

ROCKCLIFF RESOURCES INC.
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 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

NOVEMBER 30, 2007

	Nov. 30 <u>2007</u>	Aug. 31 <u>2007</u>
ASSETS		
Current:		
Cash and cash equivalents	\$ 1,256,888	\$ 913,297
Restricted cash and cash equivalents (Note 4)	14,317	270,738
Accounts receivable	52,147	91,985
Prepaid expenses	<u>138,892</u>	<u>111,570</u>
	<u>1,462,244</u>	<u>1,387,590</u>
Property, plant and equipment (Note 5)	189,867	164,657
Mineral resource properties (Note 6)	<u>2,094,454</u>	<u>1,374,661</u>
	<u>\$ 3,746,565</u>	<u>\$ 2,926,908</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	\$ 223,028	\$ 141,257
Loan payable (Note 7)	<u>491,259</u>	<u>-</u>
	714,287	141,257
Future income taxes (Note 10)	<u>433,368</u>	<u>433,368</u>
	<u>1,147,655</u>	<u>574,625</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	3,215,173	2,824,793
Contributed surplus (Note 8)	408,321	394,477
Deficit	<u>(1,024,584)</u>	<u>(866,987)</u>
	<u>2,598,910</u>	<u>2,352,283</u>
	<u>\$ 3,746,565</u>	<u>\$ 2,926,908</u>

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

Approved by the Board:

“Ken Lapiere”

Director

“William R. Johnstone”

Director

ROCKCLIFF RESOURCES INC.

UNAUDITED INTERIM STATEMENT OF OPERATIONS AND DEFICIT FOR THE THREE MONTH PERIODS ENDED NOVEMBER 30

	<u>2007</u>	<u>2006</u>
Interest income	\$ <u>(5,635)</u>	\$ <u>1,048</u>
Expenses:		
Consulting fees	43,530	5,080
Professional fees (Note 9)	29,768	82,660
Travel and accommodation	14,294	852
General and administrative (Note 9)	16,475	3,943
Advertising and promotion	9,408	432
Filing and regulatory fees	7,854	19,997
Insurance	6,781	-
Stock option compensation (Note 8)	4,826	-
Occupancy costs	4,275	4,981
Mineral resource property abandoned (Note 6)	2,500	-
Interest accretion (Notes 7 and 9)	277	-
Amortization	11,974	5,682
	<u>151,962</u>	<u>123,627</u>
Net loss for the period	(157,597)	(122,579)
Deficit, beginning of period	<u>(866,987)</u>	<u>(49,110)</u>
Deficit, end of period	<u>\$ (1,024,584)</u>	<u>\$ (171,689)</u>
Net loss per share - basic and diluted	\$ <u>(0.01)</u>	\$ <u>(0.02)</u>
Weighted average number of shares outstanding - basic and diluted	<u>17,988,558</u>	<u>7,320,000</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 THREE MONTH PERIODS ENDED NOVEMBER 30

	2007	2006
Cash was provided by (used in) the following activities:		
Operating:		
Net loss for the period	\$ (157,597)	\$ (122,579)
Add: Item not involving an outlay of cash		
Stock option compensation	4,826	-
Mineral resource property abandoned	2,500	-
Interest accretion	277	-
Amortization	11,974	5,682
Changes in non-cash working capital items		
Accounts receivable	39,838	(15,249)
Prepaid expenses	(27,322)	(19,321)
Accounts payable and accrued liabilities	<u>81,771</u>	<u>77,869</u>
	<u>(43,733)</u>	<u>(73,598)</u>
Financing:		
Issuance of common shares	336,580	-
Proceeds of loan payable	<u>500,000</u>	<u>-</u>
	<u>836,580</u>	<u>-</u>
Investing:		
Acquisition of mining resource properties	(78,100)	(2,080)
Deferred exploration expenditures	(590,393)	(74,143)
Change (net) in cash and cash equivalents designated for exploration and development costs	256,421	-
Acquisition of property, plant and equipment	<u>(37,184)</u>	<u>(18,550)</u>
	<u>(449,256)</u>	<u>(94,773)</u>
Increase (decrease) in cash and cash equivalents	343,591	(168,371)
Cash and cash equivalents, beginning of period	<u>913,297</u>	<u>269,753</u>
Cash and cash equivalents, end of period	<u>\$ 1,256,888</u>	<u>\$ 101,382</u>

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

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 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.

These interim 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:

Adoption of new accounting standards

Effective September 1, 2007 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. Furthermore, the Company's comprehensive income for the current period is equal to its net income and there is no balance to be reported as Accumulated other comprehensive income.

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.

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.

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2007

2. Summary of significant accounting policies (continued):

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 normal amortization is recorded.

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

NOVEMBER 30, 2007

2. 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.

3 Financial instruments:

Fair values:

The carrying amount of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities each approximate their fair values due to the short-term maturities of these instruments. These financial instruments do not expose the Company to any interest rate risk or currency risk.

Other price risks and credit risk:

The Company's accounts receivable include amounts that are recoverable on account of goods and services taxes. These amounts are subject to verification through audits that may be conducted by Canada Revenue Agency. The accounts receivable do not expose the Company to any credit risk or concentration of credit risk. The Company has no history of bad debts.

Liquidity risk;

The Company currently has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it to enable it to meet its obligations as they become due. Although the Company has been successful in the past in financing its activities, there can be no assurance that it will be able to do so in the future.

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.

	Nov. 30 <u>2007</u>	Aug. 31 <u>2007</u>
Balance at beginning of period	\$ 270,738	\$ -
Gross proceeds raised upon the issuance of flow through shares	-	1,200,000
Exploration expenditures paid from these funds	<u>(256,421)</u>	<u>(929,262)</u>
Balance of funds retained for future payments	<u>\$ 14,317</u>	<u>\$ 270,738</u>

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2007

5. Property, plant and equipment:

Nov. 30, 2007	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Office furniture and equipment	\$ 64,832	\$ 11,881	\$ 52,951
Leasehold improvements	56,293	17,437	38,856
Exploration equipment	71,747	7,665	64,082
Computer equipment	35,489	10,153	25,336
Computer software	16,710	8,068	8,642
	<u>\$ 245,071</u>	<u>\$ 55,204</u>	<u>\$ 189,867</u>

Aug. 31, 2007	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
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	11,959	5,979	5,980
	<u>\$ 207,888</u>	<u>\$ 43,231</u>	<u>\$ 164,657</u>

6. 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.

	<u>Nov. 30 2007</u>	<u>Aug. 31 2007</u>
Opening balance	\$ 1,374,661	\$ 258,685
Mineral resource property abandoned	(2,500)	-
Exploration expenditures	590,393	1,036,996
Acquisition of mining properties	<u>131,900</u>	<u>78,980</u>
Closing balance	<u>\$ 2,094,454</u>	<u>\$ 1,374,661</u>
Represented by:		
Horwood Township, Porcupine Mining Division, Ontario (a)	\$ -	\$ 2,500
Rennie Township, Sault Saint Marie Mining Division, Ontario (b)	1,214,524	1,189,317
Flin Flon Greenstone Belt, Snow Lake Mining District, Manitoba (c,d)	<u>879,930</u>	<u>182,844</u>
	<u>\$ 2,094,454</u>	<u>\$ 1,374,661</u>

- (a) The Company held a 100% interest in 38 unpatented mining claims however no exploration was conducted and the claims have been allowed to lapse. The cost to acquire the claims has been written off.
- (b) The Company holds an option 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. In order to exercise its option the Company has made cash payments of \$20,000, has issued 275,000 common shares and must make the following payments: (i) pay \$15,000 cash and issue 75,000 common share on or before July 14, 2008 and, (ii) pay \$25,000 cash on or before July 14, 2009. The Company was also required to spend a minimum of \$300,000 exploring the property which has been satisfied. The Company has also reimbursed the vendors an additional \$30,320 in staking fees for claims included under the agreement.

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2007

6. Mineral resource properties (continued):

- (c) In March 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 March 22, 2008; (ii) \$125,000 on or before March 22, 2009; (iii) \$390,000 on or before March 22, 2010 and, (iv) \$1,475,000 on or before March 22, 2011. 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 March 22, 2008; (ii) \$1,300,000 on or before March 22, 2009; (iii) \$2,600,000 on or before March 22, 2010 and (iii) \$4,900,000 on or before March 22, 2011. 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.
- (d) In September 2007 the Company entered into an option agreement to acquire a 100% interest, subject to a 3% net smelter returns royalty in favour of the vendor, a 28 km² property located in the Snow Lake District in Manitoba. Under the terms of the agreement the Company was required to pay \$10,000 cash and issue 20,000 common shares at the time the agreement was executed. The Company must also make the following payments in order to exercise its option: (i) \$12,500 cash and issue 20,000 common shares on or before September 17, 2008; (ii) \$15,000 cash and issue 20,000 common share on or before September 17, 2009; (iii) \$17,500 cash and issue 20,000 common share on or before September 17, 2010; and, (iv) \$45,000 cash and issue 20,000 common shares on or before September 17, 2011. 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 September 17, 2008; (ii) \$75,000 on or before September 17, 2009; (iii) \$100,000 on or before September 17, 2010 and (iii) \$125,000 on or before September 17, 2011. 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.

7. Loan payable:

Demand loan with a face value of \$500,000 is unsecured, non-interest bearing and matures November 2008. The lender, who is a Director of the Company, can demand repayment, in whole or in part, any time after January 31, 2008 by providing the Company with thirty (30) days written notice.

Nov. 30 <u>2007</u>	Aug. 31 <u>2007</u>
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\$ <u>491,259</u>	\$ <u>-</u>
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The agreement negotiated with the lender provided the Company with the option of borrowing up to a maximum of \$1,000,000 under the terms and conditions noted above. The Company has until June 30, 2008 to draw down any or all of the remaining \$500,000 available under this agreement.

In accordance with Canadian generally accepted accounting principles the carrying value of this financial instrument has been determined by discounting the expected future cash flows using prevailing market rates for loans bearing similar security and term to maturity. The amount of the discount so determined is then amortized using the effective interest method as follows:

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2007

7. Loan payable (continued):

	Nov. 30 2007	Aug. 31 2007
Estimated market interest rate	10.25%	N/A
Days until earliest possible demand	64	N/A
Carrying amount, start of period	\$ -	\$ -
Loan proceeds	500,000	-
Discount, added to contributed surplus	(9,018)	-
Interest accreted during period	277	-
Carrying amount end of period	<u>\$ 491,259</u>	<u>\$ -</u>

8. Share capital:

- (a) Authorized
Unlimited common shares.
- (b) Issued

	Nov. 30 2007	Aug. 31 2007
Common shares	\$ 3,159,978	\$ 2,799,891
Value of underlying warrants not yet exercised	55,195	24,902
Share capital	<u>\$ 3,215,173</u>	<u>\$ 2,824,793</u>

Common shares:	<u>No of shares</u>	<u>Value</u>
Balance August 31, 2006	7,320,000	\$ 709,500
Common shares issued through initial public offering ⁽¹⁾	4,400,000	856,394
Flow through shares issued through initial public offering ⁽²⁾	4,000,000	766,632
Shares issued for mining properties	75,000	50,250
Shares issued upon exercise of FT warrants	79,250	27,737
Shares issued upon exercise of WC warrants	979,499	293,850
Shares issued upon exercise of units ⁽³⁾	366,687	58,791
Shares issued upon exercise of underlying WC warrants	<u>95,860</u>	<u>36,737</u>
Common shares - August 31, 2007	17,316,296	2,799,891
Shares issued for mining properties	70,000	53,800
Shares issued upon exercise of FT warrants	29,750	10,413
Shares issued upon exercise of WC warrants	669,900	200,970
Shares issued upon exercise of units ⁽⁴⁾	391,540	58,974
Shares issued upon exercise of underlying WC warrants	<u>91,040</u>	<u>35,930</u>
Common shares - November 30, 2007	<u>18,568,526</u>	<u>\$ 3,159,978</u>

Underlying WC warrants not yet exercised:

Balance August 31, 2006		\$ -
Value attributed to underlying WC warrants issued		32,881
Value added to common shares upon exercise of underlying WC warrants		<u>(7,979)</u>
Balance - August 31, 2007		24,902
Value attributed to underlying warrants issued		38,911
Value added to common shares upon exercise of underlying WC warrants		<u>(8,618)</u>
Balance - November 30, 2007		<u>\$ 55,195</u>

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2007

8. Share capital (continued):

(b) Issued - continued

- (1) Reported net of the costs of issuance of \$243,606.
- (2) 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.
- (3) Reported net of the value of \$32,881 that was attributed to the underlying WC warrants.
- (4) Reported net of the value of \$38,911 that was attributed to the underlying WC warrants.

(c) Details of warrants outstanding are as follows:

<u>Number of Warrants</u>	<u>Price/Warrant</u>	<u>Expiry Date</u>
1,891,000 ⁽¹⁾	\$ 0.35	December 2008
2,750,621 ⁽¹⁾	\$ 0.30	December 2008
81,773 ⁽²⁾	\$ 0.25	December 2008
<u>571,307</u> ⁽³⁾	\$ 0.30	December 2008
<u>5,294,701</u>		

- (1) These warrants were issued December 2006 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 period 29,750 \$0.35 warrants (FT warrants) were exercised, and 669,900 \$0.30 warrants (WC warrants) were exercised.
- (2) These units were issued December 2006 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 period 391,540 were exercised.
- (3) Whenever units are exercised a portion of the proceeds is attributed to the underlying WC 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 period 391,540 underlying WC warrants were issued and 91,040 were exercised.

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

	Nov. 30 2007	Aug. 31 2007
Dividend yield	NIL	NIL
Risk free interest rate	3.79 - 4.19%	4.02 - 4.29%
Expected stock volatility	61.73 - 69.72%	62.77 - 8.65%
Expected life	1.07 - 1.23 years	1.32 - 1.81 years

(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 ⁽¹⁾	\$ 0.47	Mar. 27, 2012
150,000	\$ 0.70	July 6, 2012
<u>10,000</u>	\$ 0.72	Oct. 9, 2012
<u>1,410,000</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.

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2007

8. Share capital (continued):

(e) Stock based compensation - continued:

The following weighted average assumptions were used to calculate the fair value of the options granted during the year:

	Nov. 30	Aug. 31
	<u>2007</u>	<u>2007</u>
Dividend yield	NIL	NIL
Risk free interest rate	4.35%	3.96 – 4.67%
Expected stock volatility	60.97%	61.27 – 64.85%
Expected life	5 years	5 years

(f) Contributed surplus:

	Nov. 30	Aug. 31
	<u>2007</u>	<u>2007</u>
Opening balance	\$ 394,477	\$ -
Discount on non-interest bearing loan (<i>Note 7</i>)	9,018	-
Compensation expense related to stock options	<u>4,826</u>	<u>394,477</u>
Closing balance	<u>\$ 408,321</u>	<u>\$ 394,477</u>

9. 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.
 Robin Lowe (“Lowe”) is a Director of the Company.
 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 November 30, 2007 a total of \$16,853 (August 31, 2007 - \$39,892) is included in accounts payable and accrued liabilities as a result of these transactions:

		Nov. 30	Aug. 31
		<u>2007</u>	<u>2007</u>
Lapierre	Exploration expenditures	\$ -	\$ 80,622
Lapierre	Consulting fees and expenses	40,156	88,471
Geodigital	Exploration expenditures	55,442	217,228
Geodigital	Expenses	1,998	15,427
Gardiner	Professional fees	24,408	128,883
Lowe	Interest accretion	277	-
MDI	Consulting fees and expenses	7,086	42,625

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

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2007

10. 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>

Each of these amounts is subject to verification through audits that may be conducted by Canada Revenue Agency

11. Commitments:

- (a) The Company has signed an operating lease for its premises that expires February 2009 and has an option to renew for five years at market rates. The Company is committed under this agreement to pay the following amounts in the years indicated below:

Twelve months ended November 30, 2008	\$ 13,800
Twelve months ended November 30, 2009	<u>3,450</u>
	<u>\$ 17,250</u>

- (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):

	Cash Payments	Exploration Expenditures	Number of Shares
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 \$1,061,874 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.

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11. 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 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>

The Company has incurred \$703,055 in exploration expenditures to date and has not yet satisfied this element of the option agreement. In accordance with the agreement, there have been no cash payments or share issuances required to date and none have been made.

- (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 6 (d):

	<u>Cash Payments</u>	<u>Exploration Expenditures</u>	<u>Number of Shares</u>
2008	\$ 12,500	50,000	20,000
2009	15,000	75,000	20,000
2010	17,500	100,000	20,000
2011	<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 not incurred any exploration expenditures to date and therefore has not yet satisfied this element of the option agreement. All cash payments and share issuances required to date have been made in accordance with the agreement.

12. Supplemental Cash Flow Information:

	<u>Nov. 30 2007</u>	<u>Aug. 31 2007</u>
Operating cash flows include:		
Interest paid	\$ -	\$ -
Income taxes paid	-	-
Non-cash financing and investing activities:		
Shares issued to acquire mineral resource properties	53,800	50,250
Discount on loan payable, added to contributed surplus	9,018	-
Canadian exploration expenditures renounced	-	433,368

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13. Subsequent event:

On December 31, 2007 the Company had a first closing of a non-brokered private placement offering whereby it issued 1,672,000 Flow-Through Units (the "FT Units") and 540,500 Working Capital Units (the "WC Units") for gross proceeds of \$2,630,500. Each FT Unit was priced at \$1.25 and is comprised of one (1) common share of the Company, issued as a 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 Company. Each WC Unit was priced at \$1.00 and is comprised of one (1) common share and one (1) common share purchase warrant of the Company. Each whole warrant entitles the holder to acquire one (1) common share at a price of \$1.50 until December 31, 2009. In the event that the closing price of the Company's common shares on the TSX Venture Exchange is at least \$2.25 for ten (10) consecutive trading days, and the 10th trading day is at least four (4) months from December 31, 2007 then the warrants will expire on the date that is thirty (30) days after the 10th trading day. All shares issued in connection with this financing have been restricted from trading until May 1, 2008.

There was a second, and final, closing of this offering on January 3, 2008 through which the Company issued an additional 100,000 WC units for gross proceeds of \$100,000. The terms and conditions associated with these WC units are identical to those described above, except that certain dates have changed to coincide with the date of this closing. Accordingly, the warrants will expire January 3, 2010, the 10th trading day must be at least four (4) months from January 3, 2008 and the common shares issued are restricted from trading until May 4, 2008.