



MILLENNIUM

MINERALS LIMITED

ABN 85 003 257 556

Financial Report

31 December 2007

Directors' Report

The Directors of Millennium Minerals Limited ("Company" or "Millennium") present their report on the Company for the financial year ended 31 December 2007.

DIRECTORS

The names and details of the Directors of the Company in office during or since the end of the financial year are:

Barry Eldridge - BSc (Geology), BE (Mining) (Non-Exec Chairman, Appointed 6 Sept 2007)

Mr Eldridge brings to Millennium a wealth of mining experience gathered over 37 years as a geologist and mining engineer in the mining industry both in Australia and overseas. He moved to Western Australia in 1988 following a 20 year career in the coal industry in Queensland and New South Wales. Some of his roles have included Project Manager for the Super Pit in Kalgoorlie, Project Manager of the Kanowna Belle Gold Mine, Managing Director of Forrestania Gold NL, Project Director for the West Angelas Iron Ore development, Director - Major Projects for North Ltd, Managing Director of Griffin Coal Pty Ltd and, most recently, Managing Director and CEO of Portman Ltd.

He is also a director of the largest iron ore company in North America, Cleveland-Cliffs Inc, and is the Chairman of SNC-Lavalin Australia Pty Ltd, a Canadian engineering and construction company, Vulcan Resources Limited and a non-executive director of Mundo Minerals Limited.

Andrew Law - MBA(UWA), HND(MetMin) (Managing Director, Appointed 7 September 2007)

Mr Law has over 24 years experience in the mining industry in Australia and Africa. He holds a Diploma in Mine Engineering (Witwatersrand) and a Masters in Business Administration from the University of Western Australia. He is a Fellow of the AusIMM, a Fellow of the Institute of Quarrying - Australia and an Associate Fellow of the Australian Institute of Management. His extensive technical and management experience covers deep level underground mining environments, large open pit environments and large mineral sands dredging environments.

Mr Law has also gained executive management experience at both the senior operations level and the corporate level with companies such as, Plutonic Resources, Placer Dome, Legend Mining and more recently, Moly Mines Limited. Mr Law's experience at Moly Mines Limited in particular will be beneficial in developing the Millennium Project.

Michael Grigson – BSc(Geology) PhD(Geology) (Exploration Director, Appointed 26 Oct 2007)

Dr Grigson has over 25 years experience in the mining industry, and gained his PhD from the University of WA through the study of regional and mine-scale structural controls on gold mineralisation. He has been involved with and supervised a number of successful, large-scale exploration and development projects in WA, and has extensive experience at the generative and grass roots stages of gold and base metal exploration in Archaean and Proterozoic terranes.

Clive Donner BComm (Non-Exec Director)

Mr Donner has substantial skills in fundraising and project financing spanning over 25 years. He was previously the project finance head and Director responsible for Rothschild Australia's project finance mining business in Western Australia before spending almost a decade in venture capital and equities in the resources sector. Mr Donner is the Managing Director of LinQ Capital Limited (as the responsible entity for the LinQ Resources Fund, a mining and resources fund specialising in small cap resources).

Directors' Report

Ross Gillon - BJurisLLB (Non-Executive Director)

Mr Gillon is a solicitor in Perth and has previously been a director of a number of exploration companies.

Mr Gillon was appointed a Non-Executive Director of the Company on 16 June 2003.

Frank Vanspeybroeck (Non-Executive Director, Resigned 7 September 2007)

Frank Vanspeybroeck is the founder of Millennium. He has over 23 years experience in the exploration and mining industry in Australia. His experience includes gold mining, commissioning and operating carbon in pulp gold processing plants. He is also the Managing Director of the AIM listed China Goldmines plc.

Geoffrey Lambert (Non-Executive Director, Resigned 26 October 2007)

Geoffrey Lambert holds BEc and MEc degrees from the University of Sydney and has had over thirty years experience in investment banking. Mr Lambert has served on the Boards of a number of public companies and is currently a Director of ICS Global Ltd, Stratatel Ltd and Reward Minerals Ltd.

Evan Kirby (Non-Executive Director, Resigned 7 September 2007)

Evan Kirby holds BSc and PhD degrees from the University of Newcastle upon Tyne. He is a metallurgist with over 30 years international experience covering operations management, technical support, engineering design, and feasibility study management. His work has covered a wide range of processes associated with gold, platinum group metals, base metals and sulphuric acid production. Since 2002, he has operated his own consulting business, Metallurgical Management Services Pty Ltd.

Richard Procter (Non-Executive Director, Resigned 30 April 2007)

Richard Procter holds BSc (Eng) (University of the Witwatersrand) and MBA (Cape Town) degrees. He is a mining engineer with over 30 years international experience covering corporate, operations, contracting, consulting and project developments. These positions have included the leadership and management of base and precious metal mining concerns (at both executive and general management levels), development of bankable feasibility studies and their conversion into mining operations; responsibility for mining asset evaluations; undertaking valuations including technical and operational audits, involvement in mining asset due diligence and Expert reporting; and providing technical and strategic planning advice to both mining and industrial organisations.

Terry Stark (Managing Director, Appointed 23 February 2007, Resigned 5 September 2007)

Terry Stark is a mining engineer with more than 35 years experience in the gold, nickel, manganese and chromite industries. He is a former managing director of Horizon Mining Limited and PMA Limited and brings extensive operating and project development experience to the Company.

Directors' Report

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other Australian listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Name	Company
Barry Eldridge	Vulcan Resources Limited (appointed 5 November 2005) and Mundo Minerals Limited (appointed 30 March 2006)
Andrew Law	Nil
Michael Grigson	Nil
Clive Donner	Matrix Metals Limited (appointed 1 October 2006), Dioro Exploration NL (appointed 1 February 2005, resigned 7 May 2007), and LinQ Capital Limited (as the responsible entity of a unit trust known as the LinQ Resources Fund)
Ross Gillon	Red River Resources Limited (appointed 28 November 2005)
Frank Vanspeybroeck	Nil
Geoffrey Lambert	ICS Global Limited, Stratatel Limited and Reward Minerals Limited
Evan Kirby	Dwyka Diamonds Limited, Sylvania Resources Limited
Richard Procter	Uramet Minerals Limited, Matrix Metals Limited
Terry Stark	Nil
Mark Freeman	Golden Gate Petroleum Limited (appointed 2001), and has also served as a director of Liberty Resources NL, and Capital Intelligence Ltd during the past three years
James Moran	Nil

DIRECTORSHIPS INTERESTS AND BENEFITS

As at the date of this report, the interests of the Directors and their associates in the shares of the Company are:-

	Ordinary Shares	Options over Ordinary Shares		
		Un-Listed	Expiry	Exercise price (\$)
Barry Eldridge	-	5,000,000*	31/10/11	0.20
Andrew Law	-	3,500,000*	31/10/11	0.30
		3,500,000*	31/10/11	0.20
Michael Grigson	50,000	1,500,000	19/12/11	0.29
		2,500,000*	21/02/12	0.20
		140,000*	20/09/08	0.35
Clive Donner	Nil	Nil	-	-
Ross Gillon	475,001	1,500,000	19/12/11	0.29

* The above options were granted and fully vested to the directors, Messrs Eldridge, Law and Grigson, on 25 February 2008 and hence did not form part of their total 2007 financial year remuneration.

Directors' Report

Payments:

Mr Ross Gillon is a partner of Lawton Gillon which provides legal services to the Company. During the period that Partnership was paid \$2,992 (2006: \$48,084).

Mr Clive Donner is a director of LinQ Corporate Pty Ltd, which is owned by a trust in which Mr Donner is one of the beneficiaries. During the year this Company received a net fee of \$15,000 for corporate and financial advice provided at normal commercial rates. This agreement has been terminated and no fees are outstanding.

Mr Richard Procter is a director of Devmin Pty Ltd which provides consultancy to the Company. During the period that Company was paid \$12,600 (2006: \$134,760).

Prior to his appointment as Managing Director Mr Terry Stark (Appointed 26 February 2007) was engaged as a consultant to the Company providing mining engineering services on the Nullagine Gold Project. Monies paid to him for consultant fees up to 26 February 2007 totalled \$24,000 (2006: \$64,000).

These fees and disbursements exclude benefits included in the aggregate amount of emoluments received or due and receivable by Directors as director's fees and shown in the financial statements, prepared in accordance with the Corporations Regulations, or the fixed salary of a full time employee.

COMPANY SECRETARY

Mark Freeman (Company Secretary, Appointed 5 October 2007)

Mr Freeman is a Chartered Accountant and has more than 11 years' experience in corporate finance and the resources industry. He has experience in strategic planning, business development, acquisitions and mergers, project development and general management. Previous and current corporate experience includes companies such as Liberty Resources NL, Mirabela Nickel Ltd, Albidon Ltd and Sally Malay Mining Ltd. In addition, Mr Freeman is a graduate of the University of Western Australia with a Bachelor of Commerce with a double major in Banking & Finance and Accounting as well as holding a Graduate Diploma in Applied Finance with a major in Investment Analysis from the Securities Institute of Australia. Mr Freeman is a Director of Meccano Pty Ltd, which provides Company Secretarial consultancy services to the Company.

James Moran (Company Secretary, Resigned 5 October 2007)

James Moran, is a qualified CPA, Chartered Corporate Secretary and has a Diploma with The Australian Institute of Company Directors. He has 25 years resources sector experience gained both locally and overseas. He has had extensive exposure to both the corporate and operational sides of financial and management accounting and general administration functions. Mr Moran was a full-time employee of the Company and held the joint roles of Company Secretary and Chief Financial Officer until time of resignation.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year was the continued exploration for gold, and development of the Nullagine Gold Project in Western Australia. There was a change in the nature of the Company's principal activity during the year with exploration for molybdenum and gold becoming the principal activity later in the year.

RESULT

The loss after income tax for the financial year was \$10,986,221 (2006: loss of \$2,209,098).

Directors' Report

DIVIDENDS

No dividend was paid during the financial year and the directors do not recommend payment of a dividend.

REVIEW OF OPERATIONS

The prime activity of the Company during the 2007 financial year was the continued exploration and development of the Nullagine Gold Project in the Pilbara region northern Western Australia. During the year as a result of the significant appreciation of the Australian dollar, particularly against the US dollar, and increases in capital and operating costs, the development of the Nullagine Gold Project was placed on hold. Exploration for gold continued together with exploration for molybdenum at the Millennium Molybdenum Project on the Company's tenements at Nullagine.

A detailed review of the operations for the year is included in the Review of Operations section of the Annual Report.

STATE OF AFFAIRS

In the opinion of the Directors, there were no other significant changes to the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The shareholders of Wedgetail Mining Limited approved a change in the name of the Company to Millennium Minerals Limited on 25th February 2008. No other matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 31 December 2007.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company intends to continue the exploration for molybdenum and gold at its existing tenements at Nullagine.

REMUNERATION REPORT

The Remuneration Report outlines the remuneration arrangements which were in place during the year, and remain in place at the date of this report, for the Directors and executives of the Company.

The information provided within the remuneration report includes remuneration disclosures that are required under Accounting Standard AASB 124 'Related Party Disclosures', These disclosures have been transferred from the financial report and have been audited.

Remuneration Philosophy

The performance of the Company depends on the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

Directors' Report

To this end, the Company embodies the following principles in its remuneration framework:

- Retention and motivation of key executives;
- Attraction of quality management to the Company; and
- Performance incentives which allow executives to share the rewards of the success of the Company.

Remuneration Committee

The Company is not of sufficient size to warrant the formation of a remuneration committee. It is the Board of Directors responsibility for determining and reviewing compensation arrangements for the Directors and senior executives.

The Board assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a highly qualified Board and executive team.

Remuneration Structure

The structure of non-executive Director and senior executive remuneration is separate and distinct.

Objective

The Board seeks to set remuneration at a level which provides the Company with the ability to attract and retain Directors and executives of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

Remuneration of non-executive Directors comprises fees determined having regard to industry practice and the need to attract appropriately qualified persons. Fees do not contain any non-monetary elements.

Remuneration of executive Directors and other senior executives are determined after consideration is given to normal commercial rates of remuneration for similar levels of responsibility, industry practices and the need to obtain appropriately qualified persons to fill the executive positions necessary for the Company to operate. Remuneration, at the current exploration stage, is not linked to the performance of the Company, but rather on the ability to attract and retain Directors and senior executives of the highest calibre within the industry.

The granting of remuneration options is done by the Board. The Board grants the options by giving consideration to the seniority of the employee's position and the need to retain highly qualified employees and executive team. The granting of options is in substance a performance incentive which allows employees to share the rewards of the success of the Company.

Director's and Key Management Remuneration

Details of the remuneration of each Director of Millennium, including their personally-related entities, for the year ended 31 December 2007 are set out as follows:

Directors' Report

	Year	Short Term			Post Employment	Equity Compensation	Total \$
		Directors Fees \$	Consulting Fees \$	Non-monetary Benefits \$	Superannuation \$	Value of Share Options \$	
Mr B Eldridge Appointed 6/9/07	2007	13,211 (92%)	-	-	1,189 (8%)	-	14,400
	2006	-	-	-	-	-	-
Mr A Law Appointed 6/9/07	2007	64,423 (91%)	-	-	6,442 (9%)	-	70,865
	2006	-	-	-	-	-	-
Mr M Grigson Appointed 26/10/07	2007	187,019 (92%)	-	-	16,831 (8%)	-	203,850
	2006	78,269 (92%)	-	-	7,044 (8%)	-	85,313
Mr C Donner	2007	53,333 (100%)	-	-	-	-	53,333
	2006	50,000 (100%)	-	-	-	-	50,000
Mr R Gillon	2007	29,500 (17%)	-	-	-	144,474 (83%)	173,974
	2006	24,000 (100%)	-	-	-	-	24,000
Mr F Vanspeybroeck Resigned 7/9/07	2007	17,600 (100%)	-	-	-	-	17,600
	2006	22,000 (56%)	17,500 (44%)	-	-	-	39,500
Mr G Lambert Resigned 26/10/07	2007	22,000 (13%)	-	-	792 (1%)	144,474 (86%)	167,266
	2006	24,000 (100%)	-	-	-	-	24,000
Mr E Kirby Resigned 7/9/07	2007	17,600 (11%)	-	-	-	144,474 (89%)	162,074
	2006	24,000 (87%)	3,450 (13%)	-	-	-	27,450
Mr R Procter Resigned 30/4/07	2007	8,800 (41%)	12,600 (59%)	-	-	-	21,400
	2006	24,000 (15%)	134,760 (85%)	-	-	-	158,760
Mr T Stark Resigned 5/9/07	2007	236,704 (30%)	-	-	10,956 (1%)	529,056 (68%)	776,716
	2006	-	-	-	-	-	-
Mr M Freeman (Company Secretary)	2007	14,000 (100%)	-	-	-	-	14,000
	2006	-	-	-	-	-	-
Mr J Moran (Company Secretary)	2007	149,479 (92%)	-	-	12,435 (8%)	-	161,914
	2006	65,365 (92%)	-	-	5,882 (8%)	-	71,247

The Company did not have any other executives ("specified executive") with authority for the strategic direction and management of the Company during the year.

Directors' Report

Key Management Employment Contracts

Barry Eldridge, Non Executive Chairman:

- Term of agreement – The current employment contract commenced on 6 September 2007 for a fixed 12 months.
- Annual salary of \$60,000 is paid.
- There are no termination arrangements.

Andrew Law, Director:

- Term of agreement – The current employment contract commenced on 7 September 2007 for a fixed 2 year term with a further option to extend for a further 2 years subject to re-election as required by the Company's constitution.
- An annual fee of \$275,000 (including superannuation), to be reviewed annually by the Board.
- The Company may elect to give Mr Law a payment in lieu of the completion of the contract term (for example should the contract be terminated as at the date of this report a payment of \$74,250 is required).

Michael Grigson, Director:

- Term of agreement – The current employment contract commenced on 26 October 2007 for a fixed 1 year term with subject to re-election as required by the Company's constitution.
- A fee of \$200,000 (plus superannuation) per annum, to be reviewed annually by the Board.
- The Company may elect to give Mr Grigson a payment in lieu of the completion of the contract term (for example should the contract be terminated as at the date of this report a payment of \$18,000 is required).

Ross Gillon, Director:

- Term of agreement – no fixed term
- A fee for the period ending 30 June 2007 of \$45,000 (inclusive of superannuation), to be reviewed annually by the Board.

Clive Donner, Director:

- Term of agreement – no fixed term
- A fee for the period ending 30 June 2007 of \$45,000 (inclusive of superannuation), to be reviewed annually by the Board.

Mark Freeman, Company Secretary:

- Term of agreement – The current employment contract commenced on 7 October 2007 for no fixed term and may be terminated with one months notice.
- Annual consulting fees of \$14,000 were paid for the period ending 31 December 2007.

Directors' Report

Mr Evan Kirby is a Director of Metallurgical Management Services (Pty) Ltd which provided metallurgical consultancy services to the Company during the year. Mr Kirby resigned on 7 September 2007 and no further amounts are owed to Mr Kirby.

Mr Terry Stark is a Director of T A Stark and Associates Pty Ltd who received consulting fees up to the end of the financial year totalling \$24,000. Mr Stark was subsequently appointed Managing Director of the Company on February 23, 2007, Mr Stark resigned on 5 September 2007 and no further amounts are owed to Mr Stark

MEETINGS OF DIRECTORS

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

	Directors Meetings	
	No. of Meetings Held Whilst in Office	Meetings Attended
Barry ELDRIDGE	4	4
Andrew LAW	4	4
Michael GRIGSON	2	2
Clive DONNER	17	16
Ross GILLON	17	15
Frank VANSPEYBROECK	13	10
Geoffrey LAMBERT	14	14
Evan KIRBY	13	9
Richard PROCTER	5	5
Terry STARK	9	9

INSURANCE OF DIRECTORS AND OFFICERS

The Company agreed to pay a premium in respect of a contract insuring the Directors and Officers of the Company. Full details of the cover and premium are not disclosed as the insurance policy prohibits the disclosure. No Liability has arisen under this indemnity as at the date of this report. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify and officer or auditor of the Company or of any related body corporate, against a liability incurred as such by an officer or auditor.

Directors' Report

SHARE OPTIONS

Options on Issue

At the date of this report unissued shares of the Company under option are:

<u>Expiry Date</u>	<u>Number of Options</u>	<u>Exercise Price</u>
19 December 2011 (unlisted)	9,500,000	29 cents
19 December 2011 (unlisted)	5,000,000	23 cents
31 October 2011 (unlisted)	3,500,000	30 cents
31 October 2011 (unlisted)	8,500,000	20 cents
21 February 2012 (unlisted)	2,500,000	20 cents
20 September 2008 (unlisted)	140,000	35 cents

	2007 Number	2006 Number
Options - listed		
Balance at beginning of year	-	-
Issued during year	-	-
Exercised during year	-	-
Expired during year	-	-
	-	-
Balance at end of year	-	-
Options - unlisted		
Balance at beginning of year	3,016,000	34,700,000
Issued during year	22,950,000	300,000
Share Capital consolidation	-	(27,270,000)
Exercised during year	-	-
Expired or cancelled during year	(9,466,000)	(4,714,000)
	(9,466,000)	(4,714,000)
Balance at end of year	16,500,000	3,016,000

On 7 February 2007 Employee Options totalling 11,950,000 were issued with an exercise price of 29 cents. A total of 6,450,000 were cancelled during the year ended 31 December 2007 due to employees leaving the Company. None of these options were exercised during the period. The balance on issue expires on 19 December 2011.

On 31 May 2007 Directors' Options totalling 6,000,000 (1,500,000 each to Messrs Gillon, Kirby, Lambert and Vanspeybroeck) were issued with an exercise price of 29 cents each. A further 5,000,000 options were issued to director, Mr Terry Stark, on 31 May 2007 with an exercise price of 23 cents. These 11,000,000 options are the only options currently issued to directors as at 31 December 2007. None of these options were exercised during the year. They all expire on 19 December 2011. All directors' options are fully vested.

Fair Value of options granted to directors on 31 May 2007 and expiring 19 December 2011

The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date, and the expected price volatility (60%) of the underlying share, the expected dividend yield (0%) and the risk-free interest rate (5.35%) for the term of the option. Options for Messrs Gillon, Kirby, Lambert and Vanspeybroeck were all valued at \$0.096 each, with Mr Stark's options valued at \$0.1058 each.

Directors' Report

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Millennium support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained within the Annual Report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are subject to environmental regulation under the laws of the Commonwealth and of the State, with specific conditions relating to rehabilitation.

In the case of Approved Notices of Intent to Mine, bonds are held by the Company's bank which may be released to the Company when Department of Industry and Resources is satisfied that conditions imposed on those licences have been met.

Notices of Intent to Mine incorporate environmental conditions, including those related to noise, dust, water run off, rare and endangered flora and fauna, sites of historical and aboriginal significance as well as rehabilitation criteria.

The Directors advise that during the year ended 31 December 2007, no claim has been made by any competent authority that any environmental issues condition of licence or notice of intent have been breached, or any bond forfeited.

AUDITOR'S INDEPENDENCE DECLARATION

The following is a copy of a letter received from the Company's auditors:

"Dear Sirs,

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2007 annual financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Frank Vrachas (Lead Auditor)
Rothsay Chartered Accountants"

Directors' Report

Non-Audit Services

The Board of Directors has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including acting in a management or a decision-making capacity for the Company or acting as advocate for the Company.

The following amounts were paid to the auditors:

	2007	2006
Auditors' Remuneration		
Auditing accounts	27,000	14,000
Non-audit Services		
Independent report	-	5,700

Signed at Perth this 31st day of March 2008 in accordance with a resolution of the Directors.



Andrew Law
Managing Director

Income Statement For The Year Ended 31 December 2007

	NOTE	2007 \$	2006 \$
Revenue from ordinary activities	3	<u>6,683,027</u>	<u>692,146</u>
Carrying amount of non current assets sold		(4,965,541)	-
Depreciation and amortisation		(91,218)	(107,937)
Employment /consultants		(2,519,993)	(1,234,607)
Non cash fair value adjustment		(9,392,269)	-
Finance costs		(64,442)	(756,438)
Management and administration expenses		(635,785)	(796,793)
Other expenses from ordinary activities		<u>-</u>	<u>(5,469)</u>
Profit/(Loss) from ordinary activities before income tax expense	4	(10,986,221)	(2,209,098)
Income tax expense	5	<u>-</u>	<u>-</u>
Net profit/(loss) attributable to the members of Millennium Minerals Limited	15	<u>(10,986,221)</u>	<u>(2,209,098)</u>
Total Changes In Equity Other Than Those Resulting From Transactions With Owners As Owners		<u>(10,986,221)</u>	<u>(2,209,098)</u>
Earnings per share – Basic	22	<u>(0.0465)</u>	<u>(0.0012)</u>

The accompanying notes form part of the financial statements.

Balance Sheet As At 31 December 2007

	NOTE	2007 \$	2006 \$
Current Assets			
Cash and cash equivalents	6	6,227,674	11,865,433
Trade and other receivables	7	76,990	144,357
Total Current Assets		<u>6,304,664</u>	<u>12,009,790</u>
Non-Current Assets			
Exploration and Evaluation expenditure	8	24,124,683	24,078,865
Property plant and equipment	9	2,487,320	10,139,530
Total Non-Current Assets		<u>26,612,003</u>	<u>34,218,395</u>
Total Assets		<u>32,916,667</u>	<u>46,228,185</u>
Current liabilities			
Trade & Other Payables	10	532,768	3,806,511
Provisions	11	55,353	82,034
Financial Liabilities	12	600,000	369,077
Total Current Liabilities		<u>1,188,121</u>	<u>4,257,622</u>
Non Current Liabilities			
Financial Liabilities	13	-	340,295
Total Non Current Liabilities		<u>-</u>	<u>340,295</u>
Total Liabilities		<u>1,188,121</u>	<u>4,597,917</u>
Net Assets		<u>31,728,546</u>	<u>41,630,268</u>
Equity			
Contributed equity	14	50,577,239	50,452,239
Reserves	15	1,106,952	147,453
Accumulated losses	15	(19,955,645)	(8,969,424)
Total Equity		<u>31,728,546</u>	<u>41,630,268</u>

The accompanying notes form part of the financial statements.

Statement Of Cash Flows For The Year Ended 31 December 2007

	NOTE	2007 \$	2006 \$
Cash Flows From Operating Activities			
Rental and other income		195,998	237,197
Interest and borrowing costs paid		(60,772)	(498,000)
Payments to suppliers and employees		(2,813,883)	(1,998,490)
Interest and distributions received		460,881	439,102
Net Cash Used In Operating Activities	20 (b)	(2,217,776)	(1,820,191)
Cash Flows From Investing Activities			
Payments for plant and equipment		(2,980,129)	(6,990,119)
Payment for mineral exploration areas and development		(5,931,247)	(3,990,054)
Proceeds from sale of investments		-	450,738
Proceeds from sale of plant and equipment		6,014,138	14,000
Payments of commission on sale of plant		(250,000)	-
Payments for mineral exploration security deposits		-	(115,000)
Net Cash Used In Investing Activities		(3,147,238)	(10,630,435)
Cash Flows From Financing Activities			
Payment for Feasibility Study Due Diligence		(162,044)	-
Proceeds from shares issued		-	28,695,000
Repayments of borrowings		(110,701)	(8,809,000)
Net Cash Provided By Financing Activities		(272,745)	19,886,000
Net Increase / (Decrease) In Cash Held		(5,637,759)	7,435,374
Cash Held At The Beginning Of Period		11,865,433	4,430,059
Cash Held At The End Of The Financial Year	20 (a)	6,227,674	11,865,433

The accompanying notes form part of the financial statements.

Statement Of Changes In Equity For The Year Ended 31 December 2007

Equity: Note 15	Issued capital	Accumulated losses	Other reserves	Total Equity
At 1 January 2006	28,183,910	(6,760,126)	-	21,423,784
<hr/>				
Total income / (expense) for the period		(2,209,298)		(2,209,298)
Issue of share capital (net of issue costs)	22,268,329			22,268,329
Equity settled payments			147,453	147,453
Balance at 31 December 2006	50,452,239	(8,969,424)	147,453	41,630,268
<hr/>				
At 1 January 2007	50,452,239	(8,969,424)	147,453	41,630,268
<hr/>				
Total income / (expense) for the period		(10,986,221)		(10,986,221)
Issue of Share Capital (net of issue costs)	125,000			125,000
Equity settled payments			959,499	959,499
Balance at 31 December 2007	50,577,239	(19,955,645)	1,106,952	31,728,546

The accompanying notes form part of the financial statements.

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007**

1. CORPORATE INFORMATION

Millennium Minerals Limited (“Millennium” or the “Company”) is a public listed limited Company that is incorporated and domiciled in Australia.

During the year, the principal activity of Millennium was molybdenum and gold exploration, and development of the Nullagine gold project in Western Australia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis Of Presentation

This is a general purpose financial report of the Company that has been prepared in accordance with applicable accounting standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Act 2001. The accounting policies have been consistently applied. All amounts are presented in Australian dollars.

The financial statements have been prepared on the basis of historical costs, except where stated certain current and non-current assets are held at current valuation.

(b) Statement of Compliance

The full year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (‘AIFRS’). Compliance with AIFRS ensures that the full year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (‘IFRS’).

(c) Income Tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(d) Property, Plant and Equipment

Cost and valuation

Items of property, plant and equipment comprising a class of non current assets are carried at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at cost.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposal. The expected net cash flows have been discounted to their net present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of plant and equipment over its expected useful life to the Company. The expected useful lives are as follows:

Plant and equipment 5 – 10 years.

(e) Mineral Exploration Expenditure

Costs incurred during the exploration and evaluation phases are accumulated in respect of each identifiable area of interest.

Exploration and evaluation costs shown in the Balance Sheet represent an accumulation of net direct exploration and evaluation costs incurred by the Company in relation to the acquisition of areas of interest for which rights of tenure are current and expected to be maintained and in respect of which:

- i) such costs are expected to be recouped through successful development and exploitation of the area;
- or*
- ii) exploration and/or evaluation activities in the areas have not yet reached a stage which permits an assessment of the existence or otherwise of economically recoverable reserves.

The directors regularly review the capitalised exploration costs and where appropriate areas of interest are written down to their recoverable amount.

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The ultimate recoupment of costs related to the areas of interest in the exploration and evaluation phase is dependent on the successful and commercial exploitation of the relevant areas.

(f) Investments and other financial assets

The Company classifies its investments in the following categories: financial assets at fair value through profit and loss, loan and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the economic entity are capitalised at the present value of the minimum lease payments. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the estimated useful life of the assets. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Income Statement

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(h) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(i) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash Flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(j) Trade Payables, Other Creditors and Provisions

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid, together with assets ordered before the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions are recognised when the Company has a present obligation and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(k) Trade Receivables and Revenue Recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Other debtors are recognised at the amount receivable and are due for settlement within 30 days from the end of the month in which services were provided.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of any outstanding bank overdraft.

(m) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(n) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at cost. Any accrued interest is recorded in payables.

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(o) Revenues

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Dividend and distribution revenue is recognised when the shareholders right to receive payment is established. Interest revenue is recognised as the interest accrues. Rental revenue is recognised in accordance with rental agreements.

(p) Share Based Payment Transactions

Equity based compensation benefits are provided to certain employees and suppliers as consideration for goods and services received.

The fair value of options granted is recognised as an expense. The fair value is measured at grant date and recognised over the period that the holder becomes unconditionally entitled to the options.

(q) Employee Entitlements

(i) Wages and Salaries and Annual Leave

Liabilities for wages and salaries, including annual leave expected to be settled within twelve months of the reporting date are recognised in the provision for employee benefits up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Employee Benefit on-costs

Employee benefit on costs, including payroll tax and superannuation guarantee charge, are charged as an expense when incurred.

(r) Comparatives

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) Impairment of Assets

Assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash generating units).

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(t) Mineral Tenements

The Company's activities in the mining industry are subject to regulations and approvals including mining heritage, environmental regulation, the implications of the High Court of Australia decision in what is known generally as the "Mabo" case and any State of Federal legislation regarding native and mining titles. Approvals, although granted in most cases, is discretionary. The question of native title has yet to be determined and could affect any mining title area whether granted by the State or not.

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year

(u) New accounting standards and UIG interpretations

Certain new accounting standards have been published that are not mandatory for 31 December 2007 reporting periods. The Company has not applied any of the following in preparing this financial report:

Affected Standard	Nature of Change to Accounting Policy	Application *
AASB 8: Operating Segments	No impact on accounting policy, affects disclosures in relation to operating segments instead of business and geographical segments for the financial report ending 30 June 2010.	1 January 2009
AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB5, AASB6, AASB102, AASB 107, AASB119, AASB127, AASB134, AASB136, AASB 1023 and AASB1038]	No impact on accounting policy, affects disclosures only	1 January 2009
AASB 2007-7: Amendments to Australian Accounting Standards [AASB1, AASB2, AASB4, AASB5, AASB107 and AASB128]	No impact on accounting policy, affects disclosures only	1 July 2007
AASB 2007-1: Amendments to Australian Accounting Standards arising from AASB 11	No impact on the financial statements	1 March 2007
AASB 2007-4: Amendments to Australian Accounting Standards arising from ED 151 and other amendments	No impact on accounting policy or disclosures	1 July 2007
AASB Interpretation 11: Treasury Share transactions	No impact on accounting policy or disclosures	1 March 2007

* Applicable to reporting periods commencing on or after the given date

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(v) Critical accounting estimates and judgements

In preparing this Financial Report the Company has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

i) Significant accounting judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of exploration and evaluation expenditure

The Company has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

In preparing this Financial Report the Company has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

As at 31 December 2007, the carrying value of exploration expenditure of the Company is \$24,124,683.

Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007

	2007 \$	2006 \$
3. REVENUE FROM ORDINARY ACTIVITIES		
Interest received	379,270	440,573
Distributions received	-	37,249
Proceeds from disposal of fixed assets	5,978,806	-
Stamp Duty refunds	81,396	-
Fuel Tax Credits	38,084	-
Rental & Others	205,471	214,324
	6,683,027	692,146
4. OPERATING PROFIT / (LOSS)		
Loss before income tax expense includes the following specific gains and expenses:		
Expenses		
Depreciation and amortisation	91,218	107,937
Value of share options- expensed	1,106,952	147,453
Value of share options – expired	(147,453)	-
Non cash fair value adjustment - exploration	9,392,269	-
Finance costs		
Interest paid or payable – other persons	3,943	360,397
Borrowing costs paid – other persons	60,499	396,041
Net Gains		
Gain on disposal of shares	-	11,734
Gain on disposal of fixed asset	1,013,265	(1,043)
5. INCOME TAX		
Profit / (loss) before income tax expense	(10,986,221)	(2,209,098)
Prima facie tax on operating profit/(loss)	(3,295,866)	(662,729)
Tax effect of permanent and timing differences		
Non-deductible expenses	65,185	50,108
Provision for diminution in value of investments	-	-
Future income tax benefit not brought to account	3,230,681	612,621
Income Tax Expense Attributable To Operating Profit (Loss)	-	-

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007**

The Company has approximately \$17,370,651 (2006: \$14,139,970) in losses for income tax purposes unrecouped at balance date (subject to confirmation by the Commissioner of Taxation). The aggregate future income tax benefit of \$7,472,672 (2006: \$4,241,991) has not been carried forward as an asset in the Balance Sheet as realisation of the benefit is not regarded as virtually certain and will only be obtained if:

- (a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the exploration expenditure and tax losses to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (c) no changes in tax legislation adversely affect the Company in realising the benefit from the tax losses.

6. CURRENT ASSETS - CASH

	2007	2006
	\$	\$
Cash at bank and on hand	311,169	1,741,092
Cash on deposit	5,916,505	10,124,341
	<u>6,227,674</u>	<u>11,865,433</u>

7. CURRENT ASSETS - TRADE & OTHER RECEIVABLES

Debtors	37,072	27,288
GST refundable	18,774	73,381
Prepayments	21,144	43,688
	<u>76,990</u>	<u>144,357</u>

8. EXPLORATION TENEMENTS

Mineral Exploration And Evaluation Expenditure

Carrying amount at beginning of year	24,078,865	17,268,213
Current year expenditure	3,945,525	6,810,652
Net gain (loss) from fair value adjustment	(3,899,707)	-
Carrying Amount At End Of Year	<u>24,124,683</u>	<u>24,078,865</u>

Recoverability of the carrying value of interests in mineral projects is subject to the successful development and exploitation of the exploration properties or alternatively, the sale of these tenements at amounts at least equal to the book values.

Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007

	2007 \$	2006 \$
9. PLANT AND EQUIPMENT		
Plant and Equipment – at cost	1,001,296	2,373,870
Less Accumulated Depreciation	<u>(271,197)</u>	<u>(610,794)</u>
Written Down Value	<u>730,099</u>	<u>1,763,076</u>
MOTOR VEHICLES		
Motor Vehicles – at cost	155,934	155,936
Less Accumulated Depreciation	<u>(79,212)</u>	<u>(63,820)</u>
Written Down Value	<u>76,722</u>	<u>92,116</u>
LAND AND BUILDINGS		
Land and Buildings – at cost	524,262	1,214,356
Less Accumulated Depreciation	<u>-</u>	<u>-</u>
Written down Value	<u>524,262</u>	<u>1,214,356</u>
LEASEHOLD IMPROVEMENTS		
Leasehold Improvements – at cost	138,145	138,145
Less Accumulated Depreciation	<u>(61,472)</u>	<u>(55,022)</u>
Written down Value	<u>76,673</u>	<u>83,123</u>
CAPITAL WORKS IN PROGRESS		
Capital Works – Nullagine project	1,079,564	6,989,428
Less Accumulated Depreciation	<u>-</u>	<u>-</u>
Written down Value	<u>1,079,564</u>	<u>6,989,428</u>
Total Written Down Value at End of Year	<u>2,487,320</u>	<u>10,139,530</u>

Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007

	2007 \$	2006 \$
PLANT AND EQUIPMENT - RECONCILIATION		
Carrying amount at beginning of year	1,763,076	1,608,584
Additions	17,627	247,389
Disposals	(981,230)	-
Less Depreciation	(69,374)	(92,897)
Carrying Amount At End Of Year	730,099	1,763,076
MOTOR VEHICLES - RECONCILIATION		
Carrying amount at beginning of year	92,116	94,519
Additions	-	6,853
Less Depreciation	(15,394)	(9,256)
Carrying Amount at End of Year	76,722	92,116
LAND AND BUILDINGS - RECONCILIATION		
Carrying amount at beginning of year	1,214,356	1,214,356
Additions at cost	-	-
Disposals	(690,094)	-
Carrying Amount at End of Year	524,262	1,214,356
LEASEHOLD IMPROVEMENTS - RECONCILIATION		
Carrying amount at beginning of year	83,123	84,913
Additions	-	4,660
Less Depreciation	(6,450)	(6,450)
Carrying Amount at End of Year	76,673	83,123
CAPITAL WORKS IN PROGRESS		
Carrying amount at beginning of year	6,989,426	-
Additions at cost	-	6,989,426
Disposals	(417,300)	-
Net gain (loss) from fair value adjustment	(5,492,562)	-
Carrying Amount at End of Year	1,079,564	6,989,426
Total Amount at End of Year	2,487,320	10,139,530

Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007

	2007 \$	2006 \$
10. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade creditors	399,881	3,617,872
Other creditors and accruals	133,087	188,639
	<u>532,768</u>	<u>3,806,511</u>
Trade creditors are non interest bearing and are generally on 30 day terms.		
11. CURRENT LIABILITIES - PROVISIONS		
Provision for employee entitlements	<u>55,353</u>	<u>82,034</u>
The provision consists of annual leave expected to be settled within twelve months of the reporting date.		
12. CURRENT LIABILITIES – FINANCIAL LIABILITIES		
Convertible note	600,000	300,000
Hire Purchase Liability	-	69,077
Borrowings	-	-
	<u>600,000</u>	<u>369,077</u>

On 25 August 2004 the Company issued \$2.5m of convertible notes to LinQ Capital Limited (as the responsible entity of a unit trust known as the LinQ Resources Fund) with a face value of 35 cents each. Of this \$2.2m, was converted in accordance with the note terms and repaid, while the residual of \$300,000 (857,143 convertible notes) remains owing. The notes have the following key terms:

- i) The coupon rate is 10% pa, payable quarterly in arrears;
- ii) The principal is repayable on 31 January 2009 (extended from 31 January 2008);
- iii) The notes, now with a face value of 35 cents, convert on a 1:1 basis (ie 857,143 ordinary shares);
- iv) Notes are secured against via a fixed and floating charge over the Company's assets; and
- v) LinQ Capital Limited is the responsible entity of a unit trust known as the LinQ Resources Fund.

On 3 August 2005 the Company issued \$2.5m of convertible notes to LinQ Capital Limited (as the responsible entity of a unit trust known as the LinQ Resources Fund) with a face value of 55 cents each. Of this, \$2.2m was converted in accordance with the note terms and repaid, while the residual of \$300,000 (545,455 convertible notes) remains owing. The notes have the following key terms:

- i) The coupon rate is 10% pa, payable quarterly in arrears;
- ii) The principal is repayable on 31 January 2009 (extended from 31 January 2008);
- iii) The notes, now with a face value of 55 cents convert on a 1:1 basis (ie 545,455 ordinary shares);
- iv) Notes are secured against via a fixed and floating charge over the Company's assets; and
- v) LinQ Capital Limited is the responsible entity of a unit trust known as the LinQ Resources Fund.

Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007

	2007 \$	2006 \$
13. NON CURRENT LIABILITIES – FINANCIAL LIABILITIES		
Financial Liabilities		
Hire Purchase Liability	-	40,295
Convertible Note	-	300,000
	-	300,000
Total Non Current Financial Liabilities	-	340,295

Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007

14. CONTRIBUTED EQUITY	2007 \$	2006 \$
(a) Issued Capital 236,454,456 (2006: 235,852,176) ordinary shares	<u>50,577,239</u>	<u>50,452,239</u>
(b) Movement In Issued Capital		
Balance at the beginning of the financial year	50,452,239	28,183,910
227,280 ordinary shares were issued on 4 April 2007 at 22 cents per share for mining tenements	50,000	-
375,000 ordinary shares were issued on 2 May 2007 at 20 cents per share for mining tenements	75,000	-
21,392,889 ordinary shares issued 4 cents per share pursuant to share purchase plan	-	855,716
85,045,886 ordinary shares were issued on 28 September 2006 at 22 cents per share pursuant to share placement (\$18,710,096 less costs of \$1,205,017)	-	17,505,079
20,000,000 ordinary shares were issued on 4 October 2006 at 22 cents per share for the conversion of Convertible Notes.	-	4,400,000
227,272 ordinary shares were issued on 5 December 2006 at 22 cents per share. This was a rectification following the reconciliation of the share placement on 28 September 2006	-	50,000
1,003,902 ordinary shares were issued on 5 December 2006 at 24.62 cents per share for the provision of drilling services in the Nullagine area..	-	247,161
Additional issue costs brought to account	-	(789,627)
Balance At The End Of Year	<u>50,577,239</u>	<u>50,452,239</u>

Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007

14. CONTRIBUTED EQUITY continued

(c) Terms and Conditions of Contributed Equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Options on Issue

	2007 Number	2006 Number
Options - listed		
Balance at beginning of year	-	-
Issued during year	-	-
Exercised during year	-	-
Expired during year	-	-
	-	-
Balance at end of year	-	-
Options - unlisted		
Balance at beginning of year	3,016,000	34,700,000
Issued during year	22,950,000	300,000
Share Capital consolidation	-	(27,270,000)
Exercised during year	-	-
Expired or cancelled during year	(9,466,000)	(4,714,000)
	16,500,000	3,016,000

On 7 February 2007 Employee Options totalling 11,950,000 were issued with an exercise price of 29 cents. A total of 6,450,000 were cancelled during the year ended 31 December 2007 due to employees leaving the Company. None of these options were exercised during the period. The balance on issue expires on 19 December 2011.

On 31 May 2007 Directors' Options totalling 6,000,000 (1,500,000 each to Messrs Gillon, Kirby, Lambert and Vanspeybroeck) were issued with an exercise price of 29 cents. A further 5,000,000 options were issued to director, Mr Terry Stark, on 31 May 2007 with an exercise price of 23 cents. None of these options were exercised during the year ended 31 December 2007. They all expire on 19 December 2011. There were no other options on issue to directors as at 31 December 2007.

Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007

14. CONTRIBUTED EQUITY continued

(e) Convertible Notes

Movement in notes convertible to ordinary shares in the capital of the parent entity are as follows:

	No. of Convertible Notes	Conversion Price \$	No. of Potential Ordinary Shares	Balance \$
Opening balance (1)	300,000	0.35	857,142	300,000
Opening balance (2)	300,000	0.55	545,455	300,000
Issue of convertible notes	-		-	-
Closing balance	<u>600,000</u>		<u>1,402,597</u>	<u>600,000</u>

The total number of potential ordinary shares outstanding in the capital of the parent entity at 31 December 2007, in respect of options and convertible notes, is 17,902,597 (2006: 4,418,597) ordinary shares. A total of 16,500,000 options have been issued to the directors and employees as at 31 December 2007, with the balance being the convertible notes issued to LinQ Capital Limited (as the responsible entity for the LinQ Resources Fund).

15. ACCUMULATED LOSSES AND RESERVES

(a) Accumulated Losses

	2007 \$	2006 \$
Opening balance at the beginning of year	(8,969,424)	(6,760,126)
Net profit/(loss) attributable to members of Millennium	(10,986,221)	(2,209,298)
Closing Balance At The End Of Year	<u>(19,955,645)</u>	<u>(8,969,424)</u>

(b) Share-based payments Reserve

Opening balance at the beginning of year	147,453	-
Employee Option expense	1,106,952	147,453
Employee Option expired	(147,453)	-
Closing Balance At The End Of Year	<u>1,106,952</u>	<u>147,453</u>

(c) Total Reserves

Accumulated Losses	(19,955,645)	(8,969,424)
Share-based payments reserve	1,106,952	147,453
Closing Balance At The End Of Year	<u>(18,848,693)</u>	<u>(8,821,971)</u>

(d) Nature and Purpose of Reserves

The share based payments reserve is used to recognise the fair value of options issued to employees but not exercised, and equity-settled benefits issued in settlement of share costs and part consideration, in lieu of cash payment, for acquisition of mineral interests.

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007**

16. SEGMENTAL INFORMATION

The Company operated for the financial year within Australia.

The principal activity of the Company was mineral exploration.

17. EXPENDITURE COMMITMENTS

(a) Exploration

Due to the nature of the Company's activities, it is difficult to accurately forecast the amount of future expenditure that will be necessary to incur in order to maintain present interests. Expenditure contracts on mineral tenure can be reduced by selective relinquishment of exploration tenements, or by the re-negotiation of expenditure commitments.

	2007	2006
	\$	\$
The minimum level of exploration commitments:		
- Not later than one year is	2,635,000	1,565,000
- later than one year and not later than five years is	2,500,000	3,000,000
- later than five years is	2,000,000	2,000,000

(b) Operating Lease Commitments

The minimum level of operating lease commitments:

- Not later than one year is	197,300	227,952
- later than one year and not later than five years is	-	189,960

(c) Finance Lease Commitments

The minimum level of operating lease commitments:

- Not later than one year is	-	69,077
- later than one year and not later than five years is	-	-

18. REMUNERATION OF AUDITOR

Amounts received, or due and receivable by the auditor for:

Auditing	27,000	14,000
Other services	-	5,700
	<u>27,000</u>	<u>19,700</u>

The auditor of the Company is Rothsay Chartered Accountants.

The Company has received notification from the Company's auditor that he satisfies the independence criterion and that there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct in relation to the audit. The Company is satisfied that the non-audit services provided in 2006 is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007**

19. KEY MANAGEMENT PERSONNEL DISCLOSURE

(a) Names Of Directors and Key Management Personnel

The persons holding positions as Directors of the Company during the financial year were:

B Eldridge (Appointed 6 Sept 2007)

A Law (Appointed 7 Sept 2007)

C Donner

R Gillon

M Freeman (Appointed as Company Secretary 5 October 2007)

F Vanspeybroeck (Resigned 7 September 2007)

G Lambert (Resigned 26 October 2007)

E Kirby (Resigned 7 September 2007)

R Procter (Resigned 30 April 2007)

T Stark (Appointed 26 February 2007, Resigned 5 September 2007)

J Moran (Resigned as Company Secretary 5 October 2007)

(b) Executives' Remuneration

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the directors' interests disclosures to the Directors' Report. The relevant information can be found within the directors' interests and benefits section of the Directors' Report.

(c) Key management personnel compensation

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in the remuneration report within the Directors' Report.

(d) Directors' Interests as at 31 March 2008

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the directors' interests disclosures to the Directors' Report. The relevant information can be found within the directors' interests and benefits section of the Directors' Report.

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007**

19. KEY MANAGEMENT PERSONNEL DISCLOSURE continued

(e) Other Transactions With Specified Directors

Mr Ross Gillon is a partner of Lawton Gillon which provides legal services to the Company. During the period that Partnership was paid \$2992 (2006: \$48,084).

Mr Clive Donner is a director of LinQ Corporate Pty Ltd, which is owned by a trust in which Mr Donner is one of the beneficiaries. During the year this Company received a net fee of \$15,000 for corporate and financial advice provided at normal commercial rates. This agreement has been terminated and no fees are outstanding.

Mr Richard Procter is a director of Devmin Pty Ltd which provides consultancy to the Company. During the period that Company was paid \$12,600 (2006: \$134,760).

Prior to his appointment as Managing Director Mr Terry Stark (Appointed 26 February 2007) was engaged as a consultant to the Company providing mining engineering services on the Nullagine Gold Project. Monies paid to him for consultant fees up to 26 February 2007 totalled \$24,000 (2006: \$64,000).

These fees and disbursements exclude benefits included in the aggregate amount of emoluments received or due and receivable by Directors as director's fees and shown in the financial statements, prepared in accordance with the Corporations Regulations, or the fixed salary of a full time employee.

(f) Outstanding Balances

The following balances were outstanding at the reporting date in relation to the transactions with related parties:

Current payables – Director's fees

- a) B Eldridge \$14,400
- b) Lawton Gillon (R Gillon) \$16,300

(g) Related Party transactions

Other than the transactions disclosed above there are no other transactions between related parties that require disclosure.

Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007

	2007 \$	2006 \$
20. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation Of Cash		
Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank	311,169	1,741,092
Cash on deposit	5,916,505	10,124,341
	6,227,674	11,865,433
(b) Reconciliation Of Net Cash Provided/(Used) By Operating Activities To Operating Loss After Income Tax		
Profit/(Loss) after income tax	(10,986,221)	(2,209,298)
Profit on sale of property, plant and equipment	(1,013,265)	1043
Profit on sale of investments	-	6,000
Depreciation	91,218	107,937
Provision on diminution in financial assets	-	6000
Share based payments	959,499	147,453
Provisions	(26,681)	44,010
Fair value adjustment	9,392,269	10,160
Movement in assets and liabilities		
Trade receivables	12,762	(3,432)
Tax asset	-	(10,332)
Trade creditors and accruals	(647,357)	94,354
Net Cash Used In Operating Activities	(2,217,776)	(1,820,191)
(c) Non-Cash Investing Activities		
There were no non-cash investing activities.		

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007**

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's accounting policies, including the terms and conditions of each class of financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Short Term Deposits

Short term deposits are stated at the lower of cost and net realisable value. Interest is recognised in the Statement of Financial Performance when earned.

Trade Payables and Accruals

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. Trade liabilities are normally settled on 60 day terms.

Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007

21. FINANCIAL INSTRUMENTS continued

(a) Interest Rate Risk

The Company monitors interest rates to obtain the best terms and mix of cash flow. Its exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market, interest rates and the effective weighted average interest rates on these financial assets, is as follows:

2007	Weighted Average Effective Interest %	Floating Interest \$	Fixed Interest 1 Year	Maturing 1 – 5 years	Non- Interest Bearing \$	Total \$
Financial Assets						
Interest bearing deposits	6.99%	5,692,887	-	-	-	5,692,887
Cash at bank	5.92%	311,169	-	-	-	311,169
Receivables/tax asset		-	-	-	-	-
Shares in listed companies		-	-	-	-	-
Security deposits	6.56%	223,618	-	-	-	223,618
Total Financial Assets		6,227,674	-	-	-	6,227,674
Financial Liabilities						
Payables		-	-	-	399,881	399,881
Hire Purchase Liability		-	-	-	-	-
Provisions		-	-	-	-	-
Borrowings		-	-	-	-	-
Convertible notes	10.0%	-	600,000	-	-	600,000
Total Financial Liabilities		-	600,000	-	399,881	999,881
Net Financial Assets		6,227,674	(600,000)	-	(399,881)	5,227,793

Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2007

21. FINANCIAL INSTRUMENTS continued

2006	Weighted Average Effective Interest %	Floating Interest \$	Fixed Interest 1 Year	Maturing 1 – 5 years	Non- Interest Bearing \$	Total \$
Financial Assets						
Interest bearing deposits	6.30%	9,915,251	-	-	-	9,915,251
Cash at bank	5.80%	1,741,092	-	-	-	1,741,092
Receivables/tax asset		-	-	-	-	-
Shares in listed companies		-	-	-	-	-
Security deposits	5.70%	209,090	-	-	-	209,090
Total Financial Assets		11,865,433	-	-	-	11,865,433
Financial Liabilities						
Payables		-	-	-	3,617,872	3,617,872
Hire Purchase Liability		-	69,077	-	-	69,077
Provisions		-	-	-	-	-
Borrowings		-	-	-	-	-
Convertible notes	10.0%	-	300,000	300,000	-	600,000
Total Financial Liabilities		-	369,077	300,000	3,617,872	4,286,949
Net Financial Assets		11,865,433	(369,077)	(300,000)	(3,617,872)	7,578,484

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Balance Sheet and notes to the financial statements.

The Company does not have any material risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

(c) Liquidity Risk

Prudent liquidity management involves the maintenance of sufficient cash, marketable securities, committed credit facilities and access to capital markets. It is the policy of the board to ensure that the Group is able to meet its financial obligations through ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Company under the ASX Listing Rules.

(d) Net Fair Values

Methods and assumptions used in determining net fair value.

For assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The Company has no financial assets where carrying amount exceeds net fair values at balance date.

**Notes To, And Forming Part Of, The Financial Statements
For The Year Ended 31 December 2006**

21. FINANCIAL INSTRUMENTS continued

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to and forming part of the financial statements.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Balance Sheet and notes to the financial statements.

22. EARNINGS PER SHARE

	2007	2006
	Cents per share	Cents per share
Basic earnings per share – (loss)	(0.0465)	(0.0012)
Weighted Average number of ordinary shares outstanding during the year calculation of basic EPS	236,272,231	1,862,814,457

Diluted earnings per share are not considered to be materially different from basic earnings per share and accordingly are not disclosed.

23. CONTINGENT LIABILITES

Bonds are held with respect to mining licences for which Notices of Intent have been lodged. Bonds are set by the Department of Minerals and Energy, however there is no certainty that such bonds will be adequate to cover any environmental damage in the event of mining. The Company is not able to determine the nature or extent of any further requirement in respect of changing environmental requirements.

24. ROYALTIES

Royalty payments totalling \$400,000 per annum are currently due under the two existing royalty agreements. Under the first agreement, royalty payments of \$25,000 per calendar quarter are payable in advance. The other agreement, with royalty payments of \$25,000 per month payable in arrears due to mining not having commenced from the tenements within a period of 5 years, includes a cap on aggregate payments. It also contains the condition that should royalty payments not be made within three months of the due date, then the vendor shall have the right to repurchase the tenements for the sum of \$10.

Directors' Declaration

In the opinion of the Directors of Millennium Minerals Limited:

- a) The financial statements and notes set out in pages 13 to 43 are in accordance with the Corporations Act 2001 including:
 - i) Giving a true and fair view of the Company's financial position as at 31 December 2007 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
 - ii) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- c) The audited remuneration disclosures set out in the Directors' Report on pages 1 to 12 comply with Accounting Standard AASB 124 Related Party Disclosures and Corporations Regulations 2001.

The directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.



Andrew Law
Managing Director

Perth, 31st March 2008



Level 18, 6 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
MILLENNIUM MINERALS LIMITED**

Scope

The financial report comprises the income statement, statement of changes in equity, balance sheet, statement of cashflows, accompanying notes, and the Directors' declaration of Millennium Minerals Limited, the Company, for the year ended 31 December 2007.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement, and the remuneration disclosures in the directors' report comply with AASB 124 *Related Party Disclosures*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory professional reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance and whether the remuneration disclosures are in accordance with AASB 124 *Related Party Disclosures*.

We formed our opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit opinion

In our opinion the financial report of Millennium Minerals Limited is in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position of Millennium Minerals Limited as at 31 December 2007 and of its performance for the year ended on that date and complying with Australian Accounting Standards and the Corporations Regulations 2001.

The remuneration disclosures that are contained in the remuneration report in the directors' report comply with AASB 124 *Related Party Disclosures*.

ROTHSA Y

Frank Vrachas
Partner

Dated 31st March 2008



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).