

Millrock Resources (MRO-TSXV)

The following editorial is extracted from the May 2010-1 Issue

Initiating Coverage

Millrock is a mineral exploration company with several gold and gold-copper projects in Alaska and Arizona. The company follows the prospect generator model, whereby joint venture partners fund work on its properties. Partners and investors include large mining companies and other juniors. Millrock has eight exploration projects in Alaska, and three in Arizona. Four of these projects have joint venture partners funding work expenditures. Drilling is planned on four of the projects in 2010.

President Gregory Beischer is a geologist with 20 years experience including thirteen years of in Alaska. Vice president of exploration Phil St. George is another geologist and was a major contributor to the discovery of the Pebble deposit and the Donlin Creek and Rock Creek deposits, all of which are important gold deposits in Alaska.

The 100% owned Estelle project is located in the Rainy Pass district, 160 kilometers northwest of Anchorage in Alaska. The project runs adjacent to Kiska Metals Whistler copper-gold property where 5.75 million ounces of gold has already been outlined.

The Estelle property hosts porphyry style mineralization that also has high grade vein gold occurrences extending over a 20 kilometer trend. Estelle is a multi-million ounce gold target that shows similarities to Novagold's 40 million ounce Donlin Creek deposit. Millrock has worked on the project for a couple of years. Earlier this year, they extended the property based on

the results from last summer. An initial 2,000 meter drill program is planned this summer.

The Bluff gold project is located 80 kilometers east of Nome in western Alaska. The project is located on the coast and is accessible by sea, gravel road or via airstrip. Drilling by BHP in the 1980's outlined a 500,000 ounce non-compliant gold resource from three zones on the property. Work in 2010 will include 4,500 meters of drilling, trenching, geochemical and geophysical work to confirm the resource outlined by BHP and to test new targets on the property. Exploration work is being funded by joint venture partner Valdez Gold (VAZ-TSXV). The junior has the option to earn an initial 55% interest in Bluff by spending US\$3 million in exploration work and by making option payments and issuing shares to Millrock prior to 2013.

The Council property is located on the Seward Peninsula 100 kilometers northeast of Nome, Alaska. The area is known for its placer gold production, with an estimated 300,000 ounces of gold produced historically. Millrock has pieced together the property where the placer gold is believed to have originated.

Millrock has entered into a joint venture agreement with Kinross Gold Corp (K-TSX) for a 900 square kilometer area of interest that includes the Council and Albion properties and Warm Creek claims. Kinross can earn 55% of the property by spending US\$3 million in exploration expenditures and paying Millrock US\$260,000. A minimum of US\$500,000 must be

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RB LAWRENCE ROULSTON'S **RESOURCE OPPORTUNITIES**

spent in 2010. Millrock will be the project operator for the 2010 program. An initial 500 meter drill program is planned.

Millrock formed a strategic alliance with a subsidiary of Altius Minerals (ALS-TSX) last year for the exploration of the Kahitna Terrane in Alaska. In February 2010, the partners staked two exploration properties in the area, St Eugene and Monte Cristo, and as part of the alliance agreement will hold the properties in a 50%-50% joint venture agreement. The properties are located 130-150 kilometers northwest of Anchorage and host gold rich and copper-gold-molybdenum rich porphyry targets that were identified in the 1970's.

The San Jose and Dry Mountain porphyry copper properties are located 160 kilometers northeast of Tucson, Arizona near Freeport's Safford deposit where production began in 2007 on a six billion tonne copper deposit. San Jose was explored by Noranda in the 1990's and a porphyry center was identified. The properties have strong geochemical anomalies outlined on them. Both properties are covered by overburden, however geophysics suggests that it is a shallow cover. In March 2010, Millrock signed a joint venture agreement with Inmet Mining Corp (IMN-TSX) whereby Inmet can earn a 70% interest in both San Jose and Dry Mountain by spending US\$4 million on exploration and making option payments of US\$300,000. Millrock will be the operator of the project and US\$500,000 will be spent in 2010.

The Galiuro property is located 80 kilometers northeast of Tucson, Arizona and 80 kilometers southeast of the Resolution deposit, which is currently being drilled off by Rio Tinto. Resolution is reported to contain one to two billion tons of ore grading between 1% and 2% copper.

Millrock's Galiuro property is subject to a joint venture with Vale, the giant Brazilian company that is

one of the largest mining companies in the world. Vale can earn a 60% interest in the property by spending \$3.5 million in exploration expenditures and paying \$850,000 cash before 2013. Vale can earn an additional 10% in the property by completing a feasibility study. Millrock will act as the operation manager. Detailed geological mapping and airborne and magnetic surveys have been completed on the property, and results helped to identify geological relationships underneath the volcanic cover. The target will be further refined with ground-based geophysics in 2010, which will be followed up with drilling in the fall.

Millrock has assembled an exceptional property position and attracted some very strong partners. Those partners validate the geological concepts and also provide the financial and technical support to carry out large-scale exploration projects.

The geologically-oriented management team has focused on the exploration side of the business, devoting little attention to attracting investor interest. The share price has been further subdued by 15 million warrants overhanging the market. A third of those, exercisable at C\$0.75, will expire next month. Another third are held by Kinross and Altius, both of which are long-term investors. The remaining 4.7 million warrants are exercisable at C\$0.30 and have a forced conversion with a share price above C\$0.40. As such, the warrants may provide some stock to the market at a price over C\$0.40 and would provide funding for the company.

The news flow from the projects over the coming weeks will undoubtedly attract a great deal of attention from investors. The company deserves a higher valuation based on the strong geological team and the inherent value of its projects, which have large-scale potential. Any encouraging news from the drilling will have a substantial impact on the value of the company. I expect to see the share price moving in



the very near term based on investor awareness, with big upside potential from favorable results.

Price April 30, 2010: C\$0.36
 Shares Outstanding: 47 million
 Shares Fully Diluted: 67 million
 Market Cap: C\$16.9 million
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