

**ROCKCLIFF RESOURCES INC.**

**UNAUDITED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTH PERIODS ENDED FEBRUARY 28, 2009 AND FEBRUARY 29, 2008**

Be advised that these Unaudited Interim Financial Statements have been compiled by the Company's management.

# ROCKCLIFF RESOURCES INC.

## UNAUDITED INTERIM BALANCE SHEET

FEBRUARY 28, 2009

	Feb. 28 <u>2009</u>	Aug. 31 <u>2008</u>
<b>ASSETS</b>		
Current:		
Restricted cash and cash equivalents (Note 4)	\$ 1,569,876	\$ 2,825,926
Accounts receivable	26,543	52,946
Prepaid expenses	<u>126,403</u>	<u>219,633</u>
	1,722,822	3,098,404
Property, plant and equipment (Note 5)	167,343	191,281
Mineral resource properties (Note 6)	<u>7,953,480</u>	<u>7,093,292</u>
	<u>\$ 9,843,645</u>	<u>\$ 10,383,078</u>
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued liabilities	\$ 177,246	\$ 325,973
Future income taxes (Note 9)	<u>1,628,456</u>	<u>1,791,699</u>
	<u>1,805,702</u>	<u>2,117,699</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	8,352,240	8,401,435
Contributed surplus (Note 7)	463,516	408,321
Deficit	<u>(777,813)</u>	<u>(544,350)</u>
	<u>8,037,943</u>	<u>8,265,406</u>
	<u>\$ 9,843,645</u>	<u>\$ 10,383,078</u>

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

**Approved by the Board:**

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

*“Denis Arsenault”*  
Denis Arsenault, Director

# ROCKCLIFF RESOURCES INC.

## UNAUDITED INTERIM STATEMENT OF INCOME, COMPREHENSIVE INCOME AND DEFICIT

**FOR THE PERIODS ENDED FEBRUARY 28, 2009 AND FEBRUARY 29, 2008**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Interest income	<u>\$ 10,653</u>	<u>\$ 5,144</u>	<u>\$ 23,177</u>	<u>\$ (491)</u>
Expenses:				
Consulting fees <i>(Note 8)</i>	17,005	57,257	28,957	100,787
Professional fees <i>(Note 8)</i>	29,242	47,839	39,700	77,607
General and administrative <i>(Note 8)</i>	6,352	25,112	16,571	41,587
Insurance	6,771	8,981	15,338	15,762
Travel and accommodation	4,287	13,266	10,064	27,560
Occupancy costs	6,386	5,862	11,300	10,137
Filing and regulatory fees	6,196	52,846	10,037	60,700
Advertising and promotion	2,235	3,457	4,735	12,865
Stock option compensation <i>(Note 7)</i>	-	-	-	4,826
Mineral resource property abandoned <i>(Note 6)</i>	257,092	-	257,092	2,500
Interest accretion	-	8,741	-	9,018
Amortization	<u>13,044</u>	<u>13,262</u>	<u>26,089</u>	<u>25,236</u>
	<u>348,610</u>	<u>236,623</u>	<u>419,883</u>	<u>388,595</u>
Loss before provision for income taxes	(337,957)	(231,479)	(396,706)	(389,076)
Provision for income taxes – future recovery	<u>(114,351)</u>	<u>-</u>	<u>(163,243)</u>	<u>-</u>
Net loss and comprehensive loss for the period	(223,606)	(231,479)	(233,463)	(389,076)
Deficit, beginning of period	<u>(554,207)</u>	<u>(1,024,583)</u>	<u>(544,350)</u>	<u>(866,987)</u>
Deficit, end of period	<u>\$ (777,813)</u>	<u>\$ (1,256,063)</u>	<u>\$ (777,813)</u>	<u>\$ (1,256,063)</u>
Net loss per share - basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of shares - basic and diluted	<u>29,408,893</u>	<u>20,330,929</u>	<u>29,408,307</u>	<u>19,103,549</u>

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

# ROCKCLIFF RESOURCES INC.

## UNAUDITED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED FEBRUARY 28, 2009 AND FEBRUARY 29, 2008

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Cash was provided by (used in) the following activities:				
<b>Operating:</b>				
Net loss for the period	\$ (223,606)	\$ (231,479)	\$ (233,463)	\$ (389,076)
Item not involving an outlay of cash:				
Stock option compensation	-	-	-	4,826
Mineral resource property abandoned	257,092	-	257,092	2,500
Interest accretion	-	8,741	-	9,018
Amortization	13,044	13,262	26,089	25,236
Future income tax recovery	(114,351)	-	(163,243)	-
Changes in non-cash working capital items:				
Accounts receivable	8,161	(42,139)	26,403	(2,301)
Prepaid expenses	66,515	(5,216)	93,230	(32,538)
Accounts payable and accrued liabilities	58,940	1,112,127	(148,727)	1,193,898
	<b>65,795</b>	<b>855,296</b>	<b>(146,219)</b>	<b>(811,563)</b>
<b>Financing:</b>				
Issuance of common shares	-	2,775,010	-	3,111,590
Proceeds of loan payable	-	-	-	500,000
	<b>-</b>	<b>2,775,010</b>	<b>-</b>	<b>3,611,590</b>
<b>Investing:</b>				
Acquisition of mining resource properties	156	(16,000)	(15,828)	(94,100)
Deferred exploration expenditures	(497,837)	(2,460,843)	(1,095,452)	(3,051,246)
Net change in cash and cash equivalents designated for exploration and development costs				
	431,886	(1,165,231)	1,256,050	(908,810)
Acquisition of property, plant and equipment	-	(12,538)	(2,151)	(49,722)
	<b>(65,795)</b>	<b>(3,654,612)</b>	<b>142,619</b>	<b>(4,103,868)</b>
(Decrease) increase in cash and cash equivalents	-	(24,306)	-	319,285
Cash and cash equivalents, beginning of period	-	1,256,888	-	913,297
Cash and cash equivalents, end of period	<b>\$ -</b>	<b>\$ 1,232,582</b>	<b>\$ -</b>	<b>\$ 1,232,582</b>

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

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

FEBRUARY 28, 2009

### 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 (GAAP) 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 interim financial statements of the Company have been prepared by management in accordance with Canadian GAAP. The interim 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, 2008 the Company adopted the following new accounting standards:

#### 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. The adoption of these sections had no significant impact on the Company's 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. The adoption of this section had no significant impact on the Company's financial statements.

#### **Use of Estimates:**

The preparation of financial statements in conformity with Canadian GAAP 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.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

FEBRUARY 28, 2009

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

#### Long lived assets:

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate, and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

#### Property, plant and equipment:

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

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

In the year of acquisition one-half of the normal amortization is recorded.

#### Mineral resource properties and deferred exploration expenditures:

The Company carries its mineral resource properties at cost. Exploration expenditures relating to these properties, reduced by sundry income, are charged to deferred expenditures as incurred. If the property is brought into commercial production, the deferred expenditures will be amortized using the unit of production method based upon the proven and probable ore reserves of the mine. Should an entire group of mining claims in an area be disproved or abandoned, the related acquisition costs, and exploration expenditures will be written off. If the Company surrenders an interest in a property, any proceeds from the disposition of that part of the property is applied to reduce the carrying cost of the property to zero prior to any gain being recognized on the partial disposition.

The net carrying value of mineral properties does not represent the present or future realizable value of such properties. The realization of these assets is dependent upon confirmation of the Company's ownership interest in the claims and attaining viable commercial operations or proceeds from disposition.

An impairment loss will be recognized on a mineral property when the carrying value of the property is not recoverable or exceeds its fair value. Mineral properties are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The factors to be considered by management in this determination include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

#### Asset retirement obligations:

The Company has adopted CICA 3110, "Asset Retirement Obligations" which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation) for the Company's exploration and development properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

FEBRUARY 28, 2009

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

#### Earnings per share:

The Company has adopted the new recommendations of the CICA Handbook which requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the recommendations require the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the calculation of basic and diluted EPS. Due to the incurrence of net losses for each period presented the outstanding warrants are considered to be anti-dilutive and accordingly this information has not been presented.

#### Income taxes:

The Company has adopted the liability method of accounting for income taxes in accordance with the recommendations of the CICA Handbook. Future income tax relates to the expected consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment or substantive enactment.

#### 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.

#### 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.

### 3. Financial instruments:

The Company has determined the most appropriate classification for its financial instruments such that each financial asset is classified as either held for trading or loans and receivables while each financial liability is classified as either held for trading or other financial instruments. The classifications have remained unchanged since initial recognition.

The Company’s comprehensive income for the current and prior periods is equal to its net income and there is no balance to be reported as accumulated other comprehensive income.

#### 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.

#### Risks:

The Company is exposed to credit risk and liquidity risk. The Company’s primary risk management objective is to protect assets, earnings and cash flow and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure that the Company’s risks and the related exposure are consistent with its business objectives and risk tolerance. There have been no changes to the risks to which the Company is exposed or to the corresponding risk management strategies during the current period.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

**FEBRUARY 28, 2009**

### 3. Financial instruments (continued):

#### 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 contain any past due amounts and 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 each of the public offerings completed April 2008, December 2007 and December 2006 the Company issued 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 qualified exploration and development expenditures associated with its resource mineral properties

	<b>Feb. 28 2009</b>	<b>Aug. 31 2008</b>
Balance at beginning of period	\$ 2,825,926	\$ 270,738
Gross proceeds received upon the issuance of flow through shares	-	6,305,399
Qualified exploration expenditures paid from these funds	<b>(1,301,700)</b>	(3,254,258)
Exploration and other expenditures, net of receipts, paid from these funds	<u>45,650</u>	<u>(495,953)</u>
Funds retained for future payments	<b>1,569,876</b>	2,825,926
Balance of future payments to be made from these funds	<u><b>(2,020,180)</b></u>	<u>(3,321,879)</u>
Deficiency of funds	<u><b>\$ (450,304)</b></u>	<u>\$ (495,953)</u>

The Company is obligated to fund this deficiency through working capital and to do so no later than December 31, 2009.

### 5. Property, plant and equipment:

<b>Feb. 28, 2009</b>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Office furniture and equipment	\$ 69,509	\$ 25,288	\$ 44,221
Leasehold improvements	56,293	30,996	25,297
Exploration equipment	102,986	27,356	75,630
Computer equipment	36,948	18,816	18,132
Computer software	28,210	24,147	4,063
	<u>\$ 293,946</u>	<u>\$ 126,603</u>	<u>\$ 167,343</u>

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

FEBRUARY 28, 2009

### 5. Property, plant and equipment (continued):

Aug. 31, 2008	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Office furniture and equipment	\$ 68,446	\$ 20,434	\$ 48,012
Leasehold improvements	56,293	25,367	30,926
Exploration equipment	101,898	19,013	82,885
Computer equipment	36,948	15,616	21,332
Computer software	28,210	20,084	8,126
	<u>\$ 291,795</u>	<u>\$ 100,514</u>	<u>\$ 191,281</u>

### 6. Mineral resource properties:

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

	<b><u>Feb. 28 2009</u></b>	<b><u>Aug. 31 2008</u></b>
Opening balance	\$ 7,093,292	\$ 1,374,662
Mineral resource property abandoned	(257,092)	(2,500)
Exploration expenditures	1,129,767	5,286,171
Government grants received	(34,315)	(41,488)
Acquisition of mining properties	<u>21,828</u>	<u>476,448</u>
Closing balance	<b><u>\$ 7,953,480</u></b>	<b><u>\$ 7,093,292</u></b>

Represented by:

Optioned property (Shihan), Sault Saint Marie Mining Division, Ontario (a)	\$ 1,313,923	\$ 1,307,405
Optioned properties (HudBay), Snow Lake Mining District, Manitoba (b)	4,664,102	4,021,681
Optioned property (Jackfish), Snow Lake Mining District, Manitoba (c)	566,127	181,793
Optioned property (Tower), Thompson Nickel Belt, Manitoba (d)	207,382	206,962
Staked properties, Snow Lake Mining District, Manitoba (e)	731,066	669,242
Licensed properties, Snow Lake Mining District, Manitoba (f)	<u>470,880</u>	<u>706,209</u>
	<b><u>\$ 7,953,480</u></b>	<b><u>\$ 7,093,292</u></b>

(a) The Company holds an option to acquire a 100% interest, subject to a 2% net smelter returns royalty in favour of the vendors, in the Shihan property which is comprised of 27 claims representing 388 claim units located in Challenger, Glasgow, Meath and Rennie Townships in the Sault Saint Marie Mining Division in the Province of Ontario. In order to exercise its option the Company has made cash payments of \$35,000, has issued 350,000 common shares and must make additional cash payment of \$25,000 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 also reimbursed the vendors an additional \$30,320 in staking fees for claims included under the agreement.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

FEBRUARY 28, 2009

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

- (b) 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, the HudBay properties, located in the Snow Lake District in Manitoba. To date the Company has paid \$70,000 and must also make the following cash payments in order to exercise its options: (i) \$125,000 on or before March 22, 2010 (ii) 390,000 on or before March 22, 2011 and, (iii) \$1,475,000 on or before March 22, 2012. This payment schedule is based upon an agreement in principle reached with the optionor that resulted in each of these payments being deferred by one year from the initial schedule. The final option payment may increase from the scheduled amount as compensation to the optionor for granting this deferral. In addition, the Company must spend at least \$9,800,000 exploring the properties with minimum expenditures by year as follows: (i) \$1,300,000 on or before March 22, 2009; (ii) \$2,600,000 on or before March 22, 2010 and (iii) \$4,900,000 on or before March 22, 2011. The March 2008 expenditure requirement of \$1,000,000 was achieved. Sufficient expenditures have been made to satisfy the 2009 requirements on five of the seven properties as at the balance sheet date and the other two were satisfied before the deadline. 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.
- (c) 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, in the 28 km<sup>2</sup> Jackfish property located in the Snow Lake District in Manitoba. To date the Company has paid \$22,500 cash and issued 40,000 common shares and must also make the following payments in order to exercise its option: (i) \$15,000 cash and issue 20,000 common shares on or before September 17, 2009; (ii) \$17,500 cash and issue 20,000 common share on or before September 17, 2010; and (iii) \$45,000 cash and issue 20,000 common share on or before September 17, 2011. The Company was also required to spend a minimum of \$350,000 exploring the property which has been satisfied. 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.
- (d) 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, in the Tower 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 the Company must make annual cash payments of \$30,000 each February until 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. A dispute between the Manitoba government and a First Nations tribe has led to a cessation of the timeline for the above noted payments and expenditure commitments. This timeline will recommence when the dispute is resolved.
- (e) 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 staked 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.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

FEBRUARY 28, 2009

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

(f) The Company initially held six mineral exploration licenses (MEL) in the Snow Lake District in Manitoba however three were surrendered during the period. Prior to surrendering the three licenses the Company had conducted exploratory work valued at \$257,092 on the licensed areas and, as no ground was staked, this amount has been charged to income of the current period. Each of the three remaining MEL has been surrendered subsequent to the balance sheet date. Based upon the amounts recorded to date, this will result in approximately \$148,030 being charged to income of the next fiscal quarter while \$322,850 will continue to be deferred as claims were staked prior to one license having been surrendered.

### 7. Share capital:

(a) Authorized  
Unlimited common shares.

(b) Issued

	<b>Feb. 28 2009</b>	Aug. 31 2008
Common shares	\$ 7,759,670	\$ 7,753,670
Value of warrants not yet exercised	<u>592,570</u>	<u>647,765</u>
Share capital	<b><u>\$ 8,352,240</u></b>	<b><u>\$ 8,401,435</u></b>

#### Common shares:

	<u>No of shares</u>	<u>Value</u>
Balance - August 31, 2007	17,316,296	\$ 2,799,891
Common shares issued through private placement offering <sup>(1)</sup>	640,500	419,602
Flow through shares issued through private placement offering <sup>(2)</sup>	1,672,000	1,170,024
Common shares issued through private placement offering <sup>(3)</sup>	933,334	87,596
Flow through shares issued through private placement offering <sup>(4)</sup>	7,025,665	2,729,310
Shares issued for mining properties or rights	145,000	98,050
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 units <sup>(5)</sup>	391,540	58,974
Shares issued upon exercise of underlying WC warrants	<u>91,040</u>	<u>35,930</u>
Balance - August 31, 2008	29,388,893	7,753,670
Shares issued for mining properties or rights	<u>20,000</u>	<u>6,000</u>
Balance - February 28, 2009	<b><u>29,408,893</u></b>	<b><u>\$ 7,759,670</u></b>

#### Warrants not yet exercised:

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		355,316
Value attributed to warrants issued in accordance with private placement		8,672
Value attributed to warrants issued to agents in accordance with private placement		51,620
Value of warrants issued to acquire mineral resource property (Note 6 d)		176,962
Value added to common shares upon exercise of underlying WC warrants		<u>(8,618)</u>
Balance - August 31, 2008		<b><u>\$ 647,765</u></b>

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

FEBRUARY 28, 2009

### 7. Share capital (continued):

(b) Issued - continued

#### Warrants not yet exercised (continued):

Balance – August 31, 2008	\$ 647,765
Value added to contributed surplus upon expiry of underlying WC warrants	<u>(55,195)</u>
Balance – February 28, 2009	<u>\$ 592,570</u>

- (1) Reported net of the costs of issuance of \$30,650 and the value of \$190,248 that was attributed to the accompanying warrants
- (2) Reported net of the \$754,908 estimated tax value of the exploration expenditures to be 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.
- (3) Reported net of the costs of issuance of \$463,732 and the value of \$8,672 that was attributed to the accompanying warrants.
- (4) Reported net of the \$1,486,089 estimated tax value of the exploration expenditures to be renounced by the Company in accordance with the terms of these shares.
- (5) Reported net of the value of \$38,911 that was attributed to the underlying WC warrants.

(c) Details of options outstanding are as follows:

<u>Common Shares Under Option</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,250,000 <sup>(1)</sup>	\$ 0.47	Mar. 27, 2012
<u>100,000</u>	\$ 0.70	July 6, 2012
<u>1,350,000</u> <sup>(2)</sup>		

During the period no options were issued or exercised and 60,000 options expired.

<u>Description</u>	<u>Common Shares Under Option</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Expiry Date</u>
Beginning of period	1,410,000	\$0.50	Apr. 8, 2012
Expired during period	<u>(60,000)</u> <sup>(3)</sup>	\$0.70	Jan. 30, 2009
End of period	<u>1,350,000</u>	\$0.49	Apr. 3, 2012

- (1) Each of these options is held by a Director or Officer of the Company.
- (2) Each of these options has vested and is currently available to be exercised at the holders' discretion.
- (3) These options were issued to consultants whom are no longer retained by the Company. In accordance with the option agreement the consultants had thirty days following termination of their contracts to exercise the options otherwise they expired. None of these options were exercised and accordingly they expired on January 30, 2009.

(d) Details of warrants outstanding are as follows:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,376,500 <sup>(1)</sup>	\$ 1.50	December 31, 2009
100,000 <sup>(2)</sup>	\$ 1.50	January 3, 2010
1,250,000	\$ 1.50	February 21, 2010
466,666	\$ 0.95	April 30, 2010
<u>477,540</u>	\$ 0.95	April 30, 2010
<u>3,670,706</u>		

During the period no warrants were issued or exercised and 4,820,833 warrants expired.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

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### 7. Share capital (continued):

(d) Details of warrants outstanding - continued

<u>Description</u>	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Expiry Date</u>
Beginning of period	8,491,539	\$ 0.77	June 14, 2009
Expired during period	<u>(4,820,833)</u>	\$ 0.32	December 8, 2008
End of period	<u>3,670,706</u>	\$ 1.36	February 17, 2010

(1) These warrants will expire on the earlier of December 31, 2009 and the date, if any, that is thirty (30) days after the tenth consecutive trading day whereby the Company's share price closes at \$2.25 or higher.

(2) These warrants will expire on the earlier of January 3, 2010 and the date, if any, that is thirty (30) days after the tenth consecutive trading day whereby the Company's share price closes at \$2.25 or higher.

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

	<u>Feb. 28 2009</u>	<u>Aug. 31 2008</u>
Dividend yield	<b>None issued</b>	NIL
Risk free interest rate	<b>None issued</b>	2.74 – 4.19%
Expected stock volatility	<b>None issued</b>	61.73 – 70.73%
Expected life	<b>None issued</b>	1.07 - 2.00 years

(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 period will be determined using the Black-Scholes model and will be reported as Stock option compensation and added to Contributed surplus.

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

	<u>Feb. 28 2009</u>	<u>Aug. 31 2008</u>
Dividend yield	<b>None issued</b>	NIL
Risk free interest rate	<b>None issued</b>	4.35%
Expected stock volatility	<b>None issued</b>	60.97%
Expected life	<b>None issued</b>	5 years

(f) Contributed surplus:

	<u>Feb. 28 2009</u>	<u>Aug. 31 2008</u>
Opening balance	\$ 408,321	\$ 394,477
Expiry of warrants	55,195	-
Discount on non-interest bearing loan	-	9,018
Compensation expense related to stock options	-	4,826
Closing balance	<u>\$ 463,516</u>	<u>\$ 408,321</u>

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

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### 8. 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 party. 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 28, 2009 a total of \$43,289 (August 31, 2008 - \$35,360) is included in accounts payable and accrued liabilities as a result of these transactions:

		<b>Feb. 28</b>	Aug. 31
		<b>2009</b>	<b>2008</b>
Lapierre	Exploration expenditures	\$ 88,873	\$ 58,146
Lapierre	Consulting fees and expenses	5,120	126,582
Geodigital	Exploration expenditures	98,007	325,889
Geodigital	Consulting fees and expenses	-	15,982
Gardiner	Cost of share issuance	-	62,575
Gardiner	Professional fees	23,854	83,253
Lowe	Interest accretion	-	9,018
MDI	Consulting fees and expenses	24,695	38,313

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

### 9. Income taxes:

#### Tax losses and other deductions carried forward:

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	\$ 42,912
2027	384,438
2028	<u>481,062</u>
	<u>\$ 908,412</u>

In addition, the Company has approximately \$1,981,768 in Canadian Exploration Expenditures ("CEE") and \$736,014 in Canadian Development Expenditures which may be applied against certain profits realized on its mining properties. The potential benefit of these tax pools has not been recognized in these financial statements.

The full realization of these losses and other deductions carried forward are subject to the result of audits, if conducted, by Canada Revenue Agency.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

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### 9. Income taxes (continued):

#### Future income taxes:

	Feb. 28 <u>2009</u>	Aug. 31 <u>2008</u>
Opening balance	\$ 1,791,699	\$ 433,368
Exploration expenditures renounced during year	-	2,240,997
Renounced expenditures charged to income during the period	(91,630)	-
Exploration expenditures deferred for income tax purposes	-	(788,157)
Future income taxes recovered due to change in tax rates	<u>(71,613)</u>	<u>(94,509)</u>
Closing balance	<u>\$ 1,628,456</u>	<u>\$ 1,791,699</u>

The approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets (liabilities) is as follows:

	Feb. 28 <u>2009</u>	Aug. 31 <u>2008</u>
Non-capital losses	\$ 263,439	\$ 263,439
Undepreciated capital cost	29,149	29,149
Cumulative exploration and development expenditures	788,157	788,157
Renounced cumulative exploration expenditures	(2,416,613)	(2,579,856)
Valuation allowance	<u>(292,588)</u>	<u>(292,588)</u>
	<u>\$ (1,628,456)</u>	<u>\$ (1,791,699)</u>

### 10. Commitments:

- (a) The Company signed an operating lease for its premises that expired February 2009 and now operates on a month-to-month basis with one month prepaid.

The Company has signed an operating lease for a facility in Manitoba to be used for the storing and cataloguing of drill core removed from its resource properties. This lease will expire December 2010 and has an option to renew for an additional three year period. The Company is committed under this agreement to pay the following amounts of which \$1,500 has been prepaid:

Twelve months ended February 28, 2010	\$ 18,000
Twelve months ended February 28, 2011	<u>15,000</u>
	<u>\$ 33,000</u>

- (b) The Company is committed to making the following future cash payments under the terms of the Shihan property option agreement as described in Note 6 (a):

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

The Company has incurred \$1,102,024 in exploration expenditures to date and has fully satisfied this element of the option agreement. All cash payments and share issuances required to date have been made in accordance with the agreement.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

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### 10. Commitments (continued):

- (c) The Company is committed to making the following future payments (cash and exploration expenditures) under the terms of the HudBay property option agreements as described in Note 6 (b):

	<u>Cash Payments</u>	<u>Exploration Expenditures</u>
March 2009	\$ -	\$ 350,000
March 2010	125,000	2,150,000
March 2011	390,000	4,100,000
March 2012	<u>1,475,000</u>	<u>-</u>
	<u>\$ 1,990,000</u>	<u>\$ 6,600,000</u>

The Company has incurred \$4,570,908 in exploration expenditures and has satisfied all expenditure requirements to date. All cash payments required to date have been made in accordance with the agreement. During the period the Company reached an agreement in principle with the optionor whereby the cash payments noted above were each deferred one year. The possibility exists that the payment due March 2012 will increase in order to compensate the optionor for granting this deferral.

- (d) The Company is committed to making the following future payments (cash and shares) under the terms of the Jackfish property option agreement as described in Note 6 (c):

	<u>Cash Payments</u>	<u>Number of Shares</u>
September 2009	\$ 15,000	20,000
September 2010	17,500	20,000
September 2011	<u>45,000</u>	<u>20,000</u>
	<u>\$ 77,500</u>	<u>60,000</u>

The Company has incurred \$511,827 in exploration expenditures to date and therefore has fully satisfied the expenditure 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 Tower property option agreement as described in Note 6 (d):

	<u>Cash Payments</u>	<u>Exploration Expenditures</u>
1 <sup>st</sup> anniversary date	\$ 30,000	\$ -
2 <sup>st</sup> anniversary date	30,000	2,000,000
3 <sup>st</sup> anniversary date	30,000	-
4 <sup>st</sup> anniversary date	<u>30,000</u>	<u>2,000,000</u>
	<u>\$ 120,000</u>	<u>\$ 4,000,000</u>

The Company is also required to complete at least 2,000 metres of diamond drilling no later than March 2009. The Company made the initial payment of cash and shares in accordance with the agreement but has not yet commenced drilling or incurred other exploration expenditures. A dispute between the Manitoba government and a First Nations tribe has led to a cessation of the timeline for the above noted payments and expenditure commitments. This timeline will recommence when the dispute is resolved.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

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### 11. Capital Management:

The Company's objective when managing capital is to ensure its ability to meet operating commitments as they become due. This is achieved primarily by continuously monitoring its actual and projected cash flows and making adjustments to capital as necessary. Except for meeting the repayment terms, as may exist from time to time, associated with short-term and long-term debt instruments, there are no externally imposed capital requirements.

Management includes the following items in its definition of capital:

	<b>Feb. 28 2009</b>	Aug. 31 2008
Short-term and long-term debt	\$ -	\$ -
Share Capital	<b>8,352,240</b>	8,401,435
Contributed surplus	<b>463,516</b>	408,321
Deficit	<b>(777,813)</b>	(544,350)
Net capital under management	<b><u>\$ 8,037,943</u></b>	<b><u>\$ 8,265,406</u></b>

### 12. Supplemental Cash Flow Information:

	<b>Feb. 28 2009</b>	Aug. 31 2008
Operating cash flows include:		
Interest paid	\$ -	\$ -
Income taxes paid	-	-
Non-cash financing and investing activities:		
Shares issued to acquire mineral resource properties	\$ <b>6,000</b>	\$ 98,050
Share purchase warrants issued to acquire mineral resource properties	-	176,962
Share purchase warrants issued as fee to placement agents	-	51,620
Canadian exploration expenditures renounced	-	2,240,997