



## **Management Discussion & Analysis**

For the Three Months Ended March 31, 2016

**MILLROCK RESOURCES INC.**

Management Discussion and Analysis

For the Quarter Ended March 31, 2016

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**Introduction**

This is Management's Discussion and Analysis ("MD&A") for Millrock Resources Inc. ("Millrock" or the "Company") and has been prepared based on information known to management as of May 27, 2016. This MD&A is intended to help the reader understand the condensed interim consolidated financial statements of Millrock.

The Company, in compliance with the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board ("AcSB"), adopted the use of the International Financial Reporting Standards ("IFRS") and transitioned from Canadian Generally Accepted Accounting Principles ("Cdn GAAP") to IFRS by the required date of January 1, 2011. This MD&A should be read in conjunction with the consolidated financial statements for the quarter ended March 31, 2016 and supporting notes. These consolidated interim financial statements have been prepared using accounting policies consistent with IFRS.

The Company's board of directors follow recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's Audit Committee meets with management regularly to review the consolidated financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

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, exploration and development of mineral properties prospective for gold, copper and other metals. 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. The Company has a focus on select geologic terrains and mineral districts in three mining jurisdictions: Alaska, Mexico, and British Columbia. This business model shares risk by forming agreements with other companies that invest capital to move exploration projects toward development and production. As of the report date, Millrock has twenty five active exploration projects, nine gold and copper properties in Alaska, a uranium project in New Mexico, twelve gold, silver and copper projects in Mexico, and three in British Columbia. During 2016, three companies were earning an interest in Millrock's projects: Vista Minerals ("Vista"), Centerra Gold ("Centerra"), and another company, which presently wishes to remain anonymous.

The Company has established a strong property portfolio prospective for the discovery of large-scale intrusion-related gold and copper-gold porphyry deposits. Millrock is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Nunavut, and trades on the TSX Venture Exchange under the symbol MRO. The Company also trades on the OTCQX 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, 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 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 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.

## **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 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 a new 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),

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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 the exploration risks through 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 explore 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) Currency Risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in the USA and as such, a large portion of its expenses are incurred in U.S. dollars, which could cause a significant change in the results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations as the Company considers these risks at a minimum.

**v) 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 their earn-in, the Company would have to provide its share of ongoing exploration and development costs in order to maintain its interest or be reduced in interest or to a royalty interest. Additional capital would be required to put a property into commercial

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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.

**vi) Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. 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 equivalents by placing these instruments with institutions of high credit worthiness. The majority of the Company's cash is held through large Canadian and US financial institutions with a high investment grade rating.

**vii) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage. The Company insists on pre-payment of costs for exploration programs that have been approved by partner companies. Work does not commence unless funds to cover the cost of the work have been received. Accounts payable and accrued liabilities are due and paid within the current operating period.

**viii) Interest Rate Risk**

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any short-term investments included in cash due to the short term nature.

**ix) 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.

**x) 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 earn-in agreement for any property.

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**xi) Material Risk of Dilution Presented by Large Number of Share Purchase Options and Warrants**

At quarter end there were 2,782,500 stock options and 19,943,393 warrants outstanding. Directors and officers held 2,020,000 of the options and 395,459 of the warrants, and 762,500 of the options were held by employees and consultants of the Company. As of the quarter end there were 31,804,758 shares issued and outstanding. On a fully diluted basis including stock options and warrants the Company has a capitalization of 54,530,651 shares. Subsequent to the quarter end 40,000 stock options expired.

**xii) 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.

**xiii) 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.

**xiv) 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.

**xv) 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.

**xvi) 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.

**xvii) 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.

**xviii) 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, 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.

**xix) Mineral Resource Estimates**

The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated. So far, Millrock has not published any mineral resources for its properties.

**Use of the Terms "Mineral Resources" and "Mineral Reserves"**

Any reference in this MD&A to Mineral Resources does not mean Mineral Reserves. Under NI 43-101, a Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral Resources are sub-divided, in order of increasing geologic confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.

The terms "Mineral Reserve," "Proven Mineral Reserve" and "Probable Mineral Reserve" are Canadian mining terms as defined in accordance with NI 43-101 and the CIM Standards. These definitions differ from the definitions in SEC Industry Guide 7 under the U.S. Securities Act. Under

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SEC Industry Guide 7, a reserve is defined as part of a mineral deposit which could be economically and legally extracted or produced at the time the reserve determination is made. Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms “Mineral Resource,” “Measured Mineral Resource,” “Indicated Mineral Resource” and “Inferred Mineral Resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. “Indicated Mineral Resource” and “Inferred Mineral Resource” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Indicated Mineral Resource or Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an Inferred Mineral Resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this MD&A filed herewith or incorporated by reference herein contain descriptions of mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under United States federal securities laws and the rules and regulations promulgated thereunder.

**CAUTIONARY NOTE TO U.S. INVESTORS REGARDING MINERAL RESOURCE  
AND MINERAL RESERVE ESTIMATES**

Cautionary Note – The United States Securities and Exchange Commission (“SEC”) permits U.S. mining companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce. Millrock Resources Inc. uses certain terms such as “measured”, “indicated”, “inferred”, and “mineral resources,” which the SEC guidelines strictly prohibit U.S. registered companies from including in their filings with the SEC. Accordingly, information contained in this MD&A contains descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies which are subject to the reporting and disclosure requirements under United States federal securities laws and the rules and regulations promulgated thereunder. While Millrock is not a U.S. registered company, it does trade through the OTCQX marketplace, some of its projects are in the U.S., the Company owns two U.S.-based subsidiary companies, the main operational office is in Anchorage, Alaska, and there are a substantial number of U.S. shareholders of Millrock. For these reasons Millrock cautions U.S. investors regarding mineral resource and mineral reserve estimates that may be mentioned in this MD&A.



## **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 the first quarter of 2016. In total, Millrock expended \$427,173 on exploration year to date through the first quarter of 2016, of which \$76,571 was supplied by partner companies that are earning into Millrock's projects. Additionally, the Company spent \$73,001 on generative exploration through the first quarter. Millrock's share price remained relatively static during the quarter.

### **Highlights for the Quarter Ended March 31, 2016**

- i) **Los Chinos – An option agreement was signed with Centerra Gold and exploration work immediately proceeded.**
- ii) **Las Cuarentas - An option agreement was signed with Centerra Gold.**
- iii) **Millrock purchased the Chisna project from Corvus Gold.**

### **Outlook**

During the early part of the quarter the adverse market conditions that prevailed for many years continued. However, by March, the price of gold was increasing and some investors had made money on speculative resource stocks. Venture capital financing was suddenly more available. It now appears that the bear market has passed and a new bull market is starting.

Throughout the past two years Millrock has generated projects throughout Alaska and Mexico and made new acquisitions in the Stewart Camp of British Columbia. Millrock has been able to purchase some excellent exploration projects at very low cost. Now that capital is flowing back to our sector we anticipate making new partnerships to fund exploration and drilling. The outlook for active drilling in the coming quarters and years is bright.

## **Operations Review**

### **Alaska Properties**

Millrock owns and operates eight mineral exploration projects in Alaska. The following provides a summary description of the properties at which there were active exploration field operations or office work, or any related corporate developments.

**Liberty Bell gold project:** Millrock acquired an option on this project at low cost. The Company can earn a 100% interest with no underlying royalty for US\$600,000 with most of this cost coming in the last year of the three-year agreement. The claims host a known gold mineralization in a small deposit that has not been fully delineated. The deposit is of the distal skarn variety. There is very good exploration potential to find more deposits nearby.

**Apex El Nido high grade vein gold project:** Millrock made an option agreement with the underlying owner. The option is good for five years and costs Millrock US\$1,000 per year.

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There are historic underground 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 contain high grade gold. It is anticipated that the veins may very well extend below the workings.

**WP project and database:** Millrock purchased a database for US\$100,000. It represents more than \$5 million worth of exploration work. Millrock's strategic agreement with a funding company paid the cost of this purchase. Millrock merged the data with its own database and the Company now owns the most comprehensive database for the Goodpaster Mining District. The WP claims have been offered to the third party to form a designated project with its own budget.

**British Columbia Properties**

On December 14, 2015 Millrock announced that it had entered into a series of agreements to consolidate three major land packages in the "Golden Triangle" area, northeast of the town of Stewart, British Columbia. The three projects, Todd Creek, Poly and Oweege Dome, are prospective for gold and polymetallic base metal deposits and cover known mineral occurrences distributed along favourable structures in the lower Hazelton Group rocks that are known to host much of the metal endowment of the camp. The Todd Creek property adjoins the southern boundary of the claim block covering the Brucejack Property, which is owned by Pretivm Resources Inc. The Poly project is located 10 kilometers southeast of Todd Creek and is bisected by Highway 37A and the 138 kilovolt Stewart powerline. The Oweege Dome property adjoins the eastern boundaries of Pretivm's Brucejack property and of the KSM property owned by Seabridge Gold Inc. Highway 37 and the recently constructed Northwest Transmission Line transect the western tenures of the Oweege Dome property. In total, the properties cover an area of approximately 60,000 hectares (600 square km).

Eight different agreements were simultaneously signed with six different claim owners, royalty owners and creditors. The result is that Millrock has assembled three large, cohesive mining claim blocks covering highly prospective lands in a very attractive and active exploration and mine development district. Millrock will advance these projects but will be looking to create funding partnerships with other companies in strict keeping with our earn-in option agreement business model.

**Mexico Properties**

On June 6, 2014 the Company entered an agreement to purchase PMXH and all of its assets, which include the shares of a wholly-owned Mexican subsidiary and its nine 100%-owned mineral properties, two mineral properties under option, an extensive geological database and various exploration equipment. The projects, primarily located in the State of Sonora, Mexico, have potential for large-scale copper-gold porphyry deposits, high-sulphidation epithermal gold deposits, high-grade vein gold deposits, and skarn and replacement-style silver-zinc-lead deposits. Throughout 2015 Millrock actively generated more projects and acquired one by purchase with stock as consideration.

The Company worked actively to secure partners for the projects. At the end of the quarter Centerra Gold entered into earn-in agreements for the Los Cuarentas and Los Chinos. Millrock continues to actively market all other properties to potential exploration partners.

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**Los Cuarentas Este Project, Sonora, Mexico, Copper-Gold, 100%:** This property is situated on a very large, intense, zoned alteration system typical of porphyry copper deposits. Very little work has been done by prior workers because no intrusive porphyry rock is exposed at surface and base metal occurrences are limited. A buried porphyry copper-molybdenum deposit is possible.

**Los Cuarentas Oeste Project, Sonora, Mexico, Gold-Silver, 100%:** The property is situated on a continuation of the mineralized structure associated with the adjoining Mercedes gold-silver mine that is operated by Yamana Gold Inc. There is potential for high-grade epithermal gold deposits on this property. The two portions of the Los Cuarentas claims have been of interest to a number of potential earn-in partners. Subsequent to the year end, it was announced that Centerra Gold had entered an earn-in agreement concerning this property.

**Violeta Project, northern Sonora – Gold-bearing veins/breccias, 100%:** This is a fractional claim block in the core of a known mineralized system in northern Sonora. The surrounding claims are owned by another company that has expressed interest in purchasing this key land block.

**Los Chinos Project, Sonora near Hermosillo, Gold, 100%:** This project targets Herradura-type, orogenic-style gold deposits. It is located along a juxtaposed contact of high grade Proterozoic metamorphic rocks against relatively un-metamorphosed but deformed metasedimentary rocks of Jura-Cretaceous age. Several known gold showings suggest a favourable exploration environment. Preliminary exploration has defined some interesting gold values, including a newly discovered zone of oxidized pegmatite and quartz veins in the Proterozoic rocks. Millrock advance the project with further mapping and sampling in 2015 and showed the property to a number of prospective partners. At the end of the first quarter it was announced that Centerra Gold had made an earn-in agreement concerning this property.

**Ramard Project, Sonora, epithermal / vein, 80 km north of Hermosillo, Gold, 100%:** The claims cover a historic, polymetallic stream sediment anomaly as well as a known epithermal stockwork vein showing. Two areas of high grade gold in vein float (boulders) with magnetite stockworks are present. Additionally, a large skarn system was recently discovered. The skarn contained anomalous silver, lead and zinc. Millrock carried out soil sampling and prospecting on the claims in 2015.

**Villa Hidalgo, Sonora, Gold, 100%:** This claim was dropped, but subsequently there was interest from a placer mining company. With funding from this company Millrock was able to reacquire the claims by reversing the relinquishment. Once the claim is returned fully to Millrock ownership and subdivided, the portion of interest will be sold to the placer mining company.

**La Union Project, Sonora, Gold-Silver, 100%:** This project is situated in the Herradura district of northwest Sonora. Mapping has identified an area with high-grade silver-gold (and lead-zinc) veins. Millrock has done geochemical work to advance the project.

**Los Chivos Project, Central Baja California, Gold, 100%:** Reconnaissance exploration has defined some high grade vein mineralization in the district and there may be potential for larger Herradura-style orogenic gold deposits. Adjacent claims will need to be secured in order to make a comprehensive land package.

**Guadalcazar Project, San Luis Potosí, central Mexico, Gold-Silver, 100% Option from Servicio Geologico Mexico:** At this project a skarn zone with strong silver is known. Pembroke,

from a 2013 drilling program, has reported high grade silver over significant drill intervals including 22 m @ 148 gpt Ag. Millrock showed this project third parties in 2015.

## Summary of Quarterly Results

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

	Mar. 31 2016 Q1	Dec. 31 2015 Q4	Sep. 30 2015 Q3	Jun. 30 2015 Q2	Mar. 31 2015 Q1	Dec. 31 2014 Q4	Sep. 30 2014 Q3	Jun. 30 2014 Q2
Mineral expenditures	206,395	\$ (225,986)	\$ 311,066	\$ 27,811	\$ 563,930	\$ (689,207)	\$ 360,050	\$ 878,060
Overhead Recovery Fees	4,474	17,168	163,030	49,431	25,243	22,988	-	(683)
G&A expense (including stock-based comp.)	847,278	711,239	501,830	503,499	927,388	808,653	337,171	414,029
Stock-based compensation	257,412	-	-	-	199,563	120,191	-	-
Adjusted G&A (excluding stock-based comp.)	589,866	711,239	501,830	503,499	727,825	688,462	337,171	414,029
Mineral properties write-off	-	1,446,327	-	-	-	1,102,833	-	-
Net Income/(loss)	\$ (842,804)	(2,146,144)	(256,831)	(454,068)	(892,013)	(1,862,886)	(337,171)	(413,792)
Loss per share	(0.04)	\$ (0.11)	\$ (0.01)	\$ -	\$ (0.07)	\$ (0.15)	\$ (0.01)	\$ (0.09)

In both the first quarters of 2016 and 2015 the company recognized some revenue via Overhead Recovery Fees and recorded stock based compensation in the form of option issuance to employees.

Millrock has observed seasonality in the past in regards to Overhead Recovery Fees as these are charged on earn-in projects where the Company sees most of its Alaska exploration in the second and third quarters of the year. 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 earn-in agreements with Centerra on two Mexican properties occurred at the very end of the first quarter, with work beginning on the properties during the second quarter of the year.

The stock based compensation shown on the table for Q4 2014 is for the accrual of deferred salaries during the year, and in Q1 of 2015 and 2016 is for the issuance of stock options to employees. G&A expenses typically remain fairly consistent throughout the years. There is a slight decrease of expense items in the second and 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 a substantial increase in the fourth quarters of both years because of the property write offs that occur in those quarters.

In recent years with foreign currency translation divergence between the US dollar (USD) and Canadian dollar (CAD) with the USD growing stronger, respectively, it makes exploration more expensive for Millrock and potential partner companies that also raise financing denominated in CAD.

### **Additional Disclosure for Venture Issuers Without Significant Revenue**

As the Company has had little revenue since inception, the following is a breakdown of the material costs incurred:

	Quarter Ended March 31, 2016	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
Stock-based compensation	257,412	\$ 199,563	\$ -
Investor relations	82,217	\$ 81,850	\$ 26,757
Office and miscellaneous	105,201	\$ 120,988	\$ 74,546
Consulting, directors and salaries	239,380	\$ 233,798	\$ 159,736
General Exploration	73,001	\$ 235,151	\$ 27,700
Accounting, audit and legal	45,262	\$ 56,817	\$ 5,466
Amortization and depreciation	1,979	\$ 5,458	\$ 16,249

The Company's annual financial results for the quarters ended March 31, 2016, 2015, and 2014 have been prepared in accordance with IFRS.

### **Three Months Ended March 31, 2016 Compared to the Three Months Ended March 31, 2015**

The Company had revenue of \$4,474 for the three months ended March 31, 2016 compared to revenue of \$25,243 for the three months ended March 31, 2015, and a net loss before other comprehensive loss of \$842,804, as compared to its net loss before other comprehensive loss of \$908,147 for the three months ended March 31, 2015.

General & administrative expenses overall for the three months ended March 31, 2016 totalled \$847,278 as compared to \$927,388 for the same period in 2015. The five largest expense items are consulting, directors and salaries costs of \$239,380, office and miscellaneous expense of \$105,201, stock based compensation of \$257,412, general exploration expense of \$73,001, and investor relations of \$82,217. These items comprise approximately 89% of the total general and administrative expenses of the Company.

Salaries and benefit costs amount to approximately 28% of the total general and administrative expenses for the three months ended March 31, 2016, compared to 25% for the three months ended March 31, 2015. This was an increase in percentage of total costs but only a very slight increase in actual expense.

Office and miscellaneous expenses amount to approximately 12%, of the total general and administrative expenses for the three months ended March 31, 2016, compared to 11% for the same period 2015. The Company has been able to keep costs stable while having added properties in the prior year.

Stock based compensation amount to approximately 28% of the Company's administrative expenses for the three months ended March 31, 2016, compared to 25% for three months ended

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Management Discussion and Analysis  
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March 31, 2015. The options issued to employees in 2016 had a higher value than the options issued in 2015.

General exploration costs amount to approximately 9% of the total general and administrative expenses for the three months ended March 31, 2016 compared to 25% for the same period in 2015. In the first quarter of 2015 the Company was very active in pursuing new projects, throughout 2015 a number of properties were added and in first quarter 2016, general exploration has reduced as the company is focused on working the projects that were added in 2015.

Investor relations accounted for approximately 9% of the Company's administrative expenses for three months ended March 31, 2016, compared to 9% for the same period ended 2015. The Company has remained consistently engaged with shareholders and investors.

**Liquidity and Capital Resources**

As of March 31, 2016, the Company has accumulated a deficit of \$32,776,131 and has working capital of \$676,345 based on current assets of \$1,163,928 and current liabilities of \$487,583.

The Company realizes income from option agreement payments, and from management fees it collects as the operator of earn in projects (option payments are recorded against the related property cost and not considered revenue until the property is reduced to zero but overhead recovery fees are recorded as revenue). These funds can cover a significant portion of the Company's overhead costs. The Company relies on equity financing to fund generative exploration programs on its open ground and on some of its properties. There are 2,782,500 options and 31,959,753 warrants outstanding as of the report date. Funding for most of the property exploration carried out by Millrock comes from partner companies earning in to Millrock's projects. 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 continue some of its existing partnerships, partner additional exploratory prospects, generate overhead recovery fees, and receipt of option payments. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, and by making earn-in agreements with partner companies there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financings will be favourable.

**Related Party Transactions**

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

	<b>Three Months Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
Consulting, directors and compensation	\$ 184,981	\$ 229,731
Stock based compensation	257,412	199,563
	<b>\$ 442,393</b>	<b>\$ 429,294</b>

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 March 31, 2016, due from related parties is \$0 (December 31, 2015: \$0), due to related parties \$11,500 (March 31, 2015: \$0) for directors' fees. These amounts are unsecured, do not bear interest and have no fixed terms of repayment.

### **Critical Accounting Estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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. Significant areas requiring the use of management estimates include assumptions and estimates relating to determining defined proven and probable reserves, value beyond proven and probable reserves, fair values for purposes of purchase price allocations for business acquisitions, asset impairment analysis, valuation of derivative contracts, determination of recoverable metal on leach pads, reclamation obligations, share-based payments and warrants, pension benefits, valuation allowances for deferred income tax assets, the provision for income tax liabilities, deferred income taxes and assessing and evaluating contingencies. Actual results could differ from these estimates.

The most significant accounting estimates for the Company relate to the carrying value of its mineral property assets. All deferred mineral property expenditures are reviewed on a property-by-property basis to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, earn-in expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value.

Management's estimates of mineral prices, recoverable proven and probable reserves and operating, capital and reclamation costs are subject to certain risks and uncertainties, which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties.

Another significant accounting estimate relates to accounting for stock-based compensation. The Company uses the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and, therefore, the existing models do not

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necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the year.

**Changes in Accounting Policies****Basis of Preparation**

The Company prepares its consolidated financial statements in accordance and compliance with International Financial Reporting Standards ("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, 2012.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next twelve months. 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 and classification of assets and liabilities should the Company be unable to continue as a going concern. As of March 31, 2016 the Company had not yet achieved profitable operations, but had working capital of \$676,345 (December 31, 2015: \$1,532,659). The Company's ability to continue as a going concern is dependent upon its ability to generate revenue from overhead recovery fees and option payments.

**IFRS Standards Issued But Not Yet Effective***IFRS 9 (Amendment) Financial Instruments**IFRS 11 (Amendment) Accounting for Acquisition of Interests in Joint Operations**IFRS 15 (Amendment) Revenue from Contracts with Customers**IAS 16 (Amendment) Property, Plant and Equipment**IAS 38 (Amendment) Intangible Assets*

Management intends to adopt the above standards in the Company's consolidated financial statements as of their effective dates, and is currently considering the impact of the adoption of these standards.

**Financial Instruments and Other Instruments****i) 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 has the following levels:

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



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

The company's financial instruments include: cash and equivalents, accounts receivable, marketable securities, prepaid expenses, accounts payable, and due to related parties. The carrying value of cash and equivalents, accounts receivable, and accounts payable approximates their fair values. The Company has no financial instruments whose fair values are measured using level 2 or level 3 inputs.

**ii) 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. Deposits are insured by the governments up to US\$250,000 in the US and CAN\$100,000 in Canada, therefore the maximum amount that may be exposed to credit risk totaling cash, restricted cash, and amounts receivable for the three months ended March 31, 2016 is \$580,780.

**iii) 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 are current.

**iv) 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 of \$31,605 (March 31, 2015: \$54,234) denominated in US dollars. A ten percent change in the exchange rate would result in a \$3,161 (March 31, 2015: \$5,423) impact to the Company's net income (loss). The Company has Mexican peso cash and working capital items of \$30,191 (March 31, 2015: \$183,797). A ten percent change in the exchange rate would result in a \$3,019 (March 31, 2015: \$18,379) impact to the Company's net 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 and the risk is not significant.

**v) 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 loss for the period in consolidated financial statements is interest income on Canadian dollar cash and cash equivalents and interest expense on the note payable. The Company is not exposed to significant interest rate risk.

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Management Discussion and Analysis

For the Quarter Ended March 31, 2016

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**vi) Management of Capital**

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 earn-in agreement. As such, these funds are restricted.

**Commitments**

The Company is committed to pay \$42,078 in office rentals for the year 2016.

**Share Capital****i) Authorized**

Unlimited common shares without par value.

**ii) Issued and outstanding common shares for the quarter ended March 31, 2016 was 31,804,758.****Legal Claims and Contingent Liabilities**

At March 31, 2016, there were no material legal claims or contingent liabilities outstanding.

**Off Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Subsequent Events**

On April 4, 2016 Millrock announced it expanded its land holdings position for the Todd Creek and Poly projects in British Columbia. The expansion was made via staking.

On April 7, 2016 Millrock announced the acquisition of the Chisna copper-gold project in Alaska. Included in the purchase was a database covering the Chisna claims and surrounding district.

On May 4, 2016 Millrock announced a private placement financing to raise gross proceeds of up to \$3,509,000.

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**Disclosure of Outstanding Share Data**

The following table summarizes the number of common shares, stock options and share purchase warrants as of May 27, 2016:

	Amount	Exercise Price	Expiry Date
Common Shares outstanding as of May 27, 2016	31,804,758		
Warrants	670,000	\$1.50	October 9, 2018
	2,009,000	\$1.00	June 19, 2019
	120,600	\$1.00	June 19, 2019
**	8,090,000	\$0.70	October 21, 2016
	428,000	\$0.50	October 21, 2019
**	35,040	\$0.70	October 21, 2016
#	8,590,753	\$0.22	December 10, 2019
Employee Stock Options	25,000	\$6.00	August 19, 2016
	6,500	\$4.75	January 31, 2017
	141,000	\$2.10	June 21, 2017
	35,000	\$2.30	November 15, 2017
	15,000	\$1.00	July 17, 2018
	1,070,000	\$0.50	March 13, 2020
	1,450,000	\$0.25	February 4, 2021
Fully Diluted Shares Outstanding	54,490,651		

\*\*Note these warrants have tiered exercise price of \$0.70 until Oct. 21, 2016 and \$1.00 thereafter until Oct. 21, 2019

# Note these warrants have tiered exercise price of \$0.22 until Dec. 10, 2016, \$0.30 until Dec. 10, 2017, and \$0.40 thereafter until Dec. 10, 2019

The following table summarizes the weighted average of stock options and share purchase warrants as of May 27, 2016:

	Number of Share	Weighted Average Exercise Price (\$CDN)
Issued and outstanding common shares	31,804,758	-
Incentive stock options	2,742,500	\$ 0.53
Share purchase warrants	19,943,393	\$ 0.55
	54,490,651	-

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Keith Granberry, CPA, CFE  
*Chief Financial Officer*

Janice Davies  
*Corporate Secretary*

Darryl Cardey, CA  
*Director & Chairman, Audit Committee*

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

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

Larry J. Cooper  
*Director*

## **LISTINGS**

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

## **CAPITALIZATION** (as at May 27, 2016)

Shares Authorized: Unlimited  
Shares Issued: 31,804,758

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