



MILLENNIUM
MINERALS LIMITED



Company
Insight

the intelligent market update

Millennium Minerals Limited

Date of Lodgement: 26/6/13

Title: “Company Insight – Operations Outlook & Differentiation from Peers”

Highlights of Interview

- **Strong outlook.**
- **Advantages of a strong hedgebook – valued at \$18m as at 21 June 2013.**
- **Optionality to increase ore throughput 10%-15% with very little capital expenditure.**
- **Excellent opportunity to add to Resources & Reserves; strong recent exploration.**
- **Numerous exploration opportunities near mine site – multi-million ounce potential.**
- **Expansions will deliver incremental shareholder value not just add to output.**
- **Diverse ore sources around centralised processing facility.**
- **Several positive investment factors relative to peers in the junior gold sector.**

Record of interview:

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Millennium Minerals Limited (ASX code: MOY; market cap of ~\$60m) reported production of 17,089 ounces of gold at a C1 cash cost of \$826 per ounce from the Nullagine Gold Project for the March quarter 2013 after announcing commercial production on 19 February 2013. How did that performance compare with expectations? What is the outlook for the full year to 31 December 2013, including the grade profile which was clearly higher in March 2013 quarter compared with the previous quarter?

Chief Executive Officer, Brian Rear

We met our forecast for the March quarter despite the cyclone disruption in February. We were on budget for April and May so the June Quarter results should be on or close to plan. The objective for the full year to 31 December 2013 is to produce somewhere between 78,000 oz and 84,000 oz.

Milled grade and hence gold production are likely to be similar in the June and September quarters (to the March 2013 quarter) and higher in the December quarter when we bring the higher grade Golden Gate material into the mill. So the production year is very much a case of two distinct halves, with the December quarter in particular forecast to be materially higher in respect of gold output and sales.

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For the March 2013 quarter, Millennium generated EBITDA of \$10.1 million and held cash and bullion of \$11.1 million. As at 18 April 2013 the date you released the March quarterly results the hedge book was valued at \$26 million on a mark to market basis. Can you explain your current hedging strategy and how useful the hedge book is after the recent fall in the gold price?

Chief Executive Officer, Brian Rear

Our intention is to stay within our hedge delivery schedule which provides revenue protection against volatility in the AUD gold price out to September 2015 in respect of 50% of forecast production (82,000 ounces). The hedge structure is based on quarterly deliveries so there is flexibility as to when we choose to deliver into the hedge pricing in each quarter. The remaining hedge book is currently valued at approximately \$18M (as of 21 June 2013). The natural hedge effect of the currency depreciation against the USD needs greater recognition when considering spot gold prices going forward.

Essentially our performance should be close to plan because we have the benefit of having risk managed our production through our hedging program. We continue to focus on increasing productivity, which simply means producing more output for the same level of inputs. We are pushing hard for productivity increases right now. Given we have risk managed a significant proportion of production above AUD\$1600/oz we are not faced with the need to make an immediate and material change to our current business plan, so provided we meet our budget on gold production and costs planned performance should be on or close to plan.

We operate on a low overhead structure so the best defensive strategy against any margin pressure is increased operational productivity. Capital spending and exploration are currently reduced to absolute essentials.

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The Nullagine plant has a nameplate capacity of 1.5 million tonnes per annum (Mtpa) of ore. As at 31 December 2011, Resources contained 1.3 million ounces of gold and reserves were 16.4 million tonnes at 1.4 g/t, containing 0.741 million ounces of gold. Given the size of those gold resources and reserves you've been considering expansion options. Can you give an update on which options you are focusing on and the status of that analysis? What broad capital expenditure might be involved?

Chief Executive Officer, Brian Rear

Our immediate plan is to confirm that the mine and mill can sustain throughput at the as-built potential of the plant and that looks like being around 10% to 15% above the nameplate design of 1.5Mt/y as demonstrated by mill performance in March. Apart from some expenditure on augmenting water supply to match higher mill throughput we do not require expansion capital for any other element of our production facilities. From our test work we know that the multiple ore types all have differences in grade, grindability, gravity yield and overall recovery and so far we have validated our planning assumptions on how mining and process operations handle that variability at commercial production scale.

Having always had tight control on costs, we are more focused on productivity, producing more gold (revenue) from what we have and not charging more fixed costs to that higher output. That has been our focus since last year after we commissioned and is what needs to be done by our industry. Our drive to lower costs will continue and now the operation is in steady state will be able to see where any cost reduction potential exists. It is clear labour cost escalation has eased considerably and our manning levels are pretty lean. In the medium term we have a focus on reducing energy costs which with labour represent the two key input costs to our business.

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Millennium has recently returned some significant near mine exploration results, the latest being from All Nations. Can you recap some of the better results you've achieved such as at Golden Gate and All Nations? What is the opportunity to add to resources and also to upgrade resources into reserves?

Chief Executive Officer, Brian Rear

It is fairly clear from the results we are seeing at Golden Gate and All Nations (see ASX release of 12 June 2013) that the tight focus in and around the deposits in the current mining plan is the right approach. The whole purpose of these drill campaigns is to replace and add to our ore reserve inventory. We are fortunate that we have a multitude of ore sources ranging in grade from 1.6g/t to 3.7 g/t and in particular we are looking to delineate resource and reserve increases in the higher grade deposits. The high grade intersections seen at Golden Gate and All Nations are validating that focus.

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What is the forward exploration plan both near the mine site and regionally? Where will you focus it?

Chief Executive Officer, Brian Rear

Our forward exploration program highlights well our overall strategy to have a diverse range of ore sources around a central processing facility.

Globally our view is the Nullagine goldfield has a multi-million ounce potential so our approach is twofold. Firstly we know that all 7 deposits currently in our mining plan remain open on strike and at depth. So our priority right now is to drill "within sight of the head frame" and build on our reserve base. It is clear from the recent results we released that this strategy is the right one in the short term as is the focus on higher grade areas.

Secondly we are busy looking at all the other targets we have in our total tenement holding, and we have a number of these. Several of these walk up targets are actually supported by good historical drill intersections. We are setting priorities for these and they will receive attention when we are satisfied the immediate reserve replacement objective has been met later this year.

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Can you explain the economic impact of expanding the resource and reserves base and any possible expansion beyond 1.7 Mt of ore per annum?

Chief Executive Officer, Brian Rear

The primary business objective is improving margin and profitability so any increases in reserves will be measured on those benchmarks. Beyond the current productivity drive we will look at what sensible and profitable options we can exploit to meet those objectives. We are not in the business of chasing tonnes or production for the sake of it.

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What are the longer term attractions of Millennium Minerals for investors compared with your peers?

Chief Executive Officer, Brian Rear

I think our key investment factors that stand out relative to a number of our peers in the junior gold space include the following, which I'll list:

- We are a greenfield development, we enjoy all new equipment and a plant that works as it is designed, with what looks like at least a 10% capacity lift built in;
- We have multiple sources of ore and a central processing facility so from a risk perspective we are a multi mine operation, not a single pit operation;
- We have a minimum 7-8 year mine life with very strong potential to extend out beyond 10 years;
- We are well positioned on the cost curve with a sustaining cash cost on or below \$1000/ounce;
- We are well protected as far as gold price goes with our hedge book, so a key risk factor is managed; and
- We have real exploration upside that we will progressively unveil over the coming quarters.
- By any fundamental measure we are undervalued.

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Thank you Brian.

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Qualifying Statement

This release may include forward-looking statements. These forward-looking statements are based on Millennium's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Millennium, which could cause actual results to differ materially from such statements. Millennium makes no undertaking to subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of this release.

Competent Persons Statements – Exploration Results

Mr I Hay (MAIG), a geologist employed full-time by Millennium Minerals Limited, compiled the technical aspects of this report. Mr Hay is a member of the Australian Institute of Geoscientists and has sufficient experience that is relevant to this style of mineralization and type of deposit under consideration and to the activity that is being reported on to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hay consents to the inclusion in the report of the matters in the form and context in which it appears.

Competent Persons Statements – Mineral Resources

The information in this Report which relates to the **Golden Eagle Mineral Resource estimate** accurately reflects information prepared by competent persons (as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves). The Golden Eagle deposit Mineral Resource estimate has been compiled and prepared by Dr Bielin Shi, (MAusIMM) of CSA Global Pty. Ltd. who is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this Report which relates to the **Shearers Mineral Resource estimate** accurately reflects information prepared by competent persons (as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves). The Shearers deposit Mineral Resource estimate has been compiled and prepared by Mr. David Williams (MAusIMM, MAIG) of CSA Global Pty. Ltd. who is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this Report which relates to the **Otways Mineral Resource estimate** accurately reflects information prepared by competent persons (as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves). The Otways deposit Mineral Resource estimate has been compiled and

prepared by Mr. Shane Fieldgate (MAusIMM, MAIG) of CSA Global Pty. Ltd. who is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this Report which relates to the **Little Wonder and Golden Gate Satellite Mineral Resource estimates** accurately reflects information prepared by competent persons (as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves). The Little Wonder and Golden Gate satellite deposits Mineral Resource estimate has been compiled and prepared by Steven Hodgson, (MAIG) of CSA Global Pty. Ltd. who is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this Report which relates to the **Bartons, All Nations and Golden Gate ABCD reef Mineral Resource estimates** accurately reflects information prepared by competent persons (as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves). The reported Mineral Resource as it relates to Bartons, All Nations, and Golden Gate ABCD reef has been compiled by Mr Nic Johnson. Mr Johnson is a Member of the Australian Institute of Geoscientists and an employee of Hellman & Schofield Pty Ltd. He has sufficient experience, relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking, to qualify as a Competent Person as defined in the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves' of December 2004 ("JORC Code") as prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia. The Competent Persons listed consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The Mineral Resource estimates in this report relating to **Junction, Round Hill, Roscoe's Reward and Little Wonder** have been estimated and compiled by Mrs. Fleur Muller (MAusIMM) of Geostat Services Pty Limited who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mrs. Muller consents to the inclusion in this statement of the information in the form and context in which it appears.

Competent Persons Statements – Ore Reserves

The information in this Report, which relates to the Ore Reserve estimates accurately reflect information prepared by competent persons (as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves). The information in this public statement that relates to the Ore Reserves at the Millennium Minerals Nullagine Project is based on information compiled by Mr Steve Lampron and Mr. Daniel Tuffin. Mr. Daniel Tuffin of Auralia Mining Consulting completed the Ore Reserve estimate. Mr Daniel Tuffin is a Member of the Australasian Institute of Mining and Metallurgy (#228649) and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify him as a Competent Person as defined in accordance with the Australasian Joint Ore Reserves Committee (JORC).

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