

Friday, 27 April 2018

Millennium Minerals

Production update

Analysts | James Wilson | Matthew Keane

Recommendation	Speculative Buy
Current Price	\$0.21
Market Cap	\$166m

Event | Positive

MOY has announced a strong first quarter production of 20.3koz at an All-in sustaining cost (AISC) of \$1,295/oz (vs \$1,290/oz in Dec Q) at its Nullagine Project in Western Australia which was within the stated guidance range of 75-80koz for CY18.

Cash and bullion increased to \$23.3m (+\$900k from the Dec Q) after \$4.1m spending on exploration and capital spending during the Q.

Production for the remainder of CY18 is expected to be sourced from Golden Eagle and supplemental feed from the new Redbeard deposit and Shearers North.

In the June Q, production is expected to be in the range of 16-18koz at an AISC of A\$1,500-1600/oz with the higher costs related to the pre-stripping required at Golden Eagle and lower ounce production levels.

Portal development has also commenced at Bartons with high grade development ore expected in Q4 ahead of planned stoping in Q1CY19. Production in Q4 is expected to rise to 24-26koz at an AISC of A\$1,100/oz reflecting the higher-grade material coming into the mine plan.

Ore reserves were also updated following the success of the 246km drill program in 2017. Ore Reserves increased to 222koz (+20% YoY) representing a ~3 year mine life on current production rates.

Overall this is positive news. The March Q is often affected by rain related delays so this is a pleasing result. MOY has the potential to ease the strain on its mine plan with the commencement of mining at Golden Eagle and development at Bartons, two larger resources which will take the burden off mining of multiple pits. MOY has also started the procurement process for its sulphide expansion study. The proposed design will see an ultra-fine grind mill and intense cyanidation circuit added on to the existing mill at an estimated direct cost of \$15m and commissioning in Q1CY19.

We see the improvement in the mine plan and the capacity to treat the refractory sulphide ores as a key milestone in achieving critical mine life extension at Nullagine.

Recommendation

Maintain Spec Buy and target price of \$0.31ps.

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