



**Condensed Interim Consolidated Financial Statements**

For the Six Months Ended June 30, 2016

**MILLROCK RESOURCES INC.**

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

The accompanying unaudited condensed interim consolidated financial statements of Millrock Resources Inc. (the "Company"), for the six months ended June 30, 2016 have been prepared by management and have not been the subject of a review by the Company's independent auditor.

**MILLROCK RESOURCES INC.***( An Exploration Stage Company )***Consolidated Statements of Financial Position***As at June 30, 2016, and December 31, 2015**( expressed in Canadian dollars )*

<b>ASSETS</b>	<b>30-Jun-2016</b>	<b>31-Dec-2015</b>
Current assets		
Cash and cash equivalents	\$ 2,738,282	\$ 1,577,421
Security deposit and restricted cash - Note 4	716,436	386,076
Marketable securities - Note 5	89,047	60,322
Amounts receivable	752,417	22,173
Prepaid expenses and deposit	133,112	117,595
Total current assets	\$ 4,429,294	\$ 2,163,587
Non-current assets		
Exploration and evaluation assets - Note 3	3,231,956	2,994,230
Property, plant and equipment - Note 6	70,274	13,074
Total non-current assets	\$ 3,302,230	\$ 3,007,304
<b>TOTAL ASSETS</b>	<b>\$ 7,731,524</b>	<b>\$ 5,170,891</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 198,647	\$ 250,623
Income tax payable	68,251	72,128
Project cost advance received	551,110	247,190
Due to related parties - Note 9	-	-
Deferred tax liability	53,303	60,987
Total current liabilities	\$ 871,311	\$ 630,928
<b>Total liabilities</b>	<b>\$ 871,311</b>	<b>\$ 630,928</b>
<b>Shareholders' equity</b>		
Share capital - Note 7	\$ 35,707,378	\$ 32,265,528
Reserves		
Share-based payments - Note 8	3,906,189	3,590,879
Warrants - Note 8	503,291	370,425
Other comprehensive income	64,731	246,457
Deficit	(33,321,375)	(31,933,327)
<b>Total shareholders' equity</b>	<b>\$ 6,860,213</b>	<b>\$ 4,539,963</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 7,731,524</b>	<b>\$ 5,170,891</b>

*These financial statements were approved and authorized for issue by the Board of Directors on August 29, 2016.**They were signed on its behalf by:*

Approved by the directors

Gregory BeischerDarryl Cardey

Gregory Beischer

Darryl Cardey

See accompanying notes to the consolidated financial statements

**MILLROCK RESOURCES INC.***(An Exploration Stage Company)***Consolidated Statements of Loss and Comprehensive Loss***For the six months ended June 30, 2016 and 2015**(expressed in Canadian dollars)*

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b>Revenue</b>				
Overhead recovery fees	\$ 43,775	\$ 49,431	\$ 69,018	\$ 74,674
	43,775	49,431	69,018	74,674
<b>General and administrative expense</b>				
Accounting, audit and legal	64,536	56,365	129,798	113,182
Amortization and depreciation - Note 6	2,692	5,060	4,671	10,518
Consulting, directors and salaries - Note 9	252,874	99,161	492,254	332,959
Foreign exchange (gain)/loss	3,351	39,501	26,177	49,398
General exploration	73,074	150,832	146,075	385,983
Investor relations	64,547	44,978	146,764	126,828
Office and miscellaneous expense	148,928	136,959	254,129	212,456
Stock-based compensation - Note 8	-	-	257,412	199,563
	610,002	532,856	1,457,280	1,430,887
<b>Loss before other items</b>	<b>\$ (566,227)</b>	<b>\$ (483,425)</b>	<b>\$ (1,388,262)</b>	<b>\$ (1,356,213)</b>
<b>Other items</b>				
Gain on disposal of assets - Note 6	-	-	-	10,132
<b>Net loss before income taxes</b>	<b>\$ (566,227)</b>	<b>\$ (483,425)</b>	<b>\$ (1,388,262)</b>	<b>\$ (1,346,081)</b>
Income tax (Expense)/Recovery	214	13,300	214	(16,056)
<b>Net loss before other comprehensive loss</b>	<b>\$ (566,013)</b>	<b>\$ (470,125)</b>	<b>\$ (1,388,048)</b>	<b>\$ (1,362,137)</b>
<b>Other comprehensive income/(loss)</b>				
Unrealized gain/(loss) on marketable securities - Note 5	17,235	28,416	28,725	42,717
Cumulative translation adjustment	(73,863)	61,217	(210,451)	129,773
<b>Comprehensive loss for the period</b>	<b>\$ (622,641)</b>	<b>\$ (380,492)</b>	<b>\$ (1,569,774)</b>	<b>\$ (1,189,647)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>	<b>\$ (0.07)</b>	<b>\$ (0.07)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>21,261,548</b>	<b>19,554,560</b>	<b>21,009,874</b>	<b>19,532,053</b>

See accompanying notes to the consolidated financial statements

**MILLROCK RESOURCES INC.***( An Exploration Stage Company)***Consolidated Statements of Cash Flows***For the Six Months ended June 30, 2016 and 2015**( expressed in Canadian dollars)*

	<b>For the Six Months Ended</b>	
	<b>2016</b>	<b>2015</b>
Cash provided from (used for)		
<b>Operating activities</b>		
Net loss	\$ (1,388,048)	\$ (1,362,138)
Items not involving cash		
Amortization and depreciation - Note 6	4,671	10,518
Stock-based compensation	257,412	199,563
	<b>\$ (1,125,965)</b>	<b>\$ (1,152,057)</b>
Net change in non-cash working capital items		
Amounts receivable	\$ (635,506)	\$ (894,828)
Prepaid expenses	(15,517)	75,527
Accounts payable and accrued liabilities	(31,770)	(206,106)
Income tax payable	(3,877)	3,734
Project cost advance received	303,920	1,339,521
Due to related parties - Note 9	-	(98,162)
<b>Total cash outflows from operating activities</b>	<b>\$ (1,508,715)</b>	<b>\$ (932,370)</b>
<b>Cashflows from investing activities</b>		
Net expenditures on exploration and evaluation assets	\$ (245,779)	\$ (392,852)
Purchase of equipment and property - Note 6	(62,635)	(3,982)
Proceeds from sale of equipment	-	10,132
<b>Total outflows from investing activities</b>	<b>\$ (308,414)</b>	<b>\$ (386,702)</b>
<b>Cashflows from financing activities</b>		
Security deposit and restricted cash	\$ (330,360)	\$ (1,348,501)
Share issuance costs - Note 7	(292,241)	-
Shares issued for cash - Note 7	3,596,191	-
Shares issued upon warrant exercise	4,400	-
<b>Total (outflows)/inflows from financing activities</b>	<b>\$ 2,977,990</b>	<b>\$ (1,348,501)</b>
<b>(Decrease)/ Increase in cash and cash equivalents</b>	<b>\$ 1,160,861</b>	<b>\$ (2,667,574)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>1,577,421</b>	<b>3,778,151</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 2,738,282</b>	<b>\$ 1,110,577</b>

See accompanying notes to the consolidated financial statements

## Consolidated Interim Statements of Changes In Stockholders' Equity (Unaudited)

Period From December 31, 2014 to June 30, 2016

(expressed in Canadian dollars)

	Common Shares (Note 7)		Reserves			Deficit	Total Shareholders' Equity
	Shares	Amount	Share-based Payment	Warrants	Other Comprehensive Income		
<b>Balance, December 31, 2014</b>	<b>19,504,219</b>	<b>\$ 30,241,769</b>	<b>\$ 3,579,681</b>	<b>\$ 331,372</b>	<b>\$ 5,478</b>	<b>\$ (28,184,271)</b>	<b>5,974,029</b>
Issuance of common shares for debt	263,252	120,191	(120,191)	-	-	-	-
Anti-Dilution right	872,890	151,734	(151,734)	-	-	-	-
Stock-based compensation	-	-	283,124	-	-	-	283,124
Cumulative translation adjustment	-	-	-	-	129,774	-	129,774
Unrealized gain on available-for-sale marketable securities	-	-	-	-	42,717	-	42,717
Loss for the period	-	-	-	-	-	(1,362,138)	(1,362,138)
<b>Balance, June 30, 2015</b>	<b>20,640,362</b>	<b>\$ 30,513,694</b>	<b>\$ 3,590,880</b>	<b>\$ 331,372</b>	<b>\$ 177,969</b>	<b>\$ (29,546,409)</b>	<b>5,067,506</b>
Issuance of common shares for exploration and evaluation assets	2,842,888	515,017	-	-	-	-	515,017
Anti-Dilution right	-	-	-	-	-	-	-
Issuance of common shares for cash pursuant to private placements	8,321,509	1,331,441	-	-	-	-	1,331,441
Share issue costs and finder's fee	-	(94,624)	-	39,054	-	-	(55,570)
Cumulative translation adjustment	-	-	-	-	102,588	-	102,587
Unrealized loss on available-for-sale marketable securities	-	-	-	-	(34,099)	-	(34,099)
Loss for the period	-	-	-	-	-	(2,386,918)	(2,386,918)
<b>Balance, December 31, 2015</b>	<b>31,804,758</b>	<b>32,265,528</b>	<b>3,590,880</b>	<b>370,425</b>	<b>246,457</b>	<b>(31,933,327 )</b>	<b>4,539,963</b>
Issuance of common shares for exploration and evaluation assets	300,000	133,500	-	-	-	-	133,500
Issuance of common shares for cash pursuant to private placements	12,400,660	3,596,191	-	-	-	-	3,596,191
Share issue costs and finder's fee	-	(292,241)	-	132,865	-	-	(159,376)
Issuance of common shares for cash pursuant to exercise of warrants	20,000	4,400	-	-	-	-	4,400
Stock-based compensation	-	-	315,309	-	-	-	315,309
Cumulative translation adjustment	-	-	-	-	(210,451)	-	(210,451)
Unrealized loss on available-for-sale marketable securities	-	-	-	-	28,725	-	28,725
Loss for the period	-	-	-	-	-	(1,388,048)	(1,388,048)
<b>Balance, June 30, 2016</b>	<b>44,525,418</b>	<b>35,707,378</b>	<b>3,906,189</b>	<b>503,291</b>	<b>64,731</b>	<b>(33,321,375 )</b>	<b>6,860,213</b>

\* Please note that Millrock consolidated its shares 10:1 on October 24, 2014.

All share capital balances have been adjusted to be shown on a consolidated basis.

**MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

For the Six Months Ended June 30, 2016

(Expressed in Canadian dollars)

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**1. Nature of Operations**

Millrock Resources Inc. ("Millrock" or the "Company") is a public Company listed on the TSX Venture Exchange. The Company's shares trade on the TSX Venture Exchange under the symbol "MRO". The registered office of the Company is located at 1177 West Hastings St., Suite 2300 Vancouver, British Columbia, Canada V6E 2K3.

The Company's principal business activities include exploration and development of mineral resources. All of the Company's projects are considered to be in the exploration stage and the Company has not yet determined whether these properties contain mineral resources that are economically recoverable ("ore reserves"). The Company utilizes the "Project Generator" business model. Through research and early stage exploration, the Company generates new exploration ideas, acquires mineral rights and performs exploration work to clearly identify drilling targets. Earn-in option agreements are made with partners that fund drilling and more advanced exploration to earn an interest in the Company's properties.

**2. Basis of Preparation and Going Concern**

The Company prepares these condensed interim consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ending December 31, 2015 prepared in accordance with IFRS. IAS 34 does not require disclosure of accounting policies used in interim statements. The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are the same as those policies applied in the Company's audited consolidated financial statements for the year ended December 31, 2015.

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

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

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

**MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

For the Six Months Ended June 30, 2016

(Expressed in Canadian dollars)

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**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.

These condensed interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to 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 interim 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 June 30, 2016, the Company had not yet achieved profitable operations, but had working capital of \$3,557,983 (December 31, 2015: \$1,532,659) and accumulated deficit of \$33,321,375 (December 31, 2015 \$31,933,327). Management has carried out an assessment of the going concern assumption and has concluded that the Company has sufficient cash and cash equivalents and other financial assets to continue operating at current levels for the ensuing twelve months. 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.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed at each period end. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant areas requiring the use of management's judgments, assumptions and estimates include asset impairment analysis, the useful lives of property, plant and equipment, valuation of share-based payments and warrants, the provision for income tax liabilities, deferred income taxes and assessing and evaluating contingencies. Actual results could differ from these estimates.

These condensed interim consolidated financial statements are presented in Canadian dollars.

**3. Exploration and Evaluation Assets**

This section describes pertinent changes to each of Millrock's projects during the quarter. The notes should be read in conjunction with prior financial statements that describe the agreement terms underlying property owners and earn-in partners.

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.



**MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

For the Six Months Ended June 30, 2016

(Expressed in Canadian dollars)

# Exploration and Evaluation Assets

	Alaska							USA
	Estelle*	Humble	Fortymile*	Peninsula	Stellar	Q4P	Other	Total
Balance at December 31, 2015	\$ -	\$ 17,354	\$ -	\$ 42,258	\$ 84,209	\$ 7,175	\$ 614,388	\$ 765,384
Addition during the year								
Option costs:								
Option payments - cash	-	-	-	-	-	-	34,353	34,353
Shares issued	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	34,353	34,353
Exploration costs:								
Non-reimbursable costs	-	-	-	14,505	-	-	57,925	72,430
Acquisition	-	-	-	2,748	30,137	-	90,638	123,524
Drilling	-	-	-	-	-	-	-	-
Geochemistry	-	-	-	18,472	-	-	648	19,120
Geology	-	-	-	2,342	-	-	97,154	99,496
Geophysics	-	-	-	-	-	-	21	21
Environmental and permitting	-	-	-	-	-	-	382	382
External relations	-	-	-	-	-	-	-	-
Support and equipment	-	-	-	4,765	9,931	-	90,895	105,591
	-	-	-	42,832	40,069	-	337,664	420,565
Less:								
Recoveries	-	-	-	28,033	32,234	-	198,367	258,635
Option payments received	-	-	-	-	32,205	-	-	32,205
	-	-	-	28,033	64,439	-	198,367	290,840
Net additions	-	-	-	14,799	(24,371)	-	173,649	164,077
Foreign currency translation	-	(1,157)	-	(3,687)	(5,682)	(479)	(48,978)	(59,984)
Balance at June 30, 2016	\$ -	\$ 16,197	\$ -	\$ 53,370	\$ 54,156	\$ 6,697	\$ 739,059	\$ 869,478

\*Property was fully written off in 2015

**MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

For the Six Months Ended June 30, 2016

(Expressed in Canadian dollars)

# Exploration and Evaluation Assets

	Mexico								British Columbia	Corporate
	Coatan*	Los Cuarentas	Guadalcazar	Ramard	Rio Sonora*	Los Chinos	Other	Total		Total
Balance at December 31, 2015	\$ -	\$ 625,165	\$ 540,909	\$ 52,774	\$ -	\$ 67,597	103,165	\$ 1,389,609	\$ 839,234	\$ 2,994,230
Addition during the year										
Option costs:										
Option payments - cash	-	-	-	-	-	-	-	-	-	34,353
Shares issued	-	-	-	-	-	-	-	-	133,500	133,500
	-	-	-	-	-	-	-	-	133,500	167,853
Exploration costs:										
Non-reimbursable costs	-	-	-	-	-	-	-	-	-	72,430
Acquisition	-	31,154	621	352	-	17,026	25,721	74,873	40,648	239,045
Drilling	-	2,528	-	-	-	283	-	2,811	-	2,811
Geochemistry	-	17,476	-	-	-	65,304	1,961	84,740	-	103,860
Geology	-	40,055	3,934	525	-	114,016	16,886	175,416	93,288	368,200
Geophysics	-	5,592	-	-	-	9,372	-	14,964	-	14,985
Environmental and permitting	-	-	-	-	-	-	-	-	-	382
External relations	-	-	-	-	-	-	-	-	-	-
Support and equipment	-	15,577	45	3,426	-	38,573	4,994	62,615	21,527	189,733
	-	112,382	4,600	4,303	-	244,573	49,561	415,420	155,462	991,447
Less:										
Recoveries	-	85,100	-	-	-	312,171	-	397,271	-	655,906
Option payments received	-	-	-	-	-	-	-	-	-	32,205
	-	85,100	-	-	-	312,171	-	397,271	-	688,111
Net additions	-	27,282	4,600	4,303	-	(67,598)	49,561	18,148	288,962	471,188
Foreign currency translation	-	(81,757)	(68,312)	(6,964)	-	-	(16,443)	(173,477)	-	(233,461)
Balance at June 30, 2016	\$ -	\$ 570,690	\$ 477,197	\$ 50,113	\$ -	\$ -	\$ 136,283	\$ 1,234,280	\$ 1,128,196	\$ 3,231,956

\*Property was fully written off in 2015

**MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

For the Six Months Ended June 30, 2016

(Expressed in Canadian dollars)

# Exploration and Evaluation Assets

	Alaska							Arizona		USA
	Cristo*	Estelle	Humble	Fortymile	Peninsula	Stellar	Q4P	Galiuro*	Other	Total
Balance at December 31, 2014	\$ -	\$ 285,151	\$ 8,049	\$ 132,729	\$ 106,243	\$ 68,871	\$ 5,040	\$ -	\$ 344,897	\$ 950,980
Addition during the year										
Option costs:										
Option payments - cash	-	-	-	-	-	-	-	-	1,309	1,309
Shares issued	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	1,309	1,309
Exploration costs:										
Non-reimbursable costs	-	-	-	-	66,767	18,980	-	-	8,636	94,383
Acquisition	-	-	7,477	25	36,171	14,314	1,121	-	391,949	451,057
Drilling	-	-	-	-	690,250	-	-	-	-	690,250
Geochemistry	-	-	-	-	38,336	-	-	-	210	38,546
Geology	-	-	-	-	56,329	3,884	-	-	259,882	320,095
Geophysics	-	-	-	-	327	-	-	-	-	327
Environmental and permitting	-	-	-	-	35,162	-	-	-	-	35,162
External relations	-	-	-	-	12,615	-	-	-	-	12,615
Support and equipment	-	1,319	-	-	1,079,609	9,902	-	-	100,101	1,190,932
	-	1,319	7,477	25	2,015,566	47,080	1,121	-	760,778	2,833,367
Less:										
Recoveries	-	-	-	-	1,948,799	13,791	-	-	499,516	2,462,106
Option payments received	-	-	-	-	-	33,378	-	-	-	33,378
Shares received	-	-	-	-	-	-	-	-	-	-
Gain on option payments received	-	-	-	-	-	-	-	-	-	-
Gain on shares received	-	-	-	-	-	-	-	-	-	-
Write off	-	341,605	-	158,372	158,990	-	-	-	72,530	731,497
	-	341,605	-	158,372	2,107,789	47,168	-	-	572,046	3,226,980
Net additions	-	(340,286)	7,477	(158,347)	(92,223)	(88)	1,121	-	190,041	(392,304)
Foreign currency translation	-	55,135	1,828	25,618	28,237	15,426	1,014	-	79,450	206,709
Balance at December 31, 2015	\$ -	\$ -	\$ 17,354	\$ -	\$ 42,258	\$ 84,209	\$ 7,175	\$ -	\$ 614,388	\$ 765,384

\*Property was fully written off in 2014

**MILLROCK RESOURCES INC.**

(An Exploration Stage Company)

For the Six Months Ended June 30, 2016

(Expressed in Canadian dollars)

# Exploration and Evaluation Assets

	Mexico							British Columbia		Corporate
	Coatan	Los Cuarentas	Guadalcazar	Ramard	Rio Sonora	Los Chinos	Other	Total		Total
Balance at December 31, 2014	\$ 52,097	\$ 429,556	\$ 431,528	\$ 87,636	\$ 335,543	\$ 20,469	\$ 9,600	\$ 1,366,428	\$ -	\$ 2,317,409
Addition during the year										
Option costs:										
Option payments - cash	-	-	-	-	-	-	-	-	313,000	314,309
Shares issued	-	-	-	-	-	-	23,077	23,077	491,940	515,017
	-	-	-	-	-	-	23,077	23,077	804,940	829,326
Exploration costs:										
Non-reimbursable costs	-	-	-	-	-	-	-	-	-	94,385
Acquisition	21,511	123,411	78,799	19,377	171,098	6,088	30,620	450,904	5,343	907,304
Drilling	-	87	-	-	-	-	-	87	-	690,337
Geochemistry	168	14,685	11,229	12,841	4,424	8,426	12,637	64,409	-	102,955
Geology	4,532	43,517	10,745	1,719	35,081	28,344	37,971	161,910	-	482,004
Geophysics	-	-	-	-	-	-	-	-	-	327
Environmental and permitting	-	-	-	-	-	-	-	-	-	35,162
External relations	-	-	-	-	-	-	-	-	-	12,615
Support and equipment	958	4,490	791	92	8,763	3,727	12,486	31,307	28,951	1,251,190
	27,169	186,190	101,564	34,029	219,366	46,585	93,714	708,616	34,294	3,576,279
Less:										
Recoveries	-	-	-	-	-	-	20,482	20,482	-	2,482,588
Option payments received	-	-	-	-	-	-	-	-	-	33,378
Shares received	-	-	-	-	-	-	-	-	-	-
Gain on option payments received	-	-	-	-	-	-	-	-	-	-
Gain on shares received	-	-	-	-	-	-	-	-	-	-
Write off	79,873	-	-	70,367	560,960	-	3,631	714,831	-	1,446,327
	79,873	-	-	70,367	560,960	-	24,113	735,313	-	3,962,293
Net additions	(52,704)	186,190	101,564	(36,339)	(341,594)	46,585	92,678	(3,620)	839,234	443,312
Foreign currency translation	606	9,420	7,817	1,477	6,051	543	886	26,800	-	233,509
Balance at December 31, 2015	\$ -	\$ 625,165	\$ 540,909	\$ 52,774	\$ -	\$ 67,597	\$ 103,165	\$ 1,389,609	\$ 839,234	\$ 2,994,230

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(An Exploration Stage Company)

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(Expressed in Canadian dollars)

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**Alaska Properties****(a) Estelle Property, Alaska**

In February 2009, the Company negotiated an agreement with the underlying property owners, Hidefield Gold Plc. and Mines Trust Co. As a result of the agreement the Company became the owner of a 100% interest in the claims subject to a net smelter royalty of 3.0% payable from any production that occurs on any of the claims that comprised the property at the time of purchase (1.0% to Hidefield, 1.0% to Mines Trust of which 0.5% may be bought back for US\$1,000,000, and 1.0% to International Tower Hill Mines).

On May 4, 2010 the Estelle project became the subject of an agreement between Millrock and Teck American Inc. a wholly-owned subsidiary of Teck Resources Limited ("Teck"). The earn-in option project partners carried out geophysical and geological surveys and drilling. The partners agreed to reduce the claim block resulting in a partial write off in 2013. No work on the property was done in 2014 except for camp maintenance. The claim block was further reduced in size and a further write-off was made. In 2015 the partners elected to fully abandon and write off the property. Final reclamation has been recently completed.

**(b) Humble Property, Alaska**

On November 29, 2010 the Company announced that it had staked the block of claims that comprise the project. Millrock currently owns a 100% interest in the claim block which was significantly reduced in the fourth quarter of 2013. Altius owns a royalty on the claims. Millrock reduced the size of the claim block, took a partial write off in 2013 and further reduced the block to a core holding in 2014. The Company is seeking a partner for the project.

**(c) Fortymile Property, Alaska**

This project was acquired by staking in 2007 and Millrock held a 100% interest. Millrock advanced the project each year until 2013. The claim holding was reduced during 2013 and a portion of the carrying value was written off. The claim block was further reduced in 2014 and a proportional amount of the carrying value was further written off. The remaining claims were abandoned in 2015 and the carrying value was completely written off at year end 2015.

**(d) Peninsula Property, Alaska**

The Alaska Peninsula project is comprised of mineral lands owned by Bristol Bay Native Corporation. Millrock has previously signed an Exploration Agreement with an Option to lease through which the Company can secure a 100% leasehold interest for mining. The agreement covers a tract of land that covers three known porphyry copper-gold occurrences on the Alaska Peninsula. First Quantum Minerals ("FQM") signed a Right of First Refusal in the first quarter of 2014 and funded a sampling, mapping and geophysics survey. At the end of 2014 FQM decided to enter into an earn-in option agreement and fund a drilling program which took place in the third quarter of 2015. After results of the program FQM opted out of the earn-in agreement. Millrock wrote off the portions of the property that were drilled, but retains rights to a section of the property that was not previously drilled.

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**(e) Stellar Property, Alaska**

On September 9, 2012 Millrock announced that it had acquired a new copper-gold project by staking of claims which it has called Stellar. The Company invested substantial effort and expense to research all available information and to acquire some data by purchase agreement. Millrock owns a 100% interest in the project subject to a royalty payable to Altius pursuant to the terms of the strategic alliance with that company. On August 6, 2013 Millrock announced that it had granted a Right of First Refusal to a major mining company. The mining company funded exploration program costs of approximately US\$300,000. The work was completed and results received. In the fourth quarter of 2013 the mining company decided not to pursue further work on the project. The claim holding was reduced during the fourth quarter of 2013 and a portion of the carrying value was written off. The claim block was further reduced in 2014 and a proportional amount of the carrying value was further written off. In 2015 Millrock made an earn-in option agreement with Vista Minerals. Vista can earn a majority interest in the project by making exploration expenditures and cash payments to Millrock.

**(f) Q4P, Alaska**

The Q4P program was a strategic alliance with Vale Exploration Canada Inc. and Vale Exploration USA, Inc. both wholly owned subsidiaries of Vale S.A. (Vale) that ended in 2012. As part of the alliance Vale had optioned the AUDN property but also terminated their option on these specific claims. Millrock significantly reduced the claim block and carrying value in 2013. The claim block has now been reduced to a core holding and corresponding costs written off. The Company is seeking a partner.

**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. In total Millrock paid \$313,000 in cash and \$491,940 of Millrock shares. Additionally, Millrock paid \$28,000 as the initial payment on certain tenures upon which it has taken an option. Millrock has been seeking a partner to fund work on the projects.

During the quarter Millrock made an agreement to purchase the Willoughby project. The vendor was paid \$40,000 and 300,000 Millrock shares.

**Mexico Properties**

On June 6, 2014 Millrock entered an agreement to purchase Pembroke Mexico Holdings and all of its assets, which include the shares of a wholly-owned Mexican subsidiary and its 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 are subject to a royalty payable to Pembroke Mining Corporation. 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 is Guadalcazar, under option from the Servicio Geologico Mexicano, and the

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second is Coatan, under option from Riverside Resources Inc. Millrock has been seeking partners for the various projects and has so far attracted two different partners to three projects.

**(g) Rio Sonora, Mexico**

On October 20, 2014 Millrock entered into a letter of intent with a third party concerning the Rio Sonora project in northern Sonora, Mexico, pursuant to which the third party agreed to fund a \$250,000 initial exploration program and thereby gain the exclusive right to enter an option to earn-in agreement on the project. The date for exercise of the exclusive right was extended by mutual agreement to March 15, 2015, but the third party elected to terminate the option. Subsequent to the year end, Millrock elected to abandon the property. Carrying costs for the property were written off at year end 2015.

**(h) Los Chinos, Mexico**

On March 30, 2016 Millrock entered into an earn-in agreement with a Centerra Gold concerning the Los Chinos project in northern Sonora, Mexico, pursuant to which Centerra agreed to fund a \$350,000 initial exploration program. The agreement provides Centerra the opportunity to earn a 70% interest in the project by making exploration expenditures and option payments over a five year period.

**(i) Los Cuarentas, Mexico**

On March 30, 2016 Millrock entered into an earn-in agreement with a Centerra Gold concerning the Los Cuarentas project in northern Sonora, Mexico, pursuant to which Centerra agreed to fund a \$70,000 initial exploration program. The agreement provides Centerra the opportunity to earn a 70% interest in the project by making exploration expenditures and option payments over a five year period.

**(j) Other Properties**

Currently 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 known to exist on open ground and on the claims of others. Millrock added a number of properties in Mexico and Alaska to its portfolio over the course of 2015. Annually the costs associated with these evaluations are written off if the work does not result in development of a project, or claim holding by Millrock.

#### **4. Security Deposit and Restricted Cash**

Security deposit and restricted cash consists of a security deposit for the Company's credit cards and advances from earn-in partners who have forwarded funds to the Company for use on specific properties. The security deposit for the quarter ended June 30, 2016 was \$716,436 (December 31, 2015: \$386,076).

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**5. Marketable Securities**

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

Quoted equity shares	# of shares	6/30/2016		# of shares	12/31/2015	
		per share	Fair Value		per share	Fair Value
Chalice Gold Mines, Ltd TSX-V: CXN	574,505	0.155	89,047	574,505	0.105	60,322
Total Marketable Securities			<u>\$ 89,047</u>			
						<u>\$ 60,322</u>

The Company has an unrealized gain of \$28,725 on shares for the six months ended June 30, 2016.

**6. Property, Plant and Equipment**

	Furniture and fixtures	Office equipment	Leasehold improvement	Software	Vehicle	Total
<b>Cost</b>						
<b>Balance at December 31, 2014</b>	<b>\$ 19,497</b>	<b>\$ 317,291</b>	<b>\$ 18,301</b>	<b>\$ 83,724</b>	<b>\$ 73,562</b>	<b>\$ 512,374</b>
Additions	-	3,982	-	-	-	3,982
Disposals	-	(2,793)	-	-	(21,290)	(24,083)
Foreign currency translation	3,762	56,781	3,532	16,159	6,933	87,167
<b>Balance at December 31, 2015</b>	<b>\$ 23,259</b>	<b>\$ 375,261</b>	<b>\$ 21,833</b>	<b>\$ 99,883</b>	<b>\$ 59,205</b>	<b>\$ 579,440</b>
Additions	-	25,593	-	-	37,042	62,635
Foreign currency translation	(1,551)	(29,089)	(1,456)	(6,661)	(6,221)	(44,978)
<b>Balance at June 30, 2016</b>	<b>\$ 21,708</b>	<b>\$ 371,765</b>	<b>\$ 20,377</b>	<b>\$ 93,222</b>	<b>\$ 90,026</b>	<b>\$ 684,264</b>
<b>Depreciation and impairment losses</b>						
<b>Balance at December 31, 2014</b>	<b>\$ 19,455</b>	<b>\$ 287,158</b>	<b>\$ 18,301</b>	<b>\$ 83,724</b>	<b>\$ 46,259</b>	<b>\$ 454,896</b>
Depreciation for the year	45	14,873	-	-	8,363	23,281
Impairment loss	-	8,751	-	-	22,131	30,882
Disposals	-	(467)	-	-	(21,290)	(21,757)
Foreign currency translation	3,759	51,872	3,532	16,159	3,742	79,064
<b>Balance at December 31, 2015</b>	<b>\$ 23,259</b>	<b>\$ 362,187</b>	<b>\$ 21,833</b>	<b>\$ 99,883</b>	<b>\$ 59,205</b>	<b>\$ 566,366</b>
Depreciation for the year	-	4,313	-	-	358	4,671
Foreign currency translation	(1,551)	(28,707)	(1,456)	(6,661)	(5,839)	(44,214)
<b>Balance at June 30, 2016</b>	<b>\$ 21,708</b>	<b>\$ 337,793</b>	<b>\$ 20,377</b>	<b>\$ 93,222</b>	<b>\$ 53,724</b>	<b>\$ 526,823</b>
<b>Carrying amounts</b>						
<b>Balance at December 31, 2014</b>	<b>\$ 42</b>	<b>\$ 30,133</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,303</b>	<b>\$ 57,478</b>
<b>Balance at December 31, 2015</b>	<b>\$ -</b>	<b>\$ 13,074</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,074</b>
<b>Balance at June 30, 2016</b>	<b>\$ -</b>	<b>\$ 33,972</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 36,302</b>	<b>\$ 70,274</b>



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**7. Share Capital**

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

Issued and outstanding: 44,525,418 common shares (June 30, 2015: 20,640,362).

	Number of Shares	Share Capital	Share-based payment	Warrants
<b>Balance December 31, 2014</b>	<b>19,504,219</b>	<b>\$ 30,241,769</b>	<b>\$ 3,579,681</b>	<b>\$ 331,372</b>
Issued for mineral properties	2,842,888	515,017	-	-
Issuance of common shares for debt	263,252	120,191	(120,191)	-
Stock-based compensation	-	-	283,124	-
Issued for Anti-Dilution right	872,890	151,734	(151,734)	-
Issued for cash pursuant to Private placements	8,321,509	1,331,441	-	-
Share issue costs and finder's fee	-	(94,624)	-	39,054
<b>Balance December 31, 2015</b>	<b>31,804,758</b>	<b>\$ 32,265,528</b>	<b>\$ 3,590,880</b>	<b>\$ 370,425</b>
Issued for mineral properties	300,000	133,500	-	-
Stock-based compensation	-	-	315,309	-
Issued for cash pursuant to Private placements	12,400,660	3,596,191	-	-
Share issue costs and finder's fee	-	(292,241)	-	132,865
Issuance of common shares for cash pursuant to exercise of options	20,000	4,400	-	-
<b>Balance June 30, 2016</b>	<b>44,525,418</b>	<b>\$ 35,707,378</b>	<b>\$ 3,906,189</b>	<b>\$ 503,290</b>

**8. Share-Based Payments****(a) Share Option Plans**

The Company has a stock option plan whereby the maximum number of shares reserved for issue shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated share purchase options vest when granted.

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

The fair value of the options granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

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	<u>2016</u>	<u>2015</u>
Dividend yield	Nil	Nil
Expected volatility	134.23%	139.90%
Risk-free rate of return	0.89%	0.51%
Expected life of options	5 years	5 years

Total share-based payments recognized in the interim consolidated statements of loss during the quarter ended June 30, 2016 was \$257,412 (June 30, 2015: \$199,563).

Information regarding the Company's outstanding and exercisable share purchase options is summarized as follows:

	Number of Share	Weighted Average Exercise Price (\$CDN)
Issued and outstanding common shares	44,525,418	-
Incentive stock options	2,742,500	\$ 0.53
Share purchase warrants	32,873,626	\$ 0.51
	80,141,544	-

The following table summarizes the Company's outstanding and exercisable share purchase options as of June 30, 2016:

<b>Stock options</b>	<b>Options</b>	<b>Exercise Price</b>
<b>Outstanding &amp; Exercisable at December 31, 2014</b>	<b>426,500</b>	<b>\$3.93</b>
Granted March 13, 2015	1,070,000	\$0.50
Forfeited	(15,000)	\$7.50
Forfeited	(35,000)	\$2.10
Expired on July 19, 2015	(20,000)	\$4.00
Expired on August 25, 2015	(35,000)	\$4.00
Expired on November 4, 2015	(58,000)	\$7.50
<b>Outstanding &amp; Exercisable at December 31, 2015</b>	<b>1,333,500</b>	<b>\$1.03</b>
Expired on February 8, 2016	(1,000)	\$8.50
Granted on February 4, 2016	1,450,000	\$0.25
Expired on May 2, 2016	(40,000)	\$6.40
<b>Outstanding &amp; Exercisable at June 30, 2016</b>	<b>2,742,500</b>	<b>\$0.53</b>

The weighted average remaining contractual life of options outstanding at June 30, 2016 is 3.96 years (June 30, 2015: 3.83 years).

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

As of June 30, 2016, the Company had outstanding and exercisable warrants and agent warrants for the purchase of 32,873,626 common shares, as follows:

<b>Issued Date</b>	<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
<b>Outstanding at December 31, 2014</b>	<b>12,602,140</b>		
Expired June 11, 2015	(345,000)	\$ 4.50	11-Jun-15
Expired October 31, 2015	(904,500)	\$ 3.50	31-Oct-15
Issued for private placement - December 10, 2015 #	8,321,509	\$ 0.22	10-Dec-19
Agent warrants issued, finders' warrants for private placement, December 10, 2015 #	269,244	\$ 0.22	10-Dec-19
<b>Outstanding at December 31, 2015</b>	<b>19,943,393</b>		
Issued for private placement - May 31, 2016	12,400,660	\$ 0.29	25-May-19
Agent warrants issued, finders' warrants for private placement, May 31, 2016	549,573	\$ 0.29	25-May-18
Exercised - Issued on December 10, 2015 #	(20,000)	\$ 0.22	10-Dec-19
<b>Outstanding at June 30, 2016</b>	<b>32,873,626</b>		

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

**Weighted average price \$ 0.51**

# 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

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**(c) Disclosure of Outstanding Share Data**

The following table summarizes the number of common shares, stock options and share purchase warrants as of June 30, 2016:

	Amount	Exercise Price	Expiry Date
Common Shares outstanding as of June 30, 2016	44,525,418		
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
#	8,570,753	\$0.22	December 10, 2019
	12,400,660	\$0.44	May 25, 2019
	549,573	\$0.44	May 25, 2018
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	80,141,544		

\*\*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

**9. 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 June 30</b>	
	<b>2016</b>	<b>2015</b>
Consulting, directors and compensation	\$ 385,781	\$ 229,731
Stock based compensation	257,412	199,563
	<b>\$ 643,193</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 June 30, 2016 and December 31, 2015 there were no funds due to or due from related parties.

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**10. Financial Instruments and Other 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 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

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.

**(b) 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 six months ended June 30, 2016 is \$3,794,885.

**(c) 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.

**(d) 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 \$365,097 (June 30, 2015: \$1,013,484) denominated in US dollars. A ten percent change in the exchange rate would result in a \$36,510 (June 30, 2015: \$101,348) impact to the Company's net income (loss). The Company has Mexican peso cash and working capital items of \$178,490 (June 30, 2015: \$118,958). A ten percent change in the exchange rate would result in a \$17,849 (June 30, 2015: \$11,896) 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

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forecasts foreign currency payments. Foreign exchange risk is mitigated by the offset of assets against liabilities and the risk is not significant.

**(e) 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.

**(f) 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 option-in agreement. As such, these funds are restricted.

**11. Commitments**

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

**12. Subsequent Events**

Subsequent to the end of the second quarter 1,025,000 warrants, originally issued on December 10, 2015, were exercised at \$.22 totaling \$225,500.



## **Management Discussion & Analysis**

For the Six Months Ended June 30, 2016

## **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 August 29, 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 June 30, 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, eight gold and copper properties in Alaska, a uranium project in New Mexico, twelve gold, silver and copper projects in Mexico, and four in British Columbia. Three companies are presently earning an interest in Millrock's projects: Vista Minerals (Vista), Centerra Gold ("Centerra"), and another company, which presently wishes to remain anonymous.



**MILLROCK RESOURCES INC.**

Management Discussion and Analysis

For the Quarter Ended June 30, 2016

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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

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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), 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.

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**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 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

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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.

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

At quarter end there were 2,742,500 stock options and 32,873,626 warrants outstanding. Directors and officers held 1,195,000 of the options and 557,869 of the warrants, and 747,500 of the options were held by employees and consultants of the Company. As of the quarter end there were 44,525,418 shares issued and outstanding. On a fully diluted basis including stock options and warrants the Company has a capitalization of 80,141,544 shares.

**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.

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**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

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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 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,

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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 second quarter of 2016. In total, Millrock expended \$1,159,299 on exploration year to date through the second quarter of 2016, of which \$655,911 was supplied by partner companies that are earning into Millrock's projects. Additionally, the Company spent \$146,075 on generative exploration through the second quarter. Millrock's share price remained relatively static during the quarter.

**Highlights for the Quarter Ended June 30, 2016**

- i) Millrock purchased the Willoughby claims in the Golden Triangle district of British Columbia.
- ii) Millrock advanced exploration on the Los Chinos and Los Cuarentas projects in Sonora, Mexico.
- iii) Millrock completed a non-brokered private placement financing on May 31, 2016. The financing raised funds of \$3,596,191 by issuing 10,670,660 units at a price of \$.29 per unit. Each Unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share for \$0.44 until May 25, 2019.

**Outlook**

During the early part of the second quarter of 2016 there were signs that the adverse market conditions that had prevailed for many years may be changing. The price of gold was increasing and some investors had made money on speculative resource stocks. Venture capital financing was suddenly more available. Change has occurred rapidly and 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.

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### **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 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. Data has been shown to several prospective partners and Millrock personnel inspected the claims along with these groups.

**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. 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. Millrock has been marketing this project to prospective partners.

**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 Oweegee 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 Oweegee 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 Oweegee 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. In the past quarter Millrock purchased the Willoughby project. These claims, located just south of Millrock's current holdings, are known to host high grade gold in veins from historic drilling. Millrock will advance



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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.

**Los Cuarentas, Sonora, Mexico, Gold, Silver, Copper, 100%:** Previously Millrock had divided Los Cuarentas into two portions. The eastern portion hosts very large, intense, zoned alteration system typical of porphyry copper deposits. The western portion is situated on a continuation of the mineralized structure associated with the adjoining Mercedes gold-silver mine that is operated by Yamana Gold Inc. In this area of the claims block there is potential for high-grade epithermal gold deposits.

During the quarter an extensive stream sediment sampling program was conducted in the eastern portion of the property. Rock sampling and mapping was also done.

**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. An integrated exploration program comprised of induced polarization and magnetic geophysical surveys, extensive soil sampling, and geological mapping. Trenching of anomalous zones was started during the quarter. Millrock and its partner began preliminary planning for a drilling program.

**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.

**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.

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**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 Geológico 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:

	Jun. 30 2016 Q2	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
Mineral expenditures	31,331	206,395	\$ (225,986)	\$ 311,066	\$ 27,811	\$ 563,930	\$ (689,207)	\$ 360,050
Overhead Recovery Fees	64,544	4,474	17,168	163,030	49,431	25,243	22,988	-
G&A expense (including stock-based comp.)	610,002	847,278	711,239	501,830	503,499	927,388	808,653	337,171
Stock-based compensation	-	257,412	-	-	-	199,563	120,191	-
Adjusted G&A (excluding stock-based comp.)	610,002	589,866	711,239	501,830	503,499	727,825	688,462	337,171
Mineral properties write-off	-	-	1,446,327	-	-	-	1,102,833	-
Net Income/(loss)	\$ (545,458)	\$ (842,804)	(2,146,144)	(256,831)	(454,068)	(892,013)	(1,862,886)	(337,171)
Loss per share	(0.03)	(0.04)	\$ (0.11)	\$ (0.01)	\$ -	\$ (0.07)	\$ (0.15)	\$ (0.01)

In both the second quarters of 2016 and 2015 the company recognized some revenue via Overhead Recovery Fees.

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. There was also work performed on Alaskan properties for an earn-in partner.

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.

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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:

	Six Months Ended	Six Months Ended	Six Months Ended
	June 30, 2016	June 30, 2015	June 30, 2014
Stock-based compensation	257,412	\$ 199,563	\$ -
Investor relations	146,764	\$ 126,828	\$ 45,113
Office and miscellaneous	254,129	\$ 212,456	\$ 180,367
Consulting, directors and salaries	492,254	\$ 332,959	\$ 266,904
General Exploration	146,075	\$ 385,983	\$ 133,204
Accounting, audit and legal	129,798	\$ 113,182	\$ 72,911
Amortization and depreciation	4,671	\$ 10,518	\$ 21,346

The Company's annual financial results for the quarters ended June 30, 2016, 2015, and 2014 have been prepared in accordance with IFRS.

**Quarter Ended June 30, 2016 Compared to the Quarter Ended June 30, 2015**

The Company had overhead recovery fees of \$43,775 for the quarter ended June 30, 2016 compared to overhead recovery fees of \$49,431 for the quarter ended June 30, 2015, and a net operating loss of \$566,013 as compared to its net operating loss of \$470,125 for the second quarter 2015. The revenue is attributable to overhead recovery fees received from earn in partners. The quarter to quarter comparison shows only a slight decline, but in 2016 the majority of overhead recovery fees were earned from Mexican projects, whereas in 2015 the overhead recovery fees were from Alaskan projects.

General and Administrative expenses overall for the quarter ended June 30, 2016 totaled \$610,002 as compared to \$532,856 for the corresponding quarter end 2015. The five largest expense items for the three months ended June 30, 2016 are consulting, directors and salaries expenses of \$252,874, office and miscellaneous expense of \$148,928, general exploration of \$73,074, and investor relation expenses of \$64,547, accounting, audit and legal expenses of \$64,536. These items comprise approximately 99% of the total general and administrative expenses of the Company.

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Amortization and depreciation in fourth quarter 2015 was higher than typical due to impairment of assets in the Mexican subsidiary.

**Six Months Ended June 30, 2016 Compared to the Six Months Ended June 30, 2015**

The Company had revenue of \$69,018 for the six months ended June 30, 2016 compared to revenue of \$74,674 for the six months ended June 30, 2015, and a net loss before other comprehensive loss of \$1,388,262, as compared to its net loss before other comprehensive loss of \$1,356,213 for the six months ended June 30, 2015.

General & administrative expenses overall for the six months ended June 30, 2016 totalled \$1,457,280 as compared to \$1,430,887 for the same period in 2015. The five largest expense items are consulting, directors and salaries costs of \$492,254, office and miscellaneous expense of \$254,129, stock based compensation of \$257,412, general exploration expense of \$146,075, and investor relations of \$146,764. These items comprise approximately 89% of the total general and administrative expenses of the Company.

Salaries and benefit costs amount to approximately 34% of the total general and administrative expenses for the six months ended June 30, 2016, compared to 23% for the six months ended June 30, 2015. This increase was due to expanding staff in Canada and Mexico to meet the needs of the Company for its additional projects and exploration programs.

Office and miscellaneous expenses amount to approximately 17%, of the total general and administrative expenses for the six months ended June 30, 2016, compared to 15% for the same period 2015. The Company has been able to keep costs relatively stable, but does expect items like office and miscellaneous expenses to grow modestly as staff and exploration efforts expand.

Stock based compensation amount to approximately 18% of the Company's administrative expenses for the six months ended June 30, 2016, compared to 14% for six months ended June 30, 2015. The options issued to employees in 2016 had a higher value than the options issued in 2015.

General exploration costs amount to approximately 10% of the total general and administrative expenses for the six months ended June 30, 2016 compared to 27% 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 2016, general exploration has reduced as the company is focused on working the projects that were previously added.

Investor relations accounted for approximately 10% of the Company's administrative expenses for six months ended June 30, 2016, compared to 9% for the same period ended 2015. The Company has remained consistently engaged with shareholders and investors, but has recently begun to expand its outreach.

**Liquidity and Capital Resources**

As of June 30, 2016, the Company has accumulated a deficit of \$33,321,375 and has working capital of \$3,557,983 based on current assets of \$4,429,294 and current liabilities of \$871,311.

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

**MILLROCK RESOURCES INC.**

Management Discussion and Analysis

For the Quarter Ended June 30, 2016

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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 2,742,500 options and 32,873,626 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 has sufficient cash and cash equivalents and other financial assets to continue operating at current levels for the ensuing twelve months. 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 June 30</b>		
	<b>2016</b>	<b>2015</b>
Consulting, directors and compensation	\$ 385,781	\$ 229,731
Stock based compensation	257,412	199,563
	<b>\$ 643,193</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 June 30, 2016 and December 31, 2015 there were no funds due to or due from related parties.

**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.

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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 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 June 30, 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*

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Management Discussion and Analysis

For the Quarter Ended June 30, 2016

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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

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 six months ended June 30, 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

**MILLROCK RESOURCES INC.**

Management Discussion and Analysis

For the Quarter Ended June 30, 2016

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fluctuation of foreign exchange rates. The Company has cash and working capital items of \$365,097 (June 30, 2015: \$1,013,484) denominated in US dollars. A ten percent change in the exchange rate would result in a \$36,510 (June 30, 2015: \$101,348) impact to the Company's net income (loss). The Company has Mexican peso cash and working capital items of \$178,490 (June 30, 2015: \$118,958). A ten percent change in the exchange rate would result in a \$17,849 (June 30, 2015: \$11,896) 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.

**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 June 30, 2016 was 44,525,418.**



**MILLROCK RESOURCES INC.**

Management Discussion and Analysis

For the Quarter Ended June 30, 2016

**Legal Claims and Contingent Liabilities**

At June 30, 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**

Subsequent to the end of the second quarter 1,025,000 warrants, originally issued on December 10, 2015, were exercised at \$.22 totaling \$225,500.

**Disclosure of Outstanding Share Data**

The following table summarizes the number of common shares, stock options and share purchase warrants as of August 29, 2016:

	Amount	Exercise Price	Expiry Date
Common Shares outstanding as of August 29, 2016	45,550,418		
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
#	7,545,753	\$0.22	December 10, 2019
	12,400,660	\$0.44	May 25, 2019
	549,573	\$0.44	May 25, 2018
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	80,141,544		

\*\*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

**MILLROCK RESOURCES INC.**

Management Discussion and Analysis

For the Quarter Ended June 30, 2016

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The following table summarizes the weighted average of stock options and share purchase warrants as of August 29, 2016:

	Number of Share	Weighted Average Exercise Price (\$CDN)
Issued and outstanding common shares	45,550,418	-
Incentive stock options	2,742,500	\$ 0.53
Share purchase warrants	31,848,626	\$ 0.51
	80,141,544	-

## **HEAD OFFICE**

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## **OFFICERS & DIRECTORS**

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*Chief Exploration Officer*

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 August 29, 2016)

Shares Authorized: Unlimited  
Shares Issued: 45,550,418

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