ROCKCLIFF RESOURCES INC.

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 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

FEBRUARY 29, 2008

	Feb. 29 2008	Aug. 31 2007
ASSETS		
Current:		
Cash and cash equivalents	**$ 1,232,582**	$ 913,297
Restricted cash and cash equivalents *(Note 4)*	**1,179,548**	270,738
Accounts receivable	**94,286**	91,985
Prepaid expenses and other assets	**144,108**	111,570
	2,650,524	1,387,590
Property, plant and equipment *(Note 5)*	**189,143**	164,657
Mineral resource properties *(Note 6)*	**4,748,259**	1,374,661
	$ 7,587,926	$ 2,926,908
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	**$ 1,335,155**	$ 141,257
Loan payable	**500,000**	-
	1,835,155	141,257
Future income taxes (*Note10*)	**1,188,276**	433,368
	3,023,431	574,625
SHAREHOLDERS' EQUITY		
Share capital (*Note 8)*	**5,412,237**	2,824,793
Contributed surplus (*Note 8)*	**408,321**	394,477
Deficit	**(1,256,063)**	(866,987)
	4,564,495	2,352,283
	$ 7,587,926	$ 2,926,908

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

Approved by the Board:

"Ken Lapierre"
Director

"William R. Johnstone"
Director

ROCKCLIFF RESOURCES INC.

UNAUDITED INTERIM STATEMENT OF OPERATIONS AND DEFICIT
FOR THE PERIODS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007

	Three months ended		**Six months ended**	
	2008	2007	**2008**	2007
Interest income	**$ 5,144**	$ 10,833	**$ (491)**	$ 11,881
Expenses:				
Consulting fees *(Note 7)*	**57,257**	22,450	**100,787**	27,530
Professional fees *(Note 7)*	**47,839**	34,539	**77,607**	117,200
Travel and accommodation	**13,266**	8,920	**27,560**	9,771
General and administrative	**25,112**	6,384	**41,587**	10,328
Advertising and promotion	**3,457**	561	**12,865**	993
Filing and regulatory fees	**52,846**	36,388	**60,700**	56,385
Insurance	**8,981**	-	**15,762**	-
Occupancy costs	**5,862**	4,560	**10,137**	9,540
Mineral resource property abandoned *(Note 6)*	**-**	-	**2,500**	**-**
Interest accretion *(Notes 7 and 9)*	**8,741**	-	**9,018**	**-**
Stock option compensation *(Note 8)*	**-**	-	**4,826**	-
Amortization	**13,262**	8,441	**25,236**	14,123
	236,623	122,243	**388,585**	245,870
Net loss for the period	**(231,479)**	(111,410)	**(389,076)**	(233,989)
Deficit, beginning of period	**(1,024,584)**	(171,689)	**(866,987)**	(49,110)
Deficit, end of period	**$ (1,256,063)**	$ (283,099)	**$ (1,256,063)**	$ (283,099)
Net loss per share - basic and diluted	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.02)
Weighted average number of shares	**20,230,929**	14,978,560	**19,103,549**	11,128,124

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

ROCKCLIFF RESOURCES INC.

UNAUDITED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007

	Three months ended		Six months ended	
	2008	2007	**2008**	2007
Cash was provided by (used in) the following activities:				
Operating:				
Net loss for the period	**$ (231,479)**	$ (111,410)	**$ (389,076)**	$ (233,989)
Item not involving an outlay of cash:				
Stock option compensation	**-**	-	**4,826**	-
Mineral resource property abandoned	**-**	-	**2,500**	-
Interest accretion	**8,741**	-	**9,018**	-
Amortization	**13,262**	8,441	**25,236**	14,123
Changes in non-cash working capital items:				
Accounts receivable	**(42,139)**	(37,646)	**(2,301)**	(52,895)
Prepaid expenses and other assets	**(5,216)**	(18,725)	**(32,538)**	(38,046)
Accounts payable and accrued liabilities	**1,112,127**	122,341	**1,193,898**	200,210
	855,296	(36,999)	**811,563**	(110,597)
Financing:				
Proceeds of loan payable	**-**	-	**500,000**	-
Issuance of common shares	**2,775,010**	2,117,074	**3,111,590**	2,117,074
	2,775,010	2,117,074	**3,611,590**	2,117,074
Investing:				
Acquisition of mining resource properties	**(16,000)**	-	**(94,100)**	(2,080)
Deferred exploration expenditures	**(2,460,843)**	(322,745)	**(3,051,236)**	(396,888)
Change in restricted cash and cash equivalents	**(1,165,231)**	(1,075,358)	**(908,810)**	(1,075,358)
Acquisition of property, plant and equipment	**(12,538)**	(27,957)	**(49,722)**	(46,507)
	(3,654,612)	(1,426,060)	**(4,103,868)**	(1,520,833)
(Decrease) increase in cash and cash equivalents	**(24,306)**	645,015	**319,285**	485,644
Cash and cash equivalents, beginning of period	**1,256,888**	101,382	**913,297**	269,753
Cash and cash equivalents, end of period	**$ 1,232,582**	$ 755,397	**$ 1,232,582**	$ 755,397

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

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

FEBRUARY 29, 2008

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.

2. Summary of significant accounting policies (continued):

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

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

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.

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 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.

	Feb. 29 2008	Aug. 31 2007
Balance at beginning of period	$ 270,738	$ -
Gross proceeds raised upon the issuance of flow through shares	2,090,000	1,200,000
Exploration expenditures paid from these funds	(1,181,190)	(929,262)
Balance of funds retained for future payments	$ 1,179,548	$ 270,738

5. Property, plant and equipment:

Feb. 29, 2007	Cost	Accumulated Amortization	Net Book Value
Office furniture and equipment	$ 67,313	$ 14,735	$ 52,578
Leasehold improvements	56,293	20,080	36,213
Exploration equipment	78,604	10,793	67,811
Computer equipment	35,489	11,901	23,588
Computer software	19,911	10,958	8,953
	$ 257,610	$ 68,467	$ 189,143

5. Property, plant and equipment (continued):

Aug. 31, 2007	Cost	Accumulated Amortization	Net Book Value
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
	$ 207,888	$ 43,231	$ 164,657

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.

	Feb. 29 2008	Aug. 31 2007
Opening balance	**$ 1,374,661**	$ 258,685
Mineral resource property abandoned	**(2,500)**	-
Exploration expenditures	**3,037,236**	1,036,996
Acquisition of mining properties	**338,862**	78,980
Closing balance	**$ 4,748,259**	$ 1,374,661
Represented by:		
Staked property (Horwood), Porcupine Mining Division, Ontario (a)	**$ -**	$ 2,500
Optioned property (Shihan), Sault Saint Marie Mining Division, Ontario (b)	**1,222,279**	1,189,317
Optioned properties (HudBay), Snow Lake Mining District, Manitoba (c)	**2,395,767**	165,219
Optioned property (Jackfish), Snow Lake Mining District, Manitoba (d)	**37,725**	7,100
Optioned property (Tower), Thompson Nickel Belt, Manitoba (e)	**206,962**	-
Staked properties, Snow Lake Mining District, Manitoba (f)	**217,352**	10,525
Licensed properties, Snow Lake Mining District, Manitoba (g)	**668,174**	-
	$ 4,748,259	$ 1,374,661

(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 Challener, 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.

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) $2,600,000on 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, the 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 km^2 property located in the Snow Lake District in Manitoba. The Company paid $10,000 cash and issued 20,000 common shares at the time the agreement was executed and 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. Prior to executing this agreement the Company had already staked certain land claims that are contiguous to the optioned property. The amounts presented represent the aggregate amounts expended on these combined properties.

(e) In February 2008 the Company entered into an option agreement to acquire a 70% interest, subject to an existing 2% net smelter returns royalty in favour of a previous owner, a property located in the Thompson Nickel Belt District in Manitoba. At the time the agreement was executed the Company paid $30,000 in cash and issued 1,250,000 share purchase warrants, each of which entitles the holder to acquire one common share of the Company for $1.50 any time prior to February 20, 2010. To retain its rights under the agreement he Company must also make annual cash payments of $30,000 each until February 2012. The Company will acquire the initial 50% interest in the property provided it completes a minimum of 2,000 metres of diamond drilling, penetrating beyond the Precambrian-Paleozoic boundary, by March 21, 2009 and has incurred a minimum of $2,000,000 in exploration expenditures by March 21, 2010. An additional 20% interest can be acquired provided the Company acquires the initial 50% interest and that it incurs an additional $2,000,000 in exploration expenditures by March 21, 2012.

(f) The Company holds a 100% interest in various land claims in the Snow Lake District in Manitoba as a result of holding the staking registration. These properties are free of any purchase price or exploration obligations with the exception of minimum work requirements specified by the province of Manitoba in order to renew the claims in the future.

(g) The Company holds four mineral exploration licenses (MEL) in the Snow Lake District in Manitoba. Each MEL grants the Company an exclusive right to explore and/or stake the property under license. Each MEL lasts for the lesser of three years or until the holder stakes land within the license boundary. The MEL will expire between January 2011 and October 2011 provided no staking occurs at an earlier time.

7. Loan payable:

	Feb. 29 2007	Aug. 31 2007
Demand loan 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, by providing the Company with thirty (30) days written notice.	**$ 500,000**	$ -

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:

	Feb. 29 2008	Aug. 31 2007
Estimated market interest rate at time of advance	**10.25%**	N/A
Carrying amount, start of period	**$ -**	$ -
Loan proceeds	**500,000**	-
Discount, added to contributed surplus	**(9,018)**	-
Interest accreted during period	**9,018**	-
Carrying amount end of period	**$ 500,000**	$ -

8. Share capital:

(a) Authorized

Unlimited common shares.

(b) Issued

	Feb. 29 2008	Aug. 31 2007
Common shares	$ 4,824,764	$ 2,799,891
Value of warrants not yet exercised	587,473	24,902
Share capital	$ 5,412,237	$ 2,824,793

Common shares:	No of shares	Value
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	95,860	36,737
Common shares - August 31, 2007	17,316,296	2,799,891

8. Share capital (continued):

(b) Issued - continued

Common shares - August 31, 2007	17,316,296	2,799,891
Common shares issued through private placement offering [5]	640,500	419,602
Flow through shares issued through private placement offering [6]	1,672,000	1,170,024
Shares issued for mining properties or rights	70,000	53,800
Shares issued upon exercise of FT warrants	39,750	13,913
Shares issued upon exercise of WC warrants	908,768	272,630
Shares issued upon exercise of units [4]	391,540	58,974
Shares issued upon exercise of underlying WC warrants	91,040	35,930
Common shares - February 29, 2008	21,129,894	$ 4,824,764

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	(7,979)
Balance - August 31, 2007	24,902
Value attributed to underlying WC warrants issued	38,911
Value attributed to warrants issued in accordance with private placement [5, 6]	355,316
Value of warrants issued to acquire mineral resource property (*Note 6 e*)	176,962
Value added to common shares upon exercise of underlying WC warrants	(8,618)
Balance – February 29, 2008	$ 587,473

(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.
(5) Reported net of the costs of issuance of $30,650 and the value of $190,248 that was attributed to the accompanying warrants
(6) Reported net of the $754,908 estimated tax value of the exploration expenditures renounced by the Company in accordance with the terms of these shares and the value of $165,068 that was attributed to the accompanying warrants.

(c) Details of warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
1,881,000 [1]	$ 0.35	December 2008
2,511,753 [1]	$ 0.30	December 2008
81,773 [2]	$ 0.25	December 2008
571,307 [3]	$ 0.30	December 2008
1,376,500 [4]	$ 1.50	December 2009
100,000 [5]	$ 1.50	January 2010
1,250,000	$ 1.50	February 2010
8,021,201		

(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 39,750 $0.35 warrants (FT warrants) and 908,768 $0.30 warrants (WC warrants) were exercised.

8. Share capital (continued):

(c) Details of warrants outstanding (continued):

(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 value attributed is equal to the pro-rata share of the exercise price of the units, 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.

(4) These warrants were issued December 2007 in connection with the private placement offering. These warrants will expire on the earlier of December 31, 2009 and the date that is thirty (30) days after the tenth consecutive trading day whereby the companies share price closes at $2.25 or higher. The value attributed to the warrants is equal to the pro-rata share of the net proceeds of the offering less the estimated tax value of the exploration expenditures renounced, determined by comparing the estimated fair value of the warrants issued to the fair value of the units sold. The fair value calculation is predicated upon the warrants expiring on December 31, 2009. During the period 1376,500 warrants were issued and none were exercised.

(5) These warrants were issued January 2008 in connection with the private placement offering. These warrants will expire on the earlier of January 2010 and the date that is thirty (30) days after the tenth consecutive trading day whereby the companies share price closes at $2.25 or higher. The value attributed to the warrants is equal to the pro-rata share of the net proceeds of the offering less the estimated tax value of the exploration expenditures renounced, determined by comparing the estimated fair value of the warrants issued to the fair value of the units sold. The fair value calculation is predicated upon the warrants expiring on January 3, 2010. During the period 100,000 warrants were issued and none were exercised.

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

	Feb. 29 2008	Aug. 31 2007
Dividend yield	**NIL**	NIL
Risk free interest rate	**3.16 - 4.19%**	4.02 - 4.29%
Expected stock volatility	**61.73 - 69.72%**	62.77 - 8.65%
Expected life	**1.07 - 2.00 years**	1.32 - 1.81 years

(d) Details of options outstanding are as follows:

Common Shares Under Option	Exercise Price	Expiry Date
1,250,000 (1)	$ 0.47	Mar. 27, 2012
150,000	$ 0.70	July 6, 2012
10,000	$ 0.72	Oct. 9, 2012
1,410,000		

(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.

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:

	Feb. 29 2008	Aug. 31 2007
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:

		Feb. 29 2007		Aug. 31 2007
Opening balance	**$**	**394,477**	$	-
Discount on non-interest bearing loan *(Note 7)*		**9,018**		-
Compensation expense related to stock options		**4,826**		394,477
Closing balance	**$**	**408,321**	$	394,477

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 February 29, 2008 a total of $58,533 (August 31, 2007 - $39,892) is included in accounts payable and accrued liabilities as a result of these transactions:

			Feb. 29 2008		Aug. 31 2007
Lapierre	Exploration expenditures	**$**	**1,717**	$	80,622
Lapierre	Consulting fees and expenses		**89,139**		88,471
Geodigital	Exploration expenditures		**158,092**		217,228
Geodigital	Expenses		**2,110**		15,427
Gardiner	Cost of share issuance		**20,248**		-
Gardiner	Professional fees		**68,247**		128,883
Lowe	Interest accretion		**9,018**		-
MDI	Consulting fees and expenses		**20,553**		42,625

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

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	384,000
	$ 427,000

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	(1,188,276)
Less: valuation allowance	(154,000)
	$ (1,188,276)

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 of which $12,650 has been prepaid:

Twelve months ended February 28, 2009	$ 13,800

(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
July 2008	$ 15,000	$ 100,000	75,000
July 2009	25,000	100,000	-
	$ 40,000	$ 200,000	75,000

The Company has incurred $1,069,630 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 6 (c):

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

The Company has incurred $2,376,117 in exploration expenditures to date and has satisfied the March 2008 expenditure requirement. In accordance with the agreement, there have been no cash payments required to date and none have been made.

11. Commitments (continued):

(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):

	Cash Payments	Exploration Expenditures	Number of Shares
September 2008	$ 12,500	50,000	20,000
September 2009	15,000	75,000	20,000
September 2010	17,500	100,000	20,000
September 2011	45,000	125,000	20,000
	$ 90,000	$ 350,000	80,000

The Company has incurred $6,825 in 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.

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

	Cash Payments	Exploration Expenditures
March 2009	$ 30,000	$ -
March 2010	30,000	2,000,000
March 2011	30,000	-
March 2012	30,000	2,000,000
	$ 120,000	$ 4,000,000

The Company is also required to complete at least 2,000 metres of diamond drilling no later than March 2009. 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 required to date have been made in accordance with the agreement.

12. Supplemental Cash Flow Information:

	Feb. 29 2008	Aug. 31 2007
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
Share purchase warrants issued to acquire mineral resource properties	**176,962**	-
Canadian exploration expenditures renounced	**754,908**	433,368
Discount on loan payable, added to contributed surplus	**9,018**	-

13. Subsequent event:

Subsequent to the balance sheet date the Company entered into an agreement, with a syndicate of agents working on a best-efforts basis, to raise up to $5,004,000 through a private placement financing. This placement will be comprised of up to 6,670,000 flow-through shares at a price of $0.60 per share and 1,670,000 units at a price of $0.60 per unit. Each unit will be comprised of one (1) common share and one-half (1/2) of a common share purchase warrant. Each whole warrant will entitle the holder to acquire one (1) common share at a price of $0.95 for a period of twenty four (24) months following the closing of the offering.

The agents have been granted an option, exercisable at any time until the second business day before the closing of the placement, to purchase an additional 1,000,500 FT Shares and an additional 250,500 units at their respective issue prices representing additional proceeds of up to $750,600. No element of these options has been exercised to date.