



Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

MILLROCK RESOURCES INC.

Notice

Notice of No Auditor Review of the Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Millrock Resources Inc. (the “Company”), for the nine months ended September 30, 2021, have been prepared by management and have not been the subject of a review by the Company’s independent auditor.

MILLROCK RESOURCES INC.
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
 Going concern – Note 2

	As at September 30, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,880,710	\$ 390,606
Marketable securities – Note 5	1,147,339	1,253,089
Amounts receivable	285,257	593,471
Prepaid expenses and deposit	51,003	48,499
Total current assets	3,364,309	2,285,665
Non-current assets		
Right of use asset – Note 8	80,721	134,913
Exploration and evaluation assets – Note 6	4,177,490	4,200,786
Total non-current assets	4,258,211	4,335,699
TOTAL ASSETS	\$ 7,622,520	\$ 6,621,364
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 207,943	\$ 801,697
Project cost advance received – Note 7	499,749	11,037
Lease liability current portion – Note 8	80,282	82,385
Due to related parties – Note 12	54,694	26,525
Total current liabilities	842,668	921,644
Non-current liabilities		
Loan payable – Note 9	-	324,462
Lease liability long term portion – Note 8	16,031	69,273
Total non-current liabilities	16,031	393,735
Total liabilities	858,699	1,315,379
Shareholder's equity		
Share capital – Note 10	47,213,648	44,369,653
Reserves		
Share-based payments – Note 10	5,191,486	5,128,172
Warrants – Note 10	1,093,206	999,606
Accumulated other comprehensive loss	(407,640)	(441,335)
Deficit	(46,326,879)	(44,750,111)
Total shareholders' equity	6,763,821	5,305,985
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 7,622,520	\$ 6,621,364

Going concern – Note 2
 Subsequent event – Note 14

These financial statements were approved and authorized for issue by the Board of Directors on November 24, 2021.

“Gregory Beischer”
 Director

“Larry Cooper”
 Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

MILLROCK RESOURCES INC.*(An Exploration Stage Company)***Condensed Interim Consolidated Statements of Comprehensive Loss***(Expressed in Canadian dollars)*

Going concern – Note 2

	Three month period ended September 30, 2021	Three month period ended September 30, 2020	Nine month period ended September 30, 2021	Nine month period ended September 30, 2020
Revenue				
Overhead recovery fees	\$ 141,626	\$ 243,435	\$ 385,582	\$ 438,579
Exploration services revenue	8,914	96,765	21,396	118,825
	150,540	340,200	406,978	557,404
Cost of sales				
Direct cost of exploration services	177	98,773	7,009	118,827
General and administrative expense				
Accounting, audit and legal	74,473	54,678	280,107	137,799
Amortization and depreciation	1,071	273	1,071	846
Amortization of right of use asset–Note 8	17,405	18,415	51,892	56,150
Consulting, directors and salaries–Note 12	104,760	161,020	454,999	658,048
Foreign exchange loss (gain)	9,883	(664)	4,209	1,710
General exploration	30,861	25,534	90,008	114,745
Interest expense of lease liability	2,734	4,738	9,508	15,739
Investor relations	39,895	37,042	119,638	158,949
Office and miscellaneous expense	271,532	119,349	637,918	305,976
Stock-based compensation – Note 10	21,568	-	63,314	179,603
	574,182	420,385	1,712,664	1,629,565
Loss before other items	(423,819)	(178,958)	(1,312,695)	(1,190,988)
Other items				
Gain on loan forgiveness – Note 9	321,692	-	321,692	-
Impairment of exploration and evaluation assets – Note 6	(2,099)	-	(9,218)	-
Unrealized loss on marketable securities – Note 5	(227,059)	422,405	(655,962)	744,930
Other income – Note 6	1,545	13,985	79,415	20,790
Net income/(loss) before other comprehensive income/(loss)	(329,740)	257,432	(1,576,768)	(425,268)
Other comprehensive income/(loss)				
Cumulative translation adjustment	81,053	(68,280)	23,430	(112,019)
Comprehensive income/(loss) for the period	\$ (248,687)	\$ 189,152	\$ (1,553,338)	\$ (537,287)
Basic and diluted loss per share	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.00)
Weighted average number of shares outstanding – basic and diluted	152,172,394	113,678,661	124,240,243	108,574,069

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

MILLROCK RESOURCES INC.
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
Going concern – Note 2

	Nine month period ended September 30, 2021	Nine month period ended September 30, 2020
Cash provided by (used in)		
Operating activities		
Net loss	\$ (1,576,768)	\$ (425,268)
Items not involving cash		
Amortization and depreciation	-	846
Amortization of right of use asset	51,892	56,150
Interest expense of right of use asset	9,508	15,739
Gain on loan forgiveness	(321,692)	-
Stock-based compensation	63,314	179,603
Impairment of exploration and evaluation assets	9,218	-
Unrealized loss on marketable securities	655,962	(744,930)
Foreign exchange – non-cash	(1,639)	-
	(1,110,205)	(917,860)
Net change in non-cash working capital items:		
Amounts receivable	358,214	(22,233)
Prepaid expenses and deposits	(2,504)	(9,134)
Accounts payable and accrued liabilities	(526,341)	(40,204)
Income tax payable	-	47,250
Project cost advance received	488,712	1,599,036
Due to related parties	28,169	13,580
Change from operating activities	(763,955)	670,435
Cashflows from investing activities		
Advances on exploration expenditures	-	-
Net expenditures on exploration and evaluation assets, net of recoveries	(619,852)	(4,457,928)
Cash recovered from exploration partners	-	3,738,227
Total outflows from investing activities	(619,852)	(719,701)
Cashflows from financing activities		
Security deposit and restricted cash	-	(1,055,792)
Share issuance costs	(208,840)	(46,915)
Share issued for cash	3,146,435	1,509,040
Cash received for warrant exercise	-	899,810
Repayment of lease liability	(63,684)	(6,456)
Cash received from PPP loan – Note 9	-	340,985
Change from financing activities	2,873,911	1,640,672
Change in cash and cash equivalents	1,490,104	1,591,406
Cash and cash equivalents, beginning of the period	390,606	494,145
Cash and cash equivalents, end of the period	\$ 1,880,710	\$ 2,085,551

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

MILLROCK RESOURCES INC.
(An Exploration Stage Company)
Consolidated Statements of Shareholders' Equity

For the period from December 31, 2019 to September 30, 2021

(Expressed in Canadian dollars)

Going concern – Note 2

	<u>Common Shares (Note 10)</u>		<u>Reserves</u>				<u>Total Shareholders' Equity</u>
			<u>Share-based</u>		<u>Other</u>		
	<u>Shares</u>	<u>Amount</u>	<u>Payment</u>	<u>Warrants</u>	<u>Income</u>	<u>Deficit</u>	
Balance, December 31, 2019	96,287,181	\$ 41,798,902	\$ 4,784,209	\$ 973,421	\$ (251,839)	\$ (43,380,264)	\$ 3,924,429
Issuance of common shares for cash pursuant to private placement	12,575,333	1,509,040	-	-	-	-	1,509,040
Share issue costs and finder's fee	-	(75,662)	-	28,748	-	-	(46,914)
Stock-based compensation	-	-	262,124	-	-	-	262,124
Issuance of common shares for cash pursuant to exercise of warrants	5,293,000	899,810	-	-	-	-	899,810
Shares issued for exploration and evaluation asse	1,000,000	212,500	-	-	-	-	212,500
Cumulative translation adjustment	-	-	-	-	(112,019)	-	(112,019)
Loss for the period	-	-	-	-	-	(425,268)	(425,268)
Balance, September 30, 2020	115,155,514	44,344,590	5,046,333	1,002,169	(363,858)	(43,805,532)	6,223,702
Stock-based compensation	-	-	81,839	-	-	-	81,839
Issuance of common shares for cash pursuant to exercise of warrants	-	-	-	-	-	-	-
Reallocation of fair value of exercised warrants	-	2,563	-	(2,563)	-	-	-
Shares issued for exploration and evaluation asse	-	22,500	-	-	-	-	22,500
Cumulative translation adjustment	-	-	-	-	(77,476)	-	(77,476)
Loss for the period	-	-	-	-	-	(944,579)	(944,579)
Balance, December 31, 2020	115,155,514	44,369,653	5,128,172	999,606	(441,334)	(44,750,111)	5,305,986
Issuance of common shares for cash pursuant to private placement	37,016,880	3,146,435	-	-	-	-	3,146,435
Share issue costs and finder's fee	-	(302,440)	-	93,600	-	-	(208,840)
Stock-based compensation	-	-	63,314	-	-	-	63,314
Cumulative translation adjustment	-	-	-	-	33,694	-	33,694
Loss for the period	-	-	-	-	-	(1,576,768)	(1,576,768)
Balance, September 30, 2021	152,172,394	\$ 47,213,648	\$ 5,191,486	\$ 1,093,206	\$ (407,640)	\$ (46,326,879)	\$ 6,763,821

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

1. Nature of Operations

Millrock Resources Inc. (“Millrock” or the “Company”) is a public company listed on the TSX Venture Exchange trading under the symbol “MRO”. The registered office of the Company is located at Suite 1000 - 355 Burrard St. Vancouver, BC, V6C 2G8.

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 option agreements are made with third parties that fund drilling and more advanced exploration to earn an interest in the Company’s properties.

2. Basis of Preparation and Going Concern

The Company prepares its condensed interim consolidated financial statements in accordance and compliance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ending December 31, 2020 prepared in accordance with IFRS. IAS 34 does not require disclosure of accounting policies used in interim statements. The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are the same as those policies applied in the Company’s audited consolidated financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, which contemplates that the Company will continue in operation for the next twelve months and that it will be able to realize its assets and meet its liabilities in the normal course of operations. Realization value may be substantially different from carrying value as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values, classification of assets and liabilities should the Company be unable to continue as a going concern. As of September 30, 2021, the Company had not yet achieved profitable operations, and had an accumulated deficit of \$46,326,879 (December 31, 2020 – \$44,750,111). Management has carried out an assessment of the going concern assumption and has concluded that the Company may not have sufficient cash and cash equivalents and other financial assets to continue operating at current levels for the ensuing twelve months. The Company’s forecast indicates the existence of uncertainty that raises significant doubt about the Company’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon its ability to raise additional equity, continue some of its existing partnerships, partner additional exploratory prospects, generate overhead recovery fees, and receipt of option payments.

In March 2020, the Company was forced to temporarily reduce its operations as a result of the Covid-19 outbreak. The Company quickly adapted and instituted stringent Covid-19 safety protocols. During the second quarter 2020 the Company applied for and received Paycheck Protection Plan funds (Note 9).

2.1 Changes in Accounting Policies and Disclosures

The Company did not adopt any new accounting policies during the year and all policies are consistent with those of the previous financial year.

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

2. Basis of Preparation and Going Concern (cont'd)

2.2 Upcoming Changes in Accounting Standards

IFRS Standards Issued But Not Yet Effective

Management has reviewed upcoming IFRS standards for implementation and determined that there are no new standards that will impact the Company's reporting.

3. Significant Accounting Policies

The significant accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

3.1 Principles of Consolidation

Subsidiaries

The condensed interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at September 30, 2021. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The consolidated financial statements of the Company include the following significant subsidiaries:

Name of Subsidiary	Place of Domicile	Percentage Ownership
Millrock Exploration Corp	USA	100%
Millrock Alaska LLC	USA	100%
Millrock Mexico Holdings Corp	Canada	100%
Recursos Millrock	Mexico	100%

The Company consolidates all of its subsidiaries on the basis that it controls these subsidiaries through its ability to govern their financial and operating policies. All intercompany transactions and balances are eliminated on consolidation.

3.2 Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the accounts of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The condensed interim consolidated financial statements are presented in Canadian dollars (the "presentation currency"). The Canadian dollar is the functional currency of the Millrock Resources Inc. and Millrock Mexico Holdings Corp. The US dollar is the functional currency of the Company's United States subsidiaries. The Mexican peso is the functional currency of Recursos Millrock.

MILLROCK RESOURCES INC.*(An Exploration Stage Company)***Notes to Condensed Interim Consolidated Financial Statements**

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant Accounting Policies (cont'd)**3.2 Foreign Currency Translation (cont'd)****(ii) Transactions and Balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions as well as from the translation of monetary assets and liabilities not denominated in the functional currency of the subsidiaries and parent company are recognized in the consolidated statements of comprehensive loss except for monetary items that are designated as part of the Group's net investment of a foreign operation. These foreign exchanges are recognized in other comprehensive loss until the net investment is disposed of, at which time, the cumulative amount is reclassified to the consolidated statement of loss.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated to Canadian dollars at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the other comprehensive loss reserve in shareholders' equity. Additionally, foreign exchange gains and losses, related to certain intercompany loans that are permanent in nature, are included in other comprehensive loss reserve.

3.3 Property, Plant and Equipment**(i) Recognition and Measurement**

Property, plant and equipment are carried at cost less accumulated amortisation and depreciation and any impairment in value. When an asset is disposed of, it is derecognized and the difference between its carrying value and net sales proceeds is recognized as a gain or loss in the consolidated statements of loss.

Property, plant and equipment are recorded at cost on initial acquisition. Cost includes the purchase price and the directly attributable costs of acquisition or construction required to bring an asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

(ii) Depreciation

Property, plant and equipment are depreciated and amortized over a straight line basis over the estimated useful life of the asset. Where components of an asset have a different useful life and cost that is significant to the total cost of the asset, depreciation is calculated on each separate component. Depreciation methods, useful lives and residual values are reviewed at the end of each year.

Furniture and fixtures	3 years
Office equipment	3 years
Leasehold improvements	1 year
Software	1 year
Vehicle	3 years
Building	39 years

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant Accounting Policies (cont'd)

3.4 Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for, and development of mineral properties to which the Company has rights. Exploration expenditures typically include costs associated with acquisition of rights to explore, prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore.

Evaluation expenditures reflect costs incurred at exploration projects related to establishing the technical and commercial viability of mineral deposits identified through exploration or acquired through a business combination or asset acquisition. Costs incurred prior to the acquisition of a mineral property are charged to the statement of comprehensive loss as incurred under the heading of General Exploration. Evaluation expenditures include the cost of:

- i) Establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities to classify deposits as either a mineral resource or a proven and probable reserve;
- ii) Determining the optimal methods of extraction and metallurgical and treatment processes;
- iii) Studies related to surveying, transportation and infrastructure requirements;
- iv) Permitting activities; and
- v) Economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

From time to time, the Company may acquire or dispose of mineral interests 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 acquisition cost additions or recoveries when the payments are made or received. The Company maintains ownership and control of the property until the earn-in partner fulfills contractual obligations and the costs incurred over that period are capitalized. When the obligations are positively fulfilled the earn-in partner is afforded a predetermined interest in the project, which may result in a change of control, but not joint control.

From time to time the Company may issue shares for option-in agreements in respect of acquisition of mineral interests. These equity-settled share-based payment transactions are measured by reference to the fair value of the equity instruments granted with the corresponding increase in equity.

3.5 Impairment of Non-Financial Assets

Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment test is performed when (a) the right to explore in a specific area has expired or will expire in the near future without expectation to renew, (b) exploration or evaluation expenditures of any significance are not planned or budgeted, (c) no mineral resources in a specific area have been discovered which have the potential for commercial viability and the Company has decided to halt further activities in the area, or (d) sufficient indications exist that the minerals in a specific area can be developed, however the asset is unlikely to recover in full the carrying cost. For Exploration and Evaluation assets the Company's unit of account is the land title or claim license. The land titles cumulatively make up a block of land the Company is exploring for its mineral potential. Over the course of exploration, costs are capitalized to the claim blocks.

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant Accounting Policies (cont'd)

3.5 Impairment of Non-Financial Assets (cont'd)

Therefore, given the unit of account is the land title or claim license, when individual claims are dropped or abandoned the associated value is written down to nil. As per IFRS 6 we assess any retained properties for indicators of impairment. During exploration the Company tracks the total capitalized cost of each property and allocates these costs evenly to the underlying titles, which make up the project. When the Company forfeits its rights to an exploration title an impairment charge is recorded for the carrying value of the title.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

3.6 Financial Assets

(i) Classification

The Company classifies its financial assets in the following categories as fair value through profit or loss or amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are either financial assets held for trading or financial assets designated by the Company as fair value through profit and loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. The Company's financial assets through profit and loss include marketable securities.

b) Financial assets at amortized cost

The Company measures financial assets at amortized cost if both the following conditions are met:

- The financial asset is held with the objective to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

The Company's financial assets at amortized costs include amounts receivable.

(ii) Recognition and Measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statements of comprehensive loss.

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant Accounting Policies (cont'd)

3.6 Financial Assets (cont'd)

(ii) Recognition and Measurement (cont'd)

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss category are recognized in the consolidated statements of comprehensive loss. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statements of comprehensive loss as part of other income when the Company's right to receive payments is established.

(iii) Impairment of Financial Assets

An 'expected credit loss' (ECL) model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model include amounts receivable.

For trade receivable and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

3.7 Amounts Receivable

Amounts receivable are primarily comprised of amounts due from earn-in partners as a result of cash calls on particular projects in which earn-in partners have elected to participate. Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment using the simplified approach where appropriate.

3.8 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held with financial institutions, and other short term highly liquid investments with original maturities of three months or less.

3.9 Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

3.10 Financial Liabilities

Financial liabilities classified as amortized cost are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method.

The Company has classified its accounts payable and accrued liabilities, loan payable, due to related parties, lease liability, and project cost advance as amortized cost.

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant Accounting Policies (cont'd)

3.11 Current and Deferred Income Tax

Income tax expense is recognized in the consolidated statements of loss except to the extent that it relates to items recognized either in other comprehensive loss or directly in equity, in which case it is recognized in other comprehensive loss or in equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated statements of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.12 Share-Based Payment Transactions

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received are not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value based method (Black-Scholes Option Pricing model) for all share options granted to directors, employees and certain non-employees. This model employs assumptions for risk free interest rates, dividend yields, expected lives, and volatility based on historical data. For directors and employees, the fair value of the share options is measured at the date of the grant.

For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss or the related asset as applicable, such as exploration and evaluation assets, with the offsetting credit to share-based payments reserve. For directors and employees, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in share-based payments reserve are transferred to share capital.

MILLROCK RESOURCES INC.

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Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant Accounting Policies (cont'd)

3.12 Share-Based Payment Transactions (cont'd)

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in share-based payments reserve.

3.13 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.14 Revenue Recognition

Revenue from contracts with customers is derived from exploration services and overhead recovery fees. Revenue is recognized when a contract exists, the Company can identify the payment terms for the goods or services to be transferred, the related performance obligations are satisfied, and it is probable that the Company will collect the consideration to which it will be entitled. Overhead recovery 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.

Overhead recovery fees earned by the Company under contracts with earn-in partners constitutes revenue with a customer as the Company is contracted to provide certain services which are considered an output of the Company's ordinary activities. Such fees are therefore within the scope of IFRS 15 and presented as revenue in the Company's statements of comprehensive loss. The terms of the arrangements are not complex and are standardized across all joint exploration agreements, the only variation between agreements being that the consideration will be either be a fixed value for a period of time or based on a fixed or variable percentage of qualifying expenditures. Contracts typically consist of one performance obligation under IFRS 15, being the provision of project management services. Performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company provides the services. Progress on performance obligations is measured using the output method based on time elapsed for fixed overhead recovery fees and input method based on expenditures incurred for variable overhead recovery fees. Reimbursement of development expenditure and advanced royalty payments received by the Company under the terms of the agreement is not considered to be revenue from a customer as these are not considered an output of the Company's ordinary activities; such income will continue to be off-set against the capitalized cost of exploration and evaluation assets on the Company's statement of financial position.

During the year ended December 31, 2019 the Company was engaged to provide exploration services to PolarX in relation to the Stellar project. PolarX acquired a 100% interest in the Stellar project during 2017 therefore the Company no longer has any interest in the mineral property (other than a net smelter royalty). The Company was therefore engaged by PolarX as an independent contractor. The contract consists of one performance obligation being the provision of exploration services. The consideration is variable depending on the input required to deliver the services. Performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Company's performance as the entity provides the services. Progress on performance obligations is measured using the input method based on expenditure incurred. This is the only contract of this nature during the nine month period ended September 30, 2021 and the fiscal year ended December 31, 2020. Such income is disclosed as revenue from "Exploration services" within the financial statements and the related expenses are recorded as the "Direct cost of exploration services". The Company recognized exploration services revenue for the period ended September 30, 2021 of \$21,396 (Year ended December 31, 2020 – \$118,918) which came from a single customer.

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant Accounting Policies (cont'd)

3.15 Finance Income and Expenses

Finance income comprises interest income on funds. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Finance expenses comprise interest expense on borrowings and unwinding of the discount on provisions. All borrowing costs are recognized in profit or loss using the effective interest method, except for those amounts capitalized as part of the cost of qualifying property, plant and equipment.

3.16 Earnings per Share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise warrants and share options.

3.17 Financial Instruments

a) Classification

The Company classifies its financial assets in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at September 30, 2021 and 2020.

Cash and cash equivalents	FVTPL
Amounts receivable	Amortized cost
Marketable securities	FVTPL
Accounts payable	Amortized cost
Loan payable	Amortized cost
Due to related parties	Amortized cost
Project cost advances	Amortized cost

b) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

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(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant Accounting Policies (cont'd)

3.17 Financial Instruments (cont'd)

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. As all of the groups receivables which the group measures at amortised cost are short term (i.e. less than 12 months) the change to a forward looking expected credit losses approach did not have a material impact on the amounts recognized in the consolidated financial statements.

d) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets.

4. Significant Accounting Judgements, Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed at each period end. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The four most significant areas requiring the use of management's judgments, assumptions and estimates relate to the following:

MILLROCK RESOURCES INC.*(An Exploration Stage Company)***Notes to Condensed Interim Consolidated Financial Statements**

For the Nine Months Ended September 30, 2021 and 2020

*(Expressed in Canadian dollars)***4. Significant Accounting Judgements, Estimates and Assumptions (cont'd)**

1. Impairment: Management determines at each reporting period whether there are any indicators of impairment applying to each specific property. Where an indicator exists, a formal assessment of the impairment is made. These indicators are presented in Note 3. If no indicators of impairment are identified, no impairment test is performed.
2. Share-based payments: Management uses valuation techniques in measuring the fair value of share options granted. The fair value is determined using the Black-Scholes option pricing model. Changes in assumptions used in the valuation could have a material impact on the Company's financial statements.

5. Marketable Securities

Marketable securities are available for sale investments consisting of investments in quoted equity shares. The fair value of the listed quoted equity shares has been determined directly by reference to published price quotations in an active market.

	September 30, 2021			December 31, 2020		
	# of shares	Per share	Fair value	# of shares	Per share	Fair value
Riverside Resources Inc. TSX-V: RRI	250,000	\$ 0.14	\$ 35,000	250,000	\$ 0.35	\$ 87,500
Resolution Minerals Limited ASX: RML	23,100,000	\$ 0.0184	\$ 425,082	5,000,000	\$ 0.037	\$ 186,063
ArcWest Exploration Inc. TSX-V: AWX	9,623,417	\$ 0.07	\$ 673,639	9,623,417	\$ 0.10	\$ 962,341
Capitan Mining Inc. TSX-V: CAPT	64,849	\$ 0.21	\$ 13,618	64,849	\$ 0.265	\$ 17,185
Total Marketable Securities			\$ 1,147,339			\$ 1,253,089

During the period ended September 30, 2021, the Company:

- i) received 25,000,000 shares (valued at \$742,761), and paid 6,900,000 of those shares as a finders fee (valued at \$192,549), as part of the 64North Gold Project agreement (Note 6(a)).
- ii) has an unrealized loss of \$655,962 on marketable securities.

During the year ended December 31, 2020, the Company:

- i) received 5,000,000 shares of Resolution Minerals Limited pursuant to their option agreement for the 64North project (Note 6a).
- ii) received 64,849 shares of Capitan Mining Inc. pursuant to a plan of arrangement whereby Riverside Resources Inc. spun out shares of Capitan Mining Inc. to shareholders of Riverside Resources Inc.
- iii) has an unrealized gain of \$315,125 on shares for the year ended December 31, 2020 (2019: unrealized loss of \$291,952).

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets

This section describes each of the Company's projects, and if a partner is earning into 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. Please refer to footnote 3.5 for a description of the property impairment assessment factors.

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.

	64 North Alaska	Fairbanks District Alaska	Treasure Creek Alaska	Ester Dome Alaska	Liberty Bell Alaska	Others USA	El Picacho Mexico	Batamote Mexico	Others Mexico	Total Properties
Balance at December 31, 2020	\$ 1,884,019	\$ 96,992	\$ 317,306	\$ 83,651	\$ 716,371	\$ 455,294	\$ -	\$ 601,092	\$ 46,061	\$ 4,200,786
Option costs:										
Cash	-	3,685	-	128,989	94,995	-	-	-	-	227,669
Exploration costs:										
Non-reimbursable costs	1,841	44,423	18,357	5,947	10,573	32,232	-	-	-	113,373
Acquisition	16,029	100,023	49,716	79,640	39,377	31,225	130,401	60,034	11,959	518,404
Geochemistry	29,398	1,517	7,760	1,769	-	3,901	-	-	-	44,345
Geology	76,964	135,511	587,286	99,905	10,257	206,422	11,459	44,999	15,262	1,188,065
Geophysics	9,188	-	-	-	-	6,814	-	-	-	16,002
Environmental and permitting	10,318	-	9,174	7,404	2,634	-	-	-	-	29,530
Support and equipment	13,444	141,624	326,437	60,622	13,912	108,101	13,055	9,203	6,420	692,818
	157,182	423,098	998,730	255,287	76,753	388,695	154,915	114,236	33,641	2,602,537
Less:										
Recoveries	149,311	444,194	1,051,787	371,592	149,207	12,439	-	-	-	2,178,530
Impairment / write-off	-	-	-	-	-	-	-	-	9,218	9,218
Option payments received, net of finder fees	550,212	-	-	-	88,662	-	-	-	-	638,874
	(699,523)	(444,194)	(1,051,787)	(371,592)	(237,869)	(12,439)	-	-	(9,218)	(2,826,622)
Foreign currency translation	(2,492)	239	3,109	(187)	201	948	(1,243)	(23,158)	(4,297)	(26,880)
Balance at September 30, 2021	\$ 1,339,186	\$ 79,820	\$ 267,358	\$ 96,148	\$ 650,451	\$ 832,498	\$ 153,672	\$ 692,170	\$ 66,187	\$ 4,177,490

MILLROCK RESOURCES INC.*(An Exploration Stage Company)***Notes to Condensed Interim Consolidated Financial Statements**

For the Nine Months Ended September 30, 2021 and 2020

*(Expressed in Canadian dollars)***6. Exploration and Evaluation Assets (cont'd)**

	64 North Alaska	Liberty Bell Alaska	Fairbanks District Alaska	Treasure Creek Alaska	Ester Dome Alaska	Others USA	Guadalcazar Mexico	Batamote Mexico	Others Mexico	Total Properties
Balance at December 31, 2019	\$ 1,884,019	\$ 716,371	\$ 96,992	\$ 317,306	\$ 83,651	\$ 455,294	\$ -	\$ 601,092	\$ 46,061	\$ 4,200,786
Option costs:										
Shares issued	130,000	-	-	105,000	-	-	-	-	-	235,000
Cash	107,592	67,245	-	-	-	-	-	-	-	174,837
	237,592	67,245	-	105,000	-	-	-	-	-	409,837
Exploration costs:										
Non-reimbursable costs	100,908	7,790	-	960	-	-	-	-	-	109,658
Acquisition	320,530	81,717	-	95,418	56,542	79,917	1,136	97,640	4,228	737,128
Drilling	1,803,673	-	-	-	-	-	-	-	-	1,803,673
Geochemistry	183,030	-	-	12,276	-	10,560	8,421	10,183	15,029	239,499
Geology	1,049,631	9,544	36,443	131,811	131,811	128,071	1,218	46,780	28,010	1,467,472
Geophysics	540,629	-	-	77,701	77,701	-	-	-	-	618,330
Environmental and permitting	22,111	363	-	7,187	7,187	168	-	-	-	29,829
Support and equipment	2,562,156	18,949	69,6579	120,850	9,896	48,707	-	7,955	354	2,838,524
	6,582,668	118,363	106,100	446,203	102,402	267,423	10,775	162,558	47,590	7,844,082
Less:										
Recoveries	6,428,658	11,036	5,134	103,217	23,133	193,509	-	-	13,309	6,764,687
Impairment / write-off	-	-	-	-	-	-	9,376	-	20,158	29,534
Option payments received	64,751	-	-	116,551	64,751	-	10,746	-	13,309	270,108
Shares received	229,590	-	-	-	-	-	-	-	-	229,590
	6,722,999	11,036	5,134	219,768	87,884	193,509	20,122	-	33,467	7,293,919
Foreign currency translation	(42,175)	(18,498)	(3,974)	(14,129)	(1,905)	(14,453)	(714)	(27,820)	(495)	(124,163)
Balance at December 31, 2020	\$ 1,884,019	\$ 716,371	\$ 96,992	\$ 317,306	\$ 83,651	\$ 455,294	\$ -	\$ 601,092	\$ 46,061	\$ 4,200,786

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets (cont'd)

Alaska Properties

(a) 64North Gold Project, (formerly Goodpaster Properties), Alaska

Millrock initially acquired claims in this gold district in 2016 through option and purchase agreements. In the second quarter of 2019 Millrock staked a very large tract of claims. Capital for the staking came from EMX Royalty Corp (“EMX”) in a strategic investment, whereby EMX purchased Millrock stock in a private placement at a premium to market price. Millrock in return granted a royalty interest to EMX on newly staked claims and on claims already owned. In the fourth quarter of 2019 Millrock entered an Option to Joint Venture Agreement concerning the 64 North Gold Project with Resolution Minerals Limited (“Resolution”) an ASX listed company. Under a four-year option period, if it goes to completion, Resolution must expend US\$20,000,000 on exploration, pay Millrock US\$200,000 and issue 38 million Resolution shares to Millrock (5,000,000 shares of Resolution were received through December 31, 2020). Upon completion, Resolution will own a 60% interest in the project. Resolution may elect to further advance one certain portion of the claim block further by fully carrying the cost to complete a Bankable Feasibility Study and thereby earn a 70% interest in that block. The same block could be loan-carried by Resolution to commercial production to gain an 80% interest in that block. During the year ended December 31, 2020, Millrock issued Capstone Mining 500,000 Millrock shares to eliminate a royalty on several small claim blocks related to the 64North Gold Project. In February 2021, the Company entered into an agreement to reduce the expenditure amounts for Resolutions earn in. In return, during the period ended September 30, 2021, Millrock received accelerated and additional Resolution share payments (received 25,000,000 shares (valued at \$742,761), and paid 6,900,000 of those shares as a finders fee (valued at \$192,549).

(b) Chisna, Alaska

During the year ended December 31, 2016, the Company purchased two claim blocks (named Ravine and Grubstake) as well as an extensive proprietary data set that covers the entire Chisna District. During the year ended December 31, 2020, Millrock staked claims to cover a geophysical target and named the claim block DragonSlayer and also staked claims over the POW prospect.

(c) Liberty Bell Property, Alaska

On October 13, 2015 Millrock announced that it had acquired an option to purchase the Liberty Bell gold project from Boot Hill Gold. Subsequently the deal was renegotiated. In order to exercise the option Millrock must pay the owners cash totaling US\$700,000 over the life of the option in order to gain a 100% interest. On March 2, 2017 Millrock announced that it had formed an option to joint venture agreement with Kinross Gold Corporation (“Kinross”). Millrock paid an option payment to Boot Hill Gold of US\$125,000 in the fourth quarter of 2018. Under the terms of the agreement Kinross assumed property holding costs and could have earned a 70% joint venture interest. Kinross terminated the option agreement with an effective date of December 8, 2018. A lease to purchase agreement was made with James Roland concerning a block of ten claims internal to the Boot Hill Gold block. Consideration to establish a 100% interest is US\$570,000 to be paid to Roland as lease payments over an 11-year period. If the Company wishes to keep the claims, payments are scheduled to be US\$30,000 annually, then moving to US \$50,000 annually in 2024, and then a bulk payment in 2028. A 2% royalty is attached to these ten claims and it can be bought out for US\$800,000. During the period ended September 30, 2021, Millrock agreed to assign its option rights and its mineral interests to Felix Gold for cash, future share payments and royalty interests (Note 6d).

MILLROCK RESOURCES INC.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets (cont'd)

(d) Fairbanks District, Alaska

During the period ended September 30, 2021, the Company entered into an agreement whereby Felix Gold will have the right to secure a 100% ownership in the Treasure Creek, Ester Dome, and Liberty Bell projects ("Projects") projects in accordance with the underlying option agreements for a future share payment, US\$210,000 in cash (US\$70,000 received during the period ended September 30, 2021), and retained royalties. Felix Gold is planning to undertake an initial public offering ("IPO") and listing on the Australian Securities Exchange ("ASX") in 2021. Upon successful listing and ASX approval, Millrock will vest with a circa 10% share ownership of Felix Gold (dependent on the final capital raising amount). Each of the three projects is subject to a production royalty in favour of Millrock:

- Treasure Creek 2.0% Net Smelter Returns ("NSR");
- Ester Dome 1.5% NSR; and
- Liberty Bell 2.0 NSR.

Treasure Creek

During the year ended December 31, 2020, Millrock entered into an agreement concerning the Treasure Creek gold project. The agreement with the Treasure Creek Partnership gives Millrock the exclusive right to enter an option to purchase a 100% interest in the claims. As consideration, during the year ended December 31, 2020, the Company issued 500,000 Millrock shares valued at \$105,000. During the exclusive period, which expires in the third quarter of 2021, Millrock is required to keep the claims in good standing by making adequate exploration expenditures (incurred) and making Alaska state claim rental payments (paid). Millrock also staked additional claims contiguous with the original Treasure Creek block. These new claims are within an Area of Interest pursuant to the agreement with the Treasure Creek Partnership.

Ester Dome

During the year ended December 31, 2020, Millrock announced an agreement, similar to the Treasure Creek agreement, concerning the Ester Dome gold project. The Company had entered the exclusive rights agreement in 2017. Millrock has kept the claims in good standing through this period and has the exclusive right to enter an option to purchase agreement with Range Minerals concerning the claims held by that company.

Grant Mine

During the period ended September 30, 2021, the Company entered into an option agreement to earn a 100% interest in the Grant Mine near Fairbanks, Alaska. To earn the interest, the Company must pay:

- i) \$15,000 on execution (paid);
- ii) \$85,000 upon title resolution;
- iii) \$150,000 on or before March 25, 2022;
- iv) \$150,000 on or before March 25, 2023;
- v) \$200,000 on or before March 25, 2024;
- vi) \$200,000 on or before March 25, 2025;
- vii) \$400,000 on or before March 25, 2026;
- viii) \$800,000 on or before March 25, 2027;

This property forms part of the larger Ester Dome exploration project, which is subject to an agreement between Millrock and partner Felix Gold. In the event that Felix Gold assumes the option rights and proceeds to make the purchase of the Grant Mine, Millrock will vest with a 1.5% NSR on gold production with an advanced minimum royalty provision.

MILLROCK RESOURCES INC.

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Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets (cont'd)

Mexico Properties

On June 6, 2014 Millrock entered an agreement to purchase Pembroke Mexico Holdings and all of its assets, which include the shares of a wholly-owned Mexican subsidiary and nine 100%-owned mineral properties which include: Rio Sonora, Los Cuarentas Este, Los Cuarentas Oeste, Los Chinos, Ramard, Los Chivos, Villa Hidalgo, Violeta and La Union. Millrock changed the name of Pembroke Mexico Holdings to Millrock Mexico Holdings. The Mexico subsidiary was renamed Recursos Millrock. The mineral rights contained within the properties at the time of purchase were subject to a net smelter return royalty payable to Pembroke Mining Corporation, which subsequently sold the royalties to Sandstorm Gold Royalties. The royalty payable is 1.5% on gold and silver and 1.0% on other metals. The purchase also included two mineral properties under option. The first option was Coatan, under option from Riverside Resources Inc. The Coatan option was terminated prior to any costs being incurred. The second option was Guadalcazar, which was fully exercised by Millrock. A number of the projects were sold to Riverside Resources Inc in 2019 for cash and Riverside shares and in some cases a royalty interest. During the year ended December 31, 2020, the Guadalcazar property was sold for \$10,746 resulting in a loss on sale of \$9,376.

(a) El Batamote, Mexico

El Batamote is comprised of three concessions purchased from a subsidiary of Teck Corporation in 2015. Millrock holds a 100% interest subject to a 0.5% Net Smelter Returns royalty in favour of Teck. Consideration was paid in Millrock shares. The value of the consideration was \$20,000. Additionally, Millrock reimbursed MX\$115,000 in semester tax payments that had been paid during negotiations by Teck. The agreement also called for a participation right in the future sale of the property for a 24 month period. The future sale period expired and the granted right no longer burdens the property. Millrock granted a third party the exclusive right to enter a negotiated option agreement. In return the third party paid Millrock to cover various project and administrative costs as well as the semester taxes. The exclusive right expired in June 2020 and the third party elected not to proceed due to financial constraints.

(b) San Javier, Mexico

Millrock entered an option to purchase agreement to sell 100% of two small fractional claims called San Javier. These claims were originally acquired when Millrock bought Millrock Mexico Holdings. Under the agreement a US\$10,000 payment was received. During the period ended September 30, 2021, the Company received the final option payment of \$77,870 (US\$60,000), which was recorded as other income, and completed the sale of the San Javier Claims.

(c) El Picacho, Mexico

During the period ended September 30, 2021, the Company signed a definitive assignment agreement ("Assignment Agreement") with Tocvan Ventures Corp. (CSE: "TOC") ("Tocvan") concerning the El Picacho gold project in the Caborca Orogenic Belt, Sonora State, Mexico. This agreement follows from a Letter of Commitment previously announced on June 8, 2021 and successful completion of a 60-day due diligence period by Tocvan.

The Company has reinstated a previously held option agreement with concession owners Suarez Brothers and has now assigned the option rights and obligations to Tocvan. In return, Tocvan has paid back taxes owed by the Suarez Brothers on the mineral concessions and has granted Millrock certain royalty rights in the Assignment Agreement. In the event that Tocvan exercises its option to purchase a 100% interest from the Suarez brothers, Millrock will vest with a 2% Net Smelter Returns ("NSR") royalty. Tocvan may purchase back 1% of the royalty for US\$1.0 million. The royalty contains a provision for an Annual Advance Minimum Royalty ("AMR") that will be triggered if Tocvan exercises the Option Agreement. The initial AMR payment to Millrock would be US\$25,000. The amount of the AMR will double each year until commercial production occurs. Any AMR payments made can be deducted from NSR royalty payments.

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(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets (cont'd)**Other Properties**

The Company has several other very early stage properties in its portfolio. 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 regularly evaluates prospects on open ground and on the claims of others. The costs associated with these evaluations are written off annually if the work does not result in development of a project or claim holding by Millrock. Within the other properties section Millrock dropped certain claims and wrote off the corresponding capitalized costs.

7. Project Cost Advance Received

These costs represent advances from earn-in partners for project expenditures that have not been incurred as at September 30, 2021 and December 31, 2020.

8. Right-of-use asset and lease liability

The Company has lease agreements for its headquarters office space in Anchorage, AK. Upon transition to IFRS 16, the Company recognized \$295,395 of ROU assets and \$295,395 of lease liabilities.

The lease liability at January 1, 2019 can be reconciled to the operating lease obligations as of December 31, 2018 as follows:

Operating lease obligation as of December 31, 2018	\$ 334,755
Discounting using the January 1, 2019 incremental borrowing rate*	39,360
<u>Lease liability recognized as of January 1, 2019</u>	<u>\$ 295,395</u>
Current portion	\$ 77,894
Long term portion	217,501
<u>Lease liability recognized as of January 1, 2019</u>	<u>\$ 295,395</u>

*The lease liability was discounted using an incremental borrowing rate as at January 1, 2019

The continuity of ROU assets for the period ended September 30, 2021 and year ended December 31, 2020 is as follows:

	Nine months ended September 30, 2021	Year ended December 31, 2020
Beginning of period/year	\$ 134,913	\$ 209,430
Amortization of ROU asset	(51,892)	(74,165)
Foreign currency translation	(2,300)	(352)
<u>End of period/year</u>	<u>\$ 80,721</u>	<u>\$ 134,913</u>

During the period ended September 30, 2021, the Company recognized amortization of ROU assets of \$34,487 (December 31, 2020 - \$74,165) and interest expense on lease liabilities of \$6,774 (December 31, 2020 - \$19,920).

The continuity of lease liabilities for the period ended September 30, 2021 and year ended December 31, 2020 is as follows:

	Nine months ended September 30, 2021	Year ended December 31, 2020
Lease liability recognized, beginning of period	\$ 151,658	\$ 226,511
Lease payments	(63,684)	(88,982)
Interest expense	9,508	19,920
Foreign exchange adjustment	(1,169)	(5,791)
<u>Lease liability recognized, end of period</u>	<u>\$ 96,313</u>	<u>\$ 151,658</u>
Current lease liability	\$ 80,282	\$ 82,385
Non-current lease liability	16,031	69,273
	<u>\$ 96,313</u>	<u>\$ 151,658</u>

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9. Loan Payable

During the year ended December 31, 2020, the Company received a Paycheck Protection Plan (PPP) loan provided by the Small Business Administration of the United States as part of their relief for companies negatively impacted by the Covid-19 pandemic. As at December 31, 2020, the total proceeds owing were \$324,464 (US\$254,845).

During the period ended September 30, 2021, the loan was forgiven and the Company recorded a gain on loan forgiveness of \$321,692 (US\$254,845). No interest payment has been recorded for this loan.

10. Share Capital

The Company's authorized share capital consists of an unlimited number of voting common shares without par value.

Issued and outstanding: 152,172,394 common shares (December 31, 2020: 115,155,514).

During the period ended September 30, 2021, the Company closed a placement for total proceeds of \$3,146,435. The financing consisted of 37,016,880 units at a price of \$0.085 per unit. Each unit consists of one common share of the Company and one share purchase warrant with each warrant entitling the holder to purchase one additional common share at a price of \$0.1275 per share until March 7, 2023. The Company paid finders fees consisting of \$157,963 in cash, 116,900 agent warrants exercisable at \$0.1275 until March 7, 2023 and 2,184,880 finders special warrants convertible into 2,184,880 units at \$0.085 until March 7, 2023. Upon conversion of the special warrants the finder will receive 2,184,880 common shares and 2,184,880 warrants convertible into an additional share at \$0.1275 per share until March 7, 2023. The Company valued the 2,184,880 special warrants at \$89,700 using the Black-Scholes option pricing model (year ended December 31, 2020 - \$28,748) with the following weighted average assumptions: risk-free interest rate - 0.22%; volatility - 101%; expected dividend yield - 0%; expected warrant life in years - 2 (year ended December 31, 2020 - risk-free interest rate - 1.5%; volatility - 125%; expected dividend yield - 0%; expected warrant life in years - 2).

During the year ended December 31, 2020, the Company:

- i) closed a placement for total proceeds of \$1,509,040. The financing consisted of 12,575,333 units at a price of \$0.12 per unit. Each unit consists of one common share of the Company and one share purchase warrant with each warrant entitling the holder to purchase one additional common share at a price of \$0.17 per share until December 14, 2020, and thereafter at a price of \$0.20 until December 14, 2021. The Company recorded share issuance costs of \$46,914 in cash and issued 390,950 agent warrants valued at \$28,748 were recorded.
- ii) issued 5,293,000 common shares pursuant to the exercise of warrants for proceeds of \$899,810, and accordingly, the Company reallocated \$2,563 of warrant reserve to share capital.
- iii) issued 500,000 shares with a value of \$105,000 for the Treasure Creek rights agreement (Note 6).
- iv) issued 500,000 shares with a value of \$130,000 to eliminate a royalty on several small claim blocks related to the 64North gold project.

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10. Share Capital (cont'd)**Stock Options**

The Company has a stock option plan whereby the maximum number of shares reserved for issue 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. 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.

The vesting schedule for employees and most non-employees is immediate. Non-employees providing Investor Relations services have various expiry dates determined at the time of issuance.

During the year ended December 31, 2020, the Company:

- i) granted 2,430,000 incentive stock options to employees exercisable at \$0.135 per share for a period of five years. During the year ended December 31, 2020, the Company calculated the fair value of the options using the Black-Scholes option pricing model, and recognized stock-based compensation expense of \$250,500 (December 31, 2019: \$Nil). All options were vested immediately.
- ii) granted 1,940,000 incentive stock options to employees exercisable at \$0.105 per share for a period of five years. During the year ended December 31, 2020, the Company calculated the fair value the options using the Black-Scholes option pricing model, and recognized stock-based compensation expense of \$93,463 (December 31, 2019: \$Nil). 50% of the options were vested immediately. The remaining 50% will be vested after one year.

The Company used the following weighted average Black-Scholes option pricing model assumptions:

	<u>Nine Months Ended</u> <u>September 30, 2021</u>	<u>Year Ended</u> <u>December 31, 2020</u>
Dividend yield	NIL	NIL
Expected volatility	NIL	172.85%
Risk-free rate of return	NIL	0.77%
Expected life of options	NIL	5 years
Forfeiture rate	NIL	0%

Total share-based payments expense recognized in the consolidated statements of loss on options vesting throughout the period ended September 30, 2021 was \$63,314 (Year ended December 31, 2020 – \$343,963).

As at September 30, 2021, the Company has outstanding and exercisable share purchase options as followed:

<u>Expiry Date</u>	<u>Number of Options</u> <u>Outstanding</u>	<u>Number of Options</u> <u>Exercisable</u>	<u>Exercise</u> <u>Price</u>
January 10, 2022	1,330,000	1,330,000	\$ 0.50
August 10, 2022	75,000	75,000	\$ 0.37
March 26, 2023	1,145,000	1,145,000	\$ 0.23
September 30, 2024	1,785,000	1,785,000	\$ 0.09
February 28, 2025	2,330,000	2,330,000	\$ 0.135
November 23, 2025	1,790,000	895,000	\$ 0.105
	8,455,000	7,560,000	

The weighted average remaining contractual life of options outstanding at September 30, 2021 is 2.71 years (December 31, 2020 – 2.98 years).

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10. Share Capital (cont'd)**Share Purchase Warrants and Agent Warrants**

As of September 30, 2021, the Company had outstanding and exercisable warrants and agent warrants for the purchase of common shares, as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding and Exercisable at December 31, 2019	46,692,985	
Issued	12,966,283	\$ 0.17
Expired	(6,970,000)	\$ 0.55
Exercised	(5,293,000)	\$ 0.17
Outstanding and Exercisable at December 31, 2020	47,396,268	\$ 0.17
Issued	116,900	\$ 0.1275
Outstanding and Exercisable at September 30, 2021	47,513,168	\$ 0.17

As at September 30, 2021, the Company has outstanding share purchase warrants as follows:

Expiry Date	Warrants	Exercise Price
December 14, 2021	47,396,268	\$ 0.20
March 7, 2023	116,900	\$ 0.1275

During the period ended September 30, 2021, the Company issued 116,900 agent warrants (year ended December 31, 2020 - 390,950) which were calculated at \$3,900 using the Black-Scholes option pricing model (year ended December 31, 2020 - \$28,748) with the following weighted average assumptions: risk-free interest rate – 0.22%; volatility – 101%; expected dividend yield – 0%; expected warrant life in years – 2 (year ended December 31, 2020 - risk-free interest rate – 1.5%; volatility – 125%; expected dividend yield – 0%; expected warrant life in years – 2).

11. Financial Instruments**a) Fair Value of Financial Instruments**

The Company's financial instruments that are measured at fair market value on a recurring basis in periods subsequent to initial recognition and the fair value hierarchy used to measure them are presented in the table below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

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 is based their quoted share prices or approximates their carrying value due to the short term nature of their settlement:

Financial Instrument	Level	September 30, 2021	December 31, 2020
Cash and Cash Equivalents	1	\$ 1,880,710	\$ 390,606
Marketable Securities	1	\$ 1,147,339	\$ 1,253,089

The carrying values of all categories of financial instruments are presented on the consolidated statement of financial position.

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(Expressed in Canadian dollars)

11. Financial Instruments (cont'd)

b) Equity Price Risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity transaction decisions.

c) 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 amounts receivable are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalent by placing these instruments with large financial institutions.

d) 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, due to related parties and loans payable are expected to be settled within 12 months of September 30, 2021.

e) 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 working capital (deficiency) items and a long-term loan payable of \$(107,185) (December 31, 2020 – \$127,039) denominated in US dollars. A ten percent change in the exchange rate would result in a \$10,719 (December 31, 2020 – \$12,704) impact to the Company's comprehensive income (loss). The Company has Mexican peso cash and working capital items of \$212,393 (December 31, 2020 – \$46,614). A ten percent change in the exchange rate would result in a \$21,239 (December 31, 2020 – \$4,661) impact to the Company's net comprehensive income (loss). The Company does not have a formal policy to manage risk; however, management actively monitors movement in foreign currency and forecasts foreign currency payments. Foreign exchange risk is mitigated by the offset of assets against liabilities.

f) 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 net loss in consolidated financial statements is interest income on Canadian dollar cash and cash equivalents and accretion expense on note payable. The Company is not exposed to significant interest rate risk.

MILLROCK RESOURCES INC.*(An Exploration Stage Company)***Notes to Condensed Interim Consolidated Financial Statements**

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

11. Financial Instruments (cont'd)**g) Capital Management Risk**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the exploration and 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 to 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 payable as of September 30, 2021.

The Company presently derives most of the funding required for its exploration projects from other companies that are earning into 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.

12. Related Party Transactions

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

	Nine Months ended September 30, 2021		Year ended December 31, 2020	
Consulting, directors and compensation	\$	424,848	\$	634,935
Stock based compensation*		14,686		152,666
	\$	439,534	\$	787,601

During the period ended September 30, 2021, NIL stock options (Year ended December 31, 2020 – 1,750,000) were issued to officers and directors with a fair value of \$NIL (Year ended December 31, 2020 - \$418,200) and recorded stock-based compensation of \$14,686 (Year ended December 31, 2020 - \$151,645) relating to the portion vested throughout the year.

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.

As of September 30, 2021, there was \$36,152 (December 31, 2020 – \$26,525) due to related parties for accrued directors' fees, deferred salary expenses and accounting fees. These amounts are unsecured, do not bear interest and have no fixed terms of repayment.

MILLROCK RESOURCES INC.*(An Exploration Stage Company)***Notes to Condensed Interim Consolidated Financial Statements**

For the Nine Months Ended September 30, 2021 and 2020

*(Expressed in Canadian dollars)***13. Segmented Information**

The Company operates in a single reportable operating segment, being the exploration of mineral properties. The following tables present selected financial information by geographic location:

September 30, 2021	USA	Mexico	Canada	Total
As at September 30, 2021				
Assets				
Current assets	\$ 648,130	\$ 244,833	\$ 2,471,346	\$ 3,364,309
Exploration assets	3,262,300	915,190	-	4,177,490
Other non-current assets	80,721	-	-	80,721
Total Assets	\$ 3,991,151	\$ 1,160,023	\$ 2,471,346	\$ 7,622,520
Liabilities				
Current liabilities	\$ 755,315	\$ 32,440	\$ 54,913	\$ 842,668
Non-current assets	16,031	-	-	16,031
Total Liabilities	\$ 771,346	\$ 32,440	\$ 54,913	\$ 858,699
For the period ended September 30, 2021				
Net loss	\$ 149,975	\$ 107,042	\$ 1,319,751	\$ 1,576,768
Revenue	\$ 406,978	\$ -	\$ -	\$ 406,978
December 31, 2020				
As at December 31, 2020				
Assets				
Current assets	\$ 670,308	\$ 63,128	\$ 1,552,229	\$ 2,285,665
Exploration assets	3,553,631	647,155	-	4,200,786
Other non-current assets	134,913	-	-	134,913
Total Assets	\$ 4,358,852	\$ 710,283	\$ 1,552,229	\$ 6,621,364
Liabilities				
Current liabilities	\$ 789,109	\$ 16,514	\$ 116,020	\$ 921,643
Non-current assets	393,735	-	-	393,735
Total Liabilities	\$ 1,182,844	\$ 16,514	\$ 116,020	\$ 1,315,378
For the year ended December 31, 2020				
Net loss	\$ 290,402	\$ 236,404	\$ 843,041	\$ 1,369,847
Revenue	\$ 812,702	\$ 35,550	\$ -	\$ 848,252

14. Subsequent Event

Subsequent to September 30, 2021, the Company signed a binding letter agreement with Mine Discovery Fund Pty. Ltd. ("MDF") concerning its El Batamote porphyry copper exploration project in Mexico. MDF is a private Australian company. In good faith, MDF has made an initial US\$50,000 cash payment upon signing the Letter Agreement. A definitive agreement has been prepared and will be signed immediately following the formation of a Mexico subsidiary company by MDF. MDF has placed Batamote into a wholly-owned subsidiary company called Latin America Copper Limited("LatCopper") along with other assets in Chile.