

ROCKCLIFF RESOURCES INC.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED MAY 31, 2011

Be advised that these Unaudited Interim Consolidated 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 CONSOLIDATED BALANCE SHEETS

MAY 31, 2011

	May 31 2011	Aug. 31 2010
ASSETS		
Current:		
Cash and cash equivalents	\$ 1,481,056	\$ 601,238
Restricted cash and cash equivalents (Note 4)	273,473	806,973
GST and HST receivable	129,370	51,289
Prepaid expenses	<u>100,678</u>	<u>124,073</u>
	1,984,577	1,583,573
Property, plant and equipment (Note 5)	87,082	76,661
Mineral resource properties (Note 6)	<u>10,237,266</u>	<u>8,380,889</u>
	<u>\$ 12,308,925</u>	<u>\$ 10,041,123</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	\$ 266,134	\$ 122,505
Current portion of property option commitment (Note 10)	<u>34,800</u>	<u>31,200</u>
	300,934	153,705
Property option commitment (Note 10)	-	31,200
Future income taxes (Note 9)	<u>1,899,861</u>	<u>1,738,880</u>
	<u>2,200,795</u>	<u>1,923,785</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	14,316,857	10,619,273
Contributed surplus (Note 7)	1,538,878	1,311,668
Deficit	<u>(5,747,605)</u>	<u>(3,813,603)</u>
	<u>10,108,130</u>	<u>8,117,338</u>
	<u>\$ 12,308,925</u>	<u>\$ 10,041,123</u>

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

Approved by the Board:

William R. Johnstone, Director

Denis C. Arsenault, Director

ROCKCLIFF RESOURCES INC.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT FOR THE PERIODS ENDED MAY 31

	Three months ended		Nine months ended	
	2011	2010	2011	2010
Interest income	<u>\$ 5,993</u>	<u>\$ 2,439</u>	<u>\$ 10,466</u>	<u>\$ 2,787</u>
Expenses:				
Advertising and promotion	5,573	2,488	10,574	8,970
Amortization	9,517	5,016	17,599	25,118
Consulting fees (Note 8)	34,408	32,410	96,433	73,818
Disposal of property, plant and equipment (Note 8)	-	-	(221)	33,564
Filing and regulatory fees	9,618	12,537	53,888	43,555
General and administrative (Note 8)	8,343	4,587	33,896	49,308
Insurance	6,548	5,655	17,794	17,089
Occupancy costs	6,000	3,345	14,000	11,396
Professional fees (Note 8)	24,772	23,065	97,324	69,084
Stock option compensation (Note 7)	-	49,019	227,163	88,671
Travel and accommodation	7,177	12,455	14,184	23,338
Valuation allowance on mineral resource properties (Note 6)	<u>109,291</u>	<u>31,042</u>	<u>2,130,613</u>	<u>1,218,276</u>
	<u>221,247</u>	<u>181,619</u>	<u>2,713,247</u>	<u>1,662,187</u>
Loss before provision for income taxes	(215,254)	(179,180)	(2,702,781)	(1,663,900)
Provision for income taxes – future recovery	<u>(109,603)</u>	<u>(20,964)</u>	<u>(768,779)</u>	<u>(300,046)</u>
Net loss and comprehensive loss for the period	(105,651)	(158,216)	(1,934,002)	(1,363,854)
Deficit, beginning of period	<u>(5,641,954)</u>	<u>(2,526,842)</u>	<u>(3,813,603)</u>	<u>(1,321,204)</u>
Deficit, end of period	<u>\$ (5,747,605)</u>	<u>\$ (2,685,842)</u>	<u>\$ (5,747,605)</u>	<u>\$ (2,685,058)</u>
Net loss per share - basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>
Weighted average number of shares - basic and diluted	<u>74,463,848</u>	<u>48,479,816</u>	<u>63,706,633</u>	<u>41,526,955</u>

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

ROCKCLIFF RESOURCES INC.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE PERIODS ENDED MAY 31

	Three months ended		Nine months ended	
	2011	2010	2011	2010
Cash was provided by (used in) the following activities:				
Operating:				
Net loss for the period	\$ (105,651)	\$ (158,216)	\$ (1,934,002)	(1,363,854)
Amortization	9,517	5,016	17,599	25,118
Disposal of property, plant and equipment	-	-	(221)	33,564
Stock option compensation	-	49,019	227,163	88,671
Valuation allowance on mineral resource properties	109,291	31,042	2,130,613	1,218,276
Future income tax recovery	(109,603)	(20,964)	(768,779)	(295,546)
Changes in non-cash working capital items:				
Accounts receivable	4,542	34,114	(78,081)	(52,938)
Prepaid expenses	31,238	8,190	23,395	(943)
Accounts payable and accrued liabilities	(448,419)	(323,787)	143,629	26,486
	(509,085)	(375,586)	(238,684)	(321,166)
Financing:				
Property option commitment paid	-	-	(15,000)	-
Issuance of common shares	791,031	7,304	4,562,741	3,342,968
	791,031	7,304	4,547,741	3,342,968
Investing:				
Acquisition of mineral resource properties	(125,508)	(124,170)	(264,851)	(201,786)
Deferred exploration expenditures	(1,755,800)	(434,859)	(3,670,089)	(1,943,524)
Net change in cash and cash equivalents designated for exploration and development costs	2,198,348	732,100	533,500	(158,766)
Proceeds from disposal of property, plant and equipment	-	-	221	3,350
Acquisition of property, plant and equipment	(21,525)	-	(28,020)	(1,627)
	295,515	173,071	(3,429,239)	(2,302,443)
Increase in cash and cash equivalents	577,461	(195,211)	879,818	719,359
Cash and cash equivalents, beginning of period	903,595	914,570	601,238	-
Cash and cash equivalents, end of period	\$ 1,481,056	\$ 719,359	\$ 1,481,056	\$ 719,359

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

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2011

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. Basis of presentation:

The interim consolidated financial statements of the Company have been prepared by management, in accordance with Canadian GAAP, employing all of the same accounting policies and principles as disclosed in the annual financial statements as at August 31, 2010 except that they have been prepared on a consolidated basis.

On May 11, 2011 Goldpath Resources Corp., a wholly-owned subsidiary, was incorporated. Accordingly, these unaudited interim consolidated financial statements have been prepared using the consolidation method and include the assets and liabilities of Goldpath along with all revenues and expenses arising subsequent to its date of incorporation.

The notes to these interim consolidated financial statements are intended to provide a description of events and transactions that are significant to an understanding to the changes in the Company's financial position and performance since August 31, 2010. Certain disclosures that appear in the annual financial statements have not been reproduced in these interim financial statements and, in this regard only, these interim financial statements do not conform in all respects to the requirements of GAAP for annual financial statements. Accordingly, these interim financial statements should only be read in conjunction with the annual financial statements as at August 31, 2010.

3. 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.

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2011

3. Future accounting pronouncements (continued):

- (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.

4. Restricted cash and cash equivalents:

As an element of the public offerings completed December 2010 and December 2009 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 mineral resource properties

	May 31 2011	Aug. 31 2010
Balance at beginning of period	\$ 806,973	\$ 800,222
Gross proceeds received upon the issuance of flow through shares	3,000,000	2,000,000
Qualified exploration expenditures paid from these funds	(3,533,500)	(2,404,161)
Qualified exploration expenditures paid from general funds	-	<u>410,912</u>
Balance of future payments to be paid from these funds	<u>\$ 273,473</u>	<u>\$ 806,973</u>

5. Property, plant and equipment:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
May 31, 2011			
Furniture and equipment	\$ 53,937	\$ 36,162	\$ 17,775
Exploration equipment	104,613	57,613	47,000
Computer equipment	23,098	16,934	6,164
Computer software	<u>21,525</u>	<u>5,381</u>	<u>16,144</u>
	<u>\$ 203,172</u>	<u>\$ 116,090</u>	<u>\$ 87,083</u>
Aug. 31, 2010			
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 CONSOLIDATED FINANCIAL STATEMENTS

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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.

	May 31 2011	Aug. 31 2010
Opening balance	\$ 8,380,889	\$ 8,429,401
Exploration expenditures	3,670,089	2,397,968
Government grants received	-	(289,000)
Acquisition of mining properties	309,151	415,108
Valuation allowances on mineral resource properties ^(1, j)	<u>(2,130,613)</u>	<u>(2,572,588)</u>
Closing balance	<u>\$ 10,229,516</u>	<u>\$ 8,380,889</u>
Represented by:		
Optioned properties (HudBay), Snow Lake Mining District, Manitoba (a)	\$ 4,331,341	\$ 5,758,806
Optioned property (Jackfish), Snow Lake Mining District, Manitoba (b)	762,642	739,336
Optioned property (Tower), Thompson Nickel Belt, Manitoba (c)	1,938,712	428,706
Staked properties, Snow Lake Mining District, Manitoba (d)	2,210,629	1,213,409
Optioned properties (Gold Dust), Snow Lake Mining District, Manitoba (e)	598,843	225,031
Optioned property (Dunlop Reed), Snow Lake Mining District, Manitoba (f)	35,142	15,601
Optioned property (Black Gold), Larder Lake Mining Division, Ontario (g)	202,947	-
Optioned property (Dickstone), Snow Lake Mining District, Manitoba (h)	148,390	-
Optioned property (Spruce Point), Snow Lake Mining District, Manitoba (i)	<u>869</u>	<u>-</u>
	<u>\$ 10,229,516</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)	\$ 2,064,397	\$ 1,218,276
Staked property (Shihan), Sault Saint Marie Mining Division, Ontario (j)	<u>66,216</u>	<u>1,354,312</u>
	<u>\$ 2,130,613</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. Two additional properties were surrendered during the period, following receipt of exploration results that confirmed the assessment that the value had been impaired. The determination of impairment resulted in the recognition of an impairment loss in the amount of \$2,064,397, representing the full carrying value of these two properties. In accordance with the two continuing agreements, the Company has made cash option payments of \$145,000 to date and must make an additional payment of \$310,000 on or before March 22, 2012, in order to exercise its options. The Company has fully satisfied the exploration requirement for these properties.

Should the Company earn its 100% interest in either 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 CONSOLIDATED FINANCIAL STATEMENTS

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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 \$60,000 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 three annual cash payments of \$30,000 commencing March 26, 2012. The Company will acquire a 50% interest in the property provided it 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 \$30,000 and issued 80,000 common shares to the vendor relative to a 771 hectare property and is required to make the following payments: (i) \$15,000 cash and 40,000 common shares on or before December 29, 2011; (ii) \$25,000 cash and 40,000 common shares on or before December 29, 2012; and (iii) \$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 \$175,000 by 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 \$80,000 to date and is required to make annual cash payments of \$20,000 with the next one due December 2012. 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 \$100,000 on or before December 29, 2011 and an additional \$50,000 by December 29 of each subsequent year. 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 CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2011

6. Mineral resource properties (continued):

- (e) (iii) The Company has issued 100,000 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 \$125,000 by 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.
- (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) In January 2011 the Company entered into an option agreement to acquire a 100% interest, subject to a 2% net smelters return royalty in favour of the vendor, in the Dickstone Property, located in the Snow Lake District in Manitoba. Upon signing the Company made a cash payment of \$50,000. The Company is also required to incur cumulative exploration expenditures of not less than \$500,000 by January 31, 2012, \$1,500,000 by January 31, 2013, \$2,500,000 by January 31, 2013, and \$3,500,000 by January 31, 2014. As an element of these expenditures the Company must complete a minimum of 12,500 metres of diamond drilling on the property. In the event the Company earns its interest in this property the optionor may reacquire a 51% interest therein by paying Rockcliff an amount equal to three times the exploration expenditures incurred by Rockcliff during its earn in period, and by surrendering its net smelters return royalty.
- (i) In February 2011 the Company entered into an option agreement to acquire a 100% interest, subject to a 2% net smelters return royalty in favour of the vendor, in the Spruce Point Property, located in the Snow Lake District in Manitoba. The Company is required to make payments of \$10,000 on or before February 10, 2012, \$20,000 on or before February 10, 2013, \$120,000 on or before February 10, 2013, and \$350,000 on or before February 10, 2014. The final two payments may, at the Company's discretion, be settled in common shares. The Company is also required to incur cumulative exploration expenditures of not less than \$200,000 by February 10, 2012, \$600,000 by February 10, 2013, \$1,400,000 by February 10, 2013, and \$2,400,000 by February 10, 2014. In the event the Company earns its interest in this property the optionor may reacquire a 55% interest therein by paying Rockcliff two times the cash option payments made by Rockcliff, by incurring exploration expenditures that are twice those incurred by Rockcliff, and by surrendering its net smelters return royalty. Provided it has reacquired the 55% interest, the optionor may then 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.

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6. Mineral resource properties (continued):

- (j) The Company holds a 100% interest, subject to a 2% net smelter returns royalty in favour of the vendors, in the Shihan Property 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 \$66,216 was completed and a corresponding valuation allowance was recognized.

7. Share capital:

- (a) Authorized
Unlimited common shares.
- (b) Issued

	May 31 2011	Aug. 31 2010
Common shares	\$ 12,571,834	\$ 9,573,114
Warrants not yet exercised	<u>1,745,023</u>	<u>1,046,159</u>
Share capital	<u>\$ 14,316,857</u>	<u>\$ 10,619,273</u>
Common shares:	<u>No of shares</u>	<u>Value</u>
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
Common shares issued through private placement ⁽⁵⁾	6,666,667	450,317
Flow through shares issued through private placement ⁽⁶⁾	15,000,000	1,409,371
Shares issued upon exercise of warrants	4,761,000	902,484
Shares issued upon exercise of agents' units ⁽⁷⁾	386,295	55,698
Shares issued upon exercise of underlying warrants	394,670	71,200
Shares issued on exercise of stock options	300,000	45,000
Shares issued for mining properties or rights	<u>335,000</u>	<u>64,650</u>
Balance - May 31, 2011	<u>76,338,269</u>	<u>\$ 12,571,834</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 renounced 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.

(5) Reported net of cash offering costs of \$307,290 and warrants and comp warrants valued at \$242,393.

(6) Reported net of warrants and comp warrants valued at \$660,869 and the \$929,760 estimated tax value of the exploration expenditures renounced in accordance with the terms of these shares.

(7) Reported net of underlying warrants valued at \$11,239.

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7. Share capital (continued):

(b) Issued - continued

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–August 31, 2010	1,046,159
Value attributed to warrants and comp warrants issued through private placement	903,262
Value attributed to agents' units exercised	(28,306)
Value attributed to underlying warrants exercised	(12,000)
Value attributed to underlying warrants issued upon exercise of agents' units	11,239
Value attributed to warrants exercised	(175,284)
Value added to contributed surplus upon expiry of underlying warrants	<u>(47)</u>
Balance – May 31, 2011	<u>\$ 1,745,023</u>

(c) Details of options outstanding are as follows:

	Common Shares <u>Under Option</u>	Exercise Price	Expiry Date
	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>4,000,000</u> ⁽²⁾		
	<u>Common Shares</u>	<u>Weighted Average</u>	<u>Weighted Average</u>
<u>Description</u>	<u>Under Option</u>	<u>Exercise Price</u>	<u>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
Options exercised	(300,000)	\$ 0.15	Mar. 14, 2011
Options expired	(300,000)	\$ 0.47	Mar. 14, 2011
Issued during period	<u>1,500,000</u>	\$ 0.20	Sep. 29, 2015
End of period	<u>4,000,000</u>	\$ 0.24	Jun 14, 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 Company's Board at the September 14, 2010 shareholders' meeting.

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2011

7. Share capital (continued):

(d) Details of warrants outstanding are as follows:

	Number of Warrants	Exercise Price	Expiry Date
	770,500 ^(1, 2)	\$ 0.20	June 18, 2011
	9,000,000 ⁽²⁾	\$ 0.40	June 18, 2011
	1,250,000	\$ 1.50	March 26, 2012
	3,750,000	\$0.30	June 1, 2012
	580,500	\$0.20	June 1, 2012
	1,305,000	\$0.30	June 14, 2012
	6,105,418	\$0.30	June 15, 2012
	295,200	\$0.20	June 15, 2012
	66,667	\$0.15	June 15, 2012
	3,006,249	\$0.30	June 20, 2012
	218,000	\$0.20	June 20, 2012
	232,001	\$0.15	June 20, 2012
	26,579,535		
<u>Description</u>	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Expiry Date</u>
Beginning of period	15,791,500	\$ 0.40	June 20, 2011
Issued during period	15,945,330	\$ 0.28	January 1, 2010
Exercised during period	(5,155,670)	\$ 0.15	April 12, 2011
Expired during period	(1,625)	\$ 0.15	April 9, 2011
End of period	26,579,535	\$ 0.38	January 28, 2012

Subsequent to the balance sheet date 16,000 warrants ⁽¹⁾ were exercised and 9,754,500 ⁽²⁾ warrants expired.

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

	May 31 2011	Aug. 31 2010
Dividend yield	Nil	Nil
Risk free interest rate (%)	0.99 - 1.56	0.77 - 1.40
Expected stock volatility (%)	122.37 - 124.12	128.15 - 139.50
Expected life (years)	0.21 - 1.50	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 CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2011

7. Share capital (continued):

(e) Stock based compensation – (continued)

	May 31 2011	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:

	May 31 2011	Aug. 31 2010
Opening balance	\$ 1,311,668	\$ 624,921
Expiry of warrants	47	592,570
Compensation expense related to stock options	<u>227,163</u>	<u>94,177</u>
Closing balance	<u>\$ 1,538,878</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 February 28, 2011 there was \$Nil (August 2010 – Nil) included in accounts receivable and \$39,936 (August 31, 2010 - \$70,039) included in accounts payable and accrued liabilities as a result of these transactions:

		May 31 2011	May 31 2010
Lapierre	Exploration expenditures	\$ 164,198	\$ 142,085
Lapierre	Consulting fees and expenses	-	14,090
Lapierre	Disposal of property, plant and equipment	(221)	-
Geodigital	Exploration expenditures	-	141,465
Geodigital	Consulting fees and expenses	-	5,429
Geodigital	Disposal of assets	-	7,687
Gardiner	Professional fees	79,549	61,009
Gardiner	Stock issuance fees	22,500	14,414
Public	Consulting fees and expenses	20,000	12,500
MDI	Consulting fees and expenses	46,013	36,119

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2011

9. Income taxes:

Future income taxes:

	May 31 2011	Aug. 31 2010
Opening balance	\$ 1,738,880	\$ 1,701,899
Exploration expenditures renounced during period	929,760	660,000
Previously renounced expenditures charged to income in the period	(541,662)	(511,157)
Exploration expenditures deferred for income tax purposes	-	(15,197)
Future income taxes (recovered) due to change in tax rates	<u>(227,117)</u>	<u>(96,665)</u>
Closing balance	<u>\$ 1,899,861</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:

	May 31 2011	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	(2,558,881)	(2,397,900)
Valuation allowance	<u>(438,374)</u>	<u>(438,374)</u>
	<u>\$ (1,899,861)</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 \$2,000. Rent to December 31, 2011 has been prepaid.

The Company has signed a lease for its field office and accommodation in Snow Lake, Manitoba which expires July 31, 2011 but may be extended. Monthly rental payments of \$800, plus applicable utilities, are required. Rent to December 31, 2011 has been prepaid.

The Company also has an informal agreement to lease a facility used for cataloguing and storing drill core in Snow Lake Manitoba which requires monthly rental payments of \$1,500 plus applicable realty taxes and utilities. Rent to March 31, 2011 has been prepaid.

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

	Cash Payments
March 2012	\$ <u>310,000</u>

The Company has satisfied all exploration expenditure requirements relative to these properties.

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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10. Commitments (continued):

- (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 \$691,205 in exploration expenditures to date, before recoveries aggregating \$21,968, and has fully satisfied the exploration expenditure requirements of the option agreement. 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 (c):

	Cash Payments	Exploration Expenditures
March 2012	\$ 30,000	\$ 2,000,000
March 2013	30,000	-
March 2014	<u>30,000</u>	<u>2,000,000</u>
	<u>\$ 90,000</u>	<u>\$ 4,000,000</u>

The Company has incurred \$1,576,016 in exploration expenditures. All cash payments and share purchase warrant issuances required to date have been made in accordance with the agreement.

- (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 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>270,000</u>	<u>\$ 900,000</u>

The Company has made cash payments of \$75,000, issued 180,000 shares and incurred exploration expenditures of \$442,674. 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 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:

	May 31 2011	Aug. 31 2010
Property option commitment	\$ 34,800	\$ 62,400
Less: current portion	<u>(34,800)</u>	<u>(31,200)</u>
	<u>\$ -</u>	<u>\$ 31,200</u>

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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10. Commitments (continued):

- (f) The Company is committed to making the following future payments under the terms of the Dunlop-Reed Property option agreement as described in Note 6 (f):

	Number of Shares
March 2011	25,000
March 2012	25,000
March 2013	<u>25,000</u>
	<u>75,000</u>

The Company is also required to maintain the property in good standing. All share issuances required to date have been made in accordance with the agreement.

- (g) The Company is committed to making the following payments (cash, shares and exploration expenditures) under the terms of the Black Gold Property option agreements as described in Note 6 (g):

	Cash Payments	Number of Shares	Exploration Expenditures
October 2011	\$ 50,000	200,000	\$ 50,000
October 2012	50,000	200,000	50,000
October 2013	50,000	200,000	50,000
October 2013	<u>50,000</u>	<u>200,000</u>	<u>350,000</u>
	<u>\$ 200,000</u>	<u>800,000</u>	<u>\$ 500,000</u>

The Company has made cash payments of \$50,000, issued 200,000 shares and incurred exploration expenditures of \$116,025 relative to the commitments noted above.

- (h) The Company is committed to making the following exploration expenditures under the terms of the Dickstone Property option agreement as described in Note 6 (h):

	Exploration Expenditures
January 2012	\$ 500,000
January 2013	1,000,000
January 2014	1,000,000
January 2015	<u>1,000,000</u>
	<u>\$ 3,500,000</u>

As a component of the expenditures noted above, the Company is required to complete at least 12,500 metres of diamond drilling no later than January 2015.

- (i) The Company is committed to making the following payments (cash and exploration expenditures) under the terms of the Spruce Point Property option agreement as described in Note 6 (i):

	Cash Payments	Exploration Expenditures
February 2012	\$ 10,000	\$ 200,000
February 2013	20,000	400,000
February 2014	120,000	800,000
February 2015	<u>350,000</u>	<u>1,000,000</u>
	<u>\$ 500,000</u>	<u>\$ 2,400,000</u>

ROCKCLIFF RESOURCES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED 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. There are no externally imposed capital requirements.

Management includes the following items in its definition of capital:

	May 31 2011	Aug. 31 2010
Share Capital	\$ 14,316,857	\$ 10,619,273
Contributed surplus	1,538,878	1,311,668
Deficit	<u>(5,747,605)</u>	<u>(3,813,603)</u>
Net capital under management	<u>\$ 10,108,130</u>	<u>\$ 8,117,338</u>

12. Supplemental Cash Flow Information:

	May 31 2011	May 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	17,100	25,000
Property option commitment recorded	4,500	55,200
Renounced expenditures	929,760	660,000
Expired warrants transferred to contributed surplus	47	592,570