



## **INTERIM REPORT**

For the Three Months Ended March 31, 2010

(See Notice)



**MILLROCK RESOURCES INC.**

Notice

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**Notice of No Auditor Review of the Interim Financial Statements**

The accompanying unaudited interim financial statements of Millrock Resources Inc. (“the Company”), for the three months ended March 31, 2010, have been prepared by management and have not been the subject of a review by the Company’s independent auditor.

**MILLROCK RESOURCES INC.**  
*( An Exploration Stage Company )*

## Consolidated Balance Sheets

As at March 31, 2010 and December 31, 2009  
*( expressed in Canadian dollars )*

<b>ASSETS</b>	<b>31-Mar-2010</b>	<b>31-Dec-2009</b>
<b>Current</b>		
Cash and cash equivalents	\$ 348,358	\$ 1,076,450
Security deposit and restricted cash (Note 4j)	590,113	593,254
Amounts receivable	108,661	10,142
Due from related parties - Note 9	10,232	1,825
Prepaid expenses	67,811	40,515
	<b>1,125,175</b>	<b>1,722,186</b>
Advances on exploration expenditures	28,265	64,916
Mineral properties - Schedule, Note 4 and 9	4,473,776	4,268,441
Equipment - Note 5	59,064	12,680
	<b>\$ 5,686,280</b>	<b>\$ 6,068,223</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 162,447	\$ 78,191
Project cost advance received - Note 6	43,180	265,207
	<b>205,627</b>	<b>343,398</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital - Note 7	13,991,872	13,981,072
Contributed Surplus - Note 7	1,172,223	1,146,633
Deficit	(9,683,442)	(9,402,880)
	<b>5,480,653</b>	<b>5,724,825</b>
	<b>\$ 5,686,280</b>	<b>\$ 6,068,223</b>

Nature of Operations and Ability to Continue as a Going Concern - Note 1  
 Commitments - Note 4  
 Subsequent events - Notes 11

Approved by the directors

Gregory Beischer  
 Gregory Beischer

Darryl Cardey  
 Darryl Cardey

See accompanying notes to the financial statements

**MILLROCK RESOURCES INC.***(An Exploration Stage Company)***Consolidated Statements of Operations and Deficit***For the Three Months Ended March 31, 2010 and 2009**(expressed in Canadian dollars)*

	<b>2010</b>	<b>2009</b>
<b>Revenue</b>		
Management fee	\$ 53,855	\$ -
	<b>53,855</b>	<b>-</b>
<b>General and administrative expense</b>		
Accounting and audit - Note 9	20,099	29,031
Amortization and depreciation	1,843	493
Bank charge and interest	2,017	1,807
Conference & exhibitions	25,525	8,428
Consulting - Note 9	63,617	57,321
Directors' fees	2,000	2,000
Filing and listing	10,307	7,630
Foreign exchange (gain)/loss	(48,205)	6,475
Geological exploration	413	-
Insurance	6,899	9,540
Investor relations	95,784	15,465
Legal	24,909	5,019
Miscellaneous	487	4,342
Office expense	21,892	26,095
Rent and storage	15,273	20,868
Salaries and benefits	24,199	5,378
Stock-based compensation - Note 7	25,590	1,149
Travel	42,262	23,522
	<b>334,910</b>	<b>224,563</b>
<b>Loss before other items</b>	<b>(281,055)</b>	<b>(224,564)</b>
<b>Other items</b>		
Interest income	493	(4,204)
Write-off of mineral properties	-	(255)
<b>Net (loss) and comprehensive loss for the periods</b>	<b>(280,562)</b>	<b>(229,023)</b>
<b>Deficit, beginning of periods</b>	<b>(9,402,880)</b>	<b>(7,399,864)</b>
<b>Deficit, end of periods</b>	<b>\$ (9,683,442)</b>	<b>\$ (7,628,887)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>	<b>46,854,137</b>	<b>30,349,546</b>

See accompanying notes to the financial statements

**MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

**Consolidated Schedule of Mineral Properties**

For the Three Months Ended March 31, 2010 and 2009

(expressed in Canadian dollars)

	San Jose &													Total
	Divide	Fortymile	Galiuro	Dry Mountain	Estelle	Bering Straits	Seward PenGen	Albion	Uncle Sam	Altius	Altius JV	Project Generation	Other Properties	Total
<b>Balance at December 31, 2009</b>	\$ 226,106	\$ 269,979	\$ 216,595	\$ 349,291	\$ 814,142	\$ 1,547,303	\$ 225,068	\$ 40,084	\$ 119,143	\$ 423,873	\$ -	\$ -	36,857	\$ 4,268,441
Addition during the period														
Acquisition cost														
Cash	-	-	15,729	(20,250)	742	2,050	-	(671)	-	31,707	-	-	15,773	45,080
Shares - note 1	-	-	3,600	7,200	-	-	-	-	-	-	-	-	-	10,800
	-	-	19,329	(13,050)	742	2,050	-	(671)	-	31,707	-	-	15,773	55,880
Exploration costs:														
Drilling	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Geochemistry	-	-	4,918	1,757	5,444	1,369	1,094	404	2,108	5,916	-	-	-	23,010
Geology	-	14,085	10,309	3,485	3,831	22,886	-	8,379	33,130	21,663	1,509	521	7,746	127,543
Geophysics	-	-	45,817	-	17	-	-	-	-	-	-	-	-	45,834
Environmental and permitting	-	-	7,859	1,041	-	255	-	109	156	-	-	-	-	9,420
Support and equipment	-	3,206	37,065	343	4,368	2,482	222	938	3,901	6,796	217	-	597	60,135
Administration	-	567	3,738	833	2,610	4,641	257	1,290	1,222	1,051	1,978	-	885	19,072
	-	17,858	109,706	7,459	16,270	31,633	1,573	11,120	40,517	35,426	3,704	521	9,227	285,014
Less:														
Recoveries	-	-	135,559	-	-	-	-	-	-	-	-	-	-	135,559
Write off	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	135,559	-	-	-	-	-	-	-	-	-	-	135,559
<b>Net additions</b>	-	17,858	(6,524)	(5,591)	17,012	33,683	1,573	10,449	40,517	67,133	3,704	521	25,000	205,335
<b>Balance at March 31, 2010</b>	\$ 226,106	\$ 287,837	\$ 210,071	\$ 343,700	\$ 831,154	\$ 1,580,986	\$ 226,641	\$ 50,533	\$ 159,660	\$ 491,006	\$ 3,704	\$ 521	\$ 61,857	\$ 4,473,776

**MILLROCK RESOURCES INC.***( An Exploration Stage Company )***Consolidated Statements of Cash Flows***For the Three Months Ended March 31, 2010 and 2009**( expressed in Canadian dollars )*

	<b>2010</b>	<b>2009</b>
Cash provided from (used for)		
<b>Operating activities</b>		
Loss for the period	\$ (280,562)	\$ (229,023)
Items not involving cash		
Amortization	\$ 1,843	493
Unrealized foreign exchange gain	-	(15,445)
Stock-based compensation	25,590	1,149
	<b>(253,129)</b>	<b>(242,827)</b>
Net change in non-cash working capital items		
Accounts receivable	(98,519)	(159,903)
Security Deposit and restricted cash	3,141	-
Prepaid expenses	(27,296)	(19,792)
Due from related parties	(8,407)	-
Accounts payable and accrued liabilities	84,256	33,293
Project cost advance received	(222,027)	29,004
Due to related parties	-	2,000
	<b>(521,981)</b>	<b>(358,225)</b>
<b>Investing activities</b>		
Advances on exploration expenditures	36,651	-
Mineral properties acquisition and exploration costs	(194,536)	(307,145)
Purchase of equipment	(48,226)	-
	<b>(206,111)</b>	<b>(307,145)</b>
<b>Financing activities</b>		
Share issued for cash	-	-
	<b>-</b>	<b>-</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(728,092)</b>	<b>(665,370)</b>
<b>Cash and cash equivalents, beginning of periods</b>	<b>1,076,450</b>	<b>1,229,734</b>
<b>Cash and cash equivalents, end of periods</b>	<b>\$ 348,358</b>	<b>\$ 564,364</b>

See accompanying notes to the financial statements

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2010 and 2009

(Expressed in Canadian dollars)

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### **1. Nature of Operations and Ability to Continue as a Going Concern**

Millrock Resources Inc. (the “Company”) is a public company listed on the TSX Venture Exchange. In August 2007, the Company received approval from the TSX Venture Exchange to change its business from an online data service to a mineral exploration company and changed its name to Millrock Resources Inc. from First Factor Developments Inc., a Vancouver based company listed on the NEX board of the TSX Venture Exchange. The Company’s shares commenced trading on the TSX Venture Exchange under the trading symbol “MRO” in August 2007.

The Company’s principal business activities include exploration and development of mineral resources. All of the Company’s projects are considered to be in the exploration stage and the Company has not yet determined whether these properties contain mineral resources that are economically recoverable (“ore reserves). The Company utilizes the “Project Generator” business model. Through research and early stage exploration, the Company generates new exploration ideas, acquires mineral rights and performs exploration work to clearly identify drilling targets. Drilling is funded by earn-in partners.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the company will be able to meet its obligations and continue its operations for its next fiscal year. Realization value may be substantially different from carrying value as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As of March 31, 2010, the Company had not yet achieved profitable operations, had working capital of \$919,548 (Year end 2009: \$1,378,788) which may not be sufficient to sustain operations over the next twelve months and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. The company’s ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operation when they come due.

### **2. Significant Accounting Policies**

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may differ from these estimates.

The consolidated financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

#### **(a) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its two wholly owned subsidiaries, Millrock Alaska LLC and Millrock Exploration Corporation. Millrock Alaska LLC and Millrock Exploration Corporation were incorporated in the State of Alaska, USA in November 2007 and March 2008 respectively.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2010 and 2009

(Expressed in Canadian dollars)

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### **2. Significant Accounting Policies (continued)**

#### **(b) Use of Estimates**

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include impairment of mineral properties, estimates of accounts payable and accrual liabilities, the assumptions used in the determination of the fair value of stock-based compensation, and the determination of the valuation allowance for future income tax assets. Actual results could differ from those estimates.

#### **(c) Financial Instruments**

The Company follows CICA Handbook Sections 1530, "Comprehensive Income", Section 3251, "Equity", Section 3855, "Financial Instruments – Recognition and Measurement", Section 3862, "Financial Instruments – Disclosure", Section 3863, "Financial Instruments – Presentation" and Section 3865, "Hedges". Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Section 3862 and 3863 establishes standards for presentation and disclosure of financial instruments, non-financial derivatives and identifies the information that should be disclosed about them. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2010 and 2009

(Expressed in Canadian dollars)

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### **2. Significant Accounting Policies (continued)**

#### **(c) Financial Instruments (continued)**

The Company designated cash, cash equivalents and restricted cash as financial assets held for trading. Amounts receivable and due from related parties are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The standard prioritizes the inputs into three levels that may be used to measure fair value:

##### *Level 1*

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

##### *Level 2*

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

##### *Level 3*

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist of cash and cash equivalent, accounts receivable, franchise tax prepaid, accounts payable and accrued liabilities.

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments is approximated to their carrying values.

#### **(d) New Accounting Pronouncements**

##### **International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("GAAP") and IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2010 and 2009

(Expressed in Canadian dollars)

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### **2. Significant Accounting Policies (continued)**

#### **(d) New Accounting Pronouncements (continued)**

##### **International Financial Reporting Standards (“IFRS”) (continued)**

The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

##### **Goodwill and Intangible Assets**

The Company has adopted CICA Handbook section 3064 for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company does not expect the adoption of this new Section to have a great impact on its financial statements.

##### **Business combinations, financial statements and non-controlling interests**

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-Controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of financial statements. These sections are applicable for the Company’s interim and annual financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

On January 1, 2009, the Corporation adopted Emerging Issues Committee (“EIC”) abstract 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” which provides further information on the determination of the fair value of financial assets and financial liabilities under Section 3855, entitled “Financial Instruments – Recognition and Measurement”. This EIC states that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this Abstract. The Corporation has incorporated the provisions of EIC 173 in its fair value determinations of financial instruments as at December 31, 2009. The implementation of this section had no material impact on the Corporation's financial statements.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)  
Notes to Consolidated Financial Statements  
For the Three Months Ended March 31, 2010 and 2009  
(Expressed in Canadian dollars)

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### **2. Significant Accounting Policies (continued)**

#### **(e) Cash and Cash Equivalents**

Cash equivalents are highly liquid investments with major financial institutions that have maturities or redemption provisions of three months or less from the date of acquisition.

#### **(f) Mineral Properties**

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Cost of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on an annual basis and will recognize impairment in carrying value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

#### **(g) Equipment**

Equipment consisting of office furniture and computer equipment is recorded at cost less accumulated amortization. Amortization is recorded using the straight line method at annual rates of 20%.

#### **(h) Asset Retirement Obligations**

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period when the obligation is incurred and a reasonable estimate of the future liability can be determined, with a corresponding increase to the carrying amount of the related assets. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset. As at March 31, 2010 and December 31, 2009, the Company had no asset retirement obligations.

#### **(i) Impairment of Long-lived Assets**

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable. If changes in circumstances

## **MILLROCK RESOURCES INC.**

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### **2. Significant Accounting Policies (continued)**

#### **(i) Impairment of Long-lived Assets (continued)**

indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the assets, impairment is recognized. During the three months ended March 31, 2010, the Company recorded impairment on its mineral properties totalling \$ nil (2009: \$255).

#### **(j) Stock-based Compensation**

The fair value of share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

#### **(k) Basic and Diluted Loss per Share**

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the period.

Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

For the three months ended March 31, 2010, potentially dilutive common shares (relating to share purchase options and warrants outstanding and conditional share issuances pursuant to the Acquisition and mineral property agreements) totaling 19,492,273 (Year end 2009: 19,342,273) were not included in the computation of loss per share because their effect was anti-dilutive.

#### **(l) Foreign Currency Translation**

Foreign currency transactions are translated at the rates prevailing on the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at the balance sheet date. When incurred, resulting exchange gains or loss are included in operations.

Financial statements of foreign subsidiaries, all of which are integrated, are translated using the temporal method whereby monetary assets and liabilities are translated at the rate

## **MILLROCK RESOURCES INC.**

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Notes to Consolidated Financial Statements  
For the Three Months Ended March 31, 2010 and 2009  
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### **2. Significant Accounting Policies (continued)**

#### **(l) Foreign Currency Translation (continued)**

of exchange in effect at the balance sheet date, and other assets and liabilities and equity are translated at the rate of exchange prevailing on the transaction date. Revenue and expense items are translated at the average rate prevailing during the period. The resulting exchange differences are included in operations during the period.

#### **(m) Future Income Taxes**

The Company has adopted the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely-than-not that they can be realized.

#### **(n) Capital Disclosure**

The Company has adopted Section 1535 which specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company's policy on management of its capital is described in Note 7.

### **3. Financial Instruments (Note 7)**

#### **(a) Fair Value of Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, security deposit, amounts receivable, due to/from related parties and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the short term nature of their settlement.

#### **(b) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents and receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalent by placing these instruments with institutions of high credit worthiness. As at March 31, 2010 the Company is not exposed to any significant credit risk.

#### **(c) Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current.

## MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2010 and 2009

(Expressed in Canadian dollars)

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### 3. Financial Instruments (Note 7) (continued)

#### (d) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has cash and cash equivalents of \$335,528, security deposit of \$40,632, and accounts payable of 108,192 denominated in US dollars. The Company does not have a formal policy to manage risk; however, management actively monitors movement in foreign currency and forecasts foreign currency payments. Foreign exchange risk is mitigated by the offset of assets against liabilities and the risk is not significant.

#### (e) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the period in consolidated financial statements is interest income on Canadian dollar cash and cash equivalents. As at March 31, 2010, the Company's cash and cash equivalents are subject to or exposed to interest rate risk. However, this risk is not significant.

### 4. Mineral Properties

#### (a) Albion Property, Alaska

On December 15, 2009, the Company entered into an agreement with Kinross Gold Corporation (K) to acquire its rights to the Albion property 100 kilometres by road northeast of Nome, Alaska in the historic Council Mining District on the Seward Peninsula.

Consideration is 500 ounces of gold bullion in annual installments and a minimum of US\$250,000 in exploration expenditures by the end of 2012. The option payment schedule is as follows:

<u>Due Date</u>	<u>Amount (Gold Bullion)</u>
Upon execution of the Sublease	20 ounces
January 1, 2011	30 ounces
January 1, 2012	40 ounces
January 1, 2013	50 ounces
January 1, 2014	60 ounces
January 1, 2015	100 ounces
January 1, 2016	100 ounces
January 1, 2017	100 ounces

A 2.5% Net Smelter Return (NSR) royalty on gold and silver is payable from production. The royalty may be reduced to 1.0% by paying the owner 2,000 ounces of gold bullion. After the purchase option has been exercised, an advanced minimum royalty of 100 ounces of gold bullion is payable annually until commercial production occurs.

**MILLROCK RESOURCES INC.**

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Notes to Consolidated Financial Statements

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**4. Mineral Properties (continued)****(b) Bering Straits**

On April 18, 2008, The Company signed an exploration agreement with a Bering Straits Native Corporation subsidiary, Golden Glacier Inc., (the "BSNC Agreement"), which grants the Company exclusive rights to explore and develop mineral deposits as well as an option to lease tracts of mineral lands. The agreement has a five year term and requires exploration expenditures of US\$4 million, option payments of US\$550,000, scholarship fund contributions of US\$40,000, the issue of 1,000,000 shares, and lease payments as follows:

**Exploration Expenditures:**

Effective Date through December 31, 2008	US\$ 300,000 (incurred)
Calendar Year 2009	US\$ 500,000 (incurred)
Calendar Year 2010	US\$ 700,000
Calendar Year 2011	US\$1,000,000
Calendar Year 2012	US\$1,500,000

**Option Payments:**

Upon execution of the Agreement	US\$ 30,000 (paid)
On or before January 1, 2009	US\$ 50,000 (paid)
On or before January 1, 2010	US\$ 70,000 (paid)
On or before January 1, 2011	US\$ 150,000
On or before January 1, 2012	US\$ 250,000

**Contribution to Bering Straits Foundation Scholarship Fund:**

Upon execution of the Agreement	US\$ 5,000 (paid)
On or before January 1, 2009	US\$ 5,000 (paid)
On or before January 1, 2010	US\$ 10,000 (paid)
On or before January 1, 2011	US\$ 10,000
On or before January 1, 2012	US\$ 10,000

**Shares:**

30 days after execution of the Agreement	100,000 (issued)
On or before January 1, 2009	100,000 (issued)
On or before January 1, 2010	200,000 (issued)
On or before January 1, 2011	300,000
On or before January 1, 2012	300,000

If a lease option is exercised, the lease agreement will require an annual advanced minimum royalty payment which would be credited against a production royalty that ranges between 2.5% and 5% on a sliding scale tied to the gold price. For all other metals and recoverable commodities a, 2% net smelter returns royalty is payable. The advance royalties will be payable as follows:

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### 4. Mineral Properties (continued)

#### (b) Bering Straits (continued)

<u>Due Date</u>	<u>Amount</u>
Upon execution of the Sublease	US\$ 50,000
The first Anniversary Date through the fourth Anniversary Date	US\$ 100,000
The fifth Anniversary Date through the ninth Anniversary Date	US\$ 200,000
The tenth Anniversary Date through the fourteenth Anniversary Date	US\$ 300,000
The fifteenth Anniversary Date through the nineteenth Anniversary Date	US\$ 400,000

The Company will have to pay upon execution of the Sublease and thereafter annually a Disturbed Land fee of US\$50,000, so long as the quantity of Disturbed Lands does not exceed 400 acres. In the event that the Disturbed Lands exceed 400 acres, the Disturbed Land fee shall increase to \$100,000.

For each Sublease, the Company shall perform US\$1,000,000 worth of exploration, development or mining work on or for the benefit of the Lands during each Sublease Year. Upon submission of a Feasibility Study, the work commitment shall be reduced to \$500,000 annually until commencement of Commercial Production.

The Company shall provide \$20,000 per year during the term of the Sublease for a scholarship program to the BSNC Foundation. The first such scholarship payment shall be payable within thirty days of execution of a sublease; remaining payments shall be payable on the anniversary date.

#### (c) Divide

On August 14, 2007, the Company signed a Letter of Intent with respect to the Divide Property located on the Seward Peninsula, Alaska with Alix Resources. The Company had the ability to earn a 50% interest in the project by paying 50% of all costs associated with the Divide Option (an option agreement made between the vendor and the underlying property owner). On August 13, 2008, the Company announced that a definitive option and joint venture agreement has been executed with its partner. The consideration was to consist of cash payments of US\$490,000 and issuance of 500,000 common shares of the Company over a five year period as follows:

- US\$7,500 (paid) and 50,000 common shares (issued) upon regulatory approval;
- US\$12,500 (paid) and 50,000 common shares (issued) by February 22, 2008;
- US\$45,000 (paid) and 150,000 common shares (issued) by August 22, 2008;
- US\$75,000 and 250,000 common shares by August 22, 2009;
- US\$125,000 by August 22, 2010;
- US\$225,000 by August 22, 2011;

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### **4. Mineral Properties (continued)**

#### **(c) Divide (continued)**

In addition, the agreement provided for a 2% to 5% royalty on precious metals and 3% on other metals. The Company had the right to reduce the royalty payable on precious metals to 4% and other metals to 2% by paying cash US\$1,000,000 with the joint venture partner at any time before or after the commencement of production.

On December 2, 2009, the Company terminated its exploration agreement with respect to the Divide Property. While a small deposit of gold is present, there appears to be limited potential for a multi-million ounce deposit. Given the escalating property payments Millrock elected to terminate. The August 22, 2009 cash payment and share issuance was not made, however, claim rentals were paid. Accordingly the costs incurred to December 31, 2009 of \$674,249 were written off.

#### **(d) Estelle**

On April 2, 2008, the Company entered into an agreement with Talon Gold Alaska Inc. (ITH) to purchase its option rights to the South Estelle gold property 160 kilometres northwest of Anchorage, Alaska in the Rainy Pass district. Consideration of 650,000 common shares was issued on April 14, 2008. ITH retains a 1% NSR royalty in the claim block that existed at the time of purchase. By virtue of the agreement, the Company had the option to earn up to an 80% interest in the property from the underlying property owners. The Company could have earned a 51% interest by expending US\$2 million by the end of 2009, a 70% interest by expending a cumulative US\$5 million by the end of 2011, and 80% by tabling a positive feasibility study. A further 2.5% NSR royalty may have become payable to the underlying property owners under certain conditions. In February 2009, the Company negotiated a new agreement with the underlying property owners, Hidefield Gold Plc and Mines Trust Co. As a result of the new agreement the Company owns 100% interest in the claims. The consideration paid was \$125,000 and issued 1.25 million the Company's shares. A royalty of 2.5% is payable from any production that occurs on any of the claims that comprised the property at the time of purchase (1% to Hidefield, 1% to Mines Trust of which 0.5% may be bought back for \$1 million, and 1% to ITH). Since the time of the purchase the claim block has been expanded. No royalty is payable on these additional claims.

#### **(e) Uncle Sam**

On November 3, 2009, the Company entered into an agreement with Kiska Metals Corporation (KSK) to acquire its rights to the Uncle Sam property located approximately 75 kilometres southeast of Fairbanks, Alaska in the Tintina Gold Belt

Consideration is US\$200,000, the issuance of 1,000,000 shares, and work commitment of US\$2,700,000 in exploration over the next four years as follows:

- US\$40,000 and 250,000 common shares issued 30 days after TSX.V acceptance (paid and issued);
- US\$40,000 and 250,000 common shares by November 1, 2010;

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### **4. Mineral Properties (continued)**

#### **(e) Uncle Sam (continued)**

- US\$60,000 and 250,000 common shares by November 1, 2011;
- US\$60,000 and 250,000 common shares by November 1, 2012;

#### **Work Commitment:**

- US\$200,000 by November 1, 2010;
- US\$300,000 by November 1, 2011;
- US\$1,000,000 by November 1, 2012;
- US\$1,200,000 by November 1, 2013;

Additionally, the Company will make 1,000,000 share issuances to Kiska at each of the following milestones:

1. Filing of a NI 43-101 compliant technical report disclosing a gold resource exceeding 1.0 million ounces, and
2. Commencement of commercial production

A Net Smelter Return (NSR) royalty of 2% NSR is payable to International Royalties Corporation.

#### **(f) Fortymile**

During the year ended December 31, 2007, the Company announced that, through staking, it had acquired the mineral rights to approximately 7,965 hectares located in the State of Alaska in three discrete blocks within the Forty Mile mining district. At the end of 2008, the Company decided not to proceed with the Gold Dust claim group and the cost to date (\$36,289) was written off. The Company intends to continue exploration of the remaining claims in this project. The project presently consists of 168 claims covering 9,107 hectares in three non-contiguous block. The Company is a 100% owner of the mineral rights.

#### **(g) Inmachuk**

In March 2007, the company entered into an option agreement with Full Metal Minerals Inc. to earn a 60% interest in the Inmachuk project located in Alaska. Consideration was US\$90,000, the issuance of 800,000 shares, and expenditures of US\$2,500,000 in exploration over four years as follows:

- US\$10,000 (paid) upon signing the agreement;
- US\$15,000 (paid) and 100,000 common shares (issued) upon regulatory approval;
- US\$15,000 and 100,000 common shares by April 1, 2008;
- US\$20,000 and 200,000 common shares by April 1, 2009;
- US\$30,000 and 400,000 common shares by April 1, 2010;

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### **4. Mineral Properties (continued)**

#### **(g) Inmachuk (continued)**

##### **Exploration Expenditures:**

- US\$335,000 by April 1, 2008;
- US\$500,000 by April 1, 2009;
- US\$665,000 by April 1, 2010;
- US\$1,000,000 by April 1, 2011;

The agreement also required the assumption of the obligations of an underlying option agreement between Full Metal Minerals and the claim owner of US\$215,000 payable as follows:

- US\$50,000 by April 1, 2008 (paid);
- US\$65,000 by April 1, 2009;
- US\$100,000 by April 1, 2010;

Subsequent to December 31, 2007, management decided not to perform further exploration at Inmachuk and advised Full Metal Minerals that it will terminate the option agreement. Accordingly the costs incurred to December 31, 2007 of \$559,516 were written off.

In 2008, \$53,413 (US\$50,000) paid to the underlying owner as per the original agreement was written off.

#### **(h) Illiamna**

Pursuant to a letter of intent signed September 4, 2007, the Company could have had the option to obtain a 60% interest on the Bonanza Hill property located in southwest Alaska by incurring exploration expenditures of US\$3,500,000 and issuing 1,000,000 common shares of the company as follows:

- 100,000 common shares upon regulatory approval;
- 100,000 common shares by September 4, 2008;
- 200,000 common shares by September 4, 2009;
- 300,000 by September 4, 2010;
- 300,000 by September 4, 2011;

##### **Exploration Expenditures:**

- US\$30,000 by August 31, 2007;
- US\$220,000 by September 4, 2008;
- US\$500,000 by September 4, 2009;
- US\$1,000,000 by September 4, 2010;
- US\$1,750,000 by September 4, 2011.

In 2008, management decided not to proceed with the option agreement and the costs incurred to date of \$51,252 were written off.

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### **4. Mineral Properties (continued)**

#### **(i) Seward PenGen**

Millrock has recognized the Seward Peninsula as a strong target region for gold exploration. The Company has conducted significant research and intends to evaluate a number of prospective areas. Given the focus and intended expenditure levels, this generative effort has been assigned project status to track expenditures.

#### **(j) Altius Strategic Alliance**

On June 9, 2009 the Company formed a Strategic Alliance (SA) with Altius Resources Inc., for gold exploration in Alaska. This alliance included a private placement that raised gross proceeds of Cdn\$930,000 from the sale to Altius of 4,227,273 units at a price of Cdn\$0.22 cents per unit. Each unit is comprised of one Millrock common share and one share purchase warrant. Each warrant entitles the holder to purchase one Millrock common share at a price of Cdn\$0.30 for the first year after the closing of the private placement and Cdn\$0.40 during the second year.

The funds from the private placement and any warrant exercises and participation in future financings by Altius will be used to fund the strategic alliance interests in five specific Areas of Interest (each an "AI") in Alaska. Millrock will use alliance funds to research each AI and propose an exploration plan for acceptance by Altius. Millrock will be operator of the alliance and will undertake reconnaissance exploration to generate new prospects. Altius will have the opportunity to name any projects proposed within an accepted AI as a "Designated Project". The costs of staking a Designated Project will be covered by SA funds and will become subject to a 1% net smelter return ("NSR") royalty on gold and a 0.5% NSR royalty on all other metals or minerals in favour of Altius. Designated Projects that are acquired from third parties will not be subject to a royalty and Altius and Millrock will share acquisition costs equally. At this stage, Altius may elect to establish a 50%-50% joint venture arrangement with Millrock.

#### **(k) Arizona**

On January 14, 2008, the Company entered into three agreements to purchase three properties, Dry Mountain, Galiuro and San Jose located in southeastern Arizona. A cash payment of US\$20,000 for each property, totaling US\$60,000, has been paid and issuance of 20,000 common shares for each property totaling 60,000 has been issued. A further US\$10,000 and 15,000 shares is payable to the owner for each property within 30 days of the anniversary date as long as the Company holds the property. The payment of US\$30,000 and share issuance of 45,000 common shares covering the 2009 and 2010 anniversary has been made. A payment of US\$2 million is to be made commencement of commercial production if it occurs.

In addition, to affect the purchase, the Company must incur cumulative expenditures for each property as follows:

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**4. Mineral Properties (continued)****(k) Arizona (continued)**

US\$100,000 by January 14, 2009

US\$ 500,000 by January 14, 2010

US\$1,500,000 by January 14, 2011

In 2009 the property owner agreed to extend the expenditure commitment on the Galiuro property by one year.

Subsequent to the period end, an extension of the expenditure commitment concerning the San Jose and Dry Mountain properties was granted.

The expenditure commitment on the Galiuro property was extended by one year.

**(l) Other Properties**

Currently the company has several other very early stage properties that include Revelation, St. Eugene, Monte Cristo.

The Company also evaluated a number of prospects known to exist on open ground and on the claims of others. As of March 31, 2010, the Company decided not to proceed with any exploration activities on several properties and all the costs incurred to date, which are listed below, have been written off:

Other Properties	Millrock Ownership	Written Off Cost				
		2010	2009	2008	2007	Total
Porcupine	100%	-	54	72,828	18,414	91,296
Ketchem	100%	-	202	38,902	-	39,104
Mystery	100%	-	-	3,104	-	3,104
Kemuk	100%	-	-	3,039	-	3,039
<b>Total Other Properties Cost</b>		<b>\$ -</b>	<b>\$ 256</b>	<b>\$ 117,873</b>	<b>\$ 18,414</b>	<b>\$ 136,543</b>

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**5. Equipment**

<b>March 31, 2010</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Office equipment	\$ 58,905	\$ 5,854	\$ 53,051
Furniture & Fixtures	\$ 2,484	\$ 207	\$ 2,277
Software	\$ 4,068	\$ 331	\$ 3,737
	<b>\$ 65,457</b>	<b>\$ 6,392</b>	<b>\$ 59,065</b>

<b>December 31, 2009</b>	<b>Cost</b>	<b>Accumulative Amortization</b>	<b>Net Book Value</b>
Office equipment	\$ 17,231	\$ 4,551	\$ 12,680
	<b>\$ 65,457</b>	<b>\$ 4,551</b>	<b>\$ 12,680</b>

**6. Project cost advance received.**

These costs represent advances from earn-in partners that have not been expended as at March 31, 2010.

**7. Share Capital****(a) Authorized**

Unlimited common shares without par value.

**(b) Issued and outstanding common shares**

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>
<b>Balance December 31, 2008</b>	<b>30,211,879</b>	<b>\$ 10,922,792</b>	<b>\$ 815,226</b>
Issued for mineral properties	1,905,000	309,850	-
Returned to Treasury for reconciliation	(408)	-	-
Issued for cash pursuant to			
Private placements	14,702,273	2,937,500	-
Share issue costs	-	(189,070)	68,197
Stock based compensation	-	-	263,210
<b>Balance December 31, 2009</b>	<b>46,818,744</b>	<b>\$ 13,981,072</b>	<b>\$ 1,146,633</b>
Issued for mineral properties	45,000	10,800	-
Stock based compensation	-	-	25,590
<b>Balance March 31, 2010</b>	<b>46,863,744</b>	<b>\$ 13,991,872</b>	<b>\$ 1,172,223</b>

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### **7. Share Capital (continued)**

#### **(b) Issued and outstanding common shares (continued)**

The Company allocates proceeds from unit placements between shares and warrants issued according to their fair value using the residual method.

On January 12, 2009, the Company issued 105,000 common shares valued at \$59,850 for the Dry Mountain, San Jose, and Galiuro properties in Arizona.

On February 17, 2009, the Company issued 100,000 common shares valued at \$10,000 pursuant to the Bering Straits property.

On February 26, 2009, the Company issued 1,250,000 common shares valued at \$150,000 for the Estelle property.

On June 4, 2009, the Company issued 2,187,500 units at \$0.16 per unit for gross proceeds \$350,000. Each unit is comprised of one common share and one-half of one share purchase warrant with each whole warrant exercisable into one additional common share at a price of \$0.21 until June 6, 2011.

On June 15, 2009, the Company issued 4,227,273 units at \$0.22 per unit for gross proceeds \$930,000. Each unit is comprised of one common share and one share purchase warrant with each whole warrant exercisable into one additional common share at a price of \$0.30 in year one and \$0.40 in year two.

On September 17, 2009, the Company issued 5,275,000 units at \$0.20 per unit for gross proceeds \$1,055,000. Each unit is comprised of one common share and one-half of one share purchase warrant with each whole warrant exercisable into one additional common share at a price of \$0.30 until March 17, 2011. Finders' fees of 8% were paid on a portion of the financing as follows: \$72,000 cash and 360,000 agents' warrants were issued. Each agent warrant is exercisable into one common share at a price of \$0.30 until March 17, 2011.

On October 5, 2009, the Company issued 1,587,500 units at \$0.20 per unit for gross proceeds \$317,500. Each unit is comprised of one common share and one-half of one share purchase warrant with each whole warrant exercisable into one additional common share at a price of \$0.30 until April 5, 2011. Finders' fees of 8% were paid on a portion of the financing as follows: \$25,400 cash and 127,000 agents' warrants were issued. Each agent warrant is exercisable into one common share at a price of \$0.30 until April 5, 2011.

On October 21, 2009, the Company issued 1,425,000 units at \$0.20 per unit for gross proceeds \$285,000. Each unit is comprised of one common share and one-half of one share purchase warrant with each whole warrant exercisable into one additional common share at a price of \$0.30 until April 21, 2011. Finders' fees of 8% were paid on a portion of the financing as follows: \$20,000 cash and 100,000 agents' warrants were issued. Each agent warrant is exercisable into one common share at a price of \$0.30 until April 21, 2011.

On November 2, 2009, the Company issued 250,000 common shares valued at \$50,000 for the Uncle Sam property.

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### **7. Share Capital (continued)**

#### **(b) Issued and outstanding common shares (continued)**

On December 10, 2009, the Company issued 200,000 common shares valued at \$40,000 for the BSNC Exploration Agreement.

On January 20, 2010, the Company issued 45,000 common shares valued at \$10,800 for the Galiuro Property.

#### **(c) Stock Options**

The company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated, share purchase options vest when granted.

On May 8, 2009, the Company has granted 750,000 stock options to officers, directors and employees exercisable at \$0.18 per share for a period of five years. Total stock-based compensation expense of \$105,000 has been charged to operations.

On August 1, 2009, the Company has granted 100,000 stock options to a consultant exercisable at \$0.22 per share for a period of five years. The options are vested at 25% after 3 months, 25% after 6 months, 25% after 9 months and 25% after 12 months. Total stock-based compensation expense of \$10,847 has been charged to operations.

On December 28, 2009, the Company has granted 825,000 stock options to officers, directors and employees exercisable at \$0.25 per share for a period of five years. Total stock-based compensation expense of \$147,349 has been charged to operations.

On December 28, 2009, the Company has granted 150,000 stock options to a consultant exercisable at \$0.25 per share for a period of five years. The options are vested at 25% after 3 months, 25% after 6 months, 25% after 9 months and 25% after 12 months. Total stock-based compensation expense of \$6,665 has been charged to operations.

On January 15, 2010, the Company granted 50,000 stock options to a consultant exercisable at \$0.29 per share for a period of five years. Total stock-based compensation expense of \$12,211 has been charged to operations.

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**7. Share Capital (continued)****(c) Stock Options (continued)**

On February 9, 2010, the Company has granted 100,000 stock options to a consultant exercisable at \$0.25 per share for a period of five years. The options are vested at 25% after 3 months, 25% after 6 months, 25% after 9 months and 25% after 12 months. Stock-based compensation expense of \$2,763 has been charged to operations.

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weight average assumptions:

	<u>2010</u>	<u>2009</u>
Dividend yield	Nil	Nil
Expected volatility	118%-123%	124%-170%
Risk-free rate of return	2.45%-2.74%	2.14%-3.22%
Expected life of options	5 years	5 years

Information regarding the Company's outstanding share purchase options is summarized as follows:

	Shares	Weighted Average Exercise Price
<b>Outstanding at December 31, 2008</b>	<b>2,240,000</b>	<b>\$ 0.38</b>
Forfeited on May 31, 2009	(50,000)	\$ 0.55
Forfeited on May 31, 2009	(50,000)	\$ 0.56
Forfeited on May 31, 2009	(100,000)	\$ 0.36
Forfeited on May 31, 2009	(75,000)	\$ 0.25
Granted on May 8, 2009	750,000	\$ 0.18
Granted on Aug 1, 2009	100,000	\$ 0.22
Granted on Dec 28, 2009	825,000	\$ 0.25
Granted on Dec 28, 2009	150,000	\$ 0.25
<b>Outstanding at December 31, 2009</b>	<b>3,790,000</b>	<b>\$ 0.30</b>
Granted on January 15, 2010	50,000	\$ 0.29
Granted on February 9, 2010	100,000	\$ 0.25
<b>Outstanding at March 31, 2010</b>	<b>3,940,000</b>	<b>\$ 0.30</b>
<b>Exercisable at March 31, 2010</b>	<b>3,558,056</b>	<b>\$ 0.32</b>

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**7. Share Capital (continued)****(c) Stock Options (continued)**

The following table summarizes the company's outstanding share purchase options as of March 31, 2010.

<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
950,000	\$ 0.45	29-May-12
75,000	\$ 0.45	7-Aug-12
150,000	\$ 0.45	1-Oct-12
50,000	\$ 0.55	21-Nov-12
10,000	\$ 0.56	6-Dec-12
50,000	\$ 0.36	1-Apr-13
680,000	\$ 0.25	21-Aug-13
750,000	\$ 0.18	8-May-14
100,000 *	\$ 0.22	1-Aug-14
825,000	\$ 0.25	28-Dec-14
150,000 *	\$ 0.25	28-Dec-14
50,000	\$ 0.29	15-Jan-15
100,000 *	\$ 0.25	9-Feb-15
<b>3,940,000</b>		

\*These options vest as to 25% three months after the date granted and 25% every three months thereafter.

The weighted average life remaining of options outstanding at March 31, 2010 is 3.58 years.

**(d) Share Purchase Warrants and Agent Warrants**

As of March 31, 2010, the Company had outstanding warrants and agent warrants for the purchase of 15,552,273 common shares, as follows:

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**7. Share Capital (continued)****(d) Share Purchase Warrants and Agent Warrants (continued)**

<b>Issued Date</b>	<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
<b>Outstanding at December 31, 2008</b>	<b>9,668,507</b>		
Expired - Issued on May 26, 2008	(562,450)	\$ 0.25	26-May-09
Issued on June 4, 2009	1,093,750	\$ 0.21	4-Jun-11
Issued on June 14, 2009	4,227,273	\$ 0.30	15-Jun-10
Expired - Issued on August 7, 2007	(1,250,002)	\$ 1.00	7-Aug-09
Issued on September 17, 2009 for private placement	2,637,500	\$ 0.30	17-Mar-11
Agent warrants issued, finders' fee for private placement, Sep 17, 2009	360,000	\$ 0.30	17-Sep-10
Issued on October 5, 2009 for private placement (Tranche 2)	793,750	\$ 0.30	5-Apr-11
Agent warrants issued, finders' fee for private placement, Oct 5, 2009	127,000	\$ 0.30	5-Oct-10
Issued on October 21, 2009 for private placement (Tranche 3)	712,500	\$ 0.30	21-Apr-11
Agent warrants issued, finders' fee for private placement, Oct 21, 2009	100,000	\$ 0.30	21-Oct-10
Expired - Issued on Nov 2, 2007	(2,355,555)	\$ 1.00	2-Nov-09
<b>Outstanding at December 31, 2009</b>	<b>15,552,273</b>		
No transaction for the period	-		
<b>Outstanding at March 31, 2010</b>	<b>15,552,273</b>		

	<b><u>2010</u></b>	<b><u>2009</u></b>
Dividend yield	Nil	Nil
Expected volatility	Nil	121%-154%
Risk-free rate of return	Nil	1.26%-2.72%
Expected life of options	Nil	1 to 2 years

**8. Management of Capital**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its mineral properties, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets. As at March 31, 2010, the Company has not entered into any debt financing.

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(Expressed in Canadian dollars)

### 8. Management of Capital (continued)

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets, the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects.

### 9. Related Party Transactions

The Company incurred charges with directors and officers and companies with directors and officers in common as follows:

	Three Months Ended March 31	
	2010	2009
Accounting	\$ 8,250	\$ 7,500
Consulting fee	70,308	93,813
Directors' fee	2,000	2,000
	<b>\$ 80,558</b>	<b>\$ 103,313</b>

These charges were in the normal course of operations and were measured by the exchange amount which is the amount agreed upon by the transacting parties.

As of March 31, 2010, due from related parties includes \$10,232 (Year-end 2009: \$1,825) advanced to a director for travel expense. These amounts are unsecured, do not bear interest and have no fixed terms of repayment.

### 10. Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flow were excluded from the cash flow statements. During the three months ended March 31, 2010, 45,000 (2009: 1,455,000) shares valued at \$10,800 (2009: \$219,850) were issued pursuant to mineral property acquisition agreements. The values were determined based on the market value of the shares when issued.

### 11. Subsequent Events

On April 6 2010, the Company issued 841,042 common shares at a price of \$0.29725, pursuant to a private placement, to Kinross Gold Corporation.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2010 and 2009

(Expressed in Canadian dollars)

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### **11. Subsequent Events (continued)**

On May 4, 2010, the Company had signed a letter agreement with Teck American Inc. (TAI), a subsidiary of Teck Resources Ltd., for a private placement financing for further exploration of Estelle gold property northwest of Anchorage, Alaska. Teck will invest \$600,000 in Millrock through the purchase of 1,363,636 units at \$0.44. The financing is to occur within 10 days of approval of the agreement by the TSX Venture Exchange. The units consist of one common share and one share purchase warrants. The warrants will be exercisable within 12 months at a price of WAP plus 50 per cent and for an additional 12 months at WAP plus 75 per cent. The initial share purchase will result in Teck owning approximately 2.8 per cent of the Company's current outstanding shares.

On May 5, 2010, the Company issued 60,000 common shares for warrants exercisable at a price of \$0.30.

On May 19, 2010, the Company issued 186,000 common shares for warrants exercisable at a price of \$0.30.

On May 20, 2010, the Company issued 6,000 common shares for warrants exercisable at a price of \$0.30.