



INTERIM REPORT

For the Nine Months Ended September 30, 2008

(See Notice)



MILLROCK RESOURCES INC.

Notice

Notice of No Auditor Review of the Interim Financial Statements

The accompanying unaudited interim financial statements of Millrock Resources Inc. (“the Company”), for the nine months ended September 30, 2008, have been prepared by management and have not been the subject of a review by the Company’s independent auditor.

MILLROCK RESOURCES INC.
(Formerly First Factor Developments Inc.)
(An Exploration Stage Company)

Consolidated Balance Sheets

As at September 30, 2008 and 2007
(expressed in Canadian dollars)

ASSETS	30-Sep-2008	31-Dec-2007
Current		
Cash and cash equivalents	\$ 1,773,542	\$ 1,801,880
Restricted cash	42,568	-
Accounts receivable	38,284	104,386
Due from related parties - Note 8	10,213	9,913
Prepaid expenses	22,170	2,790
	1,886,777	1,918,969
Advances on exploration expenditures	249,831	275,800
Mineral properties - Note 4 and 8	2,824,952	338,860
Equipment - Note 5	8,965	4,931
	\$ 4,970,524	\$ 2,538,560
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 104,807	\$ 46,060
Project cost advance received	169,992	-
Due to related parties - Note 8	-	9,913
	274,799	55,973
SHAREHOLDERS' EQUITY		
Share capital - Note 6	10,940,292	8,134,747
Contributed Surplus - Note 6	680,512	492,932
Deficit	(6,925,078)	(6,145,092)
	4,695,726	2,482,587
	\$ 4,970,524	\$ 2,538,560

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

Approved by the directors

"Gregory Beischer"
 Gregory Beischer

"Darryl Cardey"
 Darryl Cardey

See accompanying notes to the financial statements

MILLROCK RESOURCES INC.
(Formerly First Factor Developments Inc.)
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Consolidated Statements of Operations and Deficit

For the Period Ended September 30, 2008 and 2007
(expressed in Canadian dollars)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2008	2007	2008	2007
General and administrative expense				
Accounting and audit - Note 8	\$ 37,737	\$ 23,000	\$ 106,075	\$ 25,090.00
Amortization and depreciation	452	294	1,034	729
Bank charge and interest	1,439	1,420	4,214	1,420
Consulting - Note 8	49,636	52,310	183,018	92,434
Filing and listing	5,204	19,996	24,805	37,677
Foreign exchange gain	(36,246)	22,647	(37,322)	22,647
Insurance	9,410	7,578	20,446	7,578
Investor relations	33,094	1,545	137,113	9,493
Legal	7,205	36,077	21,178	48,614
Miscellaneous	4,568	2,112	22,232	2,112
Office expense	21,300	21,648	52,984	37,922
Rent and storage - Note 8	15,728	5,601	28,117	8,601
Salaries and benefits	11,715	6,136	40,831	6,136
Stock-based compensation	13,954		85,464	236,540
Travel	5,702	36,801	40,179	36,801
Loss before other items	(180,899)	(237,165)	(730,368)	(573,794)
Other items				
Interest income	12,837	3,613	37,440	7,023
Miscellaneous income		1,291		1,291
Write-off of mineral properties	(1,078)	-	(87,058)	-
Net loss for the period	(169,140)	(232,261)	(779,986)	(565,480)
Deficit, beginning of period	(6,755,938)	(4,967,558)	(6,145,092)	(4,634,339)
Deficit , end of period	\$ (6,925,078)	\$ (5,199,819)	\$ (6,925,078)	\$ (5,199,819)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.05)
Weighted average number of shares outstanding	30,061,879	11,810,795	23,811,318	11,115,697

See accompanying notes to the financial statements

MILLROCK RESOURCES INC.
(Formerly First Factor Developments Inc.)
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Consolidated Statements of Cash Flows

For the Period Ended September 30, 2008 and 2007
(expressed in Canadian dollars)

	For the Three Months Ended Sep 30		For the Nine Months Ended Sep 30	
	2008	2007	2008	2007
Cash provided from (used for)				
Operating activities				
Loss for the period	\$ (201,050)	\$ (232,261)	\$ (779,986)	\$ (565,480)
Items not involving cash				
Amortization	452	294	1,034	729
Unrealized foreign exchange gain	21,414	318	(10,727)	-
Mineral properties write-off	1,078	-	87,058	-
Stock based compensation	13,954	-	85,464	236,540
	(164,152)	(231,650)	(617,157)	(328,212)
Net change in non-cash working capital items				
Accounts receivable	480,484	6,418	478,731	(25,604)
Restricted cash	-	-	(40,400)	-
Prepaid expense	1,822	-	(12,132)	7,200
Due from related party	(0)	(31,678)	(7,424)	(31,678)
Accounts payable	(32,640)	15,182	54,484	7,840
Project advance received	(330,008)	-	169,992	-
Due to related party	-	(30,546)	(9,913)	15,009
	(44,494)	(272,274)	16,181	(355,444)
Investing activities				
Advances on exploration expenditures	9,131	-	25,969	-
Mineral properties acquisition and exploration costs	(1,745,245)	(281,467)	(2,628,157)	(384,110)
Purchase of equipment	(1,924)	(2,732)	(4,991)	(2,732)
	(1,738,038)	(284,199)	(2,607,180)	# (386,842)
Financing activities				
Share purchase and cancellation	-	-	-	(64,200)
Share issued for cash	-	1,135,800	2,562,661	1,135,800
Share issue cost	-	(61,950)	-	(61,950)
	-	1,073,850	2,562,661	# 1,009,650
Increase in cash and cash equivalents	(1,782,532)	517,377	(28,338)	267,364
Cash and cash equivalents, beginning of period	3,556,074	176,151	1,801,880	426,164
Cash and cash equivalents, end of period	\$ 1,773,542	\$ 693,528	\$ 1,773,542	\$ 693,528

See accompanying notes to the financial statements

MILLROCK RESOURCES INC.
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Consolidated Schedule of Mineral Properties

For the Period Ended September 30, 2008 and 2007
(expressed in Canadian dollars)

	<u>Divide</u>	<u>Fortymile</u>	<u>Arizona</u>	<u>Estelle</u>	<u>Bering Straits</u>	<u>Other Properties</u>	<u>Total</u>
Balance at December 31, 2007	\$ 122,874	\$ 146,320	\$ -	\$ -	\$ -	\$ 69,666	\$ 338,860
Addition during the year							
Acquisition cost							
Cash	66,683	-	413,044	-	125,394	82,616	687,737
Shares	62,000	-	-	247,000	36,000	-	345,000
	128,683	-	413,044	247,000	161,394	82,616	1,032,737
Exploration costs:							
Drilling	324,156	-	-	-	20,554	-	344,710
Geochemistry	57,906	6,376	-	2,733	26,291	22,014	115,320
Geology	126,200	1,891	9,518	19,207	162,339	19,270	338,425
Geophysics	2,935	-	2,935	-	5,870	2,935	14,676
Environmental and permitting	6,113	-	4,040	1,615	1,187	530	13,485
Support and equipment	441,405	8,846	15,348	29,184	619,288	38,186	1,152,257
Administration	19,911	1,458	511	682	27,834	1,848	52,244
	978,627	18,570	32,352	53,421	863,363	84,783	2,031,117
Less:							
Recoveries	490,704	-	-	-	-	-	490,704
Write off	-	-	-	-	-	87,058	87,058
	490,704	-	-	-	-	87,058	577,763
Net additions	616,606	18,570	445,396	300,421	1,024,757	80,341	2,486,092
Balance at September 30, 2008	\$ 739,481	\$ 164,890	\$ 445,396	\$ 300,421	\$ 1,024,757	\$ 150,007	\$ 2,824,952

MILLROCK RESOURCES INC.

(Formerly First Factor Developments Inc.)

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Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

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

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

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

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization value may be substantially different from carrying value as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2008, the Company had not yet achieved profitable operations, had working capital of \$1,611,978 which may not be sufficient to sustain operations over the next twelve months and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operation when they come due.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada. The financial statements have, in management’s opinion, been properly prepared within the framework of the significant accounting policies summarized below:

(a) Principles 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, which were incorporated in the State of Alaska, USA in November 2007 and March 2008 respectively.

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Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates include the rates of depreciation for property, plant and equipment, the recoverability of mineral property costs, estimates of accounts payable and accrued 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 may differ from those estimates.

(c) Changes in Accounting Policy

Effective January 1, 2008, the Company adopted the following new CICA Handbook Standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation.

Section 1535 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 new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

(d) Future Accounting Changes

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to use IFRS, which will replace Canadian GAAP.

The effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While we have begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)**(d) Future Accounting Changes (continued)****Goodwill and Intangible Assets**

In February 2008 the CICA issued accounting standard Section 3064 Goodwill and Intangible Assets replacing accounting standard Section 3062, Goodwill and Other Intangible Assets, and accounting standard Section 3450, Research and Development Costs. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section.

(e) Cash and Cash Equivalents

The Company considers cash and cash equivalents to be cash and short-term investments with original maturities or redemption provisions of three months or less from the date of acquisition. The restricted cash is the cash deposit made to the bank as the collateral for the credit card purchase.

(f) Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Cost of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operation. 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 value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

(g) Equipment

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

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For the Nine Months Ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(h) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period the asset is put into use, 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 September 30, 2008 and 2007, the Company had no asset retirement obligations.

(i) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the assets, impairment is recognized. Other than the costs incurred and written off on the Inmachuk Property and Bonanza Property (Note 4), management believes there has been no impairment of the Company's long-lived assets as at September 30, 2008.

(j) Stock-based Compensation

The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

(k) Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could occur if potentially dilutive securities are exercised or converted to common stock. The dilutive effect of options and warrants and their equivalents is computed by application of the treasury stock method. Fully dilutive amounts are not presented when the effect of the computations is anti-dilutive due to the losses incurred. Shares issuable on exercise of stock options and warrants totaling 11,460,867 were not included in the computation of diluted loss per share because the effect would have been anti-dilutive.

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Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(l) Foreign Currency Translation

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

Financial statements of foreign subsidiaries, all of which are integrated, are translated using the temporal method whereby monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date, and other assets and liabilities and equity are translated at the rate of exchange prevailing on the transaction date. Revenue and expense items are translated at the average rate prevailing during the period. The resulting exchange differences are included in the net income during the period.

(m) Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

3. Risk Management Policies

(a) Credit Risk

The Company is exposed to credit risk in respect to its cash and cash equivalents, and accounts receivable. The credit risk is limited to the carrying amount on the balance sheet. The Company's cash and cash equivalents are held through large financial institutions.

(b) Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet the obligations associated with its financial liabilities. The Company manages liquidity risk through the management of its capital structure as outlined in Note 7. On May 26, 2008, the Company completed a non-brokered private placement consisting of 11,001,000 units at a price of \$0.25 per unit for gross proceeds of \$2,750,250 which reduces the Company's exposure to liquidity risk. Accounts payable and accrued liabilities are due within the current fiscal year.

(c) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has cash and cash equivalents and accounts payable denominated in US\$. At September 30, 2008, if the Canadian dollar had weakened 10 percent against US dollar with all other variables held constant, the net loss for the quarter would have been

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Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

3. Risk Management Policies (continued)

(c) Currency Risk (continued)

\$34,423 higher. Conversely, if the Canadian dollar had strengthened 10 percent against US dollar with all other variables held constant, the net loss would have been \$34,423 lower.

4. Mineral Properties

(a) Divide

On August 22, 2007, the Company signed a Letter of Intent with respect to the Divide Property located on the Seward Peninsula, Alaska. On August 5, 2008, the Company announced that a definitive option and joint venture agreement has been executed with its partner. The Company can earn a 50% interest in the project by paying 50% of all costs associated with the Divide Option (an option agreement made between the vendor and the underlying property owner). The consideration is cash payments of US\$490,000 and issuance of 500,000 common shares of the Company over a five year period as follows:

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

During the third quarter, the Company carried out an exploration program consisting of geological mapping, soil sampling, trenching, rock sampling and reverse circulation drilling.

(b) Fortymile

In February 2008, the Company announced that it had acquired through staking, approximately 7,965 hectares of State of Alaska mineral rights in three discrete blocks, in the Fortymile mining district. In late August 2008 the Company performed a brief program of soil and rock sampling.

(c) Arizona

On April 3 and May 20, 2008, the Company acquired three properties in the Safford - Morenci and San Manuel - Copper Creek areas of southeastern Arizona. A cash payment of US\$20,000 for each property totaling US\$60,000 has been paid and issuance of 20,000

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Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

4. Mineral Properties (continued)

(c) Arizona (continued)

common shares for each property was paid. A further US\$10,000 and 15,000 shares is payable to the finder for each property annually as long as the Company holds the property, and a payment of US\$2 million is to be paid upon commercial production.

No field work was carried out at these projects in the third quarter of 2008.

(d) Estelle

On April 2, 2008, the Company made an agreement with International Tower Hill Mines Ltd. ("ITH") to acquire its rights to the South Estelle gold property 160 km northwest of Anchorage, Alaska in the Rainy Pass district. Consideration was 650,000 common shares, which were issued on April 14, 2008. ITH will retain a 1% NSR royalty. By virtue of the purchase, the Company will have the option to earn up to an 80% interest in the property from the underlying property owners. The Company can earn 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 become payable to the underlying property owners under certain conditions.

In August of 2008 the Company carried out an exploration program consisting of rock and soil sampling. The program was designed to determine whether a major drilling program is justified for 2009.

(e) Bering Straits

On April 23, 2008, The Company signed an exploration agreement with Golden Glacier Inc. which grants the Company exclusive rights to explore and develop mineral deposits as well as an option to lease the land. The agreement has a five year term and calls for total expenditures of US\$4 million with a first year work commitment of US\$300,000. Annual option payments will total US\$550,000 over five years with US\$30,000 on signing. Additionally, over the life of the agreement the Company will contribute a total of US\$40,000 to the Bering Straits Foundation Scholarship Fund, including an initial payment of US\$5,000. The agreement also calls for issuance of one million shares in total with the first 100,000 issued upon acceptance of the agreement by the TSX Venture Exchange. 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 gold price. On June 12, 2008, 100,000 common shares were issued. The agreement is in good standing.

Beginning in June, 2008 Millrock began an exploration program that continued through until mid August. The exploration was done at three main interest areas: Ungalik, Council and Bluff. At Ungalik, soil, vegetation, stream sediment and rock sampling, as well as prospecting was done. The purpose of the program was to determine, if possible, the lode source of approximately 500,000 ounces of gold that was mined from a nearby alluvial deposit. At Council, stream sediment and vegetation sampling was done to focus further lode exploration

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

in this productive placer mining area. At Bluff, a comprehensive and systematic exploration program was carried out. Exploration consisted of geological mapping and prospecting, extensive soil sampling, rock sampling, a core drilling. The purpose was to confirm the presence of previously reported bedrock gold mineralization at the Daniel's Creek zone, to find new gold bearing zones, and to gain a strong familiarity with the property for the purpose of future exploration. The Daniel's Creek zone was reported by BHP in 1991 to potentially have a minimum of 300,000 ounces of gold (the estimate does not meet 43-101 requirements) hosted by a flat-lying structure. It was postulated by BHP that substantially more gold could be discovered in the area.

(f) Other Properties

The Company evaluated a number of prospects known to exist on open ground, and on the claims of others. Also, reconnaissance work was done to test geological ideas generated by the Company. As at September 30, 2008, the Company had incurred capitalized costs of \$150,007 on other properties located in Alaska, for future evaluations.

Property	Millrock Ownership	Capitalized Cost		
		2008	2007	Total
<u>Active Projects</u>				
Porcupine	100%	69,732	18,414	88,146
King Tut	100%	(1,211)	18,027	16,816
Ketchem	100%	38,902	-	38,902
Mystery	100%	3,104	-	3,104
Kemuk	100%	3,039	-	3,039
Total Active Projects		\$ 113,566	\$ 36,441	\$ 150,007

As reported in the first quarter of 2008, the Company terminated the agreements of Inmachuk project and is no longer under the obligations imposed by those agreements.

4. Mineral Properties (continued)

(f) Other properties (continued)

Lake Clark-Bonanza

The Lake Clark project consists of two discrete properties. The first, called King Tut is a claim block acquired by staking of 124 State of Alaska mining claims located approximately 35 kilometers north of the Pebble deposit, a major new copper-gold discovery. The second property, known as Bonanza Hills, is located a further 25 kilometers north of Pebble. The Company, pursuant to a letter of intent signed September 4, 2007, will have the option to obtain a 60% interest in the property by incurring exploration expenditures of US\$3.5 million and issuing 1 million common shares of the Company.

On June 20, 2008, the Company decided not to proceed with the option agreement concerning the Bonanza Hills property. The cost of \$33,646 was written off following the decision to terminate the option.

5. Equipment

September 30, 2008	Cost	Accumulative Amortization	Net Book Value
Office equipment	\$ 10,546	\$ 1,581	\$ 8,965
	\$ 10,546	\$ 1,581	\$ 8,965

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

6. Share Capital

(a) Authorized

Unlimited common shares without par value.

6. Share Capital (continued)

(b) Issued and outstanding common shares

	Number of Shares	Share Capital	Contributed Surplus
Balance, December 31, 2006	10,710,468	5,021,793	-
Issued for cash pursuant for			
Private placements	7,211,111	3,245,000	-
Exercise of warrants	408,000	40,800	-
Issued for property	150,000	67,750	-
Issued for finder's fees	150,360	67,662	-
Share repurchase and cancellation	(428,000)	(64,200)	-
Share issue costs	-	(244,058)	49,973
Stock based compensation	-	-	442,959
Balance December 31, 2007	18,201,939	\$ 8,134,747	\$ 492,932
Issued for cash pursuant for			
Private placements	11,001,000	2,750,250	
Issued for property	950,000	345,000	
Issued for finder's fees	58,940	14,735	
Share issue costs		(304,440)	102,116
Stock based compensation			85,464
Balance September 30, 2008	30,211,879	\$ 10,940,292	\$ 680,512

On April 21, 2008, the Company issued 650,000 common shares to acquire up to 80% interest in the South Estelle property in Alaska under the purchase agreement dated April 2, 2008.

On May 12, 2008, the Company issued 50,000 common shares pursuant to the Letter of Intent signed on August 14, 2007 for Divide property.

On May 26, 2008, the Company issued 11,001,000 units at \$0.25 per unit for gross proceeds \$2,750,250. Each unit is comprised of one common share and one-half of one share purchase warrant with each whole warrant exercisable into one additional common share at a price of \$0.50 until May 26, 2009 and at a price of \$0.75 until May 26, 2010. Finders' fee of \$170,167.5 cash and issue of 58,940 common shares and 562,450 finder warrants were paid in respect of this private placement. Each finder warrant is exercisable into one common share at a price of \$0.25 until May 26, 2009.

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6. Share Capital (continued)**(b) Issued and Outstanding Common Shares (continued)**

On June 12, 2008, the Company issued 100,000 common shares based on the exploration agreement with Golden Glacier Inc., a subsidiary of Bering Straits Native Corporation which grants the Company exclusive right to explore and develop mineral deposits as well as an option to lease the land.

On August 28, 2008, the Company issued 150,000 common shares pursuant to the Letter of Intent signed on August 14, 2007 for Divide property.

(c) Stock Options

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

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

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2006	-	\$ -
Granted	1,485,000	\$ 0.46
Outstanding at December 31, 2007	1,485,000	\$ 0.46
Granted	150,000	\$ 0.36
Outstanding at September 30, 2008	1,635,000	\$ 0.45
Exercisable at September 30, 2008	1,585,000	\$ 0.45

6. Share Capital (continued)

(c) Stock Options (continued)

The following table summarizes the Company's outstanding share purchase options as at September 30, 2008.

Number of Shares	Exercise Price	Expiry Date
1,050,000	\$ 0.45	5/29/2012
125,000	\$ 0.45	8/7/2012
150,000	\$ 0.45	10/1/2012
100,000	\$ 0.55	11/21/2012
60,000	\$ 0.56	12/6/2012
150,000	\$ 0.36	4/1/2013
1,635,000		

The fair value of the options granted on April 1, 2008 was estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Dividend yield	Nil
Expected volatility	139%
Risk-free rate of return	3.44%
Expected life of options	5 years

Total stock-based compensation expense of \$85,464 (\$13,954 for this quarter) has been charged to operations.

6. Share Capital (continued)

(d) Share Purchase Warrants and Agent Warrants

As at September 30, 2008, the Company had outstanding warrants and agent warrants for the purchase of 9,825,867 common shares, as follows:

	Number of Shares	Exercise Price	Expiry Date
Outstanding at December 31, 2006	408,000	\$ 0.10	
Exercised on March 31, 2007	(300,000)	\$ 0.10	
Exercised on July 17, 2007	(108,000)	\$ 0.10	
Issued, Aug 07, 2007	1,250,002	\$ 1.00	8/7/2009
Agent warrants issued, Aug 07, 2007	137,667	\$ 0.45	8/7/2008
Issued on Nov 2, 2007	2,355,555	\$ 0.75	11/2/2008
Agent warrants issued on Nov 2, 2007	157,360	\$ 0.45	11/2/2008
Outstanding at December 31, 2007	3,900,584		
Issued on May 26, 2008	5,500,500	\$ 0.50	5/26/2009
Issued on May 26, 2008	562,450	\$ 0.25	5/27/2009
Agent warrants expired, Aug 07, 2008	(137,667)	\$ 0.45	8/7/2008
Outstanding at September 30, 2008	9,825,867		

The fair value of the agent's warrants of \$102,116 is included in share issue costs and contributed surplus under shareholder's equity. The fair value of the agent's warrants was estimated on the dates issued using the Black-Scholes option pricing model with the following weighted average assumptions:

Dividend yield	Nil
Expected volatility	144%
Risk-free rate of return	3.27%
Expected life of options	1 year

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7. Capital Disclosure

The Company's objectives when managing capital are:

- (a) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- (b) To provide an adequate return to shareholders.

The Company sets the amount of capital in relation to requirements. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the requirements to finance its mineral projects. The Company's overall strategy remains unchanged from 2007.

The capital structure of the Company consists of all of the components of shareholders' equity.

During the second quarter 2008, the Company completed a non-brokered private placement issuing 11,001,000 units at a price of \$0.25 per unit for gross proceeds of \$2,750,250 as outlined in Note 6(b).

8. Related Party Transactions

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

	Three Months Ended Sep 30		Nine Months Ended Sep 30	
	2008	2007	2008	2007
Accounting	\$ 17,601	\$ 12,213	\$ 57,241	\$ 12,212.50
Consulting fee	49,824	45,861	157,383	93,516
Mineral Properties	35,309	313,308	481,215	410,920
Office rent	-	-	-	3,000
	\$ 102,735	\$ 371,382	\$ 695,839	\$ 519,649

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

- (a) As at September 30, 2008, due from related parties include \$10,213 advanced to a director for travel expense. These amounts are unsecured, do not bear interest and have no fixed terms of repayment.

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8. Related Party Transactions (continued)

- (b) During the nine months ended September 30, 2008, the Company incurred a total amount of \$389,607 expenses or cash advance to Xplore Inc., a company incorporated in Alaska, USA and controlled by a director that acted as operator for the exploration program. Until the incorporation of Millrock Exploration Corporation (Alaska) in March 2008, Xplore had acted as Millrock's exploration arm in Alaska. All costs for exploration done by Xplore for the Company have been passed straight through with no markup or profit charged by Xplore. As at September 30, 2008, all the balance of cash advances with Xplore \$5,274 has been transferred to Millrock Exploration Corporation.