



**Millennium Minerals Limited**

**Date of Lodgement: 11/10/12**

**Title: “Company Insight – Nullagine’s 1st Gold Pour”**

**Highlights of Interview**

- Nullagine Gold Mine has been commissioned and has poured its first gold bar
- Completion on-time and on-budget
- Discusses the development and commissioning processes, and the nature and extent of testing under way at present
- Nullagine is now moving into ‘operating-in-production mode’ at nameplate levels across the whole mine and process facilities
- Full production is expected to commence in November 2012
- Explains the nature and timing of work that will be undertaken to address expansion potential of the Nullagine plant
- Discusses Millennium’s priorities in completing the settling down of the Project and advancing resource and reserve development

**Record of interview:**

Millennium Minerals (ASX MOY: market capitalisation - A\$126 million) recently announced the first gold pour for its Nullagine Gold Mine in Western Australia.

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What does the first gold pour at Nullagine signify in terms of the development of the Project?

**Chief Executive, Brian Rear**

It’s obviously a milestone and I think it is a real point of reference. We’ve built the mine and plant, and all processes through to production of gold bar have been commissioned and are workable. The first pour also signals that we are heading into production. That’s the measure of it.

We now have a very sharp ramp-up. I expect we’ll be at planned and nameplate capacity by November, and I expect we’ll be able to confirm guidance on production at the end of October.

Our team’s done a brilliant job to get this built and commissioned on-time and on-budget in the Pilbara cost environment we’ve been through, when a whole plethora of things can and do go astray from time-to-time. But this is a good operation with a good plant and it will run well.

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Did you experience any unusual obstacles or difficulties in achieving project completion? And did you meet the announced budget to completion?

**Brian Rear**

We obviously went through a lot of obstacles during the development, construction and permitting phases, experiencing delays due to weather, poor roads, deliveries, and of course we're in a remote location in the Pilbara. All these difficulties were overcome by the project management group. But we got there in terms of our guidance and in terms of time, and although we don't have all our final bills in, we are so close that I can say that we'll meet the budget number of \$87.6 million that we've talked about for over a year now. That's what we've done.

The commissioning was surprisingly trouble free. We always suspect that issues will arise, but they didn't. The crushing circuit started up at design or better, and has run without a fault since then. We've made one or two adjustments to the feed chute for the SAG mill but apart from that, the mill itself and its associated gear has performed as designed, and the carbon-in-leach circuits, carbon stripping and all processes right through to gold production have been commissioned. We haven't really experienced anything material in the way of malfunction, dysfunction or lack of design. So I think if you take a bird's eye view it's been remarkably trouble-free.

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Now that Nullagine is in production, what is the current focus of your work at the plant – and what are the timelines for meeting your priorities?

**Brian Rear**

We've commissioned at the design rate of 1.5mtpa and we're currently running at that rate because we have to go through the formal processes to complete things like sign-off by the banks and independent engineers, so they can conclude that their money has been spent wisely. We're proving that all elements have been built to design and can do what they're meant to – we're both stress-testing and concluding in an overall sense that the plant is fit for purpose.

The processes are going well. Within a month of practical completion we're now moving into 'operating-in-production mode' at nameplate and design levels across the whole mine and process facilities, and we're stress-testing every element of our systems, whether its electrics, process control or machinery. We're now testing under continuous operating conditions, just to make sure there are no latent issues we should attend to, ahead of going into full production plan when the end of October arrives. We're on the cusp of being 'in business' - running at design and production target levels - and we're just giving ourselves another couple of weeks to identify and fix anything that might pop up.

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Since Nullagine is capable – with some additional investment and augmentation – of generating higher production of around 100,000 ounces - are you testing those parts of the existing plant for ability to perform at those higher levels?

**Brian Rear**

We will do that, but not right now. That stage will come when we're satisfied with the plant's performance at its design rates, and then we will stress test the plant in various ways to give us all the information and verification to understand fully what we need for expansion. We already know that the crushing systems will be capable of producing materially much more throughput on an hourly

basis because we've run those systems to well over design – like 60 to 70% above design. They're very robust. The mill has also run at higher rates, with us playing around with settings and performance, but we're not planning to test on a sustainable basis until we complete stress-testing across all our systems.

We have set ourselves the objective to really understand the 'as-built' plant's capabilities by the end of this year. And I don't mean testing over just one or two hours at elevated levels. I mean what the plant is capable of running on a sustainable basis, and that will give us the right evidential basis on which to assess any additional requirements for expansion.

We're very comfortable with our crushing through to the stockpile; I have no doubt that the crushed ore reclaim to mill feed is similarly capable of much higher levels. Once we've shaken everything down in a reasonable period of continuous operation, there are two key areas – the mill and our leach residence time. The back-end of the plant is already designed for 2mtpa and the front-end of the plant is designed to operate on one-shift-a-day at the moment. If it's capable of handling materially much higher tonnage, then our earlier assumption that we would handle any expansion by putting on a second shift may in fact fall away - we may be able to keep the crushing plant on a single shift. These are all questions that will be answered by examining the performance of the mill in detail, and how our tankage looks in terms of residence time. We have a SAG mill where throughput is dependent in many ways on the characteristics of the ore we're treating, and so we need a reasonable amount of time to see approximately what its performance is like across ore types.

But I think we're clearly going to meet our year-end objectives. We may find that 1.7 mtpa is a throughput number that makes sense in terms of what this plant can actually do without augmentation. We would first have to simply satisfy ourselves that this is a sustainable and capable level, and then we would look at what that regime produces over the life of mine, and whether there are more profitable and attractive options above that throughput level.

In summary, to complete final work on the expansion we need to understand exactly what this plant will do under sustainable conditions. That will give us the proper basis to understand exactly how the expansion opportunity can be progressed.

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Are you able to say what the additional augmentation might involve, and what are the next steps and likely timing for the Nullagine expansion scenario?

**Brian Rear**

There are some enhancements built into the mill and if we observe that these enhancements deliver the sort of benefits that suppliers and designers are suggesting, then we may find that the mill can handle a much higher tonnage than 1.7mtpa. But the short answer is that we simply can't draw accurate conclusions on the precise nature of the augmentation at this point. My gut feel is that we may very well not have to install another mill - for anything much above 1.6 to 1.7 mtpa we probably would need some additional tankage, but that's about all. We have room for another gravity circuit if we need it but that can just be bolted-on.

There are very few bottlenecks in looking at the expansion. We know the back-end is good for 2mtpa and that's design level, so it's probably capable of doing a little bit more, so these are the kinds of questions we've set out to answer over the next few months. We will get the answers, and that will drive our decisions and plans going into next calendar/financial year.

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With Nullagine coming into production, what is the Company's outlook for cash flow and debt reduction?

**Brian Rear**

We know we're going to generate surplus cash, obviously not in the first three weeks, but after we settle down in November. In terms of exact numbers, we'll have better idea once we get through October and can set steady production targets. We'll then have the opportunity to look at our budgets and refresh our thinking with the benefit of hard and current information. For instance, our current numbers do not reflect gold prices that are strengthening in both A\$ and US\$ terms. We have a general desire to reduce our debt levels fairly quickly. We see ourselves at breakeven in November to early December, and that will be a good foundation to plan next calendar/financial year.

On our current base case model, we will meet all our targets at current design rate of 1.5mtpa, generating healthy surpluses throughout next year, and then its matter of allocating those surpluses to accelerating debt reduction, and allocating a strong proportion of cash surpluses to exploration.

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What are Millennium's priorities for the rest of 2012 – in terms of settling down the Project – and in terms of resource and reserve development?

**Brian Rear**

Our priority for the rest of this year is to settle our plant and mine down and into comfortable production mode, and iron out any bugs that may emerge. But given we haven't seen any fatal flaws anywhere, I'm pretty confident that the operation will be in full run-mode for the whole of next year. That's what we want, and that's what I expect to happen.

We plan a very vigorous exploration programme throughout next year. We know our deposits are not closed-off along strike or at depth; we have done a lot of work this year on mapping, understanding more reasonably what our tenements can yield; and we've got a lot of new leads. We have walk-up targets that we haven't even scratched yet, and we have work to do around our existing deposits. This will include progressing the conversion of our resource base into reserves.

I will look to have very strong exploration budget on the table for implementation next year. We don't normally go into the field in the summer months due to the heat and rain events, so we'd be expecting to kick-off a pretty vigorous exploration program from March onwards.

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Thank you, Brian.

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