

## **ROCKCLIFF RESOURCES INC.**

Management's Discussion and Analysis

For the Year Ended August 31, 2008

(Prepared as at December 8, 2008)

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The following discussion of financial condition, changes in financial condition and results of operations has been prepared by the Company's management. This document is intended to accompany the financial statements as at August 31, 2008 and should be read in conjunction with those financial statements. Additional information about the Company can be found at [www.sedar.com](http://www.sedar.com).

### **DISCLOSURE CONTROLS AND PROCEDURES**

Management is responsible for the information disclosed in this management discussion and analysis (MD&A) and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. As of the financial year ended August 31, 2008, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and Chief Financial Officer, on the effectiveness of the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings ("MI 52-109"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of August 31, 2008 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company. As there have been no subsequent changes to these controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of the date of this document to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

MI 52-109 also requires a reporting issuer to submit an interim certificate relating to the design of internal control over financial reporting. Internal control over financial reporting is a process designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles (GAAP). As part of this process, management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the design of the internal control over financial reporting at August 31, 2008 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of August 31, 2008.

### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

Under the provisions of MI 52-109, a reporting issuer is also required to disclose in their MD&A any change in internal control over financial reporting during the most recent fiscal quarter that has materially effected, or is reasonably likely to materially affect internal control over financial reporting.

Management has determined that there have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

### **FORWARD LOOKING INFORMATION**

This MD&A contains forward-looking statements that involve risks and uncertainties, which may cause actual results to differ materially from the statements made. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to such risks and uncertainties. Many factors could cause our actual results to differ materially from the statements made, including those factors summarized below under the heading "Risk Factors" and discussed in filings made by us with the Canadian securities regulatory authorities.

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### FORWARD LOOKING INFORMATION – (continued)

Should one or more of these risks and uncertainties, such as actual results of current exploration programs, the general risks associated with the mining industry, the price of gold and other metals, currency and interest rate fluctuations, increased competition and general economic and market factors, occur or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, or expected. We do not intend and do not assume any obligation to update these forward-looking statements, except as required by law. Shareholders are cautioned not to put undue reliance on such forward-looking statements.

### OVERVIEW

The Company operates a single business segment which is engaged in base and precious metal mining and related activities, including exploration and development, in Manitoba and Ontario. The management of the Company has not changed since the previous fiscal year end and is comprised of the following individuals:

<u>Name</u>	<u>Position(s) Held</u>
Ken Lapierre, P. Geo	Director, CEO, President
Peter Wood, P. Geo.	Director, VP Exploration
William R. Johnstone, LL.B <sup>(1)</sup>	Director, Corporate Secretary
Robin Lowe <sup>(1)</sup>	Director
Denis Arsenault, C.A. <sup>(1)</sup>	Director
Mike Kindy, C.A.	CFO

<sup>(1)</sup> Member of the Company's Audit Committee

### OVERALL PERFORMANCE

During the 2008 fiscal year the Company made significant progress relative to the stated objective of acquiring and developing high quality mineral assets associated with world class geology and in world class mining camps. While the Company has not yet discovered a minable ore body, and does not have revenue producing operations, the progress made on exploration programs remains the best means of evaluating corporate performance. Two key indicators of this progress are the fact that the Company incurred exploration charges of \$5,286,171 during the year and spent an additional \$476,448 on option payments and property acquisitions. As a result of these exploration activities the Company has obtained airborne survey results and drill results that are both favourable and encouraging and has used this information to identify numerous targets for future exploration.

The Company began the 2008 fiscal year with two properties in Ontario as well as seven properties and five mineral exploration licenses in Manitoba. As at the end of the 2008 fiscal year the Company holds one property in Ontario along with nine properties, six mineral exploration licenses and numerous staked claims in Manitoba. With the expansion of its interest in Manitoba the Company is now one of the largest land holders in the province that hosts the largest, and one of the most prolific, Proterozoic VMS districts in the world. While there is no certainty that an economically viable resource exists, or will be discovered on, any of the properties that the Company holds, the geology of the area, the National Instrument 43-101 report the Company commissioned, and the results of exploration conducted to date all serve to feed and support management's optimism.

The Company previously held two properties in the province of Ontario. The Horwood property was the first property that the Company acquired after its inception. While this was a property of interest to the Company, it was determined that its potential was not comparable to the properties subsequently acquired and that directing resources to it would detract from efforts on these other properties. Accordingly, the claim registrations were permitted to lapse at the end of the first quarter of 2008 with no exploration having taken place. The lapsed registrations mean that the Company no longer has any right to explore these claims and as a result the acquisition cost of \$2,500 was written off.

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### **OVERALL PERFORMANCE - (continued)**

The second Ontario property acquired, the Shihan property, is held under an option agreement which entitles the Company to earn a 100% interest in the property, subject to a 2% net smelters return royalty. By August 31, 2007 the Company had satisfied all of the expenditure requirements of this option agreement as it had expended \$1,036,667 on exploration. Having already satisfied most of the option commitments on this property the Company turned its focus, and devoted most of its resources, to satisfying the exploration commitments in the province of Manitoba. Despite being in a maintenance phase relative to this property the Company did spend an additional \$58,838, including \$9,529 in the fourth quarter, on the evaluation of the exploration data obtained to date. The Company also made the option payments of 35,000 shares and \$15,000 during the fourth quarter of 2008. The Company intends to make the final option payment of \$35,000, which is due no later than July 14, 2009, in order to secure its 100% interest in this property and will continue the evaluation of data while focusing most of its resources on the Manitoba properties.

As noted previously, the vast majority of the fiscal 2008 exploration and acquisition activities occurred in the province of Manitoba. At the time of the Company's inception, management had identified Manitoba as a significant area of interest relative to their quest to be mine finders. During 2008 the Company spent \$86,036 to maintain its position on properties that were already under option at the start of the year and \$331,162 to acquire rights to, or title to, additional properties. Included in these costs were the initial payments required when the Company entered into two new property options. The Jackfish property option was executed in the first fiscal quarter and the Tower property option was signed during the second quarter. The Company will continue to evaluate its opportunities to acquire additional properties through staking, purchase, or option, and will acquire land that fits into the Company's objectives provided that suitable arrangements can be negotiated.

The Company's 2008 exploration plan was to productively work towards satisfying the expenditure requirements on the properties under option and to seek out specific exploration targets on other properties in its care and control. The National Instrument 43-101 report that the Company commissioned on its Snow Lake project was completed near the end of the first fiscal quarter and it contained the recommendation that an exploration program with a minimum value of \$9.7million be undertaken. The 2008 exploration activities in this region, valued at \$5,227,333, were consistent with or evolved from this recommended program.

One of the main elements of this recommendation was to undertake 10,000 line kilometres of airborne geophysics and deep penetrating surface geophysics over the five historical deposits that are located within the Company's properties. An airborne survey covering 9,633 line kilometres was completed early in the third fiscal quarter. The intent of this process was to blanket the Company's Snow Lake project with a modern, state-of-the-art geophysical technology that has a proven track record of mineral discovery. Management was very pleased with the survey results which identified a multitude of anomalies and indicators that are currently being investigated and prioritized for the 2008-2009 drilling program.

A second airborne survey, covering 2,483 line kilometres was completed in June 2008 and again produced many points of interest for further investigation. A third airborne survey covering an additional 926 line kilometres commenced late October 2008 and the Company is awaiting the final results. When this third phase is complete the Company will have conducted airborne surveys covering more than 13,000 kilometres and will use this data to guide further land acquisitions and to plan a coordinated drill program that will be designed to maximize the potential for discovery.

While the airborne surveys were being planned and conducted the Company was also busy completing drilling of numerous targets. An initial drill program was started in the first fiscal quarter and concluded in the third quarter. This program was comprised of a total of 38 surface drill holes, totaling 8,300 metres, and was conducted on three properties. The drill results were highly encouraging as 33 of the holes intersected significant VMS mineralization.

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**OVERALL PERFORMANCE - (continued)**

In the fourth quarter the Company commenced the next phase of its drill program, which is intended to include up to 15,000 metres of surface drilling. The new program was initiated on one of the properties that was also drilled during the first phase and this has led to the discovery of the R1 VMS Zone subsequent to the year end. The drill program is expected to be extended to cover other properties that have not yet been drilled including one on which the results of the initial airborne survey identified a minimum of sixteen high priority targets. Much of the work conducted during the fourth quarter related to analyzing the results of the various airborne surveys and preparing for future drilling which will become easier in many areas once the winter freeze has set in.

In order to fund the exploration programs and property acquisitions that were undertaken, and will be undertaken, the Company needed to raise money. During the 2008 fiscal year the Company undertook two separate financing transactions that provided an aggregate of \$7,011,517 after deducting the costs of the offerings. The first financing was a non-brokered private placement, conducted during the second fiscal quarter, which raised gross proceeds of \$2,730,500. The second financing was a brokered private placement, completed during the third quarter, and raised gross proceeds of \$4,775,399. While the Company had cash reserves of \$2,825,926 as at August 31 it also had a flow through commitment of \$3,321,879 remaining from the second financing. This means that additional financing will be required to fund this shortfall of \$495,953, the cost of operations, and future exploration and development.

**SELECTED FINANCIAL DATA**

	For the fiscal years ended:			
	<u>Aug. 08</u>	<u>Aug. 07</u>	<u>Aug. 06</u>	
Revenues	27,756	42,907	3,237	
Net income (loss) from operations	(560,029)	(817,877)	(49,110)	
Per share	(0.02)	(0.06)	(0.01)	
Net income (loss) for the period	322,637	(817,877)	(49,110)	
Per share	0.01	(0.06)	(0.01)	
Mineral resource properties	7,093,292	1,374,661	258,685	
Total assets	10,383,078	2,926,908	674,591	
Total liabilities	2,117,672	574,625	14,201	
	For the three month periods ended:			
	<u>Aug. 08</u>	<u>May 08</u>	<u>Feb. 08</u>	<u>Nov. 07</u>
Revenues	19,900	8,347	5,144	(5,635)
Net income (loss) from operations	(56,484)	(114,469)	(231,479)	(157,597)
Per share	(0.00)	(0.00)	(0.01)	(0.01)
Net income (loss) for the period	826,182	(114,469)	(231,479)	(157,597)
Per share	0.03	(0.00)	(0.01)	(0.01)
Mineral resource properties	7,093,292	6,164,229	4,748,259	2,094,454
Total assets	10,383,078	10,368,376	7,857,926	3,746,565
Total liabilities	2,117,672	3,009,915	3,023,431	1,147,655
	<u>Aug. 07</u>	<u>May. 07</u>	<u>Feb. 07</u>	<u>Nov. 06</u>
Revenues	18,681	12,345	10,833	1,048
Net income (loss) from operations	(163,357)	(420,531)	(111,410)	(122,579)
Per share	(0.01)	(0.03)	(0.01)	(0.02)
Net income (loss) for the period	(163,357)	(420,531)	(111,410)	(122,579)
Per share	(0.01)	(0.03)	(0.01)	(0.02)
Mineral resource properties	1,374,661	1,086,174	657,653	344,858
Total assets	2,926,908	2,778,794	2,747,654	639,831
Total liabilities	574,625	499,770	214,411	102,020

The Company reported no long-term financial liabilities or dividends during the periods noted above.

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### **RESULTS OF OPERATIONS**

The Company has reported net income for the 2008 fiscal year as a consequence of having recognized a recovery of future income taxes in the amount of \$882,666. A future tax liability arises as a consequence of the exploration expenditures that must be renounced whenever the Company completes a flow through financing. Only exploration expenditures that are incurred following a financing, and only to the limit of the amount financed, qualify to be renounced. In the event that other exploration expenditures arise and are reported for income tax purposes the resulting future tax benefit is recognized as a reduction of the future tax liability. The recovery recognized in 2008 is a consequence of the exploration expenditures reported for income tax purposes that do not qualify to be renounced and the decline in income tax rates that has occurred since the flow through transactions occurred. There was no similar recovery in 2007.

The Company earns modest amounts of interest by investing its cash reserves in short-term interest bearing instruments. The amount of interest realized is dependant upon the amount of cash reserves available to invest, the period it remains invested and the prevailing market rates of interest. The cash reserves available for investing are dependant upon the timing and the amount of proceeds realized from the Company's financing transactions in comparison to the timing and amount of expenditures paid from these proceeds. These factors combined to allow the Company to realize \$19,900 in interest revenue during the fourth quarter of 2008 and \$27,756 for the 2008 fiscal year. The comparative amounts realized during 2007 were \$18,681 and \$42,907. There is no means of predicting the amount of interest that may be earned, if any, in any future period and the Company currently has no other source of revenue.

This virtual absence of revenues means that operating losses are assured and are expected to continue. The loss from operations, otherwise referred to as the loss before provision for income taxes, that the Company realized in the fourth quarter of 2008 was \$56,484. This is significantly less than the loss of \$163,357 that was reported for the fourth quarter of the 2007 fiscal year. Similarly, the net loss before income taxes for the 2008 fiscal year was also significantly less at \$560,029 as compared to \$817,877 for fiscal 2007.

One significant difference affecting these reported losses is the amount of stock option compensation expense incurred. This expense represents the value attributed to the stock options that are granted to employees and consultants during a given period. The expense for the 2007 year amounted to \$394,477 as a result of having granted 1,400,000 stock options. This included an amount of \$55,515 that was recognized in the fourth quarter when 150,000 stock options were granted. In contrast, the Company only granted 10,000 stock options during the 2008 fiscal year resulting in compensation expense of \$4,826 and none of these options were granted during the fourth quarter. Stock options may be granted at the discretion of the Company's Board of Directors and the compensation expense that results will be a function of the terms of those options as well as the market rates of interest and the market price for the Company's shares as at the date of issue. Neither the 2007 figures nor the 2008 figures should be looked upon as indicative of the compensation expense amounts that may be recognized during future periods.

The loss reported for the 2008 fiscal year also included two amounts that did not arise at all in fiscal 2007. During the first quarter of 2008 the Company allowed certain mining claims to lapse and wrote off the associated \$2,500 acquisition cost. Also, just prior to the end of the first quarter, the Company received an interest-free loan from one of its directors. In accordance with Canadian GAAP this loan was recorded at a discounted value and the difference between that value and the face value of the loan was then recorded as interest accretion. The accretion expense of \$9,018 was all recorded prior to the end of the second fiscal quarter while the loan itself was repaid during the third and fourth quarters. These expenses, or others similar in nature, may well arise in future periods but they are not expected to arise on a consistent basis.

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### **RESULTS OF OPERATIONS - (continued)**

The largest single expense incurred during the 2008 fiscal year was consulting fees. Fees for 2008 amounted to \$157,643 including \$17,245 that arose in the fourth quarter. In comparison the amounts recognized in fiscal 2007 were \$101,520 for the year and \$47,317 during the fourth quarter. The vast majority of these consulting fees are the charges for administrative services provided by the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO). All services provided by the CFO are administrative in nature and his services are utilized on an as-needed basis. The fees and expense charged by the CFO during 2008 amounted to \$38,313 which was slightly lower than the \$42,625 charged during the 2007 fiscal year. The 2007 fees included time spent relative to the prospectus document that was issued in December 2006 while 2008 fees are reflective of the increased transaction volumes and reporting complexity. The Company's CEO is a geologist and splits his time between administrative duties and work related to exploration and resource property acquisition. During the first half of 2007 the majority of his time was devoted to exploration activities however there was an increased focus on administration in the latter half of the year including the fourth quarter. This emphasis on administrative duties continued through most of the first three fiscal quarters of 2008 but with the airborne survey results to be analyzed and drill targets to be prioritized the emphasis returned to exploration during the fourth quarter of 2008. The CEO will continue to devote his time and energy to the area that best serves the Company's interests and accordingly it should be anticipated that this expense will fluctuate from period to period.

Professional fees, which include legal fees and the cost of the annual financial statement audit, aggregated \$109,225 in 2008, including \$13,190 recorded in the fourth quarter. These expenses are significantly less than the total of \$156,880 incurred during 2007 and \$23,804 that arose in the fourth quarter thereof. A decline in these fees had been anticipated as the amount for audit costs were expected to decline and there were certain legal costs that were not expected to recur. The reduction in audit fees is actually a result of better estimating as the 2007 expense included a fairly significant shortfall from the 2006 fee estimate. The 2007 estimate was much closer to the actual fees charged and as a result the 2008 expense includes only a minor shortfall from 2007. Legal fees typically arise when the Company undertakes securities based transactions, has matters for public disclosure, is dealing with corporate governance matters, and participates in transactions that involve the execution of contracts. While legal fees may be relatively comparable between periods the fact that these transactions do not arise on a consistent basis means that the fees incurred in one period are likely not an indication of what may be expected in a future period.

Regulatory and transfer agent fees were reasonably consistent from 2007 to 2008 as costs declined from \$70,445 to \$67,151. The fourth quarter totals for each year were also reasonably comparable as they were \$6,030 in 2008 and \$5,060 in 2007. These fees represent the costs to maintain the Company's stock listing, to effect public disclosures and to maintain the Company's share register. Since the Company is likely to remain active in raising capital and making public disclosures it should be anticipated that these costs will remain reasonably high for the foreseeable future.

As indicated in 2007, travel and accommodation is an area of growing expense for the Company. The total for 2008 of \$63,975 is significantly higher than the \$25,273 incurred for all of 2007 although the fourth quarter amount of \$5,249 in 2008 is much lower than the \$10,513 incurred during the fourth quarter of 2007. The expectation that this cost would rise was based upon the fact that the Company's head office is located in Sudbury, Ontario which is ideal from an operational perspective but less than ideal in terms of attending industry trade shows and seminars, complete promotional activities, and to meet with key industry personnel. It is a cost that the Company anticipated due to its location and one that it continues to believe to be more than offset through the operational benefits that the location provides.

The cost of insurance reflects a significant increase in 2008 having gone from \$10,597 to \$30,805. This increase is a reflection of the higher level of business activity that the Company undertook in 2008, the fact that there are more assets to insure and the rising costs of insurance. .

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### RESULTS OF OPERATIONS - (continued)

Amortization costs amounted to \$57,283 for the 2008 fiscal year and \$15,923 for the fourth quarter thereof. These are higher than the amounts of \$37,289 and \$14,546 that arose during the corresponding periods one year earlier which is a reflection of the investment that the Company has made in its property, plant and equipment. While there are no immediate plans to add more equipment the Company is constantly evaluating its need to do so and further acquisitions will occur when management considers it prudent.

General and administrative expenses increased from \$25,605 in 2007 to \$52,376 in 2008. One of the contributing factors to this increase is a fee in the amount of \$16,416 that the Company had to pay during the second quarter associated with a flow-through financing that was completed during December 2006. This fee is levied by Canada Revenue Agency and essentially equates to an interest charge that will be levied whenever the renounced expenditures are incurred over a period that extends beyond the end of February of the year following the completion of the financing. The flow through financing completed December 2007 did not give rise to any similar fee. The remaining elements of this expense category are all of the costs associated with operating and maintaining the corporate office. The remaining increase is attributable to higher business activity and not to any specific transactions.

There are no other expense categories that individually represent more than 10% of the total expenses for any of the periods under review or for which the 2008 amounts are not comparable with the corresponding 2007 amounts. Accordingly no specific analysis has been completed.

Management remains aware that finances devoted to operating expenses are necessary but that they must be controlled at all times in order to ensure that the maximum amount available is directed towards the acquisition and exploration of its mineral resource properties..

### PROPERTIES

To August 31, 2008 the Company has acquired, and made expenditures on, mineral properties as follows:

	Horwood <u>Property</u>	Shihan VMS <u>Property</u>	Manitoba <u>Properties</u>	<u>Total</u>
Acquisition costs	\$ 2,500	\$ 211,900	\$ 431,348	\$ 645,748
Exploration costs	-	1,095,505	5,396,027	6,491,532
Government grant	-	-	(41,488)	(41,488)
Property abandoned	<u>(2,500)</u>	<u>-</u>	<u>-</u>	<u>(2,500)</u>
Total costs to date	<u>\$ -</u>	<u>\$ 1,307,405</u>	<u>\$ 5,785,887</u>	<u>\$ 7,093,292</u>

The Manitoba properties can be further subdivided as follows:

	HudBay <u>Properties</u>	Jackfish <u>Property</u>	Tower <u>Property</u>	Other <u>Properties</u>	Manitoba <u>Properties</u>
Acquisition costs	\$ 93,086	\$ 35,800	\$ 206,962	\$ 95,500	\$ 431,348
Exploration costs	3,928,595	145,993	-	1,321,439	5,396,027
Government grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,488)</u>	<u>(41,488)</u>
Total costs to date	<u>\$ 4,021,681</u>	<u>\$ 181,793</u>	<u>\$ 206,962</u>	<u>\$ 1,375,451</u>	<u>\$ 5,785,887</u>

These amounts, and any future costs, will be deferred and reported as an asset of the Company until such time that the properties are brought to commercial production, sold, disproved or abandoned at which time an appropriate amount will be charged against income.

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### **PROPERTIES – (continued)**

The HudBay Properties are comprised of seven individual properties and each of these properties is governed by its own option agreement. Each agreement stipulates that there are four annual option payments that must be made in order for the Company to secure its interest in the property. These option payments are due on the annual anniversaries of the signing of the option agreements. The acquisition costs noted above include the initial option payments of \$10,000 per property, or \$70,000 in total, that were made March 2008 plus the cost of staking claims within the areas of influence of these optioned properties.

As at August 31, 2008, and as at the date of this document, each of the Company's resource property options are in good standing and all future obligations related to these options are expected to be satisfied.

The Company is currently evaluating its opportunities relative to the Shihan VMS property and is investigating and/or conducting work programs on each of the Manitoba properties.

### **LIQUIDITY**

No proceeds were raised through the issuance of new shares during the fourth quarter of 2008 although 75,000 common shares were issued in accordance with an option agreement on one of the Company's resource properties. During the 2008 fiscal year the following proceeds were received through share issuance transactions:

Through a private placement offering that closed during the third quarter of 2008 the Company raised gross proceeds of \$4,775,399. After deduction of agents' fees and expenses, legal fees and disbursements, and regulatory fees the Company received net proceeds of \$4,363,287. As a result of this financing the Company issued 7,025,665 flow through common shares and 933,334 units, with each unit being comprised of one (1) common share and one half (½) share purchase warrant. Each full share purchase warrant entitles the holder to acquire an additional common share for \$0.95 until April 30, 2010.

Through a non-brokered private placement offering completed during the second quarter of 2008 the Company raised gross proceeds of \$2,705,500. After deduction of legal fees and disbursements, and regulatory fees the Company received net proceeds of \$2,674,850. As a result of this financing the Company issued 1,672,000 flow-through units and 640,500 working capital units. Each flow through unit consisted of one common share, designated as a flow through share, and one-half share purchase warrant. Each working capital unit was comprised of one common share and one share purchase warrant. Each full share purchase warrant entitles the holder to acquire an additional common share for \$1.50 for a period of two years from the closing date. In the event that the Company's share price closes at \$2.25 or higher for ten consecutive trading days then the warrants will expire thirty days after that tenth day.

The Company also received proceeds of \$479,490 as a result of the exercise of 391,500 broker's units, 44,750 FT warrants, 1,128,768 WC warrants and 91,040 underlying WC warrants.

Since the Company currently has no source of revenues or other means of generating cash from operations it will remain reliant on its ability to raise financing, either through private or public sources, in order to satisfy its obligations as they become due. Although the Company has been successful to date in obtaining the financing that it has required there is no assurance that it will be successful in completing future financing transactions should they be required.

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### CAPITAL RESOURCES

The Company has not entered into any commitments to acquire equipment however it does have exploration expenditure and option payment commitments, as described under in the following section, which must be satisfied in order to maintain and secure its interests in the mineral resource properties that are subject to property option agreements. It is certain that the Company will require additional financing in order to meet these commitments.

### OFF-BALANCE SHEET ARRANGEMENTS

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

	Cash payment
July 14, 2009	<u>\$ 25,000</u>

During July 2008 the Company made the cash payment of \$15,000 and issued 75,000 common shares in accordance with this agreement. As at August 31, 2008 and the date of this document the Company had satisfied all of the exploration expenditure requirements and made all payments of cash and shares that have come due.

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

	Cash <u>Payments</u>	Exploration <u>Expenditures</u>
March 22, 2009	\$ 125,000	550,000
March 22, 2010	390,000	2,150,000
March 22, 2011	<u>1,475,000</u>	<u>4,100,000</u>
	<u>\$ 1,990,000</u>	<u>\$ 6,800,000</u>

During March 2008 the Company made a cash payment of \$70,000 and satisfied the \$1,000,000 exploration expenditure requirement and therefore has satisfied all terms of the agreements to date. In addition to the amounts noted above the Company has already satisfied \$2,000,000 in future exploration expenditure commitments related to these properties.

In September 2007 the Company entered into an option agreement to acquire a 100% working interest, subject to a 3% Net Smelter Returns Royalty, in the Jackfish Nickel Property in the Snow Lake District of Manitoba. In accordance with the terms of the agreement, the Company is required to make the following payments on or before the following dates

	Cash <u>Payments</u>	Exploration <u>Expenditures</u>	Common <u>Shares</u>
September 17, 2009	\$ 15,000	\$ -	20,000
September 17, 2010	17,500	100,000	20,000
September 17, 2011	<u>45,000</u>	<u>125,000</u>	<u>20,000</u>
	<u>\$ 77,500</u>	<u>\$ 225,000</u>	<u>60,000</u>

During September 2008 the Company made a cash payment of \$12,500, issued 20,000 common shares and had already satisfied the \$50,000 exploration expenditure requirement, as well as the \$75,000 expenditure requirement for 2009, and therefore has satisfied all terms of the agreements to date.

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For the Year Ended August 31, 2008

(Prepared as at December 8, 2008)

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### OFF-BALANCE SHEET ARRANGEMENTS - (continued)

In February 2008 the Company entered into an option agreement to acquire a 70% working interest, subject to a 2% Net Smelter Returns Royalty, in the Tower VMS Property in the Thompson Nickel Belt in Manitoba. In accordance with the terms of the agreement, the Company is required to make the payments noted below. A dispute between the Manitoba government and a First Nations tribe has led to a cessation of the timeline for the following payments and expenditure commitments. This timeline will recommence when the dispute is resolved. According to the original schedule within the agreement, each of the cash payments were due on or before February 21 of the year stated while the expenditure targets were to be satisfied on or before March 21:

	Cash	Exploration
	<u>Payments</u>	<u>Expenditures</u>
2009	\$ 30,000	\$ <sup>(1)</sup>
2010	30,000	2,000,000
2011	30,000	-
2012	<u>30,000</u>	<u>2,000,000</u>
	<u>\$ 120,000</u>	<u>\$ 4,000,000</u>

<sup>(1)</sup> The Company must have completed a minimum of 2,000 metres of diamond drilling, penetrating beyond the Precambrian-Paleozoic boundary.

The Company has also entered into a lease agreement relative to its office facility which is set to expire February 28, 2009 unless the Company opts to renew for an additional five year period at prevailing market rates or negotiates a new lease. The minimum annual payments due under this lease are as follows:

To expiration February 28, 2009	<u>\$ 10,350</u>
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In accordance with the terms of the financing transaction completed in April 2008 the Company is required to incur and pay for aggregate exploration expenditures on its mineral resource properties in the amount of \$4,215,399. As at August 31, 2008 the total expenditures incurred in accordance with this commitment was \$1,178,330 of which \$893,520 had been paid and \$284,790 were included in accounts payable.

With the exception of the agreements described above, the Company has not entered into any other commitments or purchase contracts as at the date of this document.

### TRANSACTIONS WITH RELATED PARTIES

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

Lapierre Exploration Services ("Lapierre") is a company that is owned and operated by a Director  
Geodigital Mapping Systems Inc. ("Geodigital") is a company owned and operated by a Director  
Gardiner Roberts LLP ("Gardiner") is a legal firm in which a Director of the Company is a partner.  
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 August 31, 2008 a total of \$35,360 (2007 - \$39,892) is included in accounts payable and accrued liabilities as a result of these transactions:

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**TRANSACTIONS WITH RELATED PARTIES – (continued)**

		<u>2008</u>	<u>2007</u>
Lapierre	Exploration expenditures	\$ 58,146	\$ 80,622
Lapierre	Consulting fees and expenses	126,582	88,471
Geodigital	Exploration expenditures	325,889	217,228
Geodigital	Expenses	15,982	15,427
Gardiner	Cost of share issuance	62,575	-
Gardiner	Professional fees	83,253	128,883
Lowe	Interest accretion	9,018	-
MDI	Consulting fees and expenses	38,313	42,625

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

**CONVERTIBLE INSTRUMENTS AND OTHER SECURITIES**

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

	<u>Quantity</u>	<u>Amount</u>
Common shares as at August 31, 2006	7,320,000	\$ 709,500
Flow through shares issued through initial public offering	4,000,000	1,200,000
Less: estimated income tax value of expenditures renounced		(433,368)
Common shares issued through initial public offering	4,400,000	1,100,000
Less: expenses associated with offering		(243,606)
Shares issued under property option	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 agent's units	366,687	91,672
Less: value attributed to associated warrants		(32,881)
Shares issued upon exercise of underlying WC warrants	95,860	28,758
Plus: value attributed to warrants		<u>7,979</u>
Common shares at August 31, 2007	17,316,296	2,799,891
Flow through shares issued through private placement offering	1,672,000	2,090,000
Less: estimated income tax value of expenditures renounced		(754,908)
Less: value attributed to associated warrants		(165,068)
Common shares issued through private placement offering	640,500	640,500
Less: expenses associated with offering		(30,650)
Less: value attributed to associated warrants		(190,248)
Flow through shares issued through private placement offering	7,025,665	4,215,399
Less: estimated income tax value of expenditures renounced		(1,486,089)
Common shares issued through private placement offering	933,334	560,000
Less: expenses associated with offering		(463,732)
Less: value attributed to associated warrants		(8,672)
Shares issued under property option	95,000	58,050
Shares issued for mining rights	50,000	40,000
Shares issued upon exercise of FT warrants	44,750	15,663
Shares issued upon exercise of WC warrants	1,128,768	338,630
Shares issued upon exercise of agent's units <sup>(1)</sup>	391,540	97,885
Less: value attributed to associated warrants		(38,911)
Shares issued upon exercise of underlying WC warrants	91,040	27,312
Plus: value attributed to warrants		<u>8,618</u>
Common shares at August 31, 2008	<u>29,388,893</u>	<u>\$ 7,753,670</u>

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**CONVERTIBLE INSTRUMENTS AND OTHER SECURITIES (continued)**

Common shares at August 31, 2008	29,388,893	\$ 7,753,670
Shares issued under property options	<u>20,000</u>	<u>6,000</u>
Common shares as at the date of this document	<u>29,408,893</u>	<u>\$ 7,759,670</u>

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

In addition to the shares noted above the Company has issued units, warrants, employee and consultant stock options, and made commitments to issue shares under certain options on mineral resource properties. The following represents the number of common shares that have been reserved to satisfy the potential future exercise and issuance of these securities:

	<u>Number Of Common Shares</u>
Property option payment due no later than Sept. 17, 2008	20,000
FT warrants exercisable at \$0.35 per share until Dec. 8, 2008 <sup>(1)</sup>	1,876,000
WC warrants exercisable at \$0.30 per share until Dec. 8, 2008 <sup>(1)</sup>	2,291,753
Agent's units exercisable at \$0.25 per unit until Dec. 8, 2008 <sup>(1)</sup>	81,773
Underlying WC warrants exercisable at \$0.30 per share until Dec. 8, 2008 <sup>(1,2)</sup>	81,773
Underlying WC warrants exercisable at \$0.30 per share until Dec. 8, 2008 <sup>(1)</sup>	571,307
Property option payment due no later than Sept. 17, 2009	20,000
Warrants exercisable at \$1.50 per share until Dec. 31, 2009	1,376,500
Warrants exercisable at \$1.50 per share until Jan. 3, 2010	100,000
Warrants exercisable at \$1.50 per share until Feb. 20, 2010	1,250,000
Warrants exercisable at \$0.95 per share until Apr. 30, 2010	466,666
Warrants exercisable at \$0.95 per share until Apr. 30, 2010	477,540
Property option payment due no later than Sept. 17, 2010	20,000
Property option payment due no later than Sept. 17, 2011	20,000
Stock options exercisable at \$0.47 until Mar. 27, 2012	1,250,000
Stock options exercisable at \$0.70 until July 6, 2012	150,000
Stock options exercisable at \$0.72 until Oct. 9, 2012	<u>10,000</u>
Total common shares reserved as at Aug. 31, 2008	10,063,312
Shares issued under property options	(20,000)
Warrants and units expired	<u>(4,902,606)</u>
Total common shares reserved as at the date of this document	<u>5,140,706</u>
Fully diluted number of common shares as at Aug. 31, 2008	39,452,205
Warrants and units expired subsequent to Aug. 31, 2008	<u>(4,902,606)</u>
Fully diluted number of common shares as at the date of this document	<u>34,549,599</u>

<sup>(1)</sup> These warrants and units were not exercised and expired subsequent to the balance sheet date.

<sup>(2)</sup> These underlying WC warrants were only to be issued in the event that the agent's warrants were exercised.

The following provides additional information relative to the stock options and share purchase warrants:

<u>Description</u>	<u>Common Shares Under Option</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Expiry Date</u>
Outstanding Aug. 31, 2007	1,400,000 <sup>(1)</sup>	\$0.49	Apr. 6, 2012
Issued during year	<u>10,000</u>	\$0.72	Oct. 9, 2012
Outstanding Aug. 31, 2008 and as at the date of this document	<u>1,410,000</u> <sup>(2)</sup>	\$0.50	Apr. 8, 2012

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

<sup>(2)</sup> Each of these options have vested and are currently available to be exercised at the holders' discretion.

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**CONVERTIBLE INSTRUMENTS AND OTHER SECURITIES (continued)**

<u>Description</u>	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Expiry Date</u>
Outstanding Aug. 31, 2007	6,085,391	\$0.31	December 8, 2008
Issued during year	4,062,246	\$1.26	January 6, 2010
Exercised during year	(1,656,098)	\$0.29	December 8, 2008
Outstanding Aug. 31, 2008	8,491,539	\$1.61	June 14, 2009
Expired subsequent to the end of the year	<u>(4,820,833)</u>	\$0.32	December 8, 2008
Outstanding as at the date of this document	<u>3,670,706</u>	\$1.36	February 17, 2010

**CHANGES IN ACCOUNTING POLICY**

The accounting policies followed by the Company are established in accordance with Canadian GAAP and once policies are established they will not, as a matter of policy, be revised unless Canadian GAAP changes.

Effective September 1, 2007 the Company adopted the new accounting standards for Financial Instruments, Equity, and Comprehensive Income as required in accordance with Canadian GAAP. 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.

At the time of adoption the Company conducted a comprehensive review of its assets and liabilities to first determine whether each item was or was not a financial instrument and finally to determine the most appropriate classification for its financial instruments. This review resulted in the classification of each financial instrument asset as either held for trading or loans while each financial instrument liability was classified either as loans or other financial instruments.

There were no adjustments required as a result of the adoption of these new standards. Furthermore, the Company's comprehensive income for the current year is equal to its net income and there is no balance to be reported as accumulated other comprehensive income.

**Future accounting pronouncements:**

The Company will adopt new accounting policies, or alter existing policies, in accordance with pronounced changes in Canadian GAAP. The following represent the pronounced changes that will affect future periods.

**Financial instruments – Disclosure and presentation:**

CICA Handbook Sections 3862, "Financial Instruments – Disclosures" and 3863, "Financial Instruments – Presentation" replace Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of these sections is not expected to have a significant impact on the Company's consolidated financial statements.

**Capital disclosures:**

CICA Handbook Section 1535, "Capital Disclosures", requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of these sections is not expected to have a significant impact on the Company's consolidated financial statements.

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### **CHANGES IN ACCOUNTING POLICY – (continued)**

#### *International reporting standards:*

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that the transition to International Financial Reporting Standards from Canadian GAAP will occur on January 1, 2011 for public entities. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **FINANCIAL AND OTHER INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Due to the short term maturities associated with these items their fair value approximates their carrying values and the Company is not exposed to any significant interest or credit risks.

### **RISK FACTORS**

Recent events have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, events seemingly unrelated to us, or to our industry, may adversely affect our finances or operations in ways that are hard to predict or defend against. For example, contraction in financial markets may hurt our ability to raise capital or access credit when it is needed. Also, rapid changes in market prices for gold and base metals may adversely affect our financial results. Finally, a reduction in credit, combined with reduced economic activity, may adversely affect businesses and industries that we engage in connection with our exploration activities. As a result, the availability of these services may be reduced or the cost of obtaining them may rise. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on our business, operating results, and financial condition.

In addition to the foregoing, there are a number of risks that could affect the Company's business prospects. They include the speculative nature and the ability to finance the exploration and development of the Company's mineral properties, operating hazards, environmental and other government regulations, competition in the marketplace, markets for the Company's securities and the demand for gold and base metals.

#### *Exploration Risk:*

Mineral exploration and development involve a high degree of risk. A very low percentage of exploration projects ultimately evolve into producing mines. There is no assurance that the Company's future exploration and development activities will result in the definition of a commercial orebody. The viability of an orebody depends on a number of factors which include, but are not limited to, location, size, grade, geometry of orebody, availability of experienced labourers, proximity to existing infrastructure, metal prices and government regulations, including environmental restrictions.

#### *Competition:*

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

#### *Financial Capability and Additional Financing:*

The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for further exploration and development of its projects. Although the Company has been successful in the past in financing its activities through the sale of equity securities, there can be no assurance that it will be able to obtain sufficient financing in the future to continue as a going concern.

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### **RISK FACTORS – (continued)**

#### *Fluctuating Prices:*

The price of gold and other metals have fluctuated widely in recent years and are affected by factors beyond the control of the Company. International economic and political trends, currency exchange fluctuations, economic inflation and expectations for the level of economic inflation in the consuming economies, interest rates, global and local economic health and trends are some of the factors that could impact on the viability of the Company's exploration projects that are impossible to predict with certainty.

#### *Environment:*

Both the exploration and production phases of the Company's operations will be subject to environmental protection regulations in the jurisdictions in which it operates. Globally, environmental legislation is evolving towards stricter standards and enforcement, more stringent environmental impact assessments of new mining projects and increasing liability exposure for companies and their directors and officers. There is no assurance that future environmental regulations will not adversely affect the Company's operations.

#### *Liquidity and Cash Flow:*

The Company's properties are each in an early stage of exploration and as a result, the Company has no source of operating cash flow. Failure to obtain additional financing could result in a delay or indefinite postponement of further exploration with the possible loss of such properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company will require new capital to continue to operate its business and to continue exploration on its various properties, and there is no assurance that capital will be available when needed, if at all.

#### *Title Matters:*

The mining claims in which the Company has an interest have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. Such claims have not been converted to lease and tenure, and as a result, are subject to annual compliance with assessment work requirements. Other parties may dispute the Company's title to its mining properties. While the Company has diligently investigated title to all mineral claims and, to the best of its knowledge, title to all properties is in good standing this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers or land claims and title may be affected by undetected defects.