



ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (AUDITED)

For the Year Ended December 31, 2009 and 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. STS Partners 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”

Gregory Beischer
President and Chief Executive Officer

Vancouver, Canada
April 26, 2010

AUDITORS' REPORT

To the Shareholders of Millrock Resources Inc.

We have audited the consolidated balance sheet of **Millrock Resources Inc.** as at December 31, 2009 and the consolidated statement of operations and deficit, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2008 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those consolidated financial statements in their report dated March 27, 2009.

/s/ **STS PARTNERS LLP**

Chartered Accountants

Vancouver, British Columbia, Canada
April 26, 2010

MILLROCK RESOURCES INC.
(An Exploration Stage Company)

Consolidated Balance Sheets

As at December 31, 2009 and December 31, 2008

(expressed in Canadian dollars)

ASSETS	31-Dec-2009	31-Dec-2008
Current		
Cash and cash equivalents	\$ 1,076,450	\$ 1,229,734
Security deposit and restricted cash - Note 4j	593,254	48,720
Amounts receivable	10,142	46,024
Due from related parties - Note 9	1,825	10,232
Prepaid expenses	40,515	34,821
	1,722,186	1,369,531
Advances on exploration expenditures	64,916	24,795
Mineral properties - Schedule, Note 4 and 9	4,268,441	3,257,397
Equipment - Note 5	12,680	8,513
	\$ 6,068,223	\$ 4,660,236

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 78,191	\$ 195,879
Project cost advance received - Note 6	265,207	92,003
	343,398	287,882

SHAREHOLDERS' EQUITY

Share capital - Note 7	13,981,072	10,922,792
Obligation to issue shares - Note 4 and 7	-	34,200
Contributed Surplus - Note 7	1,146,633	815,226
Deficit	(9,402,880)	(7,399,864)
	5,724,825	4,372,354
	\$ 6,068,223	\$ 4,660,236

Nature of Operations and Ability to Continue as a Going Concern - Note 1

Commitments - Note 4

Subsequent events - Notes 12

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, 2009 and 2008
(expressed in Canadian dollars)

	2009	2008
General and administrative expense		
Accounting and audit - Note 9	\$ 95,646	\$ 130,374
Amortization and depreciation	2,518	1,486
Bank charge and interest	8,914	5,597
Consulting - Note 9	240,789	238,333
Directors' fees	8,000	-
Filing and listing	47,986	27,050
Foreign exchange (gain)/loss	12,616	(52,544)
Insurance	28,603	28,723
Investor relations	226,852	157,289
Legal	50,541	25,225
Miscellaneous	19,670	26,056
Office expense	58,521	67,738
Rent and storage	71,280	47,398
Salaries and benefits	49,983	54,347
Stock-based compensation - Note 7	263,210	220,179
Travel	71,927	50,045
Loss before other items	(1,257,056)	(1,027,297)
Other items		
Interest income/(expense)	(4,304)	46,061
Miscellaneous income	-	2,914
Write-off of mineral properties	(741,656)	(276,450)
Net loss and comprehensive loss for the year	(2,003,016)	(1,254,772)
Deficit, beginning of year	(7,399,864)	(6,145,092)
Deficit, end of year	\$ (9,402,880)	\$ (7,399,864)
Basic and diluted loss per share	\$ (0.05)	\$ (0.05)
Weighted average number of shares outstanding	37,262,529	25,439,404

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, 2009 and 2008
(expressed in Canadian dollars)

	Seward	PenGen	Divide	Estelle	Uncle Sam	Fortymile	Arizona	Bering Straits	Albion	Altus	Other Properties	Total
Balance at December 31, 2008												
Addition during the year			\$ 872,021	\$ 351,905		\$ 140,340	\$ 496,859	\$ 1,396,272				\$ 3,257,397
Acquisition cost												
Cash	7,300	13,637	204,726	42,846	63,893	72,885	125,377	32,223	15,267	24,370		602,524
Shares - note 1	-	-	150,000	50,000	-	25,650	50,000	-	-	-	-	275,650
	7,300	13,637	354,726	92,846	63,893	98,535	175,377	32,223	15,267	24,370		878,174
Exploration costs:												
Drilling	-	-	-	-	-	-	-	-	-	-	-	-
Geochemistry	74,871	-	10,705	-	9,552	1,523	8,895	-	57,734	-	-	163,280
Geology	56,563	32,278	40,039	17,362	45,880	47,457	16,241	1,166	119,332	12,489	-	388,807
Geophysics	-	-	-	-	-	128,469	6,715	-	2,497	-	-	137,681
Environmental and permitting	-	248	1,327	-	-	16,182	3,275	-	-	202	-	21,234
Support and equipment	75,570	(23,018)	49,674	7,868	8,912	170,859	8,112	628	218,032	33	-	516,671
Administration	10,764	5,191	5,766	1,066	1,402	10,271	13,280	6,067	11,010	21	-	64,838
	217,768	14,699	107,511	26,296	65,746	374,761	56,518	7,861	408,605	12,745	-	1,292,511
Less:												
Recoveries	-	13,715	-	-	-	404,269	-	-	-	-	-	417,984
Write off	-	660,535	-	-	-	-	80,865	-	-	-	-	741,656
	-	674,250	-	-	-	404,269	80,865	-	-	-	-	1,159,640
Net additions												
	225,068	(645,914)	462,237	119,142	129,639	69,027	151,030	40,084	423,872	36,859	-	1,011,044
Balance at December 31, 2009												
	\$ 225,068	\$ 226,107	\$ 814,142	\$ 119,142	\$ 269,979	\$ 565,886	\$ 1,547,302	\$ 40,084	\$ 423,872	\$ 36,859	\$ 4,268,441	

Note 1: \$34,200 was included in the balance brought forward for Arizona as an obligation to issue shares

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)

	Divide	Immachuk	Thamma	Fortymile	Arizona	Estelle	Bering Straits	Other Properties	Total
Balance at December 31, 2007	\$ 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	13,738	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
	1,262,330	2,243	(791)	25,766	46,055	85,369	1,199,597	83,957	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
Net additions	749,146	-	(51,252)	(5,980)	496,859	351,905	1,396,272	(18,414)	2,918,537
Balance at December 31, 2008	\$ 872,020	\$ -	\$ -	\$ 140,340	\$ 496,859	\$ 351,905	\$ 1,396,272	\$ -	\$ 3,257,397

MILLROCK RESOURCES INC.*(An Exploration Stage Company)***Consolidated Statements of Cash Flows***For the Years Ended December 31, 2009 and 2008**(expressed in Canadian dollars)*

	2009	2008
Cash provided from (used for)		
Operating activities		
Loss for the year	\$ (2,003,016)	\$ (1,254,772)
Items not involving cash		
Amortization	2,518	1,486
Unrealized foreign exchange gain	-	(128,718)
Mineral properties write-off	741,656	276,450
Stock-based compensation	263,210	220,179
	(995,632)	(885,376)
Net change in non-cash working capital items		
Accounts receivable	35,882	30,373
Security Deposit and restricted cash	(544,534)	(40,400)
Prepaid expenses	(5,694)	(24,233)
Due from related parties	8,407	(7,442)
Accounts payable and accrued liabilities	(117,688)	134,896
Project cost advance received	173,204	795,095
Due to related parties	-	(9,913)
	(1,446,055)	(7,000)
Investing activities		
Advances on exploration expenditures	(40,121)	302,191
Mineral properties acquisition and exploration costs	(1,477,050)	(3,425,007)
Purchase of equipment	(6,685)	(4,991)
	(1,523,856)	(3,127,807)
Financing activities		
Shares issued for cash	2,816,627	2,562,661
	2,816,627	2,562,661
Decrease in cash and cash equivalents	(153,284)	(572,146)
Cash and cash equivalents, beginning of years	1,229,734	1,801,880
Cash and cash equivalents, end of years	\$ 1,076,450	\$ 1,229,734

See accompanying notes to the financial statements

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

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

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

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

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the company will be able to meet its obligations and continue its operations for its next fiscal year. Realization value may be substantially different from carrying value as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As of December 31, 2009, the Company had not yet achieved profitable operations, had working capital of \$1,378,788 (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 Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

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

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

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

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

Level 1

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

Level 2

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

Level 3

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

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

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

(d) New Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(d) New Accounting Pronouncements (continued)

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

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

Goodwill and Intangible Assets

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

Business combinations, financial statements and non-controlling interests

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

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(e) Cash and Cash Equivalents

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

(f) Mineral Properties

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

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

(g) Equipment

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

(h) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period when the obligation is incurred and a reasonable estimate of the future liability can be determined, with a corresponding increase to the carrying amount of the related assets. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset. As at December 31, 2009 and 2008, the Company had no asset retirement obligations.

(i) Impairment of Long-lived Assets

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

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

indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the assets, impairment is recognized. During the year ended December 31, 2009, the Company recorded impairment on its mineral properties totalling \$741,656 (2008: \$276,450).

(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 is the same for the periods presented.

For the year ended December 31, 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 19,342,273 (Year end 2008: 11,908,507) were not included in the computation of loss per share because their effect was anti-dilutive.

(l) Foreign Currency Translation

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

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(l) Foreign Currency Translation (continued)

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

(m) Future Income Taxes

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

(n) Capital Disclosure

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

3. Financial Instruments (Note 7)

(a) Fair Value of Financial Instruments

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

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents and receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalent by placing these instruments with institutions of high credit worthiness. As at December 31, 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.

MILLROCK RESOURCES INC.

(An Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008
(Expressed in Canadian dollars)

3. Financial Instruments (Note 7) (continued)

(d) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has cash and cash equivalents of \$484,202, security deposit of \$42,040, and accounts payable of \$33,393 denominated in US dollars. The Company does not have a formal policy to manage risk, however, management actively monitors movement in foreign currency and forecasts foreign currency payments. Foreign exchange risk is mitigated by the offset of assets against liabilities and the risk is not significant.

(e) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the period in consolidated financial statements is interest income on Canadian dollar cash and cash equivalents. As at December 31, 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) Albion Property, Alaska

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

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

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

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008
(Expressed in Canadian dollars)

4. Mineral Properties (continued)

(b) Bering Straits

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

Exploration Expenditures:

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

Option Payments:

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

Contribution to Bering Straits Foundation Scholarship Fund:

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

Shares:

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

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

4. Mineral Properties (continued)

(b) Bering Straits (continued)

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

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

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

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

(c) Divide

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

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008
(Expressed in Canadian dollars)

4. Mineral Properties (continued)

(c) Divide (continued)

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

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

(d) Estelle

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

(e) Uncle Sam

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

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

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008
(Expressed in Canadian dollars)

4. Mineral Properties (continued)

(e) Uncle Sam (continued)

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

Work Commitment:

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

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

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

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

(f) Fortymile

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

(g) Inmachuk

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

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008
(Expressed in Canadian dollars)

4. Mineral Properties (continued)

(g) Inmachuk (continued)

Exploration Expenditures:

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

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

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

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

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

(h) Illiamna

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

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

Exploration Expenditures:

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

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008
(Expressed in Canadian dollars)

4. Mineral Properties (continued)

(i) Seward PenGen

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

(j) Altius Strategic Alliance

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

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

(k) Arizona

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

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

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

US\$100,000 by January 14, 2009

US\$ 500,000 by January 14, 2010

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

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

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

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

(l) Other Properties

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

The Company also evaluated a number of prospects known to exist on open ground and on the claims of others. As of December 31, 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			
		2009	2008	2007	Total
Porcupine	100%	54	72,828	18,414	91,296
Ketchem	100%	202	38,902	-	39,104
Mystery	100%	-	3,104	-	3,104
Kemuk	100%	-	3,039	-	3,039
Total Other Properties Cost		\$ 256	\$ 117,873	\$ 18,414	\$ 136,543

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

5. Equipment

December 31, 2009	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 17,231	\$ 4,551	\$ 12,680
	\$ -	\$ 4,551	\$ 12,680

December 31, 2008	Cost	Accumulative Amortization	Net Book Value
Office equipment	\$ 10,546	\$ 2,033	\$ 8,513
	\$ 17,231	\$ 2,033	\$ 8,513

6. Project cost advance received.

These costs represent advances from earn-in partners that have not been expended as at December 31, 2009.

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

Unlimited common shares without par value.

(b) Issued and outstanding common shares

	Number of Shares	Share Capital	Contributed Surplus
Balance December 31, 2007	18,201,939	\$ 8,134,747	\$ 492,932
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
Balance December 31, 2008	30,211,879	\$ 10,922,792	\$ 815,226
Issued for mineral properties	1,905,000	309,850	-
Returned to Treasury for reconciliation	(408)	-	-
Issued for cash pursuant to			
Private placements	14,702,273	2,937,500	-
Share issue costs	-	(189,070)	68,197
Stock based compensation	-	-	263,210
Balance December 31, 2009	46,818,744	\$ 13,981,072	\$ 1,146,633

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

7. Share Capital (continued)

(b) Issued and outstanding common shares (continued)

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

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

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

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

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

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

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

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

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

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

MILLROCK RESOURCES INC.

(An Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008
(Expressed in Canadian dollars)

7. Share Capital (continued)

(b) Issued and outstanding common shares (continued)

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

(c) Stock Options

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

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

On August 1, 2009, the Company has granted 100,000 stock options to a consultant exercisable at \$0.22 per share for a period of five years. The options are vested at 25% after 3 months, 25% after 6 months, 25% after 9 months and 25% after 12 months. Total stock-based compensation expense of \$6,896 has been charged to operations.

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

On December 28, 2009, the Company has granted 150,000 stock options to a consultant exercisable at \$0.25 per share for a period of five years. The options are vested at 25% after 3 months, 25% after 6 months, 25% after 9 months and 25% after 12 months. No stock-based compensation has been charged to operations due to the non-vesting of options during the year ended December 31, 2009.

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

	<u>2009</u>	<u>2008</u>
Dividend yield	Nil	Nil
Expected volatility	124%-170%	112% - 137%
Risk-free rate of return	2.14%-3.22%	1.18% - 3.44%
Expected life of options	5 years	5 years

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

7. 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
Outstanding at December 31, 2007	1,485,000	\$ 0.46
Canceled on Oct 10, 2008	(150,000)	\$ 0.45
Canceled on Oct 10, 2008	(125,000)	\$ 0.25
Outstanding at December 31, 2008	2,240,000	\$ 0.38
Granted on May 8, 2009	750,000	\$ 0.18
Canceled on May 31, 2009	(50,000)	\$ 0.55
Canceled on May 31, 2009	(50,000)	\$ 0.56
Canceled on May 31, 2009	(100,000)	\$ 0.36
Canceled on May 31, 2009	(75,000)	\$ 0.25
Granted on Aug 1, 2009	100,000	\$ 0.22
Granted on Dec 28, 2009	825,000	\$ 0.25
Granted on Dec 28, 2009	150,000	\$ 0.25
Outstanding at December 31, 2009	3,790,000	\$ 0.30
Exercisable at December 31, 2009	3,581,667	\$ 0.31

The following table summarizes the company's outstanding share purchase options as of December 31, 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
50,000	\$ 0.55	21-Nov-12
10,000	\$ 0.56	6-Dec-12
50,000	\$ 0.36	1-Apr-13
680,000	\$ 0.25	21-Aug-13
750,000	\$ 0.18	8-May-14
100,000 *	\$ 0.22	1-Aug-14
825,000	\$ 0.25	28-Dec-14
150,000 *	\$ 0.25	28-Dec-14
3,790,000		

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

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

*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 December 31, 2009 is 3.77 years.

(d) Share Purchase Warrants and Agent Warrants

As of December 31, 2009, the Company had outstanding warrants and agent warrants for the purchase of 15,552,273 common shares, as follows:

	Shares	Exercise Price	Expiry Date
Outstanding at December 31, 2007	3,900,584		
Issued on May 26, 2008	5,500,500	\$ 0.75	26-May-10
Issued on May 26, 2008	562,450	\$ 0.25	26-May-09
Agent warrants expired, Aug 07, 2007	-137,667	\$ 0.45	7-Aug-08
Agent warrants expired, Nov 02, 2008	-157,360	\$ 0.45	2-Nov-08
Outstanding at December 31, 2008	9,668,507		
Expired - Issued on May 26, 2008	-562,450	\$ 0.25	26-May-09
Issued on June 4, 2009	1,093,750	\$ 0.21	4-Jun-11
Issued on June 14, 2009	4,227,273	\$ 0.30	15-Jun-10
Expired - Issued on August 7, 2007	-1,250,002	\$ 1.00	7-Aug-09
Issued on September 17, 2009 for private placement (Tranche 1)	2,637,500	\$ 0.30	17-Mar-11
Agent warrants issued, finders' fee for private placement, Sep 17, 2009	360,000	\$ 0.30	17-Sep-10
Issued on October 5, 2009 for private placement (Tranche 2)	793,750	\$ 0.30	5-Apr-11
Agent warrants issued, finders' fee for private placement, Oct 5, 2009	127,000	\$ 0.30	5-Oct-10
Issued on October 21, 2009 for private placement (Tranche 3)	712,500	\$ 0.30	21-Apr-11
Agent warrants issued, finders' fee for private placement, Oct 21, 2009	100,000	\$ 0.30	21-Oct-10
Expired - Issued on Nov 2, 2007	-2,355,555	\$ 1.00	2-Nov-09
Outstanding at December 31, 2009	15,552,273		

MILLROCK RESOURCES INC.

(An Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008
(Expressed in Canadian dollars)

7. Share Capital (continued)

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

The fair value of the agents warrants of \$68,197 (2008:\$102,115) is included in share issue costs and contributed surplus under share holders 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:

	2009	2008
Dividend	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

8. Management of Capital

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

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

9. Related Party Transactions

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

	Years Ended December 31	
	2009	2008
Accounting	\$ 28,790	\$ 64,741
Consulting fee	327,571	340,283
Mineral Properties-Geological Consulting	-	389,607
Directors' fee	8,000	-
	\$ 364,361	\$ 794,631

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

9. Related Party Transactions (continued)

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.

10. As of December 31, 2009, due from related parties includes \$1,825 (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.

10. Income Tax

The Company and its subsidiaries have accumulated non-capital losses in Canada totaling \$2,753,000 and a net operating loss in the US of \$1,705,000 available to reduce future years' taxable income. These losses expire as follows:

	Canada	USA	Total
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
2029	846,000	1,006,000	1,852,000
	\$ 2,753,000	\$ 1,705,000	\$ 4,458,000

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

If changes in ownership of the Company's US subsidiary were to occur, United States NOL carry-forwards may be subject to annual limitations under Internal revenue Code Section 382 (or comparable provisions of state law)

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

	2009	2008
Loss before income tax	(2,003,016)	(1,254,771)
Statutory income tax rates	25.50%	31.00%
Computed expected income tax recovery	510,000	389,000
Difference in tax rates between Canada & USA	95,000	-
Non-deductible stock-based compensation and other items	(67,000)	(5,000)
Change in rates	(69,000)	(51,000)
Net change in valuation allowance	(469,000)	(333,000)
	\$ -	\$ -

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(Expressed in Canadian dollars)

10. Income Tax (continued)

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

	2009	2008
Non-capital and net operating loss carry forwards	1,311,000	763,000
Capital loss carry forwards	406,000	415,000
Undeducted financing costs	77,000	77,000
Exploration and development expenses	63,000	75,000
Equipment	1,000	3,000
Intangibles	142,000	144,000
	2,000,000	1,477,000
Less: valuation allowance	(2,000,000)	(1,477,000)
	\$ -	\$ -

11. 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, 2009, 1,905,000 (2008: 950,000) shares valued at \$309,850 (2008: \$327,500) were issued pursuant to mineral property acquisition agreements. The values were determined based on the market value of the shares when issued.

12. Subsequent Events

On January 10, 2010, the Company issued 45,000 common shares at market value on date of issue in relation to an option payment regarding Dry Mountain, San Jose and Galiuro properties.

On 15 January, 2010, the Company granted a total of 50,000 stock options pursuant to its stock option plan to a consultant. The options are exercisable at \$0.29 per share for a period of five years.

On February 9, 2010, the Company granted a total of 100,000 stock options, pursuant to its stock option plan to a consultant. The options are exercisable at \$0.25 per share for a period of five years.

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