

**ROCKCLIFF RESOURCES INC.**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED MAY 31, 2007**

Be advised that these Unaudited Interim Financial Statements have been compiled by the Company's management and they have not been reviewed by the Company's auditors.

# ROCKCLIFF RESOURCES INC.

## UNAUDITED INTERIM BALANCE SHEET

MAY 31, 2007

	May 31 2007	(Note 2) Aug. 31 2006
<b>ASSETS</b>		
Current:		
Cash and cash equivalents	\$ 918,844	\$ 269,753
Restricted cash and cash equivalents (Note 4)	469,636	-
Accounts receivable	98,478	21,384
Prepaid expenses and other assets	<u>81,966</u>	<u>37,114</u>
	1,568,924	328,251
Property, plant and equipment (Note 5)	123,696	87,655
Mineral resource properties (Note 6)	<u>1,086,174</u>	<u>258,685</u>
	<u>\$ 2,778,794</u>	<u>\$ 674,591</u>
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued liabilities	\$ 66,402	\$ 14,201
Future income taxes (Note 9)	<u>433,368</u>	<u>-</u>
	<u>499,770</u>	<u>14,201</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	2,643,692	709,500
Contributed surplus (Note 8)	338,962	-
Deficit	<u>(703,630)</u>	<u>(49,110)</u>
	<u>2,279,024</u>	<u>660,390</u>
	<u>\$ 2,778,794</u>	<u>\$ 674,591</u>

The accompanying notes are an integral part of these unaudited interim financial statements

Approved by the Board:

“Kenneth J. Lapierre”

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Director

“William R. Johnstone”

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Director

# ROCKCLIFF RESOURCES INC.

## UNAUDITED INTERIM STATEMENT OF OPERATIONS AND DEFICIT FOR THE PERIODS ENDED MAY 31

	Three months ended		Nine months ended	
	2007	2006	2007	2006
		<i>(Note 2)</i>		<i>(Note 2)</i>
Interest income	<u>\$ 12,345</u>	<u>\$ 38</u>	<u>\$ 24,226</u>	<u>\$ 41</u>
Expenses:				
Stock option compensation <i>(Note 8)</i>	338,962	-	338,962	-
Professional fees <i>(Note 7)</i>	15,876	-	133,076	-
Regulatory and transfer agent fees	9,000	-	65,385	-
Consulting fees <i>(Note 7)</i>	26,673	-	52,203	-
General and administrative	7,783	479	18,111	1,475
Occupancy costs	5,428	4,369	14,968	4,944
Travel and accommodation	4,989	826	14,760	1,599
Advertising and promotion	11,225	1,100	12,218	1,100
Insurance	4,320	-	4,320	-
Amortization	<u>8,620</u>	<u>-</u>	<u>22,743</u>	<u>-</u>
	<u>432,876</u>	<u>6,774</u>	<u>671,246</u>	<u>9,118</u>
Net loss for the period	(420,531)	(6,736)	(654,520)	(9,077)
Deficit, beginning of period	<u>(283,099)</u>	<u>(2,341)</u>	<u>(49,110)</u>	<u>-</u>
Deficit, end of period	<u>\$ (703,630)</u>	<u>\$ (9,077)</u>	<u>\$ (703,630)</u>	<u>\$ (9,077)</u>
Net loss per share - basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.00)</u>	<u>\$ (0.05)</u>	<u>\$ (0.00)</u>
Weighted average number of shares	<u>16,174,901</u>	<u>6,050,804</u>	<u>12,828,869</u>	<u>5,617,359</u>

*The accompanying notes are an integral part of these unaudited interim financial statements*

**ROCKCLIFF RESOURCES INC.**  
**UNAUDITED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE PERIODS ENDED MAY 31**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
		<i>(Note 2)</i>		<i>(Note 2)</i>
Cash was provided by (used in) the following activities:				
<b>Operating:</b>				
Net loss for the period	\$ (420,531)	\$ (2,341)	\$ (654,520)	\$ (2,341)
Item not involving an outlay of cash				
Stock options compensation	338,962	-	338,962	-
Amortization	8,620	-	22,743	-
Changes in non-cash working capital items				
Accounts receivable	(34,430)	-	(77,094)	-
Prepaid expenses	(6,807)	(10,380)	(44,852)	(10,380)
Accounts Payable and accrued liabilities	<u>(148,009)</u>	<u>2,702</u>	<u>52,201</u>	<u>2,702</u>
	<u>(262,195)</u>	<u>(10,019)</u>	<u>(362,560)</u>	<u>(10,019)</u>
<b>Financing:</b>				
Issuance of common shares	<u>260,718</u>	<u>154,500</u>	<u>2,367,560</u>	<u>154,500</u>
<b>Investing:</b>				
Acquisition of mining resource properties	-	(2,500)	(2,080)	(2,500)
Deferred exploration expenditures	(428,521)	-	(825,409)	-
Change in cash and cash equivalents designated for exploration and development costs	605,722	-	(469,636)	-
Acquisition of property, plant and equipment	<u>(12,277)</u>	<u>-</u>	<u>(58,784)</u>	<u>-</u>
	<u>164,924</u>	<u>(2,500)</u>	<u>(1,355,909)</u>	<u>(2,500)</u>
Increase in cash and cash equivalents	163,447	141,981	649,091	141,981
Cash and cash equivalents, beginning of period	<u>755,397</u>	<u>-</u>	<u>269,753</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 918,844</u>	<u>\$ 141,981</u>	<u>\$ 918,844</u>	<u>\$ 141,981</u>

*The accompanying notes are an integral part of these unaudited interim financial statements*

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

MAY 31, 2007

### 1. Nature of operations and going concern assumption:

Rockcliff Resources Inc. (the "Company") was incorporated under the laws of the Province of Ontario on January 20, 2006 under the name Ridgeline Resources Inc. On October 17, 2006 the Company filed articles of amendment to change its name to Rockcliff Resources Inc. The Company is engaged in base and precious metal mining and related activities, including exploration and development in Ontario and Manitoba.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

As at May 31, 2007, the Company has no source of operating cash flows. The Company's ability to meet its obligations and continue as a going concern is dependent on the ability to complete future financings. While the Company has been successful in raising financings to date, there can be no assurance that it will be able to do so in the future.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern and do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used that would be necessary if the going concern assumption was not appropriate.

### 2. Comparative amounts:

The Company was incorporated January 20, 2006 and accordingly the comparative amounts presented for the nine month period ended May 31, 2006 are for the one hundred and fifty one day period then ended. The comparative amounts presented on the balance sheet are the audited results for the period from the date of incorporation until August 31, 2006.

### 3. Summary of significant accounting policies:

#### **Basis of presentation:**

These unaudited interim financial statements have been compiled by management using the same accounting policies and methods as the audited financial statements as at August 31, 2006 and should be read in conjunction with those statements.

#### **Use of Estimates:**

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of the revenue and expenses during the period. Actual results could differ from such estimates.

#### **Cash equivalents:**

Cash equivalents consists of short term interest bearing securities with maturities of 90 days or less at the date of purchase.

#### **Financial instruments:**

The carrying amount of cash and cash equivalents, Restricted cash and cash equivalents, Accounts receivable, and accounts payable and accrued liabilities approximates their fair values due to the short term maturities of these instruments.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

MAY 31, 2007

### 3. Summary of significant accounting policies (continued):

#### Property, plant and equipment:

Property, plant and equipment, is recorded at cost. Amortization is provided annually at rates and methods calculated to amortize the assets over their estimated useful lives as follows:

Office furniture and equipment	20% declining balance
Leasehold improvements	Straight line over 5 years
Computer software	100% declining balance
Computer equipment	30% declining balance
Other equipment	20% declining balance

In the year of acquisition one-half of the normal amortization is recorded.

#### Long lived assets:

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate, and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

#### Mineral resource properties and deferred exploration expenditures:

The Company carries its mineral resource properties at cost. Exploration expenditures relating to these properties, reduced by sundry income, are charged to deferred expenditures as incurred. If the property is brought into commercial production, the deferred expenditures will be amortized using the unit of production method based upon the proven and probable ore reserves of the mine. Should an entire group of mining claims in an area be disproved or abandoned, the related acquisition costs, and exploration expenditures will be written off. If the Company surrenders an interest in a property, any proceeds from the disposition of that part of the property is applied to reduce the carrying cost of the property to zero prior to any gain being recognized on the partial disposition.

The net carrying value of mineral properties does not represent the present or future realizable value of such properties. The realization of these assets is dependent upon confirmation of the Company's ownership interest in the claims and attaining viable commercial operations or proceeds from disposition.

An impairment loss will be recognized on a mineral property when the carrying value of the property is not recoverable or exceeds its fair value. Mineral properties are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The factors to be considered by management in this determination include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

#### Asset retirement obligations:

The Company has adopted CICA 3110, "Asset Retirement Obligations" which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation) for the Company's exploration and development properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

MAY 31, 2007

### 3. Summary of significant accounting policies (continued):

#### Earnings per share:

The Company has adopted the new recommendations of the CICA Handbook which requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the recommendations require the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the calculation of basic and diluted EPS. Due to the incurrence of net losses for each period presented the outstanding warrants are considered to be anti-dilutive and accordingly this information has not been presented.

#### Income taxes:

The Company has adopted the liability method of accounting for income taxes in accordance with the recommendations of the CICA Handbook. Future income tax relates to the expected consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment or substantive enactment.

### 4 Restrictions on the use of cash and cash equivalents:

As an element of the initial public offering completed in December 2006 the company issued 4,000,000 common shares that were designated as being flow through shares. One of the conditions of issuing flow through shares is that the Company is required to retain the gross proceeds for the exclusive purpose of paying for exploration and development expenditures associated with its resource mineral properties.

Gross proceeds raised upon the issuance of flow through shares	\$ 1,200,000
Exploration expenditures paid from these funds	<u>(730,364)</u>
Balance of funds retained for future payments	<u>\$ 469,636</u>

### 5. Property, plant and equipment:

	Cost	Accumulated Amortization	Net Book Value	
			May 31, 2007	Aug. 31, 2006
Office furniture and equipment	\$ 53,512	\$ 6,462	\$ 47,050	\$ 18,506
Leasehold improvements	56,293	11,858	44,435	50,942
Computer software	8,836	3,313	5,523	=
Computer equipment	24,624	6,368	18,256	18,207
Other equipment	<u>9,116</u>	<u>684</u>	<u>8,432</u>	<u>-</u>
	<u>\$ 152,381</u>	<u>\$ 28,685</u>	<u>\$ 123,696</u>	<u>\$ 87,655</u>

### 6. Mineral resource properties:

	<u>May 31, 2007</u>	<u>Aug. 31, 2006</u>
Opening balance	\$ 258,685	\$ -
Exploration expenditures	1,021,909	168,365
Acquisition of mining properties	<u>5,580</u>	<u>90,320</u>
Closing balance	<u>\$ 1,086,174</u>	<u>\$ 258,685</u>
Represented by:		
Horwood Township, Porcupine Mining Division, Ontario (a)	\$ 2,500	\$ 2,500
Rennie Township, Sault Saint Marie Mining Division, Ontario (b)	1,046,307	256,185
Flin Flon Greenstone Belt, Snow Lake Mining District, Manitoba (c)	<u>37,367</u>	<u>-</u>
	<u>\$ 1,086,174</u>	<u>\$ 258,685</u>

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

MAY 31, 2007

### 6. Mineral resource properties (continued):

- (a) On January 27, 2006 the Company acquired from a shareholder a 100% interest in 38 unpatented mining claims in Horwood Township in the Porcupine Mining Division, Province of Ontario. In order to acquire the claims the Company issued 100,000 common shares at \$0.025 per share for a cost of \$2,500.
- (b) On July 14, 2006 the Company entered into an option agreement to acquire a 100% interest, subject to a 2% net smelter returns royalty in favour of the vendors, in 27 claims representing 388 claim units located in Challenger, Glasgow, Meath and Rennie Townships in the Sault Saint Marie Mining Division in the Province of Ontario. Under the terms of the agreement the Company must make the following payments in order to exercise its option: (i) \$7,500 cash and issue 200,000 common shares on signing of the agreement; (ii) \$12,500 cash and issue 75,000 common shares on or before the first anniversary of the signing of the agreement; (iii) \$15,000 cash and issue 75,000 common share on or before the second anniversary and, (iv) \$25,000 cash on or before the third anniversary of the agreement. In addition, in order to exercise its option, the Company must spend \$300,000 exploring the property with minimum expenditures by year as follows: (i) \$100,000 on or before the first anniversary of the signing of the agreement; (ii) \$100,000 on or before the second anniversary; and (iii) \$100,000 on or before the third anniversary. The Company also reimbursed the vendors an additional \$30,320 in staking fees for claims included under the agreement.
- (c) On March 22, 2007 the Company entered into seven option agreements to acquire a 100% interest, subject to a 2% net smelter returns royalty, in seven individual property packages located in the Snow Lake District in Manitoba. Under the terms of the agreements the Company must make the following cash payments in order to exercise its options: (i) \$70,000 on or before the first anniversary of the signing of the agreements; (ii) \$125,000 on or before the second anniversary; (iii) \$390,000 on or before the third anniversary and, (iv) \$1,475,000 on or before the fourth anniversary. In addition, in order to exercise its options, the Company must spend at least \$9,800,000 exploring the properties with minimum expenditures by year as follows: (i) \$1,000,000 on or before the first anniversary of the signing of the agreement; (ii) \$1,300,000 on or before the second anniversary; (iii) \$2,600,000 on or before the third anniversary and (iii) \$4,900,000 on or before the fourth anniversary. In the event that the Company earns its 100% interest in these properties then optionor can reacquire a 55% interest by making payments to Rockcliff of 200% of the cash option payments made by Rockcliff and by incurring exploration expenditures that are 200% of those incurred by Rockcliff. The optionor 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.

### 7. Related party transactions:

The following related parties had transactions with the Company during the period or have outstanding balances at the end of the period:

Lapierre Exploration Services ("Lapierre") is a company that is owned and operated by a Director  
Geodigital Mapping Systems Inc. ("Geodigital") is a company owned and operated by a Director  
Gardiner Roberts LLP ("Gardiner") is a legal firm in which a Director of the Company is a partner.  
Cryo-Line MDI Inc. ("MDI") is a company owned and operated by a senior Officer

The following 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. As at May 31, 2007 a total of \$11,520 (Aug 31, 2006 - \$NIL) is included in accounts payable and accrued liabilities as a result of these transactions:

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

MAY 31, 2007

### 7. Related party transactions (continued):

Lapierre	Exploration expenditures <sup>(1)</sup>	\$ 77,357
Lapierre	Consulting fees	32,000
Lapierre	General and administrative expense <sup>(1)</sup>	14,753
Geodigital	Exploration expenditures <sup>(1)</sup>	161,368
Geodigital	Consulting fees	2,000
Geodigital	General and administrative expense <sup>(2)</sup>	6,772
Gardiner	Professional fees	120,079
MDI	Consulting fees	19,312

<sup>(1)</sup> Includes fees charged and expenses for which they were reimbursed.

<sup>(2)</sup> Includes only expenses for which they were reimbursed.

### 8. Share capital:

(a) Authorized

Unlimited common shares.

(b) Issued

	<u>No of shares</u>	<u>Value</u>
Founders' shares	2,000,000	\$ 2,000
Private placements	5,020,000	655,000
Shares issued for mining properties	300,000	52,500
Balance August 31, 2006	7,320,000	709,500
Common shares issued through initial public offering <sup>(1)</sup>	4,400,000	856,394
Flow through shares issued through initial public offering <sup>(2)</sup>	4,000,000	766,632
Warrants exercised	1,084,709	311,166
	16,804,709	\$ 2,643,692

<sup>(1)</sup> Reported net of the costs of issuance

<sup>(2)</sup> Reported net of the tax value of the exploration expenditures renounced by the Company in accordance with the terms of these shares.

(c) Details of warrants outstanding are as follows:

Number of Warrants	Price/Warrant	Expiry Date
1,948,250	\$ 0.35	December 2008
4,040,415	\$ 0.30	December 2008
503,313 <sup>(1)</sup>	\$ 0.25	December 2008

Each of the warrants noted above were issued during the current period in connection with the initial public offering. During the current period there were 51,750 warrants exercised at \$0.35 each, 696,272 warrants at \$0.30 each and 336,687 units were exercised at \$0.25 each.

<sup>(1)</sup> These are units comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire a common share of the Company for \$0.30 until December 2008.

(d) Details of options outstanding are as follows:

<u>Common Shares Under Option</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,250,000	\$0.47	Mar. 28, 2012

Each of these options is held by a Director or Officer of the Company.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

MAY 31, 2007

### 8. Share capital (continued):

(e) Stock based compensation:

The Company has a stock option plan under which the aggregate number of common shares reserved for issuance cannot exceed 10% of the number of common shares of the Company that are issued and outstanding. The fair value of any stock options granted during the current period will be determined using the Black-Scholes model and will be reported as Stock option compensation and added to Contributed surplus. The following weighted average assumptions were used to calculate the fair value of the options granted during the period:

	<u>May 31, 2007</u>	<u>Aug. 31, 2006</u>
Dividend yield	NIL	N/A
Risk free interest rate	3.96%	N/A
Expected stock volatility	64.85%	N/A
Expected life	5 years	N/A

### 9. Income taxes:

The Company has the following non-capital loss carry-forwards that can be used to reduce future taxable income. The potential benefit of these losses has not been recognized in these financial statements and will expire, if unused, at the end of the following fiscal years:

2016	\$ <u>49,000</u>
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In addition, the Company has approximately \$186,000 in Canadian Exploration Expenditures ("CEE") and \$90,000 in Canadian Development Expenditures which may be applied against certain profits realized on its mining properties. None of the benefits of these tax pools have been recognized in these financial statements.

The components of future income tax assets (liabilities) at enacted tax rates are as follows:

Loss carry-forwards	\$ 18,000
Renounced CEE	(433,368)
Less: valuation allowance	<u>(18,000)</u>
	<u>\$ (433,368)</u>

### 10. Commitments:

(a) The Company has signed an operating lease for its premises. The lease is for an initial term of two years with an option to renew for a further year with no rent increase and a further option to renew for a period of five years at market rates. The Company is committed under this agreement to pay the following amounts in the years indicated below:

2008	\$ <u>10,350</u>
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(b) The Company is committed to making the following payments (cash, exploration expenditures and shares) under the terms of the mineral resource property option agreement as described in Note 6 (b):

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

The Company has incurred \$946,407 in exploration expenditures to date and has thereby satisfied this element of the option agreement. The cash payment and share issuance required in 2007 were made subsequent to the balance sheet date, in accordance with the agreement.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

MAY 31, 2007

### 10. Commitments (continued):

- (c) The Company is committed to making the following payments (cash and exploration expenditures) under the terms of the mineral resource property option agreements as described in Note 6 (c):

	<u>Cash</u> <u>Payments</u>	<u>Exploration</u> <u>Expenditures</u>
2008	\$ 70,000	\$ 1,000,000
2009	125,000	1,300,000
2010	390,000	2,600,000
2011	<u>1,475,000</u>	<u>4,900,000</u>
	<u>\$ 2,060,000</u>	<u>\$ 9,800,000</u>