



**INTERIM REPORT**

For the Six Months Ended June 30, 2009

(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 six months ended June 30, 2009, 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 June 30, 2009 and December 31, 2008  
*( expressed in Canadian dollars )*

<b>ASSETS</b>	<b>30-Jun-2009</b>	<b>31-Dec-2008</b>
Current		
Cash and cash equivalents	\$ 1,844,547	\$ 1,229,734
Security deposit	46,520	48,720
Amounts receivable	39,730	46,024
Due from related parties - Note 8	10,232	10,232
Prepaid expenses	53,037	34,821
	<b>1,994,066</b>	<b>1,369,531</b>
Advances on exploration expenditures	36,425	24,795
Mineral properties - Schedule, Note 4 and 8	3,902,171	3,257,397
Equipment - Note 5	7,568	8,513
	<b>\$ 5,940,230</b>	<b>\$ 4,660,236</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 54,033	\$ 195,879
Project cost advance received	590,867	92,003
Due to related parties	21,891	-
	<b>666,791</b>	<b>287,882</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital - Note 6	12,422,642	10,922,792
Obligation to issue shares - Note 4 and 6	-	34,200
Contributed Surplus - Note 6	921,322	815,226
Deficit	(8,070,525)	(7,399,864)
	<b>5,273,439</b>	<b>4,372,354</b>
	<b>\$ 5,940,230</b>	<b>\$ 4,660,236</b>

Nature of Operations and Ability to Continue as a Going Concern - Note 1  
 Commitments - Notes 4, 6, and 11  
 Subsequent events - Notes 4, and 10

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 Six Months Ended June 30, 2009 and 2008  
(expressed in Canadian dollars)*

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
<b>General and administrative expense</b>				
Accounting and audit - Note 8	\$ 20,552	\$ 30,099	\$ 49,583	\$ 68,338
Amortization and depreciation	452	362	945	582
Bank charge and interest	2,328	1,583	4,135	2,775
Consulting - Note 8	67,980	70,465	125,300	133,381
Directors' fees	2,000	-	4,000	-
Filing and listing	20,157	11,837	27,787	19,601
Foreign exchange (gain)/loss	79,785	980	86,261	(1,077)
Insurance	6,250	8,277	15,790	11,036
Investor relations	42,585	67,686	84,809	104,018
Legal	15,625	10,233	20,644	13,973
Miscellaneous	6,894	12,787	11,236	17,664
Office expense	8,506	23,177	34,053	31,684
Rent and storage - Note 8	18,328	6,215	39,197	12,390
Salaries and benefits	14,487	17,822	20,413	29,117
Stock-based compensation - Note 6	104,946	57,557	106,096	71,510
Travel	29,923	17,127	35,113	34,477
<b>Loss before other items</b>	<b>(440,798)</b>	<b>(336,207)</b>	<b>(665,362)</b>	<b>(549,469)</b>
<b>Other items</b>				
Interest income	(839)	17,989	(5,043)	24,603
Write-off of mineral properties	(1)	-	(256)	(85,980)
<b>Net loss and comprehensive loss for the period</b>	<b>(441,638)</b>	<b>(318,218)</b>	<b>(670,661)</b>	<b>(610,846)</b>
<b>Deficit, beginning of period</b>	<b>(7,628,887)</b>	<b>(6,437,720)</b>	<b>(7,399,864)</b>	<b>(6,145,092)</b>
<b>Deficit , end of period</b>	<b>\$ (8,070,525)</b>	<b>\$ (6,755,938)</b>	<b>\$ (8,070,525)</b>	<b>\$ (6,755,938)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of shares outstanding</b>	<b>32,988,682</b>	<b>23,039,806</b>	<b>31,904,305</b>	<b>20,634,237</b>

See accompanying notes to the financial statements

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

**Consolidated Statements of Cash Flows**

*For the Six Months Ended June 30, 2009 and 2008  
( expressed in Canadian dollars )*

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Cash provided from (used for)				
<b>Operating activities</b>				
Loss for the period	\$ (441,638)	\$ (318,218)	\$ (670,661)	\$ (610,846)
Items not involving cash				
Amortization	452	362	945	582
Unrealized foreign exchange (gain) loss	34,281	(215)	18,835	(215)
Loss on disposal of fixed assets	-	-	-	-
Mineral properties write-off	-	-	-	85,980
Stock-based compensation	104,946	57,557	106,095	71,510
	<b>(301,959)</b>	<b>(260,514)</b>	<b>(544,786)</b>	<b>(452,989)</b>
Net change in non-cash working capital items				
Accounts receivable	(164,843)	83,507	(324,746)	88,944
Restricted cash	-	(40,400)	-	(40,400)
Prepaid expenses	1,063	6,487	(18,729)	(21,078)
Due from related parties	-	(300)	-	(300)
Accounts payable and accrued liabilities	(152,908)	82,552	(119,615)	87,126
Project cost advance received	764,375	500,000	793,379	500,000
Due to related parties	(2,000)	-	-	(9,913)
	<b>143,728</b>	<b>371,332</b>	<b>(214,497)</b>	<b>151,390</b>
<b>Investing activities</b>				
Advances on exploration expenditures	(11,661)	78,262	(11,661)	16,619
Mineral properties acquisition and exploration costs	(131,884)	(582,566)	(439,029)	(973,611)
Purchase of equipment	-	(2,865)	-	(2,865)
	<b>(143,545)</b>	<b>(507,169)</b>	<b>(450,690)</b>	<b>(959,857)</b>
<b>Financing activities</b>				
Share purchase and cancellation	-	-	-	-
Share issued for cash	1,280,000	2,562,661	1,280,000	2,562,661
	<b>1,280,000</b>	<b>2,562,661</b>	<b>1,280,000</b>	<b>2,562,661</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,280,183</b>	<b>2,426,824</b>	<b>614,813</b>	<b>1,754,194</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>564,364</b>	<b>1,129,250</b>	<b>1,229,734</b>	<b>1,801,880</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,844,547</b>	<b>\$ 3,556,074</b>	<b>\$ 1,844,547</b>	<b>\$ 3,556,074</b>

See accompanying notes to the financial statements

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

**Consolidated Schedule of Mineral Properties**

*For the Six Months Ended June 30, 2009*  
*(expressed in Canadian dollars)*

	<u>Divide</u>	<u>Inmachuk</u>	<u>Iliamna</u>	<u>Fortymile</u>	<u>Arizona</u>	<u>Estelle</u>	<u>Bering Straits</u>	<u>Seward PenGen</u>	<u>Altius</u>	<u>Other Properties</u>	<u>Total</u>
<b>Balance at December 31, 2008</b>	\$ 872,021	\$ -	\$ -	\$ 140,340	\$ 496,859	\$ 351,905	\$ 1,396,272	\$ -	\$ -	\$ -	\$ 3,257,397
Addition during the year											
Acquisition cost											
Cash	-	-	-	-	44,545	168,495	65,454	-	-	34	278,528
Shares	-	-	-	-	25,650	150,000	10,000	-	-	-	185,650
	-	-	-	-	70,195	318,495	75,454	-	-	34	464,178
Exploration costs:											
Drilling	-	-	-	-	-	-	-	-	-	-	-
Geochemistry	-	-	-	(195)	782	1,308	8,602	1,309	3,676	-	15,482
Geology	32,278	-	-	622	44,233	18,469	12,586	3,542	31,725	-	143,455
Geophysics	-	-	-	-	-	-	-	-	-	-	-
Environmental and permitting	248	-	-	-	16,181	327	275	-	-	202	17,233
Support and equipment	(23,018)	-	-	-	166,808	10,485	2,548	3,668	12,300	-	172,791
Administration	3,953	-	-	-	6,124	2,448	3,295	241	5,284	21	21,366
	13,461	-	-	427	234,128	33,037	27,306	8,760	52,985	223	370,327
Less:											
Recoveries	1,629	-	-	-	187,845	-	-	-	-	-	189,474
Write off	-	-	-	-	-	-	-	-	-	257	257
	1,629	-	-	-	187,845	-	-	-	-	257	189,731
<b>Net additions</b>	<b>11,832</b>	<b>-</b>	<b>-</b>	<b>427</b>	<b>116,478</b>	<b>351,532</b>	<b>102,760</b>	<b>8,760</b>	<b>52,985</b>	<b>-</b>	<b>644,774</b>
<b>Balance at June 30, 2009</b>	\$ 883,853	\$ -	\$ -	\$ 140,767	\$ 613,337	\$ 703,437	\$ 1,499,032	\$ 8,760	\$ 52,985	\$ -	\$ 3,902,171

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2009 and 2008

(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 is in the business of acquisition, exploration and development of mineral properties and has not yet determined whether these properties contain mineral resources that are economically recoverable (“ore reserves”). The Company’s projects are considered to be in the exploration stage.

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. At June 30, 2009, the Company had not yet achieved profitable operations, had working capital of \$1,327,275 (Year end 2008: \$1,081,649) 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 Six Months Ended June 30, 2009 and 2008

(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 year. 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 3861, "Financial Instruments – Disclosure and 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 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed. 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.

Effective January 2008, the Company adopted the CICA guidelines of Section 3862, Financial Instruments – disclosures, and Section 3863, Financial Instruments – Presentation. These standards replace CICA 3861, Financial Instruments – Disclosure and Presentation.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2009 and 2008

(Expressed in Canadian dollars)

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

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

These standards increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the Company is exposed to such risk, based on information provided internally to the entity's key management personnel. Note 3 provides the required disclosure under this new accounting standard.

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.

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

##### **Financial Statement Concepts**

CICA Handbook Section 1000 has been amended to focus on the capitalization of costs that meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company does not expect the adoption of this change to have a great impact on its financial statements.

##### **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. 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.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

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

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

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

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company has adopted the new standards 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 “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.

#### **(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

## **MILLROCK RESOURCES INC.**

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For the Six Months Ended June 30, 2009 and 2008

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

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

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 June 30, 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 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 six months ended June 30, 2009, the Company recorded impairment on its mineral properties totalling \$256 (2008: \$85,980).

#### **(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.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2009 and 2008

(Expressed in Canadian dollars)

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

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

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 year. 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 six months ended June 30, 2009, 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 17,417,080 (Year end 2008: 11,908,507) were not included in the computation of loss per share because their effect would be 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 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**

Effective January 1, 2008 the Company 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.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)  
Notes to Consolidated Financial Statements  
For the Six Months Ended June 30, 2009 and 2008  
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### **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 June 30, 2009 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.

#### **(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 \$368,229, security deposit of \$46,520, and accounts payable of \$37,055 denominated in US dollars. 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 June 30, 2009, 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) Divide**

On August 14, 2007, the company signed a Letter of Intent with respect to the Divide Property located on the Seward Peninsula, Alaska. The Company can earn a 50% interest in the project by paying 50% of all costs associated with the Divide Option (an option agreement made

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

#### **(a) Divide (continued)**

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 is 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;

In addition, the agreement is subject to 2% to 5% royalty on precious metals and 3% on other metals. The Company has 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.

#### **(b) Inmachuk**

In March 2007, the company entered into an option agreement with Full Metal Minerals Inc. to earn a 60% interest in 67 mineral claims located in Alaska. Consideration is US\$90,000, the issuance of 800,000 shares, and expenditures of US\$2,500,000 in exploration over the next 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;

#### **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;

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

#### **(a) Inmachuk (continued)**

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.

#### **(b) Illiamna**

Pursuant to a letter of intent signed September 4, 2007, the Company will have 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.

#### **(c) Forty Mile**

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 and the cost to date (\$36,289) was written off. The Company intends to continue exploration of the remaining claims in this project.

#### **(d) 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

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

#### **(d) Arizona (continued)**

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 had been issued subsequently. A further US\$10,000 and 15,000 shares is payable to the owner for each property within 30 days of anniversary date as long as the Company holds the property, and a payment of US\$2 million for each property totaling US\$6 million is to be paid upon commercial production. US\$30,000 and 45,000 common shares had been issued for the 2009 anniversary.

In addition, the Company agreed to incur cumulative expenditures for each property as follows:

US\$100,000 by January 14, 2009  
US\$ 500,000 by January 14, 2010  
US\$1,500,000 by January 14, 2011

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

#### **(f) Estelle**

On April 2, 2008, the Company entered into an agreement with Talon Gold Alaska Inc. (ITH) to acquire its 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 will retain a 1% NSR royalty. By virtue of the agreement, Millrock 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, Millrock negotiated a new agreement with the underlying property owners, Hidefield Gold Plc and Mines Trust Co. As a result of the purchase agreement Millrock owns an undivided 100% interest in the claims. The consideration paid was \$125,000 and 1.25 million Millrock shares were issued. A royalty of 2.5% is payable from any production (1% to Hidefield, 1% to Mines Trust of which 0.5% may be bought back for \$1 million, and 1% to ITH.

#### **(g) Bering Straits**

On April 18, 2008, The Company signed an exploration agreement with Golden Glacier Inc. which grants the Company exclusive rights to explore and develop mineral deposits as well as an option to lease the land. 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
Calendar Year 2010	US\$ 700,000

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

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
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
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
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 and for all other metals and recoverable commodities, 2% of all net smelter returns received by the Company. The advance royalties will be payable as follows:

<b><u>Due Date</u></b>	<b><u>Amount</u></b>
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

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

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.

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 the sublease; remaining payments shall be payable on the anniversary date.

**(h) Other Properties**

The Company evaluated a number of prospects known to exist on open ground and on the claims of others. As of June 30, 2009, 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			
		30-Jun-09	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>\$ 256</b>	<b>\$ 117,873</b>	<b>\$ 18,414</b>	<b>\$ 136,543</b>

**(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.

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**4. Mineral Properties (continued)****(j) Altius Resources**

On June 9, 2009 the Company formed a strategic alliance 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. The price represented a 33% premium over Millrock's 20 day trading average. 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 placement has given Altius an approximate 11% interest in the Company.

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 AOI 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.

**5. Equipment**

<b>June 30, 2009</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Office equipment	\$ 10,546	\$ 2,978	\$ 7,568
	<b>\$ -</b>	<b>\$ 2,978</b>	<b>\$ 7,568</b>
<b>December 31, 2008</b>	<b>Cost</b>	<b>Accumulative Amortization</b>	<b>Net Book Value</b>
Office equipment	\$ 10,546	\$ 2,033	\$ 8,513
	<b>\$ 10,546</b>	<b>\$ 2,033</b>	<b>\$ 8,513</b>

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

Unlimited common shares without par value.

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

	Number of Shares	Share Capital	Contributed Surplus
<b>Balance December 31, 2007</b>	<b>18,201,939</b>	<b>\$ 8,134,747</b>	<b>\$ 492,932</b>
Issued for cash pursuant to			
Private placements	11,001,000	2,750,250	
Issued for mineral properties	950,000	327,500	
Issued for finder's fees	58,940	14,735	
Share issue costs		(304,440)	102,115
Stock based compensation			220,179
<b>Balance December 31, 2008</b>	<b>30,211,879</b>	<b>\$ 10,922,792</b>	<b>\$ 815,226</b>
Issued for mineral properties	1,455,000	219,850	
Issued for cash pursuant to			
Private placements	6,414,773	1,280,000	
Stock based compensation			106,096
<b>Balance June 30, 2009</b>	<b>38,081,652</b>	<b>\$ 12,422,642</b>	<b>\$ 921,322</b>

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.

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**6. Share Capital (continued)****(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 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 \$103,314 has been charged to operations. The fair value of the options granted was estimate on the date of grant using the Black-Scholes option pricing model with the following weight average assumptions:

Dividend yield	Nil
Expected volatility	170%
Risk-free rate of return	3.22%
Expected life of options	5 years

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

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

	Shares	Weighted Average Exercise Price
<b>Outstanding at December 31, 2007</b>	<b>1,485,000</b>	<b>\$ 0.46</b>
Granted on April 1, 2008	150,000	\$ 0.36
Granted on Aug 21, 2008	880,000	\$ 0.25
Forfeited on Oct 10, 2008	(150,000)	\$ 0.45
Forfeited on Oct 10, 2008	(125,000)	\$ 0.25
Granted on May 8, 2009	750,000	\$ 0.18
<b>Outstanding at December 31, 2008 and June 30, 2009</b>	<b>2,990,000</b>	<b>\$ 0.33</b>
<b>Exercisable at June 30, 2009</b>	<b>2,977,500</b>	<b>\$ 0.33</b>

The following table summarizes the company's outstanding share purchase options as of June 30, 2009:

Number of Shares	Exercise Price	Expiry Date
950,000	\$ 0.45	29-May-12
75,000	\$ 0.45	7-Aug-12
150,000 *	\$ 0.45	1-Oct-12
100,000 *	\$ 0.55	21-Nov-12
60,000	\$ 0.56	6-Dec-12
150,000	\$ 0.36	1-Apr-13
755,000 *	\$ 0.25	21-Aug-13
750,000	\$ 0.18	8-May-14
<b>2,990,000</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 June 30, 2009 is 3.80 years.

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### 6. Share Capital (continued)

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

As of June 30, 2009, the Company had outstanding warrants and agent warrants for the purchase of 14,427,080 common shares, as follows:

<b>Issued Date</b>	<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
<b>Outstanding at December 31, 2007</b>	<b>3,900,584</b>		
Issued on May 26, 2008	5,500,500	\$ 0.50	26-May-09
		\$ 0.75	26-May-10
Issued on May 26, 2008	562,450	\$ 0.25	26-May-09
Agent warrants expired, Aug 07, 2008	(137,667)	\$ 0.45	7-Aug-08
Agent warrants expired, Nov 2, 2008	(157,360)	\$ 0.45	2-Nov-08
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	14-Jun-11
<b>Outstanding at June 30, 2009</b>	<b>14,427,080</b>		

### 7. 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. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets. As at June 30, 2009, the Company has not entered into any debt financing.

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.

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### 8. Related Party Transactions

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

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Accounting	\$ 4,790	\$ 19,292	\$ 12,290	\$ 39,640
Consulting fee	86,846	90,044	180,659	167,934
Mineral Properties-Geological Consulting	-	44,693	-	385,531
Directors' fee	2,000	-	4,000	-
	<b>\$ 93,636</b>	<b>\$ 154,029</b>	<b>\$ 196,949</b>	<b>\$ 593,105</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.

- (a) As of June 30, 2009, due from related parties includes \$10,232 (Year end 2008: \$10,232) advanced to a director for travel expense. These amounts are unsecured, do not bear interest and have no fixed terms of repayment. Amount due to related parties includes \$2,100 directors' fees payable and \$19,791 for reimbursement travel expense to a director.

### 9. 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 six months ended June 30, 2009, 1,455,000 (2008: 150,000) shares valued at \$219,850 (2008: \$67,750) were issued pursuant to mineral property acquisition agreements. The values were determined based on the market value of the shares when issued.

### 10. Contingency

On December 13, 2007, the Company entered into an agreement with Black Rock Drilling Corp. (Black Rock) to prepay US\$228,000 for certain drilling services to be undertaken by Black Rock. The prepayment would be applied against invoices issued by Black Rock in connection with the drilling activities. On October 15, 2008, Black Rock issued an invoice to the Company for US\$284,777 relating to the drilling activities which the Company disputed for work not performed in accordance with agreement. The Company considers that the balance of the invoice of US\$56,777 is not owing to Black Rock and it was not included in accounts payable as at June 30, 2009.