

**ROCKCLIFF RESOURCES INC.**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2007**

# Wasserman Ramsay

Chartered Accountants

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## Auditors' Report

To the Shareholders of Rockcliff Resources Inc.

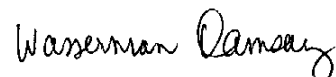
We have audited the balance sheets of Rockcliff Resources Inc. as at August 31, 2007 and August 31, 2006, and the statements of operations and deficit and cash flows for the year ended August 31, 2007 and for the initial 223 day period ended August 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2007 and August 31, 2006 and the results of its operations and its cash flows for the year ended August 31, 2007 and for the initial 223 day period ended August 31, 2006 in accordance with Canadian generally accepted accounting principles.

Markham, Ontario

December 20, 2007



Chartered Accountants

Licensed Public Accountants

# ROCKCLIFF RESOURCES INC.

## BALANCE SHEETS AUGUST 31, 2007 and 2006

	2007	2006
<b>ASSETS</b>		
Current:		
Cash and cash equivalents	\$ 913,297	\$ 269,753
Restricted cash and cash equivalents (Note 3)	270,738	-
Accounts receivable	91,985	21,384
Prepaid expenses and other assets	<u>111,570</u>	<u>37,114</u>
	1,387,590	328,251
Property, plant and equipment (Note 4)	164,657	87,655
Mineral resource properties (Note 5)	<u>1,374,661</u>	<u>258,685</u>
	<u>\$ 2,926,908</u>	<u>\$ 674,591</u>
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued liabilities	\$ 141,257	\$ 14,201
Future income taxes (Note 8)	<u>433,368</u>	<u>-</u>
	<u>574,625</u>	<u>14,201</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	2,824,793	709,500
Contributed surplus (Note 6)	394,477	-
Deficit	<u>(866,987)</u>	<u>(49,110)</u>
	<u>2,352,283</u>	<u>660,390</u>
	<u>\$ 2,926,908</u>	<u>\$ 674,591</u>

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

Approved by the Board:

**“William R. Johnstone”**  
William R. Johnstone, Director

**“Ken Lapierre”**  
Ken Lapierre, Director

**ROCKCLIFF RESOURCES INC.**  
**STATEMENT OF OPERATIONS AND DEFICIT**  
**FOR THE YEAR ENDED AUGUST 31, 2007 AND**  
**THE INITIAL 223 DAY PERIOD ENDED AUGUST 31, 2006**

	2007	2006
Interest income	<u>\$ 42,907</u>	<u>\$ 3,237</u>
Expenses:		
Stock option compensation ( <i>Note 6</i> )	394,477	-
Professional fees ( <i>Note 7</i> )	156,880	11,433
Consulting fees ( <i>Note 7</i> )	101,520	2,000
Regulatory and transfer agent fees	70,445	-
General and administrative	25,655	13,202
Travel and accommodation	25,273	6,520
Advertising and promotion	19,804	1,690
Occupancy costs	18,844	9,940
Insurance	10,597	1,620
Amortization	<u>37,289</u>	<u>5,942</u>
	<u>860,784</u>	<u>52,347</u>
Net loss for the year	(817,877)	(49,110)
Deficit, beginning of year	<u>(49,110)</u>	<u>-</u>
Deficit, end of year	<u>\$ (866,987)</u>	<u>\$ (49,110)</u>
Net loss per share - basic and diluted	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>
Weighted average number of shares	<u>13,870,528</u>	<u>3,839,324</u>

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

**ROCKCLIFF RESOURCES INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2007 AND**  
**THE INITIAL 223 DAY PERIOD ENDED AUGUST 31, 2006**

	2007	2006
<b>Cash was provided by (used in) the following activities:</b>		
<b>Operating:</b>		
Net loss for the year	\$ (817,877)	\$ (49,110)
Items not involving cash:		
Stock options compensation	394,477	-
Amortization	37,289	5,942
Changes in non-cash working capital items		
Accounts receivable	(70,601)	(21,384)
Prepaid expenses	(74,456)	(37,114)
Accounts payable and accrued liabilities	<u>127,056</u>	<u>14,201</u>
	<u>(404,112)</u>	<u>(87,465)</u>
<b>Financing:</b>		
Issuance of common shares	<u>2,498,411</u>	<u>657,000</u>
<b>Investing:</b>		
Acquisition of mining resource properties	(28,730)	(37,820)
Deferred exploration expenditures	(1,036,996)	(168,365)
Change (net) in cash and cash equivalents designated for exploration and development costs	(270,738)	-
Acquisition of property, plant and equipment	<u>(114,291)</u>	<u>(93,597)</u>
	<u>(1,450,755)</u>	<u>(299,782)</u>
Increase in cash and cash equivalents	643,544	269,753
Cash and cash equivalents, beginning of year	<u>269,753</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 913,297</u>	<u>\$ 269,753</u>

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

# ROCKCLIFF RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2007 AND AUGUST 31, 2006

### 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.

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, liabilities, revenues, expenses, and the balance sheet classifications used that would be necessary if the going concern assumption was not appropriate.

Since incorporation the Company has been exclusively involved in the acquisition, exploration and development of mineral resource properties and accordingly has had 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.

### 2. Summary of significant accounting policies:

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

#### 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.

#### Comparative amounts:

The Company was incorporated January 20, 2006 and accordingly the comparative amounts presented as at August 31, 2006 are for the two hundred and twenty three day period then ended.

#### 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 approximate their fair values due to the short term maturities of these instruments.

#### Property, plant and equipment:

Property, plant and equipment, is recorded at cost. Amortization is provided over the assets' estimated useful lives using the following annual rates and methods:

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

In the year of acquisition one-half of the rates noted above are used.

# ROCKCLIFF RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2007 AND AUGUST 31, 2006

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

#### **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.

#### **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.

# ROCKCLIFF RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2007 AND AUGUST 31, 2006

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

#### 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.

### 3 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.

	2007	2006
Gross proceeds raised upon the issuance of flow through shares	\$ 1,200,000	\$ -
Exploration expenditures paid from these funds	<u>(929,262)</u>	<u>-</u>
Balance of funds retained for future payments	<u>\$ 270,738</u>	<u>\$ -</u>

### 4. Property, plant and equipment:

	Cost	Accumulated Amortization	Net Book Value
<b>2007</b>			
Office furniture and equipment	\$ 62,683	\$ 9,151	\$ 53,532
Leasehold improvements	56,293	14,794	41,499
Exploration equipment	49,019	4,902	44,117
Computer equipment	27,934	8,405	19,529
Computer software	<u>11,959</u>	<u>5,979</u>	<u>5,980</u>
	<u>\$ 207,888</u>	<u>\$ 43,231</u>	<u>\$ 164,657</u>
<b>2006</b>			
Office furniture and equipment	\$ 19,653	\$ 1,147	\$ 18,506
Leasehold improvements	53,991	3,049	50,942
Computer equipment	<u>19,953</u>	<u>1,746</u>	<u>18,207</u>
	<u>\$ 93,597</u>	<u>\$ 5,942</u>	<u>\$ 87,655</u>

### 5. Mineral resource properties:

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.

# ROCKCLIFF RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2007 AND AUGUST 31, 2006

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

	<b>2007</b>	<b>2006</b>
Opening balance	\$ 258,685	\$ -
Exploration expenditures	1,036,996	168,365
Acquisition of mining properties	<u>78,980</u>	<u>90,320</u>
Closing balance	<u>\$ 1,374,661</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)	1,189,317	256,185
Flin Flon Greenstone Belt, Snow Lake Mining District, Manitoba (c)	<u>182,844</u>	<u>-</u>
	<u>\$ 1,374,661</u>	<u>\$ 258,685</u>

- (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.

# ROCKCLIFF RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2007 AND AUGUST 31, 2006

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

- (d) On July 31, 2007 the Company issued a term sheet which was executed by the vendor on August 30, 2007. In accordance with this agreement in principle, the Company will obtain an option to acquire a 100% interest, subject to a 3% net smelter returns royalty in favour of the vendor, a 28 km<sup>2</sup> property located in the Snow Lake District in Manitoba. Under the terms of the agreement the Company must make the following payments in order to exercise its option: (i) \$10,000 cash and issue 20,000 common shares upon execution of the agreement; (ii) \$12,500 cash and issue 20,000 common shares on or before the first anniversary of the signing of the agreement; (iii) \$15,000 cash and issue 20,000 common share on or before the second anniversary; (iii) \$17,500 cash and issue 20,000 common share on or before the third anniversary; and, (v) \$45,000 cash and issue 20,000 common shares on or before the fourth anniversary of the agreement. In addition, in order to exercise its option, the Company must spend \$350,000 exploring the property with minimum expenditures by year as follows: (i) \$50,000 on or before the first anniversary of the signing of the agreement; (ii) \$75,000 on or before the second anniversary; (iii) \$100,000 on or before the third anniversary and (iii) \$125,000 on or before the fourth anniversary. The Company also has the right to purchase two thirds or 2.0% of the net smelter returns royalty for \$2,000,000 and will have a right of first refusal on the remaining 1% net smelter returns royalty. The final agreement was executed in September 2007 and the requirements to make a cash payment and to issue shares upon execution were satisfied at that time.

### 6. Share capital:

- (a) Authorized

Unlimited common shares.

	<u>No of shares</u>	<u>Value</u>
(b) Issued		
Founders' shares	2,000,000	\$ 2,000
Private placements	5,020,000	655,000
Shares issued for mining properties	<u>300,000</u>	<u>52,500</u>
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
Shares issued for mining properties	75,000	50,250
FT warrants exercised	79,250	27,737
WC warrants exercised	979,499	293,850
Units exercised	366,687	91,672
Less: value attributed to underlying warrants		(32,881)
Underlying warrants exercised	<u>95,860</u>	<u>36,737</u>
Common shares - August 31, 2007	<u>17,316,296</u>	2,799,891
Value of underlying warrants not yet exercised		<u>24,902</u>
Balance - August 31, 2007		<u>\$ 2,824,793</u>

<sup>(1)</sup> Reported net of the costs of issuance of \$243,606.

<sup>(2)</sup> Reported net of the \$433,368 estimated 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
1,920,750 <sup>(1)</sup>	\$ 0.35	December 2008
3,420,521 <sup>(1)</sup>	\$ 0.30	December 2008
473,313 <sup>(2)</sup>	\$ 0.25	December 2008
270,807 <sup>(3)</sup>	\$ 0.30	December 2008

# ROCKCLIFF RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2007 AND AUGUST 31, 2006

### 6 Share capital (continued):

(c) Details of warrants outstanding are as follows (continued):

- (1) These warrants were issued during the current year in connection with the initial public offering. There was not sufficient information available to establish the fair market value of these warrants at the time of issuance and accordingly it was set at \$NIL. During the year 2,000,000 \$0.35 warrants (FT warrants) were issued, of which 79,250 were exercised, and 4,400,000 \$0.30 warrants (WC warrants) were issued, of which 979,479 were exercised.
- (2) These units were issued during the year in connection with the initial public offering and are comprised of one common share and one warrant. Each warrant entitles the holder to acquire a common share of the Company for \$0.30 until December 2008. During the year 850,000 units were issued and 366,687 were exercised.
- (3) Whenever units are exercised a portion of the proceeds is attributed to the underlying warrants. The amount attributed is equal to the pro-rata share of the gross exercise price, determined by comparing the estimated fair value of the warrants issued to the fair value of the shares issued. During the year 366,687 underlying warrants were issued and 95,880 were exercised.

The following weighted average assumptions were used to calculate the fair value of the underlying warrants issued during the year:

	<b>2007</b>	2006
Dividend yield	NIL	N/A
Risk free interest rate	4.02 - 4.29%	N/A
Expected stock volatility	62.77 - 68.65%	N/A
Expected life	1.32 - 1.81 years	N/A

(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 <sup>(1)</sup>	\$0.47	Mar. 28, 2012
<u>150,000</u>	\$0.70	July 6, 2012
<u>1,400,000</u>		

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

(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 year 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 year:

	<b>2007</b>	2006
Dividend yield	NIL	N/A
Risk free interest rate	3.96 - 4.67%	N/A
Expected stock volatility	61.27 - 64.85%	N/A
Expected life	5 years	N/A

(f) Contributed surplus:

	<b>2007</b>	2006
Opening balance	\$ -	\$ -
Compensation expense related to stock options	<u>394,477</u>	<u>-</u>
Closing balance	<u>\$ 394,477</u>	<u>\$ -</u>

# ROCKCLIFF RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2007 AND AUGUST 31, 2006

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

		<b>2007</b>	2006
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.

### 8. 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:

2026	\$ 43,000
2027	<u>384,000</u>
	<u>\$ 427,000</u>

In addition, the Company has approximately \$5,000 in Canadian Exploration Expenditures ("CEE") and \$119,000 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	\$ 154,000
Renounced CEE	(433,368)
Less: valuation allowance	<u>(154,000)</u>
	<u>\$ (433,368)</u>

### 9. Commitments:

(a) The Company has signed an operating lease for its premises. The lease is for an initial term ending February 2008 with an option to renew for one 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>\$ 6,900</u>
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# ROCKCLIFF RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2007 AND AUGUST 31, 2006

### 9. Commitments (continued):

- (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 5 (b):

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

The Company has incurred \$1,036,667 in exploration expenditures to date and has thereby satisfied this element of the option agreement. All cash payments and share issuances required to date have been made in accordance with the agreement.

- (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 5 (c):

	<u>Cash Payments</u>	<u>Exploration 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>

- (d) 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 5 (d):

	<u>Cash Payments</u>	<u>Exploration Expenditures</u>	<u>Number of Shares</u>
2008	\$ 10,000	\$ -	20,000
2009	12,500	50,000	20,000
2010	15,000	75,000	20,000
2011	17,500	100,000	20,000
2012	<u>45,000</u>	<u>125,000</u>	<u>20,000</u>
	<u>\$ 100,000</u>	<u>\$ 350,000</u>	<u>100,000</u>

The 2008 obligations were satisfied subsequent to the year end when the final option agreement was executed.

### 10. Supplemental Cash Flow Information:

	2007	2006
Operating cash flows include:		
Interest paid	\$ -	\$ -
Income taxes paid	-	-
Non-cash financing and investing activities:		
Shares issued to acquire mineral resource properties	<b>50,250</b>	52,500
Canadian exploration expenditures renounced	<b>433,368</b>	-

# ROCKCLIFF RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2007 AND AUGUST 31, 2006

### 11. Subsequent Events:

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.

Also, subsequent to the end of the fiscal year the Company announced that it was going to undertake a prospectus exempt, private placement financing for qualified investors and that this financing would have a Closing Date on or before December 31, 2007. The financing will include up to 2,000,000 Flow-Through Units (the "FT Units") and 1,000,000 Working Capital Units (the "WC Units") for gross proceeds of \$3,500,000. Each FT Unit will be priced at \$1.25 and will be comprised of one (1) common share of the Corporation to be issued as a "flow-through share" (Flow-Through Share") within the meaning of the Income Tax Act (Canada) and one-half (1/2) of a common share purchase warrant of the Corporation ( "Warrant"). Each WC Unit is priced at \$1.00 and will be comprised of one (1) Common Share and one Warrant. Each Warrant will entitle the holder to acquire one (1) Common Share at a price of \$1.50 per Common Share for a period of twelve (12) months from the Closing Date. In the event that the closing price of the common shares of the Corporation on the TSX Venture Exchange is at least \$2.25 for ten (10) consecutive trading days, and the 10<sup>th</sup> trading day (the "Final Trading Day") is at least four (4) months from the Closing Date, the Warrants will expire on the date which is thirty (30) days from the Final Trading Day.