



MILLENNIUM

MINERALS LIMITED

ABN 85 003 257 556



ANNUAL REPORT

2018

CORPORATE DIRECTORY

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CHAIRMAN'S ADDRESS

Dear Shareholder,

2018 has been a very active and positive period for Millennium Minerals, with significant progress made towards achieving the Company's growth objectives, aimed at increasing gold production from the Nullagine Gold Project in the Pilbara to approximately 100,000 ounces per annum and extending the life of the operation beyond five years.

These objectives are being pursued through the combination of a new mining strategy focused on larger, more sustainable and higher-grade ore sources, aggressive exploration programs and studies aimed at delivering a cost-effective processing solution for the Nullagine Project's significant sulphide mineral resource base.

All of these programs delivered strong results over the course of the year, positioning the Company to enter a period of increasing production – driven predominantly by a rising average head grade, a growing Ore Reserve inventory and lower All-in Sustaining Costs (AISC).

Gold production for the year was 79,891 ounces, which was at the top end of forecast production guidance of 75-80,000oz. AISC was A\$1,463/oz, reflecting the significant investment that the Company made during 2018 to lift our annual production rate to 100,000 ounces per annum.

A key contributor to our production growth has been the successful development of our first- ever underground mine at Bartons, which is now delivering high-grade ore at an average grade of +4g/t Au. A program of deep drilling has recently commenced from underground platforms at Bartons, with early results highlighting the potential to significantly expand the size of this operation at depth through additional underground development.

In addition, the increase in gold production was also driven by a number of new, higher-grade open pit ore sources coming on-stream, including the Redbeard and Mustang deposits.

With production now transitioning to higher-grade deposits, our exploration programs are firmly focused on delivering new sources of supply, with 172,000 metres of exploration drilling completed in 2018. The Company's ongoing commitment to exploration has resulted in successive increases in Ore Reserves and mine life, with our Ore Reserve update as at 31 December 2018 delivering a 70% increase in year-on-year Ore Reserves to 375,300oz, with the aim of increasing this further to a +5-year mine life by the end of CY19.

Key exploration highlights over 2018 have included the confirmation of high-grade mineralisation at the Golden Gate Mining Centre, with the results outlining potential new high-grade sources of both open pit and underground ore feed. This area, which has historically delivered some of the highest-grade gold mineralisation ever mined at Nullagine, is rapidly emerging as Millennium's second underground mine development, with construction scheduled to commence in the third quarter of 2019.

The introduction of a new exploration targeting methodology also delivered very positive results during the year, identifying a large new greenfields exploration target 1.8km south-west of the flagship Golden Eagle deposit – the largest gold deposit defined at the Nullagine Project to date – as well as identifying new north-trending mineralised structures within the existing pit design at Golden Eagle itself.

Both of these new targets were identified through a reinterpretation of the Company's extensive high-quality exploration datasets, which include spectral, magnetic, surface geochemistry and radiometric survey data.

While most of our exploration at Nullagine has historically been directed towards outcropping geochemical targets – which have been very successful in delivering ongoing increases in Resources and Reserves – we believe that an integrated targeting methodology based on a mineralised system approach has the potential to unlock major new discoveries.

Millennium's commitment to aggressive exploration will continue throughout the coming year, with \$10 million currently budgeted for exploration in 2019.

CHAIRMAN'S ADDRESS

For the first time in 2019, this exploration campaign will focus both on high-grade oxide and sulphide targets, with a processing solution for sulphide ore set to come on-stream in the coming months.

The low-cost processing plant expansion requires the addition of a small modular concentrating circuit to the tail-end of the existing carbon-in-leach (CIL) plant. This is well-understood and widely-used technology, with construction well underway at the time of writing this report and commissioning on-track to commence in April 2019.

Recent metallurgical testwork has confirmed outstanding gold recoveries from sulphide ore, delivering recoveries of more than 80% from pyrite-dominant ore and approximately 70% from arsenopyrite-dominant ore.

The test work was undertaken using two innovative processing techniques – in-mill oxidation (INOX) and pressurised in-mill oxidation (PINOX) – both of which are being patented by Millennium.

The exceptional recoveries achieved on highly-refractory arsenopyrite-dominant ore (Millennium's previous cyanidation test work delivered gold recoveries averaging less than 30%), were achieved using the PINOX process, and as a result, Millennium is now planning to undertake a two-stage expansion of the Nullagine processing plant.

The first phase, comprising the addition of INOX to facilitate processing of pyrite/arsenopyrite-dominant ore, will be completed at a capital cost of \$15 million, with commissioning scheduled for April 2019.

The second phase, comprising the addition of PINOX to facilitate processing of arsenopyrite-dominant ore, will be completed for an additional capital cost of \$5 million, with commissioning targeted for early 2020.

With a total capital investment for the two-stage sulphide plant expansion of just \$20 million, this project has the potential to deliver a very strong return on investment, with the opportunity for Millennium to deliver highly-profitable additional ounces at Nullagine by processing sulphide ore.

The current sulphide expansion project timeline will see us bring a large number of new ore sources on-stream over the next 12 months, potentially supporting an increase in our production profile beyond 100kozpa with a focus on strengthening operating margins and cash flow while at the same time increasing mine life.

Based on our growing Ore Reserve inventory, production guidance for CY2019 is expected to be in the range of 90-100,000oz of gold at an all-in sustaining cost (AISC) in the range of A\$1,300-1,375/oz. With our two-phase Sulphide Expansion Project and second underground mine set to come on stream in late 2019 and early 2020, we expect annual production to continue to increase in CY20 to 110-120,000oz.

There can be no doubt that the significant achievements outlined above have made CY2018 a pivotal year in the Company's history and position Millennium to continue on its now firmly established growth path.

These outstanding results are thanks to the exceptional hard work and commitment of the Millennium team of staff and contractors, led by Peter Cash and our senior management team, and I would like to sincerely thank the team for their efforts. I would also like to thank you, our valued shareholders, for your ongoing support.



Greg Bittar
Non-Executive Chairman

OPERATIONS REVIEW

OPERATIONAL ACTIVITIES SUMMARY

Millennium Minerals Limited operates the Nullagine Gold Project (Project), located in the Pilbara Region in Western Australia (Figure 1).

The project continued to perform well with \$21.8 million produced from operating cashflows during the 2018 calendar year. Full year gold production was 79,891 ounces.

Key highlights for 2018:

- A 70% increase in ore reserves to 375,300 ounces (after depletion)
- The commencement of the first underground mine at the Bartons deposit
- Sulphide ore processing option approved by the Board and long lead items sourced with expectation of commissioning of the sulphide treatment plant in Q219.
- Gold production of 79,891 ounces at the upper end of the guidance range of 75,000 – 80,000 ounces.
- Progress towards a further underground mine being established at the Golden Gate mining centre.
- Further extensions of the Golden Eagle mining centre.
- Exploration drilling totalled 172,000 metres for the year.

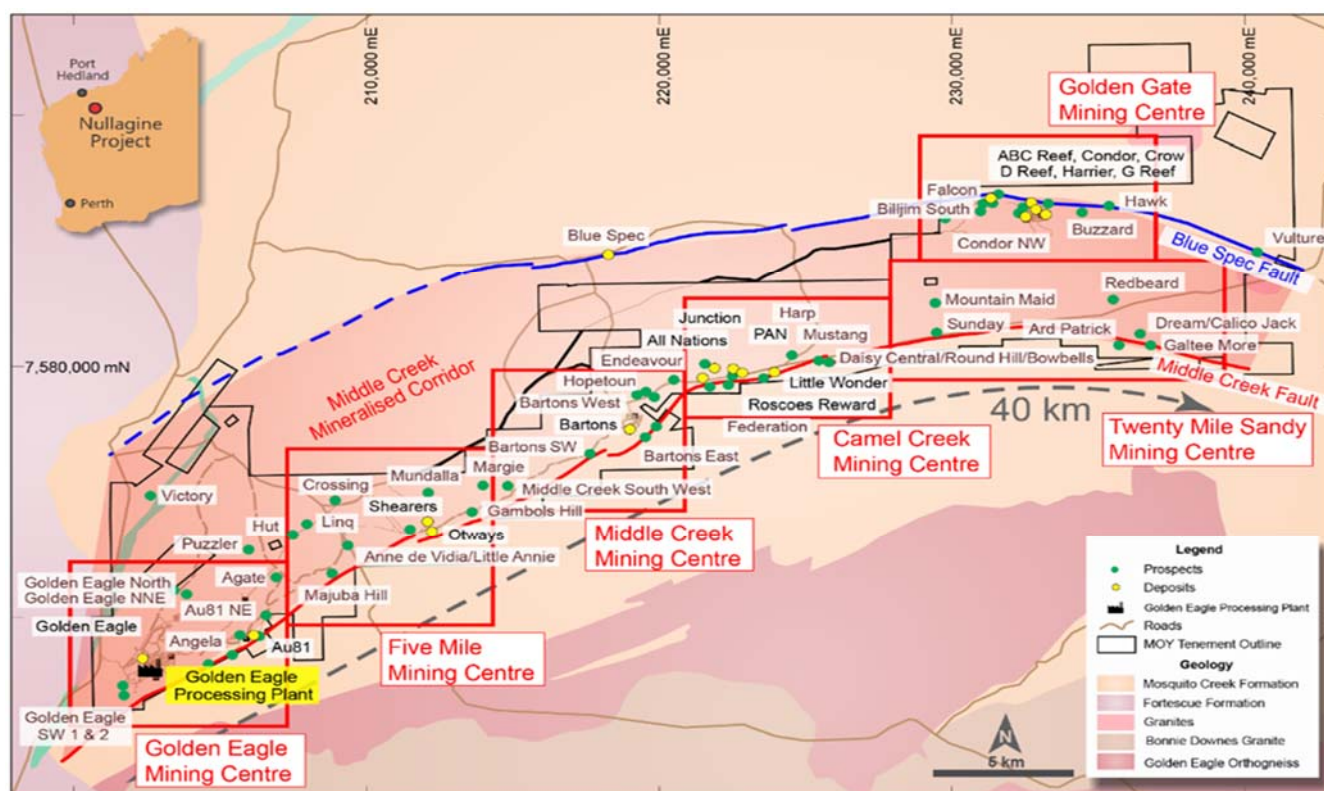


Figure 1 – Nullagine Deposit Location Plan over regional geology

Millennium's exploration strategy at its Nullagine Gold Project generated outstanding results in 2018. The 172,000m drilling campaign, resulted in the Project's Ore Reserves for the year increasing by 70 per cent to 375,300 ounces (after mining depletion of 99,000 ounces).

Millennium plans on continuing its aggressive exploration program into 2019 to grow its gold mineral inventory and mine life.

OPERATIONS REVIEW

OPERATIONS

Production year 2018 – Production statistics are presented in Table 1 below.

Table 1: 2018 Key Production Summary Statistics

		Mar-18	Jun-18	Sep-18	Dec-18	Full Year 2018
Total volume mined	bcm	1,098,931	1,323,820	1,818,484	1,569,118	5,810,353
Ore mined	t	369,927	602,846	553,826	602,871	2,129,470
Ore processed	t	474,420	436,887	523,614	458,173	1,893,094
Head grade	g/t	1.56	1.07	1.53	1.98	1.54
Metallurgical recovery	%	86%	84%	87%	84%	85%
Fine gold production	oz	20,324	12,639	22,414	24,514	79,891
Gold sold	oz	21,013	15,129	21,945	22,782	80,870
Gold sale proceeds*	\$M	35	26	37	39	137
Cash Operating Cost	\$/oz	1,194	2,020	1,183	1,156	1,321
All-in Sustaining Cost	\$/oz	1,295	2,178	1,324	1,216	1,463

* Gold sales proceeds includes Gold sale revenue of \$127m and Pre-production sales of \$10m.

On 4 February 2019 the Company announced a 2019 production guidance range of 90,000-100,000 ounces of gold at an All-In Sustaining Cost (AISC) of between \$1,300-\$1,375 / ounce. This production guidance is based on a mine plan made up of 92% reserves and indicated and inferred mineral resources of 8%. For more details, the reserves and resources statements and competent person statements are on Page 15-16 of this report.

SAFETY

There was no Lost Time Injury (LTI) recorded for the year. The Lost Time Injury Frequency Rate (LTIFR) is 0.00 and the Total Reportable Injury Frequency Rate (TRIFR) at the end of December was 5.15 which is a significant decrease from the beginning of 2018 at 13.76.

The substantial decrease in TRIFR was a direct result of the attention to improve our Injury Management process, procedure and how we manage an injured employee. Other factors influencing the reduced rate was our focus on Risk Management and Safe Act Observations in the field by our senior and middle management teams. These observations engage our frontline employees and provide a positive outcome on the safest way to conduct tasks. During the bottom end of the year, the management team introduced an Injury Prevention Program for site including new technology to assess body mechanics during a task and identifying improvements to manual handling techniques and ergonomics.

Throughout the year, we continued to either review or developed and implement management plans, procedures and work instructions to reflect the way we conduct business both in the surface and underground operations.

OPERATIONS REVIEW

The Emergency Response Team continued with formal training throughout the year including underground elements. The ERT continues to support and respond to local situations, for example, two notably large bush fires in the Nullagine township and one at a local pastoral station. We remain committed to assist with situations that occur within the immediate area which is reflected in our ongoing strong relationship with the Shire of Pilbara, Nullagine Police and DFES Representatives as we strive for positive outcomes to natural events.

ENVIRONMENT AND HERITAGE

During the reporting year, Mining Proposals and Native Vegetation Clearing Permit applications were approved for the Five Mile project area, including Agate, Hutt, Mundella, and Shearer's North along with Barton's Underground, Mustang and Redbeard deposits by the Department of Mines, Industry Regulation and Safety. Further environmental surveys and studies continued across the reporting year to provide datasets for the submission of future Mining Proposals addressing further underground and open pit deposits. Design and construction continued on the new tailings and storage facility, with lifts on cell one completed and commissioned during the reporting year. Ethnographic and archaeological heritage surveys by both Traditional Owner groups continued across the Project during the year, with numerous areas cleared and approved for exploration and mining activities further improving security of tenure and access across the operation.

COMMUNITY

Millennium Minerals values its role as a proactive member of the Nullagine community and continues to foster and maintain strong relationships within the broader Nullagine community. The Company continues to work closely with several local services including schools, Police Force, Nursing Station and local volunteer bushfire brigade. Millennium provides maintenance support of the Nullagine air strip for community operational readiness (RFDS) and maintenance of the dual purpose public roads around the "five mile" indigenous community.

During the year, Millennium facilitated a verge side pickup scheme within the Nullagine township, allowing residents to dispose of unused items and to facilitate a general tidy-up of the town. Millennium continues to support and sponsor activities across NAIDOC week celebrations throughout the year and have contributed significantly to several local and interstate indigenous events including scholarship fundraising activities with Madalah Ltd. The Company also continued further employment business opportunities with Traditional Owners to provide local staff to the Project with community member staff interface and direct cultural awareness exposure. Millennium continues to investigate and engage in avenues of support and/or involvement to contribute in a positive and proactive way to the Nullagine and surrounding communities, including providing employment opportunities, both permanent and short term.

MINING AND MILLING

The Company focused on mining the AU81, Bartons, Gambols Hill, Golden Eagle South, Mustang, Red Beard and Round Hill open pits during 2018. These deposits provided predominantly oxide feed to the mill.

The processing plant performed well above design capacity with a throughput for the year of 1.89 Mt processed at a head grade of 1.54 g/t Au for 79,891 ounces of fine gold produced. Processing plant utilisation averaged 98.4% and gold recovery averaged 85.2% for the year.

Gold sale proceeds totalled \$137 million (Gold sales revenue of \$127m and Pre-production sales of \$10m) which was achieved at an average gold price of \$1,694/ounce, consisting of 47,219 ounces sold at an average spot price of \$1,698/ounce and 33,650 ounces delivered into our hedging program at an average price of \$1,689/ounce.

CORPORATE

During the year the company put in place a \$17.5 million revolving credit facility with Investec Australia Limited. The facility also includes a risk management facility which allows for the hedging of up to 40,000 ounces of gold. As at the 31 December 2018 the facility was drawn to \$5 million and there were 36,000 ounces of gold hedging in place at an average gold price of \$1,718 for the calendar year 2019.

Shares on issue as at 31 December 2018 was 794,390,876 shares.

OPERATIONS REVIEW

EXPLORATION AND RESOURCE DEVELOPMENT

Millennium's corner stone asset is the 100% owned Nullagine Gold Project that covers ~ 276km² of the highly prospective and underexplored Mosquito Creek Basin (MCB), in the East Pilbara of Western Australia (Figure 1). The project is located 185km north of the regional mining centre of Newman.

Exploration and Resource Development activities for 2018 covered all six mining centres to explore for more oxide resources, understand the endowment of sulphide resources amenable to open pit mining and to assess the potential of additional underground ore bodies. A total 172,000m of drilling (combination of reverse circulation and diamond core) was carried out during 2018. A number of prospects remain to be followed up from these activities.

This strategy helped grow: Au81, Condor NW, Golden Eagle and Golden Gate oxide resources, as well as expanding the sulphide resources at: Au81, Condor, Golden Eagle, Golden Gate, Little Wonder and Roscoes. Deeper drilling expanded the MRE extent at Bartons and firmed up the likelihood of the Golden Gate deposit becoming Millennium's second underground mine.

Acquisition of gravity data was undertaken from Golden Eagle to Round Hill in an effort to understand the structural architecture of the MCB. This data was incorporated into the full field interpreted geology map that is forming part of the step change in targeting and unlocking the full potential of the belt.

Condor and Condor Northwest

The Condor Northwest project is located within the Golden Gate Mining Centre approximately 36km from the processing plant (see Figure 1). Drilling commenced in late October to test the down-dip extensions to the Condor and Condor Northwest deposits, as well as testing between the two deposits (see Figure 2).

This drilling was designed to potentially deepen and expand the proposed oxide open pit for Condor Northwest as well as to establish if there is potential for a cut-back on the Condor pit. Drilling was carried out on a nominal 20 x 20m spacing, with a total of 33 RC holes completed for 2,465m. Significant intersections (reported to ASX on 6 December 2018) from the follow-up drilling included (see Figure 2):

Condor Northwest returned the following significant results:

- **13m @ 7.13g/t Au** from 57m including **2m @ 26.20g/t Au** and **2m @ 13.64g/t Au** (CORD120)
- **7m @ 3.02g/t Au** from 22m including **1m @ 12.35g/t Au** (CORD114)
- **7m @ 3.18g/t Au** from surface including **2m @ 7.30g/t Au** (CORD115)
- **4m @ 3.20g/t Au** from 65m including **1m @ 7.35g/t Au** (CORD102)
- **12m @ 1.43g/t Au** from 27m (CORD112)

At Condor significant results included:

- **12m @ 3.07g/t Au** from 98m including **4m @ 6.46g/t Au** (CORD095)
- **5m @ 3.49g/t Au** from 172m including **1m @ 10.65g/t Au** (CORD129)
- **2m @ 4.35g/t Au** from 65m including **1m @ 8.03g/t Au** (CORD099)

OPERATIONS REVIEW

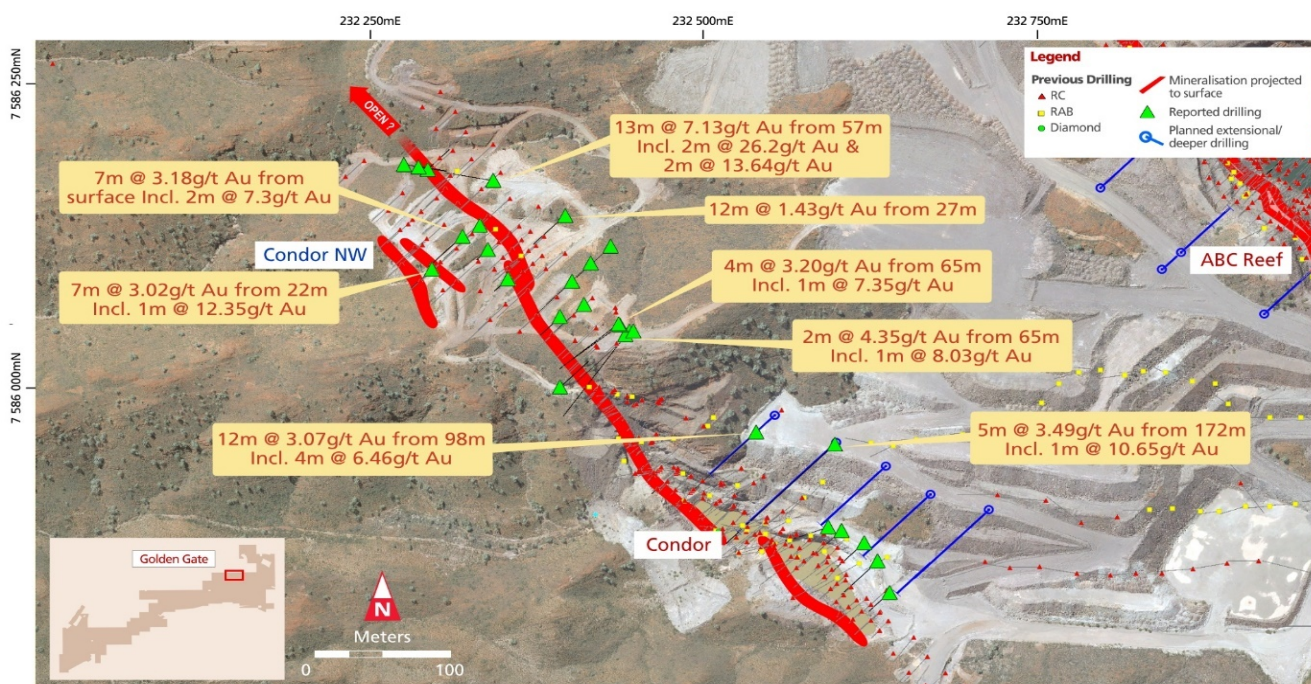


Figure 2: Surface projection of mineralisation, reported drilling and planned deeper drilling (blue traces) at Condor and Condor NW.

These results confirm the continuity of the near-surface mineralisation, and that orebodies are open at depth. All of the above results were included into the updated MRE and Ore Reserve. Further work is planned to test the underground potential beneath the Condor open pit.

ABC Reef, D Reef and Crow deeper drilling

Drilling that commenced in late-2017 and continued in early-2018 tested a number of prospect areas within the Golden Gate Mining Centre (Figure 1) and highlighted the potential for future underground mining below existing open pits and/or cut-backs of these pits. The drill programme (Figure 3) targeted the ABC Reef, Crow and D Reef deposits and the results were reported to the ASX on 22nd of January 2018.

Crow Underground Potential

An RC drill programme to test the depth potential beneath the Crow pit was carried out in December 2017. A total of six RC holes were drilled for 669m on a 40m x 40m pattern to scope out higher grade mineralisation. All of the results from this drilling were returned in early-2018 with the most significant including:

- **13m @ 15.42 g/t Au** from 90m including **11m @ 17.60 g/t Au** (CROWRD0064A – drilled obliquely due to topographic constraints)
- **5m @ 2.79 g/t Au** from 77m including **2m @ 5.47 g/t Au** (CROWRD0062)
- **5m @ 2.40 g/t Au** from 92m including **1m @ 6.56 g/t Au** (CROWRD0063)

ABC Reef Underground Potential

Drilling commenced in December 2017 before a short break for the Christmas period. This programme was designed to test the depth continuity of mineralisation 210m beneath the existing pit. A total of four Reverse Circulation (RC) holes for 1,133m were completed with the remaining holes completed in early-2018. Results from the drilling were returned with the most significant result of **6m @ 2.46 g/t Au** from 131m (ABCRD023).

D Reef UG Potential

Drilling commenced at the end of November and continued into December prior to drilling being halted for the Christmas period. This programme focussed on locating and defining high-grade zones approximately 40m below the current pit. The remaining holes were drilled in 2018. The most significant intersections from the 2017 drilling were:

- **4m @ 4.84 g/t Au** from 60m including **2m @ 7.84 g/t Au** (DRRD010)
- **6m @ 4.27 g/t Au** from 86m including **1m @ 16.55 g/t Au** (DRRD010)
- **10m @ 5.99 g/t Au** from 109m including **4m @ 12.42 g/t Au** (DRRD014A)

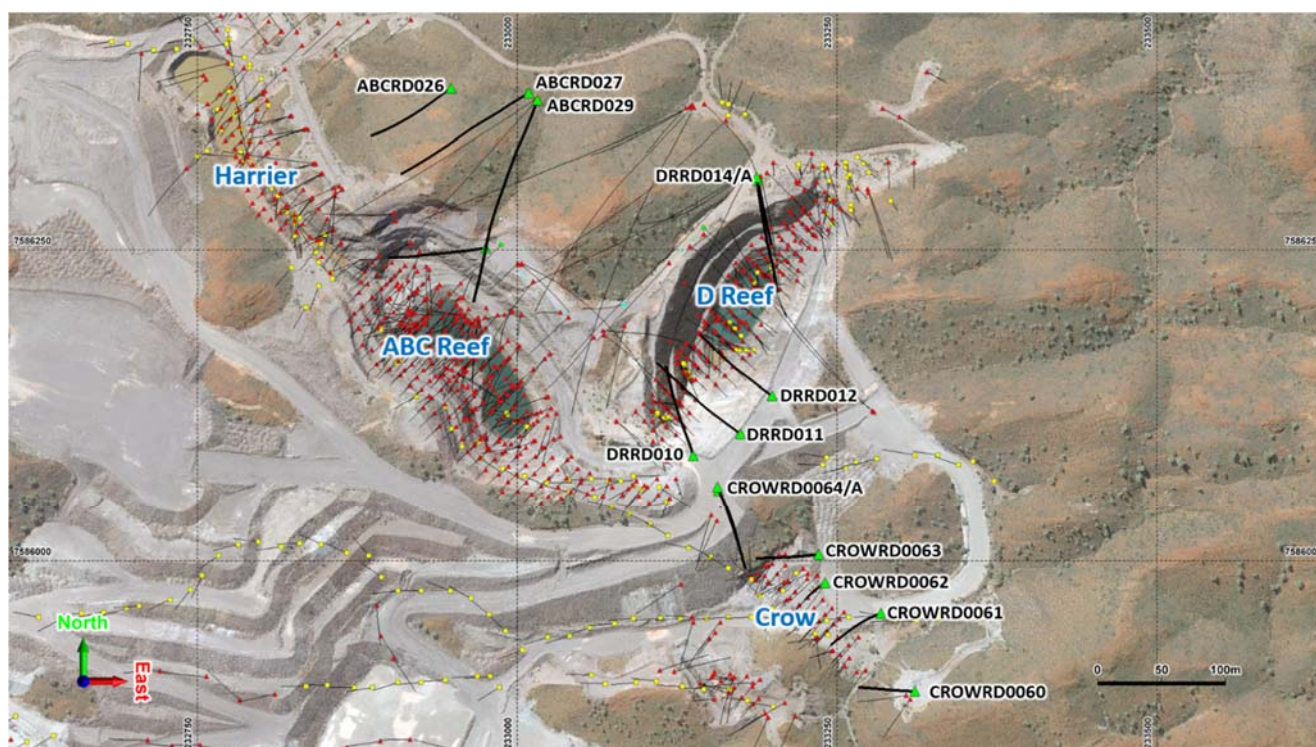


Figure 3: Golden Gate current deeper drilling.

The drill programme was completed in early-2018 and the results from it formed the basis of the assessment to conduct further drilling to obtain samples for sulphide metallurgical test work, scope out the likely extent of sulphide resource that could be extracted through an open pit and assess the opportunity of an underground mine.

ABC Reef, D Reef and Crow Sulphide drilling

A nominal 20m x 20m program commenced in November (14 RC holes for 1,731m have been completed up to the reported to the ASX on 6 December 2018) to test the depth potential beneath the ABC Reef, Crow, D Reef and Harrier pit.

This drilling was designed to both test the sulphide potential amenable to be extracted from an open pit and provide material for metallurgical test work. A further 23 RC holes for 1,618m remained to be drilled from this program. These holes were drilled after the report to the ASX on 6th December 2018.

OPERATIONS REVIEW

ABC Reef returned the following significant results that were reported to the ASX on 6th December 2018:

- **17m @ 1.83g/t Au** from 52m (ABCRD030)
- **7m @ 6.13g/t Au** from 96m including **3m @ 11.04g/t Au** (ABCRD037)
- **9m @ 2.66g/t Au** from 129m including **1m @ 16.4g/t Au** (ABCRD037)
- **10m @ 2.67g/t Au** from 94m including **2m @ 9.27g/t Au** (ABCRD049)

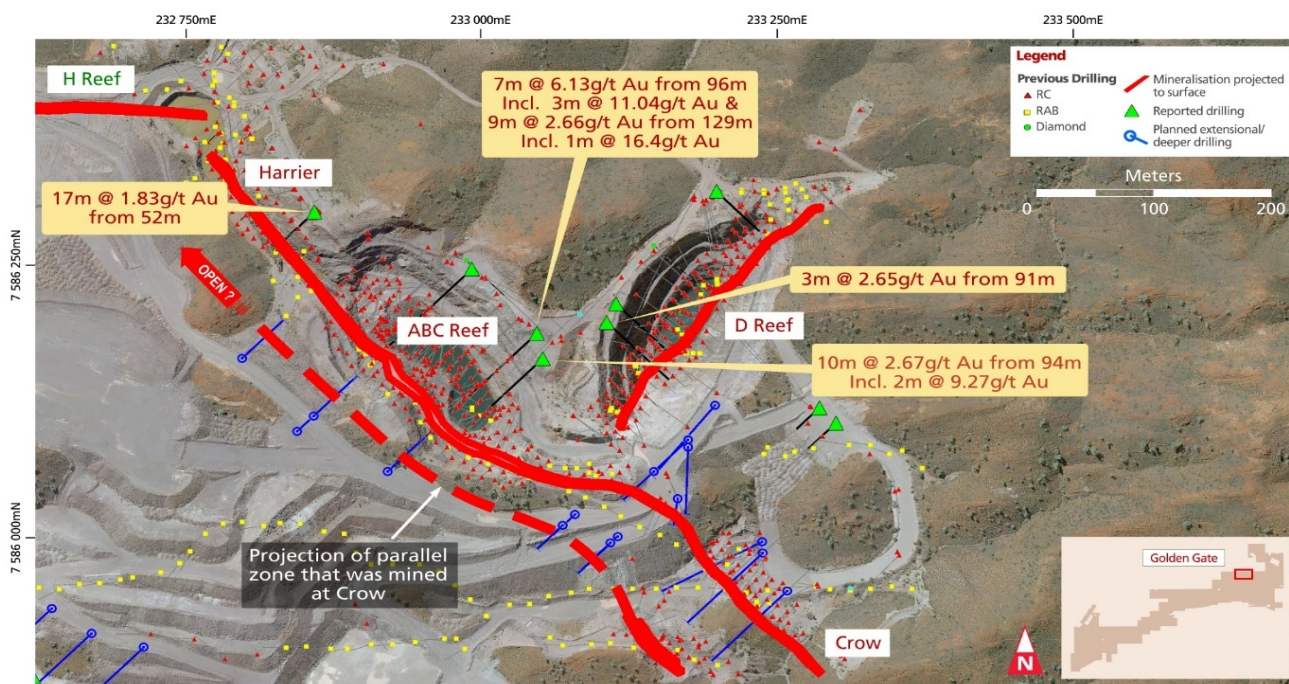


Figure 4: Surface projection of mineralisation, reported drilling and planned deeper and strike extension drilling (blue traces).

Further assays from the completed and planned drilling were received. The available results were incorporated into an updated MRE (reported to ASX on 4th February 2019). Additional drilling will be planned to follow up on these results as well as to test the underground potential beneath these deposits.

Redbeard

The Redbeard deposit is located within the Twenty Mile Sandy Mining Camp (see Figure 1). This mineralisation trend was originally confirmed by a soil sampling programme that was carried out February of 2017 and subsequent rock chip sampling carried out in the fourth quarter of 2017 (see ASX announcement, 4 October 2017). An initial drill programme commenced in November 2017, with follow-up in-fill RC drilling immediately carried out to generate a maiden MRE. The maiden Mineral Resource Estimate (MRE) for Redbeard was completed in January 2018, comprising an Indicated and Inferred Resource of 245,700t at 2.6g/t Au for 20,600oz.

In early-2018, a drill programme comprised 53 RC holes for 3,252m (Figure 5) was carried out to test strike and depth extensions to the Redbeard MRE, as well as to scope out mineralisation between the regional traverses with results reported to the ASX on 9th of April 2018. Strike extensions were tested with a 40x20m spacing to close off the mineralisation to the west and depth extensions to ~60m below surface. Additionally, two diamond holes were drilled (RBDD0001 and RBDD0002) for the purpose of conducting metallurgical test work and collecting specific gravity data to input to an updated Mineral Resource estimate.

OPERATIONS REVIEW

Results from this programme (see Figure 6) included:

- **10.8m @ 6.20g/t Au** from 13.2m including **10.5m @ 6.35g/t Au** (RBDD0001)
- **13m @ 2.64g/t Au** from 0m including **1m @ 5.72g/t Au** (RBRC082)
- **9m @ 6.21g/t Au** from 33m including **5m @ 9.73g/t Au** (RBRC086)
- **6m @ 6.81g/t Au** from 54m including **4m @ 8.86g/t Au** (RBRC093)
- **7m @ 5.83g/t Au** from 49m including **3m @ 9.58g/t Au** (RBRC094)
- **5m @ 3.08g/t Au** from 54m (RBRC081)

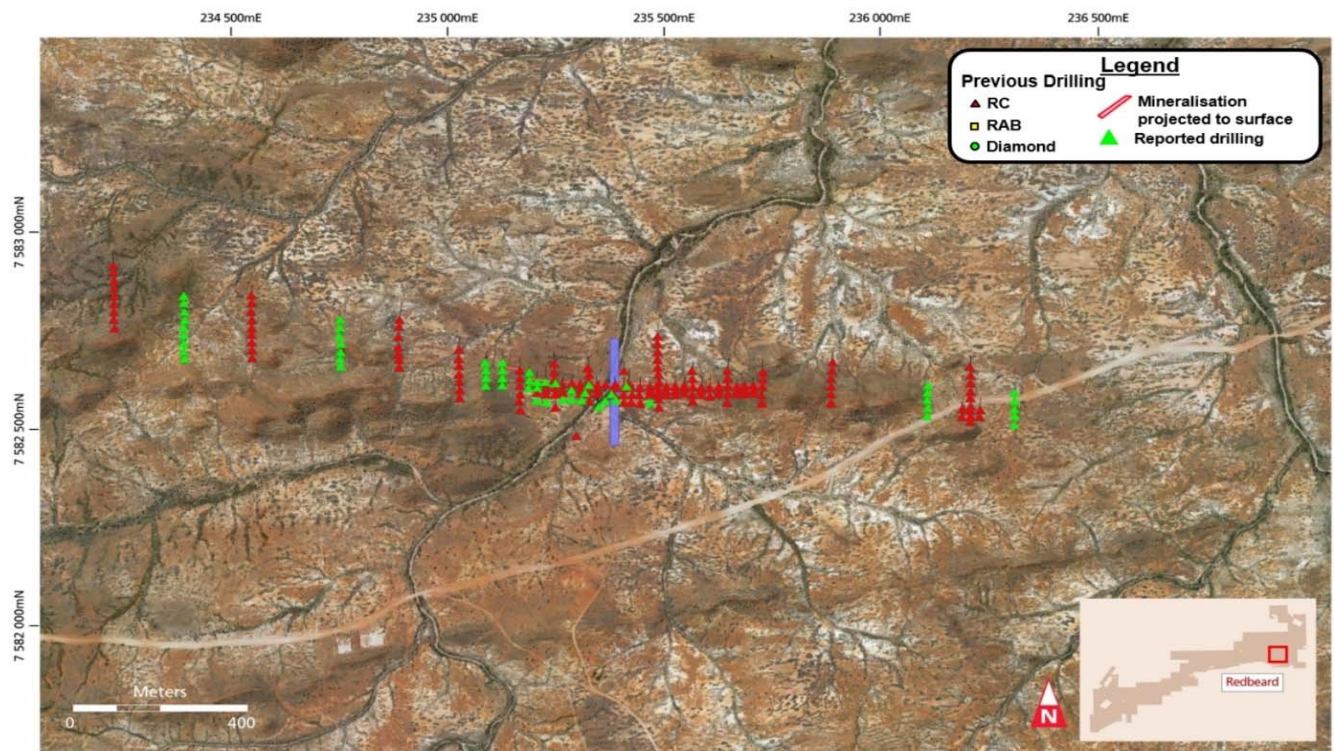


Figure 5: Extensional drilling conducted at Redbeard.

OPERATIONS REVIEW

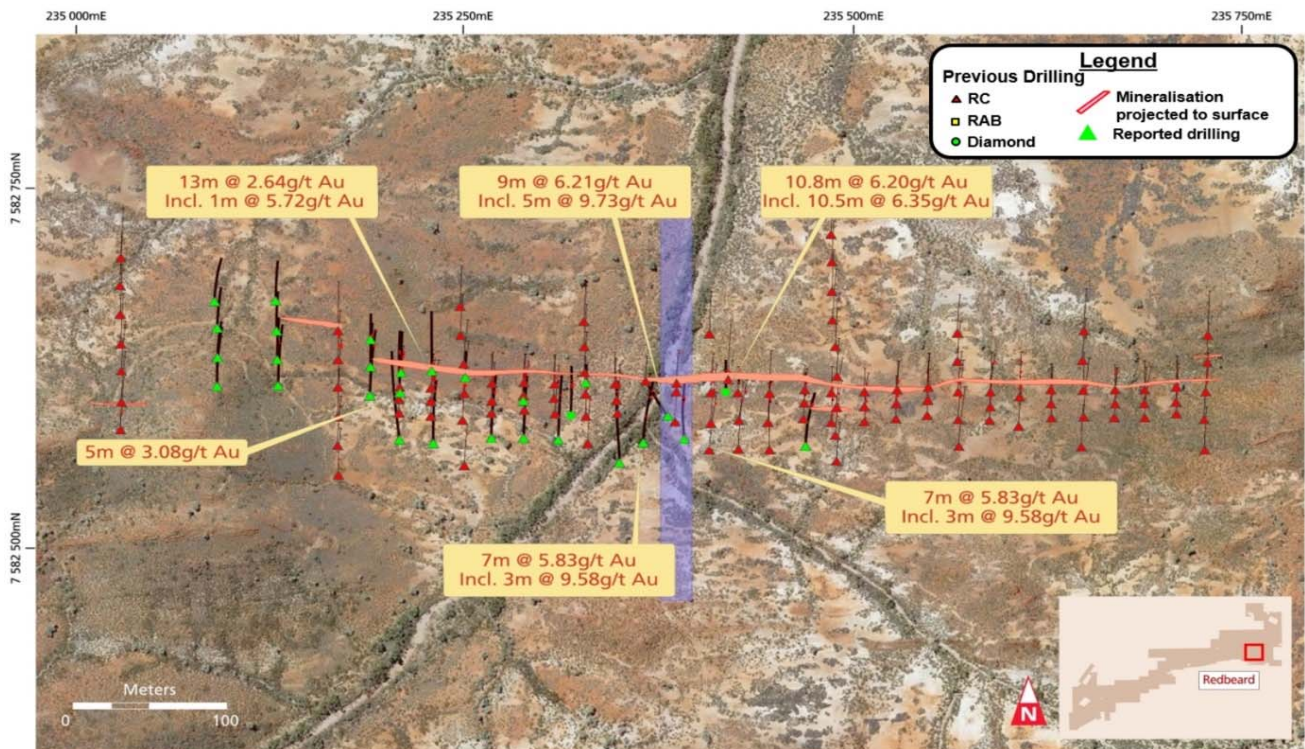


Figure 6: Significant intersections returned from extensional drilling at Redbeard.

Subsequently, grade control drilling (99 RC holes for 3,076m – Figure 7) was completed in preparation for mining with a further three RC holes drilled with the aim of deepening the current pit design. Results from this drilling (released to the ASX on 25th June 2018) further clarified the geometry of the ore shoots (thicker than previously interpreted) and confirmed the continuation of the mineralisation down dip.

Significant results including:

- **8m @ 7.07g/t Au** from 9m including **2m @ 8.52g/t Au** (RBGC00036)
- **9m @ 5.65g/t Au** from 28m including **3m @ 10.75g/t Au** (RBGC00046)
- **11m @ 6.89g/t Au** from 1m including **9m @ 7.74g/t Au** (RBGC00047)
- **14m @ 7.62g/t Au** from 23m including **11m @ 8.70g/t Au** (RBGC00050)
- **14m @ 7.27g/t Au** from 24m including **10m @ 9.33g/t Au** (RBGC00052)
- **11m @ 5.30g/t Au** from 18m including **3m @ 10.75g/t Au** (RBGC00056)
- **9m @ 5.99g/t Au** from 3m including **6m @ 7.36g/t Au** (RBGC00057)
- **8m @ 5.08g/t Au** from 39m including **5m @ 7.37g/t Au** from (RBGC00059)
- **13m @ 5.99g/t Au** from 27m including **4m @ 8.28g/t Au** (RBGC00060)
- **6m @ 6.22g/t Au** from surface including **3m @ 10.83g/t Au** (RBGC00062)

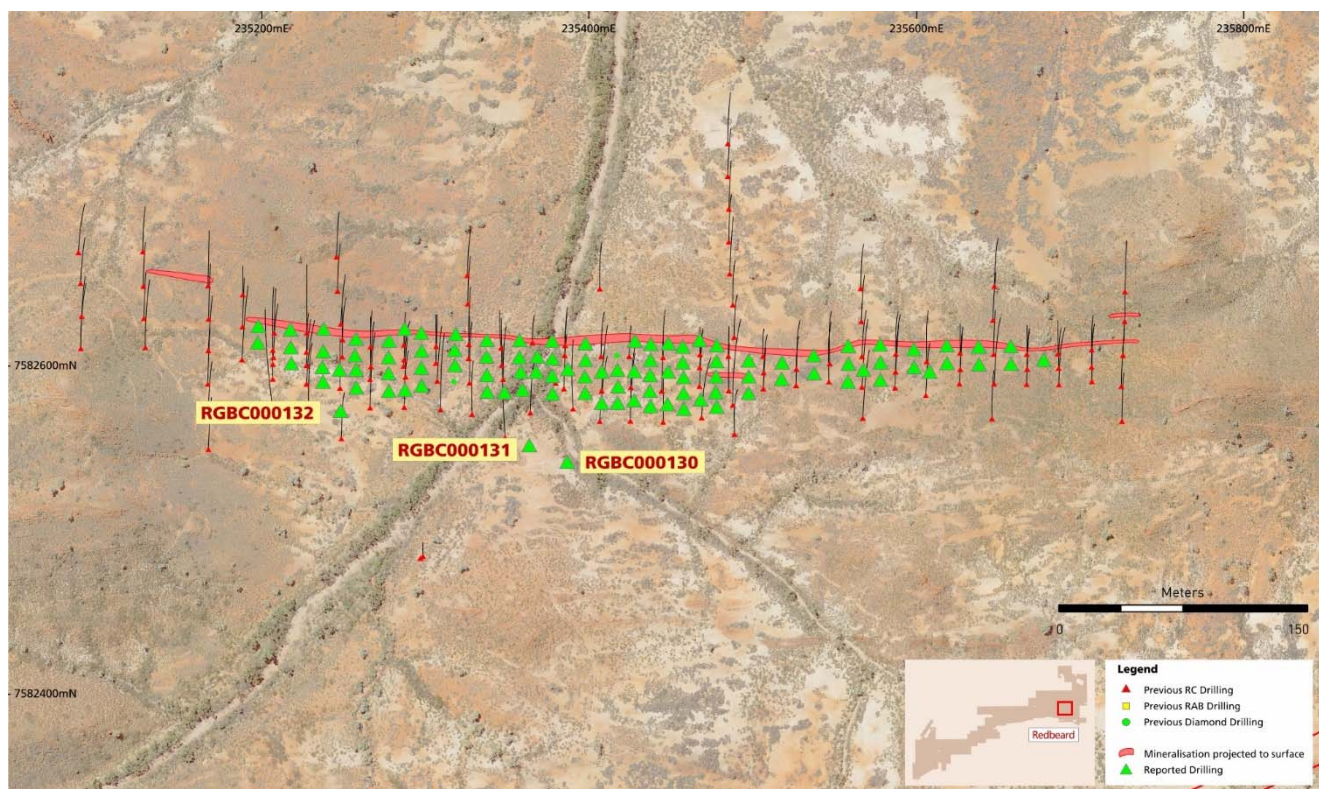


Figure 7: Redbeard Plan view with latest drilling and mineralisation projected to surface

The results from this drilling were incorporated into and updated MRE with increase in both grade and tonnes to 278.5kt @ 3.0g/t Au for 25,200 ounces, reported to ASX on 3rd of July 2018.

Shearers North

Shearers North is located in the Five Mile mining centre approximately 11km by road from the Nullagine Processing Plant (see Figure 1) and it is approximately 500m north of the Shearers pit. The deposit had an Indicated and Inferred Mineral Resource of 0.44Mt @ 1.3g/t Au for 17,700oz (see ASX Announcement 26th February 2018).

Since the completion of the aforementioned MRE, RC drilling was undertaken at Shearers North to in-fill and extend the existing resource and sterilise areas for upcoming development requirements. A total of 111 RC holes for 5,774m (see Figure 8) were completed, with significant results released to ASX on 1 May 2018 this program to date include:

- 11m @ 2.83g/t Au from 43m (FMX2276)
- 13m @ 1.02g/t Au from 42m (FMX2286)
- 9m @ 2.77g/t Au from 42m including 3m @ 5.25g/t Au (FMX2294)
- 21m @ 3.38g/t Au from 32m including 5m @ 11.43g/t Au (FMX2382)
- 10m @ 1.26g/t Au from 44m (FMX2383)

The results indicate that the main Shearers lode extends for more than 1km, extending from the Shearers deposit in the south, through Shearers North, and continuing up to the Mundalla deposit in the north, with the mineralisation remaining open to the north. Results have also highlighted several higher-grade zones that remain open at depth and they were incorporated into an updated MRE.

OPERATIONS REVIEW

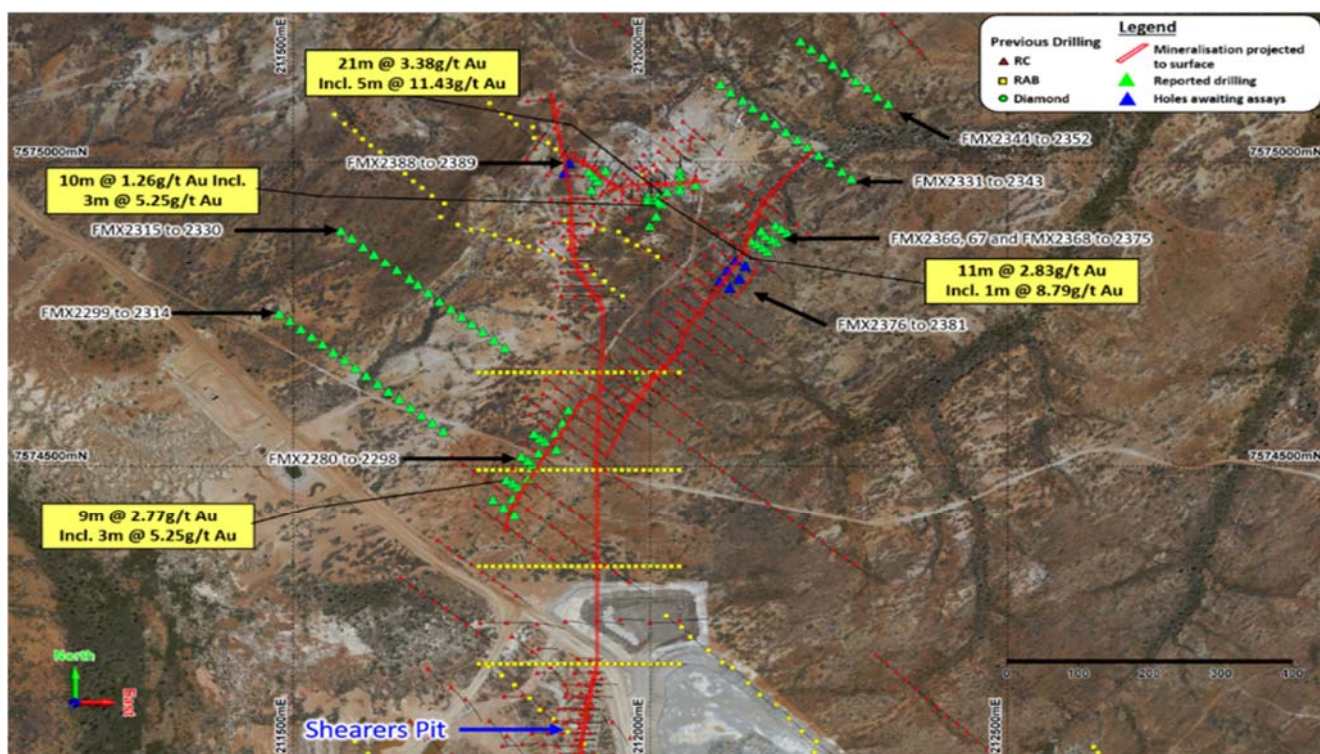


Figure 8: Location of 2018 drilling at Shearers North and significant results.

Bartons

The Bartons Underground is located in the Middle Creek mining centre, (see Figure 1). A drill programme was designed to extend and infill the Mineral Resource to allow for next five development levels to be included in the Ore Reserves. This drilling was conducted from 225m level with an underground diamond drill rig that started in late-October. The results from this drilling were incorporated into an updated MRE (0.75Mt @ 4.1g/t Au for 99,400 ounces – net mining depletion), see ASX release reported on 4th February 2019 for details.

Gravity Survey

Late-2018 Millennium undertook a gravity survey over the Golden Eagle, Five Mile, Middle Creek and Camel Creek Mining Centres at Nullagine (released to ASX on 26th of November 2018). The gravity survey significantly enhanced Millennium's understanding of the controls over gold mineralisation in the district, showing that mineralisation across the project area is strongly coincident with the edges of gravity anomalies (see Figure 9). Additionally, this dataset is being assessed to better understand the structural architecture of the MCB basin and lead to more predictive targeting to help increase the exploration success rate.

The results provide Millennium with an important new dataset to assist with exploration targeting. Exploration at Nullagine has historically focused on geochemical anomalies. However, the gravity data shows a compelling correlation with the gold mineralisation discovered at Nullagine to date. A number of distinct gravity features have been identified in areas that have not previously been tested by drilling. Several of these features are located beneath cover, in areas where surface geochemical anomalism may be subdued or not present. In light of these compelling results, drill programs have been planned to test the most prospective gravity targets for gold mineralisation.

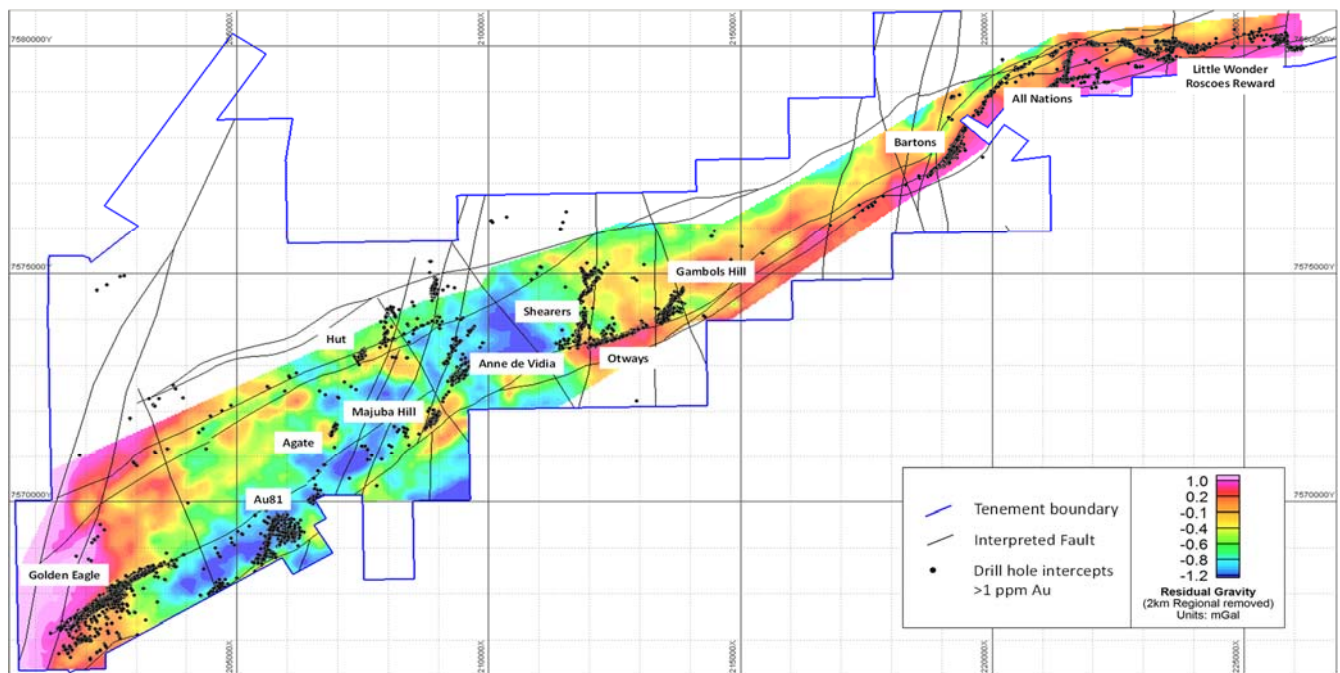


Figure 9: Gravity survey data overlaid with >1g/t Au drill intercepts

Exploration Summary

In 2018, exploration activities returned numerous outstanding results that have contributed to the increase in Ore Reserves from 221,600 to 375,300 ounces (see Table 1) after mining depletion of 98,902 ounces. The Mineral Resources currently stands at 1.16 million ounces in the Inferred, Indicated and Measured Resource categories (see Table 2).

Changes in the MRE and Ore Reserves are related to new discoveries around Au81 West, expansions to the existing deposits (Bartons Underground, Condor NW, Golden Eagle, Little Wonder and Roscoes Reward), sulphide processing option enabling better recoveries from the Golden Eagle and Golden Gate mining centres, mining depletions and change in the interpretation of mineralisation at the deposits.

Positive drill results as well as mapping and rock chip assays have highlighted further targets to follow up on. Drilling in early-2019 will focus on growing existing Mineral Resources and firming up the Golden Gate deposit as the next underground opportunity. The understanding gained from the gravity data will be integrated into the full field geology interpretation with the learnings to assist in target re-ranking and a step-change in target identification.

OPERATIONS REVIEW

Table 1: Nullagine Gold Project – Ore Reserve Statement (31 December 2018)

MINING CENTRE	Proved			Probable			Total		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
GOLDEN EAGLE MINING CENTRE	963,000	1.11	34,400	2,985,000	1.44	138,300	3,949,000	1.36	172,800
Golden Eagle Open Pit	952,000	1.11	33,900	2,226,000	1.46	104,700	3,178,000	1.36	138,600
CAMEL CREEK	-	-	-	805,000	1.64	42,400	805,000	1.64	42,400
FIVE MILE	-	-	-	845,000	1.32	35,800	845,000	1.32	35,800
GOLDEN GATE	-	-	-	424,000	3.31	45,100	424,000	3.31	45,100
Golden Gate Underground	-	-	-	221,000	3.81	27,100	221,000	3.81	27,100
MIDDLE CREEK	251,000	3.62	29,200	493,000	2.50	39,600	744,000	2.88	68,800
Bartons Underground	251,000	3.62	29,200	425,000	2.65	36,200	676,000	3.01	65,400
TWENTY MILE SANDY	-	-	-	-	-	-	-	-	-
Sub-total	1,214,000	1.63	63,600	5,553,000	1.69	301,200	6,767,000	1.68	364,800
Stockpiles							-	-	-
ROM	239,000	0.85	6,500				239,000	0.85	6,500
MOPS	131,000	0.95	4,000				131,000	0.95	4,000
GIC	-	-	-				-	-	-
Sub-total	370,000	0.88	10,500	-	-	-	370,000	0.88	10,500
Total Ore Reserves	1,584,000	1.46	74,200	5,553,000	1.69	301,200	7,137,000	1.64	375,300

Figures in Table 1 may not sum due to rounding.

Table 2: Nullagine Gold Project – Mineral Resource Statement (31 December 2018)

LOCATION	Measured			Indicated			Inferred			Total		
	Tonnes (M)	Grade	Ounces	Tonnes (M)	Grade	Ounces	Tonnes (M)	Grade	Ounces	Tonnes (M)	Grade	Ounces
GOLDEN EAGLE MINING CENTRE	3.41	1.4	151,200	4.06	1.3	163,600	3.83	1.4	174,900	11.31	1.3	489,600
Golden Eagle	3.26	1.4	144,400	1.69	1.2	65,700	2.70	1.5	127,700	7.65	1.4	337,900
CAMEL CREEK	0.74	1.4	34,100	1.91	1.5	93,000	1.15	1.5	53,500	3.80	1.5	180,500
FIVE MILE	0.67	1.2	24,900	2.15	1.3	89,900	1.68	1.2	67,000	4.50	1.3	181,700
GOLDEN GATE	0.13	3.2	13,100	0.50	3.9	62,300	0.69	3.8	83,700	1.31	3.8	159,100
Golden Gate Underground	0.07	3.4	7,400	0.35	4.2	47,200	0.36	4.7	54,900	0.78	4.4	109,400
MIDDLE CREEK	0.34	4.6	51,100	0.52	3.0	50,000	0.56	1.6	28,400	1.42	2.8	129,500
Bartons Underground	0.34	4.6	51,100	0.35	3.8	42,100	0.06	3.2	6,200	0.75	4.1	99,400
TWENTY MILE SANDY	0.04	2.4	2,700	0.05	1.8	2,800	0.06	0.14	2,500	0.14	1.8	8,100
Sub-total												
Stockpiles	0.37	0.9	10,500							0.37	0.9	10,500
Total Resources	5.69	1.6	287,600	9.19	1.5	461,600	7.97	1.6	410,000	22.85	1.6	1,159,100

Figures in Table 2 may not sum due to rounding

Competent Persons Statements – Mineral Resources

The information in this Report which relates to Agate, Angela, All Nations, Anne De Vidia, Au81, Au81 West, Bartons Open Pit and Underground, Billjim South, Bow Bells, Buzzard, Condor, Condor North-West, Crossing, Crow, D Reef, Falcon, Gambols Hill, Golden Eagle, Golden Gate (ABC Reef-Harrier, D Reef, Condor, Crow & G Reef), Hopetoun-Endeavour, Hut, Junction, Little Annie, Little Wonder, Majuba, Mundalla, Mustang, Otways, Redbeard, Roscoes Reward, Round Hill, Shearers and Shearers North Mineral Resource estimates accurately reflects information prepared by Competent Persons (as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves).

The Au81, Anne De Vidia, All Nations, Bartons, Billjim South, Buzzard, Golden Eagle, Gambol Hills, Golden Gate, Little Annie, Little Wonder, Junction, Majuba, Mundalla, Mustang, Redbeard, Roscoes Reward, Shearers, Shearers North Mineral Resource Estimates have been compiled and prepared by Mr Graeme Thompson (MAUSIMM) who is a full time employee of Millennium Minerals Limited and is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The Agate, Angela, Bow Bells, Crossing, Hopetoun-Endeavour, Hut, Otways, and Round Hill Mineral Resource estimates have been compiled and prepared by Ms Christine Shore (MAUSIMM) who was a full-time employee of Millennium Minerals Limited who is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The Falcon Mineral Resource estimate have been compiled and prepared by Mr Andrew Paterson, (MAUSIMM) of Dampier Consulting who is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Competent Persons Statements – Ore Reserves

The information in this Release which relates to the Ore Reserve estimates accurately reflect information prepared by Competent Persons (as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves).

The information in this public statement that relates to the Ore Reserves at the Nullagine Gold Project covering the All Nations/Junction, Angela, Anne de Vidia, Au81, Condor (including North West), Crow, Falcon, Gambols, Golden Eagle, G Reef, Harrier, Otways, Roscoes Reward, Little Wonder, Shearers and Shearers Nth/Mundulla Open Pits and the Bartons and Golden Gate Underground Reserves are based on information resulting from technical works carried out by Mr Michael Poepjes, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Michael Poepjes who is a full-time employee of Millennium Minerals Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Michael Poepjes consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this public statement that relates to the Ore Reserves at the Nullagine Gold Project covering the Crossing, Round Hill, Hut, Angela, Agate, Hopetoun-Endeavour and Bow Bells projects is based on information resulting from technical works carried out by Mr Srinivasa Rao Gadi, who was a full-time employee of Millennium Minerals Limited who is a member of the Australasian Institute of Mining and Metallurgy and Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Qualifying Statement

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

DIRECTORS REPORT

The directors of Millennium Minerals Limited are pleased to present the Annual Financial Report for the year ended 31 December 2018.

DIRECTORS

The names and details of the Company's Directors in office at any time during or since the end of the financial year are:

Gregory Bittar

Non-executive Chairman (appointed 1 March 2017); Executive Director (resigned 28 February 2017)

Greg has a Bachelor of Economics and Bachelor of Laws (University of Sydney) and Masters in Finance (London Business School), and has over 15 years investment banking and mining resource sector experience in Australia and overseas – having worked for Bankers Trust, Baring Brothers Burrows and following the completion of his Masters in Finance in 2000, he joined Morgan Stanley, working in London, Melbourne and Sydney.

He has extensive experience in public and private markets mergers and acquisitions, capital markets and strategic advisory assignments across a range of sectors including general industrials, metals and mining, mining services and energy. Since leaving Morgan Stanley in 2010, Greg has had a number of roles in the resources sector, in both management and consulting roles.

Greg is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

During the past three years, Greg has also served on the board of following ASX listed companies:

- Trek Metals Limited (previously Zambezi Resources Limited) – Non-executive Chairman – appointed March 2016
- Horizon Oil Limited – Non-executive director – appointed March 2017

Timothy Kennedy

Non-executive Director (appointed 2 May 2016)

Tim is a geologist with over 30 years' experience in the exploration, feasibility and development of gold, nickel, Platinum Group Elements (PGE), base metals and uranium projects throughout Australia.

His most recent role was with successful mid-tier miner Independence Group NL (ASX:IGO) where he spent 11 years as Exploration Manager.

Tim has also held positions with PNC Exploration, Hunter Resources, Resolute Resources and a senior role with Anglo American, and has been involved with a number of significant discoveries including Tropicana (gold), Bibra (gold), Ambassador North (uranium), Myrtle (zinc), Rosie (nickel-copper PGE), and Triumph (zinc).

Tim is the chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

During the past three years, Tim has also served on the board of the following ASX listed companies:

- Sipa Resources Limited – Non-executive chairman – appointed December 2016
- Helix Resources Limited – Non-executive director – appointed 16 February 2018

Peter Lester

Non-executive Director (appointed 1 March 2017)

Peter is a mining engineer with more than 40 years' experience in the mining industry in various roles including construction and project management, operations, corporate and financial advisory services and in business development with responsibility for strategic planning and corporate development, predominantly in precious and base metals.

He has worked in operational roles in Mt Isa and Broken Hill, as well as senior executive positions with North Ltd, Newcrest Mining Limited, Oxiana/Oz Minerals Limited and Citadel Resources Group Limited.

Peter is the Chairman of the Remuneration and Nomination Committee and is a member of the Audit and Risk Committee.

DIRECTORS REPORT

Peter has also served on several ASX listed mining boards.

During the last three years, Peter has also served on the board of the following ASX listed companies:

- Kidman Resources – Non-executive Chairman – appointed November 2015, retired November 2017
- White Rock Minerals Limited – Non-executive Director – appointed April 2013
- Doray Minerals Limited – Non-executive Chairman – retired January 2017
- Helix Resources Limited – Non-executive Chairman – appointed 25 October 2018

Bruno Lorenzon

Non-executive Director (appointed 28 May 2018, previously Alternate Non-executive director to Michael Chye since 2 May 2016)

Bruno is Head Group Corporate Finance at IMC Pan Asia Alliance Pte Ltd and has more than 15 years' experience in investment, strategy and corporate finance in the resources sector in both Australia and overseas.

He has worked for the IMC Group for the past eight years, and previously worked for Vale in Brazil and Rio Tinto in Australia in roles encompassing strategic planning, mergers and acquisitions and business development.

Bruno has an MBA, a bachelor degree in Civil Engineering and is a CFA chartholder.

Bruno is a member of the Audit and Risk Committee.

Michael Chye

Non-executive Director (retired 28 May 2018)

Michael is Executive Vice President – Brand Investment Management at Thai Beverage Public Company Limited (SGX:THBEV). He was previously the Managing Director of IMC Investments Group and Head of Group Corporate Office of the IMC Pan Asia Alliance Group.

He has more than 25 years' experience in finance and investments. He commenced his career in academia and subsequently worked for the Singapore Government and multi-national companies before joining the TCC Group. He has also been an independent Director and Audit Committee Chairman of publicly listed companies in Singapore.

Michael graduated with a Bachelor of Business Studies (with First Class Honours) and a Masters (with Distinction) from Massey University, New Zealand. He is a Fellow of the Institute of Singapore Chartered Accountants, a member of the Singapore Institute of Directors and an Associate of the Singapore Association of the Institute of Chartered Secretaries and Administrators.

Michael was a member of the Audit and Risk Committee up until 28 May 2018.

During the past three years, Michael has not served as a director of any other ASX listed companies.

COMPANY SECRETARY

Raymond Parry

Ray has over 30 years' experience in banking, international business, oil and gas and mining where he has held senior financial and managerial positions. Ray has served as a non-executive director, chief financial officer and company secretary for various private and publicly listed resource companies in Australia.

Ray holds a Master of Business Administration (International Business), a Bachelor of Business (Accounting and Finance) and is a Fellow of the Certified Practicing Accountants (FCPA). He is also a graduate of the Australian Institute of Company Directors (GAICD).

DIRECTORS REPORT

DIRECTORS' MEETINGS

The number of meetings of directors held (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Directors	Board		Audit & Risk Committee		Remuneration & Nomination Committee	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
G Bittar	8	8	2	2	2	2
M Chye ¹	4	-	1	1	-	-
T Kennedy	8	7	2	2	1	1
P Lester	8	8	-	-	2	2
B Lorenzon ²	4	4	1	1	-	-

¹ Mr Chye resigned from the Board and the Audit & Risk Committee on 28 May 2018.

² Mr Lorenzon was appointed to the Board on 28 May 2018.

COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an Audit and Risk Committee and a Remuneration and Nomination Committee.

Members acting on the committees of the board during the year are as follows:

Audit & Risk Committee	Remuneration and Nomination Committee
T Kennedy (Chairman)	Peter Lester (Chairman)
G Bittar	G Bittar
M Chye ¹	T Kennedy
B Lorenzon ²	

¹ Mr Chye resigned from the Audit & Risk Committee on 28 May 2018.

² Mr Lorenzon was appointed to the Audit and Risk Committee on 28 May 2018.

DIRECTORS' INTERESTS

The interests of the directors in shares, options and rights of the Company at the date of this report are set out in the table below:

	Shares	Options	Rights
G Bittar	5,182,539	3,050,000	450,000
M Chye	-	-	-
T Kennedy	450,000	2,400,000	450,000
P Lester	450,000	2,400,000	450,000
B Lorenzon	-	-	-

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year, the Company has paid a premium to insure the Directors and Officer of the Company. The Company has not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' liability and legal expense insurance contracts, as such disclosures is prohibited under the terms of the insurance contract.

DIRECTORS REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were exploration, mine development, mining and processing of gold at its Nullagine Gold project.

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

OPERATIONS REVIEW

Information on the Company's operations at its Nullagine Gold project is set out in the Operations Review on pages 3-16 of this annual report.

SUMMARY OF FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Results

The Company recorded a loss after tax for the year ended 31 December 2018 of \$9.4 million (2017: \$5.6 million). The result was mainly due to a deterioration in Gross profit of 66% or \$2.0 million and an increase of 27% or \$1.7 million in Administrative and other expenses.

The Gross profit result was mainly due to Costs of goods sold increasing by 12% or \$13.5 million from an additional 1.3 million bank cubic meters (BCM's) and 0.7 million tonnes of ore being mined during the period as compared to the prior year. The increase in Costs of goods sold was partially offset by a 10% or \$11.5 million increase in Revenue from ramped up production and a 38% or \$9.7 million reduction in depreciation and amortisation costs from a longer mine life.

The rise in Administrative and other expenses was mainly due to a 166% or \$1.4 million increase in non-cash share based payments to employees as part of the Company's long term incentive schemes.

Other income decreased by 51% or \$0.2 million due to lower interest from a reduced average cash balance.

Finance income decreased by 83% or \$0.3 million to \$0.01 million and Finance costs decreased by 35% or \$0.7 million to \$1.3 million as the Company now physically delivers into its gold forward hedge contracts.

Operating cashflows remained strong at \$21.8 million (2017: 30.8 million).

Assets

Total assets increased 11% or \$12.4 million to \$122.1 million (2017: \$109.7 million) during the financial year. The increase was mainly due to a 23% or \$7.5 million rise in Exploration and evaluation assets from an enhanced exploration program to build its ore reserves. Mine properties also increased by 97% or \$17.9 million from costs associated with developing the Bartons underground mine (\$11.7 million), Sulphide plant (\$3.5 million), other infrastructure (\$3.5 million), rehabilitation (\$1.4 million) and surface mine development (\$0.7 million) partially offset by a reduction in the Production stripping cost of \$2.9 million.

These increases were partially offset by a reduction in the cash and cash equivalents of \$12.6 million.

Liabilities

Total liabilities increased 51% or \$19.5 million to \$58.0 million as at 31 December 2018 (2017: \$38.6 million). The increase was mainly attributable to Trade and other payables which rose \$12.3 million as activity at the Company's Nullagine operations intensified Borrowings of \$4.7 million from the Investec facility and a rise in Provisions of \$2.7 million predominantly related to mine rehabilitation, partially offset by \$0.2 million reduction in other financial liabilities.

Equity

Total equity decreased by 10% or \$7.1 million to \$64.0 million (2017: \$71.1 million) during the financial year. The decrease was mainly as a result of the Loss after tax of \$9.4 million partially offset by an increase in Reserves \$2.2 million from the amortisation of Options and Rights issued to employees.

DIRECTORS REPORT

Shareholder returns

Total shareholder return for the financial year was 6% (2017: -24%). No dividends were paid this financial year (2017: Nil).

Liquidity and capital resources

The Company's principal source of liquidity as at 31 December 2018 is Cash and cash equivalents of \$5.3 million, Bullion on hand of \$0.9 million and an undrawn balance of \$12.5 million from a Revolving credit facility. Funding for the 2019 financial year is expected to come from a combination of existing sources, operations and the proceeds from the capital raising announced on 25 February 2019.

Issued capital

As at 31 December 2018 the Company had 794.4 million shares, 18.5 million options and 26.6 million Performance rights on issue.

A detailed breakdown of Share, Option and Performance right movements for the period is shown in note 20 of the financial statements.

Shares

A total of 6.8 million shares were issued during the year via the exercise of options, rights and to settle amounts owing for the purchase of a tenement and a royalty obligation.

Options

During the year a total of 7.6 million unlisted Options were exercised (Note: 2.1 million options were forgone as a result of option holders taking advantage of the cashless exercise facility) and 1.5 million Options lapsed. No new options were issued during the financial year.

Performance rights

A total of 14.3 million unlisted Performance rights were issued during the financial year and a total of 8.2 million Performance rights were either exercised, cancelled or lapsed.

DIVIDENDS

No dividends were paid during the financial year, nor have the directors recommended that any dividends be paid.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes to the state of affairs of the Company that occurred during the financial year not otherwise disclosed in the operations review or the financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On the 25 February 2019 the Company announced a fully underwritten 1 for 8.8 renounceable rights issue at \$0.165 per share to raise approximately \$15 million (before costs).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

There are no likely developments of which the Directors are aware which could be expected to significantly affect the results of the Company's operations in subsequent financial years not otherwise disclosed in the Operations Review or the Significant Events after Balance Date section of the Directors' Report.

DIRECTORS REPORT

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The operations of the Company are subject to environmental regulation under the laws of the Commonwealth and the State of Western Australia. The Company holds various environmental licences issued under these laws, to regulate its mining and exploration activities. These licences include conditions and regulations in relation to specifying limits on discharges into the air, surface water and underground, rehabilitation of areas disturbed during the course of mining and exploration activities and the storage of hazardous substances.

All environmental performance obligations are monitored by the Board of Directors and are subjected from time to time to Government agency audits and site inspections. There have been no material breaches of the Company's licences and all mining and exploration activities have been undertaken in compliance with relevant environmental regulations.

RISK MANAGEMENT

The Board is responsible for identifying business risks and implementing actions to manage those risks and corporate systems to assure quality. The Board delegates these tasks to management who provide the Board with periodic reports identifying areas of potential risks and the safeguards in place to efficiently manage material business risks.

Strategic and operational risks are reviewed at least annually as part of the forecasting and budgeting process. The Chief Executive Officer and Chief Financial Officer have provided assurance in writing to the Board that they believe that the Company's material business risks are being managed effectively. The Chief executive officer and Chief financial officer have also provided assurance in writing to the Board that the Company's financial reporting, risk management and associated compliance and controls have been assessed and are operating effectively so far as they relate to the financial report

CORPORATE GOVERNANCE

The Board of Millennium Minerals Limited are committed to achieving and demonstrating the highest standards of corporate governance. Millennium Minerals Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2018 corporate governance statement is dated as at 31 December 2018 and reflects the corporate governance practices in place throughout the 2018 financial year. The 2018 corporate governance statement was approved by the board on 28 February 2019.

A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed at: www.millenniumminerals.com.au/corporate/corporategovernance.

AUDITOR'S INDEPENDENCE

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 36.

NON-AUDIT SERVICES

During the year, KPMG, the Company's auditor, has not performed other services in addition to the audit and review of the financial statements.

Details of the amounts paid to the auditor of the Company, KPMG, and its network firms for audit and non-audit services provided during the year are disclosed in note 24.

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 Investments Commission (ASIC) Corporations Instrument 2016/191.

DIRECTORS REPORT

REMUNERATION REPORT

The Remuneration Report which has been audited is set out on pages 24 to 35 and forms part of the Directors Report.

Signed in accordance with a resolution of the Directors.



Gregory Bittar
Chairman
Perth, Western Australia
28 February 2019

REMUNERATION REPORT (AUDITED)

The Remuneration Report for the year ended 31 December 2018 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its regulations. This Remuneration Report forms part of the Directors' Report and the disclosures contained within this report have been audited.

The Remuneration Report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

KEY MANAGEMENT PERSONNEL

Details of the KMP are set out as below:

Name	Position	Term as KMP
DIRECTORS		
G Bittar	Non-executive Chairman	Full financial year
M Chye	Non-executive Director	Resigned 28 May 2018
T Kennedy	Non-executive Director	Full financial year
P Lester	Non-executive Director	Full financial year
B Lorenzon	Non-executive Director	Appointed 28 May 2018
OTHER EXECUTIVES		
P Cash	Chief Executive Officer	Full financial year
D Will	Chief Operating Officer	Full financial year
R Parry	Chief Financial Officer	Full financial year

PRINCIPLES OF REMUNERATION

The Board is responsible for ensuring that the Company's remuneration structures are aligned with long-term interests of the Company and its Shareholders. Accordingly, the Board has an established Remuneration and Nomination Committee to assist it in making decisions in relation to KMP remuneration.

The Remuneration and Nomination Committee currently comprises Mr Lester, Mr Bittar and Mr Kennedy.

The Remuneration and Nomination Committee decisions on the appropriateness of the nature and amount of remuneration of Directors and senior executives are based on:

- Attraction of quality management to the Company;
- Retention of experienced and capable key executives;
- Performance incentives designed to motivate executives to achieve strategic objectives and which allow executives to share the rewards of the success of the Company;
- The competitive state of the employment market for different specific skill sets; and
- Independently sourced market surveys related to the resources sector.

EXECUTIVE REMUNERATION STRUCTURE

Fixed remuneration

Fixed remuneration of senior executives comprises base remuneration (including any fringe benefits tax charges related to employee benefits) and employer contributions to superannuation funds.

REMUNERATION REPORT (AUDITED)

Remuneration levels are reviewed by the Remuneration and Nomination Committee and are determined after consideration is given to individual and overall performance of the Company, to competitive commercial rates of remuneration for similar levels of responsibility, industry practices and the need to retain appropriately qualified persons to fill the management positions necessary for the Company to meet its strategic objectives.

Performance-linked Remuneration

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their objectives.

Short-term Incentives

Each year the Chairman reviews the performance of the CEO and the CEO reviews the performance of the key management personnel and they both make recommendations to the Remuneration and Nomination Committee in relation to the awarding of any short-term incentives.

In addition, the Remuneration and Nomination Committee assesses the actual performance of the Company, the separate departments and the individuals' personal performance. A cash bonus may be recommended at the discretion of the Remuneration and Nomination Committee where Company and department objectives have been met or exceeded or individual personal performance expectations have been exceeded.

During the reporting period, a performance evaluation of key management personnel was undertaken in accordance with this process.

Under the STI Plan, all executives have the opportunity to earn an annual incentive which is delivered in cash. The STI recognises and rewards annual performance.

How is it paid?	Any STI award is paid in cash after the assessment of annual performance
How much can executive earn?	<p>In 2018, the CEO, COO and CFO had a maximum STI opportunity of 25% of fixed remuneration and other executives had a maximum STI opportunity of 17.5% of fixed remuneration.</p> <p>An overarching review by the Board of each individual's performance against agreed performance measures and a review of qualitative factors around the Company's performance and the macro economic environment will determine the achievable percentage (between 0% - 100%) of the maximum potential STI available to be awarded, subject further to the level of achievement against detailed KPI's listed below.</p>
How is performance measured?	<p>A combination of specific Company Key Performance Indicators (KPIs) are chosen to reflect the core drivers of short term performance and also to provide a framework for delivering sustainable value to the Company and its shareholders.</p> <p>The following KPIs were chosen for the 2018 financial year:</p> <ul style="list-style-type: none"> ▪ KPI 1: All-In-Sustaining Cost relative to stated guidance (18%) ▪ KPI 2: Production relative to stated guidance (18%) ▪ KPI 3: Safety performance targets - TRIFR (12%) ▪ KPI 4: Leading safety indicators - Positive trend (12%) ▪ KPI 5: Individual performance measures (40%)
When is it paid?	The STI award is determined after the end of the financial year following a review of performance over the year against the STI performance measures by the Remuneration and Nomination Committee. The Board approves the final STI award based on this assessment of performance and the award is paid in cash within three months after the end of the performance period.

REMUNERATION REPORT (AUDITED)

What happens if executive leaves?	If an executive resigns or is terminated for cause before the end of the financial year, no STI is awarded for that year. If an executive ceases employment during the performance period by reason of redundancy, ill health, death or other circumstances approved by the Board, the executive will be entitled to a pro-rata cash payment based on assessment of performance up to the date of ceasing employment for that year (subject to Board discretion).
What happens if there is a change in control	In the event of a change of control, a pro-rata cash payment will be made based on assessment of performance up to the date of the change of control (subject to Board discretion)

Performance against STI measures

A combination of financial and non-financial measures is used to measure performance for STI rewards. Company performance against those measures is as follows for 2018:

STI MEASURE	METRIC	WEIGHTING	ACHIEVEMENT
KPI 1: All-In-Sustaining Cost <i>Relative to guidance</i>	Target = 50% Stretch = 50% pro-rata	18%	Target not achieved – 0% award
KPI 2: Production <i>Relative to guidance</i>	Target = 50% Stretch = 50% pro-rata	18%	Target partially achieved – 33% award
KPI 3: Safety <i>Reduction in safety measures - TRIFR</i>	Target = 50% Stretch = 50% pro-rata	12%	Stretch achieved – 100% award
KPI 4: Leading safety indicators <i>Positive trend</i>	Target = 100%	12%	Target achieved – 100% award
KPI 5: Individual measures <i>Various</i>	Target = 0 to 100% pro-rata	40%	Targets partially achieved – 50% to 81% award

In addition to the KPI 3, 4 and 5 targets being achieved, the Board, under its discretion, decided that the KPI 2 target was met. Based on the STI measures the following STI payments were payable to the executives:

Name	Position	STI Achieved	STI Awarded
P Cash	Chief Executive Officer	63%	\$65,625
D Will	Chief Operating Officer	50%	\$45,000
R Parry	Chief Financial Officer	63%	\$48,437

Long-term Incentives

Options

Prior to 2018 the Company issued options to executives as part of their remuneration package in accordance with the Company's Employee Share Option plan. The purpose of these options were to assist in attracting and retaining suitable personnel. For details regarding these Options see note 20.

Performance rights

In 2017 and in 2018 Performance rights were issued to executives as part of their remuneration package in accordance with the Company's Performance rights plan, to align remuneration with the creation of shareholder value over the long term. Details regarding these Performance rights are set out below.

REMUNERATION REPORT (AUDITED)

How is it paid?	Executives are eligible to receive Performance rights (being a right to acquire a share in the Company at a nil exercise price).		
How much can an executive earn?	<p>The CEO has a target LTI opportunity of 102% of fixed remuneration, the COO has a target LTI opportunity of 50% of fixed remuneration and the CFO has a target LTI opportunity of 79% of fixed remuneration.</p> <p>The number of Performance rights granted is determined by applying a factor of 3 to the LTI opportunity divided by the Company’s share price.</p>		
How is performance measured?	<p>Awards are typically subject to two measures, weighted equally: Absolute Total Shareholder Return (ATSR) and Relative Total Shareholder Return (RTSR). Both measures were selected as they focus executives on shareholder value creation and is widely accepted and understood by shareholders.</p> <p>ATSR measures the percentage change in a company’s share price, plus the value of dividends received during the period, assuming that all those dividends are reinvested into new shares.</p> <p>RTSR also measures the percentage change in a company’s share price, plus the value of dividends received during the period, assuming that all those dividends are reinvested into new shares. However, the result is measured relative to a comparator group of peer companies.</p> <p>An additional award relating to Tranche 2B is based on the achievement of a material merger or acquisition or commercial production from underground activities.</p> <p>All measures are subject to the discretion of the Board.</p> <p>The proportion of Performance rights that may vest and their respective performance periods is set out in the table below.</p>		
	Tranche	Performance condition and period	Weighting
	1.1 - 1.2	ATSR 20% (from 1 Jul 2017 to 31 Dec 2018)	50%
		RTSR >75 th Percentile of Peer Group (from 1 Jul 17 to 31 Dec 18)	50%
	2.1 & 2.2	ATSR 20% (from 1 Jan 19 to 30 Jun 20)	50%
		RTSR >75 th Percentile of Peer Group (from 1 Jan 19 to 30 Jun 20)	50%
	2B	Material M&A or commercial production from underground activities (from 1 Jan 19 to 30 Jun 20)	100%
	3	ATSR 20% (from 1 Jan 21 to 31 Dec 21)	50%
		RTSR >75 th Percentile of Peer Group (from 1 Jan 21 to 31 Dec 21)	50%
When is performance measured?	The performance measures are tested at the end of the performance period to determine the number of performance rights that vest. The performance rights will lapse if the performance rights are not met at the end of the performance period.		
What happens if a director or executive leaves?	<p>If an executive resigns or is terminated for cause, any unvested LTI awards are forfeited, unless otherwise determined by the Board.</p> <p>If an executive ceases employment during the performance period by reason of redundancy, ill health, death or other circumstances approved by the Board, the executive will be entitled to a pro-rata number of unvested performance rights based on achievement of the performance measures over the performance period up to the date of ceasing employment (subject to Board discretion).</p>		
What happens if there is a change in control	In the event of a change of control, the Performance rights automatically vest and are deemed to immediately become vested Performance rights.		

REMUNERATION REPORT (AUDITED)

Performance against LTI measures

Financial measures are used to determine LTI Tranche 1 rewards. Company performance against those measures is as follows for 2018:

LTI MEASURE	METRIC	WEIGHTING	ACHIEVEMENT
Absolute total shareholder return (ATSR)	ATSR of 10% = 25% award ATSR of 10% to 20% = 25% award (pro-rata)	50%	Target deemed to be achieved – 50% award
Relative total shareholder return (RTSR) <i>Company's RTSR measured against a comparator group of peer companies.</i>	RTSR of 50% = 25% award RTSR of 50 to 100% = 25% award (pro-rata)	50%	Target achieved – 55% award

LTI Tranche 1 awards granted in 2017 and 2018 were tested against the ATSR and RTSR performance measures as at 31 December 2018.

The Company achieved an ATSR of 1.5% however, as the 2018 365 day VWAP resulted in a ATSR of 10% the Board used its discretion to vest 50% of the ATSR Performance rights.

The Company achieved a RTSR result of 55% (25% for achieving a rank of 50% and 25% pro-rata for achieving a rank of 50% to 75%). Consequently 55% of the RTSR Performance rights vested and became exercisable.

Based on the LTI measures the following Tranche 1 Performance rights vested and became exercisable on 31 December 2018:

Name	Position	LTI Achieved	LTI Awarded	
			No. of rights vested	Fair value*
P Cash	Chief Executive Officer	ATSR 50% and RTSR 55%	940,625	\$124,919
D Will	Chief Operating Officer	ATSR 50% and RTSR 55%	725,625	\$96,366
R Parry	Chief Financial Officer	ATSR 50% and RTSR 55%	328,125	\$32,351

* Represents the fair value of rights vested based on grant date fair value

NON-EXECUTIVE DIRECTOR REMUNERATION STRUCTURE

Fixed remuneration

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

Fixed 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.

Total remuneration for all non-executive directors, last voted upon by the shareholders at the 2007 AGM, is not to exceed \$350,000 per annum. At the date of this report, total non-executive directors' base fees are \$270,000 per annum.

Non-executive directors' fees cover all main board activities and membership of board committees. Non-executive directors have a written agreement setting out terms of their appointment and do not receive any benefits on retirement.

REMUNERATION REPORT (AUDITED)

Long-term Incentives

Options

Prior to 2018 the Company issued options to non-executive directors as part of their remuneration package in accordance with the Company's Employee Share Option plan. The purpose of these options were to assist in attracting and retaining suitable personnel. For details regarding these Options see note 20.

Performance rights

In 2017 Performance rights were issued to non-executive directors as part of their remuneration package in accordance with the Company's Performance rights plan, to align remuneration with the creation of shareholder value over the long term. Details regarding these Performance rights are set out below.

How is it paid?	Directors are eligible to receive Performance rights (being a right to acquire a share in the Company at a nil exercise price).
How much can a director earn?	There is no set amount or frequency with regard to performance rights issued to Non-executive directors. The quantum and frequency are at the discretion of the Board.
How is performance measured?	The vesting of Tranche 1A and 2A performance rights issued to non-executive directors is based on one measure being 'fatality free' to reinforce one of the Company's priorities being safety. The achievement of this measure is subject to the discretion of the Board.
When is performance measured?	The performance measures are tested at the end of the performance period to determine the number of performance rights that vest. The performance rights will lapse if the performance rights are not met at the end of the performance period.
What happens if a director leaves?	If a director resigns or is terminated for cause, any unvested LTI awards are forfeited, unless otherwise determined by the Board. If an executive ceases employment during the performance period by reason of redundancy, ill health, death or other circumstances approved by the Board, the executive will be entitled to a pro-rata number of unvested performance rights based on achievement of the performance measures over the performance period up to the date of ceasing employment (subject to Board discretion).
What happens if there is a change in control	In the event of a change of control, the Performance rights automatically vest and are deemed to immediately become vested Performance rights.

Performance against LTI measures

Non-financial measures are used to determine LTI Tranche 1A rewards. Company performance against those measures is as follows for 2018:

LTI MEASURE	METRIC	WEIGHTING	ACHIEVEMENT
Safety	No fatalities = 100%	100%	Target achieved – 100% award

REMUNERATION REPORT (AUDITED)

Based on the LTI measures the following Tranche 1 Performance rights vested and became exercisable on 31 December 2018:

Name	Position	LTI Achieved	LTI Awarded	
			No. of rights vested	Fair value*
G Bittar	Non-executive director	100%	450,000	\$76,500
T Kennedy	Non-executive director	100%	450,000	\$76,500
P Lester	Non-executive director	100%	450,000	\$76,500

* Represents the fair value of rights vested based on grant date fair value

RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

As required by the *Corporations Act 2001*, the Company's financial performance across various indices over the past five years is set out as below:

	FY18	FY17	FY16	FY15	FY14
(Loss)/profit after tax expense (\$ 000's)	(9,443)	(5,604)	17,059	22,885	(117,954)
Reported basic earnings per share (EPS) (cents)	(1.19)	(0.72)	2.25	10.81	(54.18)
Dividends paid (cents)	-	-	-	-	-
Share price at 31 December (cents)	18	17	22.5	3.9	3.7
Total Shareholder Return (TSR) (%)	6	(24)	477	5	(81)

DIRECTORS AND KEY MANAGEMENT REMUNERATION

Details of the nature and amount of each major element of remuneration of each Director of the Company and other executives are:

2018	Short term			Post employment	Share-based payments		Long term	Termination benefits	Total	Performance related
	Salary and fees	STI cash bonus	Non monetary benefits	Super-annuation	Options	Rights	Long service leave			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Non-executive Directors										
G Bittar	90,000	-	-	-	93,959	83,067	-	-	267,026	66%
M Chye ¹	25,000	-	-	-	-	-	-	-	25,000	-
T Kennedy	60,000	-	-	-	77,369	83,067	-	-	220,435	73%
P Lester	60,000	-	-	-	73,979	83,067	-	-	217,046	72%
B Lorenzon ²	35,000	-	-	-	-	-	-	-	35,000	-
Executives										
P Cash	426,068	65,625	-	47,566	11,596	338,003	-	-	888,858	47%
D Will	373,846	45,000	-	39,838	-	257,680	-	-	716,364	42%
R Parry	307,377	48,438	-	34,440	-	104,886	-	-	495,141	31%
Total	1,377,291	159,063	-	121,843	256,903	949,770	-	-	2,864,870	

Notes

- Mr Chye resigned from the Board on 28 May 2018
- Mr Lorenzon was appointed to the Board as a Non-executive director on 28 May 2018.

REMUNERATION REPORT (AUDITED)

2017	Short Term			Post Employment	Share-Based Payments		Long Term	Termination benefits	Total	Performance related
	Salary and fees	STI cash bonus	Non monetary benefits	Super-annuation	Options	Rights	Long service leave			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Non-executive Directors										
R Procter ³	15,000	-	-	-	180,612	-	-	-	195,612	92%
G Bittar	97,000	-	-	-	249,723	18,815	-	-	365,538	73%
M Chye	60,000	-	-	-	-	-	-	-	60,000	-
T Kennedy	60,000	-	-	-	106,000	18,815	-	-	184,815	68%
P Lester ⁴	50,000	-	-	-	70,775	18,815	-	-	139,590	64%
Executives										
P Cash ⁵	376,913	46,500	-	37,989	22,785	116,007	-	-	600,194	23%
D Will ⁶	193,808	20,000	-	17,100	-	95,384	-	-	326,292	29%
R Parry ⁷	48,781	-	-	4,309	-	13,074	-	-	66,164	20%
R Hill ⁸	197,676	31,000	-	20,779	31,415	-	4,635	173,590	459,095	7%
G Dovaston ⁹	80,167	-	-	25,191	82,609	-	2,752	185,000	375,719	22%
Total	1,179,345	97,500	-	105,368	743,919	280,910	7,387	358,590	2,773,019	

Notes

- Mr Procter retired on 28 February 2017.
- Mr Lester was appointed on 1 March 2017.
- Mr Cash commenced with the Company on 1 March 2016 in the role of General Manager – Corporate Development and took on the role of Chief Executive Officer on 17 March 2017 and is determined to be a KMP on 1 March 2016.
- Mr Will commenced with the company on 3 July 2017.
- Mr Parry Joined the company on 6 November 2017.
- Mr Hill resigned from the company on 1 September 2017. Under Mr Hill's Deed of Settlement and Release, as approved by the Board, he was provided with a termination benefit of 6 months' salary based on an annual salary of \$291,184.
- Mr Dovaston resigned from his position as Chief Executive Officer on 17 March 2017. Under Mr Dovaston's Deed of Settlement and Release, as approved by the board, he was provided with a termination benefit of 6 months' salary based on an annual salary of \$370,000.

EXECUTIVE EMPLOYMENT AGREEMENTS

The Company has entered into executive employment agreements with each Key Management Person (KMP). No service contract specifies a term of employment or entitlement to performance based incentives.

REMUNERATION REPORT (AUDITED)

The table below contains a summary of the key contractual provisions of the contracts of employment for the executive KMP.

Condition	Chief Executive Officer	Chief Operating Officer	Chief Financial Officer
Employer initiated termination			
- with reason	6 months	3 months	3 months
- incapacity (illness/injury)	6 months	3 months	3 months
- redundancy	6 months	3 months	3 months
- serious misconduct	Immediate	Immediate	Immediate
Employee initiated termination			
- resignation	3 months	3 months	3 months
Prescribed conditions – within one month of event occurring			
- change in control	50% of annual salary	50% of annual salary	50% of annual salary
- change to executive Conditions	25% of annual salary	25% of annual salary	25% of annual salary

SHARE-BASED PAYMENTS – OPTIONS AND RIGHTS GRANTED, VESTED AND OUTSTANDING DURING THE YEAR

Options

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis. There were no options granted to KMPs as compensation during the current year.

Details on options granted as compensation in previous years and which have vested during or remain outstanding at the end of the year are provided below.

All options expire at the earlier of their expiry date or termination of the individual's employment.

Options granted as compensation do not have any vesting conditions other than a continuing employment service condition.

Options	Granted & Outstanding		Terms and conditions for each grant				Vested		
	Number	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	Vesting date	Number	% vested during the year	% forfeited during the year
Non-executive Directors									
G Bittar	3,050,000	27 Apr 16	\$0.1061	\$0.0790	18 Nov 19	25 Nov 18	3,050,000	100%	-
T Kennedy	1,200,000	29 May 17	\$0.1060	\$0.1840	3 Jun 20	31 May 18	1,200,000	100%	-
T Kennedy	1,200,000	29 May 17	\$0.1060	\$0.1840	3 Jun 20	31 May 19	-	-	-
P Lester	1,200,000	29 May 17	\$0.0790	\$0.4500	31 Jan 21	8 Feb 19	-	-	-
P Lester	1,200,000	29 May 17	\$0.0790	\$0.4500	31 Jan 21	8 Feb 20	-	-	-
Executives									
P Cash	1,350,000	17 Nov 15	\$0.0219	\$0.0790	18 Nov 19	18 Nov 18	1,350,000	100%	-

REMUNERATION REPORT (AUDITED)

Performance rights

All rights refer to rights over ordinary shares of the Company, which are exercisable on a one-for-one basis.

Details on performance rights that were granted as compensation to each KMP during the current year and in previous years and which have vested during or remain outstanding at the end of the year are provided below.

RIGHTS	GRANTED			NUMBER OF OUTSTANDING RIGHTS TO:							%	%
	Vesting condition	Grant date	Fair value at grant date Test date	G Bittar	T Kennedy	P Lester	P Cash	D Will	R Parry		Vested during the year	Forfeited during the year
Tranche 1.1:												
Absolute TSR	18 Aug 17	\$0.1216	31 Dec 18	-	-	-	218,750	168,750	-		50%	50%
Relative TSR	18 Aug 17	\$0.1362	31 Dec 18	-	-	-	721,875	556,875	-		55%	45%
Tranche 1.2:												
Absolute TSR	31 Oct 17	\$0.0877	31 Dec 18	-	-	-	-	-	156,250		50%	50%
Relative TSR	31 Oct 17	\$0.1085	31 Dec 18	-	-	-	-	-	171,875		55%	45%
Tranche 1A:												
Safety #	28 May 18	\$0.1700	31 Dec 18	-	-	-	-	-	-		100%	-
Tranche 2.1												
Absolute TSR	18 Aug 17	\$0.1240	30 Jun 20	-	-	-	437,500	337,500	-		-	-
Relative TSR	18 Aug 17	\$0.1359	30 Jun 20	-	-	-	1,312,500	1,012,500	-		-	-
Other	18 Aug 17	\$0.1850	30 Jun 20	-	-	-	1,000,000	1,000,000	-		-	-
Tranche 2.2:												
Absolute TSR	31 Oct 17	\$0.1038	30 Jun 20	-	-	-	-	-	312,500		-	-
Relative TSR	31 Oct 17	\$0.1154	30 Jun 20	-	-	-	-	-	312,500		-	-
Tranche 2A												
Safety #	28 May 18	\$0.1700	30 Jun 20	450,000	450,000	450,000	-	-	-		-	-
Tranche 3												
Absolute TSR	20 Aug 18	\$0.1132	31 Dec 21	-	-	-	1,130,000	-	1,305,000		-	-
Relative TSR	20 Aug 18	\$0.0743	31 Dec 21	-	-	-	1,130,000	-	1,305,000		-	-
Total rights				450,000	450,000	450,000	5,950,625	3,075,625	3,563,125			
Value of rights granted during the year				\$153,000*	\$153,000*	\$153,000*	\$211,875	-	\$244,688			

* The value of rights granted during the year for Mr Bittar, Mr Kennedy and Mr Lester includes the value of 450,000 rights that each director exercised during the year.

These options were issued in 2017 but granted upon approval by shareholders on 28 May 2018.

REMUNERATION REPORT (AUDITED)

MOVEMENTS IN OPTIONS AND RIGHTS

The movement during the reporting period in the number of options and performance rights over ordinary shares in Millennium Minerals Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at start of period	Granted as remuneration	Exercised	Net change other*	Held at end of period	Vested at 31 December 2018	
						Exercisable	Not exercisable
OPTIONS							
Non-executive Directors							
G Bittar	6,100,000	-	(3,050,000)	-	3,050,000	3,050,000	-
T Kennedy	2,400,000	-	-	-	2,400,000	1,200,000	-
P Lester	2,400,000	-	-	-	2,400,000	-	-
Executive							
P Cash	2,700,000	-	(1,350,000)	-	1,350,000	1,350,000	-
PERFORMANCE RIGHTS							
Non-executive Directors							
G Bittar*	900,000	-	(450,000)	-	450,000	-	-
T Kennedy*	900,000	-	(450,000)	-	450,000	-	-
P Lester*	900,000	-	(450,000)	-	450,000	-	-
Executives							
P Cash	4,500,000	2,260,000	-	(809,375)	5,950,625	940,625	-
D Will	3,700,000	-	-	(624,375)	3,075,625	725,625	-
R Parry	1,250,000	2,610,000	-	(296,875)	3,563,125	328,125	-

* Net change other represents rights that were forfeited during the year.

MOVEMENTS IN SHARES

The movement during the reporting period in the number of shares in Millennium Minerals Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 Jan 2018	Received on exercise of options/rights	Net change other*	Held at 31 Dec 2018
Non-executive directors				
G Bittar ¹	2,700,000	2,482,539	-	5,182,539
T Kennedy	-	450,000	-	450,000
P Lester	-	450,000	-	450,000
Executives				
P Cash ²	2,230,000	899,648	235,000	3,364,648

* Net change other represents shares that were purchased or sold during the year.

¹ The number of options required to be exercised for Mr Bittar to receive his shares was 3,050,000 as a result of him using the cashless exercise facility of the Employee share option plan

² The number of options required to be exercised for Mr Cash to receive his shares was 1,350,000 as a result of him using the cashless exercise facility of the Employee share option plan

REMUNERATION REPORT (AUDITED)

LOANS AND OTHER TRANSACTIONS

There were no related party transactions between the Company and key management personnel during the year.

Signed in accordance with a resolution of the Directors.



Gregory Bittar
Chairman
Perth, Western Australia



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 audit of Millennium Minerals Limited for the financial year ended 31 December 2018 there have been:

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

KPMG.

KPMG

R Gambitta
Partner

Perth

28 February 2019

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
Revenue	3	127,150	115,620
Cost of goods sold	4	(126,113)	(112,575)
Gross profit		1,037	3,045
Other income	3	166	337
Administrative and other expenses	5	(7,928)	(6,223)
Exploration expenditure impaired	11	(1,463)	(1,143)
Operating loss		(8,188)	(3,984)
Finance income	17	68	401
Finance costs	17	(1,323)	(2,021)
Loss before tax		(9,443)	(5,604)
Income tax expense	6	-	-
Net loss attributable to members		(9,443)	(5,604)
Other comprehensive income			
Other comprehensive income		-	-
Income tax relating to items of comprehensive income		-	-
Other comprehensive income, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(9,443)	(5,604)
Basic earnings per share (cents per share)	7	(1.19)	(0.72)
Diluted earnings per share (cents per share)	7	(1.19)	(0.72)

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	5,296	17,898
Trade and other receivables	9	3,233	3,123
Inventories	10	19,036	18,197
Other financial assets		-	130
Total current assets		27,565	39,348
Non-current assets			
Exploration and evaluation assets	11	39,894	32,387
Mine properties	12	36,384	18,472
Property, plant and equipment	13	18,220	19,458
Total non-current assets		94,498	70,317
Total assets		122,063	109,665
LIABILITIES			
Current liabilities			
Trade and other payables	15	31,874	19,561
Provisions	16	1,092	1,041
Borrowings	17	4,722	-
Lease liabilities	18	393	234
Other financial liabilities		-	198
Total current liabilities		38,081	21,034
Non-current liabilities			
Provisions	16	19,916	17,285
Lease liabilities	18	31	242
Total non-current liabilities		19,947	17,527
Total liabilities		58,028	38,561
Net assets		64,035	71,104
EQUITY			
Issued capital	19	165,408	165,281
Reserves	19	8,553	6,306
Accumulated losses		(109,926)	(100,483)
Total Equity		64,035	71,104

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Issued capital \$'000	Share option reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2018	165,281	6,306	(100,483)	71,104
Net loss for the year	-	-	(9,443)	(9,443)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(9,443)	(9,443)
Transactions with owners				
Share-based payments expense	-	2,247	-	2,247
Shares issued, net of transaction costs	127	-	-	127
Total transactions with owners	127	2,247	-	2,374
Balance at 31 December 2018	165,408	8,553	(109,926)	64,035
Balance at 1 January 2017	165,152	5,461	(94,879)	75,734
Net profit for the year	-	-	(5,604)	(5,604)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(5,604)	(5,604)
Transactions with owners				
Share-based payments expense	-	845	-	845
Shares issued, net of transaction costs	129	-	-	129
Total transactions with owners	129	845	-	974
Balance at 31 December 2017	165,281	6,306	(100,483)	71,104

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts in the course of operations		127,150	116,019
Payments in the course of operations		(105,559)	(85,505)
Interest received		162	315
Net cash from operating activities	8	21,753	30,829
Cash flows from investing activities			
Proceeds from rentals	3	4	-
Payments for acquisition of tenements	11	(61)	(15)
Payments for property, plant and equipment	13	(1,706)	(2,050)
Payments for mineral exploration areas and evaluation	11	(25,574)	(23,308)
Payments for development of mining properties	12	(11,050)	(12,740)
Net cash used in investing activities		(38,387)	(38,113)
Cash flows from financing activities			
Proceeds from borrowings		9,997	-
Repayment of leases and borrowings		(5,321)	(81)
Payments for transaction costs		(558)	(33)
Proceeds from issue of shares		127	129
Security deposit paid		(8)	-
Interest paid		(205)	(8)
Net cash from/used in financing activities		4,032	7
Net (loss)/ increase in cash and cash equivalents		(12,602)	(7,277)
Cash and cash equivalents at 1 January		17,898	25,175
Cash and cash equivalents at 31 December	8	5,296	17,898

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board (AASB) and complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). 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 28 February 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

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

- AASB 9 Financial Instruments and related amending Standards
- AASB 15 Revenue from Contracts with Customers and related amending Standards
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

1D. New and revised Accounting Standards and Interpretations on issue but not yet effective.

New and revised Standards and amendments thereof and Interpretations on issue but not yet effective that are relevant to the Company include:

AASB 16 Leases – Application date of standard 1 January 2019

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases.

Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The company has adopted this standard from 1 January 2019. The company expects to recognise right-of-use assets and a corresponding lease liability of approximately \$8.3m at that date for the power generation and office rental contracts. Finalisation of analysis on other key contracts including open pit and underground mining, haulage and drill and blast is required, including an assessment of what practical expedients are available on transition. There is not expected to be a material impact on overall net assets.

The company expects to apply the modified retrospective approach and therefore comparative amounts for the year prior to adoption will not be restated.

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 financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the year ended 31 December 2018 the Company incurred a loss of \$9.4 million (2017: loss of \$5.6 million), had a net current asset deficiency of \$10.5 million (2017: net current asset surplus of \$18.3 million).

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Company will be able to continue its planned operations and be able to meet its obligations as and when they fall due because the Company continued to generate strong operating cashflows in 2018 of \$21.8 million (2017: \$30.8 million) and had cash and cash equivalents of \$5.3 million, bullion on hand of \$0.9 million and undrawn balance of \$12.5 million from a revolving credit facility as at 31 December 2018.

Future operating cashflows are largely dependent on key operating parameters such as gold production, gold prices and all-in sustaining costs. In addition, the Company announced on 25 February 2019 a capital raising of \$15 million via fully underwritten rights issue. The underwriting agreement is subject to customary terms and conditions including that the ASX 200 index does not fall by 10% or more between 19 February 2019 and the expected settlement date of 21 March 2019.

1F. Accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. Where possible, wording has been simplified to provide clearer commentary on the financial report of the Company. Accounting policies determined non-significant are not included in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1G. Key accounting estimates, judgements and assumptions

The preparation of the financial statements in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial position reported in future periods.

Determination of Mineral Resources and Ore Reserves

The determination of mineral resources and ore reserves impacts the accounting for asset carrying values. The Company estimates its mineral resources and ore reserves in accordance with the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (the "JORC" code). The information on minerals resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the Mineral Resources and Ore Reserves determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in ore reserves being restated. This determination of mineral resources and ore reserves will impact the quantification of depreciation, amortisation and rehabilitation.

Recovery of Deferred Tax Assets

Judgment is required in determining whether the deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing laws in Australia. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in Australia could limit the ability of the Company to obtain tax deductions in future periods.

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 material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of non-current assets

The recoverable amount of the Company's non-current assets are reviewed at each reporting period to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit and loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, as well as the timing of the cash flows and expected life of the relevant area of interest, exchange rates, commodity prices, future capital requirements and future operating performance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Changes in these estimates and assumptions impact the recoverable amount of the asset cash-generating unit, and accordingly could result in an adjustment to the carrying amount of that asset or cash-generating unit.

Factors that could impact the future recoverability of non-current assets include the level of reserves and resources, plant performance, costs of production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

Impairment of exploration assets

The recoverable amount of the Company's exploration and evaluation assets are reviewed at each reporting period to determine if there is any indication of impairment.

Exploration and evaluation assets are tested for impairment if:

- (i) sufficient data exists to determine technical feasibility and commercial viability is unlikely, or
- (ii) facts and circumstances suggest the carrying value exceeds the recoverable amount. The application of this policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established.

These estimates and assumptions may change as new information becomes available and could have a material impact on the carrying value of exploration and evaluation assets. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is tested for impairment in the period when the new information becomes available.

Mine rehabilitation provision

The Company assesses its mine rehabilitation provision yearly in accordance with the accounting policy stated in note 16. Significant judgment is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect this liability include future development, changes in technology, changes in rehabilitation regulations, commodity price changes and changes in interest rates. When these factors change, or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known, which in turn would impact future financial results.

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.

3. Revenue

Accounting policies

Gold and concentrate sales

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

The specific recognition criteria for gold bullion and concentrate sales is when there has been a transfer of bullion from the Company's gold metal account to the customers, at which point the legal title passed from the Company to the customer and the selling price can be determined. Sales revenue represents gross proceeds receivable from the customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Gold forward contracts

As part of the risk management policy of the Group and in compliance with the conditions required by the Group's financier, the Group enters into gold forward contracts to manage the gold price of a proportion of anticipated gold sales. The counterparties to the gold forward contracts are Investec Australia Limited ('Investec') and Precious Metals (Australia) Pty Ltd ('MKS').

It is management's intention to settle each contract through physical delivery of gold and as such, the gold forward sale contracts disclosed below do not meet the criteria of financial instruments for accounting purposes. This is referred to as the "normal purchase/sale" exemption. Accordingly, the contracts will be accounted for as sale contracts with revenue recognised once the gold has been delivered to Investec and MKS or their agents.

Open contracts at balance date are summarised in the table below:

	Gold for physical delivery		Contracted gold sale price		Value of Committed sales		Mark to market	
	2018	2017	2018	2017	2018	2017	2018	2017
	Ounces	Ounces	\$/oz	\$/oz	\$'000	\$'000	\$'000	\$'000
Within one year								
Spot deferred contracts	41,500	12,000	1,715	1,675	71,177	20,104	(5,044)	(68)
Mark to market has been calculated with reference to the following spot price at period end							1,819	1,675

Mark-to-market represents the value of the open contracts at balance date, calculated with reference to the gold spot price at that date. A negative amount reflects a valuation in the counterparty's favour. This amount is not recognised in these financial statements.

The contracted gold sale price disclosed for spot deferred contracts reflects a weighted average of a range of contract prices. The range of prices at the end of the year was from \$1,661/oz to \$1,759/oz (2017: \$1,597/oz to \$1,848/oz).

Interest

Interest revenue is accrued using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable.

	2018 \$'000	2017 \$'000
Revenue		
Sale of gold	137,442	115,502
Sale of silver	415	118
Pre-production adjustment*	(10,707)	-
	127,150	115,620
Other income		
Interest	162	337
Income from rental property	4	-
Gain on disposal of property	-	-
	166	337

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4. Cost of goods sold

Accounting policies

Costs of production

Costs of production include direct costs incurred for mining, milling, maintenance, laboratory and mine site administration, net of costs capitalised to pre-strip and production stripping assets. This category also includes movements in the cost of inventory and net realisable value write downs.

Depreciation

Depreciation of plant and equipment with a useful life equal to or exceeding the life of the mine is depreciated on a units of production basis.

Depreciation of plant and equipment with a useful life less than the life of the mine is calculated on a straight-line basis over each item's expected useful life to the Company.

The expected useful lives of plant and equipment is between 1 to 5 years.

The carrying amounts, useful lives and depreciation method are reviewed at each reporting date, with the effect of any changes recognised on a prospective basis.

Amortisation and development

Accumulated mine development costs are amortised on a unit-of-production (UOP) basis, over the economically recoverable life of the mine. These calculations require the use of estimates and assumptions in relation to reserves and resources. These estimates and assumptions are reviewed annually and changes to these estimates and assumptions may impact the amortisation charge in the Statement of Profit and Loss and Other Comprehensive Income and asset carrying values.

The UOP rate for the amortisation of mine development costs takes into account expenditures incurred to date. The Company uses ounces mined over mineable inventory as its basis of depletion of mine development.

	2018 \$'000	2017 \$'000
Cost of goods sold		
Costs of production	105,575	82,803
Royalties	4,826	4,458
Depreciation of plant and equipment	3,212	6,291
Amortisation of mine development	12,388	19,023
Impairment write-down of inventory	112	-
	126,113	112,575

5. Administration and other expenses

Accounting policies

Employee benefit expenses

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, and annual leave are recognised as employee benefits in respect of employee services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(ii) Employee benefits on-costs

Employee benefit on-costs including payroll tax and superannuation guarantee charges are charged as expenses when incurred.

(iii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to a reporting date. The obligation is discounted using the high quality corporate bond rate at reporting date with maturity dates commensurate with the terms of the Company's obligations.

Share based payments

Share-based compensation benefits are provided to employees and directors via a Share Option Plan and Performance Rights as discussed in note 20.

	2018 \$'000	2017 \$'000
Corporate expenses	1,416	1,423
Investors relations	391	238
Statutory compliance	103	94
Directors fees	270	282
Business development and projects	363	874
Employee benefit expenses	2,783	2,204
Superannuation	355	263
Share-based payments	2,247	845
	7,928	6,223

6. INCOME TAXES

Accounting policy

Income tax comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet method, providing the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted and substantially enacted by the reporting date. 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.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 \$'000	2017 \$'000
(a) Income tax expense		
The major components of income tax expenses are:		
Current income tax		
Current income tax expense	-	-
Adjustment in respect of income tax of previous years	-	-
Deferred income tax		
Relating to the origination and reversal of temporary difference	-	-
Adjustment in respect of income tax of previous years	-	-
Income tax expense reported in the statement of comprehensive income	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Accounting (loss)/profit before income tax	(9,440)	(5,604)
Tax at statutory income tax rate of 30%	(2,832)	(1,681)
Adjustments in respect of current year income tax		
Share-based payments	674	253
Other non-deductible expenses	10	15
Deferred tax assets not recognised	2,148	1,413
Income tax expense reported in the statement of comprehensive income	-	-

	Balance Sheet 2018 \$'000	Balance Sheet 2017 \$'000	Net Movement 2018 \$'000	Net Movement 2017 \$'000
Deferred tax assets				
Property, plant and equipment	1,338	1,807	(469)	1,450
Mine properties	5,008	4,336	673	(1,199)
Trade and other payables	62	62		5
Provisions	6,302	5,511	791	(565)
R&D tax offsets carried forward	7,436	7,085	351	-
Tax losses carried forward	23,959	21,526	2,433	6,498
Borrowing costs	88	1	86	1
Derivative liabilities	-	59	(59)	59
Capital raising costs in equity	217	349	(132)	(64)
Gross deferred tax assets	44,410	40,736	3,674	6,185
Deferred tax liabilities				
Exploration & evaluation expenditure	(11,839)	(9,576)	(2,263)	(3,675)
Mine rehabilitation asset	(1,605)	(1,196)	(409)	1,586
Deferred Waste Asset	(509)	(1,372)	863	(1,372)
Fuel tax credits	(258)	(192)	(66)	(21)
Inventories	(131)	(366)	235	(366)
Prepayments	(24)	(19)	(5)	(6)
Derivative assets	-	(39)	39	379
Gross deferred tax liabilities	(14,366)	(12,760)	(1,606)	(3,475)
Net deferred tax assets not brought to account	30,044	27,976	2,068	2,710

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

The benefit of tax losses not brought to account for the 2018 year will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility are imposed by the tax legislation continue to be complied with; and
- (iii) the Company is able to meet the continuity of ownership and/or continuity of business tests.

Revenue tax losses of \$79.9 million (2017: \$71.8 million) and a R&D tax offset of \$24.8 million (2017: \$23.6 million) are available for offsetting against future taxable profits subject to continuing to meet the relevant statutory tests.

7. Earnings per share

Accounting policy

Earnings per share (EPS) is the amount of post-tax profits attributable to each share. The Company presents basic and diluted EPS data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise listed options and all unlisted share options granted but not necessarily exercised.

	2018 \$'000	2017 \$'000
Earnings used in calculating EPS		
Net (loss)/ profit attributable to ordinary shareholders	(9,443)	(5,604)
	Number of shares	Number of shares
Weighted average number of shares		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	791,291,928	781,349,242

As the Company has made a loss in 2018 and 2017, all options and performance rights on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options and performance rights could potentially dilute basic earnings per share in the future.

8. Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash on hand and in banks.

	2018 \$'000	2017 \$'000
Cash at bank and on hand	5,296	17,898

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Reconciliation to the statement of cash flows

Reconciliation of net (loss)/profit after tax to net cash flows from operating activities:

	2018 \$'000	2017 \$'000
(Loss)/Profit for the year	(9,443)	(5,604)
Non-Cash Expenses & Other Adjustments:		
Depreciation and amortisation	15,600	25,314
Impairment of exploration and evaluation asset	1,463	1,143
Unwinding of rehabilitation	689	520
Finance costs	192	38
Realised loss on forward contracts	374	1,463
Share-based payments	2,247	845
Changes in operating assets and liabilities		
(Increase) in trade and other receivables	(110)	(522)
(Increase)/decrease in inventories	(839)	(1,633)
(Increase)/decrease in other assets	(703)	(194)
Increase in trade and other payables	12,313	9,531
(Decrease)/increase in provision for employee benefits	(30)	(72)
Net cash from operating activities	21,753	30,829

9. Trade and other receivables

Accounting policies

Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The only material receivables at year end are for GST and fuel tax credits receivable from the Australian Taxation Office.

Due to the short-term nature of the current receivables, their carrying amount is assumed to be approximate fair value.

	2018 \$'000	2017 \$'000
Current		
GST receivable	1,521	733
Diesel fuel credit receivable	859	640
Secured deposits	20	20
Refundable deposits	84	76
Trade Debtors	23	-
Sundry debtors	-	20
Prepayments	726	1,634
	3,233	3,123

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

10. Inventories

Accounting policy

Finished goods, bullion, gold in circuit and stockpiles of unprocessed ore are valued at the lower of cost and net realisable value.

Cost is determined on the basis of weighted average costs and comprises the costs of direct materials and the costs of production which include:

- Labour costs, materials and contractor expenses and production overheads which are directly attributable to the extraction and processing of ore;
- Depreciation of property plant and equipment used in the extraction and processing of ore; and
- Amortisation of capitalised mine development for the area from which the ore is extracted.

Net realisable value tests are performed at each reporting date. Net realisable value is determined with reference to the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product, including royalties.

Consumables are valued at the lower of cost and net realisable value.

	2018 \$'000	2017 \$'000
Consumables	3,038	3,368
Critical spares	388	320
Ore stockpiles at net realisable value	8,438	-
Ore stockpile at cost	-	7,426
Gold in circuit at cost	6,299	3,348
Bullion on hand at cost	873	3,735
	19,036	18,197

11. Exploration And evaluation assets

Accounting policy

Exploration and evaluation assets include the costs of acquiring licences as well as the costs associated with exploration and evaluation activity. Exploration and evaluation expenditure is capitalised on an area of interest basis.

Exploration and evaluation costs related to an area of interest are carried forward only when rights of tenure to the area are current and provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations, in, or relating to, the area are continuing.

Exploration and evaluation assets are tested for impairment if

- (i) sufficient data exists to determine technical feasibility and commercial viability is unlikely, or
- (ii) facts and circumstances suggest the carrying value exceeds the recoverable amount.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units (CGU) to which the exploration activity relates. The CGU is not larger than the area of interest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable and extraction activities has commenced, exploration and evaluation assets attributable to the area of interest are first tested for impairment and then reclassified to mine development.

The application of the above policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available.

	2018 \$'000	2017 \$'000
Opening balance at 1 January	32,387	20,120
Expenditure capitalised for the year	25,574	23,308
Acquisition of tenements (i)	61	15
Reclassification to mine development	(16,665)	(9,913)
Impairment (ii)	(1,463)	(1,143)
Closing balance at 31 December	39,894	32,387

(i) *Acquisition of tenements*

In October 2018, the company has issued 174,672 ordinary fully paid shares and \$20,000 to acquire a 100% interest on tenement M46/527.

(ii) *Impairment*

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.

12. Mine properties

Accounting policies

Mine development costs

Mine development represents expenditure in respect of exploration, evaluation, feasibility and pre-production operating costs incurred previously and carried forward in relation to areas of interest in which mining has now commenced. Mine development is stated at cost, less accumulated amortisation and accumulated impairment losses.

Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, mine development costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for mine development costs.

Accumulated mine development costs are amortised on a unit-of-production (UOP) basis over the economically recoverable life of the mine. The UOP rate for the depreciation/amortisation of mine development costs takes into account expenditures incurred to date. The UOP is ounces mined.

Stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units-of-production (UOP) basis. These form part of mine development costs.

Stripping costs incurred subsequently during the production stage of operations are deferred to the extent that the current period strip ratio (i.e. the ratio of waste to ore) exceeds the life of mine strip ratio.

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FOR THE YEAR ENDED 31 DECEMBER 2018

Such deferred costs are then charged to the Statement of Comprehensive Income to the extent, in subsequent periods, the current period ratio falls short of life of mine strip ratio. The calculated strip ratio and the remaining life of mine are reassessed annually. Changes are accounted for prospectively from the date of change.

	Production Stripping cost \$'000	Other Mine Properties \$'000	Total \$'000
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
Net carrying amount at 1 January 2017	-	17,040	17,040
Additions	10,273	2,467	12,740
Transfers from exploration and evaluation assets	-	9,913	9,913
Rehabilitation provision adjustment	-	(2,198)	(2,198)
Amortisation expense	(5,698)	(13,325)	(19,023)
Net carrying amount at 31 December 2017	4,575	13,897	18,472

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

13. Property, plant and equipment

Accounting policy

Items of property, plant and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition, installation and commissioning of an item.

Costs subsequent to the initial recognition of an asset 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 of property, plant and equipment is calculated on a straight-line basis over each item's expected useful life to the Company. The expected useful life of property, plant and equipment is the shorter of the life of the mine and the useful life of the individual item.

The gain or loss arising on disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss.

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	Plant and equipment	Land and buildings	Critical spares	Infra- structure	Motor Vehicle	Leased Assets	Capital works in progress	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At cost	60,683	2,485	1,980	132	101	844	2,738	68,963
Accumulated Depreciation	(47,235)	(1,284)	(1,766)	(37)	(11)	(410)	-	(50,743)
Closing carrying amount	13,448	1,201	214	95	90	434	2,738	18,220

Reconciliation of carrying amounts

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

	Plant and equipment	Land and buildings	Critical spares	Infra- structure	Leased Assets	Capital works in progress	Total
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At cost	60,034	2,485	1,980	43	576	1,871	66,989
Accumulated Depreciation	(44,628)	(1,043)	(1,723)	(33)	(104)	-	(47,531)
Closing carrying amount	15,406	1,442	257	10	472	1,871	19,458

Reconciliation of carrying amounts

Opening carrying amount	21,268	1,442	397	15	-	1	23,123
Additions	-	-	-	-	576	2,050	2,626
Transfer / reclassification	180	-	-	-	-	(180)	-
Depreciation expense	(6,042)	-	(140)	(5)	(104)	-	(6,291)
Closing carrying amount	15,406	1,442	257	10	472	1,871	19,458

14. Impairment of assets

At each reporting date, the Company assesses whether there is an indication that an asset is impaired. When an indication of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash inflows which are largely independent of the cash flows from other assets or group of assets (cash generating units). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

No impairment triggers were identified in current or prior period and therefore there was no impairment of assets in the current or prior period, other than as disclosed in note 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

15. Trade and other payables

Accounting policy

Trade payables

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 generally paid within 30 days of recognition.

Employee entitlements

Liabilities for wages and salaries, payroll tax and superannuation guarantee charges are recognised as employee entitlements in respect of employee services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

	2018 \$'000	2017 \$'000
Trade payables	17,597	11,129
Royalties payable	1,474	1,006
Employee entitlements	973	879
Accruals	11,403	6,261
Other payables	427	286
	31,874	19,561

16. Provisions

Accounting policies

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. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and, when, where appropriate, the risks specific to the liability.

Site rehabilitation

The Company records the present value of the estimated cost of legal and constructive obligations to rehabilitate and restore the operating location for areas disturbed by mining activities. The nature of rehabilitative activities includes dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas. The provision is the best estimate of the present value of the expenditure required to settle the rehabilitation obligation at the reporting date, based on current legal requirements and technology.

When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining asset. Over time, the liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. This increase in the provision due to the passage of time is recognised as a finance cost in the statement of comprehensive income. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation provision when incurred prospectively from the date of change.

Employee benefits

Liabilities for wages and salaries, annual leave and any other employee benefits are measured at the amounts expected to be paid when the liabilities are settled.

NOTES TO THE FINANCIAL STATEMENTS

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An amount is recognised in “Current Provisions” (for annual leave) and “Trade and other payables” (for all other employee benefits) in respect of employees’ past service at reporting date. Costs incurred in relation to non-accumulating sick leave are recognised when leave is taken and are measured at the rates paid or payable.

The liability for long service leave and other long-term benefits is measured at the present value of the estimated future cash flows resulting from employees’ services provided up to the reporting date.

	2018 \$'000	2017 \$'000
Current		
Employee benefits	1,092	1,041
Non-current		
Employee benefits	487	567
Mine rehabilitation	19,429	16,718
	19,916	17,285
Provision for mine rehabilitation		
Balance at 1 January	16,718	18,574
Unwinding of discount	689	520
Provisions used during the year	-	(179)
Provisions made/re-measured during the year	2,022	(2,197)
Balance at 31 December	19,429	16,718

17. Borrowings and net finance costs

Accounting policy

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Current		
Borrowings	4,997	-
Less: Unamortised borrowing costs	(275)	-
	4,722	-

On the 5 June 2018 the Company announced that it had entered into a funding agreement with Investec Australia Limited that involved a \$17.5 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).

The Funding Agreement is for a term of 15 months, 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, maintaining a minimum market capitalisation of 5 times the total RCF amount, cash and cash equivalents and bullion of \$2.5 million and a forward annual cover ratio of 1.5. The Company has complied with its undertakings under the Funding Agreement during the year.

NOTES TO THE FINANCIAL STATEMENTS

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	2018 \$'000	2017 \$'000
Net finance costs		
Realised gain on gold forward contracts	68	401
Finance income	68	401
Interest expense on finance lease liabilities	(23)	(8)
Borrowing costs	(169)	(30)
Unwinding of rehabilitation	(689)	(520)
Unrealised loss on gold forward contracts	-	(67)
Realised loss on gold forward contracts	(442)	(1,396)
Finance costs	(1,323)	(2,021)
Net finance costs	(1,255)	(1,620)

18. Lease liabilities

Accounting policy

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.

Current

Lease liabilities	393	234
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Non-current

Lease liabilities	31	242
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19. Equity

Accounting policy

The holders of ordinary shares are entitled to receive dividends as declared from time to time and, on a poll, are entitled to one vote per share at meetings of the Company. The Company does not have authorised capital or par value in respect of its issued shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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.

	2018		2017	
	No. of shares	\$'000	No. of shares	\$'000
Ordinary shares – issued and fully paid	794,390,876	165,408	787,545,973	165,281
Movement in share capital				
Opening balance 1 January	787,545,973	165,281	780,917,069	165,152
Transaction costs	-	-	-	-
Exercise of employee share options (cashless exercise)	4,627,754	-	4,998,904	-
Exercise of employee share options	470,000	37	1,630,000	129
Exercise of performance rights	1,350,000	-	-	-
Equity issued to settle royalty obligation	222,477	50	-	-
Equity issued to settle tenement acquisition (note 11)	174,672	40	-	-
Balance at 31 December	794,390,876	165,408	787,545,973	165,281

Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure that is appropriate for the Company's current and/or projected financial position.

The Board's policy in relation to capital management is to regularly and consistently monitor future cash flows against expected expenditures for a rolling period of up to 12 months in advance. The Board determines the Company's need for additional funding by way of either share issues or loan funds depending on market conditions at the time. The Board defines working capital in such circumstances as its excess liquid funds over liabilities and defines capital as being the share capital of the Company, plus retained earnings, reserves and net debt.

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.

	2018 \$'000	2017 \$'000
Opening balance at 1 January	6,306	5,461
Share based payments expense	2,247	845
Balance at 31 December	8,553	6,306

20. Share based payments

Accounting policy

The value of options/rights granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options/rights (the vesting period), ending on the date on which the relevant employees become fully entitled to the option/right (the vesting date).

The cost of these equity-settled transactions with directors and employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined by management using a Black-Scholes option pricing model and the fair value of rights are estimated using a Monte Carlo simulation.

In valuing the equity-settled transactions, performance conditions are taken into account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative change to the statement of comprehensive income is the product of:

- the grant date value of the option/right;
- the current best estimate of the number of options/rights that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- the expired portion of the vesting period.

Until an option/right has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

The dilutive effect, if any, of outstanding options/rights is reflected as additional share dilution in the computation of earnings per share.

Employee share option plan (ESOP)

Options are issued under the Employee Share Options Plan (Option Plan). The objective of the Employee Share Option Plan was to assist in attracting and retaining suitable personnel.

Under the Option Plan, the board or Remuneration and Nomination Committee may issue eligible employees with options to acquire shares in future at an exercise price fixed by the board or Remuneration and Nomination Committee on grant of the options.

The vesting of all options is subject to service conditions being met whereby the recipient must meet the eligible employee criteria as defined in the ESOP.

The fair value of the options has been estimated using the Black-Scholes option pricing formula, taking into account the non-financial measures terms and other terms and conditions upon which the options were granted.

No options were granted in 2018 (2017: 4,800,000).

The inputs used to calculate the fair value of these options are set out below.

Inputs	2018	2017
Exercise price	-	\$0.184 - \$0.450
Grant date	-	29 May 2017
Expiry date	-	3 Jun 20 - 31 Jan 21
Share price at grant date	-	\$0.190
Expected volatility	-	85%
Risk-free interest rate	-	1.69%
Expected life of options	-	3-4 years
Fair value per option at grant date	-	\$0.106 - \$0.079

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS

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Summary of options granted under the ESOP plan

	2018		2017	
	Average exercise price per option	Number of options	Average exercise price per option	Number of options
As at 1 January	\$0.139	27,920,000	\$0.130	39,800,000
Granted during the year	-	-	\$0.442	4,800,000
Forfeited/Lapsed during the year	\$0.435	(1,500,000)	\$0.311	(6,450,000)
Exercised during the year*#	\$0.079	(7,100,000)	\$0.079	(8,600,000)
Exercised during the year*	\$0.079	(470,000)	\$0.079	(1,630,000)
Expired during the year	-	-	-	-
As at 31 December	\$0.138	18,850,000	\$0.139	27,920,000
Exercisable at 31 December	\$0.087	15,250,000	\$0.079	6,070,000

* The weighted average share price at the date the options were exercised during the year was \$0.212 (2017: \$0.190)

A total of 4,627,754 shares were issued from the 7,100,000 options exercised during the year as a result of option holders using the cashless exercise facility in accordance with the Employee Share option plan.

Options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price (\$)	No. of options 2018	No. of options 2017
17 Nov 2015	18 Nov 2019	0.079	8,200,000	11,520,000
27 Apr 2016	18 Nov 2019	0.079	5,850,000	10,100,000
27 Oct 2016	21 Oct 2020	0.435	-	1,500,000
3 June 2020	3 June 2020	0.184	2,400,000	2,400,000
31 Jan 2021	31 Jan 2021	0.450	2,400,000	2,400,000
			18,850,000	27,920,000

Weighted average remaining contractual life of as at 31 December 1.10 Years 3.72 years

Performance rights plan ('PRP')

Performance Rights are used to attract, motivate and retain eligible participants and to provide them with an incentive to deliver growth and value to all shareholders.

The vesting of all performance rights is subject to service conditions being met whereby the recipient must meet the eligible employee criteria as defined in the PRP.

The conditions that the Board has determined will apply to the Performance Rights are summarised below:

Tranche	LTI Measures	Weighting
1.1 to 1.9	Absolute Total Shareholder Return 20% (from 1 July 2017 to 31 Dec 2018)	50%
	Relative Total Shareholder Return >75 th Percentile of Peer Group (from 1 Jul 2017 to 31 Dec 2018)	50%
1A	Safety - 'fatality free' (from 28 May 2018 to 31 Dec 2018)	100%
2.1 to 2.10	Absolute Total Shareholder Return 20% (from 1 Jan 2019 to 30 Jun 2020)	50%
	Relative Total Shareholder Return >75 th Percentile of Peer Group (from 1 Jan 2019 to 30 Jun 2020)	50%
2A	Material M&A or commercial prodn. from underground activities (from 1 Jan 2019 to 30 Jun 2020)	100%
3	Absolute Total Shareholder Return 20% (from 1 January 2021 to 31 Dec 2021)	50%
	Relative Total Shareholder Return >75 th Percentile of Peer Group (from 1 Jan 2021 to 31 Dec 2021)	50%

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The fair value at grant date of the Absolute Total Shareholder Return was estimated using a Monte Carlo simulation, while a correlated simulation that simultaneously calculates the Total Shareholder Return of the Company and each constituent of the Peer Group on a risk neutral basis as at the vesting date with regards to the performance period, was used to estimate the fair value at grant date of the Relative Total Shareholder Return.

The fair value at grant date of the Safety and Material M&A and Underground measures has been estimated using the Black-Scholes option pricing formula, taking into account the non-financial measures and other terms and conditions upon which the options were granted.

A summary of the rights issued under the PRP plan and the inputs used to calculate the fair value of these performance rights.

The tables below summarise the rights issued under the PRP plan and the inputs used to calculate the fair value of the performance rights:

Grant date	18 August 17		31 October 17		1 December 17		19 January 18		31 January 18	
LTI measure	ATSR	RTSR	ATSR	ATSR	ATSR	RTSR	ATSR	RTSR	ATSR	RTSR
	Tranche 1.1		Tranche 1.2		Tranche 1.3		Tranche 1.4		Tranche 1.5	
Share price at grant date	\$0.185		\$0.155		\$0.185		\$0.185		\$0.220	
Commencement date	1 Jan 18		1 Jan 18		1 Jan 18		1 Jan 18		1 Jan 18	
Measurement date	31 Dec 18		31 Dec 18		31 Dec 18		31 Dec 18		31 Dec 18	
Vesting date	31 Dec 18		31 Dec 18		31 Dec 18		31 Dec 18		31 Dec 18	
Performance period (yrs)	1.00		1.00		1.00		1.00		1.00	
Remaining life (yrs)	1.37		1.17		1.00		0.92		0.92	
Expected volatility	97%		96%		92%		30%		30%	
Risk free interest rate	1.76%		1.82%		2.00%		1.96%	1.96%	1.96%	1.96%
Fair value at grant date	\$0.1216	\$0.1362	\$0.0877	\$0.1085	\$0.0958	\$0.1121	\$0.1610	\$0.1650	\$0.1610	\$0.1650
Total number of rights	4,382,558	4,382,558	312,500	312,500	180,000	180,000	180,000	180,000	287,500	287,500
	Tranche 2.1		Tranche 2.2		Tranche 2.3		Tranche 2.4		Tranche 2.5	
Share price at grant date	\$0.185		\$0.155		\$0.185		\$0.185		\$0.220	
Commencement date	1 Jan 19		1 Jan 19		1 Jan 19		1 Jan 19		1 Jan 19	
Measurement date	30 Jun 20		30 Jun 20		30 Jun 20		30 Jun 20		30 Jun 20	
Vesting date	30 Jun 20		30 Jun 20		30 Jun 20		30 Jun 20		30 Jun 20	
Performance period (yrs)	1.50		1.50		1.50		1.50		1.50	
Remaining life (yrs)	2.87		2.67		2.41		2.41		2.41	
Expected volatility	97%		96%		92%		30%		30%	
Risk free interest rate	1.93%		1.96%	2.13%	1.96%	1.96%	1.96%	1.96%	1.96%	1.96%
Fair value at grant date	\$0.1240	\$0.1359	\$0.1038	\$0.1154	\$0.1081	\$0.1206	\$0.0860	\$0.1240	\$0.0860	\$0.1240
Total number of rights	4,382,558	4,382,558	312,500	312,500	180,000	180,000	180,000	180,000	287,500	287,500

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Grant date	20 April 18		24 April 18		25 May 18		1 August 18		28 May 18
LTI measure	ATSR	RTSR	ATSR	ATSR	ATSR	RTSR	ATSR	RTSR	Safety
	Tranche 1.6		Tranche 1.7		Tranche 1.8		Tranche 1.9		Tranche 1A
Share price at grant date	\$0.220		\$0.205		\$0.170		\$0.190		\$0.170
Commencement date	1 Jan 18		1 Jan 18		1 Jan 18		1 Jan 18		1 Jan 18
Measurement date	31 Dec 18		31 Dec 18		31 Dec 18		31 Dec 18		31 Dec 18
Vesting date	31 Dec 18		31 Dec 18		31 Dec 18		31 Dec 18		31 Dec 18
Performance period (yrs)	1.00		1.00		1.00		1.00		1.00
Remaining life (yrs)	0.69		0.69		0.60		0.42		0.59
Expected volatility	30%		30%		30%		45%		56%
Risk free interest rate	2.11%		2.11%		2.02%		2.05%		2.01%
Fair value at grant date	\$0.1320	\$0.1080	\$0.1320	\$0.1080	\$0.0570	\$0.0170	\$0.1100	\$0.1040	\$0.170
Total number of rights	125,000	125,000	45,000	45,000	86,250	86,250	112,500	112,500	1,350,000
	Tranche 2.6		Tranche 2.7		Tranche 2.8		Tranche 2.9		Tranche 2A
Share price at grant date	\$0.220		\$0.205		\$0.170		\$0.190		\$0.170
Commencement date	1 Jan 19		1 Jan 19		1 Jan 19		1 Jan 19		1 Jan 19
Measurement date	30 Jun 20		30 Jun 20		30 Jun 20		30 Jun 20		30 Jun 20
Vesting date	30 Jun 20		30 Jun 20		30 Jun 20		30 Jun 20		30 Jun 20
Performance period (yrs)	1.50		1.50		1.50		1.50		1.50
Remaining life (yrs)	2.19		2.19		2.10		1.92		2.09
Expected volatility	30%		30%		30%		45%		102%
Risk free interest rate	2.11%		2.11%		2.02%		2.05%		2.02%
Fair value at grant date	\$0.0880	\$0.1250	\$0.0880	\$0.1250	\$0.0690	\$0.0990	\$0.1260	\$0.1220	\$0.17
Total number of rights	250,000	250,000	45,000	45,000	258,750	258,750	112,500	112,500	1,350,000

Grant date	13 August 18		18 Aug 17	20 August 18	
LTI measure	ATSR	RTSR	M&A or UG	ATSR	ATSR
	Tranche 2.10		Tranche 2B	Tranche 3	
Share price at grant date	\$0.185		\$0.185	\$0.190	
Commencement date	1 Jan 19		1 Jan 19	1 Jan 21	
Measurement date	30 Jun 20		30 Jun 20	31 Dec 21	
Vesting date	30 Jun 20		30 Jun 20	31 Dec 21	
Performance period (yrs)	1.50		1.50	1.00	
Remaining life (yrs)	1.88		2.87	3.37	
Expected volatility	45%		167%	45%	
Risk free interest rate	1.99%		1.93%	2.02%	
Fair value at grant date	\$0.1220	\$0.1180	\$0.185	\$0.1140	\$0.1130
Total number of rights	270,000	270,000	2,000,000	4,906,000	4,906,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

21. Related parties

Key management personnel compensation

	2018 \$	2017 \$
Short-term employee benefits	1,536,354	1,276,845
Post-employment benefits	121,843	105,368
Long-term benefits	-	7,387
Share-based payments	1,206,673	1,024,829
Termination benefits	-	358,590
Total compensation	2,864,870	2,773,019

Individual directors and executive compensation disclosures

Information regarding individual directors' and executives' compensation and equity instrument disclosures required s300A of the Corporations Act and Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report.

22. Financial instruments and risk management

The Company has exposure to the following risks arising from financial instruments:

- (i) credit risk;
- (ii) liquidity risk; and
- (iii) market risk.

This note presents qualitative and quantitative information in relation to the Company's exposure to each of the above risks and the management of capital.

The Board has overall responsibility for the establishment and oversight of the risk management framework and the development and monitoring of risk management policies. Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date, is the carrying amount of cash and cash equivalents, trade and other receivables and other financial assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

The Company trades only with recognised, creditworthy third parties and has adopted a policy of dealing with creditworthy counterparts and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial risk from defaults.

Cash balances for the Company are held by three financial institutions who have credit ratings of AA or greater.

The Company does not have any material credit risk exposure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 Company is able to meet its financial obligations through ensuring the Company has sufficient working capital and preserving the 15% share issue limit available to the Company under ASX Listing Rules.

The Company manages liquidity by monitoring present cash flows and ensuring that adequate cash reserves, financing facilities and equity raisings are undertaken to ensure that the Company can meet its obligations.

The following table analyses the Company's financial liabilities, including net and gross financial instruments, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, and hence will not necessarily reconcile with the amounts disclosed in the statement of financial position.

31 December 2018	Carrying amount \$'000	Total \$'000	2 months or less \$,000	2 – 12 months \$'000	Greater than 1 year \$'000
Trade and other payables	31,874	31,874	31,799	75	-
Borrowings	4,722	4,722	-	4,722	-
Finance lease liabilities	424	424	79	314	31
Total	37,020	37,020	31,878	5,111	31

31 December 2017	Carrying amount \$'000	Total \$'000	2 months or less \$,000	2 – 12 months \$'000	Greater than 1 year \$'000
Trade and other payables	19,561	19,561	18,925	636	-
Finance lease liabilities	476	476	39	195	242
Derivative liabilities	198	198	152	46	-
Total	20,235	20,235	19,116	877	242

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Company's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company is only exposed to interest rate risk through its cash deposits and borrowings, which attract variable interest rates. The Company monitors interest rates of the major banks and invests appropriately.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

At balance date, the Company had minimal exposure to interest rate risk, though its cash and cash equivalents held with financial institutions.

	Carrying amount 2018 \$'000	Carrying amount 2017 \$'000
Fixed rate instruments		
Financial assets	104	12,000
Financial liabilities	-	(476)
	104	11,524
Variable rate instruments		
Financial assets	5,295	5,993
Financial liabilities	(4,722)	-
	573	5,993

Fair value sensitivity analysis for fixed rate instruments

There Company does not account for any fixed rate assets or liabilities at fair value through profit or loss. Therefore a change at reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A sensitivity analysis has not been disclosed in relation to the variable interest rate cash on deposit and secured bank loan as the results have been determined to be immaterial to the statement of comprehensive income for both the current and prior financial years.

Commodity price risk

During the year the Company changed the way it intends to settle each gold forward contract so that it now expects to settle each contract through physical delivery of gold. As a result of this change the gold forward contracts no longer meet the criteria of financial instruments for accounting purposes. In the prior year the gold forward contracts were considered to be financial instruments hence the disclosures below.

The Company is exposed to movements in the gold price. As part of the risk management policy of the Company, it has entered into AUD gold forward contracts to manage the gold price of a proportion of anticipated sales of gold. The following table summarised the gold hedging facilities held with BNP Paribas and MKS Precious Metals (Australia) Pty Ltd.

	Volume Ounces	Price \$	Value of committed sales \$'000
2017			
Not later than one year	12,000	1,675	20,104
Later than one year and not later than five	-	-	-
	12,000	1,675	20,104

The forward sale programme is managed in accordance with policies approved by the Board. Performance under these policies is regularly reported to the Board.

Sensitivity analysis for commodities

The following table illustrates sensitivities of the Company's exposure to commodity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

These sensitivities assume that the movement in particular variable is independent of other variables.

	Profit or loss		Equity	
	\$'000 Increase	\$'000 Decrease	\$'000 Increase	\$'000 Decrease
31 December 2017				
+/- AUD200/ounce GOLD	3,642	(3,642)	3,642	(3,642)

Financial risk management

Valuation of financial instruments

For all fair value measurements and disclosures, the Company uses the following to categorise the method used:

- Level 1: the fair value is calculated using quoted prices in active markets. The Company does not have any financial assets or liabilities in this category.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The Company's derivative assets and liabilities (gold forwards) are classified as Level 2, as they were valued using valuation techniques that employed the use of market observable inputs. The most frequently applied valuation technique includes forward pricing using present value calculations.
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data. The Company does not have any financial assets or liabilities in this category.

Fair value of derivative instruments are determined using valuation techniques incorporating observable market data relevant to the hedge position.

	2018 \$'000	2017 \$'000
Financial assets		
- derivative instruments current	-	130
- derivative instruments non-current	-	-
	-	130
Financial liabilities		
- derivative instruments current	-	(198)
- derivative instruments non-current	-	-
	-	(198)

23. Commitments

Operating lease commitments

The Company leases its corporate office under an operating lease under a normal commercial lease arrangement. The office lease was for a period of 3.3 years beginning 1 June 2018. The Company is under no legal obligation to renew the lease once the lease term has expired.

Lease expenditure contracted:

- due within one year	91	181
- due within one and five years	171	-
	262	181

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Finance lease commitments

The Company has entered into finance leases for the purchase of plant, property and equipment. The finance leases are for a term of 24 months and will expire on May 2019 and July 2019.

	2018 \$'000	2017 \$'000
Lease expenditure contracted and provided for:		
- due within one year	393	234
- due within one and five years	30	242
	423	476

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration permits, the Company has certain obligations to perform minimum exploration work and expend minimum amounts of money. These commitments may be varied as a result of renegotiations, relinquishments, farm-outs, sales or carrying out work in excess of the permit obligations. The following exploration expenditure requirements have not been provided for in the financial report and are payable:

The minimum level of exploration commitments		
- due within one year	2,733	2,641
- due within one and five years	10,332	9,932
- due later than five years	22,837	23,292
	35,902	35,865

Capital commitments

The Company has commitments totalling \$3.4 million as at 31 December 2018 in relation to its Sulphide project.

24. Auditor's remuneration

	2018 \$	2017 \$
Amounts received or due and receivable by KPMG		
Audit and review of Company's financial statements	114,900	91,200

25. Contingencies

The Company did not have any contingent assets or liabilities at 31 December 2018 (2017: Nil).

26. Subsequent events

On the 25 February 2019 the Company announced a fully underwritten 1 for 8.8 renounceable rights issue at \$0.165 per share to raise approximately \$15 million (before costs).

DIRECTORS' DECLARATION

1. In the opinion of the directors:
 - (a) The financial statements, notes and the Remuneration Report in the Directors' Report of the Company 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 2018 and on its performance for the year then ended; and
 - (ii) Complying with Australian Accounting Standards and Corporations Regulations 2001.
 - (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.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with s295A of the Corporations Act 2001 for the financial year ended 31 December 2018.
3. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

The declaration is signed in accordance with a resolution of the directors.



Gregory Bittar
Chairman
Perth, Western Australia
28 February 2019



Independent Auditor's Report

To the shareholders of Millennium Minerals Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Millennium Minerals Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The **Financial Report** comprises:

- Statement of financial position as at 31 December 2018
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with *the Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Capitalised exploration and evaluation assets; and
- Reserve and resource estimation

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capitalised exploration and evaluation ("E&E") assets

AU \$39,894 thousand

Refer to Note 11 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Assessing the presence of impairment indicators for the capitalised E&E assets was a key audit matter for us.</p> <p>Capitalised E&E is a significant asset recorded in relation to the Company's total assets (33%). The Company's capitalised E&E assets relate to the Nullagine Gold Project held via numerous licenses. The presence of impairment indicators would necessitate a detailed analysis by management of the value of E&E under relevant accounting standards. Therefore, given the criticality of determining the presence of impairment indicators to the scope and depth of our work, we involved senior team members to challenge management's determination that no impairment indicators existed. The key indicators we focused on were those that may draw into question the commercial continuation of exploration and evaluation activities (activities) for certain areas of interest where significant capitalised E&E exists. This involved assessing:</p> <ul style="list-style-type: none"> • The Company's compliance with key license conditions, in particular minimum expenditure requirements • The ability of the Company to fund the continuation of activities for all areas of interest, and • Management's assessments of prospectivity for areas of interest and the associated strategy and intentions of the Company for the continuation of E&E activities in those areas of interest. 	<p>For this key audit matter our audit procedures were influenced by the requirements of the specific accounting standard on exploration and evaluation and included:</p> <ul style="list-style-type: none"> • Testing the Company's compliance with minimum expenditure requirements for a sample of licenses • Obtaining project and corporate budgets which we compared for consistency to areas with capitalised exploration and evaluation expenditure, for evidence of the ability to fund continued activities • Evaluating Company documents for consistency with management's assessment of prospectivity and stated intentions for continuing activities in certain areas of interest. We also corroborated this through interviewing key operational and finance personnel. The documents included: <ul style="list-style-type: none"> ◦ Internal management plans ◦ Minutes of board meetings ◦ Announcements made by the Company to the ASX.

Reserve and resource estimation	
Refer to Note 11, 12, 13 and 16 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The estimation of gold reserves and resources are conducted by the Company's internal experts and requires a number of significant assumptions and judgments to be made as disclosed in Note 1(B). Given the significant and pervasive impact the estimation of reserves and resources have across multiple items in the financial statements, we considered it a key audit matter and focused our audit effort accordingly.</p> <p>The reserve and resource estimates influence the Company's plan for future mining activities which in turn have a significant impact on the following areas of the financial statements:</p> <ul style="list-style-type: none"> Capitalisation and classification of expenditure as exploration and evaluation assets or mine properties; Calculation of depreciation and amortisation charges; and Calculation of the provision for mine rehabilitation. 	<p>For this key audit matter our audit procedures included:</p> <ul style="list-style-type: none"> Assessing the competence and objectivity of the Group's internal experts involved in the estimation process; Understanding the reasons for reserve and resource revisions or the absence of such revisions and the corresponding impact to the Company's plan for future mining activities; and Comparing reserve, resource and mine planning information for consistency with <ul style="list-style-type: none"> the Company's classification of capitalised expenditure as exploration and evaluation or mine properties; the calculations of depreciation and amortisation which utilise asset lives based on reserves and resource data; and the calculation of the provision for mine rehabilitation for which the timing of certain rehabilitation activities take place after the mining of reserves and resources are completed.
Other Information	

Other Information is financial and non-financial information in Millennium Minerals Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Millennium Minerals Limited for the year ended 31 December 2018, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 31 December 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.



KPMG



R Gambitta
Partner

Perth

28 February 2019

ASX ADDITIONAL INFORMATION

The following additional information required by the ASX Listing Rules is current as at 18 February 2019.

Equity securities holder information

Ordinary shares

797,488,743 quoted fully paid ordinary shares (MOY). All ordinary shares carry one vote per share.

Distribution of fully paid ordinary shares	Number of holders	Number of shares	% of issued capital
1 – 1000	1,628	616,326	0.08 %
1001 – 5,000	1,786	5,332,010	0.67 %
5,001 – 10,000	900	7,514,580	0.94 %
10,001 – 100,000	2,140	78,117,512	9.80 %
100,000+	503	705,908,315	88.52 %
Total holders	6,957	797,488,743	100.00 %

The top 20 shareholders

	Name	Number of shares	% issued capital
1.	J P Morgan Nominees Australia Limited	374,710,635	46.99 %
2.	IMC Resources Limited	48,020,094	6.02 %
3.	Citicorp Nominees Pty Limited	24,893,923	3.12%
4.	IMC Resources Gold Holdings Pte Ltd	22,000,000	2.76 %
5.	HSBC Custody Nominees (Australia) Limited	13,405,090	1.68 %
6.	David Teoh	12,515,020	1.57 %
7.	Mr Claude Cainero & Mr Hak Hau Kwok	7,972,434	1.00 %
8.	Mr Gregory John Bittar	5,182,539	0.65 %
9.	Mr Glenn Leslie Dovaston	3,598,511	0.45 %
10.	Coleco Nominees Pty Ltd <S & D Cole Super Fund>	3,500,000	0.44 %
11.	HSBC Nominees (Australia) Limited A/C 2	3,483,181	0.44 %
12.	Mr Dylan Coles	2,760,992	0.35 %
13.	AMSJ Cash Pty Ltd<Cash SF A/C>	2,565,000	0.32 %
14.	Mr Adam John Menaglio	2,500,000	0.31 %
15.	Danovea Pty Ltd	2,461,743	0.31 %
16.	Ms Lay Kheng Ong	2,458,463	0.31 %
17.	Yandal Investments Pty Ltd	2,454,546	0.31 %
18.	Mrs Vicky Wei Min Teoh	2,399,626	0.30 %
19.	Ross Sutherland Properties Pty Ltd	2,163,972	0.27 %
20.	LeeJames Nominees Pty Ltd<The Hepburn Super Fund A/C>	2,000,000	0.25 %
TOTAL		543,045,769	68.09 %

ASX ADDITIONAL INFORMATION

Unlisted options

18,850,000 unlisted options with various exercise prices and expiry dates (refer table below). Options do not carry a right to vote. Voting rights will be attracted to the unissued shares when the options have been exercised.

Expiry date	No. of options	Exercise price	No. of holders	Holding > 20%
18 Nov 2019	14,050,000	\$0.079	8	Issued under Employee Share Option Plan
3 Jun 2020	2,400,000	\$0.184	1	Issued under Employee Share Option Plan
31 Jan 2021	2,400,000	\$0.45	1	Issued under Employee Share Option Plan

Substantial shareholders

The substantial shareholders as disclosed in the substantial shareholding notices received by the Company are as follows:

Name	No. of shares	Holding
Heritas Capital Management (Perth)	309,006,003	39.24%
IMC Resources Limited	48,020,094	6.07%

TENEMENT SCHEDULE

Tenement	Registered Holder	Millennium Beneficial Interest	Tenement	Registered Holder	Millennium Beneficial Interest
AREA OF INTEREST 1 – GOLDEN EAGLE AREA			AREA OF INTEREST 2 – FIVE MILE		
L46/122	MILLENNIUM MINERALS LIMITED	100%	L46/33	MILLENNIUM MINERALS LIMITED	100%
L46/45	MILLENNIUM MINERALS LIMITED	100%	P46/1760	MILLENNIUM MINERALS LIMITED	100%
L46/88	MILLENNIUM MINERALS LIMITED	100%	P46/1874	MILLENNIUM MINERALS LIMITED	100%
L46/89	MILLENNIUM MINERALS LIMITED	100%	P46/1875	MILLENNIUM MINERALS LIMITED	100%
L46/90	MILLENNIUM MINERALS LIMITED	100%	M46/192	MILLENNIUM MINERALS LIMITED	100%
L46/91	MILLENNIUM MINERALS LIMITED	100%	M46/261	*MILLENNIUM MINERALS LIMITED	100%
L46/92	MILLENNIUM MINERALS LIMITED	100%	M46/262	*MILLENNIUM MINERALS LIMITED	100%
P46/1755	MILLENNIUM MINERALS LIMITED	100%	M46/266	*MILLENNIUM MINERALS LIMITED	100%
P46/1756	MILLENNIUM MINERALS LIMITED	100%	M46/445	*MILLENNIUM MINERALS LIMITED	100%
P46/1759	MILLENNIUM MINERALS LIMITED	100%	M46/446	*MILLENNIUM MINERALS LIMITED	100%
P46/1761	MILLENNIUM MINERALS LIMITED	100%	M46/50	MILLENNIUM MINERALS LIMITED	100%
P46/1823	MILLENNIUM MINERALS LIMITED	100%	AREA OF INTEREST 3 – MIDDLE CREEK		
P46/1878	MILLENNIUM MINERALS LIMITED	100%	G46/2	MILLENNIUM MINERALS LIMITED	100%
P46/1879	MILLENNIUM MINERALS LIMITED	100%	M46/164	MILLENNIUM MINERALS LIMITED	100%
P46/1880	MILLENNIUM MINERALS LIMITED	100%	M46/198	*MILLENNIUM MINERALS LIMITED	100%
P46/1881	MILLENNIUM MINERALS LIMITED	100%	M46/272	*MILLENNIUM MINERALS LIMITED	100%
P46/1882	MILLENNIUM MINERALS LIMITED	100%	M46/273	*MILLENNIUM MINERALS LIMITED	100%
P46/1922	MILLENNIUM MINERALS LIMITED	100%	M46/276	*MILLENNIUM MINERALS LIMITED	100%
P46/1923	MILLENNIUM MINERALS LIMITED	100%	M46/282	MILLENNIUM MINERALS LIMITED	100%
M46/138	*MILLENNIUM MINERALS LIMITED	100%	M46/3	MILLENNIUM MINERALS LIMITED	100%
M46/170	MILLENNIUM MINERALS LIMITED	100%	M46/302	MILLENNIUM MINERALS LIMITED	100%
M46/186	*MILLENNIUM MINERALS LIMITED	100%	M46/430	MILLENNIUM MINERALS LIMITED	100%
M46/263	*MILLENNIUM MINERALS LIMITED	100%	M46/431	MILLENNIUM MINERALS LIMITED	100%
M46/264	*MILLENNIUM MINERALS LIMITED	100%	M46/441	MILLENNIUM MINERALS LIMITED	100%
M46/265	*MILLENNIUM MINERALS LIMITED	100%	M46/442	*MILLENNIUM MINERALS LIMITED	100%
M46/267	*MILLENNIUM MINERALS LIMITED	100%	M46/447	*MILLENNIUM MINERALS LIMITED	100%
M46/300	*MILLENNIUM MINERALS LIMITED	100%	M46/57	*MILLENNIUM MINERALS LIMITED	100%
M46/432	MILLENNIUM MINERALS LIMITED	100%			
M46/436	*MILLENNIUM MINERALS LIMITED	100%			
M46/443	*MILLENNIUM MINERALS LIMITED	100%			
M46/444	*MILLENNIUM MINERALS LIMITED	100%			

* Royalties apply

TENEMENT SCHEDULE

Tenement	Registered Holder	Millennium Beneficial Interest	Tenement	Registered Holder	Millennium Beneficial Interest
AREA OF INTEREST 4 – CAMEL CREEK			AREA OF INTEREST 6 – GOLDEN GATE		
P46/1670	*MILLENNIUM MINERALS LIMITED	100%	L46/105	MILLENNIUM MINERALS LIMITED	100%
P46/1671	*MILLENNIUM MINERALS LIMITED	100%	L46/115	MILLENNIUM MINERALS LIMITED	100%
P46/1672	*MILLENNIUM MINERALS LIMITED	100%	L46/98	MILLENNIUM MINERALS LIMITED	100%
P46/1673	*MILLENNIUM MINERALS LIMITED	100%	P46/1707	MILLENNIUM MINERALS LIMITED	100%
P46/1674	*MILLENNIUM MINERALS LIMITED	100%	P46/1757	MILLENNIUM MINERALS LIMITED	100%
P46/1675	*MILLENNIUM MINERALS LIMITED	100%	P46/1758	MILLENNIUM MINERALS LIMITED	100%
P46/1676	*MILLENNIUM MINERALS LIMITED	100%	P46/1804	MILLENNIUM MINERALS LIMITED	100%
M46/146	*MILLENNIUM MINERALS LIMITED	100%	M46/129	MILLENNIUM MINERALS LIMITED	100%
M46/166	*MILLENNIUM MINERALS LIMITED	100%	M46/163	*MILLENNIUM MINERALS LIMITED	100%
M46/182	*MILLENNIUM MINERALS LIMITED	100%	M46/187	MILLENNIUM MINERALS LIMITED	100%
M46/199	*MILLENNIUM MINERALS LIMITED	100%	M46/189	MILLENNIUM MINERALS LIMITED	100%
M46/225	*MILLENNIUM MINERALS LIMITED	100%	M46/200	MILLENNIUM MINERALS LIMITED	100%
M46/277	*MILLENNIUM MINERALS LIMITED	100%	M46/245	TAYLOR, DAVID JOHN	100%
M46/64	*MILLENNIUM MINERALS LIMITED	100%	M46/274	*MILLENNIUM MINERALS LIMITED	100%
M46/98	*MILLENNIUM MINERALS LIMITED	100%	M46/279	*MILLENNIUM MINERALS LIMITED	100%
AREA OF INTEREST 5 – TWENTY MILE			M46/283	MILLENNIUM MINERALS LIMITED	100%
P46/1703	*MILLENNIUM MINERALS LIMITED	100%	M46/303	MILLENNIUM MINERALS LIMITED	100%
P46/1704	*MILLENNIUM MINERALS LIMITED	100%	M46/426	*MILLENNIUM MINERALS LIMITED	100%
P46/1705	*MILLENNIUM MINERALS LIMITED	100%	M46/427	*MILLENNIUM MINERALS LIMITED	100%
P46/1706	*MILLENNIUM MINERALS LIMITED	100%	M46/428	*MILLENNIUM MINERALS LIMITED	100%
P46/1824	MILLENNIUM MINERALS LIMITED	100%	M46/429	*MILLENNIUM MINERALS LIMITED	100%
P46/1855	MILLENNIUM MINERALS LIMITED	100%	M46/433	MILLENNIUM MINERALS LIMITED	100%
P46/1856	MILLENNIUM MINERALS LIMITED	100%	M46/448	MILLENNIUM MINERALS LIMITED	100%
P46/1932	MILLENNIUM MINERALS LIMITED	100%	M46/47	MILLENNIUM MINERALS LIMITED	100%
P46/1934	MILLENNIUM MINERALS LIMITED	100%	M46/56	TAYLOR, DAVID JOHN	100%
P46/1935	MILLENNIUM MINERALS LIMITED	100%	M46/536	MILLENNIUM MINERALS LIMITED	100%
P46/1936	MILLENNIUM MINERALS LIMITED	100%			
P46/1937	MILLENNIUM MINERALS LIMITED	100%			
P46/1941	MILLENNIUM MINERALS LIMITED	100%			
M46/167	*MILLENNIUM MINERALS LIMITED	100%			
M46/275	*MILLENNIUM MINERALS LIMITED	100%			
M46/278	*MILLENNIUM MINERALS LIMITED	100%			
M46/434	MILLENNIUM MINERALS LIMITED	100%			
M46/527	MILLENNIUM MINERALS LIMITED	100%			

* Royalties apply



MILLENNIUM

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