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Millrock projects attract global miners

Teck options Alaska gold property to become latest major to partner with junior on copper and gold prospects that it generates

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Mining News

When the financial storm of late 2008 wreaked havoc on global markets, Millrock Resources Inc. refrained from splurging its precious cash on expensive drill campaigns. But it didn't sit idly by waiting for better economic times either.

Instead, the Vancouver, B.C.-based junior invested its wealth of geological experience in identifying promising grassroots gold and copper projects. Millrock also formed key alliances with financially stable miners wanting to invest in projects generated by the young company.

"We made a conscious decision in the start of 2009 not to do any drilling. We had a small amount of cash; let's take a gamble and put that money in the ground doing reconnaissance work, developing more projects and let's work like heck to get ourselves partners that will pay for the exploration. Now it's payback; we are going to drill very aggressively this year." Millrock President and CEO Gregory Beischer told Mining News during a May 7 interview.

The strategy paid off for the project-generating junior. Since the beginning of 2009, Millrock has attracted global miners Vale Inco Ltd., Teck Resources Ltd., Kinross Gold Corp. and Inmet Mining Corp. as partners on its gold and copper projects.

"So far we have mostly done agreements with major mining companies, and that's good for us because it shows that our technical team can generate projects that are of interest to some of the world's biggest mining companies," Beischer said.

In addition to mining powerhouses, Millrock has aligned itself with successful project generator, Altius Minerals Corp., and junior explorer Valdez Gold Corp. The company is currently courting other juniors to become partners on its expanding portfolio of projects.

“Part of our strategy going forward will be to take equity positions in these junior companies,” Beischer explained.

Millrock currently has a total of about 10,000 meters of drilling slated for this year for its properties in Alaska and Arizona. The explorer also plans to advance its early-stage projects with boots-on-the-ground geology.

Adhering to its business model of generating new mining projects, Millrock is planning to expand its portfolio by making grassroots discoveries and seeking out new partners to explore its promising prospects.

“We have got a lot of projects now but we can’t sit idle. We will continue to generate more projects this year,” Beischer said.

Teck options Estelle

Since its inception in 2007, Millrock has built itself up around the project generator model. The junior explorer’s modus operandi is to seek out early stage mineral projects, complete initial exploration and then joint venture the projects to other industry players. The one caveat being, the company planned to hold onto the Estelle gold project, its flagship gold property in Alaska.

When global miner Teck Resources Inc. agreed to finance exploration at the 32,511-acre Estelle project, the Millrock team was presented with the option of keeping sole ownership of the promising prospect or fully embracing the project generator model on which the company is built. After some deliberation, Millrock chose to partner with Teck at Estelle.

“We want to stick to our business model of being a project generator company,” Beischer explained to Mining News.

Spending C\$600,000 in early May to purchase a 2.8 percent stake in Millrock, Teck joined Kinross Gold and Altius Minerals in the growing queue of successful mining companies willing to pay a premium for shares of the project generator.

Teck entered into the option agreement for Estelle without ever stepping foot on the 25,200-acre gold property. In order to mitigate its risks, and still have the option to own an interest in the promising prospect, the diversified global miner bought 1,363,636 units of the project generator at C44 cents each, a 25 percent premium on the going price of Millrock’s shares.

Beischer told Mining News that a majority of the funds invested by the major will be spent on exploring Estelle, one of four properties the company owns in the Kahiltna Terrane.

“We will be initiating a well-funded, comprehensive, systematic exploration program that the project deserves,” the Millrock CEO said.

Millrock does not plan to drill the gold project this year; instead its geologists will scour the massive property with the goal of identifying drill targets for an aggressive drill program in 2011.

“The Shoeshine and Oxide Ridge anomalies will certainly be a focus of this year’s program; we will flesh those out and prepare ourselves to drill the best possible targets there,” Beischer told Mining News.

“A big part of the rest of the program there will be to further prospect the rest of the 35-kilometer-long claim block. We spent a total of 200 man-days over the course of two summers on the project on absolute shoestring budgets, and we have come up with two fantastic mineral occurrences. I think if we spend half a summer here, doing some good boot-and-hammer prospecting, geochemical work and interpretation of the data we are going to come up with a lot more drilling targets,” he added.

If Teck likes what it sees during this year’s investigation of Estelle, it will have the option to earn a 55 percent interest in the property by spending US\$3.6 million in expenditures over two years. The major can earn an additional 10 percent interest in the Kahiltna Terrane property by funding another US\$5 million and making optional cash payments to Millrock totaling US\$400,000 by the end of 2014.

Kahiltna prospects

Estelle is not the only project Millrock is investigating in the Kahiltna Terrane, a region that also hosts Kiska Metal Corp.’s Whistler porphyry copper-gold property and the enormous Pebble copper-gold-molybdenum project. In 2009 Millrock crews scoured this mineral-rich region northwest of Anchorage, Alaska, staking three additional porphyry and intrusion-related gold occurrences.

“It is the same belt of rocks as Pebble, there are some great indications of mineralization all around this Kahiltna Terrane, and I think an area play could really break out here. I think that once people catch on, there could be a staking rush, we are trying to have the best possible ground,” Beischer said.

The investigation of the Kahiltna Terrane was funded through a strategic alliance struck with Altius Minerals. Altius, a project generator and royalty business, invested C\$930,000 into Millrock in June of last year. Paying about a 33 percent premium the Newfoundland-Labrador-based company purchased nearly an 11 percent interest in Millrock.

“We had the luxury, because of our strategic alliance with Altius Minerals, of having funds available, in a very tough economic time, to do reconnaissance-level exploration. I could not have possibly raised money to do reconnaissance exploration on the equity markets at this time last year,” Beischer said.

Millrock staked three properties in the Kahiltna Terrane, an “area of interest” agreed upon between the two project generators. Altius selected the Monte Cristo gold prospect and the St. Eugene copper-gold property as “designated projects.”

“The way the alliance is structured is; we use the funds they placed in our company to do research and reconnaissance. After the reconnaissance is done, if we acquire claim blocks they can nominate them as designated projects,” Beischer explained.

The Newfoundland-based company will receive a 1 percent royalty on gold projects and a one-half percent royalty on base metal projects it designates under the strategic alliance.

Revelation, the third Kahiltna Terrane property staked by Millrock in 2009, was not selected by Altius. This 5,760-acre pluton-hosted gold target is positioned about 30 miles, or 48 kilometers, west of

Millrock's Estelle property and about 3 miles, or 4.8 kilometers, northwest of International Tower Hill Mines' Terra gold property.

Equipped with maps and other proprietary information acquired from Gerald Booth, Millrock geologists immediately discovered a 600-meter-long soil anomaly on the property where they retrieved 10 samples returning values ranging between 95 parts per billion and 1,200 ppb gold.

"We paid a finder's fee to Mr. Booth, and we are glad we did because it led us directly to some known mineralization and saved us a ton of money in regional reconnaissance work," Beischer said.

"Millrock should be a company people want and come and see with their prospects, because we are good to deal with. We pay people for their knowledge and information and actually structure it so they get part of the big payoff if we are successful in finding a giant ore-body," he added.

Beischer said all three of the Kahiltna Terrane properties staked last year are available for option in this emerging area gold play.

"They are available at any time; we expect though, to have to put some more money in the ground before we convince someone to put some serious money in the ground," he said.

Kinross funds Council drilling

Kinross has joined Millrock in its exploration of the Council claim block on Alaska's Seward Peninsula. The senior gold miner has agreed to spend up to US\$6 million to earn a 75 percent interest in the promising gold prospect that, including and agreed upon area of interest, covers 900 square miles that has historically produced nearly 500,000 ounces of placer gold.

In 2008 Millrock signed a deal with Bering Straits Native Corp. on the 114-square-mile Council gold property tract about 62 miles, or 100 kilometers northeast of Nome. The company then optioned the Albion claims, a group of highly prospective gold claims adjacent to Council and added to its land position by staking additional claims in the region.

"Big companies like big projects. They don't like little postage stamp claim blocks, they like whole districts. That was our strategy, put the whole district together and then go see a big company," Beischer explained.

Beischer said Kinross was at the top of its list when it sought a partner for the Council, Warm Creek and Albion claims that make up the Council area claim block.

"Kinross had already built a relationship with Millrock. They made a private placement in our company about 14 months ago, which was very timely and helpful in a bad market. Because they helped us out in the bad times, we will often bring them our prospects first. They are a great partner," Beischer told Mining News.

Paying a modest premium to Millrock's share price, Kinross spent C\$350,000 in 2009 to purchase around a 5.5 percent interest in the Alaska explorer. The Fort Knox Mine owner added to its stake in the junior by investing another \$250,000 in the company this April.

Millrock will be the operator of a 2,500-meter reverse circulation drill program slated to begin in early July.

The headwaters of Albion Creek, an area where early prospectors hand dug gold-rich weathered bedrock, will be one of the key targets of the 2010 drill program.

“We anticipate that the lode deposit is right there just beneath the surface,” Beischer said.

Junior partner at Bluff

Drills will also be churning about 22 miles, or 35 kilometers south of Council at Millrock’s Bluff gold property. Valdez Gold Corp., a Toronto-based junior, has appropriated about C\$1.1 million to drill around 5,000 meters at the project.

The primary target of this year’s drilling at Bluff will be to confirm and expand on areas explored by BHP Billiton plc in the late 1980s. BHP discovered three zones on the property with a combined 505,000 ounce gold resource.

During its investigation of Bluff, BHP drilled several significant intersections in the three zones including 5.48 g/t gold over 10.9 meters, 4.19 g/t gold over 4.5 meters, and 1.93 g/t gold over 16.3 meters.

In 2008 Millrock confirmed the presence of gold on the property with a modest drill program, but due to the fractured nature of the rock core recovery was poor. This year the company will use reverse circulation drilling to help improve recoveries.

Valdez Gold can earn a 55 percent stake in the property by spending US\$3 million at the project by paying Millrock US\$300,000 and issuing the project generator 900,000 Valdez Gold shares by the end of 2012. It up its interest to 75 percent by spending an additional US\$3 million on exploration, paying Millrock another US\$600,000 and issuing \$1.1 million more shares.

Tintina gold properties available

Millrock’s portfolio also includes Fortymile and Uncle Sam, two gold properties in the heart of the Tintina Gold Belt, a prolific source of placer gold that arcs 1,200 miles, or 1,900 kilometers, from northern British Columbia through southern Yukon to the west coast of Alaska.

The Fortymile property is in the Fortymile Mining District near the Yukon border, a historic mining region where over 300,000 ounces of placer gold production has been recorded. Millrock said data acquired from Kennecott in 2009 points to a number of targets on the property that warrant drilling.

The Uncle Sam property, the most recent addition to Millrock’s portfolio, was acquired from Kiska Metals earlier this year. The property lies about halfway between Kinross’ Fort Knox Mine to the west and Sumitomo Metal Mining’s Pogo Mine to the east. The company believes the mineralization at Uncle Sam more closely resembles the high-grade veins found at Pogo.

With abundant local infrastructure supporting exploration and several attractive drill targets, Uncle Sam is currently the subject of joint venture negotiations that could potentially fund drilling on this highly prospective gold property this field season.

“We have had a fair bit of interest over the past several months from a variety of other junior companies, and I think we are close to making an agreement whereby they would essentially cover our payments and earn up to a 70 percent interest in the project,” Beischer said.

The Millrock CEO anticipates that 2010 exploration at Uncle Sam will begin with a geochemical survey, possibly followed by a late-season drill program.

Seeking Arizona porphyries

Millrock has generated three porphyry copper-gold-molybdenum prospects in southeastern Arizona, a region known for its porphyry copper.

In March of last year, Vale Exploration Canada Inc. entered into a joint venture agreement on Millrock’s Galiuro copper-gold-molybdenum project north of Tucson, Arizona.

“Vale had been looking for copper projects in North America for almost two years and they picked this one first,” Beischer said. “And I really like the structure of the deal.”

In exchange for cash payments of US\$850,000 and exploration expenditures of US\$3.5 million by the end of 2012, the Brazil-based mining giant can earn a 60 percent stake in the giant porphyry deposit. Vale can raise its stake to 70 percent by completing a feasibility study.

The JV partners, led by Millrock, completed preliminary mapping on the project in 2009, followed by an airborne Z-Axis Tipper Electromagnetic and magnetic survey of the enormous porphyry prospect.

“Our partner Vale got really excited once the ZTEM geophysical data was in and they wanted us to drill right away,” the Millrock CEO told Mining News.

With Millrock as operator, Vale has agreed to a \$600,000 drilling program for 2010 which began May 4.

In spring 2009, Galiuro was optioned by Vale Exploration Canada Inc. which may expend up to US\$3.5 million and make cash payments totaling US\$850,000 prior to December 31, 2012 to earn a 60 percent participating interest in the property.

The project generator’s other two Arizona copper properties, San Jose and Dry Mountain, are optioned to Inmet Mining. The Canada-based miner with operations in Turkey, Finland, Canada and Spain can earn up to a 70 percent interest in these properties by paying Millrock US\$300,000 and spending US\$4 million on exploration on the projects.

The partners will start the 2010 field work with a US\$500,000 spring program of geophysical surveys designed to refine drill targets, with drilling to follow as early as fall.