



**ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (AUDITED)**

For the Year Ended December 31, 2010 and 2009

(See Notice)

## 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”*

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Gregory Beischer  
President and Chief Executive Officer

Vancouver, Canada  
April 26, 2011

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Millrock Resources Inc.

We have audited the accompanying consolidated financial statements of Millrock Resources Inc. (the Company), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive loss and deficit, and the consolidated statement of cash flow for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company. as at December 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/S/ STS PARTNERS LLP

STS PARTNERS LLP  
Chartered Accountants

Vancouver, British Columbia  
April 26, 2011

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

**Consolidated Balance Sheets**

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

<b>ASSETS</b>	<b>31-Dec-2010</b>	<b>31-Dec-2009</b>
<b>Current</b>		
Cash and cash equivalents	\$ 2,734,918	\$ 1,076,450
Security deposit and restricted cash - Note 13	2,682,979	593,254
Marketable securities - Note 4	668,570	-
Amounts receivable	1,591,950	10,142
Due from related parties - Note 11	10,432	1,825
Prepaid expenses	40,780	40,515
	<b>7,729,629</b>	<b>1,722,186</b>
Advances on exploration expenditures	24,865	64,916
Mineral properties - Schedule, Note 5 and 11	4,191,140	4,268,441
Property, plant and equipment - Note 6	109,095	12,680
	<b>\$ 12,054,729</b>	<b>\$ 6,068,223</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 211,660	\$ 78,191
Project cost advance received - Note 7	1,377,509	265,207
Due to related parties - Note 11	18,000	-
	<b>1,607,169</b>	<b>343,398</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital - Note 8	20,690,224	13,981,072
Contributed Surplus - Note 8	2,184,901	1,146,633
Deficit	(12,427,565)	(9,402,880)
	<b>10,447,560</b>	<b>5,724,825</b>
	<b>\$ 12,054,729</b>	<b>\$ 6,068,223</b>

Nature of Operations and Ability to Continue as a Going Concern - Note 1  
 Commitments - Note 5, 16  
 Subsequent events - Note 14

Approved by the directors

Gregory Beischer  
 Gregory Beischer

Darryl Cardey  
 Darryl Cardey

See accompanying notes to the consolidated financial statements

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

**Consolidated Statements of Operations, Comprehensive  
Loss and Deficit**

*For the Years Ended December 31, 2010 and 2009  
(expresses in Canadian dollars)*

	<b>2010</b>	<b>2009</b>
<b>Revenue</b>		
Management fee	\$ 696,862	\$ -
	<b>696,862</b>	<b>-</b>
<b>General and administrative expense</b>		
Accounting and audit - Note 11	152,947	95,646
Amortization and depreciation	31,296	2,518
Bank charge and interest	8,658	8,914
Conference and exhibitions	108,669	54,123
Consulting - Note 11	308,383	240,789
Directors' fees - Note 11	27,500	8,000
Filing and listing	36,626	47,986
Foreign exchange loss	82,723	12,616
General exploration - Note 5(j)	434,170	-
Insurance	30,025	28,603
Investor relations	206,527	139,358
Legal	77,339	50,541
Miscellaneous	19,404	19,670
Office expense	115,508	58,521
Promotion and entertainment	84,981	33,371
Rent and storage	61,051	71,280
Salaries and benefits	262,961	49,983
Stock-based compensation - Note 11	1,133,985	263,210
Travel	140,229	71,927
	<b>3,322,982</b>	<b>1,257,056</b>
<b>Loss before other items</b>	<b>(2,626,120)</b>	<b>(1,257,056)</b>
<b>Other items</b>		
Interest income	910	(4,304)
Write-off of mineral properties	(648,869)	(741,656)
<b>Net Loss before comprehensive income</b>	<b>(3,274,079)</b>	<b>(2,003,016)</b>
<b>Comprehensive income</b>		
Unrealized gain on held for sale marketable security	104,485	-
Unrealized gain on share payments received in excess on cost of mineral properties	144,909	-
<b>Net Loss and comprehensive loss for the year</b>	<b>(3,024,685)</b>	<b>(2,003,016)</b>
<b>Deficit, beginning of year</b>	<b>(9,402,880)</b>	<b>(7,399,864)</b>
<b>Deficit, end of year</b>	<b>\$ (12,427,565)</b>	<b>\$ (9,402,880)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.06)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of shares outstanding - Basic and diluted</b>	<b>55,781,352</b>	<b>37,262,529</b>

See accompanying notes to the consolidated financial statements

**MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

**Consolidated Schedule of Mineral Properties**

For the Years Ended December 31, 2010 and 2009  
(expressed in Canadian dollars)

	Alaska											Arizona			Other	Total
	Bluff	Council	Cristo	Estelle	Fortymile	Humble	Revelation	Uncle Sam	Divide	PenGen	Altius	Galiuro	Dry Mountain	San Jose		
<b>Balance at December 31, 2009</b>	\$ 773,651	\$ 813,735	\$ -	\$ 814,142	\$ 269,979	\$ -	\$ 10,814	\$ 119,143	\$ 226,106	\$ 225,068	\$ 423,873	\$ 216,595	\$ 169,616	\$ 179,675	\$ 26,044	\$ 4,268,441
Addition during the period																
Acquisition cost																
Cash	28,004	224,241	48,969	65,404	80,105	85,745	18,499	50,620	-	(15)	-	95,214	72,473	53,920	35,644	858,823
Shares issued	294,000	-	-	-	-	-	7,300	170,000	-	-	-	3,600	3,600	3,600	-	482,100
Shares received	(113,143)	(113,143)	(337,800)	-	-	-	-	-	-	-	-	-	-	-	-	(564,086)
	208,861	111,098	(288,831)	65,404	80,105	85,745	25,799	220,620	-	(15)	-	98,814	76,073	57,520	35,644	776,837
Exploration costs:																
Drilling	664,963	473,532	-	5	1,178	-	-	24,774	-	-	-	591,367	-	-	-	1,755,819
Geochemistry	82,142	93,329	10,368	73,878	9,510	-	3,540	5,812	-	2	-	36,464	-	1,757	26,562	343,364
Geology	116,387	108,113	46,023	173,331	33,847	4,459	11,277	81,426	-	(53)	-	178,144	37,714	25,574	59,293	875,535
Geophysics	-	-	-	65,450	-	392,060	-	-	-	-	-	54,225	39,720	162,418	-	713,873
Environmental and permitting	29,727	182	-	292	360	-	-	362	-	-	-	53,856	2,707	130	-	87,616
Support and equipment	501,624	317,219	76,004	327,070	18,295	2,192	38,462	94,051	-	(5)	-	506,589	18,378	9,126	72,767	1,981,772
Administration	27,686	27,043	11,527	12,166	4,460	1,939	3,556	7,055	-	-	-	24,404	3,337	4,067	3,378	130,618
	1,422,529	1,019,418	143,922	652,192	67,650	400,650	56,835	213,480	-	(56)	-	1,445,049	101,856	203,072	162,000	5,888,597
Less:																
Recoveries	1,567,310	1,255,276	-	709,121	-	486,395	-	-	-	-	-	1,658,106	239,974	322,592	-	6,238,774
Share payments received in excess of mineral properties	-	-	(144,909)	-	-	-	-	-	-	-	-	-	-	-	-	(144,909)
Write off	-	-	-	-	-	-	-	-	-	224,997	423,873	-	-	-	-	648,870
	1,567,310	1,255,276	(144,909)	709,121	-	486,395	-	-	-	224,997	423,873	1,658,106	239,974	322,592	-	6,742,735
<b>Net additions</b>	<b>64,080</b>	<b>(124,760)</b>	<b>-</b>	<b>8,475</b>	<b>147,755</b>	<b>-</b>	<b>82,634</b>	<b>434,100</b>	<b>-</b>	<b>(225,068)</b>	<b>(423,873)</b>	<b>(114,243)</b>	<b>(62,045)</b>	<b>(62,000)</b>	<b>197,644</b>	<b>(77,301)</b>
<b>Balance at December 31, 2010</b>	<b>\$ 837,731</b>	<b>\$ 688,975</b>	<b>\$ -</b>	<b>\$ 822,617</b>	<b>\$ 417,734</b>	<b>\$ -</b>	<b>\$ 93,448</b>	<b>\$ 553,243</b>	<b>\$ 226,106</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 102,352</b>	<b>\$ 107,571</b>	<b>\$ 117,675</b>	<b>\$ 223,688</b>	<b>\$ 4,191,140</b>

**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)

	Alaska									Arizona			Other	Total
	Bluff	Albion	Estelle	Fortymile	Revelation	Uncle Sam	Divide	PenGen	Altius	Galiuro	Dry Mountain	San Jose		
<b>Balance at December 31, 2008</b>	\$ 1,396,272	\$ -	\$ 351,905	\$ 140,340	\$ -	\$ -	\$ 872,021	\$ -	\$ -	\$ 216,595	\$ 140,646	\$ 139,618	-	\$ 3,257,397
Addition during the year														
Acquisition cost														
Cash	125,377	32,223	204,726	63,893	10,814	42,846	13,637	7,300	15,267	25,232	13,625	34,028	13,556	602,524
Shares - note 1	50,000	-	150,000	-	-	50,000	-	-	-	8,550	8,550	8,550	-	275,650
	175,377	32,223	354,726	63,893	10,814	92,846	13,637	7,300	15,267	33,782	22,175	42,578	13,556	878,174
Exploration costs:														
Drilling	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Geochemistry	8,895	-	10,705	9,552	-	-	-	74,871	57,734	1,337	186	-	-	163,280
Geology	16,241	1,166	40,039	45,880	-	17,362	32,278	56,563	119,332	46,759	349	349	12,489	388,807
Geophysics	6,715	-	-	-	-	-	-	-	2,497	116,293	10,391	1,785	-	137,681
Environmental and permitting	3,275	-	1,327	-	-	-	248	-	-	14,833	1,349	-	202	21,234
Support and equipment	8,112	628	49,674	8,912	-	7,869	(23,019)	75,570	218,033	144,309	12,800	13,750	33	516,670
Administration	13,280	6,067	5,766	1,402	-	1,066	5,191	10,764	11,010	7,368	1,515	1,388	21	64,838
	56,518	7,861	107,511	65,746	-	26,297	14,698	217,768	408,606	330,899	26,590	17,272	12,745	1,292,510
Less:														
Recoveries	-	-	-	-	-	-	13,715	-	-	364,681	19,794	19,794	-	417,984
Write off	80,865	-	-	-	-	-	660,535	-	-	-	-	-	256	741,656
	80,865	-	-	-	-	-	674,250	-	-	364,681	19,794	19,794	256	1,159,640
<b>Net additions</b>	<b>151,030</b>	<b>40,084</b>	<b>462,237</b>	<b>129,639</b>	<b>10,814</b>	<b>119,143</b>	<b>(645,915)</b>	<b>225,068</b>	<b>423,873</b>	<b>-</b>	<b>28,971</b>	<b>40,056</b>	<b>26,045</b>	<b>1,011,044</b>
<b>Balance at December 31, 2009</b>	<b>\$ 1,547,302</b>	<b>\$ 40,084</b>	<b>\$ 814,142</b>	<b>\$ 269,979</b>	<b>\$ 10,814</b>	<b>\$ 119,143</b>	<b>\$ 226,106</b>	<b>\$ 225,068</b>	<b>\$ 423,873</b>	<b>\$ 216,595</b>	<b>\$ 169,617</b>	<b>\$ 179,674</b>	<b>\$ 26,045</b>	<b>\$ 4,268,441</b>

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 Statements of Cash Flows***For the Years Ended December 31, 2010 and 2009**(expressed in Canadian dollars)*

	<b>2010</b>	
Cash provided from (used for)		
<b>Operating activities</b>		
Loss for the year	\$	(3,024,685) \$
Items not involving cash		
Amortization		31,296
Unrealized gain on held for sale marketable security		(104,485)
Unrealized gain on share payments received in excess on cost of mineral properties		(144,909)
Unrealized foreign exchange gain		(53,460)
Mineral properties write-off	\$	648,869
Stock-based compensation		1,133,985
		<b>(1,513,389)</b>
Net change in non-cash working capital items		
Amounts receivable		(1,581,808)
Prepaid expenses		(265)
Due from related parties		(8,607)
Accounts payable and accrued liabilities		133,469
Project cost advance received		1,112,302
Due to related parties		18,000
		<b>(1,840,298)</b>
<b>Investing activities</b>		
Advances on exploration expenditures		40,051
Mineral properties acquisition and exploration costs		(457,762)
Purchase of equipment		(125,132)
		<b>(542,843)</b>
<b>Financing activities</b>		
Security Deposit and restricted cash		(2,089,725)
Share issued costs		(175,335)
Share issued for cash		6,306,669
		<b>4,041,609</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>1,658,468</b>
<b>Cash and cash equivalents, beginning of years</b>		<b>1,076,450</b>
<b>Cash and cash equivalents, end of years</b>	<b>\$</b>	<b>2,734,918 \$</b>

## Supplemental Cash flow information:

Non-cash transactions - Note 12

Interest \$ - \$Taxation \$ - \$

See accompanying notes to the consolidated financial statements

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(Expressed in Canadian dollars)

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

Millrock Resources Inc. (“Millrock” or “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. Earn-in agreements are made with partners that fund drilling and more advanced exploration to earn an interest in the Company’s properties.

These consolidated 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, 2010, the Company had not yet achieved profitable operations, but had working capital of \$6,122,460 (Year end 2009: \$1,378,788) which should be adequate to sustain operations over the next twelve months. The company expects to receive approximately as much revenue as it anticipates in expenses for overhead and generative exploration. The Company’s ability to continue as a going concern is dependent upon its ability to generate revenue from management fees and option payments.

### **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, 2010 and 2009

(Expressed in Canadian dollars)

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

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

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

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

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

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

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

## **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, receivables and prepaid expenses, which are measured at amortized cost, marketable securities are designated as available for sale. Project costs advance received are designated as other liabilities, 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.

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")**

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable entities will be required to prepare financial statements in accordance with IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 with appropriate comparative data from the prior year. Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(Expressed in Canadian dollars)

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

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

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

differences in accounting policies that will need to be addressed by management. The Company’s annual and interim fiscal 2011 consolidated financial statements will include an IFRS opening consolidated balance sheet as at January 1, 2010, fiscal 2011 comparatives, related transitional reconciliation and note disclosures.

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

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, consolidated Financial Statements, and Section 1602, Non-controlling Interests, which superseded Section 1581, Business Combinations, and Section 1600, Consolidated Financial Statements. CICA Handbook Section 1582, Business Combinations, replaces the former Section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). This Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Handbook Section 1601, Consolidated Financial Statements, together with the new Section 1602, Non-Controlling Interests, replaces the former Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS 27, Consolidated and Separate Financial Statements, (January 2008). Both sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Corporation evaluated the impact of the adoption of these sections to determine if early adoption is appropriate and determined that no material impact is expected.

#### **(e) Revenue Recognition**

Revenue for Millrock is derived from management fees. It is recognized when the services are provided, when persuasive evidence of an arrangement exists, the fixed price is determinable, and there is reasonable assurance of collection. Management fees are generated when the Company operates an exploration program under a budget approved by the earn-in partner. The Company charges the earn-in partner a pre-determined fee based on a percentage of the total exploration expenditures incurred.

#### **(f) 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.

## **MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(Expressed in Canadian dollars)

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

#### **(g) Marketable Securities and Investments**

Mining and mineral related investments under which the Company cannot exert significant influence are recorded initially at cost and adjusted to reflect changes in the fair value. All mining and mineral related investments are classified as available for sale and any subsequent changes in the fair value are recorded in current year's comprehensive income. If in the opinion of management there has been a decline in value of the investment below the carrying value that is considered to be other than temporary, the valuation adjustment is recorded in net earnings in the period of determination. The fair value of the investments is based on the quoted market price on the closing date of the period.

#### **(h) 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.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received. The Company does not accrue the estimated costs of maintaining its interests in good standing

#### **(i) Equipment**

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

#### **(j) 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

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

#### **(j) Asset Retirement Obligations (continued)**

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, 2010 and December 31, 2009, the Company had no asset retirement obligations.

#### **(k) 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, 2010, the Company recorded impairment on its mineral properties totalling \$648,869 (2009: \$741,656).

#### **(l) 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.

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

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

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

For the year ended December 31, 2010, potentially dilutive common shares (relating to share purchase options and warrants outstanding and conditional share issuances pursuant to the Acquisition and mineral property agreements) totaling 19,642,886 (Year end 2009:

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

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

19,342,273) were not included in the computation of loss per share because their effect was anti-dilutive.

#### **(n) 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, other assets and liabilities and equity are translated at the rate of exchange prevailing on the transaction date and non-monetary items are translated at historical exchange rates. 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.

#### **(o) 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.

#### **(p) 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 10.

#### **(q) Comprehensive Income**

Comprehensive Income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available-for-sale securities, which are not included in net income (loss) until realized.

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**3. Financial Instruments****(a) Fair Value of Financial Instruments**

The table set out below summarizes the Company's financial instruments and shows the level within the fair value hierarchy in which they have been classified. The fair value of these financial instruments approximates their carrying value due to the short term nature of their settlement.

**December 31, 2010**

<b>Financial Instruments</b>	<b>Category</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>
Cash and cash equivalents	Held for trading	Nil	2,734,918	Nil
Secured deposit & Restricted Cash	Held for trading	Nil	2,682,979	Nil
Marketable securities	Available for sale	668,570	Nil	Nil
Amounts receivable	Loans and receivables	Nil	1,591,950	Nil
Due from related parties	Loans and receivables	Nil	10,432	Nil
Prepaid expenses	Loans and receivables	Nil	40,780	Nil
Amounts payable and accrued liabilities	Other financial liabilities	Nil	211,660	Nil
Project cost advance received	Other financial liabilities	Nil	1,377,509	Nil
Due to related parties	Other financial liabilities	Nil	18,000	Nil

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**3. Financial Instruments (continued)****(a) Fair Value of Financial Instruments (continued)****December 31, 2009**

<b>Financial Instruments</b>	<b>Category</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>
Cash and cash equivalents	Held for trading	1,076,450	Nil
Secured Deposit & restricted cash	Held for Trading	593,254	Nil
Marketable securities	Available for sale	Nil	Nil
Amounts receivable	Loans and receivables	10,142	Nil
Due from related parties	Loans and receivables	1,825	Nil
Prepaid expenses	Loans and receivables	40,515	Nil
Amounts payable and accrued liabilities	Other financial liabilities	78,191	Nil
Project cost advance received	Other financial liabilities	265,207	Nil

\*there is no level 1 risk

**(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. Deposits are insured up to \$100,000, the amount that may be subject to credit risk for the year ended December 31, 2010 is \$5,317,897.

**(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 \$219,786 restricted cash of \$1,368,608, security deposit of \$39,784, and accounts payable of \$101,085 denominated in US dollars. The Company does not have a formal policy to manage risk; however, management actively monitors movement in

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

#### **(d) Foreign Exchange Risk**

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, 2010, the Company's cash and cash equivalents are not subject to or exposed to interest rate risk.

### **4. Marketable Securities**

Marketable securities include 1,092,000 shares, in a mining and mineral related investment, that are restricted and will become un-restricted during the course of 2011. These relate to shares received from earn-in partners on mineral property options agreements.

### **5. Mineral Properties**

This section describes each of Millrock's projects, and if a partner is earning in to the project, the agreement is described. An individual project may consist of one or more properties which were acquired by underlying agreements with mineral right holders or by claiming mineral rights by staking. Where an underlying property agreement exists, its terms are described. In most, but not all cases, the earn-in partner is responsible to make the cash payments and exploration expenditures to keep the properties that form the project in good standing.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee a clear title. Property title may be subject to unregistered prior agreements and regulatory requirements. The Company is not aware of any disputed claims of title.

#### **Alaska Properties**

##### **(a) Bluff Project, Alaska**

On April 18, 2008 the Company secured lands that comprise a portion of the Bluff Project which are owned by the Bering Straits Native Corporation ("BSNC) when it signed an agreement with Golden Glacier Inc. ("GGI") a subsidiary of the Bering Straits Native Corp. ("BSNC") to which BSNC has leased the lands. The Company has the option to sublease a 100% interest in the mineral estate lands held by BSNC from GGI. The BSNC lands are split estate. The White Mountain Native Corporation owns the surface of these lands, and Millrock has made a surface use agreement with this firm. Details of the Millrock - BSNC/GGI property and agreement are outlined in subsection 4(b)(i)

**5. Mineral Properties (continued)**

**(a) Bluff Project, Alaska (continued)**

below. On April 29, 2010 all of the mineral lands and a large surrounding Area of Interest (“AOI”) became the subject of an Option to Joint Venture Agreement with Valdez Gold Corp. Subsequently, on December 15, 2010 Valdez Gold merged with Ryan Gold Corp. (“Ryan”) and consolidated shares of the merged company at a 3.5 to 1 basis. Ryan may earn up to a 75% interest in the Bluff Project by making additional exploration expenditures of US\$6.0 million subject to a clause that would allow Millrock to earn its way back to a 50% interest.

By virtue of the agreement Ryan has the first option to earn a 55% equity interest in the AOI properties by making cash payments totaling US\$300,000 and exploration expenditures totaling US\$3.0 million over a maximum three year period in accordance with the following schedule:

**Ryan Work Commitment:**

By December 31, 2010	US\$500,000 (incurred)
By December 31, 2011	US\$1,000,000 (incurred)
By December 31, 2012	US\$1,500,000

**Cash Payments to Millrock:**

On signing	US\$50,000 (paid)
By January 1, 2011	US\$100,000 (paid)
By January 1, 2012	US\$150,000

**Share Payments to Millrock:**

On signing	85,714 (paid)
By January 1, 2011	85,714 (paid)
By January 1, 2012	85,714

Upon completion of the earn-in to 55%, Ryan may elect, in a second option, to spend an additional US\$3.0 million, pay an additional \$600,000 and issue and an additional 314,285 Ryan shares in accordance with the following schedule to earn an additional 20% for a total 75% interest in the project:

**Ryan Work Commitment:**

By December 31, 2013	US\$1,000,000
By December 31, 2014	US\$1,000,000
By December 31, 2015	US\$1,000,000

**5. Mineral Properties (continued)**

**(a) Bluff Project, Alaska (continued)**

**Cash Payments to Millrock:**

By January 1, 2013	US\$150,000
By January 1, 2014	US\$200,000
By January 1, 2015	US\$250,000

**Share Payments to Millrock:**

By January 1, 2013	85,714
By January 1, 2014	85,714
By January 1, 2015	142,857

Upon Ryan earning a 75% interest, Millrock would have the one-time opportunity to elect to earn back a 25% interest, to hold a 50% interest, by expending on exploration and development, two times the amount that Valdez had expended on the project, or, by expending the amount necessary to define a NI43-101 compliant resource of greater than 2 million ounces of gold.

If Ryan has met all the terms of the option agreement, Millrock will execute a sublease with BSNC prior to December 31, 2012. The cost of the sublease will be born on a pro-rata basis in accordance with the prevailing joint venture interests of the parties at that time. The Bluff Project agreement with Ryan is in good standing.

The terms of the agreement with BSNC are described below under the Council Project in Section 4(b)(i). Millrock has an obligation to Ryan to keep the agreement with BSNC in good standing.

**(b) Council Project, Alaska**

On April 18, 2010 Millrock acquired the main block of mineral rights that comprise the Council Project by virtue of the agreement with BSNC. Millrock added to the property holdings that comprise the project by staking State of Alaska mining claims, and by optioning State of Alaska mining claims from James Hansen (Albion property). The BSNC lands are split estate. The Council Native Corporation owns the surface of these lands, and Millrock has made a surface use agreement with this firm. All of the mineral lands and the surrounding AOI are subject to an Option to Joint Venture Agreement with Kinross Gold Corporation (“Kinross”).

On April 1, 2010 Kinross and Millrock signed an agreement by which Kinross may earn up to a 75% interest in the Council project by making exploration expenditures of US\$6.0 million and paying Millrock a total of \$260,000. By virtue of the agreement Kinross has the first option to earn a 55% equity interest in the AOI properties by making cash payments totaling US\$260,000 and exploration expenditures totaling US\$3.0 million over a maximum four year period in accordance with the following schedule:

**5. Mineral Properties (continued)**

**(b) Council Project, Alaska (continued)**

**Kinross Work Commitment:**

By December 31, 2010	US\$500,000 (incurred)
By December 31, 2011	US\$500,000 (incurred)
By December 31, 2012	US\$1,000,000
By December 31, 2013	US\$1,000,000

**Cash Payments to Millrock:**

By January 15, 2010	US\$65,000 (paid)
By January 15, 2011	US\$65,000 (paid)
By January 15, 2012	US\$65,000
By January 15, 2013	US\$65,000

Upon completion of the earn-in to 55%, Kinross may elect, as a second option, to spend an additional US\$3.0 million to earn an additional 20% equity interest in the AOI properties. These funds shall be spent not later than December 31, 2015. Kinross agrees to provide

Millrock with a written notice of its intention to proceed, or not to proceed, with the additional spending amount within 60 days of completion of its earn-in to 55%. Upon electing to earn the additional 20% joint venture interest, Kinross agrees to assume payment of all leasehold and other agreement payments to maintain all active property agreements. Such payments would be considered an exploration expenditure. In the interim, it is Millrock's responsibility to keep the BSNC agreement and the Albion property agreement in good standing. The Council Project agreement with Kinross is in good standing.

Following are the terms of two underlying agreements. The first is an agreement between Millrock and BSNC and is the subject of lands that form part of the Millrock-Ryan agreement on the Bluff project and part of the Millrock-Kinross agreement on the Council project.

**i.) Bering Straits Property, Alaska**

On April 18, 2008, The Company signed an exploration agreement with a BSNC subsidiary GGI (the "BSNC Agreement"), which grants the Company exclusive rights to explore and develop mineral deposits as well as an option to sublease tracts of mineral lands. Lands contained in the agreement now comprise parts of both the Bluff and Council projects. 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, and the issuance of 1,000,000 Millrock shares. If the option terms are completed, Millrock may elect to sublease one or more tracts of land subject to the terms of the sublease. The agreement is still in the option phase. No leases have yet been executed. Millrock is responsible for the option payments at present, however, if subleases are executed, the costs associated therewith will be borne by Millrock's joint venture partners according to their joint venture interests. The BSNC Agreement terms follow:

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**5. Mineral Properties (continued)****(b) Council Project, Alaska (continued)****i.) Bering Straits Property, Alaska (continued)****Millrock Work Commitment:**

By December 31, 2008	US\$300,000 (incurred)
By December 31, 2009	US\$500,000 (incurred)
By December 31, 2010	US\$700,000 (incurred)
By December 31, 2011	US\$1,000,000
By December 31, 2012	US\$1,500,000

**Cash Payments by Millrock:**

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

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

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

**Share Payments by Millrock:**

30 days after execution of the Agreement	100,000 (issued)
By January 1, 2009	100,000 (issued)
By January 1, 2010	200,000 (issued)
By January 1, 2011	300,000 (issued)
By 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:

<b>Due Date</b>	<b>Amount</b>
Upon execution of the Sublease	US\$50,000
The first Anniversary Date through the fourth Anniversary Date	US\$100,000

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**5. Mineral Properties (continued)****(b) Council Project, Alaska (continued)****i.) Bering Straits Property, Alaska (continued)**

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.

**ii) Albion Property, Alaska**

On December 15, 2009, the Company entered into an agreement with James Hansen et. al. to acquire by an option to purchase agreement a 100% interest in their rights to the Albion property. The property forms part of the Council Project. Millrock has an obligation to Kinross to keep the option agreement in good standing.

For the Albion property Millrock's obligation under the option agreement is 500 ounces of gold bullion in annual installments and a minimum of US\$250,000 (incurred) in exploration expenditures by the end of 2012. The option payment schedule is as follows:

**Payments in Gold Bullion by Millrock:**

Upon execution of the Sublease	20 ounces (paid)
By January 1, 2011	30 ounces (paid)
By January 1, 2012	40 ounces
By January 1, 2013	50 ounces
By January 1, 2014	60 ounces

**5. Mineral Properties (continued)**

**(b) Council Project, Alaska (continued)**

**ii.) Albion Property, Alaska (continued)**

By January 1, 2015	100 ounces
By January 1, 2016	100 ounces
By 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.

**(c) Cristo Project, Alaska**

The St. Eugene and Monte Cristo properties were staked by Millrock in February 2010. Later in the year, Millrock staked additional, intervening claims that joined the two pre-existing blocks together. The combined properties were renamed Cristo property. Millrock owns a 100% interest in the claims.

Because the claims have been staked in one of the Areas of Interest subject to the Altius Strategic Alliance (note 5j), production of minerals will be subject to a royalty payable to Altius.

Following on from a July 22, 2010 Letter of Intent, Millrock executed an option agreement with Brixton Metals Corporation (“Brixton”) on January 11, 2011. The agreement gives Brixton the exclusive option to earn a 100% interest in the Cristo claim group, in return for incurring cumulative US\$5 million in exploration expenditures, making payments totaling US\$330,000, and the issuance of an aggregate of two million Brixton shares and two million Brixton share purchase warrants. Each warrant has an exercise price of \$1.00 and is valid for a four-year term. The schedule of payments, share issuances and exploration expenditures needed for Brixton to earn its interest are listed below.

**Brixton Work Commitment:**

By December 31, 2011	US\$1,250,000
By December 31, 2012	US\$1,750,000
By December 31, 2013	US\$2,000,000

**Cash Payments to Millrock:**

On signing of the LOI	US\$20,000 (paid)
By December 31, 2010	US\$40,000 (paid)*
By June 30, 2011	US\$70,000
By December 31, 2011	US\$200,000

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**5. Mineral Properties (continued)****(c) Cristo Project, Alaska (continued)****Share Payments to Millrock:**

On approval of the LOI by the TSX-V Exchange	540,000 shares (issued)
On or before December 31, 2010	660,000 shares (issued)*
On or before December 31, 2011	800,000 shares

\*paid subsequent to December 31, 2010

**(d) Divide Project, Alaska**

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 ("Alix"). 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:

**Cash Payments by Millrock:**

Upon regulatory approval	US\$7,500 (paid)
By February 22, 2008	US\$12,500 (paid)
By August 22, 2008	US\$45,000 (paid)
By August 22, 2009	US\$75,000
By August 22, 2010	US\$125,000
By August 22, 2011;	US\$225,000

**Share Payments by Millrock:**

Upon regulatory approval	50,000 common shares (issued)
By February 22, 2008	50,000 common shares (issued)
By August 22, 2008	150,000 common shares (issued)
By August 22, 2009	250,000 common shares

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 option agreement. 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 \$674,250 were written off.

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**5. Mineral Properties (continued)****(e) Estelle Project, Alaska**

On April 2, 2008, the Company entered into an agreement with Talon Gold Alaska Inc., a subsidiary of International Tower Hill Mines (“ITH”), to purchase its option rights to the South Estelle gold property. 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. (see note 11). As a result of the new agreement the Company owns a 100% interest in the claims. The consideration paid was \$125,000 and the owners were issued 1.25 million of 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.

On May 4, 2010 the Estelle project became the subject of an agreement between Millrock and Teck American Inc. (“Teck”). Teck has elected to earn into the project by making exploration expenditures and cash payments to Millrock. Teck has the First Option to earn an initial 55% interest by expending US\$3.6 million by the end of 2012, and a Second Option to earn an additional 10% for a total 65% interest by expending an additional \$5.0 million and paying Millrock US\$400,000 prior to the end of 2014.

**Teck Work Commitment:**

By December 31, 2011	US\$1,500,000
By December 31, 2012	US\$2,100,000
By December 31, 2014	US\$5,000,000

**Cash Payments to Millrock:**

By December 31, 2013	US\$200,000
By December 31, 2014	US\$200,000

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### 5. Mineral Properties (continued)

#### (f) Fortymile Project, Alaska

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 (Steele Dome, Chicken and Gold Dust) 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. Subsequently, the Company staked an additional large block of claims called Napoleon. Millrock intends to continue exploration of the claims. Millrock is a 100% owner of the mineral rights and presently is searching for a partner to fund exploration on the claims.

#### (g) Humble Project, Alaska

On November 29, 2010 the Company announced that it had staked a large block of claims in the Togiak Terrane of southwest Alaska. The staked claims (the "Humble claim group") are located on state land approximately 80 km northeast of Dillingham, Alaska. Millrock currently owns a 100% interest in the claim block.

Concurrently with the announcement of claim staking, the Company announced it had finalized an agreement with Kinross which gives that company the exclusive option to earn a 60% joint venture interest in the claims and any other claims in a large, surrounding AOI, in return for incurring cumulative US\$4 million in exploration expenditures by December 31, 2013, making payments to Millrock totaling US\$200,000 and reimbursing the 2010 state or federal claim maintenance fees paid by Millrock. Kinross may earn a further 15% interest in the Humble property by incurring an additional US\$6 million in exploration expenditures by December 31, 2016 as follows:

#### **Kinross Work Commitment:**

By December 31, 2010	US\$500,000 (incurred)
By December 31, 2011	US\$500,000
By December 31, 2012	US\$1,000,000
By December 31, 2013	US\$2,000,000

#### **Cash payments to Millrock:**

On signing of the Agreement	US\$50,000 (paid)
By January 15, 2011	US\$50,000 (paid)*
By January 15, 2012	US\$50,000
By January 15, 2013	US\$50,000

- Paid subsequent to December 31, 2010

Kinross has agreed to carry Millrock's equity position and funding participation in the joint venture until Kinross provides Millrock with a NI43-101 compliant report stating a minimum of 2.0 million gold-equivalent ounce resource on the Humble property. Kinross shall recoup its carrying expenditures on behalf of Millrock from future proceeds to the joint venture.

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**5. Mineral Properties (continued)****(g) Humble Project, Alaska (continued)**

A portion of the Humble property is subject to a 2% NSR royalty on gold, and a 1% NSR on other metals production in favour of Altius Resources Inc., Millrock's partner in a strategic alliance of regional prospecting in Alaska which resulted in the staking of the Humble property.

**(h) Revelation Project, Alaska**

Millrock staked 36 claims in the Kahiltna Terrane of central Alaska following research and the purchase of maps and data from consulting geologist Gerald Booth. The data purchase agreement consists of payments of US\$45,000 made over four years and the issuance of 40,000 Millrock shares. In the event an ore body is discovered, a further payment of US\$2.0 million will be made upon commencement of commercial production. The agreement is in good standing.

**Cash Payments by Millrock:**

Upon signing	US\$5,000 (paid)
By September 1, 2010	US\$10,000 (paid)
By September 1, 2011	US\$10,000
By September 1, 2012	US\$10,000
By September 1, 2013	US\$10,000

**Share Payments by Millrock:**

By September 1, 2010	10,000 (issued)
By September 1, 2011	10,000
By September 1, 2012	10,000
By September 1, 2013	10,000

**(i) Uncle Sam Project, Alaska**

On November 3, 2009, the Company entered into an agreement with Kiska Metals Corp. ("Kiska") to acquire its rights to the Uncle Sam property located approximately 75 km 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:

**Millrock Work Commitment:**

By November 1, 2010	US\$200,000 (incurred)
By November 1, 2011	US\$300,000
By November 1, 2012	US\$1,000,000
By November 1, 2013	US\$1,200,000

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**5. Mineral Properties (continued)****(i) Uncle Sam Project, Alaska (continued)****Cash Payments by Millrock:**

30 days after TSX.V acceptance	US\$40,000 (paid)
By November 1, 2010	US\$40,000 (paid)
By November 1, 2011	US\$60,000
By November 1, 2012	US\$60,000

**Share Payments by Millrock:**

30 days after TSX.V acceptance	50,000 common shares (issued)
By November 1, 2010	250,000 common shares (issued)
By November 1, 2011	250,000 common shares
By November 1, 2012	250,000 common shares

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.

On October 13, 2010 a Letter of Intent was signed with Crescent Resources Corp. ("Crescent"), and a definitive option agreement was signed on December 15, 2010. The agreement gives Crescent the exclusive option to earn a 100% interest in the Uncle Sam claim group in return for cumulative US\$2.5 million in exploration expenditures, US\$300,000 in cash payments and Crescent share issuances to the Company. The agreement states that, after approval from the TSX, which was provided on January 7, 2011, Crescent will issue common shares to the Company so that the Company owns 9% of Crescent's issued and outstanding shares after such issuance. If the earn-in agreement proceeds to December 31, 2011, the Company will be issued that number of shares to give the Company 18% of the issued and outstanding shares of Crescent on that date.

**Crescent Work Commitment:**

By November 1, 2011	US\$300,000
By November 1, 2012	US\$1,000,000
By November 1, 2013	US\$1,200,000

**Cash Payments to Millrock:**

On signing of the LOI	US\$25,000 (paid)
January 16, 2011	US\$75,000 (paid)*
January 16, 2012	US\$200,000

**5. Mineral Properties (continued)**

**(i) Uncle Sam Project, Alaska (continued)**

\*Subsequent to December 31, 2010

Also, Crescent will issue to Millrock additional common shares in connection with independently verified gold resources defined on the Property as measured or indicated resources under National Instrument 43-101 in the following amounts:

Ounces of Gold Resources defined under NI 43-101:	Common Shares of Crescent to be Issued to Millrock:
1,000,000 ounces	1,500,000 common shares
2,000,000 ounces and greater	1,000,000 common shares for every additional 1,000,000 ounces

**(j) Altius (Strategic Alliance, Kahiltna Terrane, Alaska)**

In June 2009, Altius agreed to a private placement financing with the Company to initially fund a strategic alliance for exploration in Alaska. This private placement yielded gross proceeds of \$994,243 from the sale of 4,519,287 units at a price of \$0.22 cents per unit to be used to fund a strategic alliance in five specific Areas of Interest (“AI”) in Alaska. Millrock is deploying the alliance funds to research each AI, perform reconnaissance exploration and stake mining claims. By the terms of the alliance Altius is to be granted a royalty on claims staked in an AI. Subsequently, on June 7, 2010 in an amendment agreement, Altius early-exercised 4,227,223 warrants for gross proceeds of \$1,268,166.90. In exchange, Millrock granted an increased royalty for AI projects and 3,450,000 additional warrants with an exercise price of \$0.45 for a period of five years. The royalty from production by Millrock on any claims staked during the term of the strategic alliance agreement is 2% on U, Au, Ag, Pt, Pd, Rh and 1% on all other metals. Exploration cost incurred during the year ended December 31, 2010 was \$434,170.

**Arizona Properties**

**(k) Galiuro Property, Arizona**

On January 14, 2008, the Company entered into an agreement to purchase the Galiuro property located in southeastern Arizona. A cash payment of US\$20,000 and 20,000 Millrock shares were issued. A further US\$10,000 and 15,000 shares is payable to the owner within 30 days of each anniversary date as long as the Company holds the property. The payments and share issuances have been made for the 2009, 2010 and 2011 anniversaries, and is in good standing. A payment of US\$2 million is to be made upon commencement of commercial production if it occurs.

In addition, to affect the purchase, the Company had to incur cumulative expenditures for the property as follows, all of which have now been incurred ahead of schedule:

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**5. Mineral Properties (continued)****(k) Galiuro Property, Arizona (continued)****Millrock Work Commitment:**

By January 14, 2010	US\$100,000 (incurred)
By January 14, 2011	US\$ 500,000 (incurred)
By January 14, 2012	US\$1,500,000 (incurred)

The Galiuro property is the subject of an exploration agreement with Vale Exploration Canada (“Vale”) signed in March, 2009. Vale is a subsidiary of the Brazilian miner Companhia Vale do Rio Doce. Under the terms of the agreement, Vale may earn an initial 60% interest in the property by making exploration expenditures of US\$3,500,000 and cash payments totaling US\$850,000 by December 31, 2012. Vale also has the option to acquire an additional 10% participating interest in the claims if it completes a favorable feasibility study. Millrock is presently the exploration manager.

Vale may assume project management at any time. Once the terms of the option have been met and the option exercised, further expenditures will be funded by the parties pro-rata in accordance with their respective participating interests. The schedule of exploration expenditures and option payments follows:

**Cash payments to Millrock:**

On signing:	US\$ 75,000 (paid)
By December 31, 2009	US\$125,000 (paid)
By December 31, 2010	US\$150,000 (deferred by agreement)*
By December 31, 2011	US\$200,000
By December 31, 2012	US\$300,000

\* payment has been received subsequent to year end

**Vale Work Commitment:**

By December 31, 2009:	US\$500,000 (incurred)
By December 31, 2010	US\$750,000 (incurred)
By December 31, 2011:	US\$1,000,000 (incurred)
By December 31, 2012:	US\$1,250,000

**(l) Dry Mountain Property, Arizona**

On January 14, 2008, the Company entered into an agreement to purchase the Dry Mountain property located in southeastern Arizona. A cash payment of US\$20,000 and 20,000 Millrock shares were issued. A further US\$10,000 and 15,000 shares is payable to the owner within 30 days of each anniversary date as long as the Company holds the property. The payments and share issuances have been made for the 2009, 2010 and 2011 anniversaries. A payment of US\$2 million is to be made upon commencement of commercial production if it occurs.

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**5. Mineral Properties (continued)****(l) Dry Mountain Property, Arizona (continued)**

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

By January 14, 2010	US\$100,000 (incurred)
By January 14, 2011	US\$ 500,000
By January 14, 2012	US\$1,500,000

The Dry Mountain property, along with the San Jose property is the subject of an exploration agreement with Inmet Mining Corp. ("Inmet") The agreement will give Inmet the opportunity to earn a 70% interest in the two claim blocks by spending US\$4.0 million in exploration expenditures and making option payments of US\$300,000. Millrock will be the exploration operator for the first year of exploration and thereafter at Inmet's option.

**Inmet Work Commitment:**

By December 31, 2010	\$500,000 (incurred)
By December 31, 2011	\$750,000
By December 31, 2012	\$1,000,000
By December 31, 2013	\$1,750,000

**Cash Payments to Millrock:**

On signing	\$50,000 (paid)
By December 31, 2010	\$150,000 (paid)
By December 31, 2011	\$200,000
By December 31, 2012	\$350,000

**(m) San Jose Property, Arizona**

On January 14, 2008, the Company entered into an agreement to purchase the San Jose property located in southeastern Arizona. A cash payment of US\$20,000 and 20,000 Millrock shares were issued. A further US\$10,000 and 15,000 shares is payable to the owner within 30 days of each anniversary date as long as the Company holds the property. The payments and share issuances have been made for the 2009 and 2010 anniversaries. A payment of US\$2 million is to be made upon commencement of commercial production if it occurs.

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

**Millrock Work Commitment:**

By January 14, 2010	US\$100,000 (incurred)
By January 14, 2011	US\$ 500,000
By January 14, 2012	US\$1,500,000

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**5. Mineral Properties (continued)****(m) San Jose Property, Arizona (continued)**

The Dry Mountain property is, along with the San Jose property, the subject of an exploration agreement with Inmet. The terms of the agreement between Inmet and Millrock are described above under the Dry Mountain property heading.

**(n) Other Properties**

Currently the Company has several other very early stage properties in its portfolio which include: Moosehorn, Zackly, Stratabound and Diston Plutons. These properties are grouped together as "Other Properties" until such time as Millrock has adequately demonstrated mineral potential that warrants individual description, or until Millrock has made an agreement with another company on the mineral rights.

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

Other Properties	Company Ownership	Written Off Cost				Total
		2010	2009	2008	2007	
Altius		423,873	-	-	-	423,873
Bluff	100%	-	80,865	-	-	80,865
Divide	100%	-	660,535	-	-	660,535
Seward PenGen	100%	224,996	-	-	-	224,996
Porcupine	100%	-	54	72,828	18,414	91,296
Ketchem	100%	-	202	38,902	-	39,104
Mystery	100%	-	-	3,104	-	3,104
Kemuk	100%	-	-	3,039	-	3,039
<b>Total Other Properties Cost</b>		<b>\$ 648,869</b>	<b>\$ 741,656</b>	<b>\$ 117,873</b>	<b>\$ 18,414</b>	<b>\$ 1,526,812</b>

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**6. Property, Plant and Equipment**

<b>December 31, 2010</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Office equipment	\$ 70,014	\$ 17,085	\$ 52,929
Furniture & Fixtures	\$ 9,129	\$ 2,294	\$ 6,835
Leasehold Improvement	\$ 12,821	\$ 4,159	\$ 8,662
Software	\$ 12,839	\$ 6,519	\$ 6,320
Vehicle	\$ 37,560	\$ 3,210	\$ 34,350
	<b>\$ 142,363</b>	<b>\$ 33,268</b>	<b>\$ 109,095</b>

  

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

**7. Project Cost Advance Received**

These costs represent advances from earn-in partners that have not been expended as at December 31, 2010 and 2009.

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

Unlimited common shares without par value.

**(b) Issued and Outstanding Common Shares**

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**8. Share Capital (continued)****(b) Issued and Outstanding Common Shares (continued)****Issued and outstanding common shares**

	Number of Shares	Share Capital	Contributed Surplus
<b>Balance December 31, 2008</b>	<b>30,211,879</b>	<b>\$ 10,922,792</b>	<b>\$ 815,226</b>
Issued for mineral properties	1,905,000	309,850	-
Returned to Treasury for reconciliation	(408)	-	-
Issued for cash pursuant to			
Private placements	14,702,273	2,937,500	-
Share issue costs	-	(189,070)	68,197
Stock based compensation	-	-	263,210
<b>Balance December 31, 2009</b>	<b>46,818,744</b>	<b>\$ 13,981,072</b>	<b>\$ 1,146,633</b>
Issued for mineral properties	605,000	482,100	-
Issued for cash pursuant to			
Private placements	9,813,678	3,638,150	-
Exercise of warrants	8,226,523	2,434,519	-
Exercise of finder warrants	168,500	50,550	
Exercise of options	585,000	183,450	
Transfer of contributed surplus on exercise of finder warrants		41,052	(41,052)
Transfer of contributed surplus on exercise of options		166,966	(166,966)
Share issue costs and finder's fee		(287,635)	112,300
Stock based compensation	-	-	1,133,985
<b>Balance December 30, 2010</b>	<b>66,217,445</b>	<b>\$ 20,690,224</b>	<b>\$ 2,184,901</b>

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.

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

#### **(b) Issued and Outstanding Common Shares (continued)**

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.

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

On January 20, 2010, the Company issued 45,000 common shares valued at \$10,800 for the Galiuro property as part of its option payment.

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.

On May 4, 2010, the Company issued 1,363,636 units at \$0.44, a 25% premium on the prior 20-day weighted average price (WAP) of the Company's shares for gross proceeds of

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

#### **(b) Issued and Outstanding Common Shares (continued)**

\$600,000. The units consist of one common share and one share purchase warrant. The warrants will be exercisable within 12 months at a price of WAP plus 50% and for an additional 12 months at WAP plus 75%.

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

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

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

On May 28, 2010, the Company issued 3,000 common shares for finder warrants exercisable at a price of \$0.30.

On June 9, 2010, the Company issued 4,784,000 units, with each unit consisting of one common share and one share purchase warrant for gross proceeds of \$1,656,900. Each share purchase warrant entitles the holder thereof to purchase one additional common share at a price of \$0.50 until June 9, 2012. Finder's fees of 7% were paid on a portion of the financing as follows: \$82,075 in cash, 21,000 finder's warrants and 210,000 finder's options. Each finder's option is exercisable into one unit at \$0.35 per unit. Each finder's warrant is exercisable into one common share at a price of \$0.50 until June 9, 2012.

On June 11, 2010, the Company issued 4,227,273 common shares for warrant exercisable at a price of \$0.30 for Altius.

On June 30, 2010, the Company issued 30,000 common shares for warrant exercisable at a price of \$0.30.

On July 8, 2010 the Company issued 375,000 units at a price of \$0.35 per unit for gross proceeds of \$131,250.

Each unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$0.50 for a period of two years from the closing date.

On July 14, 2010, the Company issued 52,020 common shares for warrant exercisable at a price of \$0.30.

On July 15, 2010, the Company issued 10,000 common shares for warrant exercisable at a price of \$0.30.

On August 17, 2010, the Company issued 37,500 common shares for warrant exercisable at a price of \$0.30.

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

#### **(b) Issued and Outstanding Common Shares (continued)**

On August 18, 2010, the Company issued 1,093,750 common shares for Kinross Gold Corp. for warrant exercisable at a price of \$0.21

On August 19, 2010 the Company issued 2,500,000 units for gross proceeds of \$1,000,000, with each unit consisting of one common share and one share purchase warrant. Each share purchase warrant entitles the holder thereof to purchase one additional common share at a price of \$0.55 until August 19, 2012.

On August 30, 2010, the Company issued 25,000 common shares for option exercisable at a price of \$0.18.

On September 1, 2010, the Company issued 75,000 common shares for finder warrants exercised at \$0.30.

On September 7, 2010, the Company issued 50,000 common shares for option exercisable at a price of \$0.25 and 50,000 common shares for warrants exercisable at \$0.30.

On September 9, 2010, the Company issued 19,500 common shares for warrants exercisable at \$0.30.

On September 14, 2010, the Company issued 75,000 common shares for warrants exercisable at \$0.30.

On September 20, 2010, the Company issued 320,000 common shares for warrants exercisable at \$0.30.

On September 22, 2010, the Company issued 462,500 common shares for warrants exercisable at \$0.30.

On September 23, 2010, the Company issued 61,500 common shares for warrants exercisable at \$0.30.

On September 27, 2010, the Company issued 62,500 common shares for warrants exercisable at \$0.30.

On September 29, 2010, the Company issued 50,000 common shares for warrants exercisable at \$0.30.

On September 30, 2010, the Company issued 75,000 common shares for warrants exercisable at \$0.30.

On September 22, 2010, the Company issued 75,000 common shares for option exercisable at a price of \$0.25.

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

#### **(b) Issued and Outstanding Common Shares (continued)**

On October 8, 2010, the Company issued 38,000 common shares for finder warrant exercisable at a price of \$0.30.

On October 14, 2010, the Company issued 260,000 common shares for warrant exercisable at a price of \$0.30.

On October 18, 2010, the Company issued 22,000 common shares for finder warrant exercisable at a price of \$0.30.

On October 21, 2010, the Company issued 174,000 common shares for warrant and 40,000 for finder warrant exercisable at a price of \$0.30.

On October 25, 2010, the Company issued 250,000 common shares to Kiska Metals for Uncle Sam Property valued at \$170,000.

On October 29, 2010, the Company issued 37,500 common shares for warrant exercisable at a price of \$0.30.

On October 27, 2010, the Company issued 35,000 common shares for option exercisable at a price of \$0.22

On October 29, 2010, the Company issued 20,000 common shares for option exercisable at a price of \$0.18

On November 2, 2010, the Company issued 150,000 common shares for option exercisable at a price of \$0.45 and 50,000 common shares for option exercisable at a price of \$0.25

On November 4, 2010, the Company issued 50,000 common shares for option exercisable at a price of \$0.55

On November 8, 2010, the Company issued 30,000 common shares for option exercisable at a price of \$0.18

On November 9, 2010, the Company issued 50,000 common shares for warrants exercisable at a price of \$0.30.

On November 16, 2010, the Company issued 365,000 common shares for warrants exercisable at a price of \$0.30, 25,000 common shares for warrants exercisable at a price of \$0.50, and 50,000 common shares for options exercisable at a price of \$0.29, 10,000 common shares valued at \$7,300 to Gerald Booth for Revelation Property.

On November 19, 2010, the Company issued 25,000 common shares for warrants exercisable at a price of \$0.30.

On November 30, 2010, the Company issued 50,000 common shares for warrants exercisable at a price of \$0.30.

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

#### **(b) Issued and Outstanding Common Shares (continued)**

On December 3, 2010, the Company issued 50,000 common shares for options exercisable at a price of \$0.18, 50,000 common shares for warrants exercisable at a price of \$0.30, and 300,000 common shares for warrants exercisable at a price of \$0.50.

On December 6, 2010, the Company issued 300,000 common shares valued at \$294,000 for the BSNC Exploration Agreement.

On December 15, 2010, the Company issued 1,980 common shares for finder warrants exercisable at a price of \$0.30.

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

The company has a stock option plan whereby the maximum number of shares reserved for issue under the 2010 stock option plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated share purchase options vest when granted.

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

On August 1, 2009, the Company 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 in the year ended December 31, 2009 and \$17,129 for the year ended December 31, 2010.

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

On December 28, 2009, the Company has granted 150,000 stock options to a consultant exercisable at \$0.25 per share for a period of five years. The options are vested at 25% after 3 months, 25% after 6 months, 25% after 9 months and 25% after 12 months. Total stock-based compensation expense of \$nil has been charged to operations for the year ended December 2009 and \$78,360 for the year ended December 31, 2010.

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### 8. Share Capital (continued)

#### (c) Stock Options (continued)

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

On February 9, 2010, the Company granted 100,000 stock options to a consultant exercisable at \$0.25 per share for a period of five years. The options are vested at 25% after 3 months, 25% after 6 months, 25% after 9 months and 25% after 12 months. Stock-based compensation expense of \$45,999 has been charged to operations.

On July 19, 2010 the Company granted 200,000 incentive stock options to a director exercisable at \$0.40 per share for a period of five years. Stock-based compensation expense of \$65,567 has been charged to operations.

On August 25, 2010 the Company granted 350,000 incentive stock options to a consultant exercisable at \$0.40 per share for a period of five years. Stock-based compensation expense of \$145,466 has been charged to operations.

On November 4, 2010 the Company granted 1,245,000 incentive stock options to directors, officers, employees and consultants exercisable at \$0.75 per share for a period of five years. Stock-based compensation expense of \$729,214 has been charged to operations.

On December 17, 2010 the Company granted 200,000 incentive stock options to employees and consultants exercisable at \$0.89 per share for a period of five years. Stock-based compensation expense of \$40,048 has been charged to operations.

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

	<u>2010</u>	<u>2009</u>
Dividend yield	Nil	Nil
Expected volatility	110%-137%	124%-170%
Risk-free rate of return	1.37%-2.74%	2.14%-3.22%
Expected life of options	5 years	5 years

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

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**8. Share Capital (continued)**

**(c) Stock Options (continued)**

	Shares	Weighted Average Exercise Price
<b>Outstanding at December 31, 2009</b>	<b>3,790,000</b>	<b>\$0.30</b>
Granted on January 15, 2010	50,000	\$0.29
Granted on February 9, 2010	100,000	\$0.25
Granted on July 19, 2010	200,000	\$0.40
Granted on August 25, 2010	350,000	\$0.40
Exercised on August 30, 2010	(25,000)	\$0.18
Exercised on September 7, 2010	(50,000)	\$0.25
Exercised on September 22, 2010	(75,000)	\$0.25
Exercised on October 27, 2010	(35,000)	\$0.22
Exercised on October 29, 2010	(20,000)	\$0.18
Exercised on November 2, 2010	(50,000)	\$0.25
Exercised on November 2, 2010	(150,000)	\$0.45
Exercised on November 4, 2010	(50,000)	\$0.55
Granted on November 4, 2010	1,245,000	\$0.75
Exercised on November 8, 2010	(30,000)	\$0.18
Exercised on November 16, 2010	(50,000)	\$0.29
Exercised on December 3, 2010	(50,000)	\$0.18
Granted on December 15, 2010	200,000	\$0.89
<b>Outstanding at December 31, 2010</b>	<b>5,350,000</b>	<b>\$0.44</b>
<b>Exercisable at December 31, 2010</b>	<b>5,175,000</b>	<b>\$0.48</b>

**8. Share Capital (continued)**

**(c) Stock Options (continued)**

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

<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
950,000	\$ 0.45	29-May-12
75,000	\$ 0.45	7-Aug-12
10,000	\$ 0.56	6-Dec-12
50,000	\$ 0.36	1-Apr-13
630,000	\$ 0.25	21-Aug-13
625,000	\$ 0.18	8-May-14
65,000	\$ 0.22	1-Aug-14
900,000	\$ 0.25	28-Dec-14
50,000 *	\$ 0.25	9-Feb-15
200,000	\$ 0.40	19-Jul-15
350,000	\$ 0.40	25-Aug-15
1,245,000	\$ 0.75	4-Nov-15
200,000 *	\$ 0.89	15-Dec-15
<b>5,350,000</b>		

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

The weighted average life remaining of options outstanding at December 31, 2010 is 3.54 years.

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

As of December 31, 2010, the Company had outstanding warrants and agent warrants for the purchase of 14,467,886 common shares, as follows:

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**8. Share Capital (continued)**

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

<u>Issued Date</u>	<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
<b>Outstanding at December 31, 2009</b>	<b>15,552,273</b>		
Expired - Issued on May 26, 2008	(5,500,500)	\$ 0.75	26-May-10
Issued on May 26, 2010 to Teck Resources for private placement	1,363,636	\$ 0.53	27-May-11
		\$ 0.62	27-May-12
Issued on June 9, 2010 for private placement	4,734,000	\$ 0.50	9-Jun-12
Issued on June 11, 2010 to Altius for private placement	3,450,000	\$ 0.45	11-Jun-15
Issued on July 7, 2010 for private placement	375,000	\$ 0.50	12-Jul-12
Issued on August 19, 2010 for private placement	2,500,000	\$ 0.55	19-Aug-12
Agent warrants issued, finders' fee for private placement, June 9, 2010	21,000	\$ 0.50	9-Jun-12
Agent warrants issued, finders' option for private placement, June 9, 2010	210,000	\$ 0.35	9-Jun-12
Agent warrants issued, finders' fee for private placement, August 19, 2010	157,500	\$ 0.55	19-Aug-12
Exercised - Issued on June 4, 2009	(1,093,750)	\$ 0.21	4-Jun-11
Exercised - Issued on June 14, 2009	(4,227,273)	\$ 0.30	15-Jun-10
Exercised - Issued on October 21, 2009	(25,000)	\$ 0.30	21-Apr-11
Exercised - Issued on September 17, 2009	(1,955,500)	\$ 0.30	17-Mar-11
Exercised - Issued on October 5, 2009	(768,500)	\$ 0.30	5-Apr-11
Exercised - Issued on June 9, 2010	(325,000)	\$ 0.50	9-Jun-12
<b>Outstanding at December 31, 2010</b>	<b>14,467,886</b>		
	<b>Average price</b>	<b>\$</b>	<b>0.47</b>

	<u>2010</u>	<u>2009</u>
Dividend yield	Nil	Nil
Expected volatility	133	121%-154%
Risk-free rate of return	1.37	1.26%-2.72%
Expected life of options	2 to 5 years	1 to 2 years

**9. Income Tax**

The Company and its subsidiaries have accumulated non-capital losses in Canada totaling \$3,547,000 and a net operating loss in the US of \$1,769,000 available to reduce future years' taxable income. These losses expire as follows:

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**9. Income Tax (continued)**

	Canada	USA	Total
2011	72,000	-	72,000
2012	49,000	-	49,000
2015	202,000	-	202,000
2026	148,000	-	148,000
2027	552,000	556,000	1,108,000
2028	884,000	138,000	1,022,000
2029	846,000	952,000	1,798,000
2030	938,000	2,226,000	3,624,000
	\$ 3,691,000	\$ 3,912,000	\$ 7,603,000

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:

	2010	2009
Loss before income tax	(3,205,199)	(2,003,016)
Statutory income tax rates	25.00%	25.50%
Computed expected income tax recovery	801,000	510,000
Difference in tax rates between Canada & USA	136,000	95,000
Non-deductible stock-based compensation and other items	(283,000)	(67,000)
Change in rates	(1,000)	(69,000)
Net change in valuation allowance	(653,000)	(469,000)
	\$ -	\$ -

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

	2010	2009
Non-capital and net operating loss carry forwards	2,300,000	1,311,000
Capital loss carry forwards	399,000	406,000
Un-deducted financing costs	88,000	77,000
Exploration and development expenses	62,000	63,000
Equipment	1,000	1,000
Intangibles	129,000	142,000
	2,979,000	2,000,000
Less: valuation allowance	(2,979,000)	(2,000,000)
	\$ -	\$ -

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### 10. 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 or bring in earn-in partners. Due the Company's business, the Company regularly enters into earn-in agreements where funds are forwarded as part of the option-in agreement. As such, these funds are restricted and as at December 31, 2010, the company is in compliance with restrictive covenants. As at December 31, 2010, the Company has not entered into any debt financing.

The Company presently derives most of the funding required for its exploration projects from other companies that are earning in to the Company's projects. As the projects mature the Company will be dependent on the capital markets as its main source of operating capital and the Company's capital resources will be 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.

### 11. 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	
	2010	2009
Accounting	\$ 37,500	\$ 28,790
Consulting fee	561,567	430,606
Directors' fee	27,500	8,000
Option payment	-	62,188
	<b>\$ 626,567</b>	<b>\$ 529,585</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.

On during the year ended December 31, 2010, two officers of the Company exercised 125,000 options at \$0.18 per share.

As of December 31, 2010, due from related parties includes \$10,432 (Year end 2009: \$1,825) advanced to a director for travel expenses, due to related parties \$18,000 (Year end 2009: \$nil) for directors' fees. These amounts are unsecured, do not bear interest and have no fixed terms of repayment.

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### **11. Related Party Transactions (continued)**

A director of the Company is a shareholder and director of Mines Trust Company which is a party to the Estelle project underlying mineral property agreement.

### **12. 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, 2010, 605,000 (2009: 1,455,000) shares valued at \$482,100 (2009: \$219,850) were issued pursuant to mineral property acquisition agreements. The values were determined based on the market value of the shares when issued.

### **13. Restricted Cash**

Restricted cash consists of a security deposit for the Company's credit cards, advances from earn-in partners who have forwarded funds to the Company for use on specific properties and cash invested from Altius Resources. The security deposit for the year ended December 31, 2010 was \$39,784 (2009: \$42,040).

### **14. Subsequent Events**

On February 7, 2011 the Company was advised by Teck American Inc. that it would proceed with its First Option to earn a 55% interest in the Estelle Project, and approved a budget of US\$3.4 million for the 2011 exploration program.

During February and March 2011, the Company issued 1,760,750 common shares for warrant exercises at \$0.30 per share; 100,000 common shares for warrant exercises at \$0.50 per share; 8,750 common shares for warrant exercises at \$0.55 per share; 14,300 common shares for option exercises at \$0.22 per share and 15,000 common shares for option exercises at \$0.30 per share.

During April, 2011, the Company issued 100,000 common shares for warrant exercises at \$0.30 per share.

On April 1, 2011 the Company announced that it had entered an option to purchase agreement for the Rainville property in Arizona. Under the terms of the agreement, Millrock can maintain an option to purchase from the owner a 100% interest in the permits by paying a total of US\$400,000 and issuing 500,000 Millrock common shares over a period of six years. The initial payment consists of US\$70,000 and 250,000 common shares.

### **15. Comparative Figures**

Certain comparative figures have been changed to better reflect the Company's current presentation.

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**16. Commitments**

The Corporation is committed under rental leases on office space, for annual future minimum lease payments over the next five years as follows:

<b>Year</b>	<b>Amount \$</b>
2011	91,562
2012	75,178
2013	53,859

The Company is also committed on the following payments and issuances of its common shares to maintain all property agreements in good standing;

<b>Year</b>	<b>Expenditures \$</b>	<b>Shares</b>	<b>Payments \$</b>
2011	11,600,000	1,815,000	860,410
2012	5,000,000	2,420,000	1,125,428
2013	2,400,000	165,000	90,000
2014	-	135,000	60,000
2015	-	135,000	60,000
2016	-	135,000	60,000