



## **Management Discussion & Analysis**

For the Nine Months Ended September 30, 2022

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

Management Discussion and Analysis  
For the period ended September 30, 2022

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### **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 Six Months Ended September 30, 2022 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 November 25, 2022.
- 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, magmatic nickel-copper-platinum 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.

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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 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 consolidated financial statements for the period ended September 30, 2022 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 September 30, 2022, the Company had not yet achieved profitable operations, and had an accumulated deficit of \$47,647,153 (December 31, 2021 – \$46,888,152). 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 2021 and to date through 2022. During the period ended September 30, 2022, Millrock spent \$796,733 on exploration work on properties during the year, of which \$504,511 was supplied by companies earning an interest in Millrock’s projects.

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### **Highlights for the Period Ended September 30, 2022**

- Felix Gold Limited (“Felix Gold”) completed a major drilling program at the Treasure Creek project, near Fairbanks, Alaska. Assay results have been coming in. A highlight intersection included 89 meters grading 1.2 grams per tonne gold. As a result of the sale of the Treasure Creek project to Felix Gold (amongst other projects), Millrock owns 9,957,157 shares of Felix Gold.
- Resolution Minerals Limited (“Resolution”) completed a 2,200 meter core drilling program during the quarter, and assay results are pending for several holes.

### **Outlook**

Throughout the past several years Millrock has generated projects that attracted substantial funding from partner companies. The Company formed new earn in agreements on the 64North Project and the Fairbanks Project in Alaska. Both projects have robust budgets and aggressive programs commended in the first quarter. Opportunities for new funding partners for new projects are emerging and new projects are being developed.

### **Operations Review**

#### **United States Properties**

Millrock owns and operates four mineral exploration projects in Alaska.

**1) Apex El Nido, Alaska, United States, High Grade Vein Gold:**

Millrock made an option agreement with the underlying owner. The option is good for five years and costs Millrock US\$1,000 per year and is required to make annual rental payments to the federal government. There are historical underground mine workings on the project from which approximately 25,000 ounces of gold was extracted. No drilling beneath the workings has ever been done. Quartz veins of the mesothermal variety locally contain high grade gold mineralization. The veins may extend below the workings. Millrock announced that Coeur Explorations, Inc. had entered an agreement with Millrock. Millrock assigned its option rights to Coeur, and if Coeur had made the necessary payments and exploration expenditures and exercised the option Millrock will have been granted a Net Smelter Return royalty with an Advanced Minimum Royalty provision.

Coeur funded a soil sampling and mapping program which Millrock executed in summer 2021. The results show that the gold-bearing structure extends at least one kilometer to the north. Despite the good results, Coeur elected to terminate its option. There are an excellent series of drill targets established on the property and Millrock is seeking partners for the project.

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

Assay results from a trenching program Resolution carried out at the Tourmaline Ridge prospect on the West Pogo block of 64North project, where a large gold in soil anomaly was known to exist. The assays confirmed steep, narrow gold-bearing veins antithetic to the main “Pogo Trend”. These types of veins are characteristic above the shallow dipping shear of the Pogo Trend. Tourmaline Ridge now represents a prime drill target area and during the quarter Resolution completed a diamond core drilling program of 2,200 meters in five holes during the quarter. The drilling targeted geochemical – geophysical anomalies at the Tourmaline Ridge prospect. Results from the first two holes were not encouraging. Results for the remaining holes are anticipating in December. Resolution has been solely funding the exploration project and at this point has expended enough to earn a 51% interest. A cash and share payment must be made by January 2023 to Millrock before the interest is fully earned.

- 3) Chisna, Alaska, United States, Gold:** Millrock purchased claim blocks from Corvus Gold in 2015. The claim blocks came with a large database of information that cost approximately \$7 million to create. Upon review of the data Millrock has developed some strong targets for porphyry copper-gold mineralization. In 2021 a major mining company funded exploration work on the claims. The results were valued during the quarter and improved the Grubstake prospect target.

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### **4) Fairbanks District, Alaska**

In late 2020 the Company entered into an agreement whereby Felix Gold will have the right to secure a 100% ownership in the Treasure Creek, Ester Dome and Liberty Bell projects for 9,957,157 Felix Gold shares (received with a value of \$\$2,246,335), US\$210,000 in cash (received in 2021), and retained royalties. 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.

Additionally, Millrock and Felix Gold entered a strategic alliance whereby other projects outside of the Treasure Creek and Ester Dome areas would be generated with funding from Felix. Millrock is entitled to a 1.0% NSR royalty on any project staked, and on claims secured from third parties. Felix Gold must fund a minimum of US\$250,000 each year to extend the strategic alliance. Subsequent to the end of the quarter Felix Gold and Millrock agreed to end the strategic alliance. Both companies are free to use information generated during the alliance period for their own purposes going forward.

Felix Gold funded, and Millrock executed, a major soil sampling program across Treasure Creek and the GST, Bank and Vault claims blocks in 2021. Strong anomalies were received from the NW Array and Eastgate prospects on the Treasure Creek project. Strong results are indicated on the DG block also, near the recent Freegold Ventures discovery at Golden Summit. Felix completed an aggressive drill program in the third quarter of 2022. 171 holes totaling 1 more than 15,000 meters were drilled using a light reverse circulation drill rig.

#### **Grant Mine**

During Q1 2021, the Company entered into an option agreement to earn a 100% interest in the Grant Mine near Fairbanks, Alaska. To earn the interest, the Company must pay \$2,000,000 over six years. This property will form part of the larger Ester Dome exploration project, which is subject to an agreement between Millrock and partner Felix Gold. In the event that Felix Gold assumes the option rights and proceeds to make the purchase of the Grant Mine, Millrock will vest with a 1.5% Net Smelter Return royalty on gold production with an advanced minimum royalty provision. Felix Gold has assembled all historic data and calculated the grade and tonnage of gold known to be in the ground. Felix Gold has examined data from the former-producing Grant Mine upon which they have an option to purchase a 100% interest. As a result of the data analysis, Felix Gold has been able to calculate a gold resource that is compliant with the Australia Joint Ore Reserves Committee (“JORC”) standards that govern such calculations in Australia (source: INDEPENDENT GEOLOGIST’S REPORTS ON FELIX GOLD LIMITED’S MINERAL EXPLORATION PROJECTS IN ALASKA, Prepared by Independent Geologist Mr. Ian Taylor of Mining Associates Pty Ltd., October 15, 2021).

The independent geologist’s report is appended to the Felix Gold prospectus and reports the following:

- Inferred Mineral Resource estimate (JORC 2012) for Grant Mine of 5.8 million tonnes @ 1.95 grams per tonne gold for 364,000 ounces of contained gold including an underground resource of 136,000 ounces of gold grading 6.2 grams of gold per tonne.
- And also: Grant Mine Exploration Target (JORC 2012) of 5.6 million tonnes to 6.6 million tonnes at a grade of 1.9 grams per tonne gold to 2.1 grams per tonne gold for 338,000 to 545,000 ounces of gold (exclusive of the Mineral Resource).

Note: The NI43-101 standards are the standards to which Mill rock must adhere as a TSX Venture Exchange issuer, and the Australia JORC standards are those to which Felix Gold must comply as an Australian issuer. The JORC standards are robust, similar and parallel to the NI43-101 standards.

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JORC (2012) is defined as an ‘acceptable foreign code’ under NI43-101 reporting standards and the definition and classification of Mineral Resources are essentially the same as the NI43-101 Canadian Institute of Mining Definition standards. The Millrock qualified person has not independently verified the drill hole data, drill core, and estimation methodology as reported by Felix.

While Millrock has sold its option rights to the Grant Mine, in the event that Felix elects to drop the option (or the claims after its has exercised its option to earn 100%), it must offer to convey the property back to Millrock. No significant field exploration work has been done by Felix Gold on the Grant Mine in 2022 but Felix indicates a plan to move the project forward in 2023.

### **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. In 2021 Millrock made an earn-in agreement with Mine Discovery Fund LatCopper. To earn a 100% interest MDF or LatCopper will pay Millrock US\$1 million and fund US\$6 million in exploration work and pay US\$250,000 in shares when a subsidiary, LatCopper, lists as a public company. Due diligence is ongoing and the companies expect to complete the formal agreement soon.

#### **3) El Picacho, Mexico**

Millrock previously held an option on concessions that comprise the El Picacho gold project. Centerra Gold had funded exploration but then pulled out of the project. Millrock had allowed the option to lapse but reinstated the option agreement with the underlying owners. Millrock has assigned the option rights to Tocvan. If Tocvan exercises the option and becomes a 100% owner of the claims, Millrock will be granted a royalty with an advanced minimum royalty provision. The royalty would be 2.0% Net Smelter Returns and could be bought down to 1.0% for a payment of US\$1.0 million. An advanced minimum royalty (“AMR”) starting at US\$25,000 would be payable. The AMR would double each year until production occurs. AMR payments would be deductible from production royalty payments. During the period ended September 30, 2022, the Company impaired the exploration and evaluation asset resulting in an impairment loss of \$215,156. Tocvan has indicated that it will soon begin drilling on El Picacho.

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**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

**Liquidity and Capital Resources**

As of September 30, 2022, the Company has accumulated a deficit of \$48,857,685 and has working capital of \$1,969,557.

During the period ended September 30, 2022, the Company had:

- i) Cash outflows from operating activities of \$387,162 (2021 - \$763,955).
- ii) Cash outflows from investing activities of \$189,619 (2021 - \$619,852). The cash flows are primarily a result of exploration and evaluation expenditures, net of recoveries of \$619,852 (2021 - \$619,852).
- iii) Cash inflows from financing activities of \$455,974 (2021 - \$2,873,911). The cash outflows are a result of the repayment of the lease liability.

**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>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>	<b>December 30, 2021</b>
Exploration and evaluation asset net additions (recovery)	\$ 534,272	\$ 290,486	\$ (1,151,717)	\$ 72,015
Overhead recovery fees & exploration revenue	82,196	102,682	73,735	175,061
Stock-based compensation	18,562	18,562	81,589	12,523
Net income (loss) before comprehensive income (loss)	1,210,519	(2,075,750)	106,217	(561,273)
Income (loss) per share (basic)	\$ 0.01	\$ (0.00)	\$ (0.00)	\$ (0.00)
Income (loss) per share (diluted)	\$ 0.0	\$ (0.00)	\$ (0.00)	\$ (0.00)

  

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

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Exploration and evaluation asset recovery during the quarter ended March 31, 2022 was a result of shares received from Felix for purchase of the Fairbanks District projects. Other quarterly fluctuations are detailed below.

The net loss during the quarter ended December 31, 2021 of \$561,273 increased from net loss of \$329,740 for the quarter ended September 30, 2021. The increase was primary due higher general and administrative expenses such as \$359,570 of consulting, directors and salaries, \$194,311 of accounting, audit and legal, and \$81,196 of investor relations.

The net loss during the quarter ended September 30, 2021 of \$329,740 decreased from net loss of \$530,992 for the quarter ended June 30, 2021. The decrease in net loss was primarily due to \$141,626 of overhead recovery fee, the gain on loan forgiveness of \$321,692, and lower general and administrative expenses such as \$74,473 of accounting, audit and legal, and \$104,760 of consulting, directors and salaries.

The net loss during the quarter ended June 30, 2021 of \$530,992 decreased from net loss of \$716,036 for the quarter ended March 31, 2021. The decrease in net loss was primarily due to \$148,033 of overhead recovery fee, and other income of \$77,870.

The net loss during the quarters ended March 31, 2021 of \$716,036 decreased from net loss of \$944,579 for the quarter ended December 31, 2020. The decrease was largely due to lower unrealized loss on marketable securities of \$272,958 and decreased in general and administrative expenses such as \$86,090 of accounting, audit and legal, \$154,313 of consulting, directors and salaries, investor relations of \$60,198, and \$20,873 of stock-based compensation.

The net loss during the quarter ended December 31, 2020 of \$944,579 increased from net income of \$257,432 for the quarter ended September 30, 2020. The increase was primary due general and administrative expenses such as accounting, audit, and legal of \$134,993, and \$164,360 of stock-based compensation.

The net income during the quarter ended September 30, 2020 of \$257,432 increased from net income of \$175,298 for the quarter ended June 30, 2020. The increase in net income was primarily due to overhead recovery fee of \$243,435, exploration services revenue of \$96,765, and lower consulting, directors and salaries of \$161,020.

The net income during the quarter ended June 30, 2020 of \$175,298 increased from net loss of \$857,998 for the quarter ended March 31, 2020. The increase in net income was primarily due to overhead recovery fee of \$560,672, and stock-based compensation of \$nil as no options were granted during the quarter.

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.

### **Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021**

The Company's net loss before other comprehensive loss for the six months ended September 30, 2022 was \$759,001 (2021 -\$1,576,768). Significant fluctuations from the prior period comparative consisted of:

- Promotion and investor relations expense of \$222,458 (2021 - \$119,638). The increase was a result of the Company's efforts to increase market awareness during the current period.
- Stock based compensation expense of \$118,713 (2021 - \$63,314). The decrease was a result of fewer stock-options granted during the current period.

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- Gain on sale of exploration of exploration and evaluation assets of \$1,063,132 (2021 - \$Nil) was a result of the gain on shares received from Felix relating to the assignment of the Fairbanks District option agreements and rights to areas of interest.
- Impairment of exploration and evaluation assets of \$228,770 was primarily related to the impairment of the El Picacho property as a result of the assignment of the option to Tocvan.
- Unrealized loss on market securities of \$1,403,941 (2021 –\$655,962) due to the fluctuation in the fair value of various publicly traded shares during the current period.

**Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021**

The Company's net loss before other comprehensive income (loss) for the three months ended September 30, 2022 was income of \$1,210,519 (2021 loss –\$329,740). Significant fluctuations from the prior period comparative consisted of:

- Accounting, audit and legal of \$117,111 (2021 - \$74,473) primarily due to the timing of the audit fee and increase in audit fee recorded in the current quarter.
- Office and miscellaneous expense of \$111,772 (2021 - \$271,532). The decrease was a result of Company's cost recovery efforts and cost reduction efforts in the period.
- Gain on sale of royalties of \$1,200,000 (2021 - \$Nil).
- Unrealized gain on market securities of \$483,045 (2021 –loss of \$227,059) due to the fluctuation in the fair value of various publicly traded shares during the current period.

**Related Party Transactions**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors.

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

	Nine Months ended September 30, 2022		Year ended December 30, 2021	
Consulting, directors and compensation	\$	349,107	\$	277,560
Stock based compensation		47,514		10,800
	\$	396,621	\$	288,360

During the period ended September 30, 2022, 1,300,000 stock options (Year ended December 31, 2021 – Nil) were issued to officers and directors with an estimated fair value of \$60,967 (Year ended December 31, 2021 - \$Nil) and recorded stock-based compensation of \$47,514 (Year ended December 31, 2021 - \$19,638) relating to the portion vested throughout the period.

These charges were in the normal course of operations and were measured by the exchange amount which is the amount agreed upon by the transacting parties.

As of September 30, 2022, there was \$125,626 (December 31, 2021 – \$48,600) due to related parties for accrued directors' fees, deferred salary expenses and accounting fees. These amounts are unsecured, do not bear interest and have no fixed terms of repayment.

## **Financial Instruments**

### **a) Fair Value of Financial Instruments**

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

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

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

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

### **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 amounts receivable are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with large financial institutions. The Company manages its risk on amounts receivable by providing monthly reports to property partners and working to receive payments before additional months of expenditures are incurred.

### **d) Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities, due to related parties and loans payable are expected to be settled within 12 months of September 30, 2022.

### **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 other working capital (deficiency) items of \$(133,038) (December 31, 2021 – \$(453,148)) denominated in US dollars. A ten percent change in the exchange rate would result in a \$13,304 (December 31, 2021 – \$45,315) impact to the Company's net loss and comprehensive loss. The Company has Mexican peso cash and other working capital items of \$253,357 (December 31, 2021 – \$218,187). A ten percent change in the exchange rate would result in a \$25,336 (December 31, 2021 – \$21,819) impact to the Company's net loss and comprehensive 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.

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### **f) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the net loss in consolidated financial statements is interest income on Canadian dollar cash and cash equivalents and accretion expense on note payable. The Company is not exposed to significant interest rate risk.

### **g) Capital Management Risk**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the exploration and development of its mineral properties, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or bring in earn-in partners. Due to the Company's business, the Company regularly enters into earn-in agreements where funds are forwarded as part of the option-in agreement.

The Company presently derives most of the funding required for its exploration projects from other companies that are earning into the Company's projects. As the projects mature the Company will be dependent on the capital markets as its main source of operating capital and the Company's capital resources will be largely determined by the strength of the junior resource markets, the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects.

### **Other Risks and Uncertainties**

#### **i) Exploration and Development Risk**

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

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### **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.

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### **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.

**MILLROCK RESOURCES INC.**

Management Discussion and Analysis  
For the period ended September 30, 2022

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**xiii) Laws and Regulations**

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

**Newly Adopted Accounting Policies and Accounting Policy Pronouncements**

Please refer to the financial statements for the period ended September 30, 2022 on [www.sedar.com](http://www.sedar.com) for newly adopted accounting policies and accounting policy pronouncements.

**Disclosure of Outstanding Share Data**

As at November 25, 2022, the Company had 156,272,394 common shares outstanding.

As at November 25, 2022, 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>
March 26, 2023	870,000	870,000	\$ 0.23
September 30, 2024	1,555,000	1,555,000	\$ 0.09
February 28, 2025	1,780,000	1,780,000	\$ 0.135
November 23, 2025	1,490,000	1,490,000	\$ 0.105
February 24, 2027	3,075,000	1,537,500	\$ 0.065
	8,770,000	7,232,500	

As at November 25, 2022, the Company has outstanding share purchase warrants as follows:

<b>Expiry Date</b>	<b>Warrants</b>	<b>Exercise Price</b>
May 7, 2023	37,133,780	\$ 0.1275

As at May 30, 2022, the Company had 2,184,880 finders special warrants convertible into 2,184,880 units at \$0.085 until March 7, 2023. Upon conversion of the special warrants the finder will receive 2,184,880 common shares and 2,184,880 warrants convertible into an additional share at \$0.1275 per share until March 7, 2023.

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Management Discussion and Analysis  
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**HEAD OFFICE**

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*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 (OTCQB): **MLRKF**

**CAPITALIZATION**

(as at November 25, 2022)

Shares Authorized: Unlimited  
Shares Issued: 156,272,394

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