

ROCKCLIFF RESOURCES INC.
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2010

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, 2010

	Nov. 30 2010	Aug. 31 2010
ASSETS		
Current:		
Cash and cash equivalents	\$ 494,031	\$ 601,238
Restricted cash and cash equivalents (Note 4)	258,892	806,973
GST and HST receivable	57,441	51,289
Prepaid expenses	<u>58,679</u>	<u>124,073</u>
	869,043	1,583,573
Property, plant and equipment (Note 5)	74,827	76,661
Mineral resource properties (Note 6)	<u>9,095,405</u>	<u>8,380,889</u>
	<u>\$ 10,039,275</u>	<u>\$ 10,041,123</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	\$ 249,894	\$ 122,505
Current portion of property option commitment (Note 10)	<u>18,000</u>	<u>31,200</u>
	267,894	153,705
Property option commitment (Note 10)	33,000	31,200
Future income taxes (Note 9)	<u>1,662,506</u>	<u>1,738,880</u>
	<u>1,963,400</u>	<u>1,923,785</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	10,659,073	10,619,273
Contributed surplus (Note 7)	1,538,831	1,311,668
Deficit	<u>(4,122,029)</u>	<u>(3,813,603)</u>
	<u>8,075,875</u>	<u>8,117,338</u>
	<u>\$ 10,039,275</u>	<u>\$ 10,041,123</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 LOSS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE THREE MONTH PERIODS ENDED NOVEMBER 30

	2010	2009
Interest income	<u>\$ 2,915</u>	<u>\$ 12,524</u>
Expenses:		
Advertising and promotion	2,500	2,681
Amortization	3,947	15,085
Consulting fees (Note 8)	31,512	21,783
Disposal of property, plant and equipment (Note 8)	(221)	33,564
Filing and regulatory fees	12,137	8,028
General and administrative	2,839	4,678
Insurance	5,623	5,717
Occupancy costs	3,000	4,706
Professional fees (Note 8)	29,960	19,721
Stock option compensation (Note 7)	227,163	39,652
Travel and accommodation	4,202	7,675
Valuation allowances on mineral resource properties (Note 6)	<u>65,052</u>	<u>-</u>
	<u>387,715</u>	<u>163,290</u>
Loss before provision for income taxes	(384,800)	(162,947)
Provision for income taxes – future recovery	<u>(76,374)</u>	<u>(8,816)</u>
Net loss and comprehensive loss for the period	(308,426)	(154,131)
Deficit, beginning of period	<u>(3,813,603)</u>	<u>(1,321,204)</u>
Deficit, end of period	<u>\$ (4,122,029)</u>	<u>\$ (1,475,335)</u>
Net loss per share - basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding - basic and diluted	<u>48,590,022</u>	<u>32,563,839</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

	2010	2009
Cash was provided by (used in) the following activities:		
Operating:		
Net loss for the period	\$ (308,426)	\$ (154,131)
Add: Item not involving an outlay of cash		
Amortization	3,947	15,085
Disposal of property, plant and equipment	(221)	33,564
Stock option compensation	227,163	39,652
Valuation allowances on mineral resource properties	65,052	-
Future income tax recovery	(76,374)	(8,816)
Changes in non-cash working capital items		
Accounts receivable	(6,152)	53,303
Prepaid expenses	65,394	(2,045)
Accounts payable and accrued liabilities	<u>127,389</u>	<u>273,577</u>
	<u>97,772</u>	<u>143,583</u>
Financing:		
Property option commitment paid	(15,000)	-
Issuance of common shares	<u>-</u>	<u>457,500</u>
	<u>(15,000)</u>	<u>457,500</u>
Investing:		
Acquisition of mining resource properties	(88,608)	(41,730)
Deferred exploration expenditures	(647,560)	(1,169,582)
Net change in cash and cash equivalents designated for exploration and development costs	548,081	606,879
Proceeds from disposal of property, plant and equipment	221	3,350
Acquisition of property, plant and equipment	<u>(2,113)</u>	<u>-</u>
	<u>(189,979)</u>	<u>(601,083)</u>
Decrease in cash and cash equivalents	(107,207)	-
Cash and cash equivalents, beginning of period	<u>601,238</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 494,031</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, 2010

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
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, 2010

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

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

Earnings per share:

The Company has adopted the 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 year 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.

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2010

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 the changeover will occur on September 1, 2011 and reporting under the new standards will commence with the fiscal quarter ended November 30, 2011. The Company has completed an initial review of key areas, is conducting a comprehensive review of each of its accounting policies, and is developing a plan for the implementation of IFRS. It is expected that this plan will take into consideration at least the following:

- (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 will make changes to processes and systems in time to ensure that all transactions arising during the fiscal year ending August 31, 2011 may be restated in accordance with IFRS such 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, GST and HST 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, 2010

3 Financial instruments (continued):

Credit risk:

The Company reports amounts that are recoverable on account of goods and services taxes and harmonized sales taxes. These amounts are subject to verification through audits that may be conducted by Canada Revenue Agency.

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 offering completed December 2009 and 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

	Nov. 30 2010	Aug. 31 2010
Balance at beginning of period	\$ 806,973	\$ 800,222
Gross proceeds received upon the issuance of flow through shares	-	2,000,000
Qualified exploration expenditures paid from these funds	(548,081)	(2,404,161)
Qualified exploration expenditures paid from general funds	-	410,912
Balance of future payments to be paid from these funds	<u>\$ 258,892</u>	<u>\$ 806,973</u>

5. Property, plant and equipment:

	Cost	Accumulated Amortization	Net Book Value
Nov. 30, 2010			
Office furniture and equipment	\$ 52,120	\$ 34,503	\$ 17,617
Exploration equipment	104,613	52,084	52,529
Computer equipment	<u>20,533</u>	<u>15,852</u>	<u>4,681</u>
	<u>\$ 177,266</u>	<u>\$ 102,439</u>	<u>\$ 74,827</u>
Aug. 31, 2010			
Office furniture and equipment	\$ 50,007	\$ 33,734	\$ 16,273
Exploration equipment	104,613	49,320	55,293
Computer equipment	<u>20,533</u>	<u>15,438</u>	<u>5,095</u>
	<u>\$ 175,153</u>	<u>\$ 98,492</u>	<u>\$ 76,661</u>

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2010

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 2010	Aug. 31 2010
Opening balance	\$ 8,380,889	\$ 8,429,401
Exploration expenditures	647,560	2,397,968
Government grants received	-	(289,000)
Acquisition of mining properties	132,008	415,108
Valuation allowances on mineral resource properties ^(1, h)	<u>(65,052)</u>	<u>(2,572,588)</u>
Closing balance	<u>\$ 9,095,405</u>	<u>\$ 8,380,889</u>
Represented by:		
Optioned properties (HudBay), Snow Lake Mining District, Manitoba (a)	\$ 5,843,010	\$ 5,758,806
Optioned property (Jackfish), Snow Lake Mining District, Manitoba (b)	762,060	739,336
Optioned property (Tower), Thompson Nickel Belt, Manitoba (c)	816,773	428,706
Staked properties, Snow Lake Mining District, Manitoba (d)	1,216,040	1,213,409
Optioned properties (Gold Dust), Snow Lake Mining District, Manitoba (e)	353,105	225,031
Optioned property (Dunlop Reed), Snow Lake Mining District, Manitoba (f)	15,633	15,601
Optioned property (Black Gold), Larder Lake Mining Division, Ontario (g)	<u>88,784</u>	<u>-</u>
	<u>\$ 9,095,405</u>	<u>\$ 8,380,889</u>

⁽¹⁾ The valuation allowances claimed are comprised of the following amounts:

Optioned properties (HudBay), Snow Lake Mining District, Manitoba (a)	\$ -	\$ 1,218,276
Staked property (Shihan), Sault Saint Marie Mining Division, Ontario (h)	<u>65,052</u>	<u>1,354,312</u>
	<u>\$ 65,052</u>	<u>\$ 2,572,588</u>

(a) 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 previously surrendered its rights under three of these option agreements. In accordance with the four continuing agreements, the Company has made cash option payments of \$115,000 to date and must make additional payments of \$230,000 on or before March 22, 2011 and \$875,000 on or before March 22, 2012, in order to exercise its options. The Company has fully satisfied the exploration requirement for one of these properties but is required to spend a minimum of \$1,325,797, in aggregate, no later than March 22, 2011 to satisfy the requirements of the other three properties.

Should the Company earn its 100% interest in any of these properties, the optionor may reacquire a 55% interest therein by paying Rockcliff two times the cash option payments made by Rockcliff and by incurring exploration expenditures that are twice 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, 2010

6. Mineral resource properties (continued):

- (b) 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 km² Jackfish property located in the Snow Lake District in Manitoba. To date the Company has paid \$55,000 cash and issued 80,000 common shares. In order to exercise its option it must also make cash and share payments of \$45,000 and 20,000 common shares 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.
- (c) 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. The Company has paid \$30,000 in cash, issued 1,250,000 share purchase warrants which subsequently expired, and issued an additional 1,250,000 warrants each of which entitles the holder to acquire one common share of the Company for \$1.50 any time prior to March 26, 2012. To retain its option rights the Company must make four annual cash payments of \$30,000 commencing March 26, 2011. The Company will acquire a 50% interest in the property provided it completes a minimum of 2,000 metres of diamond drilling, penetrating beyond the Precambrian-Paleozoic boundary, no later than March 26, 2011 and has incurred a minimum of \$2,000,000 in exploration expenditures no later than March 26, 2012. Provided the Company acquires the 50% interest it may then acquire a further 20% interest provided it incurs an additional \$2,000,000 in exploration expenditures no later than March 26, 2014.
- (d) 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 subject to minimum work requirements specified by the province of Manitoba in order to renew the claims in the future.
- (e) In December 2009 the Company finalized 3 separate option agreements which enable it to acquire a 100% interest, subject to a 2% net smelter returns royalty in favour of the respective vendors, in each of 3 gold properties located near Snow Lake Manitoba, These properties, collectively referred to as the Gold Dust Property, can be acquired according to the following terms:
- (i) The Company has paid \$15,000 and issued 40,000 common shares to the vendor relative to a 771 hectare property and is required to make the following payments: (i) 40,000 common shares on or before December 29, 2010; (ii) \$15,000 cash and 40,000 common shares on or before December 29, 2011; (iii) \$25,000 cash and 40,000 common shares on or before December 29, 2012; and (iv) \$45,000 cash and 40,000 common shares on or before December 29, 2013. The Company may opt to settle the cash payments 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 December 29, 2010, plus \$100,000 on or before December 29, 2011, plus \$150,000 on or before December 29, 2012, and an additional \$175,000 on or before December 29, 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.
- (ii) The Company has made cash payments of \$60,000 to date and is required to make annual cash payments of \$20,000 with the next one due December 2011. The annual payments, 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 December 29 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.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

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6. Mineral resource properties (continued):

(e) (continued)

(iii) The Company has issued 50,000 common shares to the vendor relative to this 1,270 hectare property and is required to make payments of 50,000 common shares on or before December 29 each year until 2013. The Company is also required to spend a minimum of \$375,000 exploring the property including \$50,000 by December 29, 2010, plus \$75,000 on or before December 29, 2011, plus \$100,000 on or before December 29, 2012, and an additional \$150,000 on or before December 29, 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.

Subsequent to the balance sheet date the Company satisfied the 2010 obligations for exploration expenditures and share issuances for each component of the Gold Dust Property.

(f) In March 2010 the Company entered into an option agreement to acquire a 100% interest, subject to a 2% net smelter returns royalty, in the Dunlop Reed property, located in the Snow Lake District in Manitoba. Upon closing the Company issued 25,000 common shares and made a payment of \$6,300 to keep the property in good standing until March 2011. In order to exercise its option the Company must issue 25,000 common shares on or before each of the first three anniversaries of the closing, and maintain the property in good standing. The agreement also grants the Company the right to purchase one half or 1.0% of the net smelter returns royalty for \$500,000 and will have a right of first refusal on the remaining 1% net smelter returns royalty.

(g) In October 2010 the Company entered into an option agreement to acquire a 100% interest, subject to a 3% net smelters return royalty in favour of the vendor, in the Black Gold property, located near Timmins, Ontario. Upon signing the Company made a payment of \$50,000 and issued 200,000 common shares. The Company is required to make 4 annual payments, each comprised of \$50,000 and 200,000 common shares, and by incurring exploration expenditures of not less than \$50,000 per year for 4 years with aggregate expenditures of not less than \$500,000 at the end of the 4 year term. Advance royalty payments of \$50,000 per year commence after a positive feasibility study has been completed. The Company can purchase 1% of the net smelters return royalty any time for \$1,000,000 and holds a right of first refusal relative to the remaining 2%.

(h) 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. Although the Company retains its interest in this property, a valuation allowance equal to the carrying value of the property was claimed last fiscal year, in accordance with GAAP, on the basis that no significant exploration had been conducted over the three most recent fiscal years. In the event that additional charges are incurred on this property a new valuation will be completed and may result in the recognition of an additional valuation allowance. During the current period exploration valued at \$65,020 was completed and a corresponding valuation allowance was recognized.

7. Share capital:

(a) Authorized

Unlimited common shares.

(b) Issued

	Nov. 30 2010	Aug. 31 2010
Common shares	\$ 9,612,914	\$ 9,573,114
Warrants not yet exercised	<u>1,046,159</u>	<u>1,046,159</u>
Share capital	<u>\$ 10,659,073</u>	<u>\$ 10,619,273</u>

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7. Share capital (continued):

(b) Issued – (continued)

Common shares:	No of shares	Value
Balance – August 31, 2009	29,408,893	\$ 7,759,670
Common shares issued through private placement ⁽¹⁾	5,000,000	272,656
Flow through shares issued through private placement ⁽²⁾	8,000,000	948,809
Common shares issued through private placement ⁽³⁾	5,000,000	434,356
Shares issued upon exercise of warrants	500,000	90,187
Shares issued upon exercise of agents' units ⁽⁴⁾	63,705	8,016
Shares issued upon exercise of underlying warrants	53,705	10,270
Shares issued to settle obligations	333,334	25,000
Shares issued for mining properties or rights	<u>135,000</u>	<u>24,150</u>
Balance – August 31, 2010	48,494,637	9,573,114
Shares issued for mining properties or rights	<u>220,000</u>	<u>39,800</u>
Balance - November 30, 2010	<u>48,714,637</u>	<u>\$ 9,612,914</u>

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

⁽²⁾ Reported net of warrants valued at \$391,191 and the \$660,000 estimated tax value of the exploration expenditures to be renounced by the Company in accordance with the terms of these shares.

⁽³⁾ Reported net of offering costs of \$354,766 and warrants valued at \$210,878.

⁽⁴⁾ Reported net of underlying warrants valued at \$3,024.

Warrants not yet exercised:

Balance – August 31, 2009	\$ 592,570
Value added to contributed surplus upon expiry of warrants	(592,570)
Value attributed to warrants issued through private placement	151,869
Value attributed to warrants exercised	(15,187)
Value attributed to agents' units issued through private placement	32,975
Value attributed to agents' units exercised	(4,668)
Value attributed to warrants issued through private placement	602,069
Value attributed to compensation warrants issued through private placement	152,558
Value attributed to warrants issued for mineral resource properties	125,735
Value attributed to underlying warrants issued upon exercise of agents' units	3,024
Value attributed to underlying warrants exercised	<u>(2,216)</u>
Balance – November 30, 2010 and August 31, 2010	<u>\$ 1,046,159</u>

(c) Details of options outstanding are as follows:

Common Shares <u>Under Option</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
300,000 ⁽³⁾	\$ 0.47	Mar. 14, 2011
300,000 ⁽³⁾	\$ 0.15	Mar. 14, 2011
100,000	\$ 0.15	Aug. 12, 2011
800,000 ⁽¹⁾	\$ 0.47	Mar. 27, 2012
1,100,000 ⁽¹⁾	\$ 0.15	June 17, 2014
50,000	\$ 0.20	Sept. 16, 2014
250,000 ⁽¹⁾	\$ 0.20	Oct. 14, 2014
200,000 ⁽¹⁾	\$ 0.28	Mar. 10, 2015
<u>1,500,000</u> ⁽¹⁾	\$ 0.20	Sept. 29, 2015
<u>4,600,000</u> ⁽²⁾		

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2010

7. Share capital (continued):

(c) Details of options outstanding are as follows (continued):

<u>Description</u>	<u>Common Shares Under Option</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Expiry Date</u>
Beginning of period	3,100,000	\$ 0.28	Aug. 28, 2013
Options altered ⁽³⁾	(600,000)	\$ 0.31	May 7, 2013
Options altered ⁽³⁾	600,000	\$ 0.31	Mar. 14, 2011
Issued during period	<u>1,500,000</u>	\$ 0.20	Sep. 29, 2015
End of period	<u>4,600,000</u>	\$ 0.25	Jan 21, 2014

⁽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⁾ The expiry date of these options was reduced as a consequence of the holder having not been re-elected to the Board at the September 14, 2010 shareholders' meeting

(d) Details of warrants outstanding are as follows:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
4,510,000 ⁽¹⁾	\$ 0.15	April 9, 2011
1,031,500	\$ 0.20	June 18, 2011
9,000,000	\$ 0.40	June 18, 2011
<u>1,250,000</u>	\$ 1.50	Mar. 26, 2012
<u>15,791,500</u>		

⁽¹⁾ Subsequent to the balance sheet date 500,000 of these warrants were exercised and an additional 40,000 were issued upon exercise of agents' units

<u>Description</u>	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Expiry Date</u>
Beginning and end of period	15,791,500	\$ 0.40	June 20, 2011

In addition to the warrants noted above the Company has issued 386,295 agents' units which may be exercised at \$0.10 per unit until April 9, 2011. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.15 per share until April 9, 2011. Subsequent to the balance sheet date 40,000 of these units were exercised.

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

	Nov. 30 2010	Aug. 31 2010
Dividend yield	Nil	Nil
Risk free interest rate (%)	None issued	0.77 - 1.40
Expected stock volatility (%)	None issued	128.15 - 139.50
Expected life (years)	None issued	0.64 - 2.07

(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:

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2010

7. Share capital (continued):

(e) Stock based compensation – (continued):

	Nov. 30 2010	Aug. 31 2010
Dividend yield	Nil	Nil
Risk free interest rate (%)	2.04	1.21–2.80
Expected stock volatility (%)	126.17	94.44–139.63
Expected life (years)	5	1-5

(f) Contributed surplus:

	Nov. 30 2010	Aug. 31 2010
Opening balance	\$ 1,311,668	\$ 624,921
Expiry of warrants	-	592,570
Compensation expense related to stock options	<u>227,163</u>	<u>94,177</u>
Closing balance	<u>\$ 1,538,831</u>	<u>\$ 1,311,668</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 an individual who was a Director and officer of the Company until September 14, 2010.
- Gardiner Roberts LLP (“Gardiner”) is a legal firm in which a Director of the Company is a partner.
- Public Company Services (“Public”) is a company owned and operated by a Director.
- Cryo-Line MDI Inc. (“MDI”) is a company owned and operated by a senior Officer

All transactions with related parties are in the normal course of operations, have been carried out on the same terms as those accorded to unrelated parties and have been recorded at exchange amounts established and agreed to by the related parties. As at November 30, 2010 there was \$Nil (August 2010 – Nil) included in accounts receivable and \$89,716 (August 31, 2010 - \$70,039) included in accounts payable and accrued liabilities as a result of these transactions:

	Nov. 30 2010	Nov. 30 2009
Lapierre Exploration expenditures	\$ 56,602	\$ 44,322
Lapierre Consulting fees and expenses	1,471	6,600
Lapierre Disposal of property, plant and equipment	(221)	-
Geodigital Exploration expenditures	6,600	56,586
Geodigital Disposal of property, plant and equipment	-	7,687
Gardiner Prepaid stock issuance fees	15,000	-
Gardiner Professional fees	25,460	15,221
Public Consulting fees	7,500	-
MDI Consulting fees and expenses	16,000	12,000

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:

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2010

9. Income taxes – (continued):

Tax losses and other deductions carried forward – (continued):

2026	\$ 42,912
2027	384,438
2028	481,062
2029	245,981
2030	<u>437,569</u>
	<u>\$ 1,591,962</u>

In addition, the Company has approximately \$1,528,563 in Canadian Exploration Expenditures ("CEE") and \$1,107,517 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 2010	Aug. 31 2010
Opening balance	\$ 1,738,880	\$ 1,701,899
Exploration expenditures renounced during period	-	660,000
Previously renounced expenditures charged to income in the period	(20,318)	(511,157)
Exploration expenditures deferred for income tax purposes	-	(15,197)
Future income taxes (recovered) due to change in tax rates	<u>(56,056)</u>	<u>(96,665)</u>
Closing balance	<u>\$ 1,662,506</u>	<u>\$ 1,738,880</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 2010	Aug. 31 2010
Non-capital losses	\$ 397,991	\$ 397,991
Undepreciated capital cost	40,383	40,383
Cumulative exploration and development expenditures	659,020	659,020
Renounced cumulative exploration expenditures	(2,321,526)	(2,397,900)
Valuation allowance	<u>(438,374)</u>	<u>(438,374)</u>
	<u>\$ (1,662,506)</u>	<u>\$ (1,738,880)</u>

10. Commitments:

(a) The Company has signed a lease for its administrative office in Toronto, Ontario which expires December 31, 2011 and requires monthly comprehensive lease payments of \$1,000 for December 2010 and, due to an increase in the space under lease, \$2,000 thereafter. Rent to December 31, 2010 has been prepaid.

The Company has signed a lease for its field office and accommodation in Snow Lake, Manitoba which expires July 31, 2011 and requires monthly rental payments of \$800 plus applicable utilities. Rent to December 31, 2010 has been prepaid.

The Company has signed a lease for a facility used for cataloguing and storing drill core in Snow Lake Manitoba which expires December 31, 2010 and requires monthly rental payments of \$1,500 plus applicable utilities. The Company has an informal agreement with the landlord to continue to use this facility subsequent to the expiry date at the same rental rate. Rent to December 31, 2010 has been prepaid.

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2010

10. Commitments (continued):

- (a) The minimum payments required in accordance with these leases are as follows:

To November 30, 2011	\$	30,900
To November 30, 2012		<u>2,000</u>
		<u>\$ 32,900</u>

- (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 (a):

	Cash Payments	Exploration Expenditures
March 2011	\$ 230,000	2,100,000
March 2012	<u>950,000</u>	<u>-</u>
	<u>\$ 1,180,000</u>	<u>\$ 2,100,000</u>

The Company has incurred \$5,978,436 in exploration expenditures on these properties, including \$774,203 relative to the above noted commitment, and has received government grants aggregating \$275,579. All option commitments to date, and an additional \$800,000 future exploration expenditure commitment, have already been satisfied.

- (c) 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 (b):

	Cash Payments	Number of Shares
September 2011	<u>\$ 45,000</u>	<u>20,000</u>

The Company has incurred \$690,863 in exploration expenditures, and has received government grants aggregating \$21,968. All cash payments and share issuances required to date have been made in accordance with the agreement and the exploration expenditure requirements have been fully satisfied.

- (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 (c):

	Cash Payments	Exploration Expenditures
March 2011	\$ 30,000	\$ -
March 2012	30,000	2,000,000
March 2013	30,000	-
March 2014	<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 2011. The Company has incurred \$484,077 in exploration expenditures and all cash payment and share purchase warrant commitments to date have been made.

- (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 (e):

	Cash Payments	Number of Shares	Exploration Expenditures
December 2010	\$ - ⁽¹⁾	90,000	\$ 175,000
December 2011	35,000	90,000	225,000
December 2012	45,000	90,000	300,000
December 2013	<u>65,000</u>	<u>90,000</u>	<u>375,000</u>
	<u>\$ 145,000</u>	<u>360,000</u>	<u>\$ 1,075,000</u>

⁽¹⁾ These payments were made prior to the balance sheet date, in advance of the due date

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2010

10. Commitments (continued):

(e) The Company has made cash payments of \$75,000, including \$35,000 due December 2010 ⁽¹⁾, issued 90,000 shares and incurred exploration expenditures of \$198,891 to November 30, 2010. In addition to the amounts noted above the Company is required to continue to make annual cash payments of \$20,000 each December and to spend an additional \$300,000 in exploration expenditures with a minimum of \$50,000 each year commencing after December 2013. The cash payments represent an advance against any potential net smelter returns royalty.

The share payments due December 2010 and the cash and share payments due December 2011 are required 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 2010	Aug. 31 2010
Property option commitment	\$ 51,000	\$ 62,400
Less: current portion	<u>(18,000)</u>	<u>(31,200)</u>
	<u>\$ 33,000</u>	<u>\$ 31,200</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 2010	Aug. 31 2010
Share Capital	\$ 10,659,073	\$ 10,619,273
Contributed surplus	1,538,831	1,311,668
Deficit	<u>(4,122,029)</u>	<u>(3,813,603)</u>
Net capital under management	<u>\$ 8,075,875</u>	<u>\$ 8,117,338</u>

12. Supplemental cash flow information:

	Nov. 30 2010	Aug. 31 2010
Operating cash flows include:		
Interest paid	\$ -	\$ -
Income taxes paid	-	-
Non-cash financing and investing activities:		
Shares issued to acquire mineral resource properties	\$ 39,800	\$ 24,150
Warrants issued to acquire mineral resource properties	-	125,734
Shares issued in settlement of obligations	-	25,000
Property option commitment recorded	3,600	62,400
Canadian exploration expenditures renounced	-	660,000
Expired warrants transferred to contributed surplus	-	592,570

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2010

13 Subsequent events:

In December 2010 the Company completed a private placement financing whereby it issued 15,000,000 flow-through units at a price of \$0.20 each and 6,666,667 units at a price of \$0.15 each for gross proceeds of \$4,000,000. Each flow-through unit is comprised of one common share and one-half share purchase warrant while each unit is comprised of one common share and one share purchase warrant. Each full warrant will entitle the holder to acquire one common share of the Company at a price of \$0.30 for eighteen months following the closing date. The Company incurred finders' fees in the amount of \$263,540 plus 298,667 unit compensation warrants and 1,093,700 FT unit compensation warrants. Each unit compensation warrant entitles the holder to acquire one common share of the Company at a price of \$0.15 for eighteen months following the closing date and each FT unit compensation warrant entitles the holder to acquire one common share of the Company at a price of \$0.20 for eighteen months following the closing date. The financing closed in four parts ranging from December 1, 2010 to December 20, 2010.