

## **ROCKCLIFF RESOURCES INC.**

Management's Discussion and Analysis

For the Year Ended August 31, 2007

(Prepared as at December 20, 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. This document is intended to accompany the financial statements as at August 31, 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, 2007, 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, 2007 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 the date of this document 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 (GAAP). 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 August 31, 2007 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of August 31, 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 effected, 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 Manitoba and northern Ontario. The management of the Company has not changed since the previous 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**

The 2007 fiscal year has been a productive year for the Company with respect to its stated objective of acquiring and developing high quality mineral assets associated with world class geology and in world class mining camps. While the Company remains focused on this objective, and does not have revenue producing operations, its performance should be evaluated primarily in relation to the progress that is being achieved.

In December 2006 the Company completed an initial public offering (IPO), and trading of its securities commenced on the TSX under the symbol RCR. In March 2007 the Company acquired, subject to option agreements, 15,847 hectares of land in the Flin Flon greenstone belt, in the Snow Lake District in Manitoba, one of the most prolific, and the largest, Paleoproterozoic VMS district in the world. Management believes that each of these accomplishments represent significant initial progress in relation to the Company's goals.

After signing the land option agreements in March 2007 the Company continued to investigate the geology in and around the Snow Lake District. These investigations led to the Company's acquisition of mineral exploration licenses in April 2007. These licenses provide the Company with the exclusive right, over a three year period, to investigate the land within the license boundaries. The investigations also led to the staking of additional properties during the fourth quarter of 2007 as well as the acquisition, by way of option, and staking of additional claims after the end of the fiscal year. The Company intends to continue these investigations and to continue to acquire additional properties, as warranted, either through staking or by way of additional option agreements.

In anticipation of a favourable technical report, and to better facilitate these investigations, management also devoted time during the fourth quarter to locating and setting up a facility to use as a field office in Manitoba. The field office is located in the town of Snow Lake, within reasonable proximity of the areas the Company wishes to explore.

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### **OVERALL PERFORMANCE - continued**

While all of this was taking place in Manitoba the Company was also released the final results from the phase 1 drilling program in northern Ontario. A consultant was retained to conduct further investigation of the area. Based on the drill results, and the conclusions from the consultant, management confirmed its intent to conduct additional drilling in this area. This future drill program is expected to include numerous untested VMS geophysical targets identified by the consultant, in addition to the Zinc Zone.

Just after the end of the 2007 fiscal year, the Company announced that it had acquired, under option, the Jackfish Nickel Property from an arm's length party. This property is located in the Snow Lake District and adjoins some of the claims that were staked during the fourth quarter. The Company has the right to earn a 100% interest in this property, subject to a 3% NSR, over a four year period by making option payments of \$100,000, issuing 100,000 common shares and making exploration expenditures of at least \$350,000.

The Company's land acquisition didn't stop there however, as it also staked an additional fifty seven square kilometres of land in the Snow Lake District during October 2007. This property includes the Lon Cu-Zn VMS Deposit and adjacent properties. At the time of staking the Company was aware of historical mineral resource estimates for the deposit however these estimates do not satisfy the requirements of NI 43-101 and accordingly they are not being treated as a current mineral resource. In an effort to improve its knowledge of this property and to further secure its property rights, the Company also paid \$10,000, issued 50,000 common shares and granted a 0.5% NSR on two of the land claims in order to acquire mining data and certain mining rights. Additional work is planned on this property during 2008.

The Company's activities after the end of the 2007 fiscal year have not been entirely focused on land acquisition. Drilling commenced on one of the properties that are subject to the options executed in March 2007 and management consider the results to date to be very encouraging. The NI 43-101 report covering all of the Snow Lake properties was completed and it too is considered to be encouraging in so far as it contains the recommendation that significant exploration be completed. While both of these events happened after the 2007 fiscal year was concluded they are considered to provide some validation of the significance of the accomplishments during the year.

As at August 31, 2007, the Company had incurred aggregate expenditures of \$1,374,661 relative to the acquisition and exploration of mineral resource properties. This is a relatively small amount by exploration standards and it remains far too early to tell whether any of the properties the Company holds will become commercially viable. Management is very optimistic about the prospects that the properties represent and are enthusiastic to proceed with the exploration of northern Manitoba and northern Ontario, as planned for the immediate and foreseeable future.

This IPO provided the Company with the financing necessary to allow it to acquire additional mineral properties and to complete some preliminary exploration. It is certain that the Company will require additional financing to enable it to further expand its land holdings and to explore and develop its properties.

### **RESULTS OF OPERATIONS**

While the Company earns modest amounts of interest revenue from its cash and cash equivalents it is not currently generating any operating revenues. The absence of revenues however, does not coincide with an absence of expenses and as a result the Company is reporting operating losses. The loss from operations realized in the fourth quarter was \$163,357 thereby raising the loss for the year to \$817,877. The loss of \$40,033 experienced in the fourth quarter of 2006 and the aggregate loss of \$49,110 for the 2006 fiscal year were much smaller as the Company had not yet concluded its initial public offering and its operations were not as extensive.

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### **RESULTS OF OPERATIONS - continued**

The loss for the 2007 year, which equates to \$0.06 per share based upon a weighted average of 13,870,528 shares, includes some amounts that are potentially greater than, or different in nature from, the amounts that are expected to be incurred in future periods. The primary amounts that fall into this category are also the two largest individual expenses for fiscal 2007, namely stock compensation expense and professional fees.

The Company recorded \$55,515 in compensation expense during the fourth quarter of 2007 which increased the total for the year to \$394,477. Compensation expense is the value attributed to any and all employee and consultant stock options that have been granted in accordance with the terms of an approved stock option plan. The Company created its stock option plan, and had it approved by the appropriate regulators, during the 2007 fiscal year. Accordingly, there was no similar expense incurred at any time during the prior fiscal year. While it is probable that the Company will issue stock options during future periods, there is no program in place upon which one could predict the timing or quantity of future option grants. Furthermore, even if options were granted in accordance with a well defined program, it would still not be feasible to reasonably predict the amount of compensation expense that would be recognized in the future periods. The difficulty in estimating this future value arises because there are too many facts and estimates that can only be determined on the date of a future grant. These unpredictable factors include the market price of the shares, the expected future volatility of the market price of the shares, the exercise price of the options, the vesting and expiry dates of the options, and the risk-free interest rate. Due to these factors, compensation expense can vary significantly from period to period and the amount incurred in any one period is not a reasonable indicator of the amount to be incurred in any future period.

Professional fees for the 2007 fiscal year amounted to \$156,880 including \$23,804 that arose in the fourth quarter. In comparison, total professional fees for the final quarter of 2006, and for the entire 2006 fiscal period, was \$11,433. The primary components of professional fees are legal services and the completion of the annual financial statement audit. While there are elements of this cost category which will recur it is also reasonable to expect that certain fees incurred in the first year that a company operates in the public domain will not recur. The fact that the professional fees incurred in the first six months of the 2007 fiscal year were \$117,200 and the aggregate fees for the final six months were \$39,680 would tend to support the assertion that there were some expenses incurred at the time the Company became public that will not recur. It is anticipated that the final six month period in 2007 will be more indicative of expected future costs than were the first six months.

In addition to the costs described above, the Company incurred additional expenses of \$102,719 in the fourth quarter of 2007 and \$309,427 for the entire fiscal year. These amounts far exceed the totals of \$31,886 and \$40,914 reported for the periods ended August 31, 2006. During 2006, being the initial two hundred and twenty three day fiscal year, the Company's small management group was primarily focused on establishing the Company's head office, doing some initial exploration work on the northern Ontario properties, and generally preparing for future operations. From August 31, 2006 forward the Company has been operating with an expanded management team, greater administration as warranted for public companies, and a more concerted effort to get the Rockcliff story out into the public market place. It is this increased activity level that has generated the significant increase in these expenses from 2006 to 2007.

Consulting expenses, the largest of these additional expenses, amounted to \$101,520 for the 2007 fiscal year, including \$47,317 that was incurred in the fourth quarter. The Company does not have any employees but retains services, including its senior management, on consulting arrangements. Virtually all of the consulting fees for 2007 were paid to senior officers of the Company with the remainder being paid for bookkeeping and office services. While the senior officers are committed to doing what is necessary to grow this into a successful business venture it also recognizes that the Company has not yet reached the size where it can afford the luxury of full time administrative and accounting personnel. Accordingly, it is anticipated that these consulting arrangements will continue for the foreseeable future.

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### **RESULTS OF OPERATIONS - continued**

Regulatory and transfer agent fees amounted to \$5,060 in the fourth quarter and \$70,445 for all of fiscal 2007. These expenses are directly attributable to complying with the regulations and the reporting requirements that are imposed upon all companies that trade their shares publicly. These costs include the fees paid to stock exchanges to maintain the Company's stock listing, the fees paid to regulators and others to effect the distribution of public disclosures and the fees paid to the transfer agent to maintain the records associated with the Company's share capital. A portion of these costs are fixed in nature while others will vary in relation to the number or size of the transactions involving the Company's securities. It is probable that the Company will remain quite active with both press releases and security based transactions, which also means that this expense category will continue to be significant for the foreseeable future. Since the Company was privately owned prior to completing its IPO during the 2007 fiscal year there is no comparable expense for the periods ended August 31, 2006.

Travel and accommodation is an area of growing expense for the Company. It reached \$25,273 for the year including \$10,513 incurred during the fourth quarter alone. The Company's head office is located in Sudbury, Ontario which is a city that was essentially founded based on the mineral exploration and mining activities in the area. Operationally, it is one of the most strategic places for a mineral exploration company to be based but administratively it is somewhat isolated. This isolation leads to increased travel time and costs to attend seminars and trade shows, complete promotional activities, and to meet with key industry personnel. It is a cost that the Company anticipated due to its location and one that it believes is more than offset through the operational benefits that the location provides.

The only other individual category that exceeds 10% of other expenses, being expenses excluding compensation and professional fees, is amortization of property, plant and equipment. Amortization is a reflection of the amount that has been spent to acquire property, plant and equipment and the relative useful lives of the items acquired. It generally is not an expense that management strives to specifically control with the caveat that it is always seeking the most economical means to acquire required items. Amortization for the 2007 fiscal year was \$37,289 including \$14,546 recorded in the fourth quarter. The disproportionate amount arising in the fourth quarter is a reflection of the fact that over 50% of the new equipment acquired in 2007 was acquired during that same period.

The other elements of other expenses are advertising and promotion, occupancy costs, insurance and general and administrative expenses. Advertising and promotion is primarily a discretionary expense that reflects the distribution of hats and other items bearing the Company's name and logo. Many of these items are distributed in the areas where the Company is completing exploration activities and this has contributed to a considerable level of acceptance of the Company in these areas. Occupancy costs represent the costs associated with the lease and operation of the Company's head office in Sudbury, Ontario. The Company has the ability to extend the lease on this facility to February 2014 if it chooses to however, whether these renewal options are exercised or not, there is no reason to anticipate any significant change in this expense category in 2008. Insurance includes the cost to insure the Company's assets and operations and the premiums incurred are reflective of market rates and the amounts being insured. The Company wants to ensure that it has adequate coverage at all times and completes market comparisons from time to time to ensure that the premiums paid are competitive. General and administrative expense is a catch-all for business expense incurred that do not fit into one of the categories already mentioned.

Management is very aware of the fact that expenditures on administration are a necessary element of doing business but they do not contribute directly to the acquisition, exploration or development of mineral resource properties. Furthermore, as the Company does not currently have any means to generate positive cash flow from operations, management realizes that cash reserves directed towards administrative functions depletes the amount that can otherwise be directed towards the mineral resource properties. These are key contributing factors to management's continual efforts to minimize the amount spent on administration without compromising the Company's ability to operate.

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### PROPERTIES

The Company has, to August 31, 2007, acquired and made expenditures on three mineral properties as follows:

	Horwood <u>Property</u>	Shihan VMS <u>Property</u>	Snow Lake <u>Properties</u>
Acquisition costs	\$ 2,500	\$ 152,650	\$ 14,150
Exploration costs	<u>-</u>	<u>1,036,667</u>	<u>168,694</u>
Total costs to date	<u>\$ 2,500</u>	<u>\$ 1,189,317</u>	<u>\$ 182,844</u>

The Snow Lake properties can be further subdivided as follows:

	Optioned <u>Properties</u>	Staked <u>Properties</u>	All <u>Properties</u>
Acquisition costs	\$ 7,050	\$ 7,100	\$ 14,150
Exploration costs	<u>154,659</u>	<u>14,035</u>	<u>168,694</u>
Total costs to date	<u>\$ 161,709</u>	<u>\$ 21,135</u>	<u>\$ 182,844</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 optioned properties are comprised of seven individual properties and each of these properties is governed by its own option agreement. Each agreement stipulates that there are four annual option payments that must be made in order for the Company to secure its interest in the property. These option payments are due on the annual anniversaries of the signing of the option agreements. The acquisition costs noted above represent the cost of staking claims within the areas of influence of these optioned properties and do not include any amounts on account of the annual option payments. The initial option payments, which equate to \$10,000 per property or \$70,000 in aggregate, are due no later than March 2008.

Each of these option agreements also specify the minimum annual exploration expenditures that must be satisfied in order for the Company to earn its interest in the properties. As at August 31, 2007 none of the minimum expenditure requirements for the first option year, which ends in March 2008, had been met. Exploration activities have continued since the year end and management currently anticipates that each of these minimum expenditure requirements will be satisfied.

The Company is currently investigating and/or conducting work programs on both the Shihan VMS property and on the Snow Lake properties. There are no current plans to conduct a work program on the Horwood property.

### LIQUIDITY

In December 2006 the Company completed an IPO which generated \$2,300,000 in gross proceeds and \$2,056,394 in net proceeds after deducting the costs of the offering. This public offering included two different purchase options for subscribers. The Company issued 4,000,000 flow-through (FT) units at \$0.30 each for total proceeds of \$1,200,000. Each FT unit was comprised of one flow through share and ½ share purchase warrant. Each full FT warrant entitles the holder to buy an additional common share for \$0.35 until December 2008. The Company also issued 4,400,000 working capital (WC) units at \$0.25 each for gross proceeds of \$1,100,000. Each WC unit was comprised of one common share and 1 share purchase warrant. Each full WC warrant entitles the holder to buy an additional common share for \$0.30 until December 2008. The costs of the issue were deducted from the proceeds of the WC units.

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### LIQUIDITY - continued

Another element of the IPO was that the agent was granted 840,000 agent's warrants. Each agent warrant can be exercised at \$0.25 each until December 2008. Each agent warrant entitles the agent to one common share and one WC warrant.

As at August 31, 2007 a total of 1,521,296 common shares had been issued as a result of various warrants having been exercised. The exercised warrants were comprised of 79,250 FT warrants, 366,687 agent's warrants and 1,075,359 WC warrants and provided \$442,017 in total proceeds to the Company. A total of \$130,851 in proceeds were received during the fourth quarter as a result of the exercise of 27,500 FT warrants, 30,000 agent's warrants and 379,087 WC warrants. Additional proceeds of \$366,580 have been received since August 31, 2007 as a result of the exercise of 29,750 FT warrants, 391,540 agent's warrants and 860,940 WC warrants.

Subsequent to the year end the Company has entered into a demand loan agreement, with a director of the Company, whereby the Company can borrow up to \$1,000,000 without interest. The lender can demand repayment of the amount borrowed any time after January 31, 2008 by providing thirty day written notice to the Company. If no such demand is made then the amount borrowed must be repaid by November 28, 2008. To date the Company has borrowed \$500,000 under this arrangement and can borrow the remaining portion, in whole or in part, any time prior to June 30, 2008.

The Company has also announced subsequent to the year end that it is undertaking a prospectus exempt private placement financing which is scheduled to close on or before December 31, 2008. In accordance with the terms of this financing the Company can raise up to \$3,500,000, before deducting the costs of the transaction.

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.

### OFF-BALANCE SHEET ARRANGEMENTS

In July 2006 the company entered into an option agreement to acquire a 100% working interest, subject to a 2% Net Smelter Returns Royalty, in the Shihan VMS Property in northern Ontario. In accordance with the terms of the agreement, the Company is required to make the following payments on or before the following dates:

	Cash <u>Payments</u>	Exploration <u>Expenditures</u>	Common <u>Shares</u>
July 14, 2008	\$ 15,000	\$ 100,000	75,000
July 14, 2009	<u>25,000</u>	<u>100,000</u>	<u>-</u>
	<u>\$ 40,000</u>	<u>\$ 200,000</u>	<u>75,000</u>

As at the date of this document the Company has satisfied all of the exploration expenditure requirements, has made all cash payments and has issued all shares required to date but it still must make the option payments of cash and shares noted above.

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**OFF-BALANCE SHEET ARRANGEMENTS - continued**

In accordance with the terms of the option agreements that the Company entered into in March 2007 whereby it will acquire a 100% working interest, subject to a 2% Net Smelter Returns Royalty, in the seven Snow Lake properties in northern Manitoba it is required to make the following aggregate payments on or before the following dates:

	Cash <u>Payments</u>	Exploration <u>Expenditures</u>
March 22, 2008	\$ 70,000	\$ 1,000,000
March 22, 2009	125,000	1,300,000
March 22, 2010	390,000	2,600,000
March 22, 2011	<u>1,475,000</u>	<u>4,900,000</u>
	<u>\$ 2,060,000</u>	<u>\$ 9,800,000</u>

In July 2007 the Company issued a term sheet that was executed by the vendor in August 2007 and then replaced by a formal agreement executed by both parties in September 2007, to acquire a 100% working interest, subject to a 3% Net Smelter Returns Royalty, in the Jackfish Nickel Property in the Snow Lake District of northern Manitoba. In accordance with the terms of the agreement, the Company is required to make the following payments on or before the following dates:

	Cash <u>Payments</u>	Exploration <u>Expenditures</u>	Common <u>Shares</u>
September 17, 2009	\$ 12,500	\$ 50,000	20,000
September 17, 2010	15,000	75,000	20,000
September 17, 2011	17,500	100,000	20,000
September 17, 2012	<u>45,000</u>	<u>125,000</u>	<u>20,000</u>
	<u>\$ 90,000</u>	<u>\$ 350,000</u>	<u>80,000</u>

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 remaining under this lease are as follows:

To February 28, 2008	<u>\$ 2,300</u>
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With the exception of the option agreements described above, the Company has not entered into any other commitments or purchase contracts as at the date of this document.

**TRANSACTIONS WITH RELATED PARTIES**

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 August 31, 2007 a total of \$39,892 (2006 - \$NIL) is included in accounts payable and accrued liabilities as a result of these transactions:

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**TRANSACTIONS WITH RELATED PARTIES - continued**

		<u>2007</u>	<u>2006</u>
Lapierre	Exploration expenditures	\$ 80,622	\$ 69,395
Lapierre	Expenses	88,471	1,625
Geodigital	Property, plant and equipment	-	5,000
Geodigital	Exploration expenditures	217,228	28,369
Geodigital	Expenses	15,427	3,205
Gardiner	Professional fees	128,883	6,433
MDI	Consulting fees	42,625	-

Amounts are comprised of fees charged and expenses for which they were reimbursed.

**CONVERTIBLE INSTRUMENTS AND OTHER SECURITIES**

The Company has the following securities issued. The amounts shown represent the actual cash proceeds or other compensation received as a result of their issuance:

	<u>Quantity</u>	<u>Amount</u>
Common shares as at 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
Less: estimated income tax value of expenditures renounced		(433,368)
Common shares	4,400,000	1,100,000
Less: expenses associated with offering		(243,606)
Shares issued under property option	75,000	50,250
Agents units exercised	366,687	91,672
WC warrants exercised	1,075,359	322,608
FT warrants exercised	<u>79,250</u>	<u>27,737</u>
Common shares at August 31, 2007	17,316,296	2,824,793
Shares issued under property option	20,000	13,800
Shares issued for mining rights	50,000	40,000
Agents units exercised <sup>(1)</sup>	391,540	97,885
WC warrants exercised	860,940	258,282
FT warrants exercised	<u>29,750</u>	<u>10,413</u>
Total as at date of this document	<u>18,668,526</u>	<u>\$ 3,245,173</u>

<sup>(1)</sup> This also resulted in the issuance of 391,540 WC warrants.

In addition to the shares noted above the Company issued and certain warrants in connection with the IPO as well as some employee and consultant stock options. 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 Dec. 8, 2008	1,891,000
Share purchase (WC) warrants exercisable at \$0.30 per share until Dec. 8, 2008	3,221,928
Agents warrants exercisable at \$0.25 per unit until Dec. 8, 2008	81,773
Share purchase warrants exercisable at \$0.30 per share until Dec. 8, 2008 <sup>(1)</sup>	81,773
Stock options exercisable at \$0.47 until Mar. 28, 2012	1,250,000
Stock options exercisable at \$0.70 until July 6, 2012	150,000
Stock options exercisable at \$0.72 until Oct. 9, 2012	<u>10,000</u>
Total common shares reserved for potential future issuance	<u>6,686,474</u>

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

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### **CONVERTIBLE INSTRUMENTS AND OTHER SECURITIES**

Subsequent to the year end the Company announced that it is undertaking a prospectus exempt private placement financing. The maximum number of shares that can be issued or reserved for issuance, in accordance with this transaction, is as follows:

	<u>Number Of Common Shares</u>
Common shares issued as flow-through shares	2,000,000
Common shares	1,000,000
Share purchase warrants exercisable at \$1.50 per share until December 2009	<u>2,000,000</u>
Maximum shares that may be issued under announced financing	<u>5,000,000</u>

### **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.

Subsequent to the year end the Company adopted the new accounting standards for Financial Instruments, Equity, and Comprehensive Income as required in accordance with Canadian generally accepted accounting principles. These standards introduce new requirements for the recognition, measurement and disclosure of financial instruments, establish the concept of comprehensive income and the rules for reporting it, and introduce new rules for the reporting of equity and the changes therein. There were no adjustments required as a result of the adoption of these new standards.

### **FINANCIAL AND OTHER INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, restricted cash and cash equivalents, accounts 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.

#### *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.

## **ROCKCLIFF RESOURCES INC.**

Management's Discussion and Analysis

For the Year Ended August 31, 2007

(Prepared as at December 20, 2007)

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

#### *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.