

**ROCKCLIFF RESOURCES INC.**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2009**

Be advised that these Unaudited Interim Financial Statements have been compiled by the Company's management and they have not been reviewed by the Company's auditors.

# ROCKCLIFF RESOURCES INC.

## UNAUDITED INTERIM BALANCE SHEET

NOVEMBER 30, 2009

	Nov. 30 2009	Aug. 31 2009
<b>ASSETS</b>		
Current:		
Restricted cash and cash equivalents <i>(Note 4)</i>	\$ 193,343	\$ 800,222
Accounts receivable	63,380	10,077
Prepaid expenses	<u>74,664</u>	<u>72,619</u>
	331,387	882,918
Property, plant and equipment <i>(Note 5)</i>	90,084	142,083
Mineral resource properties <i>(Note 6)</i>	<u>9,731,313</u>	<u>8,429,401</u>
	<u><b>\$10,152,784</b></u>	<u><b>\$ 9,454,402</b></u>
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued liabilities	\$ 345,123	\$ 96,546
Current portion of property option commitment <i>(Note 10 e)</i>	<u>36,600</u>	<u>-</u>
	381,723	96,546
Property option commitment <i>(Note 10 e)</i>	36,600	-
Future income taxes <i>(Note 9)</i>	<u>1,693,083</u>	<u>1,701,899</u>
	<u><b>2,111,406</b></u>	<u><b>1,798,445</b></u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <i>(Note 7)</i>	8,852,140	8,352,240
Contributed surplus <i>(Note 7)</i>	664,573	624,921
Deficit	<u>(1,475,335)</u>	<u>(1,321,204)</u>
	<u><b>8,041,378</b></u>	<u><b>7,655,957</b></u>
	<u><b>\$10,152,784</b></u>	<u><b>\$ 9,454,402</b></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 THREE MONTH PERIODS ENDED NOVEMBER 30

	2009	2008
Interest income	<u>\$ 343</u>	<u>\$ 12,524</u>
Expenses:		
Stock option compensation (Note 7)	39,652	-
Consulting fees (Note 8)	21,783	11,952
Professional fees (Note 8)	19,721	10,458
Filing and regulatory fees	8,028	3,841
Travel and accommodation	7,675	5,777
Insurance	5,717	8,567
Occupancy costs	4,706	4,914
General and administrative	4,678	10,219
Advertising and promotion	2,681	2,500
Disposal of property, plant and equipment (Note 8)	33,564	-
Amortization	<u>15,085</u>	<u>13,045</u>
	<u>163,290</u>	<u>71,273</u>
Loss before provision for income taxes	(162,947)	(58,749)
Provision for income taxes – future recovery	<u>(8,816)</u>	<u>(48,892)</u>
Net loss and comprehensive loss for the period	(154,131)	(9,857)
Deficit, beginning of period	<u>(1,321,204)</u>	<u>(544,350)</u>
Deficit, end of period	<u><u>\$(1,475,335)</u></u>	<u><u>\$(554,207)</u></u>
Net loss per share - basic and diluted	<u><u>\$ (0.00)</u></u>	<u><u>\$ (0.00)</u></u>
Weighted average number of shares outstanding - basic and diluted	<u><u>32,563,839</u></u>	<u><u>29,407,135</u></u>

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

# ROCKCLIFF RESOURCES INC.

## UNAUDITED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIODS ENDED NOVEMBER 30

	2009	2008
Cash was provided by (used in) the following activities:		
<b>Operating:</b>		
Net loss for the period	\$ (154,131)	\$ (9,857)
Add: Item not involving an outlay of cash		
Stock option compensation	39,652	-
Disposal of property, plant and equipment	33,564	-
Amortization	15,085	13,045
Future income tax recovery	(8,816)	(48,892)
Changes in non-cash working capital items		
Accounts receivable	(53,303)	18,242
Prepaid expenses	(2,045)	26,715
Accounts payable and accrued liabilities	<u>273,577</u>	<u>(207,667)</u>
	<u>143,583</u>	<u>(208,414)</u>
<b>Financing:</b>		
Issuance of common shares	<u>457,500</u>	<u>-</u>
<b>Investing:</b>		
Acquisition of mining resource properties	(41,730)	(15,984)
Deferred exploration expenditures	(1,169,582)	(597,615)
Net change in cash and cash equivalents designated for exploration and development costs	606,879	824,164
Proceeds from disposal of property, plant and equipment	3,350	
Acquisition of property, plant and equipment	<u>-</u>	<u>(2,151)</u>
	<u>(601,083)</u>	<u>208,414</u>
Increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of period	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ -</u>	<u>\$ -</u>

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

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 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 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:

#### 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.

#### 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.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2009

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

#### **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 deferred and charged to mineral resource properties 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 resource 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 resource property when the carrying value of the property is not recoverable or exceeds its fair value. Mineral resource 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 recognizes the estimated fair value of liabilities for asset retirement obligations in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

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

#### **Earnings per share:**

The Company is required to present both the basic and diluted earnings per share (EPS) on the face of the statement of income regardless of the materiality of the difference between them. It is also required to provide disclosure of a reconciliation of the calculation of basic and diluted EPS. The Company utilizes the treasury stock method to compute the dilutive effects of options, warrants and similar instruments. Due to the incurrence of net losses for each period presented the outstanding options and warrants are considered to be anti-dilutive and accordingly this information has not been presented.

#### **Income taxes:**

The Company utilizes the liability method of accounting for income taxes. Future income tax relates to the expected consequences of differences between the carrying amount of balance sheet items and their corresponding income 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.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2009

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

#### **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 financial reporting standards (IFRS):

The Canadian Institute of Chartered Accountants' Accounting Standards Board has announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board effective for fiscal years beginning on or after January 1, 2011. While early adoption is permitted the Company has opted not to utilize this option and therefore will commence with the fiscal quarter ended November 30, 2011 with comparative figures. The Corporation is in the process of developing a plan for the implementation of IFRS, and this plan will take into consideration, amongst other things:

- (a) Identification of differences in Canadian GAAP and IFRS accounting policies and choices and their impacts on the Corporation's financial statements.
- (b) Selection of the Corporation's continuing IFRS policies.
- (c) Changes in note disclosures.
- (d) Information technology and data system requirements.
- (e) Disclosure controls and procedures, including investor relations and external communications plans related to the IFRS conversion.
- (f) Identification of impacts of IFRS conversion on Internal Controls over Financial Reporting.
- (g) Financial reporting expertise requirements, including training of personnel.
- (h) Impacts on other business activities that may be influenced by GAAP measures, such as debt covenants.

It is not practically possible at this time to quantify the impact of these differences. The Corporation expects to make changes to processes and systems in time to enable the Corporation to record transactions under IFRS for the fiscal year ending August 31, 2011 and ensure that they may be presented for comparative purposes in all fiscal 2012 financial reporting.

### 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

NOVEMBER 30, 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 the public offering completed April 2008 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 resource properties

	<b>Nov. 30 2009</b>	<b>Aug. 31 2009</b>
Balance at beginning of period	\$ 800,222	\$ 2,825,926
Gross proceeds received upon the issuance of flow through shares	-	-
Qualified exploration expenditures paid from these funds	(935,466)	(2,110,745)
Non-qualified expenditures, net of receipts, paid from these funds	<u>328,587</u>	<u>85,041</u>
Funds retained for future payments	193,343	800,222
Balance of future payments to be made from these funds	<u>(275,669)</u>	<u>(1,211,134)</u>
Deficiency of funds	<u><u>\$ (82,326)</u></u>	<u><u>\$ (410,912)</u></u>

The Company is obligated to fund this deficiency through working capital and to do so no later than December 31, 2009. Subsequent to the balance sheet date, and prior to December 31, 2009, the deficiency was remedied and the balance of future payments was made.

### 5. Property, plant and equipment:

		Accumulated Amortization	Net Book Value
<b>Nov. 30, 2009</b>	Cost		
Office furniture and equipment	\$ 50,007	\$ 30,522	\$ 19,485
Exploration equipment	102,986	39,063	63,923
Computer equipment	20,533	13,857	6,676
Computer software	<u>28,210</u>	<u>28,210</u>	<u>-</u>
	<u><u>\$ 201,736</u></u>	<u><u>\$ 111,653</u></u>	<u><u>\$ 90,084</u></u>
<b>Aug. 31, 2009</b>	Cost	Accumulated Amortization	Net Book Value
Office furniture and equipment	\$ 68,509	\$ 30,143	\$ 39,366
Leasehold improvements	56,293	36,626	19,667
Exploration equipment	102,986	35,699	67,287
Computer equipment	37,925	22,162	15,763
Computer software	<u>28,210</u>	<u>28,210</u>	<u>-</u>
	<u><u>\$ 294,923</u></u>	<u><u>\$ 152,840</u></u>	<u><u>\$ 142,083</u></u>

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2009

### 6. Mineral resource properties:

The Company is in the process of exploring its mineral resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral resource 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.

	Nov. 30 2009	Aug. 31 2009
Opening balance	\$ 8,429,401	\$ 7,093,292
Mineral resource property abandoned	-	(406,059)
Exploration expenditures	1,169,882	1,859,658
Government grants received	-	(164,151)
Acquisition of mining properties	<u>132,030</u>	<u>46,661</u>
Closing balance	<u>\$ 9,731,313</u>	<u>\$ 8,429,401</u>
Represented by:		
Staked property (Shihan), Sault Saint Marie Mining Division, Ontario (a)	\$ 1,343,705	\$ 1,343,555
Optioned properties (HudBay), Snow Lake Mining District, Manitoba (b)	6,090,924	5,103,635
Optioned property (Jackfish), Snow Lake Mining District, Manitoba (c)	728,926	692,655
Optioned property (Tower), Thompson Nickel Belt, Manitoba (d)	207,382	207,382
Staked properties, Snow Lake Mining District, Manitoba (e)	1,230,541	1,082,174
Optioned property (Gold Dust), Snow Lake Mining District, Manitoba (f)	<u>129,835</u>	<u>-</u>
	<u>\$ 9,731,313</u>	<u>\$ 8,429,401</u>

- (a) The Company holds 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 the Sault Saint Marie Mining Division in Ontario.
- (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. The Company has paid \$70,000 and, in order to exercise its options, must also make cash payments of \$125,000 on or before March 22, 2010, \$390,000 on or before March 22, 2011 and \$1,600,000 on or before March 22, 2012. In addition to the cash payments the Company is also required to spend a minimum of \$4,900,000 exploring these properties no later than March 22, 2010 and an additional \$4,900,000 no later than March 22, 2011. In the event that the Company earns its 100% interest in these properties, the optionor can reacquire a 55% interest by making payments to Rockcliff of 200% of the cash option payments made by Rockcliff and by incurring exploration expenditures that are 200% of those incurred by Rockcliff. The optionor can reacquire an additional 10% interest by bringing the property to commercial production and financing the 35% portion retained by Rockcliff. These financing costs would be recovered, to the extent possible, from the Company's share of profits from future production.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2009

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

- (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. The Company has paid \$22,500 cash, owes a payment of \$15,000 that was made subsequent to the balance sheet date, and has issued 60,000 common shares. In order to exercise its option it must also make cash and share payments of \$17,500 and 20,000 common shares on or before September 17, 2010, and \$45,000 and 20,000 common shares on or before September 17, 2011. In addition to the cash and share payments, the Company was 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 four annual cash payments of \$30,000. 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 the first anniversary date and has incurred a minimum of \$2,000,000 in exploration expenditures by the second anniversary date. 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 the fourth anniversary date. A dispute between the Manitoba government and a First Nations tribe prevented the timelines noted above from starting. These timelines will commence 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.
- (f) In November 2009 the Company entered into 3 separate option agreements to acquire 3 gold properties located near Snow Lake Manitoba, which together are referred to as the Gold Dust Property. The terms of these option agreements are as follows:
- (i) The first option grants the Company the right to acquire a 100% interest in a 771 hectare property, subject to a 2% net smelter returns royalty in favour of the vendor. At the time of closing the Company committed to issue 40,000 common shares to the vendor. These shares were issued subsequent to the balance sheet date but have been accounted for in these statements. The Company is also required to make the following payments: (i) \$15,000 cash and 40,000 common shares on or before November 23, 2010; (ii) \$15,000 cash and 40,000 common shares on or before November 23, 2011; (iii) \$25,000 cash and 40,000 common shares on or before November 23, 2012; and (iv) \$45,000 cash and 40,000 common shares on or before November 23, 2013. The annual cash payments may also be satisfied through the issuance of common shares with the number of shares determined by dividing the amount due by the closing market price for the shares thirty days before the payment is due. The Company is also required to spend a minimum of \$500,000 exploring the property including \$75,000 by November 23, 2010, plus an additional \$100,000 on or before November 23, 2011, \$150,000 on or before November 23, 2012, and \$175,000 on or before November 23, 2013. The Company also has the right to purchase one half or 1.0% of the net smelter returns royalty for \$1,000,000 and will have a right of first refusal on the remaining 1% net smelter returns royalty.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2009

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

- (ii) The second option grants the Company the right to acquire a 100% interest, subject to a 2% net smelter returns royalty in favour of the vendor, in a 74 hectare property. The Company made a cash payment of \$40,000 at the time of closing and is also required to make annual cash payments of \$20,000 which, if applicable, will be applied as advances against the net smelter returns royalty. The Company is also required to spend a minimum of \$500,000 exploring the property including at least \$50,000 on or before November 23 of each year commencing with 2010. The Company has the right to exercise its option to acquire this property at any time once the aggregate expenditure requirement has been satisfied however the annual cash payments will continue so long as the Company has not abandoned the property.
- (iii) The third option grants the Company the right to acquire a 100% interest, subject to a 2% net smelter returns royalty in favour of the vendor, in a 1,270 hectare property. At the time of closing the Company committed to issue 50,000 common shares to the vendor. These shares were issued subsequent to the balance sheet date but have been accounted for in these statements. The Company is also required to make payments of 50,000 common shares on or before November 23 each year until 2013. The Company is also required to spend a minimum of \$375,000 exploring the property including \$50,000 by November 23, 2010, plus an additional \$75,000 on or before November 23, 2011, \$100,000 on or before November 23, 2012, and \$150,000 on or before November 23, 2013. The Company also has the right to purchase one half or 1.0% of the net smelter returns royalty for \$1,000,000 and will have a right of first refusal on the remaining 1% net smelter returns royalty.

### 7. Share capital:

(a) Authorized

Unlimited common shares.

(b) Issued

	<b>Nov. 30 2009</b>	Aug. 31 2009
Common shares	<b>\$ 8,074,726</b>	\$ 7,759,670
Warrants not yet exercised	<u>777,414</u>	<u>592,570</u>
Share capital	<b><u>\$ 8,852,140</u></b>	<b><u>\$ 8,352,240</u></b>
Common shares:	No of shares	Value
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 - August 31, 2009	29,408,893	7,759,670
Shares issued through private placement <sup>(1)</sup>	5,000,000	272,656
Shares issued to settle obligations	333,334	25,000
Shares issued for mining properties or rights	<u>110,000</u>	<u>17,400</u>
Balance - November 30, 2009	<b><u>34,852,227</u></b>	<b><u>\$ 8,074,726</u></b>
Warrants not yet exercised:		
Balance - August 31, 2008		\$ 647,765
Value added to contributed surplus upon expiry of underlying WC warrants		<u>(55,195)</u>
Balance - August 31, 2009		\$ 592,570
Value attributed to warrants issued through private placement		151,869
Value attributed to agents' units issued through private placement		<u>32,975</u>
Balance November 30, 2009		<b><u>\$ 777,414</u></b>

<sup>(1)</sup> Reported net of offering costs of \$75,475 and warrants valued at \$151,869.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2009

### 7. Share capital (continued):

(c) Details of options outstanding are as follows:

	<u>Common Shares Under Option</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
	1,100,000 <sup>(1)</sup>	\$ 0.47	Mar. 27, 2012
	100,000	\$ 0.70	July 6, 2012
	1,400,000 <sup>(1)</sup>	\$ 0.15	June 17, 2014
	50,000	\$ 0.20	Sept 16, 2014
	<u>250,000</u> <sup>(1)</sup>	\$ 0.20	Oct 14, 2014
	<u>2,900,000</u> <sup>(2)</sup>		

  

<u>Description</u>	<u>Common Shares Under Option</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Expiry Date</u>
Beginning of period	2,600,000	\$ 0.31	June 11, 2013
Issued during period	<u>300,000</u>	\$ 0.20	Oct 13, 2014
End of period	<u>2,900,000</u>	\$ 0.30	July 31, 2013

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

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

(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>(1)</sup>	\$ 1.50	January 3, 2010
	1,250,000	\$ 1.50	February 21, 2010
	466,666	\$ 0.95	April 30, 2010
	477,540	\$ 0.95	April 30, 2010
	<u>5,000,000</u>	\$ 0.15	April 9, 2011
	<u>8,670,706</u>		

  

<u>Description</u>	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Expiry Date</u>
Beginning of period	3,670,706	\$ 1.36	February 17, 2010
Issued during period	<u>5,000,000</u>	\$ 0.15	April 9, 2011
End of period	<u>8,670,706</u>	\$ 0.66	October 15, 2010

<sup>(1)</sup> Each of these warrants expired subsequent to the balance sheet date.

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

	<b>Nov. 30 2009</b>	Aug. 31 2009
Dividend yield	<b>Nil</b>	Nil
Risk free interest rate	<b>1.14%</b>	None issued
Expected stock volatility	<b>139.5%</b>	None issued
Expected life	<b>1.5 years</b>	None issued

# ROCKCLIFF RESOURCES INC.

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### 7. Share capital (continued):

(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:

	Nov. 30 2009	Aug. 31 2009
Dividend yield	Nil	Nil
Risk free interest rate	2.60% to 2.74%	2.60%
Expected stock volatility	138.90% to 139.63%	142.00%
Expected life	5 years	5 years

(f) Contributed surplus:

	Nov. 30 2009	Aug. 31 2009
Opening balance	\$ 624,921	\$ 408,321
Expiry of warrants	-	55,195
Compensation expense related to stock options	<u>39,652</u>	<u>161,405</u>
Closing balance	<u>\$ 664,573</u>	<u>\$ 624,921</u>

### 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.  
 Cryo-Line MDI Inc. (“MDI”) is a company owned and operated by a senior Officer

The following transactions have been recorded at exchange amounts established and agreed to by the related parties. All transactions with related parties are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties. As at November 30, 2009 there was \$3,350 (August 2009 – Nil) included in accounts receivable and \$30,593 (August 31, 2009 - \$35,360) included in accounts payable and accrued liabilities as a result of these transactions:

	Nov. 30 2009	Nov. 30 2008
Lapierre Exploration expenditures	\$ 44,322	\$ 41,131
Lapierre Consulting fees and expenses	6,600	3,420
Geodigital Exploration expenditures	56,586	50,862
Geodigital Disposal of assets <sup>(1)</sup>	7,687	-
Gardiner Professional fees	15,221	5,483
MDI Consulting fees and expenses	12,000	10,000

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

<sup>(1)</sup> This is the loss resulting from the sale of equipment to the related party. This sale was concluded at fair market value and only included equipment that the Company was no longer utilizing.

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

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### 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	481,062
2029	<u>245,981</u>
	<u>\$ 1,154,393</u>

In addition, the Company has approximately \$1,817,617 in Canadian Exploration Expenditures and \$757,675 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.

#### Future income taxes:

	Nov. 30 2009	Aug. 31 2009
Opening balance	\$ 1,701,899	\$ 1,791,699
Exploration expenditures deferred for income tax purposes	-	(107,980)
Future income taxes (recovered) due to change in tax rates	<u>(8,816)</u>	<u>18,180</u>
Closing balance	<u>\$ 1,693,083</u>	<u>\$ 1,701,899</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:

	Nov. 30 2009	Aug. 31 2009
Non-capital losses	\$ 288,598	\$ 288,598
Undepreciated capital cost	38,210	38,210
Cumulative exploration and development expenditures	643,823	643,823
Renounced cumulative exploration expenditures	(2,336,906)	(2,345,722)
Valuation allowance	<u>(326,808)</u>	<u>(326,808)</u>
	<u>\$ (1,693,083)</u>	<u>\$ (1,701,899)</u>

### 10. Commitments:

(a) The Company has signed a lease for its premises that expires September 30, 2010 which requires monthly payments of \$1,000.

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 November 30, 2010	\$ 18,000
Twelve months ended November 30, 2011	<u>1,500</u>
	<u>\$ 19,500</u>

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

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### 10. Commitments (continued):

- (b) 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):

	<b>Cash Payments</b>	<b>Exploration Expenditures</b>
March 2010	\$ 125,000	\$ 1,900,000
March 2011	390,000	4,100,000
March 2012	<u>1,600,000</u>	<u>-</u>
	<u>\$ 2,115,000</u>	<u>\$ 6,000,000</u>

The Company has incurred \$6,126,362 in exploration expenditures to date, before recoveries aggregating \$129,836, and has satisfied all obligations that have come due in accordance with the agreements. In addition to the amounts noted above the Company has already satisfied \$1,400,000 in future exploration expenditure commitments, including 100% of the remaining commitment for one of the seven properties.

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

	<b>Cash Payments</b>	<b>Number of Shares</b>
Current	\$ 15,000	-
September 2010	17,500	20,000
September 2011	<u>45,000</u>	<u>20,000</u>
	<u>\$ 77,500</u>	<u>40,000</u>

The Company has incurred \$681,524 in exploration expenditures to date, before recoveries aggregating \$8,098, and has fully satisfied the exploration expenditure requirements of the option agreement. The Company has the right to make the \$15,000 payment currently due at any time prior to September 17, 2010 and to make payment in either cash or common shares. All cash payments and share issuances required to date have been made in accordance with the agreement.

- (d) 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):

	<b>Cash Payments</b>	<b>Exploration Expenditures</b>
1 <sup>st</sup> anniversary date	\$ 30,000	\$ -
2 <sup>nd</sup> anniversary date	30,000	2,000,000
3 <sup>rd</sup> anniversary date	30,000	-
4 <sup>th</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 the 1<sup>st</sup> anniversary date. The Company made the initial payment of cash and share purchase warrants 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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### 10. Commitments (continued):

(e) The Company is committed to making the following payments (cash, shares and exploration expenditures) under the terms of the Gold Dust property option agreements as described in Note 6 (f):

	Cash Payments	Number of Shares	Exploration Expenditures
November 2010	\$ 35,000	90,000	\$ 175,000
November 2011	35,000	90,000	225,000
November 2012	45,000	90,000	300,000
November 2013	<u>65,000</u>	<u>90,000</u>	<u>375,000</u>
	<u>\$ 180,000</u>	<u>360,000</u>	<u>\$ 1,075,000</u>

In addition to the amounts noted above the Company is required to continue to make annual payments of \$20,000 each November, representing an advance against any potential net smelter returns royalty. The Company is also obligated to spend an additional \$300,000 in exploration expenditures with a minimum of \$50,000 each year commencing after November 2013.

In accordance with the terms of these option agreements, the Company will be required to make payments of \$15,000 cash and issue 90,000 common shares on each of November 23, 2010 and November 23, 2011 even if the Company has previously relinquished its option rights. Accordingly, the Company has recognized the following obligation, using the market price of its shares as of the balance sheet date, and reflected the corresponding amount as a cost to acquire the mineral resource properties:

	Nov. 30 2009	Aug. 31 2009
Property option commitment	\$ 73,200	\$ -
Less: current portion	<u>(36,600)</u>	<u>-</u>
	<u>\$ 36,600</u>	<u>\$ -</u>

### 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. There are no externally imposed capital requirements.

Management includes the following items in its definition of capital:

	Nov. 30 2009	Aug. 31 2009
Short-term and long-term debt	\$ -	\$ -
Share Capital	8,852,140	8,352,240
Contributed surplus	664,573	624,921
Deficit	<u>(1,475,335)</u>	<u>(1,321,204)</u>
Net capital under management	<u>\$ 8,041,378</u>	<u>\$ 7,655,957</u>

### 12. Supplemental cash flow information:

	Nov. 30 2009	Aug. 31 2009
Operating cash flows include:		
Interest paid	\$ -	\$ -
Income taxes paid	-	-

# ROCKCLIFF RESOURCES INC.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

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### 12. Supplemental cash flow information (continued):

Non-cash financing and investing activities:

Shares issued to acquire mineral resource properties	\$	17,400	\$	6,000
Shares issued in settlement of obligations		25,000		-
Property option commitment recorded		73,200		-
Expired warrants transferred to contributed surplus		-		55,195

### 13 Subsequent events:

Subsequent to the balance sheet date the Company completed a non-brokered private placement whereby it issued 8,000,000 flow-through units at a price of \$0.25 per unit and 5,000,000 working capital units at a price of \$0.20 per unit for gross proceeds of \$3,000,000. Each flow-through unit is comprised of one common share, designated as a flow-through share, and one-half share purchase warrant. Each working capital unit is comprised of one common share and one share purchase warrant. Each full share purchase warrant entitles the holder to acquire an additional common share of the Company at a price of \$0.40 per share until June 18, 2011. The Company paid finders' fees of \$170,415 cash and 1,031,500 compensation warrants. Each compensation warrant entitles the holder to acquire an additional common share of the Company at a price of \$0.20 per share until June 18, 2011.