



Management Discussion & Analysis

For the Nine Months Ended September 30, 2021

MILLROCK RESOURCES INC.

Management Discussion and Analysis
For the Nine Months Ended September 30, 2021

Introduction

This is Management's Discussion and Analysis ("MD&A") for Millrock Resources Inc. ("Millrock" or the "Company") and should be read in conjunction with the condensed interim consolidated financial statements for the nine months ended September 30, 2021 and supporting notes on www.sedar.com. These condensed interim consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS").

Readers should note the following:

- This MD&A has been prepared based on information known to management as of November 24, 2021.
- All currency amounts are expressed in Canadian dollars unless otherwise noted.
- Gregory A. Beischer, a Director of the Company and its President and Chief Executive Officer, is the qualified person (as defined in NI 43-101) who approved the technical information in this MD&A.

Description of Business

Millrock Resources Inc. ("Millrock" or the "Company") is engaged in the acquisition and exploration of mineral properties prospective for gold, copper and other metals. The principal mineral exploration targets include intrusion-related gold and copper-gold porphyry deposits and vein style gold-silver deposits.

Millrock is active in multiple geologic terrains and mineral districts with ten mineral exploration projects in Alaska, USA and Sonora State, Mexico.

The Company follows a Project Generator – Joint Venture business model that capitalizes on Millrock's knowledge and ability to identify high quality exploration targets and execute exploration programs under the terms of earn-in option agreements. This business model shares risk by forming agreements with other companies that invest capital to move exploration projects toward development and production.

Millrock trades on the TSX Venture Exchange under the symbol MRO and is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Nunavut. The Company also trades on the OTCQB marketplace in the United States under the symbol MLRKF.

Forward Looking Statements

This document may contain "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and mineral resources, mineral exploration programs, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates"

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or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology.

By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of mineral resources; and other risks of the mineral exploration and mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Going Concern

The condensed interim condensed financial statements for the nine months ended September 30, 2021 on www.sedar.com were 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.

Additional Information

Financial statements, MD&A documents and additional information relevant to the Company and the Company’s activities can be found on SEDAR at www.SEDAR.com, and/or on the Company’s website at <http://www.millrockresources.com>.

General

The Company continued to advance its business objectives through 2021. During the nine months ended September 30, 2021, Millrock spent \$2,733,537 on exploration work on properties during the period, of which \$2,826,622 was supplied by companies earning an interest in Millrock’s projects. Additionally, the Company spent \$90,008 on generative exploration during the nine months ended September 30, 2021.

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Highlights for the Three Months Ended September 30, 2021

- Felix Gold funded and Millrock executed a very large soil sampling program across the Treasure Creek, GST, Bank and Vault claim blocks. Initial results are very encouraging, particularly at the Treasure Creek – NW Array prospect, and another site on the DG block of claims.
- Resolution Minerals carried out trenching at the Tourmaline Ridge prospect on the West Pogo block of the 64North project.
- Millrock executed an earn-in agreement with Coeur Explorations concerning the Apex El Nido gold project. Coeur funded a soil sampling and mapping program which Millrock executed.
- Millrock signed a definitive agreement with Tocvan Ventures Corp. (CSE: TOC) (“Tocvan”) covering the El Picacho gold project whereby Millrock gained a royalty interest by reinstating its option on the underlying concessions and assigning the option to Tocvan.

Outlook

Throughout the past several years Millrock has generated projects that attracted substantial funding from partner companies. The Company formed strong new partnerships on the 64North Project and the Fairbanks Project in Alaska. Both projects have robust budgets and the Company is very active exploring. New partnerships are emerging and new projects are being developed.

Operations Review

United States Properties

Millrock owns and operates four mineral exploration projects in Alaska.

- 1) **Apex El Nido, Alaska, United States, High Grade Vein Gold:** Millrock made an option agreement with the underlying owner. The option is good for five years and costs Millrock US\$1,000 per year and is required to make annual rental payments to the federal government. There are historical underground mine workings on the project from which approximately 25,000 ounces of gold was extracted. No drilling beneath the workings has ever been done. Quartz veins of the mesothermal variety locally contain high grade gold mineralization. The veins may extend below the workings. Millrock announced that Coeur Explorations, Inc. had entered an agreement with Millrock. Millrock has assigned its option rights. If Coeur makes the necessary payments and exploration expenditures and exercises the option Millrock will be granted a Net Smelter Return royalty with an Advanced Minimum Royalty provision. Millrock is the exploration operator and generates revenues from management fees.

- 2) **64North Gold Project, Goodpaster Mining District, Alaska, United States, Gold:**

In February 2021, the Company entered into an amended agreement to reduce the expenditure amounts for Resolutions earn in. In return, Millrock received accelerated and additional Resolution share payments (20,000,000 shares were 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).

Resolution carried out a trenching program at the Tourmaline Ridge prospect on the West Pogo block of 64North project, where a large gold in soil anomaly exists. The prospect is along strike to the west of the Goodpaster deposit, a recent gold discovery made by Northern Star on the adjacent Pogo Gold Mine property. Two trenches totaling 82 meters in length were excavated.

- 3) **Chisna, Alaska, United States, Gold:** Millrock purchased claim blocks from Corvus Gold in 2015. The claim blocks came with a large database of information that cost approximately \$7 million to create. Upon review of the data Millrock has developed some strong targets for porphyry copper-gold mineralization. During the quarter a major mining company funded exploration work on the claims as part of an ongoing evaluation.

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4) Fairbanks District, Alaska

In late 2020 the Company announced that it entered into an agreement whereby Felix Gold will have the right to secure a 100% ownership in the Treasure Creek and Ester Dome projects in accordance with the underlying option agreements for a future share payment, US\$140,000 in cash, and retained royalties. Felix Gold is planning to undertake an initial public offering 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”) and Ester Dome 1.5% NSR.

Additionally, Millrock and Felix Gold entered a strategic alliance whereby other projects outside of the Treasure Creek and Ester Dome areas would be generated with funding from Felix. Millrock is entitled to a 1.0% NSR royalty on any project staked, and on claims secured from third parties. Felix Gold must fund a minimum of US\$250,000 each year to extend the strategic alliance.

Felix Gold funded, and Millrock executed a major soil sampling program across Treasure Creek and the GST, Bank and Vault claims blocks. The work was completed during the quarter. Strong anomalies were received from the NW Array and Eastgate prospects on the Treasure Creek project. Strong results are indicated on the DG block also, near the recent Freegold Ventures discovery at Golden Summit. Felix is developing drilling plans for 2022.

Grant Mine

During Q1 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 \$2,000,000 over six years. This property will form 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% Net Smelter Return royalty on gold production with an advanced minimum royalty provision. Felix Gold has assembled all historic data and is reviewing it to calculate the grade and tonnage of gold known to be in the ground.

Mexico Properties

- 1) 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.

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2) El Batamote, Mexico

During the year ended December 31, 2015, the Company acquired El Batamote, which is comprised of three concessions. Millrock holds a 100% interest subject to a 0.5% Net Smelter Returns royalty. As consideration, the Company issued shares with a value of \$20,000. Additionally, Millrock reimbursed MX\$115,000 in semester tax payments. Subsequent to the end of the quarter Millrock made an earn-in agreement with Mine Discovery Fund (“MDF”). To earn a 100% interest MDF will pay Millrock US\$1 million and fund US\$6 million in exploration work and pay US\$250,000 in shares when a subsidiary, Latin America Copper lists as a public company.

3) San Javier, Mexico

Millrock entered an option to purchase agreement to sell 100% of two small fractional claims called San Javier for US\$60,000. These claims were originally acquired when Millrock bought Millrock Mexico Holdings.

4) El Picacho, Mexico

Millrock previously held an option on concessions that comprise the El Picacho gold project. Centerra Gold had funded exploration but then pulled out of the project. Millrock had allowed the option to lapse but reinstated the option agreement with the underlying owners. Millrock has assigned the option rights to Tocvan. If Tocvan exercises the option and becomes a 100% owner of the claims, Millrock will be granted a royalty with an advanced minimum royalty provision. The royalty would be 2.0% Net Smelter Returns and could be bought down to 1.0% for a payment of US\$1.0 million. An advanced minimum royalty (“AMR”) starting at US\$25,000 would be payable. The AMR would double each year until production occurs. AMR payments would be deductible from production royalty payments.

5) 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

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Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

| | Three Months Ended | | | |
|---|-------------------------------|--------------------------|---------------------------|------------------------------|
| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 |
| Exploration and evaluation asset net additions (recovery) | \$ 495,383 | \$ 286,582 | \$ (805,261) | \$ 222,423 |
| Overhead recovery fees & exploration revenue | 150,540 | 158,075 | 98,363 | 290,848 |
| G&A expense | 574,182 | 603,554 | 534,928 | 824,917 |
| Stock-based compensation | 21,568 | 20,873 | 20,873 | 163,360 |
| Mineral properties write-off | 2,099 | 2,824 | 4,295 | 29,843 |
| Net (loss) income before tax | (329,740) | (530,992) | (716,036) | (944,579) |
| Loss per share (basic) | \$ (0.00) | \$ (0.00) | \$ (0.01) | \$ (0.00) |
| Loss per share (diluted) | \$ (0.00) | \$ (0.00) | \$ (0.01) | \$ (0.00) |

| | Three Months Ended | | | |
|--|-------------------------------|--------------------------|---------------------------|------------------------------|
| | September 30, 2020 | June 30, 2020 | March 31, 2020 | December 31, 2019 |
| Exploration and evaluation asset net additions | \$ 101,775 | \$ 282,018 | \$ 229,627 | \$ (140,156) |
| Overhead recovery fees & exploration revenue | 340,200 | 121,765 | 95,439 | 289,969 |
| G&A expense | 420,385 | 506,867 | 702,313 | 561,432 |
| Stock-based compensation | - | - | 179,603 | 40,215 |
| Mineral properties write-off | - | - | - | 188,636 |
| Net (loss) income before tax | 257,432 | 175,298 | (857,998) | (531,204) |
| Loss per share (basic) | \$ (0.00) | \$ (0.00) | \$ (0.01) | \$ (0.01) |
| Loss per share (diluted) | \$ (0.00) | \$ (0.00) | \$ (0.01) | \$ (0.01) |

The net loss during the quarters ended March 31, 2021 and December 31, 2020 fluctuated from previous quarters due largely to an unrealized loss on marketable securities of \$272,958 and \$429,805 respectively.

Income during periods ended September 30, 2020 and June 30, 2020 were primarily a result of overhead recovery fees of:

- Quarter ended September 30, 2020 - \$243,435 in overhead recovery fees and \$422,405 of unrealized gains on marketable securities.
- Quarter ended June 30, 2020 - \$113,979 in overhead recovery fees and \$566,672 of unrealized gains on marketable securities.

The Company recognized the bulk of its revenue via Overhead Recovery Fees in the third quarter of 2019. In 2019 the Company recorded exploration revenue and costs related to operations only on Alaska exploration.

Millrock has observed seasonality in the past in regards to Overhead Recovery Fees as these are charged on earn-in projects where the Company conducts most of its Alaska exploration in the second and third quarters of the year, but in 2019 the Company had overhead recovery fees generated through the fourth quarter in preparation for the 64North project. Drilling had begun at 64North in March 2020, but was suspended due to the Covid-19 pandemic. The Company instituted new safety protocols and drilling resumed during the second and third quarters.

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As the Company actively markets properties in geographically diverse jurisdictions it hopes to offset the seasonality with Mexican property exploration occurring primarily in the first and fourth quarters of the year.

The stock-based compensation shown on the table for the first quarter of 2020 and third quarter of 2019 is for the issuance of stock options to employees. Stock based compensation can vary widely in valuation.

G&A expenses vary throughout the quarters based on levels of business and exploration activity. There is a slight decrease of expense items in the third quarters of the years as employees are more fully engaged on active exploration projects and therefore costs being capitalized to those projects.

The net loss and loss per share see an increase in the second quarter of 2019 because of the property write offs that occurred in the quarter.

Three Months Ended September 30, 2021 Compared to the Three Months Ended September 30, 2010

The Company's net loss before other comprehensive loss for the three months ended September 30, 2021 was \$329,740 (2020 – income of \$257,432). Significant fluctuations from the prior period comparative consisted of:

- Accounting, audit and legal expenses of \$74,473 (2020 - \$54,678). The increase is due to a combination of an increase in audit fees due to an increase in activity, an increase in legal fees relating to property agreements and from the current accountants fees being charged to accounting expense in the current period, while the former CFO charged his accounting fees to consulting expenses in the previous period.
- Consulting, directors and salaries decreased to \$104,760 (2020- \$161,020). The decrease is a result of more salary expense being charged out to property partners as well as the current accountants fees being charged to accounting expense in the current period, while the former CFO charged his accounting fees to consulting expenses in the previous period.
- Office and miscellaneous expense of \$271,532 (2020 – \$119,349). The increase is primarily a result of additional office expenses relating to an additional office space in Alaska and the timing of insurance expenditures period over period.
- Stock based compensation expense of \$21,568 (2020 - \$Nil). The decrease was a result of more stock-options issued during 2020 than 2021.

Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2010

The Company's net loss before other comprehensive loss for the nine months ended September 30, 2021 was \$1,576,768 (2020 –\$425,268). Significant fluctuations from the prior period comparative consisted of:

- Accounting, audit and legal expenses of \$280,107 (2020 - \$137,799). The increase is due to a combination of an increase in audit fees due to an increase in activity, an increase in legal fees relating to property agreements and from the current accountants fees being charged to accounting expense in the current period, while the former CFO charged his accounting fees to consulting expenses in the previous period.
- Consulting, directors and salaries decreased to \$454,999 (2020- \$658,048). The decrease is a result of more salary expense being charged out to property partners as well as the current accountants fees being charged to accounting expense in the current period, while the former CFO charged his accounting fees to consulting expenses in the previous period.
- Office and miscellaneous expense of \$637,918 (2020 – \$305,976). The increase is primarily a result of additional office expenses relating to an additional office space in Alaska and the timing of insurance expenditures period over period.
- Stock based compensation expense of \$63,314 (2020 - \$179,603). The decrease was a result of more stock-options issued during 2020 than 2021.

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Liquidity and Capital Resources

As of September 30, 2021, the Company has accumulated a deficit of \$46,326,879 and has working capital of \$2,390,641.

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

- i) Cash outflows from operating activities of \$763,955 (2020 - \$670,435).
- ii) Cash outflows from investing activities of \$619,852 (2020 - \$719,701). The cash flows are primarily a result of exploration and evaluation expenditures, net of recoveries of \$619,852 (2020 - \$4,457,928).
- iii) Cash inflows from financing activities of \$2,873,911 (2020 - \$1,640,672). The cash inflows are primarily a result of shares issued for cash.

During the period from January 1, 2021 to November 24, 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 \$154,571 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).

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 – \$44,715) 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.

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.

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

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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.

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.

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.

Other Risks and Uncertainties

i) Exploration and Development Risk

The Company's properties are in early exploration stages and are without a known body of commercial ore. Exploration for mineral resources involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. Discovery of mineral deposits is dependent upon a number of factors, not the least of which are the technical skills of the exploration personnel involved and the capital required for the programs. The cost of conducting mineral exploration programs may be substantial and the likelihood of success is difficult to assess. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that even if commercial quantities of ore are discovered that an ore body would be developed and brought into commercial production. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit such as size, grade and proximity to infrastructure, commodity prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors cannot be predicted and are beyond the control of the Company. The Company attempts to mitigate its exploration risk by maintaining a diversified portfolio that includes several metal commodity

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targets in a number of geologic and political environments. Management also balances exploration risks through earn-in option agreements with other companies.

Beyond exploration and development risk, management is faced with a number of other risk factors. The more significant ones include:

ii) Financial Markets

Presently, the Company strives to obtain the majority of its working capital from other companies that are funding exploration on Millrock projects in order to earn an interest in the mineral rights. However, the Company will be dependent on the equity markets as its main source of operating working capital and funding for any advanced exploration and development activities that may be needed on its projects. The Company's capital resources are largely determined by the strength of the resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. Consequently, there can be no assurance that equity financing will be available to the Company in the amount required at any time or for any period or if available, that it can be obtained on terms satisfactory to the Company.

iii) Metal Prices

The price of gold is affected by numerous factors including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, supply and demand, political, economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities. The price of other metals and mineral products that the Company may be exploring for, all have the same or similar price risk factors. The prevailing price of metals and speculation on future price of metals by the investing public can have strong impacts on the share prices of exploration companies like Millrock.

iv) Cash Flows

The Company currently has no revenue from its exploration operations. However, it does generate revenues from overhead recovery fees charged to third parties funding exploration for administration of project development work. If any of its exploration programs are successful and optionees of properties complete the agreed earn-in expenditures, the Company would have to provide its share of ongoing exploration and development costs in order to maintain its interest. Otherwise the Company's interest will normally reduce to a non-participating royalty interest as defined in the agreement. Additional capital would be required to put a property into commercial production. The sources of funds currently available to the Company are the sale of its, marketable securities, equity capital or the offering of an interest in its projects to another party.

v) Market Volatility for Marketable Securities

The Company's marketable securities consist of shares of exploration companies that are historically very volatile. There is no assurance that the Company will be able to recover the current fair market value of those shares. The Company also may not be able to sell the shares it holds in other companies in an illiquid market.

vi) Possible Dilution to Present and Prospective Shareholders

The Company's plan of operation, in part, contemplates the financing of its business by the issuance of securities and possibly incurring debt. Any transaction involving the issuance of previously authorized but unissued shares of common stock, or securities convertible into common stock, would result in dilution, possibly substantial, to present and prospective holders of common stock. The Company usually seeks earn-in option agreement partners to fund in whole or in part exploration projects. This dilutes the Company's interest in properties. This dilution is undertaken to spread or minimize the risk and to expose the Company to more exploration opportunities. However, it means that any increased market capitalization or profit that

MILLROCK RESOURCES INC.

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might result from a possible discovery would be shared with the option agreement partner. There is no guarantee that the Company can find a third party to enter an earn-in agreement for any property.

vii) Trading Volume

The relatively low trading volume of the Company's shares reduces the liquidity of an investment in its shares. Trading volumes fluctuate with market conditions and seasons. The Company attempts to reduce this risk by having multiple projects that are continually generating news and therefore investor interest and trading volume.

viii) Volatility of Share Price

Market prices for shares of early stage companies are often volatile. Factors such as announcements of mineral discoveries or discouraging exploration results, changes in financial results, and other factors could have a significant effect on share price.

ix) Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other exploration and mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

x) Dependence on Management

The Company depends heavily on the business expertise of its management. There is risk to the Company's ability to execute its business plans if some or all of the current management team were to suddenly leave the Company or become incapable of performing their individual and collective responsibilities. The Company has mitigated the risk of its managers leaving for other companies through competitive compensation, cash bonuses and by providing options to purchase Millrock stock. Some of the senior managers hold substantial share positions in Millrock and are motivated to remain with the Company. The Company has also developed the necessary depth such that it can replace senior managers with more junior staff if necessary. Despite the mitigation measures the Company still depends heavily on its current management.

xi) Title Risk

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

xii) Environmental

The Company's exploration and development activities are subject to extensive laws and regulations governing environment protection. The Company is also subject to various reclamation related conditions. Although the Company closely follows and believes it is operating in compliance with all applicable environmental regulations, there can be no assurance that all future requirements will be obtainable on reasonable terms. Failure to comply may result in enforcement actions causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures. Intense lobbying over environmental concerns by non-governmental organizations has caused some governments to cancel or restrict development of mining projects. Current publicized concern over climate change may lead to carbon

taxes, requirements for carbon offset purchases or new regulation. The costs or likelihood of such potential issues to the Company cannot be estimated at this time.

xiii) Laws and Regulations

The Company's exploration activities are subject to extensive federal, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, Covid-19 regulations and practices, mine safety and other matters in all the jurisdictions in which it operates. These laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. The Company applies the expertise of its management, advisors, employees and contractors to ensure compliance with current laws.

Newly Adopted Accounting Policies and Accounting Policy Pronouncements

Please refer to the financial statements for the period ended September 30, 2021 on www.sedar.com for newly adopted accounting policies and accounting policy pronouncements.

Disclosure of Outstanding Share Data

As at November 24, 2021, the Company had 152,172,394 common shares outstanding.

As at November 24, 2021, the Company has outstanding share purchase options as follows:

| Expiry Date | Options | Exercise Price |
|--------------------|----------------|-----------------------|
| January 10, 2022 | 1,330,000 | \$ 0.50 |
| August 10, 2022 | 75,000 | \$ 0.37 |
| March 26, 2023 | 1,145,000 | \$ 0.23 |
| September 30, 2024 | 1,785,000 | \$ 0.09 |
| February 28, 2025 | 2,330,000 | \$ 0.135 |
| November 23, 2025 | 1,790,000 | \$ 0.105 |
| | 8,455,000 | |

As at November 24, 2021, the Company has outstanding share purchase warrants as follows:

| Expiry Date | Warrants | Exercise Price |
|--------------------|-----------------|-----------------------|
| December 14, 2021 | 47,396,268 | \$ 0.20 |
| May 7, 2023 | 116,900 | \$ 0.1275 |
| | 47,513,168 | |

As at November 24, 2021, the Company had 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.

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Director & Chairman, Compensation Committee

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Director & Chairman, Audit Committee

LISTINGS

TSX Venture Exchange: **MRO**
OTC Markets Group (OTCQB): **MLRKF**

CAPITALIZATION

(as at November 24, 2021)

Shares Authorized: Unlimited
Shares Issued: 152,172,394

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