1,393,378)	(1,322,916)	(1,175,033)
Investing activities			
Purchase of marketable securities	–	–	(50,000)
Proceeds from sale of marketable securities	146,970	11,563	12,620
Reclamation deposit	–	–	70,000
Security deposit	–	–	(3,255)
Cash provided by investing activities	146,970	11,563	29,365
Financing activities			
Issuance of share capital	30,133	163,000	3,024,980
Share issue costs	–	–	(74,745)
Amounts due from (payable to) related parties	1,055,629	(34,609)	(287,464)
Cash provided by financing activities	1,085,762	128,391	2,662,771
Increase (decrease) in cash and equivalents during the year	**(160,646)**	**(1,182,962)**	**1,517,103**
Cash and equivalents, beginning of year	352,677	1,535,639	18,536
Cash and equivalents, end of year	**$ 192,031**	**$ 352,677**	**$ 1,535,639**
Cash and equivalents is comprised of:			
Cash	$ 192,031	$ 79,091	$ 34,407
Cash equivalent	-	273,586	1,501,232
	$ 192,031	$ 352,677	$ 1,535,639
Interest paid during the year	$ –	$ –	$ –
Income taxes paid during the year	$ –	$ –	$ –
Supplemental disclosure of non-cash investing and financing activities:			
Marketable securities received pursuant to 2003 farmout agreement with Taseko Mines Limited (note 5 (c))	$ –	$ 220,000	$ –
Fair value of stock options allocated to shares issued upon exercise	$ 11,724	$ 4,905	$ –

The accompanying notes are an integral part of these consolidated financial statements.

ROCKWELL VENTURES INC.

Consolidated Schedules of Exploration Expenses

(Expressed in Canadian Dollars)

	Royce Property	Ricardo Property	British Columbia Properties	Other	Year ended May 31, 2006
Geological	$ –	$ 6,675	$ –	$ –	$ 6,675
Property fees and assessments	–	138,520	–	–	138,520
Site activities	–	161,692	–	–	161,692
Travel and accommodation	–	503	–	–	503
Subtotal	**–**	**307,390**	**–**	**–**	**307,390**
Stock-based compensation (note 6)	–	–	–	36,415	36,415
Incurred during the period	**–**	**307,390**	**–**	**36,415**	**343,805**
Cumulative expenses, beginning of year	881,784	2,080,458	600,000	3,991,449	7,553,691
Cumulative expenses, end of year	**$ 881,784**	**$ 2,387,848**	**$ 600,000**	**$ 4,027,864**	**$ 7,897,496**

	Royce Property	Ricardo Property	British Columbia Properties	Other	Year ended May 31, 2005
Drilling	$ –	$ –	$ 205,922	$ –	$ 205,922
Freight	–	–	2,859	–	2,859
Geological	31,011	7,065	238,706	1,886	278,668
Graphics	–	–	3,186	–	3,186
Helicopter	–	–	16,125	–	16,125
Property fees and assessments	–	115,705	210	–	115,915
Site activities	7,667	154,892	101,494	–	264,053
Staking	–	–	14,931	–	14,931
Travel and accommodation	1,038	1,638	16,567	–	19,243
Subtotal	**$ 39,716**	**$ 279,300**	**$ 600,000**	**$ 1,886**	**$ 920,902**
Stock-based compensation (note 6)	620	4,359	–	–	4,979
Incurred during the year	**$ 40,336**	**$ 283,659**	**$ 600,000**	**$ 1,886**	**$ 925,881**
Cumulative expenses, beginning of year	841,448	1,796,799	–	3,989,563	6,627,810
Cumulative expenses, end of year	**$ 881,784**	**$ 2,080,458**	**$ 600,000**	**$ 3,991,449**	**$ 7,553,691**

	Royce Property	Ricardo Property	British Columbia Properties	Other	Year ended May 31, 2004
Assay and analysis	$ 2,950	$ 236	$ –	$ –	$ 3,186
Drilling	202,056	–	–	200,000	402,056
Freight	10,161	–	–	–	10,161
Geological	182,316	19,160	–	–	201,476
Graphics	2,717	1,252	–	–	3,969
Helicopter	151,524	–	–	–	151,524
Property fees/assessment	50,000	39,672	–	–	89,672
Recoveries	–	–	–	(700,500)	(700,500)
Site activities	140,788	207,816	–	752	349,356
Travel and accommodation	10,385	4,334	–	–	14,719
Subtotal	**$ 752,897**	**$ 272,470**	$ –	**$ (499,748)**	**$ 525,619**
Stock-based compensation (note 6)	88,551	32,046	–	23,611	144,208
Incurred during the period	**$ 841,448**	**$ 304,516**	$ –	**$ (476,137)**	**$ 669,827**
Cumulative expenses, beginning of year	–	1,492,283	–	4,465,700	5,957,983
Cumulative expenses, end of year	**$ 841,448**	**$ 1,796,799**	$ –	**$ 3,989,563**	**$ 6,627,810**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Rockwell Ventures Inc. (the "Company") is incorporated under the British Columbia *Business Corporations Act* (formerly the *Company Act* of British Columbia), and its principal business activity is the exploration of mineral properties. The Company's principal mineral property interests are located in Chile and Canada.

During the year, shareholders approved a capital reorganization of the Company, which included the creation of a class of preferred shares, and a consolidation of the Company's common shares on a four-old-shares-for-one-new basis. Regulatory approval of this capital reorganization was received on January 27, 2006. All references to number of common shares and per common shares amounts have been retroactively restated to reflect this common share consolidation.

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern. At May 31, 2006, the Company has a working capital deficiency of approximately $889,000 (2005 – working capital of $551,000) and has incurred operating losses since its inception. Management recognizes that the Company will need to generate additional financial resources in order to discharge current liabilities and meet its planned business objectives. However, there can be no assurances that the Company will continue to obtain additional financial resources and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and equivalents

Cash and equivalents consist of cash and highly liquid investments, having maturity dates of three months or less from the date of purchase, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(b) *Allowance for amounts receivable*

The Company establishes an allowance for uncollectible amounts receivable on a specific account basis. No allowances for amounts receivable were recorded by the Company as at May 31, 2006 and 2005.

(c) *Marketable securities*

Marketable securities are recorded at the lower of (i) cost less accumulated write downs, and (ii) estimated market value.

(d) *Reclamation and security deposits*

Reclamation and security deposits are recorded at cost.

(e) *Mineral property interests*

The acquisition costs of mineral properties are deferred until the property is placed into production, sold, or abandoned, or when management has determined that there has been an impairment in value. Acquisition costs which have been deferred will be amortized on a unit-of-production basis, over the estimated useful life of the related property following the commencement of production, or written off if the property is sold, allowed to lapse or abandoned, or written down to fair value when an impairment has been determined to have occurred.

Mineral property acquisition costs include the cash consideration and the fair market value of common shares, based on the trading price of the shares, on the date of issue or as otherwise provided under the agreed terms for the mineral property interest.

Exploration costs and option payments are expensed in the period incurred.

Administrative expenditures are expensed in the period incurred.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

(f) *Financial instruments*

The Company's financial instruments consist of cash and equivalents, marketable securities, amounts receivable and prepaids, security deposit, accounts payable and accrued liabilities and balances receivable from or due to related parties. It is management's opinion the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(g) *Asset retirement obligations*

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

(h) *Foreign currency translation*

All of the Company's foreign operations are considered integrated.

Monetary assets and liabilities of the Company and its integrated foreign operations are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates unless such items are carried at market, in which case they are translated at the exchange rates in effect on the balance sheet date. Revenues and expenses, except amortization, are translated at the average exchange rates for the period. Amortization is translated at the same exchange rate as the assets to which it relates. Gains or losses on translation are recorded in the statement of operations.

(i) *Share capital*

Common shares issued for mineral property interests are recorded at the fair market value based upon the trading price of the shares on the TSX Venture Exchange ("TSX-V") on the date of issue or as otherwise provided under the terms of the agreement to issue the shares. Share issue costs are deducted from share capital.

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purpose relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

Effective March 19, 2004, the Emerging Issue Committee of the CICA requires that, when flow-through expenditures are renounced, a portion of the future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of income taxes in the statement of operations.

(j) *Stock-based compensation*

The Company has a share option plan which is described in note 6(c). The Company records all stock-based payments granted using the fair value method.

Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable, and are charged to operations over the vesting period, with an offsetting amount to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

(k) *Future income taxes*

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, generally using the enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

(l) *Loss per share*

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds receivable upon exercise of dilutive share purchase options and warrants are used to repurchase common shares at the average market price during the period.

Diluted loss per share has not been presented separately as the effect of outstanding options and warrants would be anti-dilutive.

(m) *Use of estimates*

The preparation of consolidated 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 the disclosure of contingent assets and liabilities as at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of mineral property interests, determination of reclamation obligations and the assumptions used in determining stock-based compensation expense. Actual results could differ from those estimates.

(n) *Adoption of new accounting standard for variable interest entities*

Effective June 1, 2005, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG15") on a prospective basis. AcG15 prescribes the application of consolidation principles for entities that meet the definition of a variable interest entity (“VIE”). An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE’s expected losses, receive the majority of its expected residual returns, or both. The adoption of this new standard had no effect on the consolidated financial statements as management has determined the Company does not have any variable interest entities.

(o) *Comparative figures*

Certain of the prior years’ comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES

Marketable securities comprise the following:

	As at May 31 2006	2005
ComWest Enterprise Corp. (formerly Chatworth Resources Inc.) Nil class "A" non-voting restricted common shares, Nil class "B" voting common shares. (May 31, 2005 – 83,333 common shares with a market value of $15,833)	$ –	$ 15,833
ComWest Enterprise Corp. (formerly Chatworth Resources Inc.) 62,133 warrants exercisable at $0.804 until June 4, 2006 (May 31, 2005 – 83,333 warrants with a market value of $3,000)	1	3,000
Taseko Mines Limited (note 5(c)) Nil common shares (May 31, 2005 – 78,853 common shares with a market value of $90,681)	–	90,681
	$ 1	$ 109,514

In November 2005, Chatworth Resources Inc. ("Chatworth") amalgamated with ComWest Capital Corp. to form ComWest Enterprise Corp. ("ComWest"). Under the amalgamation agreement, the Company's 83,333 Chatworth common shares were exchanged for 32,383 Class "A" non-voting restricted common shares and 32,383 Class "B" voting common shares of ComWest. The Company's 83,333 Chatworth warrants were exchanged for 62,133 ComWest warrants. Each ComWest warrant entitles the Company to acquire one additional ComWest Class "B" voting common share at $0.804 per share until June 4, 2006. These warrants expired unexercised subsequent to May 31, 2006.

The Company's 32,383 Class "A" non-voting restricted common shares and 32,383 Class "B" voting common shares of ComWest were sold during the quarter ended February 28, 2006 for proceeds of $10,371.

The Company's 78,853 Taseko common shares were sold during the year ended May 31, 2006 for proceeds of $136,599

5. MINERAL PROPERTY INTERESTS

Acquisition Costs	As at May 31 2006	2005
Royce Property	$ –	$ –
Ricardo Property	1	46,857
	$ 1	$ 46,857

Title to mining properties involves certain inherent risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the often complicated conveyancing history characteristic of many mining properties. The Company does not have title insurance but has investigated title to its Ricardo mineral property and, to the best of its knowledge and belief, title to its property is in good standing.

(a) Ricardo Property, Chile

The Company holds a 100% interest in certain mineral exploration and exploitation concessions in the Calama Mining District in Chile. The Corporación Nacional del Cobre de Chile

("Codelco"), the Chilean national copper company, is erecting housing and other infrastructure in certain areas of the Ricardo Property, as part of a relocation project of its workers at its Chuquicamata mine. The Company believes this construction usurps the Company's constitutional mining rights. Accordingly, in order to preserve access to its mineral concessions, the Company applied for several easements on its Ricardo Property to the law courts of Chile in November 2002. On June 28, 2006, the application for the easements was denied by the Supreme Court of Chile. Pursuant to the terms of the easement application, a refundable deposit of 15 million Chilean pesos (May 31, 2006 and 2005 – $32,190) lodged with the Chilean authorities is refundable to the Company.

On January 30, 2004, Ricardo signed a Letter of Understanding with Rio Tinto Mining and Exploration Ltd. ("Rio Tinto"), whereby Rio Tinto could acquire a 100% interest in a majority of the claims which make up the Ricardo property. In January 2005, Rio Tinto terminated this option.

The Company continues to maintain the Ricardo Property in good standing.

(b) *Royce Diamond Property, Northwest Territories, Canada*

In February 2004, the Company received approval from the TSX-V for a property option agreement with Chatworth, a TSX-V listed company, to acquire up to a 60% interest in the Royce Diamond Claims (“the Royce Claims”), which are located within the Slave Geological Province, near Yellowknife, Northwest Territories.

In June 2004, the Company completed the exploration program on the property and subsequently terminated its option to earn an interest in the Royce Claims.

(c) *Taseko agreement - Gibraltar exploration properties, British Columbia, Canada*

In December 2003, the Company entered into an agreement (the "2003 Taseko agreement") with Taseko Mines Limited ("Taseko"), a public company with certain directors in common with the Company. Under the terms of the 2003 Taseko agreement, Taseko granted to the Company rights to earn joint venture working interests, subject to a maximum of $200,000, on certain exploration properties located in the vicinity of the Gibraltar mine property.

In December 2003, the Company earned an interest in these properties to the extent of $200,000.

During the Company’s fiscal year ended May 31, 2004, Taseko exercised its right to purchase the Company's interest, and on June 15, 2004, Taseko issued 78,853 of its common shares for total consideration of $220,000.

(d) *Amarc agreement - British Columbia exploration properties, Canada*

In November 2004, the Company entered into an agreement (the "2004 Amarc agreement") with Amarc Resources Ltd. ("Amarc"), a public company with certain directors in common with the Company. Under the terms of the 2004 Amarc agreement, Amarc granted to the Company rights to earn joint venture working interests of 50%, subject to a maximum of $600,000 in exploration costs to be spent on certain mineral properties located in British Columbia. In December 2004, the Company had earned its 50% interest in these properties.

(Expressed in Canadian Dollars)

For a period of 180 days after the Company had earned its working interest, Amarc had the exclusive right to purchase, at its option, the Company's earned interest for Amarc common shares or the cash equivalent.

Amarc did not exercise its option to reacquire the Company's interest on any of the properties within the permitted 180 days. Consequently, Amarc's right of call expired.

6. SHARE CAPITAL

(a) Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares, without par value, and an unlimited number of preferred shares without par value.

At the Company's Annual and Extraordinary General Meeting held on November 28, 2005, the Company's shareholders approved the creation of a class of preferred shares and the consolidation of the Company's common shares on a four old shares for one new basis. Regulatory approval of this capital reorganization was received on January 27, 2006.

(b) Issued and outstanding common shares

Common shares issued	**Price**	**Number of shares**	**Amount**
Balance, May 31, 2003		13,799,818	$ 8,697,652
Warrants exercised	$ 0.88	24,125	21,230
Private placement December 2003 (net of issue costs)(i)	0.32	9,375,000	2,925,255
Options exercised	0.40	3,750	1,500
Options exercised	0.60	3,750	2,250
Balance, May 31, 2004		23,206,443	$ 11,647,887
Warrants exercised	0.40	400,000	160,000
Options exercised	0.40	7,500	3,000
Contributed surplus allocated to common shares issued on options exercised		–	4,905
Balance, May 31, 2005		23,613,943	$ 11,815,792
Warrants exercised	0.40	50,000	20,000
Options exercised	0.33	30,833	10,133
Contributed surplus allocated to common shares issued on options exercised		–	11,724
Balance, May 31, 2006		**23,694,776**	**$ 11,857,649**

(i) On December 31, 2003, the Company completed a private placement of 9,375,000 units for gross proceeds of $3,000,000. Of these, 4,312,500 were flow-through units. Each unit consisted of one common share and one share purchase warrant exercisable to purchase an additional common share at a price of $0.40 until December 31, 2005. On December 31, 2005, the outstanding share purchase warrants expired unexercised.

(c) Share purchase options

The Company has a share purchase option compensation plan approved by the shareholders that allows the Company to grant options up to 10% of the issued and outstanding shares of the

(Expressed in Canadian Dollars)

Company at any one time, typically vesting over two years, to its directors, employees, officers, and consultants. The exercise price of each option can be set equal to or greater than the closing market price of the common shares on the TSX Venture Exchange on the day prior to the date of the grant of the option, less any allowable discounts. Options have a maximum term of five years and typically terminate 30 days following the termination of the optionee's employment, except in the case of retirement or death.

The continuity of share purchase options for the year ended May 31, 2006 is:

Expiry date	Exercise price	May 31 2005	Granted	Exercised	Expired/ cancelled	May 31 2006
May 19, 2006	$ 0.32	27,500	–	27,500	–	–
September 28, 2007	$ 0.40	–	126,250	3,333	7,500	115,417
February 29, 2008	$ 0.42	–	210,000	–	–	210,000
March 28, 2008	$ 0.50	–	150,000	–	–	150,000
		27,500	**486,250**	**30,833**	**7,500**	**475,417**
Weighted average exercise price		$ 0.32	$ 0.44	$ 0.33	$ 0.40	$ 0.44
Weighted average fair value of options granted during the year						$ 0.50

As at May 31, 2006, 38,750 of the options outstanding with a weighted average exercise price of $0.40 per share had vested with grantees. Subsequent to May 31, 2006, 833 options were exercised and 1,667 options were cancelled.

The continuity of share purchase options for the year ended May 31, 2005 is:

Expiry date	Exercise price	May 31 2004	Granted	Exercised	Expired/ cancelled	May 31 2005
April 6, 2005	$0.64	12,500	–	–	12,500	–
May 20, 2005 (i)	$0.40	11,250	–	–	11,250	–
May 20, 2005	$0.48	6,375	–	–	6,375	–
May 20, 2005	$0.60	1,236,250	–	–	1,236,250	–
May 20, 2005	$0.64	11,250	–	–	11,250	–
July 29, 2005	$0.40	7,500	–	7,500	–	–
May 19, 2006	$0.32	–	30,000	–	2,500	27,500
		1,285,125	**30,000**	**7,500**	**1,280,125**	**27,500**
Weighted average exercise price		$ 0.60	$ 0.32	$ 0.40	$ 0.60	$ 0.32
Weighted average fair value of options granted during the year						$ 0.40

(i) The Company extended the expiry from the original date of December 20, 2004 to May 20, 2005.

As at May 31, 2005, all of the options outstanding had vested with grantees.

(Expressed in Canadian Dollars)

Using a Black-Scholes option pricing model with the assumptions noted below, the fair values of stock options granted have been reflected in the statement of operations as follows:

	Year ended May 31		
	2006	**2005**	**2004**
Exploration and engineering	$ 36,415	$ 4,979	$ 144,208
Operations and administration	47,101	6,534	300,812
Total compensation cost expensed to operations, with the offset credited to contributed surplus	**$ 83,516**	**$ 11,513**	**$ 445,020**

The weighted-average assumptions used to estimate the fair value of options granted are as follows:

	2006	2005	2004
Risk free interest rate	4%	3%	3%
Expected life	2.0 years	1.9 years	1.5 years
Expected volatility	124%	162%	163%
Expected dividends	nil	nil	nil

(d) *Share purchase warrants*

The continuity of share purchase warrants (each warrant exercisable into one common share) for the year ended May 31, 2006 is:

Expiry date	**Exercise price**	**May 31 2005**	**Issued**	**Exercised**	**Expired**	**May 31 2006**
December 31, 2005 (note 6(b)(i))	$ 0.40	8,975,000	–	50,000	8,925,000	–
Weighted average exercise price		$ 0.40	$ –	$ 0.40	$ –	$ –

The continuity of share purchase warrants (each warrant exercisable into one common share) for the year ended May 31, 2005 is:

Expiry	**Exercise price**	**May 31 2004**	**Issued**	**Exercised**	**Expired**	**May 31 2005**
December 31, 2005 (note 6(b)(i))	$ 0.40	9,375,000	–	400,000	–	8,975,000
Weighted average exercise price		$ 0.40	$ –	$ 0.40	$ –	$ 0.40

(Expressed in Canadian Dollars)

(e) Contributed surplus

Balance, May 31, 2003	$	–
Changes during 2004		
Non-cash stock-based compensation		445,020
Balance, May 31, 2004	$	445,020
Changes during 2005		
Non-cash stock-based compensation (note 6(c))		11,513
Share purchase options exercised, credited to share capital		(4,905)
Balance, May 31, 2005	$	451,628
Changes during 2006		
Non-cash stock-based compensation (note 6(c))		83,516
Share purchase options exercised, credited to share capital		(11,724)
Balance, May 31, 2006	**$**	**523,420**

The components of contributed surplus are:

	May 31, 2006	May 31, 2005
Accumulated stock-based compensation	$ 540,049	$ 456,533
Share purchase options exercised, credited to share capital	(16,629)	(4,905)
Total contributed surplus	**$ 523,420**	**$ 451,628**

7. RELATED PARTY BALANCES AND TRANSACTIONS

Balances (payable) receivable	**As at May 31, 2006**	**As at May 31, 2005**
Hunter Dickinson Inc. (a)	$ (853,733)	$ 77,159
Plateau Resources (Proprietary) Limited (d)	(124,737)	–
	$ (978,470)	$ 77,159

Transactions	**Year ended May 31, 2006**	**Year ended May 31, 2005**
Services rendered and expenses reimbursed		
Hunter Dickinson Inc. (a)	$ 578,134	$ 163,317
Euro-American Capital Corporation (b)	18,630	16,164
Gordon J. Fretwell Law Corporation (c)	–	1,060
Plateau Resources (Proprietary) Limited (d)	124,737	–

(a) Hunter Dickinson Inc. ("HDI") is a private company with certain directors in common with the Company that provides geological, technical, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Company on a full cost recovery basis pursuant to an agreement dated January 1, 2001.

Exploration advances to and from HDI have arisen in the normal course, due to in-progress and near-term planned exploration work, primarily on the Company's exploration properties and for other operating expenses. There are no specific terms of repayment.

(Expressed in Canadian Dollars)

(b) Euro-American Capital Corporation is a private company controlled by a director that provides management services to the Company based on the fair market value of those services.

(c) Gordon J. Fretwell Law Corporation is a private company controlled by a director that provides legal services to the Company based on the fair market value of those services.

(d) Plateau Resources (Proprietary) Limited ("Plateau") is a wholly-owned subsidiary of Anooraq Resources Corporation, a Canadian company which has certain directors in common with the Company. Plateau shares certain premises and other facilities with the Company pursuant to a cost-sharing arrangement with no profit element involved.

8. INCOME TAXES

A reconciliation of income taxes calculated at applicable statutory rates is as follows:

	Years ended May 31		
	2006	2005	2004
Loss for the year	$ (1,600,673)	$ (1,485,694)	$ (1,396,018)
Expected income tax recovery	$ (555,322)	$ (532,607)	$ (500,318)
Difference in foreign tax rates	7,171	3,452	3,336
Non-deductible amounts	374,980	293,528	350,594
Deductible expenses	(35,132)	(35,875)	(35,875)
Unrecognized benefit of net operating losses carried forward	208,303	271,502	182,263
Net income tax recovery	$ –	$ –	$ –

The significant component of the Company's future tax assets are as follows:

	As at May 31	
	2006	2005
Net operating loss carry forwards	$ 1,155,000	$ 1,285,000
Cumulative exploration and development expenses	2,136,000	1,940,000
Other	150,000	148,000
	3,441,000	3,373,000
Less: valuation allowance	(3,441,000)	(3,373,000)
Net future tax assets	$ –	$ –

At May 31, 2006, the Company had available for deduction against future taxable income non-capital losses of approximately $3,727,000 (2005 – $3,610,000; 2004 - $3,300,000). These losses, if not utilized, will expire in various years ranging from 2007 to 2026. Subject to certain restrictions, the Company also had Canadian resource expenditures of approximately $4,503,000 (2005 – $3,300,000; 2004 - $4,450,000), which are available to reduce taxable income in future years.

(Expressed in Canadian Dollars)

9. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mineral exploration sector. The Company's mining operations are centralized whereby the Company's head office is responsible for the exploration results and for providing support in addressing local and regional issues. The Company's resource properties are located in Canada and in Chile.

	2006	2005	2004
Loss for the year			
Canada	$ (1,340,385)	$ (1,239,140)	$ (1,157,753)
Chile	(260,288)	(246,554)	(238,265)
	$ (1,600,673)	$ (1,485,694)	$ (1,396,018)
Identifiable assets			
Canada	$ 228,560	$ 558,951	$ 1,870,357
Chile	60,087	100,626	103,831
	$ 288,647	$ 659,577	$ 1,974,188

10. SUBSEQUENT EVENTS

(a) Acquisition of Durnpike Investments (Pty) Limited

On June 30, 2006, the Company entered into an Agreement-in-Principle to acquire interests and/or rights in four alluvial diamond properties in South Africa and the Democratic Republic of Congo. These four properties include the: Holpan/Klipdam Property in South Africa, Wouterspan Property in South Africa, Kwango River Project in the Democratic Republic of Congo and Galputs Minerale Project in South Africa.

The Company will acquire all of the shares and loans in Durnpike Investments (Pty) Limited ("Durnpike"), a private South African company, from eight individuals (the "Vendors") for consideration set forth below, payable in common shares of the Company ("Common Shares") related to the closing price of the Common Shares on the TSX Venture Exchange on the specified dates described below. Durnpike holds or is in the process of acquiring an interest and/or rights in the four alluvial diamond properties.

The Holpan/Klipdam Property and the Wouterspan Property are indirectly owned by the H.C. Van Wyk Diamante Trust ("Van Wyk Trust"), a business trust registered in South Africa. Van Wyk Trust holds 99% of HC Van Wyk Diamonds (Pty) Ltd ("HCVW"), a private South African company, and 99% of Klipdam Mining Company Limited ("Klipdam"), a private South African company. HCVW and Klipdam, are collectively referred to as The Van Wyk Diamond Group of companies ("VWDG"). Durnpike has committed to complete the acquisition of an initial 49% of the issued and outstanding shares of HCVW and 51% of the issued and outstanding shares of Klipdam ("The Acquisition Interest"). To acquire the Acquisition Interest, Durnpike paid the Van Wyk Trust ZAR50 million (US$6.8 million) on July 7, 2006 and will pay ZAR30 million (US$ 4.1 million) on July 7, 2007. Durnpike has an option to increase its shareholding in HCVW to a 51% control interest, upon obtaining necessary regulatory and corporate approvals, by subscribing for additional shares in HCVW in an amount of ZAR1 million (US$0.14 million) and obtaining the requisite corporate approvals for the introduction of a ZAR24 million (US$3.3 million) working capital loan into VWDG.

The Company will also enter into an Exchange agreement with the Van Wyk Trust in terms by which it will be granted a call option, and grant a corresponding put option to the Van Wyk Trust, to acquire an additional 23% of VWDG for ZAR60 million (US$8.2 million), payable in Common Shares. The Exchange shall become effective upon Rockwell having completed a listing of the Company's common shares on the Johannesburg Stock Exchange ("JSE Listing").

Pursuant to the Agreement-in-Principle to acquire Durnpike, the Company will:

- acquire from the Vendors all of their shares and loans in Durnpike for ZAR34 million (US$4.6 million), payable in common shares of the Company on the earlier of (i) the date of the JSE listing; and (ii) within 9 months from signature of the Agreement-in-Principle, and thereby acquire Durnpike's interests in the four alluvial diamond properties in South Africa and the Democratic Republic of Congo.

- spend US$7 million on a feasibility study on the Kwango River Project by August 31, 2007. This deadline may be extended to February 29, 2008 at no cost and be further extended to December 31, 2008 by payment of US$1 million in Common Shares. If the Company wishes to retain the Kwango River Project following completion of the feasibility study, the Company must (i) pay to the Vendors an amount equal to 60% of the net present value of the Kwango River Project Valuation (as determined in terms of the feasibility study and subject to a minimum acquisition cost of US$13 million and a maximum acquisition cost of US$26 million), which payment shall be effected by the issuance of common shares and (ii) commit to incur an additional amount of up to US$6 million in expenditures for development of the Kwango River Project within 16 months from the date of completion of the feasibility study; and

- acquire the Galputs Minerale Project for ZAR9 million (US$1.2 million), payable to the Vendors in Common Shares on the earlier of (i) the date of the JSE listing; and (ii) within 9 months from signature of the Agreement-in-Principle.

All of the common shares issued to the Vendors pursuant to the acquisition, other than the common shares issued to extend the feasibility study deadline, will be held in escrow for at least 12 months from the date of issuance, provided that a limited portion of those escrowed Common Shares may be released to enable the Vendors to meet specified obligations.

The Agreement-in-Principle is subject to provisions relating to due diligence, confidentiality, costs, public disclosure and the execution of a definitive agreement. The closing of the acquisition is subject to certain conditions precedent, including completion of Durnpike's acquisition of certain of the diamond properties and obtaining the necessary regulatory approvals.

(b) *$6.0 million credit facility*

On September 5, 2006, the Company reached an agreement with Quest Capital Corp. ("Quest") for a $6.0 million credit facility (the "Facility"). The Facility is payable out of the proceeds of any future debt or equity financing or disposition of any of the assets of the Company, other than in the ordinary course of business, and bears interest from March 1, 2007 at the rate of 18% per annum, calculated daily and compounded monthly, payable on the last business day of each month. The Facility, if not earlier converted, must be repaid on or before May 31, 2007. The Facility is secured by a first charge over all of the assets of the Company. In consideration for the Facility, Quest received 385,714 common shares of the Company. In addition, should the Facility remain outstanding on November 30, 2006, Quest will receive an additional number of common shares equal to 4.5% of the principal amount then outstanding divided by the average closing price of the common shares of the Company on the TSX Venture Exchange for the 10 trading days immediately preceding November 30, 2006. The facility may be repaid at any time, without penalty. Quest has the right to convert the facility to common shares if the Company completes an equity financing for $5.0 million or greater, at the greater of the price at which the financing is conducted less a 3% discount, subject to a minimum conversion price of $0.65 per share.

(c) $9.5 million private placement of convertible promissory notes

In July 2006, the Company entered into agreements to complete a $9.5 million private placement of subordinated secured convertible promissory notes (the “Notes”). The Notes must be repaid on or before March 31, 2007 and have similar terms and conditions to the credit facility in note 10(b), including conversion rights. The Notes are subordinated to the Facility, and are secured by a charge over all of the assets of the Company. As consideration for the Notes, the noteholders received 678,571 common shares of the Company, or equal to five percent of the outstanding balance owed on the Notes divided by the average closing price of the Company's common shares on the Exchange for the five trading days immediately preceding such issue, less a 10% discount. In addition, should the Notes remain outstanding on each of September 30, 2006 and March 31, 2007, noteholders will receive an additional number of common shares on the same terms.

The proceeds of the Facility and Notes will be used to facilitate the acquisition of Durnpike and the funding of Durnpike’s obligations in connection with the acquisition of 51% of the outstanding shares of Klipdam and HCVW (of which US $6.8million has been advanced).

ROCKWELL VENTURES INC.
YEAR ENDED MAY 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

T A B L E O F C O N T E N T S

1.1 Date

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Rockwell Ventures Inc. ("Rockwell", or the "Company") for the year ended May 31, 2006.

This MD&A is prepared as of September 8, 2006. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

1.2 Overview

Rockwell Ventures Inc. ("Rockwell" or the "Company") is engaged in the business of acquiring and exploring natural resource properties.

At the Company's Annual and Extraordinary General Meeting held on November 28, 2005, the Company's shareholders approved a capital reorganization of the Company, which included the creation of a class of preferred shares, and a consolidation of the Company's common shares on a four old shares for one new basis. Regulatory approval of this capital reorganization was received on January 27, 2006.

In June 2006, Rockwell entered into an Agreement-in-Principle to acquire interests and/or rights in four alluvial diamond properties in Southern Africa:

- Holpan/Klipdam Property in South Africa
- Wouterspan Property in South Africa
- Galputs Minerale Project in South Africa
- Kwango River Project in the Democratic Republic of Congo

The Company has arranged a $6.0 million credit facility and agreements to complete a $9.5 million private placement of convertible promissory notes to initially fund the acquisition of the alluvial diamond properties.

In conjunction with the acquisition, a new management team with extensive experience in alluvial diamond development and production has been assembled. John Bristow, Ph.D., has been appointed as President and Chief Operating Officer and Mr. David Copeland, P.Eng., as Chief Executive Officer of Rockwell. Mr. Hennie Van Wyk will assume the role of Operations Director, Mr. Jeffrey Brenner the position of Marketing and Sales Director, Mr. Jeremy Crozier, B.Sc., M.Sc., MBA, the role of New Projects Manager. Mr. Bristow and Mr. Brenner have also been appointed as Directors of the Company. Former President and CEO, Ronald Thiessen, will continue as a Director of the Company.

Rockwell also holds the Ricardo Property, a copper prospect in the Chuquicamata district of Chile. The Company is currently looking for new partners to advance exploration of the project.

Alluvial Diamond Properties

Agreements

In June 2006, Rockwell entered into an Agreement-in-Principle to acquire interests and/or rights in the Holpan/Klipdam Property, the Wouterspan Property and Galputs Minerale Project in South Africa, and the Kwango River Project in the Democratic Republic of Congo. Pursuant to the Agreement-in-Principle, Rockwell will acquire (the “Acquisition”) all of the shares and shareholder loans in Durnpike Investments (Pty) Limited (“Durnpike”), a private South African company, from eight arm’s length individuals (the “Vendors”) for the consideration set forth below, payable in common shares of the Company (“Common Shares”) related to the closing price of the Common Shares on the TSX Venture Exchange on the specified dates described below.

Durnpike holds or is in the process of acquiring an interest and/or rights in four alluvial diamond properties, all situated in Southern Africa.

Closing of the Acquisition is expected to occur on or before October 31, 2006 (the “Closing Date”). On completion of the Acquisition, and subject to obtaining necessary regulatory approvals, the Company intends to obtain a secondary listing of its share capital on the Johannesburg Stock Exchange in South Africa (“The JSE Inward Listing”) (An inward listing is a South African term for a Company that is already listed on a stock exchange outside of the country and will not be seeking a listing in South Africa). In addition, the Company shall cause three of the Vendors to be appointed to its Board of Directors.

Pursuant to the proposed Acquisition, Rockwell will:

(a) acquire from the Vendors all of their shares and loans in Durnpike for ZAR34 million (US$4.6 million), payable in Common Shares on the earlier of (i) the date of The JSE Inward Listing; and (ii) within 9 months from signature of the Agreement-in-Principle, and thereby acquire Durnpike’s interests in the Holpan/Klipdam Operation, the Wouterspan Operation, the Galputs Project and the Kwango River Project; and

(b) spend US$7 million on a feasibility study on the Kwango River Project by August 31, 2007. This deadline may be extended to February 29, 2008 at no cost and be further extended to December 31, 2008 by payment of US$1 million in Common Shares. If the Company wishes to retain the Kwango River Project following completion of the feasibility study, Rockwell must (i) pay to the Vendors an amount equal to 60% of the net present value of the Kwango River Project Valuation (as determined in terms of the feasibility study and subject to a minimum acquisition cost of US$13 million and a maximum acquisition cost of US$26 million), which payment shall be effected in Common Shares and (ii) commit to incur an additional amount of up to US$6 million in expenditures for development of the Kwango River Project within 16 months from the date of completion of the feasibility study; and

(c) acquire Galputs Minerale (through a purchase of Virgilia Investments Inc.) for ZAR9 million (US$1.2 million), payable to the Vendors in Common Shares on the earlier of (i) the date of The JSE Inward Listing and (ii) within 9 months from signature of the Agreement-in-Principle. In the event that Rockwell has not obtained title to Virgilia by the Closing Date, it will pay the Vendors ZAR5.8 million (US$0.8 million) on the Closing Date in Common Shares and a further ZAR3.2 million (US$0.43 million) in Common Shares at the time of the transfer of title to Virgilia shares to Rockwell in due course.

All Common Shares issued to the Vendors pursuant to the Acquisition will be held in escrow for at least 12 months from the date of issuance, provided that a limited portion of those escrowed Common Shares may be released to enable the Vendors to meet specified government regulatory obligations.

The Agreement-in-Principle is subject to provisions relating to due diligence, confidentiality, costs, public disclosure and the execution of a definitive agreement. The Acquisition is subject to certain conditions precedent, including completion of Durnpike's acquisition of certain of the diamond properties and regulatory approvals. If agreements or conditions relating to the acquisition of one of the interests and/or rights in a mineral property are not finalized prior to the Closing Date, Rockwell may elect to proceed with the Acquisition by excluding such affected property.

Financings

$6.0 million credit facility

On September 5, 2006, the Company reached an agreement with Quest Capital Corp. ("Quest") for a $6.0 million credit facility (the "Facility"). The Facility is payable out of the proceeds of any future debt or equity financing or disposition of any of the assets of the Company, other than in the ordinary course of business, and bears interest from March 1, 2007 at the rate of 18% per annum, calculated daily and compounded monthly, payable on the last business day of each month. The Facility, if not earlier converted, must be repaid on or before May 31, 2007. The Facility is secured by a first charge over all of the assets of the Company. In consideration for the Facility, Quest received 385,714 common shares of the Company. In addition, should the Facility remain outstanding on November 30, 2006, Quest will receive an additional number of common shares equal to 4.5% of the principal amount then outstanding divided by the average closing price of the common shares of the Company on the TSX Venture Exchange for the 10 trading days immediately preceding November 30, 2006. The facility may be repaid at any time, without penalty. Quest has the right to convert the facility to common shares if the Company completes an equity financing for $5.0 million or greater, at the greater of the price at which the financing is conducted less a 3% discount, subject to a minimum conversion price of $0.65 per share.

$9.5 million private placement of convertible promissory notes

In July 2006, the Company entered into agreements to complete a $9.5 million private placement of subordinated secured convertible promissory notes (the "Notes"). The Notes must be repaid on or before March 31, 2007 and have similar terms and conditions to the $6.0 million credit facility, including conversion rights. The Notes are subordinated to the Facility, and are secured by a charge over all of the assets of the Company. As consideration for the Notes, the noteholders received on closing, 678,571 common shares of the Company, or equal to five percent of the outstanding balance owed on the Notes divided by the average closing price of the Company's common shares on the Exchange for the five trading days immediately preceding such issue, less a 10% discount. In addition, should the Notes remain outstanding on each of September 30, 2006 and March 31, 2007, noteholders will receive an additional number of common shares on the same terms.

The proceeds of the Facility and Notes will be used to facilitate the acquisition of Durnpike and the funding of Durnpike's obligations in connection with the acquisition of 51% of the outstanding shares of Klipdam Diamond Mining Company Limited and HC Van Wyk Diamonds (Proprietary) Limited.

Property Details

Holpan/Klipdam Property and Wouterspan Property, Northern Cap Province, South Africa

Ownership Summary

The Holpan/Klipdam property and the Wouterspan property, South Africa ("SA")**,** are indirectly owned by the H.C. Van Wyk Diamante Trust ("Van Wyk Trust"), a business trust registered in SA. Van Wyk Trust holds 99% of HC Van Wyk Diamonds (Pty) Ltd ("HCVW"), a private SA company (the remaining 1% owned by the Van Wyk Trust nominees), and 99% of Klipdam Mining Company Limited ("Klipdam"), an unlisted SA public company (the remaining 1% owned by the Van Wyk Trust nominees). HCVW and Klipdam, are collectively referred to as The Van Wyk Diamond Group of companies ("VWDG"). VWDG is an independent diamond producer that conducts diamond exploration and mining on the Holpan/Klipdam property, which VWDG owns, and also conducts contract mining on the Wouterspan Property, over which HCVW holds options to acquire title.

Durnpike completed the acquisition of an initial 49% of the issued and outstanding shares of HCVW and 51% of the issued and outstanding shares of Klipdam ("The Acquisition Interest") prior to July 7, 2006. To acquire the Acquisition Interest, Durnpike will pay the Van Wyk Trust ZAR50 million (US$6.8 million) on closing and ZAR30 million (US$ 4.1 million) on the one-year anniversary of the closing. Durnpike has an option to increase its shareholding in HCVW to a 51% control interest, upon obtaining necessary South African regulatory and corporate approvals, by subscribing for additional shares in HCVW in an amount of ZAR1 million (US$0.14 million) and obtaining the requisite corporate approvals for the introduction of a ZAR24 million (US$3.3 million) working capital loan into VWDG.

Rockwell also entered into an Exchange agreement with the Van Wyk Trust in terms by which it was granted a call option, and granted a corresponding put option to the Van Wyk Trust, to acquire an additional 23% of VWDG for ZAR60 million (US$8.2 million), payable in Common Shares. The Exchange shall become effective upon Rockwell having completed The JSE Inward Listing. It is expected that a Black Economic Empowerment company will acquire a 26% interest in VWDG. Talks with specific parties are well advanced.

Technical Summary

The Holpan/Klipdam Property is located 45 km from Kimberley, South Africa. It consists of the adjacent Holpan 161 and Klipdam 157 farms, covering an area of 3,836 hectares.

The property hosts an extensive alluvial diamond deposit at which operations are underway. An estimate of the inferred resources as of March 2006 are 12,000,000 m^3 of diamondiferous gravel with a grade of 1.16 carats/100 m^3 and a mean value of US$848 per carat (as assessed from production records). RH De Decker, Pr. Sci. Nat., is the Qualified Person responsible for the resource estimate.

Alluvial operations are currently underway using a large fleet of new equipment. Approximately 159,000 cubic metres (m^3) of gravel is moved per month, the majority of which is treated using a highly efficient, closed system Bateman Dense Media Separation Plant, commissioned in 2005, to extract diamonds.

The Wouterspan Property is located near Douglas, South Africa. It comprises portions, totalling 969.4 hectares, of the Lanyon Vale 376 farm.

Drilling and trial mining indicate that the property hosts an extensive alluvial deposit with a large average stone size within the Rooikoppie and Primary gravel units.

A drilling program, conducted in 2005 by VWDG at Wouterspan, identified 4,481,000 m^3 of Rooikoppie Gravel and 43,259,000 m^3 of Primary Gravel. In trial mining operations, 2,868 carats of diamonds have been recovered from 514,000 m^3 of Primary and 24,000 m^3 of Rooikoppie gravel.

Currently, alluvial diamond operations are taking place on two portions of the property called the Farhom and Okapi farms. Diamonds of exceptional value have been recovered, including the discovery of a 157 carat stone that sold for approximately US$5.7 million at an official tender earlier this year.

Kwango River Project, Democratic Republic of Congo

The Kwango River Project comprises approximately 109 square km within Exploitation Permit Number 331 (“PPE331”) held by Midamines SPRL (“Midamines”), a Democratic Republic of Congo company. Durnpike has an agreement with Midamines to manage and carry out exploration and mining on a portion of PPE331, as contractor for and on behalf of Midamines, and is entitled to an 80% share of the net revenue from the sale of any diamonds produced from the contract area. PPE 331, issued in December 2003, is valid until January 2017 (and is renewable for a second term) and allows the holder to conduct exploration, develop and exploit the deposit as well as market the diamonds produced from the deposit according to local government requirements and the Kimberley process.

The Project encompasses over 75 km of river frontage and also extends across elevated, palaeo-river terraces. Alluvial diamond deposits occur as gravel assemblages within the modern Kwango River, underlying its banks and in the adjacent terraces. The river deposits are currently being mined using small dredges, and the river bank and terraces are being mined by small scale excavations. The Government Valuator in Kinshasa has valued parcels of diamonds from recent small scale mining on the property in the range of US$85 to US$110 per carat. The recoveries from both sources are 0.15 to 0.2 carats per 30 kg samples.

Galputs Minerale Project, Northern Cape Province, South Africa

The Galputs Project consists of the mining rights to the Galputs 104 farm on which diamondiferous gravels have been identified. The Project is indirectly owned by Virgilia Investments Inc (“Virgilia”), a British Virgin Islands corporation. Virgilia’s wholly-owned subsidiary, Galputs Minerale (Pty) Limited, a private SA company, holds mining rights to the Galputs Project. Durnpike has been conducting contract bulk sampling in preparation for contract mining operations on the Project.

Other Properties

Ricardo Property, Chile

The Company holds a 100% interest in the Ricardo Property, a copper prospect located within the Calama Mining District, Chile. The property is situated on the West Fissure Fault, a structural trend that hosts a number of porphyry copper deposits, including Corporación Nacional del Cobre de Chile’s (“Codelco”, Chile’s national mining company) Chuquicamata Mine. There are targets on the Ricardo property that have yet to be tested and the Company is seeking partners to continue exploration.

Codelco is erecting housing and other infrastructure in certain areas of the Ricardo property, as part of a relocation project of its workers at its Chuquicamata mine. The Company believes this construction usurps the Company's mining rights and therefore, applied for two easements in an attempt to protect the Company's mining rights and to receive fair compensation from Codelco. In June 2006, the Supreme Court of Chile denied the Company's request for the easements.

Market Trends

Copper prices continued to increase in 2005, averaging US$1.59/lb over the year. Copper prices remain strong, averaging US$2.93/lb to mid September 2006.

The rough diamond market was strong in 2005, with some softening at year end after prices peaked in the third quarter. Prices for polished stones increased, including large stones (>2 carats with better colour and quality) and smaller diamond segments. In 2006, diamond prices have shown general increases of 4-5% in the first three quarters, but softened in the latter part of the year as a consequence of increased debt levels in manufacturing centers and high energy prices, depressing discretionary spending in key markets such as the USA. Prices of larger solid diamonds continue to show solid gains on a year-over-year basis. According to a recent report, round polished diamonds—4 carats and 5 carats in size, and representing about 1% of the market by value—continue to post solid price gains, year-over-year. The continued price appreciation of large stones is significant in respect to the production mix from the projects being acquired in Kimberley area of South Africa, which comprises a significant component of large (+2 carats, including 10 carat) stones.

1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and are expressed in Canadian dollars except common shares outstanding.

	As at May 31		
Balance Sheets	**2006**	**2005**	**2004**
Current assets	$ 256,456	$ 580,530	$ 1,895,141
Mineral properties	1	46,857	46,857
Other assets	32,190	32,190	32,190
Total assets	288,647	659,577	1,974,188
Current liabilities	1,146,070	29,976	33,406
Shareholders' equity (deficiency)	(857,423)	629,601	1,940,782
Total liabilities and shareholders' equity	$ 288,647	$ 659,577	$ 1,974,188

	Years ended May 31		
Operations	**2006**	**2005**	**2004**
Exploration	$ 307,390	$ 920,902	$ 525,619
Foreign exchange loss (gain)	(46,881)	3,105	(34,856)
Legal, accounting and audit	175,782	80,078	48,402
Office and administration	489,015	285,618	325,178
Property Investigations	399,006	–	–
Shareholder communications	32,130	19,896	16,987
Travel and conference	132,645	30,293	49,325
Transfer agent filings	20,843	22,795	33,139
Subtotal	1,509,930	1,362,687	963,794
Gain on sale of marketable securities	(56,585)	(6,138)	(9,645)
Interest income	(2,172)	(17,854)	(28,151)
Write-down of marketable securities	19,128	135,486	25,000
Write-down of mineral property interests	46,856	–	–
Subtotal	1,517,157	1,474,181	950,998
Stock-based compensation	83,516	11,513	445,020
Loss for the period	$ 1,600,673	$ 1,485,694	$ 1,396,018
Basic and diluted loss per common share	$ (0.07)	$ (0.06)	$ (0.08)
Weighted average number of common shares outstanding	23,640,123	23,376,122	17,744,545

1.4 Summary of Quarterly Results

Expressed in thousands of Canadian dollars, except per-share amounts. Minor differences are due to rounding.

	May 31 2006	Feb 28 2006	Nov 30 2005	Aug 31 2005	May 31 2005	Feb 28 2005	Nov 30 2004	Aug 31 2004
Current assets	$ 257	$ 197	$ 205	$ 429	$ 581	$ 769	$ 1,505	$ 1,611
Mineral properties	–	47	47	47	47	47	47	47
Other assets	32	32	32	32	32	32	32	32
Total assets	289	276	284	508	660	848	1,584	1,690
Current liabilities	1,146	446	128	33	30	–	17	22
Shareholders' equity (deficiency)	(857)	(170)	156	475	630	848	1,567	1,668
Total liabilities and shareholders' equity	289	276	284	508	660	848	1,584	1,690
Working capital (deficit)	(890)	(250)	77	396	551	769	1,488	1,589
Expenses								
Foreign exchange	3	(54)	4	1	–	(42)	30	15
Legal, accounting and audit	118	32	19	6	37	17	24	2
Office and administration	227	134	62	66	59	100	65	62
Property investigation	139	87	147	26	–	–	–	–
Shareholder communications	11	9	11	1	1	14	4	1
Travel and conference	30	49	54	1	27	–	–	3
Transfer agent filings	3	12	5	1	1	17	4	1
Subtotal	531	269	302	102	125	106	127	84
Exploration	120	134	16	37	116	675	46	84
Subtotal	651	403	318	139	241	781	173	168
Gain on sale of marketable securities	–	(57)	–	–	–	(6)	–	–
Interest income	(1)	–	(1)	(1)	(2)	(3)	(7)	(6)
Write-down of marketable securities	–	–	2	17	20	–	4	111
Write-down of mineral property interests	47	–	–	–	–	–	–	–
Subtotal	697	346	319	155	259	772	170	273
Stock-based compensation	63	15	6	–	3	1	3	5
Loss for the period	$ 760	$ 361	$ 325	$ 155	$ 262	$ 773	$ 173	$ 278
Basic and diluted loss per share	$ (0.03)	$ (0.02)	($0.01)	($0.01)	($0.01)	($0.03)	($0.01)	($0.01)
Weighted average number of common shares outstanding (thousands)	23,675	23,658	23,614	23,614	23,555	23,437	23,308	23,207

1.5 Results of Operations

The Company had a net loss of $1,600,673 for the 2006 fiscal year compared to a net loss of $1,485,694 for the previous year. The decrease in net loss is primarily due to decreases in exploration expenses (2006 – $307,390; 2005 – $920,902). This decrease was offset by increased expenses in property investigation, travel and conference expenses and stock based compensation.

Exploration expenses (excluding stock-based compensation) decreased to $307,390 in fiscal 2006 compared to $920,902 in fiscal 2005. This decrease is due to the termination of exploration activities at the Royce Diamond property and various British Columbia properties due to insufficient results to warrant further exploration.

Foreign exchange gains increased to $46,881 in fiscal 2006 compared to a foreign exchange loss of $3,105 in fiscal 2005. Administrative costs for fiscal 2006 increased to $489,014 in comparison to $285,618 incurred in fiscal 2005, primarily due to increased consulting and salary expenses related to the evaluation of properties for acquisition and exploration.

Property investigation expenses (2006 – $399,006; 2005 – $nil) and travel and conference expenses (2006 – $132,647; 2005 – $30,293) increased for the fiscal year 2006 compared to fiscal 2005 as the Company continued to evaluate properties for acquisition and exploration.

Legal, accounting and audit expenses for fiscal 2006 increased to $175,782 in comparison to the $80,078 incurred in fiscal 2005, the increase is primarily related to the evaluation of properties for acquisition.

Write-down of marketable securities decreased to $19,128 in fiscal 2006 from $135,486 in fiscal 2005 due to the decline in the value of Taseko Mines Limited common shares and the Comwest warrants held by the Company as marketable securities. The Taseko Mines Limited shares were sold during the year for a gain of $55,340.

The Company recorded a write-down of mineral property interests of $46,856 in fiscal 2006 due to the Company’s application for easements on the Company’s Minera Ricardo property being denied by the Chilean law courts.

Stock-based compensation increased to $83,516 in fiscal 2006 from $11,513 in fiscal 2005 due to an increase in the number of options granted during fiscal 2006 (486,250) compared to fiscal 2005 (30,000).

Interest income decreased to $2,172 for the fiscal 2006, compared to $17,854 for the fiscal 2005 due to lower cash balances on hand.

1.6 Liquidity

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements to sophisticated investors and institutions. The Company has issued common share capital in each of the past few years, pursuant to private placement financings and the exercise of warrants and options. The Company's access to exploration financing, when the financing is not transaction specific, is always uncertain. There can be no assurance of continued access to significant equity funding.

At May 31, 2006, the Company had working capital deficit of $889,614 as compared to a positive working capital of $550,554 at May 31, 2005. The Company will have to raise additional funds to continue its operations or will have to curtail its operations.

As described in 1.2 *Overview*, the Company has arranged a $6.0 million credit facility and completed a $9.5 million private placement of convertible promissory notes to fund the acquisition of the alluvial diamond properties.

The proceeds of the credit facility and convertible promissory notes will be used to facilitate the acquisition of Durnpike Investments (Proprietary) Limited ("Durnpike") and the funding of Durnpike's obligations in connection with the acquisition of 51% of the outstanding shares of Klipdam Diamond Mining Company Limited and HC Van Wyk Diamonds (Proprietary) Limited.

The Company has no other long term debt, capital lease obligations, operating leases or any other long term obligations.

The Company has no "Purchase Obligations" defined as any agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

1.7 Capital Resources

The Company had no commitments for capital expenditures as of May 31, 2006.

The Company has no lines of credit or other sources of financing which have been arranged but as yet unused.

1.8 Off-Balance Sheet Arrangements

None.

1.9 Transactions with Related Parties

Hunter Dickinson Inc. ("HDI") is a private company owned by nine public companies, one of which is Rockwell. HDI carries out investor relations, geological, corporate development, administrative and other management services for, and incurs third party costs on behalf of the Company, on a full cost-recovery basis. Costs for services rendered by HDI to the Company increased to $578,134 (2005 – $163,317) for the fiscal year 2006 due to an increase in property investigation activities provided by HDI in assessing new prospects for acquisition and exploration.

During the fiscal year 2006, the Company paid $18,630 (2005 – $16,164) to Euro-American Capital Corporation, a private company controlled by a director of the Company.

1.10 Fourth Quarter

The Company had a net loss of $759,602 for the quarter ended May 31, 2006 compared to $259,076 for the same quarter last year. This is mainly due to the increases property investigation expenses incurred during the current quarter (2006 – $139,265; 2005 – $nil) and an increase in office and administration expenses compared to the same quarter in prior year as the Company continued to evaluate properties for acquisition and exploration.

Exploration expenses for the fourth quarter of 2006 increased to $120,025 compared to $115,549 for the similar quarter in the previous year.

Office and administration expenses increased to $227,268 for the quarter ended May 31, 2006 compared to $57,286 in the quarter ended May 31, 2005 due to the increased property investigation activities.

Legal, accounting and audit expenses for the quarter was $118,440 compared to $37,144 for the similar quarter in the previous year due to legal expenses incurred on property investigation during the quarter.

The Company recorded a write-down of mineral property interests of $46,856 in the fourth quarter as the Company's application for easements on the Company's Minera Ricardo property were denied by the Chilean law courts.

Stock-based compensation increased to $62,504 for the quarter ended May 31, 2006 compared to $3,235 for the quarter ended May 31, 2005 due to an increase in the number of options granted.

Interest income decreased to $688 for the quarter ended May 31, 2006 compared to $2,925 for the quarter ended May 31, 2005 due to lower cash balance on hand.

1.11 Proposed Transactions

As described in 1.2 *Overview*, the Company entered into an Agreement-in-Principle to acquire interests and/or rights in the Holpan/Klipdam Property, the Wouterspan Property and Galputs Minerale Project in South Africa, and the Kwango River Project in the Democratic Republic of Congo. Pursuant to the Agreement-in-Principle, Rockwell will acquire (the "Acquisition") all of the shares and loans in Durnpike Investments (Pty) Limited ("Durnpike"), a private South African company, from eight arm's length individuals (the "Vendors").

Durnpike holds or is in the process of acquiring an interest and/or rights in four alluvial diamond properties, all situated in Southern Africa.

Closing of the Acquisition is expected to occur on or before October 31, 2006 (the "Closing Date"). The closing of the acquisition is subject to certain conditions precedent, including completion of Durnpike's acquisition of certain of the diamond properties. On completion of the Acquisition, and subject to obtaining necessary regulatory approvals and execution of a definitive agreement, the Company intends to obtain a secondary listing of its share capital on the Johannesburg Stock Exchange in South Africa ("The JSE Inward Listing"). In addition, the Company shall cause three of the Vendors to be appointed to its Board of Directors.

1.12 Critical Accounting Estimates

Not applicable. The Company is a venture issuer.

1.13 Changes in Accounting Policies including Initial Adoption

Adoption of new accounting standard for variable interest entities

Effective June 1, 2005, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG15") on a prospective basis. AcG15 prescribes the application of consolidation principles for entities that meet the definition of a variable interest entity ("VIE"). An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. The adoption of this new standard had no effect on the consolidated financial statements as management has determined the Company does not have any variable interest entities.

1.14 Financial Instruments and Other Instruments

None.

1.15 Other MD&A Requirements

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

1.15.1 Additional Disclosure for Venture Issuers Without Significant Revenue

(a) capitalized or expensed exploration and development costs;

> The required disclosure is presented in the consolidated schedules of exploration expenses of the accompanying financial statements.

(b) expensed research and development costs;

> Not applicable.

(c) deferred development costs;

Not applicable.

(d) general and administration expenses;

The required disclosure is presented in the consolidated statements of operations.

(e) any material costs, whether capitalized, deferred or expensed, not referred to in (a) through (d);

None.

1.15.2 Disclosure of Outstanding Share Data

The following details the share capital structure as at September 8, 2006, which is the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future consolidated financial statements.

	Expiry date	Exercise price	Number	Number
Common shares				24,759,895
Share purchase options	September 28, 2007	$ 0.40	112,917	
	February 29, 2008	$ 0.42	210,000	
	March 28, 2008	$ 0.50	150,000	472,917

1.15.3 Disclosure Controls and Procedures

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company’s management so that decisions can be made about timely disclosure of that information. The Company’s Chief Executive Officer and Chief Financial Officer evaluated the Company’s disclosure controls and procedures for the year ended May 31, 2006 and have found those disclosure controls and procedures to be adequate for the above purposes.

There have been no significant changes in the Company's disclosure controls or in other factors that could significantly affect disclosure controls subsequent to the date the Company carried out its evaluation.

During the Company's most recently completed fiscal year ended May 31, 2006, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to affect, its internal control over financial reporting.