



**ANNUAL REPORT**

For the Year Ended December 31, 2008

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements of Millrock Resources Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the financial statements with management and the external auditors. BDO Dunwoody LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the financial statements and their report is included herein.

*“Gregory Beischer”*

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Gregory Beischer  
President and Chief Executive Officer

Vancouver, Canada  
March 27, 2009



**BDO Dunwoody LLP**  
Chartered Accountants

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## **AUDITORS' REPORT**

To the Shareholders,  
Millrock Resources Inc.

We have audited the consolidated balance sheets of Millrock Resources Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, Canada  
March 27, 2009

*BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario*

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

## Consolidated Balance Sheets

*As at December 31, 2008 and 2007*  
*( expressed in Canadian dollars )*

<b>ASSETS</b>	<b>31-Dec-2008</b>		<b>31-Dec-2007</b>
<b>Current</b>			
Cash and cash equivalents	1,229,734	\$	1,801,880
Security deposit	48,720		-
Amounts receivable	46,024		104,386
Due from related parties - Note 8	10,232		9,913
Prepaid expenses	34,821		2,790
	<b>1,369,531</b>		<b>1,918,969</b>
Advances on exploration expenditures	24,795		275,800
Mineral properties - Schedule, Note 4 and 8	3,257,397		338,860
Equipment - Note 5	8,513		4,931
	<b>\$ 4,660,236</b>	<b>\$</b>	<b>2,538,560</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 195,878	\$	46,060
Project cost advance received	92,003		-
Due to related parties	-		9,913
	<b>287,882</b>		<b>55,973</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital - Note 6	10,922,792		8,134,747
Obligation to issue shares - Note 4 and 6	34,200		-
Contributed Surplus - Note 6	815,226		492,932
Deficit	(7,399,864)		(6,145,092)
	<b>4,372,354</b>		<b>2,482,587</b>
	<b>\$ 4,660,236</b>	<b>\$</b>	<b>2,538,560</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 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 Years Ended December 31, 2008 and 2007**( expressed in Canadian dollars)*

	<b>2008</b>	<b>2007</b>
<b>General and administrative expense</b>		
Accounting and audit - Note 8	\$ 130,374	\$ 66,520
Amortization and depreciation	1,486	1,204
Bank charge and interest	5,597	3,213
Consulting - Note 8	238,333	154,896
Filing and listing	27,050	49,367
Foreign exchange (gain)/loss	(52,544)	4,610
Insurance	28,723	7,645
Investor relations	157,289	41,526
Legal	25,225	56,944
Miscellaneous	26,056	11,557
Office expense	67,738	39,732
Rent and storage - Note 8	47,398	15,078
Salaries and benefits	54,347	17,195
Stock-based compensation - Note 6	220,179	442,959
Travel	50,045	63,900
<b>Loss before other items</b>	<b>(1,027,297)</b>	<b>(976,346)</b>
<b>Other items</b>		
Interest income	46,061	17,777
Loss on disposal of capital assets	-	(3,694)
Miscellaneous income	2,914	11,026
Write-off of mineral properties	(276,450)	(559,516)
<b>Net loss and comprehensive loss for the year</b>	<b>(1,254,772)</b>	<b>(1,510,753)</b>
<b>Deficit, beginning of year</b>	<b>(6,145,092)</b>	<b>(4,634,339)</b>
<b>Deficit , end of year</b>	<b>\$ (7,399,864)</b>	<b>\$ (6,145,092)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.05)</b>	<b>\$ (0.12)</b>
<b>Weighted average number of shares outstanding</b>	<b>25,439,404</b>	<b>12,555,935</b>

See accompanying notes to the financial statements

**MILLROCK RESOURCES INC.***( An Exploration Stage Company )***Consolidated Statements of Cash Flows***For the Years Ended December 31, 2008 and 2007**( expressed in Canadian dollars )*

	<b>2008</b>	<b>2007</b>
Cash provided from (used for)		
<b>Operating activities</b>		
Loss for the year	\$ (1,254,772)	\$ (1,510,753)
Items not involving cash		
Amortization	1,486	1,204
Unrealized foreign exchange (gain) loss	(128,718)	704
Loss on disposal of fixed assets	-	3,694
Mineral properties write-off	276,450	559,516
Stock-based compensation	220,179	442,959
	<b>(885,376)</b>	<b>(502,676)</b>
Net change in non-cash working capital items		
Amounts receivable	30,373	(93,376)
Security deposit	(40,400)	-
Prepaid expenses	(24,233)	210
Due from related parties	(7,442)	(9,913)
Accounts payable and accrued liabilities	134,896	30,936
Project cost advance received	795,095	-
Due to related parties	(9,913)	7,636
	<b>(7,000)</b>	<b>(567,183)</b>
<b>Investing activities</b>		
Advances on exploration expenditures	302,191	(275,800)
Mineral properties acquisition and exploration costs	(3,425,007)	(830,626)
Purchase of equipment	(4,991)	(5,479)
	<b>(3,127,807)</b>	<b>(1,111,905)</b>
<b>Financing activities</b>		
Share purchase and cancellation	-	(64,200)
Share issued for cash	2,562,661	3,129,377
	<b>2,562,661</b>	<b>3,065,177</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(572,146)</b>	<b>1,386,089</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,801,880</b>	<b>415,791</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,229,734</b>	<b>\$ 1,801,880</b>

See accompanying notes to the financial statements

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

**Consolidated Schedule of Mineral Properties**

*For the Year Ended December 31, 2008 and 2007  
(expressed in Canadian dollars)*

	<u>Divide</u>	<u>Inmachuck</u>	<u>Iliamna</u>	<u>Fortymile</u>	<u>Arizona</u>	<u>Estelle</u>	<u>Bering Straits</u>	<u>Other Properties</u>	<u>Total</u>
<b>Balance at December 31, 2007</b>	\$ 122,874		\$ 51,252	\$ 146,320	\$ -	\$ -	\$ -	\$ 18,414	\$ 338,860
Addition during the year									
Acquisition cost									
Cash	83,071	51,170	-	4,543	416,605	19,537	160,675	33,936	769,536
Shares	44,500	-	-	-	34,200	247,000	36,000	-	361,700
	127,571	51,170	-	4,543	450,805	266,537	196,675	33,936	1,131,236
Exploration costs:									
Drilling	324,156	-	-	-	-	-	296,776	-	620,932
Geochemistry	269,006	1,218	(1,211)	10,471	-	17,038	62,989	22,008	381,517
Geology	142,418	1,019	421	4,920	13,758	28,294	170,351	18,436	379,616
Geophysics	2,935	-	-	-	2,935	-	5,870	2,935	14,676
Environmental and permitting	15,276	-	-	-	4,040	1,706	1,459	530	23,011
Support and equipment	451,353	6	-	8,918	23,375	35,509	629,826	38,180	1,187,167
Administration	57,175	-	-	1,458	1,947	2,823	32,326	1,848	97,576
	1,262,320	2,243	(791)	25,766	46,055	85,369	1,199,597	83,937	2,704,495
Less:									
Recoveries	640,744	-	-	-	-	-	-	-	640,744
Write off	-	53,413	50,461	36,289	-	-	-	136,287	276,450
	640,744	53,413	50,461	36,289	-	-	-	136,287	917,194
<b>Net additions</b>	<b>749,146</b>	<b>-</b>	<b>(51,252)</b>	<b>(5,980)</b>	<b>496,859</b>	<b>351,905</b>	<b>1,396,272</b>	<b>(18,414)</b>	<b>2,918,537</b>
<b>Balance at December 31, 2008</b>	\$ <b>872,020</b>	\$ <b>-</b>	\$ <b>-</b>	\$ <b>140,340</b>	\$ <b>496,859</b>	\$ <b>351,905</b>	\$ <b>1,396,272</b>	\$ <b>-</b>	\$ <b>3,257,397</b>

**MILLROCK RESOURCES INC.**

*( An Exploration Stage Company )*

**Consolidated Schedule of Mineral Properties**

*For the Year Ended December 31, 2007 and 2006*

*(expressed in Canadian dollars)*

	<u>Divide</u>	<u>Inmachuck</u>	<u>Iliamna</u>	<u>Fortymile</u>	<u>Arizona</u>	<u>Estelle</u>	<u>Bering Straits</u>	<u>Other Properties</u>	<u>Total</u>
<b>Balance at December 31, 2006</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Addition during the year									
Acquisition cost									
Cash	7,978	36,938	1,692	38,439	-	-	-	3,221	<b>88,268</b>
Shares	17,750	50,000	-	-	-	-	-	-	<b>67,750</b>
	<u>25,728</u>	<u>86,938</u>	<u>1,692</u>	<u>38,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,221</u>	<u><b>156,018</b></u>
Exploration costs:									
Drilling	106,261	123,368	-	-	-	-	-	-	<b>229,629</b>
Geochemistry	1,775	1,952	3,585	9,190	-	-	-	-	<b>16,502</b>
Geology	39,379	76,001	19,349	23,507	-	-	-	9,434	<b>167,670</b>
Geophysics	-	-	-	-	-	-	-	-	<b>-</b>
Property rental fees	8,922	7,877	8,227	20,367	-	-	-	-	<b>45,393</b>
Environmental and permitting	-	9,996	-	-	-	-	-	-	<b>9,996</b>
Support and equipment	31,506	251,281	18,113	51,228	-	-	-	5,759	<b>357,887</b>
Administration	-	2,103	286	3,589	-	-	-	-	<b>5,978</b>
	<u>187,843</u>	<u>472,578</u>	<u>49,560</u>	<u>107,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,193</u>	<u><b>833,055</b></u>
Less:									
Recoveries	90,697	-	-	-	-	-	-	-	<b>90,697</b>
Write off	-	559,516	-	-	-	-	-	-	<b>559,516</b>
	<u>90,697</u>	<u>559,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>650,213</b></u>
<b>Net additions</b>	<b>122,874</b>	<b>-</b>	<b>51,252</b>	<b>146,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,414</b>	<b>338,860</b>
<b>Balance at December 31, 2007</b>	\$ <b>122,874</b>	\$ <b>-</b>	\$ <b>51,252</b>	\$ <b>146,320</b>	\$ <b>-</b>	\$ <b>-</b>	\$ <b>-</b>	\$ <b>18,414</b>	\$ <b>338,860</b>

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2008 and 2007

(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 December 31, 2008, the Company had not yet achieved profitable operations, had working capital of \$1,081,649 ( 2007: \$1,862,996) 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 (Alaska) 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 Years Ended December 31, 2008 and 2007

(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 Years Ended December 31, 2008 and 2007

(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 is currently evaluating the impact of the adoption of this change 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)  
Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2008 and 2007  
(Expressed in Canadian dollars)

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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 will adopt 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 is currently evaluating the impact of the adoption of this new Section on its financial statements.

#### **(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%.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2008 and 2007

(Expressed in Canadian dollars)

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

#### **(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 December 31, 2008 and 2007, 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 year ended December 31, 2008, the Company recorded impairment on its mineral properties totalling \$276,450 (2007: \$559,516).

#### **(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 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 are the same for the periods presented.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2008 and 2007

(Expressed in Canadian dollars)

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For the year ended December 31, 2008, 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 11,908,507 (2007: 5,385,584) 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 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.

## **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.

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

#### **(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 December 31, 2008 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 \$135,796, security deposit of \$48,720, and accounts payable of \$245,392 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 December 31, 2008, the Company's cash and cash equivalents are subject to or exposed to interest rate risk. However, this risk is not significant.

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### **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 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;

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

#### **(b) 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.

#### **(c) Iliamna**

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.

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

#### **(d) 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 Golden 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.

#### **(e) 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 is payable by December 31, 2008 (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.

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

Subsequent to the year end, 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. Subsequent to December 31, 2008, Millrock negotiated a new agreement with the underlying property owners, Hidefield Gold Plc and Mines Trust Co. As a result of the new agreement Millrock can earn a 100% interest in the claims. The consideration to be paid is \$125,000 (paid subsequently) and 1.25 million Millrock shares (issued subsequently). 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.

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

<u>Exploration Expenditures</u>	<u>Amount</u>
Effective Date through December 31, 2008	US\$ 300,000 (incurred)
Calendar Year 2009	US\$ 500,000
Calendar Year 2010	US\$ 700,000
Calendar Year 2011	US\$1,000,000
Calendar Year 2012	US\$1,500,000

  

<u>Option Payments</u>	<u>Amount</u>
Upon execution of the Agreement	US\$ 30,000 (paid)
On or before January 1, 2009	US\$ 50,000 (paid subsequently)
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

  

<u>Contribution to Bering Straits Foundation Scholarship Fund</u>	<u>Amount</u>
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

  

<u>Shares</u>	<u>Number of Shares</u>
30 days after execution of the Agreement	100,000 (issued)
On or before January 1, 2009	100,000 (issued subsequently)
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:

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

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.

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**4. Mineral Properties (continued)****(h) Other Properties**

The Company evaluated a number of prospects known to exist on open ground and on the claims of others. As of December 31, 2008, 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		
		2008	2007	Total
Porcupine	100%	72,828	18,414	91,242
Ketchem	100%	38,902	-	38,902
Mystery	100%	3,104	-	3,104
Kemuk	100%	3,039	-	3,039
<b>Total Other Properties Cost</b>		<b>\$ 117,873</b>	<b>\$ 18,414</b>	<b>\$ 136,287</b>

**5. Equipment**

December 31, 2008	Cost	Accumulative Amortization	Net Book Value
Office equipment	\$ 10,546	\$ 2,033	\$ 8,513
	<b>\$ 10,546</b>	<b>\$ 2,033</b>	<b>\$ 8,513</b>

December 31, 2007	Cost	Accumulative Amortization	Net Book Value
Office equipment	\$ 5,479	\$ 548	\$ 4,931
	<b>\$ 5,479</b>	<b>\$ 548</b>	<b>\$ 4,931</b>

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**6. 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, 2006</b>	<b>10,710,468</b>	<b>5,021,793</b>	-
Issued for cash pursuant to			
Private placements	7,211,111	3,245,000	-
Exercise of warrants	408,000	40,800	-
Issued for mineral properties	150,000	67,750	-
Issued for finder's fees	150,360	67,662	-
Share repurchase and cancellation	(428,000)	(64,200)	-
Share issue costs	-	(244,058)	49,973
Stock based compensation	-	-	442,959
<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>

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

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

On April 21, 2008, the Company issued 650,000 common shares valued at \$247,000 to acquire the South Estelle property in Alaska.

On May 12, 2008, the Company issued 50,000 common shares valued at \$14,500 pursuant to the Divide property.

On May 26, 2008, the Company issued 11,001,000 units at \$0.25 per unit for gross proceeds \$2,750,250. 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 \$0.50 per share until May 26, 2009 and at \$0.75 per share until May 26, 2010. Finders' fees of \$170,168 in cash payments and an issuance of 58,940 common shares and 562,450 finders' warrants were made under this private placement. Each finder's warrant is exercisable into one common share at \$0.25 per share until May 26, 2009.

On June 12, 2008, the Company issued 100,000 common shares valued at \$36,000 for the Bering property.

On August 28, 2008, the Company issued 150,000 common shares valued at \$30,000 for the Divide property.

On August 7, 2007, the company issued 2,500,000 units at \$0.45 per unit for net proceeds of \$112,500. Each unit consisted of one common share and one-half of one share purchase warrant, each whole warrant entitles the holder to purchase one common share for a period of two years at \$0.75 per share in the first year and \$1.00 per share in the second year. Finders' fees of \$61,950 cash and the issue of warrants for the purchase of 137,667 common shares at \$0.45 per share for one year were paid in respect of this private placement.

On November 2, 2007, the company issued 4,711,111 units at \$0.45 per unit for gross proceeds of \$2,120,000. Each unit consisted of one common share and one-half of one share purchase warrant, each whole warrant entitles the holder thereof to purchase one additional common share at \$0.75 per share for a period of twelve months from the closing date and at \$1.00 per share for the following twelve months.

Finders fees of 7% of the units sold was payable in shares or cash on a portion of the financing to finders who assisted in the placement, as permitted under applicable securities laws. In addition, brokerage firms participating as finders received, as additional compensation, non-transferable share purchase warrants entitling the holder thereof to purchase such number of common shares in the capital that equals an aggregate of 7% of the number of units sold by the brokerage firm (the "Broker's Warrants"). Each such Broker's Warrant entitled the holder thereof to purchase one additional common share at a price of \$0.45 for a period of twelve months from the closing date.

All of the proceeds from the sale of units were allocated to share capital and none were allocated to warrants.

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**6. Share Capital (continued)****(b) Issued and outstanding common shares (continued)**

In connection with the Company's disposal of its online data service during the year ended December 31, 2005, a shareholder with 428,000 common shares dissented under the provisions of Canada Business Corporate Act and demanded that the company pay the shareholder the fair value of the shares as at June 23, 2005. During the year ended December 31, 2007, the shareholder agreed to accept the amount of \$64,200 offered by the Company. The shares were returned to the treasury and cancelled.

**(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.

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

	Shares	Weighted Average Exercise Price
<b>Outstanding at December 31, 2006</b>	-	\$ -
Granted	1,485,000	\$ 0.46
<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
<b>Outstanding at December 31, 2008</b>	<b>2,240,000</b>	<b>\$ 0.38</b>
<b>Exercisable at December 31, 2008</b>	<b>2,202,500</b>	<b>\$ 0.38</b>

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

The following table summarizes the company's outstanding share purchase options as of December 31, 2008.

<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
950,000	\$ 0.45	5/29/2012
75,000	\$ 0.45	8/7/2012
150,000 *	\$ 0.45	10/1/2012
100,000 *	\$ 0.55	11/21/2012
60,000	\$ 0.56	12/6/2012
150,000	\$ 0.36	4/1/2013
755,000 *	\$ 0.25	8/21/2013
<b>2,240,000</b>		

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

The fair value of the options granted was estimated on the dates of grant using the Black-Scholes option pricing model and \$220,179 (2007: \$442,959) has been charged to operations. The assumptions used for the Black-Scholes model were as follows:

	<b><u>2008</u></b>	<b><u>2007</u></b>
Dividend yield	Nil	Nil
Expected volatility	112% - 137%	91% - 102%
Risk-free rate of return	1.18% - 3.44%	4%
Expected life of options	5 years	5 years

The weighted average fair value of the 2,240,000 (2007: 1,485,000) share purchase options granted was \$0.38 (2007: \$0.46) per option.

The weighted average life remaining of options outstanding at December 31, 2008 is 3.87 years.

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

As of December 31, 2008, the Company had outstanding warrants and agent warrants for the purchase of 9,668,507 common shares, as follows:

	<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
<b>Outstanding at December 31, 2006</b>	<b>408,000</b>	<b>\$ 0.10</b>	
Exercised on March 31, 2007	(300,000)	\$ 0.10	
Exercised on July 17, 2007	(108,000)	\$ 0.10	
Issued, Aug 07, 2007	1,250,002	\$ 1.00	8/7/2009
Agent warrants issued, Aug 07, 2007	137,667	\$ 0.45	8/7/2008
Issued on Nov 2, 2007	2,355,555	\$ 1.00	11/2/2009
Agent warrants issued on Nov 2, 2007	157,360	\$ 0.45	11/2/2008
<b>Outstanding at December 31, 2007</b>	<b>3,900,584</b>		
Issued on May 26, 2008	5,500,500	\$ 0.50	5/26/2009
		\$ 0.75	5/26/2010
Issued on May 26, 2008	562,450	\$ 0.25	5/26/2009
Agent warrants expired, Aug 07, 2008	(137,667)	\$ 0.45	8/7/2008
Agent warrants expired, Nov 2, 2008	(157,360)	\$ 0.45	11/2/2008
<b>Outstanding at December 31, 2008</b>	<b>9,668,507</b>		

The fair value of the agent's warrants of \$102,115 (2007: \$49,972) is included in share issue costs and contributed surplus under shareholder's equity. The fair value of the agent's warrants was estimated on the dates issued using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b><u>2008</u></b>	<b><u>2007</u></b>
Dividend yield	Nil	Nil
Expected volatility	108%	91% - 97%
Risk-free rate of return	3.27%	4%
Expected life of options	1 to 2 years	1 to 2 years

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### 6. Share Capital (continued)

#### (e) Obligation to issue shares

Pursuant to the purchase agreement for the three properties in Arizona signed on Jan 14, 2008, the Company has the obligation to issue 20,000 common shares for each property totaling 60,000 at the end of 2008. Subsequent to the year end, these shares along with the anniversary shares payable 45,000 common shares (15,000 shares for each property) totaling 105,000 were issued.

### 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 December 31, 2008, 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.

### 8. Related Party Transactions

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

	<b>2008</b>		<b>2007</b>
Accounting	\$ 64,741	\$	30,606
Consulting fee	212,330		142,018
Mineral Properties-Geological Consulting	127,953		109,916
Office rent	-		3,000
	<b>\$ 405,024</b>	<b>\$</b>	<b>285,540</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 December 31, 2008, due from related parties includes \$10,232 (2007: \$9,913) advanced to a director for travel expense. These amounts are unsecured, do not bear interest and have no fixed terms of repayment.

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**8. Related Party Transactions (continued)**

(b) During the year ended December 31, 2008, the Company incurred \$389,607 (2007: \$844,281) in expenses or cash advances to Xplore Inc., a company incorporated in Alaska, USA and controlled by a Company's director. Until the incorporation of Millrock Exploration Corporation (Alaska) in March 2008, Xplore had acted as the Company's exploration arm in Alaska. All costs for exploration done by Xplore on behalf of the Company were incurred in the normal course of operations and have been reimbursed with no markup or profit charged by Xplore.

**9. Income Tax**

The Company and its subsidiaries have accumulated non-capital losses in Canada totaling \$1,995,000 and a net operating loss in the US of \$699,000 available to reduce future years' taxable income. These losses expire as follows:

	Canada	USA	Total
2009	88,000		88,000
2010	72,000		72,000
2011	49,000		49,000
2015	202,000		202,000
2026	148,000		148,000
2027	552,000	560,000	1,112,000
2028	884,000	139,000	1,023,000
	\$ 1,995,000	\$ 699,000	\$ 2,694,000

The Company has accumulated capital losses of \$3,190,000, which may be carried forward indefinitely and applied against future capital gains.

A reconciliation of income taxes at statutory rates is as follows:

	2008	2007
Loss before income tax	(1,254,772)	(1,510,753)
Statutory income tax rates	31.00%	34.12%
Computed expected income tax recovery	389,000	515,000
Non-deductible stock-based compensation and other items	(5,000)	(151,000)
Change in rates	(51,000)	(339,000)
Difference in tax rate in foreign jurisdiction		(5,000)
Net change in valuation allowance	(333,000)	(20,000)
	\$ -	\$ -

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**9. Income Tax (continued)**

Significant components of the Company's future income tax assets are as follows:

	<b>2008</b>	<b>2007</b>
Non-capital and net operating loss carry forwards	763,000	502,000
Capital loss carry forwards	415,000	415,000
Share issue costs	77,000	51,000
Exploration and development expenses	75,000	-
Equipment	3,000	1,000
Intangibles	144,000	144,000
	1,477,000	1,113,000
Less: valuation allowance	(1,477,000)	(1,113,000)
	\$ -	\$ -

**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 year ended December 31, 2008, 950,000 (2007: 67,750) shares valued at \$327,500 (2007: \$67,750) 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**

- (a) On February 5, 2009, the Company announced that it has purchased a 100% interest in the Estelle gold claims from underlying property owners, London-based Hidefield Gold plc. (HIF - AIM), and Mines Trust Co. (MT), a privately held Alaska-based company. The purchase agreement supersedes the prior option agreement between the companies by which the Company had the ability to earn an 80% interest in the project through cash payments and by funding exploration. The consideration for the 100% interest of US\$125,000 has been paid and 1.25 million of the Company's common shares have been issued. A 2.5% royalty will be payable upon production.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2008 and 2007

(Expressed in Canadian dollars)

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

- (b) On March 2, 2009, the Company entered into an agreement with Vale Exploration Canada Inc.(VEC) concerning the Company's Galiaro property in Arizona. VEC can earn a 60% of joint venture interest in the claim group by making cash payment and exploration expenditures. Under the agreement VEC has committed to funding a minimum of US\$250,000 in exploration programs prior to December 31, 2009 and may elect to fund a further US\$250,000 prior to December 31, 2009 and a further US\$3,000,000 over the subsequent three years through to December 31, 2012. VEC has also made a cash payment of US\$75,000 on execution of the agreement and may elect to make additional cash payments totaling US\$775,000 over three years to earn the option to acquire an undivided 60% participating interest in the underlying claims. Thereafter further expenditures will be funded by the parties pro-rata in accordance with their respective participating interests. VEC also has the option to acquire an additional 10% participating interest in the claims if it completes a favorable feasibility study. The Company will be the exploration manager until December 31, 2010 and thereafter may continue as manager at VEC's discretion.

### **12. 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 December 31, 2008.