

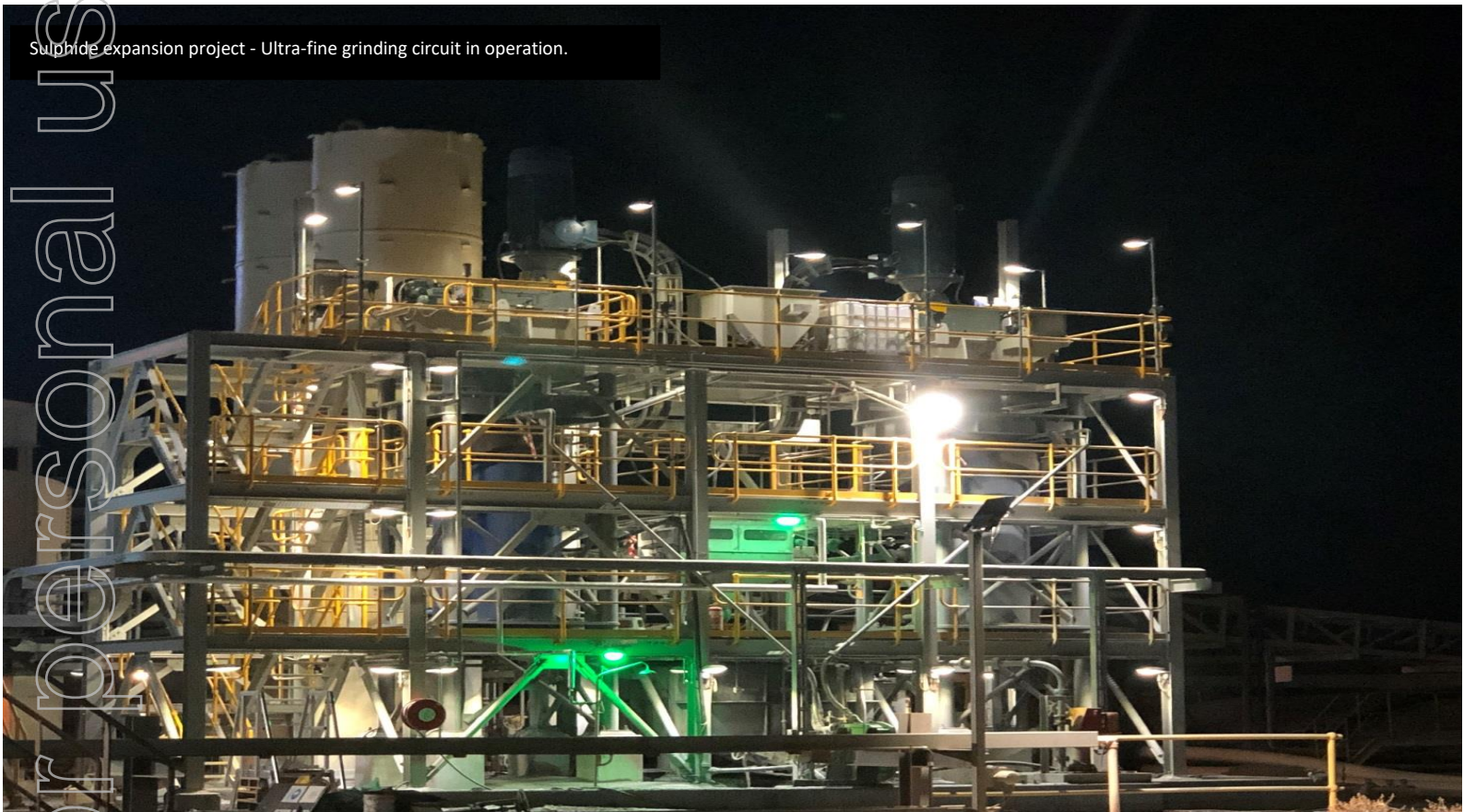


MILLENNIUM

MINERALS LIMITED

ABN 85 003 257 556

Sulphide expansion project - Ultra-fine grinding circuit in operation.



Interim Financial Report
Half-Year ended 30 June 2019

COMPANY INFORMATION

Directors

Gregory Bittar	Non-Executive Chairman
Timothy Kennedy	Non-Executive Director
Peter Lester	Non-Executive Director
Bruno Lorenzon	Non-Executive Director

Company Secretary

Raymond Parry

Registered Office and Business Address

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Belmont WA 6104

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Belmont WA 6104

Tel: +61 8 9216 9011
info@mmltd.com.au

Share Register

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Perth WA 6000

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Sydney South NSW 1235

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www.linkmarketservices.com.au

Millennium Minerals Limited shares are listed on the Australian Stock Exchange (ASX).
Code: MOY

Solicitors

Bellanhouse Legal
Level 19, Alluvion
58 Mounts Bay Road
Perth WA 6000
Australia

Auditors

KPMG
235 St Georges Terrace
Perth WA 6000

Millennium Minerals maintains a website where all announcements to the ASX are available.
www.millenniumminerals.com.au

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DIRECTORS REPORT

The Directors of Millennium Minerals Limited are pleased to present the Interim Financial Report for the half-year ended 30 June 2019.

DIRECTORS

The names and details of the Company's Directors in office during the half-year and until the date of this report are as follows.

Directors were in office for the entire period, unless otherwise stated.

Gregory Bittar	Non-Executive Chairman
Timothy Kennedy	Non-Executive Director
Peter Lester	Non-Executive Director
Bruno Lorenzon	Non-Executive Director

COMPANY SECRETARY

Raymond Parry

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were exploration, mine development, mining and processing of gold.

There has been no significant change in the nature of those activities during the half-year.

OPERATING RESULTS

The loss after tax of the Company for the half year ended 30 June 2019 was \$19,993,000 (30 June 2018: \$10,289,000).

The result was impacted by slower than anticipated ramp-up of the Bartons Underground mine and delays to the commissioning of the sulphide treatment circuit.

REVIEW OF OPERATIONS

Mining & Milling

The operation produced 32,264 ounces of gold for the six months to 30 June 2019 at an All-In-Sustaining-Cost of \$1,647/ounce.

Open pit mine production was primarily sourced from the Au 81, Golden Eagle, Shearers North, Mundalla and Agate pits. The open pit mining rate at Nullagine during the half year was a monthly average of 336,200 Bank Cubic Metres (BCM) which is in line with the open pit operating strategy for FY19. A total of 775,000 ore tonnes were mined during the half year period.

The Bartons Underground continued through the ramp phase with 2,059 metres of development completed in the first half of 2019 and 135,000 tonnes of development and pre production stope ore delivered to the mill. In June, the mine had opened up four stoping areas and was nearing full production.

The processing plant continued to perform well with an average throughput of 171,000 tonnes per month (2Mtpa rate) over the period. This throughput was achieved whilst the sulphide plant expansion project was being completed within the footprint of the existing process plant circuit. Recoveries for the period averaged 79% which was lower than previous periods due to lower grade stockpiles being feed to the mill and milling of transitional and fresh rock from the Golden Eagle open pit.

A comparison of the operating results by quarter is provided in Table 1.

Table 1 – Quarterly comparative results

		Sep 18	Dec 18	Mar 19	Jun 19
Total volume mined	<i>bcm</i>	1,818,484	1,569,118	1,052,086	965,223
Ore mined	<i>t</i>	553,826	602,871	498,493	356,695
Ore processed	<i>t</i>	523,614	458,174	521,052	502,216
Head grade	<i>g/t</i>	1.53	1.98	1.35	1.12
Metallurgical recovery	<i>%</i>	86.8	83.7	77	82.3
Fine gold production	<i>oz</i>	22,414	24,514	17,393	14,871
Gold sold *	<i>oz</i>	21,945	22,782	20,008	13,760
Gold sales revenue	<i>\$M</i>	36.5	39.2	35.0	24.0
Cash operating costs	<i>\$/oz</i>	1,183	1,156	1,480	1,601
All-In-Sustaining Cost	<i>\$/oz</i>	1,324	1,216	1,576	1,840

* includes pre-production gold sales

Safety, Environment and Community

Safety

There was one lost-time injury, one medically treated injury and two alternative duty injuries recorded for the half year.

The 12-month moving average for the Lost Time Injury Frequency Rate (LTIFR) has decreased to 1.12. The Total Reportable Injury Frequency Rate (TRIFR) has risen slightly to 7.83 due to the four injuries for the half year.

The Company's focus during the period was to assist and support the Sulphide Plant Expansion Project, with the Safety Team working alongside the contracting and operational teams to deliver a safe project.

Environment and Heritage

An audit of the Company's annual Mine Rehabilitation Fund assessment was completed by the Department of Mines, Industry Regulation and Safety (DMIRS) during the period, with approval received from DMIRS.

Environmental Survey work and preparation of a site-wide Mining Proposal continues, with promising exploration targets and future underground opportunities highlighted for proposed development envelopes.

The local Njamal group were engaged during the period to assist with the construction works on the Tailings Storage Facility (TSF). Cultural road-mapping continued across the operation during the period, with the Njamal Group actively contributing to the collection of recordings and culturally significant stories from the surrounding area.

A site inspection across the Nullagine operations was conducted by Officers from the Department of Mines, Industry Regulation and Safety (DMIRS) during the half year period, with guidance provided to the Company on future improvements to compliance and environmental impact assessment.

The development and review of the Company's Mine Closure Plan continued during the period, with proposed submission in the September 2019 Quarter providing future opportunity for larger scale rehabilitation works to be targeted.

Community

Millennium has been working closely with the Nullagine Remote Community School to assist in continued education outside of the local region through programs to continue students' development for life after school.

The Company continued its support for the development of skills for life after school, providing financial support and assistance with the organisation of education visits for a school excursion to Perth, which took place in May 2019. The school attended two universities, a private boys' school and a co-educational school, as well as the WA Institute of Sport and SCITECH for some educational and fun programs.

Millennium again participated in the ANZAC service in Nullagine at Lynas Lookout. Personnel on site from both Millennium and our Contractors participated in the service. Millennium has enhanced its involvement to the Marble Bar Remote Community School in the supply of Remembrance Poppies for their service.

For the first time this year, Millennium also took part in the National Indigenous and Torres Strait Islander Day in the communities of Nullagine and Marble Bar, and proudly donated educational 'show bags' to all the children.

Millennium has also maintained its commitment to the Nullagine Police Station's after-school educational and 'fun time' programs through the donation of an array of musical instruments and associated learning equipment.

Millennium continues to work with these departments and the local shire of East Pilbara to maintain the Company's involvement in the local area for the benefit of communities surrounding Nullagine.

Bartons Underground Development

The development of the Bartons Underground continued with the decline located below the 190 level. Currently the mine has 5 levels fully developed and 4 levels requiring completion.

Following a review of the initial stoping process and the implementation of optimisation strategies focused on productivity and efficiency, mine production from Bartons Underground has steadily ramped up during the period, with production now underway from four stoping areas.

Sulphide Expansion Project

Commissioning of the Sulphide plant commenced in April 2019, initially comprising of the sulphide concentrator and the stockpiling of scavenged concentrates, followed by the commissioning of the PSS Commett Ultra-fine Grind (UFG) Mills over the 19-24 June, which enabled gold to be recovered from the sulphide concentrate.

With the ramp-up of the concentrate production since commissioning of the circuit, the operation has been able to achieve targeted levels of concentrate production for sustained periods. Metallurgical optimisation of the circuit is ongoing to best match the mass pull and concentrate grade to suit the capacity of the UFG milling circuit and ore feed characteristics.

Results to date have provided concentrate grades of 3-6g/t Au from CIL tailings of ~0.3-0.4g/t Au. Overall, plant tails have been reduced by an average 0.10g/t Au, with improvements available as the higher concentrate mass pulls are achieved and UFG throughput is ramped-up over the September Quarter 2019.

Test work on circuit concentrates indicate that gold recoveries from the ground concentrates (predominantly pyrite) are in the expected target range (70-80%) for the concentrate grade and grind size generated from the UFG mills. An optimisation program is underway for the UFG milling circuit to maximise power draw, mill feed pump performance and grind size / recovery balance such that the operations can maximise the gold recovered from the CIL circuit tailings.

Exploration update

During the half year a total of 310 RC holes were drilled for a total of 25,203 metres. It resulted in high-grade intersections from in-fill and extensional programs at Golden Gate Mining Centre.

This work will underpin the Golden Gate underground Mineral Resource Estimate update and subsequent economic assessment.

DIRECTORS REPORT

The Company updated its Ore Reserve as at 31 December 2018 during the period resulting in a 70% increase to 7.1Mt at 1.6g/t Au for 375,300oz of contained gold, providing mine life visibility approaching four years.

Corporate Update

As at 30 June 2019, the Company held cash and bullion of \$4.3 million at market value.

During the period, Millennium undertook a fully-underwritten 1-for 8.8 Renounceable Rights Issue, which closed on 27 March 2019 and raised \$15 million (before costs).

The Rights Issue was fully-underwritten by Bell Potter Securities, with sub-underwriting provided by the Company's major shareholder, IMC Group.

The Company received applications from shareholders representing a total take-up of 84 per cent with the balance taken up by new investors from Bell Potter.

The Company issued 90,802,913 shares at 16.5 cents per share as part of the rights issue.

Proceeds from the capital raising will be used to fast-track key growth programs at Nullagine.

As at 30 June 2019 the \$15M Revolving Loan Facility (RLF) with Investec was fully drawn. Key terms of this facility are set out in note 13.

During the period, Millennium secured an 18-month, A\$20 million Term Loan Facility from its major shareholder, IMC Group, to provide interim working capital while the ramp-up of the Bartons Underground Mine and the sulphide plant expansion were completed.

Key terms of this facility were provided in the Company's ASX Announcements dated 24 May 2019, 5 June 2019 and 9 July 2019.

As at 30 June 2019 \$10 million of this Term Loan Facility had been drawn, with a further \$10 million drawn subsequent to 30 June 2019.

Gold sales revenue for the half year totalled \$59.2 million of which \$14.8 million was capitalised as part of the pre-production asset, which was achieved at an average realised gold price of \$1,742/oz.

At 30 June 2019, the Company's hedge book consisted of 39,000 ounces to be delivered over the period July 2019 – June 2020 at an average forward gold price of \$1,796/oz.

DIVIDENDS

No dividends were paid during the half-year and the Directors do not recommend payment of a dividend.

DIRECTORS REPORT

EVENTS AFTER BALANCE DATE

The Company made its second and final draw-down of \$5 million each in July and August 2019 on its IMC funding facility as announced on 24 May 2019. The debt is now at \$20 million.

On 15 August 2019 the Company announced the appointment of Warren Hallam as Managing director and CEO succeeding Peter Cash who has stepped down after four and a half years of dedicated service. Details of the material terms of Mr Hallam's executive service agreement are set out in the ASX announcement on 15 August 2019.

At the Company's general meeting held on 27 August 2019 shareholders approved the issue of 60 million options and granted security over the Company's assets to its main shareholder IMC in relation to the Mezzanine debt facility (refer note 13).

Except as disclosed above, there have been no events subsequent to balance date that would affect significantly affect the amounts reported in the financial statements as at and for the half-year ended 30 June 2019.

AUDITORS INDEPENDENCE

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page and forms part of this report.

ROUNDING OF AMOUNTS

The amounts contained in this report and in the financial statements have been rounded to the nearest \$1,000 (where rounding is applicable) as permitted under the *Australian Securities and Investment Commission (ASIC) Corporations Instrument 2016/91*.

Signed in accordance with a resolution of the Directors.



Gregory Bittar
Non-Executive Chairman
Perth, Western Australia
30 August 2019



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Millennium Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Millennium Minerals Limited for the half-year ended 30 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



KPMG



R Gambitta
Partner

Perth

30 August 2019

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**CONDENSED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2019**

	Note	2019 \$'000	2018 \$'000
Revenue	3	44,379	62,023
Cost of goods sold	4	(60,063)	(67,402)
Gross loss		(15,684)	(5,379)
Other income		4	4
Administrative and other expenses	5	(3,069)	(3,522)
Exploration expenditure impaired	8	(526)	(1,187)
Operating loss		(19,275)	(10,084)
Finance income		10	415
Finance costs		(728)	(620)
Loss before tax		(19,993)	(10,289)
Income tax expense		-	-
Loss attributable to members		(19,993)	(10,289)
Other comprehensive income			
Other comprehensive income		-	-
Income tax relating to items of comprehensive income		-	-
Other comprehensive income, net of tax		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(19,993)	(10,289)
Basic earnings per share (cents per share)		(2.37)	(1.30)
Diluted earnings per share (cents per share)		(2.37)	(1.30)

The above statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,406	5,296
Trade and other receivables	6	4,411	3,233
Inventories	7	14,615	19,036
Total current assets		20,432	27,565
Non-current assets			
Exploration and evaluation assets	8	40,221	39,894
Mine properties	9	39,574	36,384
Property, plant and equipment	10	37,875	18,220
Right-of-use assets	14	7,149	-
Total non-current assets		124,819	94,498
Total assets		145,251	122,063
LIABILITIES			
Current liabilities			
Trade and other payables	11	32,873	31,874
Provisions	12	1,432	1,092
Borrowings	13	14,683	4,722
Lease liabilities	14	2,545	393
Total current liabilities		51,533	38,081
Non-current liabilities			
Provisions	12	21,016	19,916
Borrowings	13	9,923	-
Lease liabilities	14	4,529	31
Total non-current liabilities		35,468	19,947
Total liabilities		87,001	58,028
Net assets		58,250	64,035
EQUITY			
Issued capital	15	179,347	165,408
Reserves		8,822	8,553
Accumulated losses		(129,919)	(109,926)
Total Equity		58,250	64,035

The above statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Issued capital \$'000	Share option reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2019	165,408	8,553	(109,926)	64,035
Net loss for the year	-	-	(19,993)	(19,993)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(19,993)	(19,993)
Transactions with owners				
Share-based payments expense	-	269	-	269
Shares issued, net of transaction costs	13,939	-	-	13,939
Total transactions with owners	13,939	269	-	14,208
Balance at 30 June 2019	179,347	8,822	(129,919)	58,250
Balance at 1 January 2018	165,281	6,306	(100,483)	71,104
Net loss for the year	-	-	(10,289)	(10,289)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(10,289)	(10,289)
Transactions with owners				
Share-based payments expense	-	1,134	-	1,134
Shares issued, net of transaction costs	87	-	-	87
Total transactions with owners	87	1,134	-	1,221
Balance at 30 June 2018	165,368	7,440	(110,772)	62,036

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts in the course of operations		43,908	61,968
Payments in the course of operations		(48,844)	(51,183)
Interest received		10	108
Net cash from/(used in) operating activities		(4,926)	10,893
Cash flows from investing activities			
Proceeds from rentals		4	4
Payments for property, plant and equipment		(16,439)	(495)
Payments for mineral exploration areas and evaluation		(4,341)	(9,518)
Payments for development of mining properties		(10,212)	(5,504)
Net cash used in investing activities		(30,988)	(15,513)
Cash flows from financing activities			
Proceeds from borrowings		20,000	-
Proceeds from issue of shares		14,988	87
Repayment of leases and borrowings		(1,315)	(112)
Security deposit paid		-	(89)
Interest paid		(292)	(15)
Payments for transaction costs		(1,357)	(6)
Net cash from/(used in) financing activities		32,024	(135)
Net decrease in cash and cash equivalents		(3,890)	(4,755)
Cash and cash equivalents at 1 January		5,296	17,898
Cash and cash equivalents at 30 June		1,406	13,143

The above statement of cash flows should be read in conjunction with the accompanying notes.

1A. CORPORATE INFORMATION

Millennium Minerals Limited is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

Its registered office and principal place of business is:

Millennium Minerals Limited
Unit 7, 140 Abernethy Road
Belmont WA 6104

The nature of the operations and principal activities of the company are described in the Directors' Report.

1B. BASIS OF PREPARATION

These general purpose interim financial statements for the half-year ended 30 June 2019 have been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with *AASB 134* ensures compliance with International Financial Reporting Standards *IAS 134 Interim Financial Reporting*.

The interim financial statements do not include all notes of the type normally included within the Annual Financial Statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial statements.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018 and any public announcements made by Millennium during the half-year reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*. For the purpose of preparing the interim financial statements, the half-year has been treated as a discrete reporting period.

The financial report has also been prepared on a historical cost basis except for assets and liabilities which are required to be measured at fair value.

The financial statements were authorised for issue by the Board of Directors on 30 August 2019.

All amounts are presented in Australian dollars and the values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated, in accordance with ASIC Instrument 2016/191.

The Company has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period (see details below).

All new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted (see details below).

1C. NEW, REVISED OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE COMPANY

The impact of the adoption of the leasing standard AASB 16 Leases and the new accounting policy are disclosed in note 14.

The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

1D. NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS ON ISSUE BUT NOT YET EFFECTIVE.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

1E. GOING CONCERN

The consolidated financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Millennium held cash and bullion on hand at 30 June 2019 of \$4.3 million at market value and has a net working capital deficit of \$31.1 million. Of the net working capital deficit \$15 million relates to the Investec debt which has repayable instalments of \$5 million in FY19 and \$10 million in FY20. For the period ended 30 June 2019 Millennium incurred a loss after income tax of \$20.0 million. Cash outflows from operating activities were \$4.9 million (excludes pre-production revenue of \$14.8 million) and cash outflows from investing activities were \$31.0 million.

Operations during the period were affected by delays in the commencement and ramp-up of commercial stoping activities at Bartons and higher-than planned dilution due to low underground productivity and a sub-optimal initial mining sequence and a delay in the construction and commissioning of the Stage 1 sulphide expansion project, which has deferred the delivery of first saleable gold dore from sulphide ore sources until the end of June. Construction of the sulphide plant stage 1 is now complete.

During the period, the Company raised funding consisting of: equity of \$15 million (before costs), through the placement of 90,802,913 fully paid ordinary shares, drew down on the Investec facility of \$10 million (outstanding debt at 30 June 2019 of \$15 million) and drew down \$10 million on the IMC Group facility of \$20 million (Outstanding debt at 30 June 2019 of \$10 million). Subsequent to 30 June 2019, further amounts of \$5 million in July 2019 and \$5 million in August 2019 were drawn on the IMC Group facility. The first debt principal repayment of \$5 million is due on 31 December 2019 and relates to the Investec facility. The terms of the Company's debts are set out in note 13.

The directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The cash flow forecast depends on meeting planned production from open pit and underground mining operations, processing activities including the successful ramp up of the recently installed sulphide treatment plant, in accordance with management's schedule and cost. Critical to the cash flow forecast is achieving forecast gold production and prices. The Company has a reasonable expectation that such production forecasts will be achieved through a combination of improved recoveries following the sulphide treatment plant installation and increased access to higher grade ores at Barton's underground and certain open pits scheduled in the next 12 months. Production is also dependent on ongoing regulatory approvals being obtained in a timely manner to allow anticipated production from these open pits.

Should Millennium not achieve the forecast gold production at anticipated prices and cost, or additional funding in the form of debt or equity or a combination of both or required rescheduling of debt, there is a material uncertainty as to whether the Company will be able to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. The Directors have a reasonable expectation that forecast gold production can be achieved or that, additional funding can be secured.

1F. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2018 except for the new policy for Leases refer note 14 for details.

2. SEGMENT INFORMATION

The Company operates predominantly in one operating segment, being the exploration, development, mining and processing of gold in the East Pilbara region of Western Australia. This operating segment is based on the internal reports that are reviewed by the Board of Directors (who are identified as the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

The Chief Operating Decision Makers review EBITDA (earnings before income tax, depreciation and amortisation) monthly. The accounting policies adopted for internal reporting are consistent with those adopted in the financial statements. Additionally, the Company's customers are all located within Australia.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

	Half year 30 Jun 2019 \$'000	Half year 30 Jun 2018 \$'000
3. REVENUE FROM OPERATIONS		
Gold sales	59,000	61,792
Silver sales	161	231
Gold sales - pre production adjustment *	(14,782)	-
	44,379	62,023

* The Pre-production adjustment refers to gold recovered from the development of the Bartons underground mine prior to the commencement of commercial production.

4. COST OF GOODS SOLD

Costs of production	47,667	56,859
Royalties	2,102	2,069
Depreciation of plant and equipment	1,276	1,299
Depreciation of right of use asset	1,540	-
Amortisation of mine properties	7,478	7,175
	60,063	67,402

5. ADMINISTRATIVE AND OTHER EXPENSES

Corporate expenses	1,072	635
Investor relations	202	168
Statutory compliance	100	56
Directors fees	135	135
Business development and projects	64	155
Employee benefit expenses	1,124	1,096
Superannuation	96	143
Share-based payments	269	1,134
Loss on disposal of property, plant and equipment	7	-
	3,069	3,522

30 Jun 2019 \$'000	31 Dec 2018 \$'000
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6. TRADE AND OTHER RECEIVABLES

GST receivable	1,209	1,521
Diesel fuel credit receivable	558	859
Secured deposits	20	20
Refundable deposits	84	84
Trade Debtors	471	23
Sundry debtors	448	-
Prepayments	1,621	726
	4,411	3,233

NOTES TO THE INTERIM FINANCIAL STATEMENTS

	30 Jun 2019 \$'000	31 Dec 2018 \$'000
7. INVENTORIES		
Consumables	2,808	3,038
Critical spares	367	388
Ore stockpile at net realisable value	6,880	8,438
Gold in circuit at cost	2,194	6,299
Bullion on hand at cost	2,366	873
	14,615	19,036

8. EXPLORATION AND EVALUATION ASSETS

Opening balance	39,894	32,387
Expenditure capitalised for the year	4,341	25,574
Acquisition of tenements	-	61
Reclassification to mine development	(3,488)	(16,665)
Impairment #	(526)	(1,463)
Closing balance	40,221	39,894

The impairment relates to the relinquishment of tenements in areas of interest where no future exploration and evaluation activities are expected, and the carrying amount of the exploration expenditure relating to these areas was written down to \$0.

9. MINE PROPERTIES

	Production Stripping cost \$'000	Mine Properties \$'000	Total \$'000
Net carrying amount at 1 January 2019	1,696	34,688	36,384
Additions	936	22,241	23,177
Transfers from exploration and evaluation assets	-	3,488	3,488
Rehabilitation provision adjustment	-	595	595
Transfers to property, plant and equipment	-	(4,933)	(4,933)
Pre-production adjustment *	-	(11,659)	(11,659)
Amortisation expense	(1,717)	(5,761)	(7,478)
Net carrying amount at 30 June 2019	915	38,659	39,574
Net carrying amount at 1 January 2018	4,575	13,897	18,472
Additions	2,206	19,551	21,757
Transfers from exploration and evaluation assets	-	16,665	16,665
Rehabilitation provision adjustment	-	2,022	2,022
Pre production adjustment *	-	(10,144)	(10,144)
Amortisation expense	(5,085)	(7,303)	(12,388)
Net carrying amount at 31 December 2018	1,696	34,688	36,384

* The Pre-production adjustment refers to gold from the development of the Bartons underground mine prior to the commencement of mining and capitalised borrowing costs.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

10. PROPERTY, PLANT & EQUIPMENT

	Plant and equipment	Land and buildings	Critical spares	Infra- structure	Motor Vehicle	Leased Assets	Capital works in progress	Total
At 30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening carrying amount	13,448	1,201	214	95	90	434	2,738	18,220
Change in accounting policy (see note 14)	-	-	-	-	-	(434)	-	(434)
Restated opening carrying amount	13,448	1,201	214	95	90	-	2,738	17,786
Additions	-	-	-	-	-	-	16,387	16,387
Transfers / reclassification	57	2,471	-	299	100	-	2,058	4,985
Depreciation expense	(1,082)	(128)	(16)	(21)	(29)	-	-	(1,276)
Disposal	(7)	-	-	-	-	-	-	(7)
Closing carrying amount	12,416	3,544	198	373	161	-	21,183	37,875
At 30 June 2018								
Opening carrying amount	15,406	1,442	257	10	-	472	1,871	19,458
Additions	-	-	-	-	-	268	1,706	1,974
Transfers / reclassification	649	-	-	89	101	-	(839)	-
Depreciation expense	(2,607)	(241)	(43)	(4)	(11)	(306)	-	(3,212)
Closing carrying amount	13,448	1,201	214	95	90	434	2,738	18,220

	30 Jun 2019 \$'000	31 Dec 2018 \$'000
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11. TRADE AND OTHER PAYABLES

Trade payables	20,022	17,597
Royalties payable	933	1,474
Employee entitlements	808	973
Accruals	10,771	11,403
Other payables	339	427
	32,873	31,874

12. PROVISION

Current

Employee benefits	1,432	1,092
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Non-current

Employee benefits	408	487
Other	348	-
Rehabilitation	20,260	19,429
	21,016	19,916

	30 Jun 2019 \$'000	31 Dec 2018 \$'000
13. BORROWINGS		
Borrowings	24,997	4,997
Less: Unamortised borrowing costs	(391)	(275)
	24,606	4,722
Current	14,683	4,722
Non-current	9,923	-
	24,606	4,722

Borrowings consist of a \$15 million revolving credit facility (RCF) and a risk management facility (RMF) which allows for the hedging of up to 40,000 ounces of gold (collectively Funding Agreement) with Investec Australia Limited and \$20 million mezzanine debt facility (MDF) with the Company's main shareholder IMC Group.

Funding Agreement

The Company as at 30 June 2019 has fully drawn down on the \$15 million from the RCF and has hedged 39,000 oz's via the RMF. Both the RCF and RMF are due to expire on 30 June 2020 and repayment of the RCF is required to occur in \$5 million tranches on 31 December 2019, 31 March 2020 and 30 June 2020.

The RCF attracts interest on the drawn down amount of the FCF based on the average BBR rate + 3.25%. In addition, the Company is also required to pay a fee of 1.5% on the total RCF amount. The Funding Agreement is secured against the Company's assets.

The Company is required to comply with a number of undertakings during the term of the Funding Agreement. The main undertakings include having at least 25,000 ounces hedged with Investec, cash and cash equivalents and bullion of \$2.5 million and a forward annual cover ratio (free cashflow plus cash and cash equivalents and bullion divided by loan obligations) of 1.5.

The Company has complied with its undertakings under the Funding Agreement during the year.

Mezzanine debt facility

The Company as at 30 June 2019 has completed the first drawn down of \$10 million from the MDF. The remaining two tranches of \$5 million each were drawn down subsequent to 30 June 2019.

The material terms of the MDF are as follows:

- Second ranking and subordinated to the abovementioned Funding Agreement;
- Maturity date of 31 December 2020. Facility can be repaid early;
- Mandatory partial repayment if the cash balance exceeds \$10 million or on completion of a capital raising;
- IMC Group to be issued 60 million options at 20% premium to the 5-day VWAP at the financial close of the first draw-down, with an expiry date of 6 years, subject to shareholder approval.
- Standard interest rate 13.5% p.a. Interest rate of 18.5% p.a. to apply after 30 August 2019, if the necessary shareholder and regulatory approvals have not yet been obtained.

14. LEASES

This note explains the impact of the adoption of AASB 16 Leases on the Company's financial statements and discloses the new accounting policy that have been applied from 1 January 2019.

The Company has adopted AASB 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard using the modified retrospective method of transition. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Accounting policy

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a replacement value of less than US\$5,000.

Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

For leases previously classified as finance leases the Company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

	30 Jun 2019 \$'000	1 Jan 2019 \$'000
The lease liability recognised on date of transition is comprised as follows:		
Discounted operating lease commitments using incremental borrowing rate at 1 January 2019		246
Finance lease liabilities recognised as at 31 December 2018		424
Additional lease commitments from adopting AASB 16		7,721
Lease liability recognised as at 1 January 2019		8,391
Comprising:		
Current	2,545	2,584
Non-current	4,529	5,807
	7,074	8,391

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

	30 Jun 2019 \$'000	1 Jan 2019 \$'000
Property	209	246
Plant & equipment	6,888	8,000
Motor vehicles	51	145
Total right-of-use assets	7,149	8,391

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increased by \$8,391,000
- Property, plant & equipment – decreased by \$434,000
- Lease liabilities – increased by \$7,967,000.

Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The amount of costs expensed for the period from leases as determined under AASB 16 that have not been reflected on the balance sheet by applying the above practical expedients is \$22.6 million.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

15. EQUITY

Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	30 Jun 2019		31 Dec 2018	
	No. of shares	\$'000	No. of shares	\$'000
Ordinary shares – issued and fully paid	891,186,531	179,347	794,390,876	165,408
Movement in share capital				
Opening balance	794,390,876	165,408	787,545,973	165,281
Exercise of employee share options (cashless exercise)	3,201,867	-	4,627,754	-
Exercise of employee share options	380,000	30	470,000	37
Exercise of performance rights	2,410,875	-	1,350,000	-
Rights issue #	90,802,913	14,958	-	-
Equity issued to settle royalty obligation	-	-	222,477	50
Equity issued to settle tenement acquisition	-	-	174,672	40
Transaction costs	-	(1,049)	-	-
Closing balance	891,186,531	179,347	794,390,876	165,408

The completion of the 1 for 8.8 fully underwritten Renounceable Rights Issue was announced on 2 April 2019 raising \$15 million (before costs) at \$0.165 per share.

Reserves

Share option reserve

The share option reserve is used to record the value of share-based payments provided to employees, including KMP, as part of their remuneration, as well as non-employees.

	30 Jun 2019	31 Dec 2018
	\$'000	\$'000
Opening balance	8,553	6,306
Share based payments expense	269	2,247
Closing balance	8,822	8,553

16. EVENTS AFTER BALANCE DATE

The Company made its second and final draw-down of \$5 million each in July and August 2019 on its IMC funding facility as announced on 24 May 2019. The debt is now at \$20 million.

At the Company's general meeting held on 27 August 2019 shareholders approved the issue of 60 million options and granted security over the Company's assets to its main shareholder IMC in relation to the Mezzanine debt facility (refer note 13).

Except as disclosed above, there have been no events subsequent to balance date that would affect significantly affect the amounts reported in the financial statements as at and for the half-year ended 30 June 2019.

DIRECTORS DECLARATION

In the Directors opinion:

1. The financial statements and notes of Millennium Minerals Limited for the half-year ended 30 June 2019 are in accordance with the *Corporations Act 2001* including:

- (a) Giving a true and fair view of the Company's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and
- (b) Complying with *Accounting Standard AASB 134 Interim Financial Reporting*, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made in accordance with a resolution of the Directors of Millennium Minerals Limited.



Gregory Bittar
Non- Executive Chairman
Perth, Western Australia
30 August 2019



Independent Auditor's Review Report

To the shareholders of Millennium Minerals Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Millennium Minerals Limited (the Company).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Millennium Minerals Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed statement of financial position as at 30 June 2019
- Condensed statement of profit or loss and other comprehensive income, Condensed statement of changes in equity and Condensed statement of cash flows for the half-year ended on that date
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 1E, "Going Concern" in the Interim Financial Report. The conditions disclosed in Note 1E, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

For personal use only

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Millennium Minerals Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



R Gambitta
Partner

Perth

30 August 2019