

## **ROCKCLIFF RESOURCES INC.**

Management's Discussion and Analysis

For the Period Ended February 28, 2007

(Prepared as at April 22, 2007)

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The following discussion of financial condition, changes in financial condition and results of operations has been prepared by the Company's management, without review or comment from the Company's auditors. This document is intended to accompany the unaudited interim financial statements as at February 28, 2007 and should be read in conjunction with those financial statements. Additional information about the Company can be found at [www.sedar.com](http://www.sedar.com).

### **DISCLOSURE CONTROLS AND PROCEDURES**

Management is responsible for the information disclosed in this management discussion and analysis and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. As of the financial year ended August 31, 2006, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and Chief Financial Officer, on the effectiveness of the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings ("MI 52-109"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of August 31, 2006 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company. As there have been no subsequent changes to these controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of February 28, 2007 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

MI 52-109 also requires a reporting issuer to submit an interim certificate relating to the design of internal control over financial reporting. Internal control over financial reporting is a process designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. As part of this process, management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the design of the internal control over financial reporting at February 28, 2007 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of February 28, 2007.

### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

Under the provisions of MI 52-109, a reporting issuer is also required to disclose in their MD&A any change in internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect internal control over financial reporting.

Management has determined that there have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

### **FORWARD LOOKING INFORMATION**

This Management's Discussion and Analysis contains forward-looking statements that involve risks and uncertainties, which may cause actual results to differ materially from the statements made. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to such risks and uncertainties. Many factors could cause our actual results to differ materially from the statements made, including those factors discussed in filings made by us with the Canadian securities regulatory authorities.

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### **FORWARD LOOKING INFORMATION – (continued)**

Should one or more of these risks and uncertainties, such as actual results of current exploration programs, the general risks associated with the mining industry, the price of gold and other metals, currency and interest rate fluctuations, increased competition and general economic and market factors, occur or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, or expected. We do not intend and do not assume any obligation to update these forward-looking statements. Shareholders are cautioned not to put undue reliance on such forward-looking statements.

### **OVERVIEW**

The Company operates a single business segment which is engaged in base and precious metal mining and related activities, including exploration and development, in northern Ontario. The management of the Company has not changed since the fiscal year end and is comprised of the following individuals:

<u>Name</u>	<u>Position(s) Held</u>
Ken Lapierre, P. Geo	Director, CEO, President
Peter Wood, P. Geo.	Director, VP Exploration
William R. Johnstone, LL.B. <sup>(1)</sup>	Director, Corporate Secretary
Robin Lowe <sup>(1)</sup>	Director
Denis Arsenault, C.A. <sup>(1)</sup>	Director
Mike Kindy, C.A.	CFO

<sup>(1)</sup> Member of the Company's Audit Committee

### **OVERALL PERFORMANCE**

When the Company was incorporated in January 2006 its founders had a vision that involved the acquisition and development of significant properties of merit. It was known from the outset that this vision would require a significant amount of financing and accordingly management began the process of preparing for a public offering of the Company's securities.

During the current period the initial public offering (IPO) of the Company's securities closed providing it with gross proceeds of \$2,300,000. A total of \$1,200,000 of these proceeds was raised through the issuance of flow-through shares and warrants. As a condition of the IPO these particular proceeds must be used exclusively to fund exploration and development of target properties. The balance of \$1,100,000 in gross proceeds has no similar restriction and it is available for working capital purposes. The costs of the offering, which amounted to \$243,606 have been paid using these funds and have been deducted from the carrying value of these securities.

With this funding in place the Company was able to continue the exploration of its Shihan property in Northern Ontario. A drilling program was initiated in January 2007 and this contributed significantly to the total of \$322,745 in expenditures made on this property during the current fiscal quarter.

In keeping with the Company's vision, management was in discussions throughout this current period seeking access to additional properties of merit. These discussions culminated in the signing of seven separate option agreements in March 2007 covering properties in the Snow Lake District in Manitoba. These properties, acquired from a subsidiary of HudBay Minerals Inc., cover 15,847 hectares in one of the most prolific and the largest Paleoproterozoic VMS district in the world.

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### **OVERALL PERFORMANCE (continued)**

The Company is currently in process of exploring its mineral properties and does not yet have any sources of operating revenue. This absence of revenues virtually assures that operating losses will occur. The losses incurred in the recently concluded fiscal quarter amounted to \$111,410 and included many one-time expenses, just like the preceding quarter, associated with the registration of the Company's shares for public trading.

### **RESULTS OF OPERATIONS**

During the current fiscal period the Company incurred losses in the amount of \$111,410 or \$0.01 per share raising the loss per share to \$0.02 per share on a year to date basis. The comparable period, which was comprised of only the first thirty nine days of operations following incorporation, reported a small loss of \$2,341 or \$0.00 per share.

The Company's revenues are limited to interest earned on short-term cash-based investments that it holds. This revenue, which amounted to \$10,833 for the current quarter, will fluctuate from period to period depending upon the amount of available cash resources that the Company can direct towards this type of investment and the prevailing interest rates offered.

The losses realized in the current period are primarily attributable to three factors which account for \$93,377 or over 76% of total expenses. Professional fees in the amount of \$34,539 are comprised of legal fees incurred on matters such as the public listing of the Company's securities, public company reporting issues, and other corporate matters. Consulting fees in the amount of \$22,450 include fees paid the Company's CEO and the Company's CFO on account of administrative services and investor relations. Regulatory and transfer agent fees in the amount of \$36,388 were incurred in this period and include \$26,900 paid to the stock exchange plus \$9,488 paid for shareholder services. It is anticipated that some of the issues giving rise to legal fees and the regulatory fees are non-recurring in nature however future costs may be comparable depending upon the timing and nature of transactions with which the Company becomes involved. There were no legal, regulatory or consulting fees incurred in the thirty nine day period ended February 28, 2006.

The remaining 24% of total expenses are comprised of occupancy costs (\$4,560), general and administrative expenses (\$15,865) and amortization (\$8,441). Occupancy costs are the aggregate of rent, utilities and other charges specifically associated with occupying and maintaining the Company's head office, which is under lease until February 2008. It is anticipated that these costs will remain relatively consistent throughout the remainder of the lease term although utility costs will fluctuate with rates and usage. The lease commenced in February 2006 giving rise to \$575 in expense for the comparable period.

General and administrative expenses include all other expenses associated with running the Company and operating the office. In the current period this included approximately \$8,900 in travel costs, \$2,200 associated with updating and maintaining the Company's web site, \$1,200 for printing stationery and business cards with the corporate logo, and \$1,000 for telephone services. Total general and administrative expenses in the thirty nine day period ended February 28, 2006 were \$1,769 including \$776 in travel costs.

Amortization is a function of the estimated useful lives of the Company's property plant and equipment and will vary according to the amount and nature of items acquired. The Company purchased items with an aggregate cost of \$27,957 in the current period thereby bringing the total acquisitions to \$140,104 since operations began. As this asset base grows the amortization expense will increase in proportion. This is demonstrated by the fact that the current period amount of \$8,441 is higher than the preceding fiscal quarter when amortization charges of \$5,682 were incurred.

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### PROPERTIES

The Company has, to date, acquired and made expenditures on two mineral properties as follows:

	Horwood <u>Property</u>	Shihan VMS <u>Property</u>
Acquisition costs	\$ 2,500	\$ 89,900
Exploration costs	<u>-</u>	<u>565,253</u>
Total costs to date	<u>\$ 2,500</u>	<u>\$ 655,153</u>

These amounts, and any future costs, will be deferred and reported as an asset of the Company until such time that the properties are brought to commercial production, sold, disproved or abandoned at which time an appropriate amount will be charged against income.

The Company continues to incur exploration costs on the Shihan VMS Property including the costs of a drilling program that commenced in January 2007.

On March 22, 2007 the Company entered into an agreement with Hudson Bay Exploration and Development Company Limited ("HBED") a subsidiary of HudBay Minerals Inc., whereby it acquired seven individual options on nineteen separate properties located in the Snow Lake District in Manitoba. These option agreements provide Rockcliff with the right to earn a 100% working interest in the properties, subject to a 2% net smelter return royalty. In order to earn this interest the Company must pay \$2,060,000 in option payments and incur exploration expenditures of at least \$9,800,000 within a four year period. The current portion of these requirements, or the portion that must be paid in the first twelve months, are \$70,000 and \$1,000,000 respectively. As at the date of this document the company has not made any option payments or incurred any exploration expenditures.

In the event that the Company earns its 100% interest in these properties then HBED has certain buy-back rights. HBED can reacquire a 55% interest by making payments to Rockcliff of 200% of the cash option payments made by Rockcliff to HBED and incurring exploration expenditures that are 200% of those incurred by Rockcliff. HBED can reacquire an additional 10% interest by bringing the property to commercial production and financing the 35% portion retained by Rockcliff. These financing costs would be recovered, to the extent possible, from the Company's share of profits from future production.

### LIQUIDITY

During the current period the Company completed an IPO which provided \$1,200,000 to be used exclusively for exploration and development of its mineral resource properties and \$856,394 for working capital purposes, after deducting the costs of the offering. Included in the IPO were a number of different share purchase warrants and agent units and a number of these have been exercised adding \$50,448 to working capital as at February 28, 2007 and an additional \$28,340 up to the date of this document.

Since the Company currently has no source of revenues or other means of generating cash from operations it will likely remain reliant on its ability to raise financing, either through private or public sources, in order to satisfy its obligations as they become due. Although the Company has been successful to date in obtaining the financing that it has required there is no assurance that it will be successful in completing future financing transactions should they be required.

### CAPITAL RESOURCES

The Company has not entered into any commitments to acquire equipment however it does have exploration expenditure and option payment commitments that must be satisfied in order to maintain and secure its interests in the mineral resource properties that are subject to property option agreements. It is highly probable that the Company will require additional financing in order to meet these commitments.

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### OFF-BALANCE SHEET ARRANGEMENTS

In accordance with the terms of the option agreement that the Company entered into to acquire a 100% working interest, subject to a 2% Net Smelter Returns Royalty, in the Shihan VMS Property it is required to make the following payments on or before the following dates:

	<u>Cash</u> <u>Payments</u>	<u>Exploration</u> <u>Expenditures</u>	<u>Common</u> <u>Shares</u>
July 14, 2007	\$ 12,500	\$ 100,000	75,000
July 14, 2008	15,000	100,000	75,000
July 14, 2009	<u>25,000</u>	<u>100,000</u>	<u>-</u>
	<u>\$ 52,500</u>	<u>\$ 300,000</u>	<u>150,000</u>

To date the Company has met the Exploration expenditure requirement but still must make the option payments of cash and shares.

The Company has also entered into a lease agreement relative to its office facility for an initial period of two years with an option to renew for a third year with no increase in rent and a further option to renew for an additional five year period at prevailing market rates. The minimum annual payments due under this lease are as follows:

To February 28, 2008	<u>\$ 13,800</u>
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With the exception of the option agreements described previously, the Company has not entered into any other commitments or purchase contracts as at the date of this document.

### TRANSACTIONS WITH RELATED PARTIES

During the six month period ended February 28, 2007 the Company entered into transactions with related parties that resulted in the following amounts being recorded:

- \$136,664 in exploration expenses, \$15,000 in consulting fees, and \$12,289 in general and administrative expenses result from fees and expenses charged by two corporations, each of which is owned and operated by individuals that are shareholders and Directors of the Company.
- \$104,464 in legal fees was charged by a legal firm in which a senior officer and director of the Company is a partner.
- \$11,812 in consulting fees was charged by a corporation that is owned and operated by a senior officer of the Company.

These transactions have been recorded at exchange amounts established and agreed to by the related parties. All transactions with related parties are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

### CONVERTIBLE INSTRUMENTS AND OTHER SECURITIES

The Company has the following securities issued:

	<u>Quantity</u>	<u>Amount</u>
Common shares as at November 30, 2006 and August 31, 2006	7,320,000	\$ 709,500
Shares issued under IPO December 8, 2006:		
Common shares issued as flow-through shares	4,000,000	1,200,000
Common shares	4,400,000	1,100,000
Less: expenses associated with offering		(243,606)
Agents units exercised	145,792	36,448
WC warrants exercised	35,000	10,500
FT warrants exercised	<u>10,000</u>	<u>3,500</u>
Common shares at February 28, 2007	<u>15,910,792</u>	<u>2,816,342</u>

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### CONVERTIBLE INSTRUMENTS AND OTHER SECURITIES (continued)

Common shares at February 28, 2007	15,910,792	2,816,342
WC warrants exercised	47,800	14,340
FT warrants exercised	<u>10,000</u>	<u>3,500</u>
Total as at date of this document	<u>15,968,592</u>	<u>\$ 2,806,750</u>

In addition to the shares noted above the Company issued certain warrants in connection with the IPO. The following represents the number of common shares that have been reserved to satisfy the potential future exercise of these warrants:

	<u>Number Of Common Shares</u>
Share purchase (FT) warrants exercisable at \$0.35 per share until December 8, 2008	1,980,000
Share purchase (WC) warrants exercisable at \$0.30 per share until December 8, 2008	4,510,792
Agents warrants exercisable at \$0.25 per unit until December 8, 2008	694,208
Share purchase warrants exercisable at \$0.30 per share until December 8, 2008 <sup>(1)</sup>	<u>694,208</u>
Total common shares reserved for potential future issuance	<u>7,879,208</u>

<sup>(1)</sup> These warrants will only be issued in the event that the Agents warrants are exercised

As noted in the chart above, the Company issued 4,000,000 common shares for gross proceeds of \$1,200,000 and designated them as flow through shares. In accordance with EIC-146 the Company is required under Canadian Generally Accepted Accounting Policies ("GAAP") to account for the income tax effects of the renunciation of the exploration expenditures and to do so in the period of renunciation. The Company formally renounced these expenditures in March 2007 and accordingly the carrying value of these shares will be reduced by \$283,200 in March 2007

### CHANGES IN ACCOUNTING POLICY

The accounting policies followed by the Company are established in accordance with Canadian GAAP and once policies are established they will not, as a matter of policy, be revised unless Canadian GAAP changes. There were no policy changes during the current fiscal period or subsequent thereto except for the new policy adopted in accordance with EIC-146 as described above.

### FINANCIAL AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, GST receivable and accounts payable and accrued liabilities. Due to the short term maturities associated with these items their fair value approximates their carrying values and the Company is not exposed to any significant interest or credit risks.

### RISK FACTORS

There are a number of risks that could affect the Company's business prospects. They include the speculative nature and the ability to finance the exploration and development of the Company's mineral properties, operating hazards, environmental and other government regulations, competition in the marketplace, markets for the Company's securities and the demand for gold and base metals.

#### *Exploration Risk:*

Mineral exploration and development involve a high degree of risk. A very low percentage of exploration projects ultimately evolve into producing mines. There is no assurance that the Company's future exploration and development activities will result in the definition of a commercial orebody. The viability of an orebody depends on a number of factors which include, but are not limited to, location, size, grade, geometry of orebody, availability of experienced labourers, proximity to existing infrastructure, metal prices and government regulations, including environmental restrictions.

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### **RISK FACTORS (continued)**

#### *Competition:*

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

#### *Financial Capability and Additional Financing:*

The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for further exploration and development of its projects. Although the Company has been successful in the past in financing its activities through the sale of equity securities, there can be no assurance that it will be able to obtain sufficient financing in the future to continue as a going concern.

#### *Fluctuating Prices:*

The price of gold and other metals have fluctuated widely in recent years and are affected by factors beyond the control of the Company. International economic and political trends, currency exchange fluctuations, economic inflation and expectations for the level of economic inflation in the consuming economies, interest rates, global and local economic health and trends are some of the factors that could impact on the viability of the Company's exploration projects that are impossible to predict with certainty.

#### *Environment:*

Both the exploration and production phases of the Company's operations will be subject to environmental protection regulations in the jurisdictions in which it operates. Globally, environmental legislation is evolving towards stricter standards and enforcement, more stringent environmental impact assessments of new mining projects and increasing liability exposure for companies and their directors and officers. There is no assurance that future environmental regulations will not adversely affect the Company's operations.

#### *Cash Flow:*

The Company's properties are each in an early stage of exploration and as a result, the Company has no source of operating cash flow. Failure to obtain additional financing could result in a delay or indefinite postponement of further exploration with the possible loss of such properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company will require new capital to continue to operate its business and to continue exploration on its various properties, and there is no assurance that capital will be available when needed, if at all.

#### *Title Matters:*

The mining claims in which the Company has an interest have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. Such claims have not been converted to lease and tenure, and as a result, are subject to annual compliance with assessment work requirement. Other parties may dispute the Company's title to its mining properties. While the Company has diligently investigated title to all mineral claims and, to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers or land claims and title may be affected by undetected defects.