



## **ANNUAL REPORT**

**For the Year Ended December 31, 2020**

[www.millrockresources.com](http://www.millrockresources.com)



**Consolidated Financial Statements**

For the Years Ended December 31, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders and Directors of Millrock Resources Inc.

### Opinion

We have audited the consolidated financial statements of Millrock Resources Inc. (the "Company") which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Michael Ryan Ayre.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

April 28, 2021

**MILLROCK RESOURCES INC.**  
*(An Exploration Stage Company)*  
**Consolidated Statements of Financial Position**  
As at December 31, 2020 and 2019  
*(Expressed in Canadian dollars)*  
Going concern – Note 2

	2020	2019
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 390,606	\$ 494,145
Marketable securities – Note 5	1,253,089	713,639
Amounts receivable	593,471	117,819
Prepaid expenses and deposit	48,499	7,254
<b>Total current assets</b>	<b>2,285,655</b>	<b>1,332,857</b>
Non-current assets		
Right of use asset – Note 9	134,913	209,430
Exploration and evaluation assets – Note 7	4,200,786	3,364,943
Property, plant, and equipment – Note 6	-	2,432
<b>Total non-current assets</b>	<b>4,335,699</b>	<b>3,576,805</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,621,364</b>	<b>\$ 4,909,662</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 801,696	\$ 646,267
Income tax payable	-	78,178
Project cost advance received – Note 8	11,037	-
Lease liability current portion – Note 9	82,385	84,041
Due to related parties – Note 15	26,525	34,276
<b>Total current liabilities</b>	<b>921,643</b>	<b>842,762</b>
Non-current liabilities		
Loan payable – Note 10	324,462	-
Lease liability long term portion – Note 9	69,273	142,470
<b>Total non-current liabilities</b>	<b>393,735</b>	<b>142,470</b>
<b>Total liabilities</b>	<b>\$ 1,315,378</b>	<b>\$ 985,232</b>
Shareholder's equity		
Share capital – Note 11	44,369,653	41,798,902
Reserves		
Share-based payments – Note 12	5,128,172	4,784,209
Warrants – Note 12	999,606	973,421
Accumulated other comprehensive loss	(441,334)	(251,838)
Deficit	(44,750,111)	(43,380,264)
<b>Total shareholders' equity</b>	<b>5,305,986</b>	<b>3,924,430</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 6,621,364</b>	<b>\$ 4,909,662</b>

Going concern – Note 2  
Subsequent events – Note 17

*These financial statements were approved and authorized for issue by the Board of Directors on April 28, 2021.*

"Gregory Beischer"  
Director

"Larry Cooper"  
Director

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

**MILLROCK RESOURCES INC.**  
*(An Exploration Stage Company)*  
**Consolidated Statements of Comprehensive Loss**  
For the Years Ended December 31, 2020 and 2019  
*(Expressed in Canadian dollars)*  
Going concern – Note 2

	For the years ended December 31,	
	2020	2019
<b>REVENUE</b>		
Overhead recovery fees	\$ 729,334	\$ 100,896
Exploration revenue	118,918	1,029,328
	848,252	1,130,224
<b>COST OF SALES</b>		
Direct cost of exploration services	118,812	904,132
<b>GENERAL AND ADMINISTRATIVE EXPENSE</b>		
Accounting, audit and legal	272,792	367,616
Amortization of assets	2,208	5,359
Amortization of right of use asset	74,165	73,027
Consulting, directors and salaries	941,518	930,752
Foreign exchange (gain) loss	(15,181)	1,734
General exploration	171,567	40,638
Interest expense of lease liability	19,920	25,979
Investor relations	198,476	275,607
Office and miscellaneous	445,054	435,532
Stock-based compensation	343,963	148,848
	2,454,482	2,305,092
<b>LOSS BEFORE OTHER ITEMS</b>	(1,725,042)	(2,079,000)
<b>OTHER ITEMS</b>		
Loss on disposal of assets	-	(3,647)
Loss on disposal of exploration property	-	(877,996)
Unrealized gain (loss) on marketable securities	315,125	(291,952)
Impairment of exploration and evaluation assets	(12,788)	(1,170,678)
Loss on sale of marketable securities	-	(101,316)
Other income	52,858	195,669
<b>LOSS BEFORE INCOME TAXES</b>	(1,369,847)	(4,328,920)
Income tax recovery	-	32,000
<b>NET LOSS</b>	(1,369,847)	(4,296,920)
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax):		
Cumulative translation adjustment	(189,496)	(210,653)
<b>COMPREHENSIVE LOSS</b>	\$ (1,559,343)	\$ (4,507,573)
<b>Basic and diluted loss per share</b>	\$ (0.01)	\$ (0.06)
<b>Weighted average number of shares outstanding – basic and diluted</b>	110,500,408	77,957,172

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

**MILLROCK RESOURCES INC.***(An Exploration Stage Company)***Consolidated Statements of Cash Flows**

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)*

Going concern – Note 2

	For the years ended December 31,	
	2020	2019
Cash provided from (used in)		
<b>Operating activities</b>		
Net loss	\$ (1,369,847)	\$ (4,296,920)
Items not involving cash		
Amortization, depreciation and impairment of fixed assets	2,208	5,359
Loss on disposal of mineral property	-	877,996
Loss on marketable securities	-	101,316
Impairment/ Write-off of exploration and evaluation assets	36,843	1,170,678
Amortization of right of use asset	74,049	73,027
Interest expense of right of use asset	19,920	25,979
Stock-based compensation	343,963	148,848
Unrealized loss on marketable securities	(315,125)	291,952
Income tax recovery	-	(32,000)
	(1,207,989)	(1,633,765)
Net change in non-cash working capital items		
Amounts receivable	(492,379)	340,531
Prepaid expense and deposits	(42,728)	48,481
Accounts payable and accrued liabilities	103,501	(112,293)
Income tax payable	-	(3,232)
Project cost advance received	-	(9,888)
Asset retirement obligation	-	(47,000)
Due to related parties	(9,183)	7,094
<b>Total cash outflows used in operating activities</b>	<b>(1,648,778)</b>	<b>(1,410,072)</b>
<b>Cashflows from investing activities</b>		
Advances on exploration expenditures	-	47,068
Sale of marketable securities	-	450,157
Net expenditures on exploration and evaluation assets	(8,070,223)	(2,747,379)
Cash recovered from exploration partners	7,010,740	781,007
Proceeds from sale property and equipment	-	35,000
<b>Total cash outflows used in investing activities</b>	<b>(1,059,483)</b>	<b>(1,434,147)</b>
<b>Cashflows from financing activities</b>		
Security deposit and restricted cash	-	64,800
Share issuance costs	(46,915)	(62,522)
Shares issued for cash	1,509,040	2,577,475
Cash received for warrant exercise	899,810	17,010
Repayment of lease liability	(88,982)	(37,565)
Loan advance	341,867	-
<b>Total inflows from financing activities</b>	<b>2,614,820</b>	<b>2,559,198</b>
<b>Change in cash and cash equivalents</b>	<b>(103,539)</b>	<b>(285,021)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>494,145</b>	<b>779,166</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 390,606</b>	<b>\$ 494,145</b>

Non-cash transaction:

Shares issued for property acquisition – Note 7

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

**MILLROCK RESOURCES INC.**

*(An Exploration Stage Company)*

**Statement of Changes in Equity**

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)*

Going concern – Note 2

	Common Shares (Note 8)		Reserves			Deficit	Total Shareholders' Equity
	Shares	Amount	Share-based Payment	Warrants	Other Comprehensive Income		
<b>Balance, December 31, 2018</b>	<b>67,335,123</b>	<b>\$ 39,662,935</b>	<b>\$ 4,662,984</b>	<b>\$ 518,502</b>	<b>\$ (41,185)</b>	<b>\$ (39,083,344)</b>	<b>\$ 5,719,892</b>
Issuance of common shares for cash pursuant to private placements	28,175,855	2,577,475	-	-	-	-	2,577,475
Issuance of common shares for cash pursuant to exercise of warrants	121,500	17,010	-	-	-	-	17,010
Agent warrants	-	(428,571)	-	428,571	-	-	-
Share issue costs and finder's fee	-	(88,870)	-	26,348	-	-	(62,522)
Issuance of common shares for debt	654,703	58,923	-	-	-	-	58,923
Stock-based compensation	-	-	121,225	-	-	-	121,225
Cumulative translation adjustment	-	-	-	-	(210,653)	-	(210,653)
Loss for the year	-	-	-	-	-	(4,296,920)	(4,296,920)
<b>Balance, December 31, 2019</b>	<b>96,287,181</b>	<b>41,798,902</b>	<b>4,784,209</b>	<b>973,421</b>	<b>(251,838 )</b>	<b>(43,380,264 )</b>	<b>3,924,430</b>
Issuance of common shares for cash pursuant to private placements	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	-	-	343,963	-	-	-	343,963
Issuance of common shares for cash pursuant to exercise of warrants	5,293,000	899,810	-	-	-	-	899,810
Reallocation of fair value of exercised warrants	-	2,563	-	(2,563)	-	-	-
Shares issued for exploration and evaluation assets	1,000,000	235,000	-	-	-	-	235,000
Cumulative translation adjustment	-	-	-	-	(189,496)	-	(189,496)
Loss for the year	-	-	-	-	-	(1,369,847)	(1,369,847)
<b>Balance, December 31, 2020</b>	<b>115,155,514</b>	<b>\$ 44,369,653</b>	<b>\$ 5,128,172</b>	<b>\$ 999,606</b>	<b>\$ (441,334)</b>	<b>\$ (44,750,111)</b>	<b>\$ 5,305,986</b>

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

## **MILLROCK RESOURCES INC.**

*(An Exploration Stage Company)*

### **Notes to Consolidated Financial Statements**

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)*

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#### **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 consolidated financial statements in accordance and compliance with International Financial Reporting Standard (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are effective as of December 31, 2020.

These 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 December 31, 2020, the Company had not yet achieved profitable operations, and had an accumulated deficit of \$44,750,111 (2019 – \$43,380,264). 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 10).

##### **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.

##### **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.

## **MILLROCK RESOURCES INC.**

*(An Exploration Stage Company)*

### **Notes to Consolidated Financial Statements**

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)*

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### **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 consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2020. 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 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.

##### **(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.

## **MILLROCK RESOURCES INC.**

*(An Exploration Stage Company)*

### **Notes to Consolidated Financial Statements**

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)*

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### **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

### **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

## **MILLROCK RESOURCES INC.**

*(An Exploration Stage Company)*

### **Notes to Consolidated Financial Statements**

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)*

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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. 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

## **MILLROCK RESOURCES INC.**

*(An Exploration Stage Company)*

### **Notes to Consolidated Financial Statements**

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)*

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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. 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 Consolidated Financial Statements**

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)*

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#### **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.

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.

## **MILLROCK RESOURCES INC.**

*(An Exploration Stage Company)*

### **Notes to Consolidated Financial Statements**

For the Years Ended December 31, 2020 and 2019

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#### **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 fiscal years 2020 and 2019. 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 at December 31, 2020 of \$118,918 (2019 – \$1,029,328) which came from a single customer.

#### **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.

## MILLROCK RESOURCES INC.

(An Exploration Stage Company)

### Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

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#### 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 December 31, 2020 and 2019.

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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

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##### 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.

#### 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.

## **MILLROCK RESOURCES INC.**

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### **Notes to Consolidated Financial Statements**

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)*

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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:

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 3.5. 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. This is presented in Note 12. Changes in assumptions used in the valuation could have a material impact on the Company's financial statements.

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

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)***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.

	December 31, 2020			December 31, 2019		
	# of shares	Per share	Fair value	# of shares	Per share	Fair value
Riverside Resources Inc. TSX-V: RRI	250,000	\$0.35	\$ 87,500	250,000	\$ 0.16	\$ 40,000
Resolution Minerals Limited ASX: RML	5,000,000	\$0.037	\$ 186,063	-	\$ -	\$ -
ArcWest Exploration Inc. TSX-V: AWX	9,623,417	\$0.10	\$ 962,341	9,623,417	\$ 0.07	\$ 673,639
Capitan Mining Inc. TSX-V: CAPT	64,849	\$0.265	\$ 17,185	-	\$ -	\$ -
<b>Total Marketable Securities</b>			<b>\$ 1,253,089</b>			<b>\$ 713,639</b>

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 7).
- 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).

During the year ended December 31, 2019, the Company:

- i) as part of the sale of Mexico properties and assets to Riverside Resources Inc. ("Riverside"), Millrock received an additional 150,000 Riverside shares.
- ii) sold its remaining shares of PolarX resulting in proceeds of \$450,157, and a realized loss of \$101,316.

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

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)***6. Property, Plant and Equipment**

	Furniture and fixtures	Office equipment	Leasehold improvements	Software	Vehicles	Total
<b>Cost</b>						
<b>Balance at December 31, 2018</b>	\$ 22,927	\$ 409,632	\$ 29,622	\$ 98,454	\$ 90,342	\$ 650,977
Disposals	-	(41,881)	-	-	(76,458)	(118,339)
Foreign currency translation	(1,099)	(2,199)	(1,420)	(4,720)	(13,884)	(23,322)
<b>Balance at December 31, 2019</b>	21,828	365,552	28,202	93,734	-	509,316
Disposals / impairment	(21,828)	(365,552)	(28,202)	(93,734)	-	(509,316)
<b>Balance at December 31, 2020</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Accumulated depreciation</b>						
<b>Balance at December 31, 2018</b>	\$ 22,927	\$ 388,494	\$ 29,622	\$ 98,454	\$ 73,134	\$ 612,631
Depreciation	-	2,792	-	-	2,567	5,359
Disposals	-	(17,439)	-	-	(61,880)	(79,319)
Foreign currency translation	(1,099)	(10,727)	(1,420)	(4,720)	(13,821)	(31,787)
<b>Balance at December 31, 2019</b>	21,828	363,120	28,202	93,734	-	506,884
Disposals / impairment	(21,828)	(363,120)	(28,202)	(93,734)	-	(506,884)
<b>Balance at December 31, 2020</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Carrying amount</b>						
<b>Balance at December 31, 2019</b>	\$ -	\$ 2,432	\$ -	\$ -	\$ -	\$ 2,432
<b>Balance at December 31, 2020</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

During the year ended December 31, 2019, the Company disposed of vehicles and field equipment for \$35,000 and recognized a loss of \$3,647.

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

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)***7. 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.

	Fairbanks District Alaska	Ester Dome Alaska	Treasure Creek Alaska	Liberty Bell Alaska	64 North Alaska	Others USA	Guadalucazar Mexico	Batamote Mexico	Others Mexico	Total Properties
Balance at December 31, 2019	\$ -	\$ 71,038	\$ -	\$ 560,297	\$ 1,828,933	\$ 395,833	\$ 10,061	\$ 466,354	\$ 32,433	\$ 3,364,949
Option costs:										
Shares issued	-	-	105,000	-	130,000	-	-	-	-	235,000
Cash	-	-	-	67,245	107,592	-	-	-	-	174,837
	-	-	105,000	67,245	237,592	-	-	-	-	409,837
Exploration costs:										
Non-reimbursable costs	-	-	960	7,790	100,908	-	-	-	-	109,658
Acquisition	-	56,542	95,418	81,717	320,530	79,917	1,136	97,640	4,228	737,128
Drilling	-	-	-	-	1,803,673	-	-	-	-	1,803,673
Geochemistry	-	-	12,276	-	183,030	10,560	8,421	10,183	15,029	239,499
Geology	36,443	131,811	131,811	9,544	1,049,631	128,071	1,218	46,780	28,010	1,467,472
Geophysics	-	77,701	77,701	-	540,629	-	-	-	-	618,330
Environmental and permitting	-	7,187	7,187	363	22,111	168	-	-	-	29,829
Support and equipment	69,6579	9,896	120,850	18,949	2,562,156	48,707	-	7,955	354	2,838,524
	106,100	102,402	446,203	118,363	6,582,668	267,423	10,775	162,558	47,590	7,844,082
Less:										
Recoveries	5,134	23,133	103,217	11,036	6,428,658	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
	5,134	87,884	219,768	11,036	6,722,999	193,509	20,122	-	33,467	7,293,919
Foreign currency translation	(3,974)	(1,905)	(14,129)	(18,498)	(42,175)	(14,453)	(714)	(27,820)	(495)	(124,163)
Balance at December 31, 2020	\$ 96,992	\$ 83,651	\$ 317,306	\$ 716,371	\$ 1,884,019	\$ 455,294	\$ -	\$ 601,092	\$ 46,061	\$ 4,200,786

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

For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)***7. Exploration and Evaluation Assets (cont'd)**

	Alaska		Others	USA
	Liberty Bell	64North/Goodpaster		Total
Balance at December 31, 2018	\$ 411,491	\$ 541,598	\$ 1,055,978	\$ 2,009,067
Addition during the year				
Option costs:				
Option payments - cash	33,440	106,522	-	139,962
	33,440	106,522	-	139,962
Exploration costs:				
Non-reimbursable costs	18,558	288,839	1,250	308,647
Acquisition	60,597	475,912	88,387	624,896
Drilling	-	239,978	-	239,978
Geochemistry	-	8,546	372	8,918
Geology	37,636	370,612	118,400	526,648
Geophysics	-	78,850	660	79,510
Environmental and permitting	742	-	-	742
External relations	-	360	-	360
Support and equipment	21,443	454,437	64,730	540,610
	138,976	1,917,534	273,799	2,330,309
Less:				
Recoveries	-	681,956	99,051	781,007
Option payments received	-	-	-	-
Shares received	-	-	-	-
Gain on option payments received	-	-	-	-
Gain on shares received	-	-	-	-
Impairment/ write off	-	-	730,809	730,809
	-	681,956	829,859	1,511,815
Net additions	172,416	1,342,100	(556,060)	958,456
Foreign currency translation	(23,610)	(54,766)	(33,048)	(111,424)
Balance at December 31, 2019	\$ 560,297	\$ 1,828,933	\$ 466,870	\$ 2,856,099

**MILLROCK RESOURCES INC.**

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**Notes to Consolidated Financial Statements**

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*(Expressed in Canadian dollars)*

**7. Exploration and Evaluation Assets (cont'd)**

	Mexico									Corporate
	Los Cuarentas	Guadalcazar	Ramard	Los Chinos	Picacho	Navidad	Batamote	Others	Total	Total
Balance at December 31, 2018	\$ 782,959	\$ 183,949	\$ 12,379	\$ 480	\$ -	\$ -	\$ 298,471	\$ 217,799	\$ 1,496,028	\$ 3,505,097
Addition during the year										
Option costs:										
Option payments - cash	-	-	-	-	-	-	-	-	-	139,962
	-	-	-	-	-	-	-	-	-	139,962
Exploration costs:										
Non-reimbursable costs	-	-	-	-	-	-	-	-	-	308,647
Acquisition	10,407	4,713	1,733	1,711	27,137	7,885	78,592	9,800	141,977	766,873
Drilling	-	-	-	-	-	-	-	-	-	239,978
Geochemistry	1,119	412	-	-	2,853	336	2,048	4,305	11,073	19,992
Geology	16,326	12,350	4,290	3,737	26,200	21,233	62,784	28,714	175,634	702,282
Geophysics	-	-	-	-	-	-	17,295	-	17,295	96,805
Environmental and permitting	-	-	-	-	-	-	-	-	-	742
External relations	-	-	-	-	-	-	-	-	-	360
Support and equipment	2,781	1,370	36	210	16,848	5,862	9,876	1,496	38,479	579,089
	30,633	18,845	6,059	5,658	73,038	35,316	170,594	44,316	384,459	2,714,768
Less:										
Recoveries	-	-	-	-	-	-	-	-	-	781,007
Loss on disposal	773,800	-	-	-	-	-	-	104,196	877,996	877,996
Impairment / write off	-	191,160	18,567	6,169	73,590	35,543	-	124,161	449,189	1,179,998
	773,800	191,160	18,567	6,169	73,590	35,543	-	228,356	1,327,185	2,839,000
Net additions	(743,167)	(172,315)	(12,508)	(511)	(552)	(227)	170,594	(184,041)	(942,726)	15,730
Foreign currency translation	(39,792)	(1,574)	129	31	551	227	(2,707)	(1,325)	(44,460)	(155,884)
Balance at December 31, 2019	\$ -	\$ 10,061	\$ -	\$ -	\$ -	\$ -	\$ 466,358	\$ 32,433	\$ 508,842	\$ 3,364,943

## **MILLROCK RESOURCES INC.**

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For the Years Ended December 31, 2020 and 2019

*(Expressed in Canadian dollars)*

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## **7. Exploration and Evaluation Assets (cont'd)**

### **Alaska Properties**

#### **(a) 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. Subsequent to the year ended December 31, 2020, Millrock agreed to assign its option rights and its mineral interests to Felix Gold for cash, future share payments and royalty interests (Note 17).

#### **(b) 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. Subsequent to December 31, 2020, in February 2021, the Company entered into an 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 subsequent to December 31, 2020 and the Company transferred 1,900,000 of those shares as a finders fees).

#### **(c) 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.

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## **7. Exploration and Evaluation Assets (cont'd)**

### **(d) Fairbanks District, Alaska**

#### 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. Subsequent to the year ended December 31, 2020, Millrock agreed to assign its option rights and its mineral interests to Felix Gold for cash, future share payments and royalty interests (Note 17).

#### 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. Subsequent to the year ended December 31, 2020, Millrock agreed to assign its option rights and its mineral interests to Felix Gold for cash, future share payments and royalty interests (Note 17).

### **Mexico Properties**

- (a) 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.

### **(b) 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.

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**7. Exploration and Evaluation Assets (cont'd)**

**(c) 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 on signing, US\$30,000 is to be received on or before April 13, 2021 and US\$30,000 is to be received on or before October 13, 2021. Subsequent to December 31, 2020, the Company received the final option payment and completed the sale of the San Javier Claims.

**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.

**8. Project Cost Advance Received**

These costs represent advances from earn-in partners for project expenditures that have not been incurred as at December 31, 2020 and 2019.

**9. 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
<b>Lease liability recognized as of January 1, 2019</b>	<b>295,395</b>
Current portion	77,894
Long term portion	217,501
<b>Lease liability recognized as of January 1, 2019</b>	<b>\$ 295,395</b>

\*The lease liability was discounted using an incremental borrowing rate as at January 1, 2019 of 10% per annum

The continuity of ROU assets for the year ended December 31, 2020 and 2019 is as follows:

	2020	2019
Beginning of year	\$ 209,430	\$ 295,395
Amortization of ROU asset	(74,165)	(73,027)
Foreign currency translation	(352)	(12,938)
<b>End of year</b>	<b>\$ 134,913</b>	<b>\$ 209,430</b>

During the year ended December 31, 2020, the Company recognized amortization of ROU assets of \$74,165 (2019 - \$73,027) and interest expense on lease liabilities of \$19,920 (2019 - \$25,979).

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**9. Right-of-use asset and lease liability (cont'd)**

The continuity of lease liabilities for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Lease liability recognized, beginning of year	\$ 226,511	\$ 295,395
Lease payments	(88,982)	(37,565)
Interest expense	19,920	25,979
Foreign exchange adjustment	(5,791)	(57,298)
Lease liability recognized, end of year	151,658	226,511
Current lease liability	82,385	84,041
Non-current lease liability	69,273	142,470
	\$ 151,658	\$ 226,511

The Company is committed to pay the following in office rentals for future years:

	2020	2019
Within 1 year	\$ 86,564	\$ 86,149
After 1 year, but no more than 5	81,160	171,096
	\$ 167,724	\$ 257,246

During the year ended December 31, 2020, the Company also entered into three short term office leases. All these lease terms were within one year and therefore, amounts have been expensed as incurred. Total commitment for these leases in 2021 would be \$56,000.

**10. 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 \$324,462 (US\$254,845). The loan can be forgiven if certain conditions are met. If the loan is not forgiven it becomes payable over 2 years with a 1% interest rate. No interest payment has been recorded for this loan.

**11. Share Capital**

The Company's authorized share capital consists of an unlimited number of voting common shares without par value. The Company has reserved shares for issuance under stock option agreements as described under Note 8.

Issued and outstanding: 115,155,514 common shares (December 31, 2019: 96,287,181).

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.

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#### **11. Share Capital (cont'd)**

- iii) issued 500,000 shares with a value of \$105,000 for the Treasure Creek rights agreement (Note 7).
- 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 (Note 7).

During the year ended December 31, 2019, the Company:

- i) closed a placement for total proceeds of \$1,000,000. The financing consisted of 7,142,857 units at a price of \$0.14 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 \$0.14 per share until December 14, 2019, thereafter at a price of \$0.17 per share until December 14, 2020, and thereafter at a price of \$0.20 until December 14, 2021. Warrant value of \$428,571 was recorded.
- ii) closed a placement for total proceeds of \$1,577,475. The financing consisted of 21,032,998 units at a price of \$0.075 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 \$0.14 per share until December 14, 2019, thereafter at a price of \$0.17 per share until December 14, 2020, and thereafter at a price of \$0.20 until December 14, 2021. Share issuance costs of \$88,870 in cash and warrants valued at \$26,348 were recorded.

#### **12. Share-Based Payments**

##### **a) Stock Option Plans**

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.

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**12. Share-Based Payments (cont'd)**

**a) Share Option Plans (cont'd)**

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

	<u>2020</u>	<u>2019</u>
Dividend yield	Nil	Nil
Expected volatility	172.85%	93.6%
Risk-free rate of return	0.77%	1.32%
Expected life of options	5 years	5 years
Forfeiture rate	0%	0%

Total share-based payments expense recognized in the consolidated statements of loss during the year ended December 31, 2020 was \$343,963 (2019 – \$148,848). During the year ended December 31, 2019, a further \$12,592 was capitalized to exploration and evaluation assets. Expected volatility is based on the volatility of historical share price during the previous five years.

The following table summarizes the Company's outstanding and exercisable share purchase options as of December 31, 2020:

	<b>Number of Options</b>	<b>Weighted Average Exercised</b>
<b>Outstanding and Exercisable at December 31, 2018</b>	<b>5,260,000</b>	<b>\$ 0.37</b>
Granted on September 30, 2019	1,885,000	\$ 0.09
<b>Outstanding and Exercisable at December 31, 2019</b>	<b>7,145,000</b>	<b>\$ 0.29</b>
Granted	4,370,000	\$ 0.12
Expired	(1,010,000)	\$ 0.50
Cancelled	(650,000)	\$ 0.28
<b>Outstanding and Exercisable at December 31, 2020</b>	<b>9,855,000</b>	<b>\$ 0.20</b>

As at December 31, 2020, the Company has outstanding and exercisable share purchase options as followed:

<b>Expiry Date</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>	<b>Exercise Price</b>
February 4, 2021*	1,250,000	1,250,000	\$ 0.25
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	1,940,000	970,000	\$ 0.105
	<b>9,855,000</b>	<b>8,885,000</b>	<b>\$ 0.20</b>

\* expired subsequently

The weighted average remaining contractual life of options outstanding at December 31, 2020 is 2.98 years (2019 – 2.25 years).

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**12. Share-Based Payments (cont'd)**

**b) Share Purchase Warrants and Agent Warrants**

As of December 31, 2020, the Company had outstanding and exercisable warrants and agent warrants for the purchase of common shares, as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
<b>Outstanding and Exercisable at December 31, 2018</b>	<b>44,906,721</b>	
Issued	29,009,485	\$ 0.17
Exercised	(121,500)	\$ 0.14
Expired	(27,101,721)	\$ 0.65
<b>Outstanding and Exercisable at December 31, 2019</b>	<b>46,692,985</b>	
Issued	12,966,283	\$ 0.17*
Expired	(6,970,000)	\$ 0.55
Exercised	(5,293,000)	\$ 0.17
<b>Outstanding and Exercisable at December 31, 2020</b>	<b>47,396,268</b>	<b>\$ 0.17</b>

As at December 31, 2020, the Company has outstanding share purchase warrants as follows:

<b>Expiry Date</b>	<b>Warrants</b>	<b>Exercise Price</b>
December 14, 2021 *	47,396,268	\$ 0.20

\* Exercise price increased from \$0.17 to \$0.20 after December 14, 2020

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

**13. 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:

<b>Financial Instrument</b>	<b>Level</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash and Cash Equivalents	1	\$ 390,606	\$ 494,145
Marketable Securities	1	\$ 1,253,089	\$ 1,510,341

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

**13. 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 December 31, 2020.

**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 items and a long-term loan payable of \$127,039 (2019 – \$351,031) denominated in US dollars. A ten percent change in the exchange rate would result in a \$12,704 (2019 – \$35,103) impact to the Company's comprehensive income (loss). The Company has Mexican peso cash and working capital items of \$46,614 (2019 – \$109,222). A ten percent change in the exchange rate would result in a \$4,661 (2019 – \$10,922) 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.

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

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 December 31, 2020.

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.

**14. Related Party Transactions**

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

	<b>Year Ended December 31,</b>			
		2020		2019
Consulting, directors and compensation	\$	634,935	\$	564,421
Stock based compensation*		152,666		148,848
	\$	787,601	\$	713,269

During the year ended December 31, 2020, 1,750,000 stock options (2019 – 1,785,000) were issued to officers and directors with a fair value of \$418,200 (2019 - \$121,225) and recorded stock-based compensation of \$151,645 (2019 - \$148,848) 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 December 31, 2020, there was \$44,715 (2019 – \$34,276) due to related parties for accrued directors' fees and deferred salary expenses. These amounts are unsecured, do not bear interest and have no fixed terms of repayment.

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**15. Income Taxes**

Income tax recovery recognized in the consolidated statements of loss for 2020 is \$Nil (2019 – \$32,000).

**Income tax reconciliation**

The provision for income taxes reported differs from the amounts computed by applying statutory Canadian federal and provincial tax rates to the loss before tax due to the following:

	December 31, 2020	December 31, 2019
Income (loss) for the year before income taxes	\$ (1,369,847)	\$ (4,328,920)
Statutory tax rate	27%	27%
Recovery of income taxes computed at statutory rates	(370,000)	(1,169,000)
Non-taxable revenue and non-deductible expenses	381,000	398,000
Mexican inflationary adjustments	(102,000)	(66,000)
Differing effective tax rate on loss in foreign jurisdictions and rate changes	(12,000)	(63,000)
Unrecognized deferred tax assets	218,000	2,234,000
Impact of change of prior period estimates	(407,000)	(1,863,000)
Impact of foreign exchange and other	292,000	497,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ (32,000)</b>

	December 31, 2020	December 31, 2019
Current tax (recovery) expense	\$ -	-
Deferred tax (recovery) expense	-	(32,000)
<b>Total income tax (expense) recovery</b>	<b>\$ -</b>	<b>\$ (32,000)</b>

The approximate tax effect of each item that gives rise to the Company's recognized deferred tax assets and liabilities as at December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Deferred income tax assets		
Non-capital losses	\$ 38,000	\$ 71,000
	\$ 38,000	\$ 71,000
Deferred income tax liabilities		
Exploration and evaluation assets	\$ -	\$ (12,000)
Right of use asset	(38,000)	(59,000)
	\$ (38,000)	\$ (71,000)
<b>Net deferred income tax liability</b>	<b>\$ -</b>	<b>-</b>

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**15. Income Taxes (cont'd)**

The Company's movement of net deferred tax liabilities is described below:

	December 31, 2020	December 31, 2019
At January 1	\$ -	\$ (32,000)
Other deferred income tax (expense) recovery through income statement	-	32,000
At December 31	\$ -	-

**Temporary Differences Not Recognized**

The Company has unrecognized deductible temporary differences aggregating \$46,740,000 (2019 - \$45,942,000), noted below, that are available to offset future taxable income. The potential benefit of these deductible temporary differences has not been recognized in these consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the temporary differences to be recovered.

	December 31, 2020	Expiry dates	December 31, 2019
Non-capital losses	\$ 38,025,000	2020 – 2040	\$ 37,187,000
Capital losses	5,204,000	No expiry	5,055,000
Exploration and evaluation assets	2,475,000	No expiry	2,250,000
Property, plant and equipment	264,000	No expiry	261,000
Financing fees	102,000	2040 – 2044	129,000
Other	670,000	No expiry	1,060,000
Total	\$ 46,740,000		\$ 45,942,000

At December 31, 2020, the Company has accumulated non-capital losses in Canada aggregating \$17,452,000 (2019 – \$16,507,000) which expire over the period between 2026 and 2039, available to offset future taxable income in Canada.

The Company has accumulated capital loss carry forward in Canada of \$5,204,000 (2019 – \$5,055,000) which are available only to offset future capital gains for Canadian tax purposes and may be carried forward indefinitely.

At December 31, 2020, the Company has accumulated non-capital loss carry forward in Mexico aggregating \$11,844,000 (2019 – \$12,795,000) which expire over the period between 2020 and 2030, available to offset future taxable income in Mexico.

At December 31, 2020, the Company has accumulated non-capital loss carry forward in the United States aggregating \$8,863,000 (2019 – \$8,137,000) which expire over the period between 2034 and 2040, available to offset future taxable income in the United States.

**MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

**Notes to Consolidated Financial Statements**

For the Years Ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

**16. 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:

<b>2020</b>	<b>USA</b>	<b>Mexico</b>	<b>Canada</b>	<b>Total</b>
<b>As at December 31, 2020</b>				
<b>Assets</b>				
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	-	-	134,193
<b>Total Assets</b>	<b>\$ 4,358,852</b>	<b>\$ 710,283</b>	<b>\$ 1,552,229</b>	<b>\$ 6,621,364</b>
<b>Liabilities</b>				
Current liabilities	\$ 789,109	\$ 16,514	\$ 116,020	\$ 921,643
Non-current assets	393,735	-	-	393,735
<b>Total Liabilities</b>	<b>\$ 1,182,844</b>	<b>\$ 16,514</b>	<b>\$ 116,020</b>	<b>\$ 1,315,378</b>
<b>For the year ended December 31, 2020</b>				
Net loss	\$ 290,402	\$ 236,404	\$ 843,041	\$ 1,369,847
Revenue	\$ 812,702	\$ 35,550	\$ -	\$ 848,252
<b>2019</b>				
	<b>USA</b>	<b>Mexico</b>	<b>Canada</b>	<b>Total</b>
<b>As at December 31, 2019</b>				
<b>Assets</b>				
Current assets	\$ 199,086	\$ 199,430	\$ 940,992	\$ 1,331,508
Exploration assets	2,856,099	508,842	-	3,364,943
Other non-current assets	210,777	2,436	-	136,235
<b>Total Assets</b>	<b>\$ 3,265,962</b>	<b>\$ 702,708</b>	<b>\$ 940,992</b>	<b>\$ 4,909,662</b>
<b>Liabilities</b>				
Current liabilities	\$ 687,295	\$ 37,878	\$ 117,558	\$ 842,761
Non-current assets	142,470	-	-	142,470
<b>Total Liabilities</b>	<b>\$ 829,765</b>	<b>\$ 37,878</b>	<b>\$ 117,558</b>	<b>\$ 985,231</b>
<b>For the year ended December 31, 2019</b>				
Net loss	\$ 1,683,850	\$ 1,349,126	\$ 1,263,944	\$ 4,296,9120
Revenue	\$ 1,130,224	\$ -	\$ -	\$ 1,130,224

## MILLROCK RESOURCES INC.

(An Exploration Stage Company)

### Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

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#### 17. Subsequent Events

Subsequent to December 31, 2020, the Company:

- i) announced that it has 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 subsequent to December 31, 2020), 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.
- ii) received 20,000,000 shares, and paid 1,900,000 of those shares as a finders fee, as part of the 64North Gold Project agreement (Note 7(b)).
- iii) 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 \$148,972 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.
- iv) 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 subsequently);
  - 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 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% NSR on gold production with an advanced minimum royalty provision.



## **Management Discussion & Analysis**

For the Year Ended December 31, 2020

## **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 audited consolidated financial statements for the year ended December 31, 2020 and supporting notes on [www.sedar.com](http://www.sedar.com). These 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 April 28, 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” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain

## **MILLROCK RESOURCES INC.**

Management Discussion and Analysis

For the Year Ended December 31, 2020

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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 financial statements for the year ended December 31, 2020 on [www.sedar.com](http://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 December 31, 2020, the Company had not yet achieved profitable operations, and had an accumulated deficit of \$44,750,111 (2019 – \$43,380,264). 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](http://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 2020. During the year ended December 31, 2020, Millrock spent \$7,844,082 on exploration work on properties during the year, of which \$6,764,687 was supplied by companies earning an interest in Millrock’s projects. Additionally, the Company spent \$171,567 on generative exploration during the year ended December 31, 2020.

## **MILLROCK RESOURCES INC.**

Management Discussion and Analysis  
For the Year Ended December 31, 2020

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### **Highlights for the Year Ended December 31, 2020**

- A drilling program at the Aurora Target, Echo Target and Reflection Target on the West Pogo block of the 64North Gold Project in Alaska was carried out. Subsequent to the end of the quarter assay results from a 7 – meter thick quartz vein that had been intersected at the Aurora target were announced. Assay results show only weakly anomalous gold but the intersection is worthy of follow up drilling. Drilling has recently recommenced. The work was funded by Resolution Minerals Limited (“Resolution”) under a previously announced earn-in agreement. The original program had been cut short when the drill contractor abruptly demobilized the drill crew over fear of travel restrictions related to the Covid-19 virus.
- A trenching program was carried out at the AT target on the West Pogo block. Assays are pending.
- A trenching program at the E1 target on the Eagle block was started in the third quarter and was recently completed. Assays are pending.
- At the Boundary prospect on the East Pogo Block, assay results for surface sampling and an airborne ZTEM – Mag survey were received and reviewed. Together with historical data, a strong series of drill targets have emerged.

### **Outlook**

Throughout the past two years Millrock has generated projects that attracted substantial funding from partner companies. The Company formed a strong new partnership on the 64North Project, with a robust budget. New partnerships are emerging and new projects are being developed. The Company is now realizing the benefits of cost cutting measures made throughout 2018 and 2019.

### **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 has been marketing this project to prospective partners.
- 2) **64North Gold Project, Goodpaster Mining District, Alaska, United States, Gold:** Millrock acquired a very large tract of claims covering more than 660 square kilometers in the Goodpaster Gold Mining district. The district hosts the Pogo Gold Mine which is operated by Northern Star Resources. Most of the Millrock claims were staked in the second quarter of 2019 but others were acquired in prior years by purchase and through option agreements. Millrock also purchased two exploration databases for the Goodpaster Mining District for US\$100,000. The data represents more than \$15 million worth of exploration work. The West Pogo claim block, a subset of the overall project, is particularly attractive because it is within sight of the Pogo Gold Mine and there is good evidence to suggest that the same structures that host the gold deposit being mined by Northern Star trend onto Millrock’s property. Late in 2019 Millrock made an agreement with Resolution Minerals Ltd, an ASX-listed company. Resolution can earn up to 60% of the overall project by expending 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). West Pogo was the main focus area for a comprehensive exploration program in 2020. Nine holes were drilled. Some very interesting looking rocks were intersected in three of the holes but ultimately gold levels were found to be very low. Millrock interprets that good exploration potential

remains but Resolution is now focusing on other prospects that emerged as a result of exploration work in 2020.

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.

Subsequent to December 31, 2020, in February 2021, the Company entered into an 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 subsequent to December 31, 2020 and the Company transferred 1,900,000 of those shares as a finders fees).

**4) 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. First Quantum Minerals agreed to fund first-pass geochemical exploration on one of these targets called DragonSlayer. The work was carried out in the third quarter and results were received. The sampling conditions proved not to be highly conducive for good soil or stream sediment sampling. Despite the poor sampling conditions, anomalous values in a wide variety of metals provided some support for the idea that a porphyry copper-gold deposit is causing the geophysical target. Nevertheless, the results are not strongly conclusive. First Quantum Minerals elected not to enter the option agreement. Millrock made an agreement with TSXV-listed company Quaterra Minerals Ltd. (“Quaterra”). Quaterra agreed to fund a minimum of \$100,000 in exploration work in order to earn the exclusive right to enter option agreements on individual claim blocks under pre-determined business terms. Subsequent to the end of the period Quaterra elected not to exercise its exclusive right.

**5) Fairbanks District, Alaska**

Subsequent to December 31, 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\$500,000 each year to extend the strategic alliance.

During the year ended December 31, 2020, Millrock announced 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 and making Alaska state claim rental payments. 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. An airborne magnetic survey was carried out late in the year and was useful for tracing structures that are known to host gold. All funding for the claim staking and geophysical survey was supplied by Felix Gold, even though the agreement had not actually be

## ***MILLROCK RESOURCES INC.***

Management Discussion and Analysis  
For the Year Ended December 31, 2020

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executed. Millrock has now assigned its rights under the Treasure Creek option agreement to Felix Gold.

The Company entered an exclusive rights agreement in 2017 concerning claims owned by private company Range Minerals. Millrock has kept the claims in good standing through this period and has the exclusive right to enter an option to purchase agreement with determined business terms.

### **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.

## **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.

### **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. Millrock is in discussion with a company that may form a partnership to explore the project.

### **3) 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 on signing, US\$30,000 is to be received on or before April 13, 2021 and US\$30,000 is to be received on or before October 13, 2021. Subsequent to December 31, 2020, the Company received the final option payment and completed the sale of the San Javier Claims.

**4) 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.

**Selected Annual Information**

	December 31, 2020	December 31, 2019	December 31, 2018
Overhead recovery fees & exploration revenue	\$ 848,252	\$ 1,130,224	\$ 5,682,918
Loss before taxes	(1,369,847)	(4,328,920)	(4,338,539)
Net loss	(1,369,847)	(4,296,920)	(4,319,539)
Comprehensive loss	(1,559,343)	(4,507,573)	(4,020,865)
Basic and diluted loss per share	(0.01)	(0.06)	(0.08)
Current assets	2,285,655	1,332,857	2,867,043
Non-current assets	4,335,588	3,576,805	3,591,862
Current liabilities	921,643	842,762	660,013
Non-current liabilities	393,735	142,470	79,000

The decrease in loss in 2020, compared to 2019, is due primarily to the following changes in other items:

- 1) Loss on disposal of exploration property in 2020 of \$Nil (2019 - \$877,996);
- 2) Gain on marketable securities of \$315,125 in 2020 (2019 – loss of \$291,952);
- 3) Loss on impairment of exploration and evaluation assets of \$36,843 in 2020 (2019 - \$1,170,678).

The Company is at the exploration and evaluation stage and generates overhead recovery fees on projects which it operates for earn-in partners. In 2019 and 2018 the Company also conducted exploration services on behalf of PolarX and recorded revenues and costs directly related to operating exploration on properties owned by PolarX. The level of 2019 exploration conducted with PolarX was much smaller than the amount spent in 2018. There have been no distributions or cash dividends declared or paid.

In 2018 the Company had more earn-in partners with higher budgets and therefore, had higher overhead recovery fees. In 2018 the Company also had higher income and expenses related to operating exploration on behalf a third party on their exploration property. In 2019 a significant portion of the annual loss was from the impairment of exploration properties.

The 2019 and 2018 net loss was similar, but for different reasons. The 2019 year had \$1,170,678 recorded as impairment and write off for mineral properties as compared to 2018 having \$576,447 recorded for the same, but 2018 included unrealized loss on marketable securities of \$1,467,571 as opposed to 2019 having an unrealized loss on marketable securities of \$291,952.

2018 saw a high year-end total of current assets because of the marketable securities and amounts receivable it held at year-end. Non-current assets for the company are primarily its exploration and evaluation assets, which was similar for both years.

Current liabilities in 2019 and 2018 consisted of accounts payable, and 2019 also included a current portion of lease liability pursuant to the adoption of IFRS 16.

**MILLROCK RESOURCES INC.**  
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A non-current liability balance occurred in 2018 made up of an asset retirement obligation for reclamation bonds on the Company's Canadian exploration properties, and the Company had those refunded in 2019. In 2019 the Company had a long term portion of lease liability recorded as having adopted IFRS 16.

Additionally, in 2019 and 2018 Millrock issued shares towards private placement financings. In all cases Millrock has collected and used funds in order to pursue additional project acquisition and exploration as well as general corporate purposes as shown through its continued dedication to the project generator business model and moves to strengthen and diversify its exploration assets in prospective mineral jurisdictions.

**Fourth Quarter**

Significant events in Q4 included:

- i) an unrealized loss on marketable securities of \$429,805.
- ii) granting 1,940,000 stock options with a fair value of \$169,300

**Summary of Quarterly Results**

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

	<b>Three Months Ended</b>			
	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>
Exploration and evaluation asset net additions	\$ 222,423	\$ 101,775	\$ 282,018	\$ 229,627
Overhead Recovery Fees & Exploration revenue	290,848	340,200	121,765	95,439
G&A expense	824,917	420,385	506,867	702,313
Stock-based compensation	163,360	-	-	179,603
Mineral properties write-off	29,843	-	-	-
Net (loss) income before tax	(944,579)	257,432	175,298	(857,998)
Loss per share (basic)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Loss per share (diluted)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

  

	<b>Three Months Ended</b>			
	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>June 30, 2019</b>	<b>March 31, 2019</b>
Exploration and evaluation asset net additions	\$ (140,156)	(327,365)	\$ (2,595)	\$ 425,678
Overhead Recovery Fees & Exploration revenue	289,969	711,162	65,740	63,353
G&A expense	561,432	592,047	623,370	528,243
Stock-based compensation	40,215	108,633	-	-
Mineral properties write-off	188,636	11,836	970,206	-
Net (loss) income before tax	(531,204)	(1,307,810)	(1,894,817)	(595,089)
Loss per share (basic)	\$ (0.01)	\$ (0.00)	\$ (0.04)	\$ (0.01)
Loss per share (diluted)	\$ (0.01)	\$ (0.00)	\$ (0.04)	\$ (0.01)

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

## **MILLROCK RESOURCES INC.**

Management Discussion and Analysis

For the Year Ended December 31, 2020

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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.

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 December 31, 2020 Compared to the Three Months Ended December 31, 2019**

The Company's net loss before other comprehensive loss for the three months ended December 31, 2020 was \$1,050,846 (2019 -\$418,470). Significant fluctuations from the prior period comparative consisted of:

- Overhead recovery fee revenue was \$290,755 (2019 - \$25,224). The increase was a result of fees charged on partnered projects as outlined in Note 7 of the audited consolidated financials on [www.sedar.com](http://www.sedar.com).
- Accounting, audit and legal expenses of \$134,993 (2019 - \$162,382). The decrease is primarily a result of reduced fees as a result of changing the auditor as well as reduced legal work.
- Investor relations expenses of \$39,527 (2019 - \$90,960). The decrease is a result of decrease investor relation contracts during the current period.
- Stock based compensation expense of \$164,360 (2019 - \$40,215). The increase was a result of stock-options issued during 2020.
- Unrealized loss on marketable securities of \$429,805 (2019 - gain of \$145,601). The loss was primarily a result of a decrease in the fair value of 9,623,417 shares in ArcWest Exploration Inc. (TSX-V) to \$0.145 from September 30, 2020 to December 31, 2020.

### **Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019**

The Company's net loss before other comprehensive loss for the year ended December 31, 2020 was \$1,369,847 (2019 -\$4,296,920). Significant fluctuations from the prior period comparative consisted of:

- Overhead recovery fee revenue was \$729,334 (2019 - \$100,896). The increase was a result of fees charged on partnered projects as outlined in Note 7 of the audited consolidated financials on [www.sedar.com](http://www.sedar.com).
- Accounting, audit and legal expenses of \$272,792 (2019 - \$367,616). The decrease is primarily a result of reduced fees as a result of changing the auditor as well as reduced legal work.
- General exploration of \$171,567 (2019 - \$40,638). The increase is a result of additional expenses relating to work done for due diligence on potential properties in the current year.
- Investor relations of \$198,476 (2019 - \$275,607). The decrease is a result of decrease investor relation contracts during the current year.
- Stock-based compensation of \$343,963 (2019 - \$148,848). The increase is a result of the fair value on stock options, calculated using the Black-Scholes option pricing model. Please see the audited consolidated financial statements on [www.sedar.com](http://www.sedar.com) for additional details.
- Unrealized gain on marketable securities of \$315,125 (2019 - loss of \$291,952). The gain was primarily a result of an increase in the fair value of 9,623,417 shares in ArcWest Exploration Inc. (TSX-V) to \$0.145 at December 31, 2020.

### **Liquidity and Capital Resources**

As of December 31, 2020, the Company has accumulated a deficit of \$44,750,111 and has working capital of \$1,364,012.

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

- i) Cash outflows from operating activities of \$1,668,698 (2019 - \$1,410,072).
- ii) Cash outflows from investing activities of \$1,059,483 (2019 - \$1,434,147). The cash flows are primarily a result of exploration and evaluation expenditures of \$8,070,223 (2019 - \$2,747,379) offset by recoveries of \$7,010,740 (2019 - \$781,007). Also, in 2019, the company had cash inflows of \$450,157 from the sale of marketable securities.
- iii) Cash inflows from financing activities of \$2,629,637 (2019 - \$2,559,198). The cash inflows are primarily a result of shares issued for cash. In 2020, the Company also received \$341,867 from a loan.

During the period from January 1, 2020 to April 28, 2021, the Company:

- i) 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 \$148,972 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.

## **MILLROCK RESOURCES INC.**

Management Discussion and Analysis

For the Year Ended December 31, 2020

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- ii) 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. Share issuance costs of \$46,914 in cash and warrants valued at \$28,748 were recorded.
- iii) 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.
- iv) issued 500,000 shares with a value of \$105,000 for the Treasure Creek rights agreement.
- v) 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.

### **Related Party Transactions**

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

	<b>Year Ended December 31,</b>			
		<b>2020</b>		<b>2019</b>
Consulting, directors and compensation	\$	634,935	\$	564,421
Stock based compensation*		152,666		148,848
	\$	787,601	\$	713,269

During the year ended December 31, 2020, 1,750,000 stock options (2019 – 1,785,000) were issued to officers and directors with a fair value of \$418,200 (2019 - \$121,225) and recorded stock-based compensation of \$151,645 (2019 - \$148,848) 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 December 31, 2020, there was \$44,715 (2019 – \$34,276) due to related parties for accrued directors' fees and deferred salary expenses. 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:

<b>Financial Instrument</b>	<b>Level</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash and Cash Equivalents	1	\$ 390,606	\$ 494,145
Marketable Securities	1	\$ 1,253,089	\$ 1,510,341

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 December 31, 2020.

**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 items and a long-term loan payable of \$127,039 (2019 – \$351,031) denominated in US dollars. A ten percent change in the exchange rate would result in a \$12,704 (2019 – \$35,103) impact to the Company's comprehensive income (loss). The Company has Mexican peso cash and working capital items of \$46,614 (2019 – \$109,222). A ten percent change in the exchange rate would result in a \$4,661 (2019 – \$10,922) 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.***

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### **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 December 31, 2020.

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 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 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

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For the Year Ended December 31, 2020

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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 year ended December 31, 2020 for newly adopted accounting policies and accounting policy pronouncements.

**Disclosure of Outstanding Share Data**

As at April 28, 2021, the Company had 152,172,394 common shares outstanding.

As at April 28, 2021, the Company has outstanding and exercisable share purchase options as follows:

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<b>Expiry Date</b>	<b>Number of Warrants Outstanding and Exercisable</b>	<b>Exercise Price</b>
January 10, 2022	1,530,000	\$ 0.50
August 10, 2022	75,000	\$ 0.37
March 26, 2023	1,245,000	\$ 0.23
September 30, 2024	1,885,000	\$ 0.09
February 28, 2025	2,430,000	\$ 0.14
	7,165,000	

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As at April 28, 2021, the Company has outstanding share purchase warrants as follows:

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<b>Expiry Date</b>	<b>Warrants</b>	<b>Exercise Price</b>
December 15, 2020	6,970,000	\$ 0.55
December 14, 2021	47,396,268	\$ 0.20
May 7, 2023	116,900	\$ 0.1275
	54,483,168	

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As at April 28, 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.

## **HEAD OFFICE**

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## **OFFICERS & DIRECTORS**

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Philip St. George, B.S. (Geol.)  
*Chief Exploration Officer*

Dave Cross, CPA, CGA  
*Chief Financial Officer*

Janice Davies  
*Corporate Secretary*

Roland Butler, B.Sc., Geology  
*Director & Chairman, Corporate Governance Committee*

Peter J. Chilibeck, LL.B.  
*Director & Chairman, Compensation Committee*

Larry J. Cooper  
*Director & Chairman, Audit Committee*

## **LISTINGS**

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

## **CAPITALIZATION** (as at April 28, 2021)

Shares Authorized: Unlimited  
Shares Issued: 115,105,514

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