

## MOY guides higher; valuation up

More good hits for higher future grades

### Recommendation

**Strong BUY, High Risk**

### Price

**9.7c**

### Valuation

**20c**

### Commodity

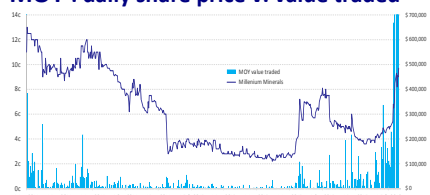
**Gold**

- On 19 February, MOY announced that it expected, for 2016, to produce 80 to 85koz at an all in sustaining cash cost of \$A 1180 - \$A 1220/oz.
- MOY's guidance is higher than Beer & Co's original estimates for 2016. Increasing our expected average ore grade, from 1.41g/t to 1.46g/t, increases Beer & Co's estimated 2016 production to 82.2koz, at an AISC of \$1206
- This increase in grade increases Beer & Co's risked, base case valuation of MOY to 20c/share.
- On 22 February, MOY announced assays from drilling shown both grade and width that give Beer & Co confidence that MOY's guidance could be conservative.

### Snapshot

|                        |             |
|------------------------|-------------|
| Market Cap             | \$72m       |
| Net Cash               | \$7.7m      |
| Shares on Issue        | 742.7m      |
| 52 Week High           | 11.0c       |
| 52 Week Low            | 2.3c        |
| 1 month / 6 month VWAP | 7.4c / 6.5c |

### MOY : daily share price v. value traded



MOY began mining operations at Nullagine in September 2012. The operations were declared commercial in February 2013.

While the operations generated cash, the cash generated was, for 2014 and the first half of 2015, not enough to meet the required debt repayments.

The operations have been turned around, which facilitated a major equity raising which has extinguished debt.

Success in converting known mineralisation into mining inventory is essential, and Beer & Co expects MOY to out-perform, even without the leverage of a rising gold price.

**Author :** Pieter Bruinstroop  
[pbruinstroop@beerandco.com.au](mailto:pbruinstroop@beerandco.com.au)

### MOY guidance for 2016, 80 – 85koz, at \$A 1180 - \$A 1200/oz

For 2015, Moy produced 91,462oz at an AISC of \$A 1175/oz. This compares with original guidance, in March 2015, of 72 – 75koz at \$A 1275 - \$A 1325/oz.

MOY's out-performance was a result of cost management, throughput achieved and ore grade; achieved ore grade was 1.78g/t, compared with expected / reserve grade of 1.55g/t.

### MOY's guidance increases Beer & Co's earnings and valuation

Beer & Co's original estimate was based on MOY's reserves. We expected that, just as in 2015, MOY would process material at higher than reserve grade.

Beer & Co's original estimate was for 79,465oz to be produced, from an average ore grade of 1.41g/t, at an AISC of \$A 1246/oz. Our resulting earnings estimate was \$A 15.6m, or 2.1c/share.

Beer & Co now increases our expected average ore grade for 2016 to 1.46g/t, giving an AISC of \$A 1206/oz and earnings of \$19.1m or 2.6c/share.

### Drilling results show further upside potential

On 22 February, MOY announced significant width above reserve grades, near present mining activities. MOY is able to process this material into gold before it is factored into reserve estimates.

Beer & Co expects that MOY will continue to deliver results like this given the prospectivity of its tenements and \$10m invested in drilling each year.

### Beer & Co's valuation raised and recommendation affirmed

MOY's guidance raised Beer & Co's earnings, from 2.1c/share to 2.6c/share for 2016, and risked valuation from 19c to 20c/share.

Beer & Co's risked, base case, valuation is 20c/share assuming spot gold prices and AUD-USD rate, and oil prices in 2017 rising (to \$50/bbl in 2017).

Beer & Co affirms our Strong BUY, High Risk, recommendation.

This report was produced by Beer & Co Research, an independent research and advisory firm.  
It is intended for wholesale investors ONLY.

If you do not wish to receive our research, please email to [info@beerandco.com.au](mailto:info@beerandco.com.au) with "unsubscribe"  
If you wish to receive, free of charge, Beer & Co research, please register at <http://beerandco.com.au/all-research/>

## MOY Guidance above Beer & Co estimates

### Comment on MOY's guidance

MOY has provided its first guidance on production and costs for 2016

On 19 February 2016, MOY announced that its guidance for 2016 was :

- Production between 80koz and 85koz; at
- All in Sustaining Costs of \$A 1180 - \$A 1220/oz.

MOY has guided higher gold production than Beer & Co had estimated.

This compares with original guidance for 2015, issued in March 2015, of :

- Production between 72koz and 75koz; at
- All in Sustaining Costs of \$A 1275 - \$A 1325/oz.

MOY upgraded its guidance significantly throughout 2015

MOY progressively raised its guidance through 2015 :

- On 12 August, 2015, MOY increased its guidance to 80koz – 83koz at an AISC of \$A 1200 - \$1250/oz; and
- On 13 October, MOY again increased guidance, to 88koz – 93koz at an AISC of \$A 1190 - \$A 1240/oz.

Beer & Co continues to expect that MOY will be able to process material above reserve grade, which leads to the higher guidance.

MOY reported production for 2015 of 91,462oz at an AISC of \$A 1175/oz.

MOY was able to increase production and lower costs by a combination of

- Processing more tonnes;
- Lower costs, particularly oil prices;
- Genuine cost savings; and
- Higher throughput grades.

In our research note of 21 January, Beer & Co noted MOY's outcome suggested that the December quarter was "held back", as suggested by Figure 1, as December quarter tonnes were lower than June or September and grade was well down on September.

**Figure 1 : MOY's production during 2015**

|               | Mar. Qtr 2015 | Jun. Qtr 2015 | Sep. Qtr 2015 | Dec. Qtr 2015 | 2015 Total |
|---------------|---------------|---------------|---------------|---------------|------------|
| Ore treated   | 409,818t      | 472,914t      | 483,280t      | 458,294t      | 1,824,306t |
| Gold grade    | 1.80 g/t      | 1.60 g/t      | 1.94 g/t      | 1.77 g/t      | 1.78 g/t   |
| gold recovery | 84.6 %        | 89.0 %        | 90.4 %        | 86.3 %        | 87.7 %     |
| gold produced | 20,057 oz     | 21,664 oz     | 27,238 oz     | 22,503 oz     | 91,462 oz  |

Source : MOY ASX announcements (quarterly activity reports), Beer & Co

Note that the recovery shown in Figure 1 is Beer & Co's calculation given tonnes by grade compared to reported production. This fails to account for gold in the circuit at the time of reporting, so the recovery will under-report when grade is increasing through the quarter.

### Impact on Beer & Co's modelling

Following on the December quarter, Beer & Co assumed that MOY would process material much higher than reserve grade in the March quarter and then at reserve grade for the balance of the year.

Figure 2 shows the results from Beer & Co's model, prior to the announcement by MOY, while Figure 3 shows Beer & Co's revised projections.

Using a higher grade, AUD/oz costs are reduced, consistent with MOY guidance.

**Figure 2 : Beer & Co's previous estimates for MOY for 2016**

|               | Mar. Qtr 2016 | Jun. Qtr 2016 | Sep. Qtr 2016 | Dec. Qtr 2016 | 2016 Total   |
|---------------|---------------|---------------|---------------|---------------|--------------|
| Ore treated   | 475,000t      | 475,000t      | 475,000t      | 475,000t      | 1,900,000t   |
| Gold grade    | 1.60 g/t      | 1.50 g/t      | 1.40 g/t      | 1.35 g/t      | 1.46 g/t     |
| gold recovery | 92.0 %        | 92.0 %        | 92.0 %        | 92.0 %        | 92.0 %       |
| gold produced | 22,482 oz     | 21,077 oz     | 19,672 oz     | 18,969 oz     | 82,201 oz    |
| Cash Costs    | \$A 20.2m     | \$A 19.5m     | \$A 18.4m     | \$A 18.4m     | \$A 76.5m    |
| Total Costs   | \$A 24.7m     | \$A 23.8m     | \$A 22.7m     | \$A 22.7m     | \$A 94.0m    |
| C1 Costs      | \$A 898/oz    | \$A 1,023/oz  | \$A 969/oz    | \$A 969/oz    | \$A 962/oz   |
| A I S C       | \$A 1,154/oz  | \$A 1,317/oz  | \$A 1,264/oz  | \$A 1,264/oz  | \$A 1,246/oz |

Source : Beer & Co estimates

**Figure 3 : Beer & Co's revised estimates for MOY for 2016**

|               | Mar. Qtr 2016 | Jun. Qtr 2016 | Sep. Qtr 2016 | Dec. Qtr 2016 | 2016 Total   |
|---------------|---------------|---------------|---------------|---------------|--------------|
| Ore treated   | 475,000t      | 475,000t      | 475,000t      | 475,000t      | 1,900,000t   |
| Gold grade    | 1.60 g/t      | 1.50 g/t      | 1.40 g/t      | 1.35 g/t      | 1.46 g/t     |
| gold recovery | 92.0 %        | 92.0 %        | 92.0 %        | 92.0 %        | 92.0 %       |
| gold produced | 22,482 oz     | 21,077 oz     | 19,672 oz     | 18,969 oz     | 82,201 oz    |
| Cash Costs    | \$A 20.2m     | \$A 19.5m     | \$A 18.4m     | \$A 18.4m     | \$A 76.5m    |
| Total Costs   | \$A 24.7m     | \$A 23.9m     | \$A 22.8m     | \$A 22.7m     | \$A 94.1m    |
| C1 Costs      | \$A 898/oz    | \$A 925/oz    | \$A 935/oz    | \$A 969/oz    | \$A 930/oz   |
| A I S C       | \$A 1,154/oz  | \$A 1,195/oz  | \$A 1,221/oz  | \$A 1,264/oz  | \$A 1,206/oz |

Source : Beer & Co estimates

Comparing Figure 2 with Figure 3 shows that Beer & Co has increased its estimated grade of material processed, which has reduced cash costs in AUD/oz terms.

The comparison also shows a marginal increase in total costs, but not cash costs, which is due to the increase in royalty costs.

## Impact on Beer & Co's earnings estimate

Figure 4 shows the impact on Beer & Co's estimated earnings for MOY.

**Figure 4 : Financial impact of MOY's guidance**

|                    | 2015<br>Actual | 2016 : prior<br>Projected | 2016 : current<br>Projected |
|--------------------|----------------|---------------------------|-----------------------------|
| AUD/USD            | 0.753          | 0.700                     | 0.700                       |
| Gold               | \$ 1,161/oz    | \$ 1,200/oz               | \$ 1,200/oz                 |
| AUD gold           | \$A 1,542/oz   | \$A 1,714/oz              | \$A 1,714/oz                |
| Gold produced      | 91,462 oz      | 79,465 oz                 | 82,201 oz                   |
| Gold sold          | 92,082 oz      | 79,465 oz                 | 82,201 oz                   |
| Total Revenue      | 142            | 136                       | 141                         |
| Cash Costs         | (80)           | (76)                      | (76)                        |
| Royalties          | (4)            | (4)                       | (4)                         |
| Corporate Costs    | (5)            | (5)                       | (5)                         |
| EBITDA             | 48             | 44                        | 48                          |
| N P A T            | 16             | 16                        | 19                          |
| Exploration        | (2)            | (10)                      | (10)                        |
| Net Cash           | 40             | 30                        | 35                          |
| Earnings per Share | 6.4 c          | 2.1 c                     | 2.6 c                       |

Source : Beer & Co estimates

The revised guidance leads Beer & Co to increase our earnings estimate from 2.1c/share to 2.6c/share, for a P/E of less than 4x

Figure 4 shows that Beer & Co's projected earnings per share rises from 2.1c/share to 2.6c/share, due to higher gold production and hence higher revenue.

The impact of the higher gold prices is muted by the hedge book, which is extinguished in 2016, but has a negative impact of over \$7m during the year.

Projected depreciation expense is high due to limited reserves.

The fall in eps from 2015 to 2016, given that the NPAT is roughly the same, is due to the significant increase in the number of shares on issue late in 2015 and consequently the increase in the weighted average number of shares on issue in 2016 compared to 2015.

## Impact on Beer & Co's Valuation

Figure 5 shows the detail of Beer & Co's risked, base case valuation of MOY.

Beer & Co's risked valuation is increased to nearly 20c/share

**Figure 5 : Beer & Co's base case, risked, valuation**

| discount rate = 12.0 % | risk :               | 31 December 2015 |                | 21-Feb-16      |               |                            |
|------------------------|----------------------|------------------|----------------|----------------|---------------|----------------------------|
|                        |                      | 100%             | Product        | per share      |               |                            |
|                        | Nullagine Reserves   | 100%             | \$ 71m         | \$ 71m         | 9.2 c         | 8.5 c                      |
|                        | franking credits     | 60%              | \$ 14m         | \$ 9m          | 1.1 c         | 1.1 c                      |
|                        | Nullagine Extensions | 60%              | \$ 148m        | \$ 89m         | 11.5 c        | 11.7 c                     |
|                        | franking credits     | 36%              | \$ 37m         | \$ 13m         | 1.7 c         | 1.7 c                      |
|                        | Exploration          | 90%              | (\$ 51m)       | (\$ 5m)        | (0.7c)        | (0.7c)                     |
|                        | Hedge                | 100%             | (\$ 7m)        | (\$ 7m)        | (0.9c)        | (0.7c)                     |
|                        | Corporate            | 100%             | (\$ 27m)       | (\$ 27m)       | (3.5c)        | (3.5c)                     |
|                        | Cash / Debt          | 100%             | \$ 8m          | \$ 8m          | 1.0 c         | 1.5 c                      |
|                        | Equity raisings      | 100%             | \$ 0m          | \$ 0m          | 0.1 c         | 0.1 c                      |
|                        | <b>TOTAL</b>         |                  | <b>\$ 194m</b> | <b>\$ 152m</b> | <b>19.6 c</b> | <b>19.8 c</b>              |
|                        | Shares on issue      |                  | 742.7m         | F P O shares   | 32.0m         | Options<br>30.0m Ops. Ex'd |

Source : Beer & Co estimates

Figure 5 shows that a large part of Beer & Co's valuation is our projection of the return on MOY's investment of \$10m each year in drilling.

Beer & Co's valuation assumes that MOY defines 2.0Mt of material grading 1.5g/t, and expect that MOY will do this for 7 years.

Beer & Co's assumption implies that MOY is required to spend \$104/oz of reserves to maintain its inventory. Given the prospectivity of the area and currently market valuations, Beer & Co believes that \$20/oz - \$A 40/oz would be more like the expected cost.

Figure 6 shows the sensitivity of Beer & Co's valuation to assumptions on the gold price.

Beer & Co's analysis indicates that the current share price values MOY's reserves at spot prices, giving no value for expected drilling success

**Figure 6 : Sensitivity of Beer & Co's valuation**

| USD / oz        | \$ 1,226/oz   | \$ 1,100/oz   | \$ 1,200/oz   | \$ 1,250/oz   | \$ 1,300/oz   | \$ 1,400/oz   |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| AUD-USD = 0.700 | <b>Spot</b>   | \$A 1,540/oz  | \$A 1,679/oz  | \$A 1,749/oz  | \$A 1,819/oz  | \$A 1,959/oz  |
| Reserves        | 9.0 c         | 7.1 c         | <b>9.0 c</b>  | 9.2 c         | 9.8 c         | 10.9 c        |
| Exploration     | 10.9 c        | 7.9 c         | <b>10.8 c</b> | 12.2 c        | 13.6 c        | 15.8 c        |
| <b>TOTAL</b>    | <b>19.9 c</b> | <b>14.9 c</b> | <b>19.8 c</b> | <b>21.4 c</b> | <b>23.5 c</b> | <b>26.7 c</b> |

Source : Beer & Co estimates

## Expected Drilling Success

Figure 6 also shows that Beer & Co calculates that MOY's current share price gives ZERO value to expected drilling success.

In contrast, Beer & Co expect that MOY will be MORE successful than we allow for in our valuation.

Note that Beer & Co has interpreted MOY's guidance as processing material that is above reserve grade.

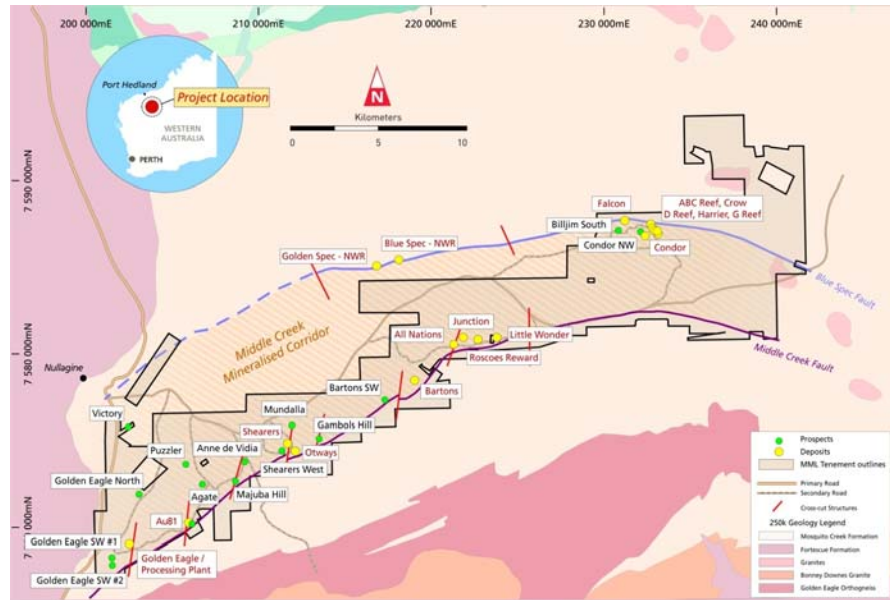
On 22 February, MOY announced further results from drilling in its tenement areas.

Figure 7 shows MOY's tenements and areas of know gold occurrences. Figure 7 shows that the processing plant is located in the S-W corner of the tenement area, with some gold over 30km from the plant.

Beer & Co expect MOY's investment of \$10 ma year in drilling their tenement area to yield a good return

Our base case, risked valuation assumes that MOY achieves a finding costs of \$104/oz, while Beer & Co expects the finding cost will turn out to be much lower.

Figure 7 : MOY's tenements



Source : MOY ASX announcement, 22 February 2016

**Anne de Vidia**

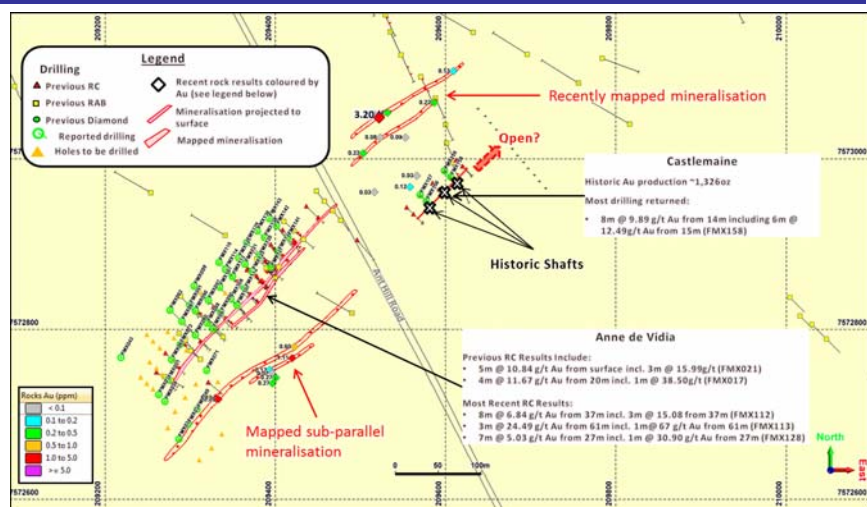
As shown in Figure 7, Anne de Vidia is about 9km from the processing plant.

During the December quarter, MOY undertook an RC drill program on 40m by 20m spacing that established a high grade mineralised structure of at least 240m in length, which is still open along strike.

Figure 8 shows drilling at Anne de Vidia.

MOY has achieved very good results at Anne de Vidia which is only 9km from the Nullagine processing plant

Figure 8 : Anne de Vidia drill traces, results and in progress



Source : MOY ASX announcement, 22 February 2016



MOY is currently executing a 62 hole in infill program, on 20m by 10m spacing. MOY reported that 43 of these holes have been completed and assays received for 17 of them. Some more notable results include :

- 8m @ 6.84 g/t Au including 3m @ 15.08 g/t Au;
- 3m @ 24.49 g/t Au including 1m @ 67 g/t Au;
- 7m @ 5.03 g/t Au including 1m @ 30.90 g/t Au; and
- 12m @ 2.20 g/t Au including 1m @ 12.5 g/t Au.

Figure 8 also shows the nearby Castlemaine prospect. MOY reported that drilling at Castlemaine has also returned high grade results including one intercept of 8m grading 9.89 g/t Au.

### Otways

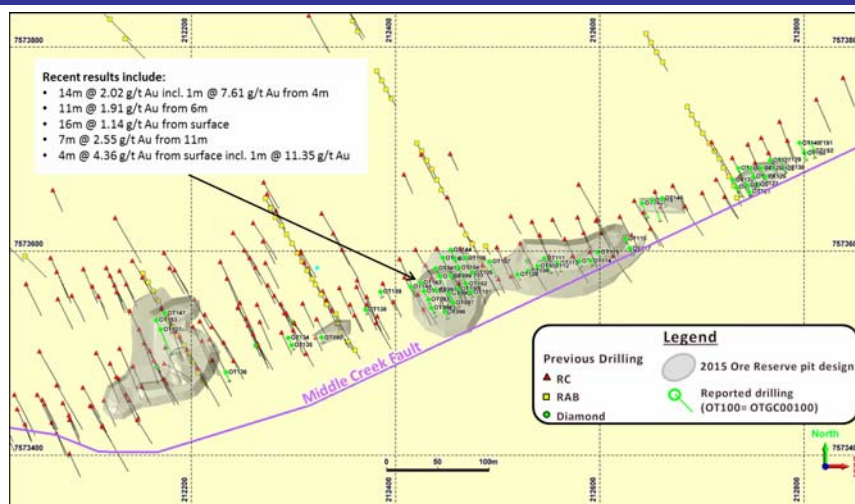
**MOY has achieved drilling results at Otways that will mean that more material, probably at a higher grade, will be extracted than expected from reserves.**

Figure 7 shows that Otways is along the Middle Creek fault, about 9km from the Nullagine processing plant.

Figure 9 shows that MOY has reserves at Otways. Significant new intersections from recent drilling include :

- 14m @ 2.02 g/t Au including 1m @ 7.61 g/t Au;
- 11m @ 1.91 g/t Au;
- 16m @ 1.14 g/t Au;
- 7m @ 2.55 g/t Au; and
- 4m @ 4.36 g/t Au including 1m @ 11.35 g/t Au.

Figure 9 : Otways



Source : MOY ASX announcement, 22 February 2016

Note that these results are nearly all at grades above reserve grades.

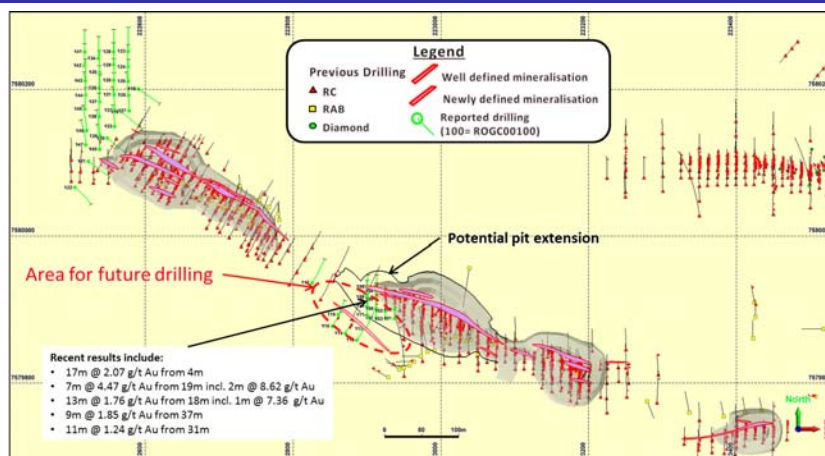
Also, these results show that the mineralisation at the Otways extends beyond the current pit designs.

### Roscoes Reward

Figure 7 shows that Roscoe’s Reward is about 18km from the Nullagine processing plant. Figure shows drill traces from the drilling at Roscoe’s reward and also the current pit designs

Figure 10 : Roscoe's Reward

MOY has achieved drilling results at Roscoe's Reward that will mean that more material, probably at a higher grade, will be extracted than expected from reserves.



Source : MOY ASX announcement, 22 February 2016

MOY has completed a drill program at Roscoes Reward of 48 RC holes, totalling 2,766m.

MOY has received results from 40 of these holes and these show that the mineralisation at Roscoe's reward extends west and down-dip of the pit design, as well as showing a new lode to the south-west, as shown in Figure 10.

The drill results give Beer & Co confidence that MOY will at least achieve the returns we have used in our valuation.

Results have included

- 17m @ 2.07 g/t Au
- 7m @ 4.47 g/t Au
- 13m @ 1.76 g/t Au; and
- 9m @ 1.85 g/t Au.

## Conclusions

Beer & Co has increased our earnings and valuation.

MOY have announced guidance for 2016 which has caused Beer & Co to raise our earnings estimates and also our valuation for MOY.

Beer & Co affirms our Strong BUY, High Risk rating on MOY.

MOY has announced results from drilling that give Beer & Co confidence that

- MOY will be able to process material above reserve grade, which drives our higher earnings and valuation; and
- MOY should achieve better returns from its \$10m annual drill program than Beer & Co has allowed for in our risked valuation.

Beer & Co affirms our Strong BUY, High Risk rating on MOY.

**Beer & Co Research**  
Millennium Minerals (MOY.ASX) February 2016

| Year ended December                   | 2014  | 2015         | 2016        | 2017        | 2018        | 2019        | 2020        | 2021        |
|---------------------------------------|-------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Section 1 - P&amp;L</b>            |       |              |             |             |             |             |             |             |
| Sales revenue                         | \$A m | 107          | 142         | 141         | 142         | 145         | 145         | 145         |
| Interest revenue                      | \$A m | 0            | 0           | 0           | 1           | 1           | 2           | 2           |
| Other revenue                         | \$A m | 9            | 0           | 0           | 0           | 0           | 0           | 0           |
| <b>Total Revenue</b>                  | \$A m | <b>116</b>   | <b>142</b>  | <b>141</b>  | <b>143</b>  | <b>146</b>  | <b>146</b>  | <b>147</b>  |
| Cost of Goods Sold                    | \$A m | (88)         | (80)        | (76)        | (75)        | (75)        | (76)        | (76)        |
| Royalties                             |       | (4)          | (4)         | (4)         | (6)         | (4)         | (4)         | (4)         |
| Corporate Costs                       | \$A m | (5)          | (5)         | (5)         | (5)         | (5)         | (5)         | (5)         |
| Exploration Expense                   | \$A m | 0            | 0           | 0           | 0           | 0           | 0           | 0           |
| Other Operating Expenses              | \$A m | (17)         | (5)         | (7)         | 0           | 0           | 0           | 0           |
| <b>Total Operating Expenses</b>       | \$A m | <b>(114)</b> | <b>(94)</b> | <b>(93)</b> | <b>(86)</b> | <b>(84)</b> | <b>(85)</b> | <b>(86)</b> |
| <b>EBITDA</b>                         | \$A m | <b>2</b>     | <b>48</b>   | <b>48</b>   | <b>57</b>   | <b>62</b>   | <b>62</b>   | <b>61</b>   |
| Dep'n & Amort'n                       | \$A m | (27)         | (23)        | (21)        | (29)        | (16)        | (13)        | (13)        |
| <b>EBIT</b>                           | \$A m | <b>(25)</b>  | <b>26</b>   | <b>27</b>   | <b>28</b>   | <b>46</b>   | <b>48</b>   | <b>48</b>   |
| Interest Expense                      | \$A m | (5)          | (3)         | 0           | 0           | 0           | 0           | 0           |
| Other                                 | \$A m | (1)          | 0           | 0           | 0           | 0           | 0           | 0           |
| <b>Pre-Tax Profit</b>                 | \$A m | <b>(31)</b>  | <b>23</b>   | <b>27</b>   | <b>28</b>   | <b>46</b>   | <b>48</b>   | <b>48</b>   |
| Tax Expense                           | \$A m | (12)         | (7)         | (8)         | (8)         | (14)        | (15)        | (14)        |
| <b>NPAT</b>                           | \$A m | <b>(43)</b>  | <b>16</b>   | <b>19</b>   | <b>19</b>   | <b>32</b>   | <b>34</b>   | <b>34</b>   |
| <b>Section 2 - Key Data</b>           |       |              |             |             |             |             |             |             |
| Ordinary shares - year end            | m     | 217.7        | 742.7       | 742.7       | 772.7       | 772.7       | 772.7       | 772.7       |
| Fully diluted shares on issue         | m     | 217.7        | 742.7       | 742.7       | 772.7       | 772.7       | 772.7       | 772.7       |
| Weighted # shares                     | m     | 217.7        | 252.2       | 742.7       | 757.7       | 772.7       | 772.7       | 772.7       |
| Earnings per Share                    |       | (1.4c)       | 6.4 c       | 2.6 c       | 2.6 c       | 4.2 c       | 4.4 c       | 4.4 c       |
| Dividends Per Share                   |       | 0.0 c        | 0.0 c       | 0.0 c       | 0.0 c       | 0.0 c       | 0.0 c       | 0.0 c       |
| <b>Section 3 - Balance Sheet</b>      |       |              |             |             |             |             |             |             |
| Cash                                  | \$A m | 2            | 11          | 32          | 67          | 97          | 121         | 144         |
| Receivables                           | \$A m | 2            | 10          | 10          | 11          | 11          | 11          | 11          |
| Inventory                             | \$A m | 17           | 13          | 12          | 12          | 12          | 12          | 13          |
| Other                                 | \$A m | 2            | 2           | 2           | 2           | 2           | 2           | 2           |
| <b>CURRENT ASSETS</b>                 | \$A m | <b>23</b>    | <b>37</b>   | <b>57</b>   | <b>92</b>   | <b>123</b>  | <b>147</b>  | <b>170</b>  |
| Receivables                           | \$A m | 0            | 0           | 0           | 0           | 0           | 0           | 0           |
| P, P & E                              | \$A m | 43           | 28          | 16          | 4           | 2           | 2           | 3           |
| Mining Properties / Exploration       | \$A m | 8            | 6           | 11          | 7           | 6           | 7           | 8           |
| Other                                 | \$A m | 0            | 0           | 0           | 0           | 0           | 0           | 0           |
| <b>NON-CURRENT ASSETS</b>             | \$A m | <b>51</b>    | <b>34</b>   | <b>27</b>   | <b>11</b>   | <b>9</b>    | <b>9</b>    | <b>10</b>   |
| <b>TOTAL ASSETS</b>                   | \$A m | <b>74</b>    | <b>71</b>   | <b>83</b>   | <b>103</b>  | <b>132</b>  | <b>156</b>  | <b>180</b>  |
| Payables                              | \$A m | 16           | 6           | 6           | 6           | 6           | 6           | 6           |
| Debt                                  | \$A m | 20           | 4           | 0           | 0           | 0           | 0           | 0           |
| Other                                 | \$A m | 1            | 0           | 0           | 0           | 0           | 0           | 0           |
| <b>CURRENT LIABILITIES</b>            | \$A m | <b>36</b>    | <b>10</b>   | <b>6</b>    | <b>6</b>    | <b>6</b>    | <b>6</b>    | <b>6</b>    |
| Long Term Debt                        | \$A m | 17           | 0           | 0           | 0           | 0           | 0           | 0           |
| Other                                 | \$A m | 2            | 2           | 2           | 2           | 2           | 2           | 2           |
| Provisions                            | \$A m | 6            | 6           | 6           | 6           | 6           | 6           | 6           |
| <b>NON-CURRENT LIABILITIES</b>        | \$A m | <b>26</b>    | <b>8</b>    | <b>8</b>    | <b>8</b>    | <b>8</b>    | <b>8</b>    | <b>8</b>    |
| <b>TOTAL LIABILITIES</b>              | \$A m | <b>62</b>    | <b>18</b>   | <b>14</b>   | <b>14</b>   | <b>14</b>   | <b>14</b>   | <b>14</b>   |
| <b>NET ASSETS</b>                     | \$A m | <b>12</b>    | <b>53</b>   | <b>69</b>   | <b>89</b>   | <b>117</b>  | <b>141</b>  | <b>165</b>  |
| Accumulated Profit (Loss)             | \$A m | (135)        | (119)       | (100)       | (80)        | (48)        | (14)        | 20          |
| Reserves                              | \$A m | 3            | 7           | 4           | 4           | 1           | (9)         | (19)        |
| Contributed Equity                    | \$A m | 144          | 165         | 165         | 165         | 165         | 165         | 165         |
| <b>Total Equity</b>                   | \$A m | <b>12</b>    | <b>53</b>   | <b>69</b>   | <b>89</b>   | <b>117</b>  | <b>141</b>  | <b>165</b>  |
| <b>Section 4 - Cashflow</b>           |       |              |             |             |             |             |             |             |
| Net Cashflow from operations          | \$A m | 19           | 53          | 56          | 57          | 62          | 62          | 61          |
| Hedging                               | \$A m | (7)          | 0           | 0           | 0           | 0           | 0           | 0           |
| Interest Paid                         | \$A m | (5)          | (3)         | 0           | 1           | 1           | 2           | 2           |
| Taxes Paid                            | \$A m | 0            | 0           | 0           | 0           | (8)         | (14)        | (15)        |
| Change in Working Capital             | \$A m | (4)          | (17)        | 0           | (1)         | 0           | 0           | 0           |
| Other                                 | \$A m |              |             |             |             |             |             |             |
| <b>OPERATING CASHFLOW</b>             | \$A m | <b>3</b>     | <b>33</b>   | <b>56</b>   | <b>57</b>   | <b>55</b>   | <b>49</b>   | <b>49</b>   |
| Exploration Expenditures              | \$A m | 0            | (2)         | (10)        | (10)        | (10)        | (10)        | (10)        |
| Maintenance Capex                     | \$A m | (3)          | (4)         | (4)         | (3)         | (4)         | (4)         | (4)         |
| Expansion Capex                       | \$A m | 0            | 0           | 0           | 0           | 0           | 0           | 0           |
| <b>PPE Acquisitions (Total Capex)</b> | \$A m | <b>(3)</b>   | <b>(6)</b>  | <b>(14)</b> | <b>(13)</b> | <b>(14)</b> | <b>(14)</b> | <b>(14)</b> |
| PPE Divestments                       | \$A m | 0            | 0           | 0           | 0           | 0           | 0           | 0           |
| <b>INVESTING CASHFLOW</b>             | \$A m | <b>(3)</b>   | <b>(6)</b>  | <b>(14)</b> | <b>(13)</b> | <b>(14)</b> | <b>(14)</b> | <b>(14)</b> |
| Change in Equity                      | \$A m | 0            | 21          | 0           | 1           | 0           | 0           | 0           |
| Dividends Paid                        | \$A m | 0            | 0           | 0           | 0           | 0           | 0           | 0           |
| Change in Debt                        | \$A m | (2)          | (34)        | (4)         | 0           | 0           | 0           | 0           |
| <b>FINANCING CASHFLOW</b>             | \$A m | <b>(2)</b>   | <b>(13)</b> | <b>(4)</b>  | <b>1</b>    | <b>0</b>    | <b>0</b>    | <b>0</b>    |
| <b>Free Cashflow</b>                  | \$A m | <b>(0)</b>   | <b>27</b>   | <b>42</b>   | <b>43</b>   | <b>42</b>   | <b>35</b>   | <b>35</b>   |
| <b>Net Cashflow</b>                   | \$A m | <b>(2)</b>   | <b>15</b>   | <b>39</b>   | <b>44</b>   | <b>42</b>   | <b>35</b>   | <b>35</b>   |

| Commodity price assumptions |       |       |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|-------|-------|
| Year ended December         | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  |
| AUD-USD                     | 0.753 | 0.700 | 0.700 | 0.700 | 0.700 | 0.700 |
| Gold US\$ / oz              | 1,161 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| AUD / oz                    | 1,542 | 1,714 | 1,714 | 1,714 | 1,714 | 1,714 |

| Mine Production        |          |          |          |          |          |          |
|------------------------|----------|----------|----------|----------|----------|----------|
| Nullagine              |          |          |          |          |          |          |
| Ore processed '000t    | 2015     | 2016     | 2017     | 2018     | 2019     | 2020     |
| Gold grade             | 1.78 g/t | 1.46 g/t | 1.48 g/t | 1.50 g/t | 1.50 g/t | 1.50 g/t |
| Gold produced (ounces) | 91,462   | 82,201   | 82,997   | 84,309   | 84,309   | 84,309   |

| Resources     |             |            |             |            |            |            |                  |
|---------------|-------------|------------|-------------|------------|------------|------------|------------------|
| Deposit       | Measured    |            | Indicated   |            | Inferred   |            | Gold             |
|               | Mt          | g/t        | Mt          | g/t        | Mt         | g/t        |                  |
| Golden Eagle  | 10.6        | 0.9        | 4.4         | 0.9        | 4.3        | 0.9        | 564 koz          |
| Bartons       | 1.7         | 1.2        | 1.4         | 1.2        | 0.6        | 1.1        | 141 koz          |
| Shearers      | 0.6         | 1.3        | 1.5         | 1.0        | 0.3        | 1.0        | 81 koz           |
| Otways        | 1.2         | 0.8        | 0.9         | 0.9        | 0.7        | 0.9        | 75 koz           |
| All Nations   | 1.3         | 1.4        | 0.6         | 1.1        | 0.4        | 1.0        | 90 koz           |
| Little Wonder | 0.5         | 1.4        | 0.3         | 1.4        | 0.2        | 1.7        | 44 koz           |
| Golden Gate   | 0.2         | 3.0        | 0.1         | 2.9        | 0.1        | 2.4        | 42 koz           |
| Falcon        | 0.0         | 0.0        | 0.1         | 3.9        | 0.0        | 4.4        | 18 koz           |
| Condor        | 0.2         | 2.6        | 0.0         | 2.8        | 0.0        | 3.7        | 19 koz           |
| Harrier       | 0.0         | 0.0        | 0.1         | 1.7        | 0.0        | 1.8        | 8 koz            |
| Crow          | 0.0         | 3.1        | 0.0         | 2.6        | 0.0        | 2.3        | 11 koz           |
| G_Reef        | 0.0         | 0.0        | 0.0         | 4.0        | 0.0        | 3.9        | 5 koz            |
| Au 81         | 0.4         | 1.6        | 0.3         | 1.2        | 0.9        | 0.9        | 57 koz           |
| Camel Ck      | 1.2         | 1.3        | 0.7         | 1.2        | 0.7        | 1.1        | 105 koz          |
| <b>TOTAL</b>  | <b>17.7</b> | <b>1.1</b> | <b>10.5</b> | <b>1.1</b> | <b>8.4</b> | <b>1.0</b> | <b>1,259 koz</b> |

| Reserves, as at 31 December 2015 |               |                 |                |  |  |  |
|----------------------------------|---------------|-----------------|----------------|--|--|--|
| Proved                           | 1.9 Mt        | 1.5 g/t         | 91 koz         |  |  |  |
| Probable                         | 0.3 Mt        | 1.3 g/t         | 14 koz         |  |  |  |
| Stockpiles                       | 0.6 Mt        | 1.0 g/t         | 20 koz         |  |  |  |
| <b>TOTAL</b>                     | <b>2.9 Mt</b> | <b>1.34 g/t</b> | <b>126 koz</b> |  |  |  |

| Costs, AUD / oz       |              |              |              |              |              |              |              |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                       | LoM          | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         |
| <b>C 1 cash costs</b> | <b>906</b>   | <b>876</b>   | <b>930</b>   | <b>899</b>   | <b>885</b>   | <b>892</b>   | <b>899</b>   |
| <b>All-In</b>         | <b>1,146</b> | <b>1,035</b> | <b>1,206</b> | <b>1,194</b> | <b>1,156</b> | <b>1,163</b> | <b>1,170</b> |

| Asset based Valuation |        |                  |                |               |               |  |
|-----------------------|--------|------------------|----------------|---------------|---------------|--|
| discount rate = 12 %  | risk : | 31 December 2015 |                |               | 21-Feb-16     |  |
|                       |        | 100%             | Product        | per share     |               |  |
| Nullagine Reserves    | 100%   | \$ 71m           | \$ 71m         | 9.2 c         | 8.5 c         |  |
| franking credits      | 60%    | \$ 14m           | \$ 9m          | 1.1 c         | 1.1 c         |  |
| Nullagine Extensions  | 60%    | \$ 148m          | \$ 89m         | 11.5 c        | 11.7 c        |  |
| franking credits      | 36%    | \$ 37m           | \$ 13m         | 1.7 c         | 1.7 c         |  |
| Exploration           | 90%    | (\$ 51m)         | (\$ 5m)        | (0.7c)        | (0.7c)        |  |
| Hedge                 | 100%   | (\$ 7m)          | (\$ 7m)        | (0.9c)        | (0.7c)        |  |
| Corporate             | 100%   | (\$ 27m)         | (\$ 27m)       | (3.5c)        | (3.5c)        |  |
| Cash / Debt           | 100%   | \$ 8m            | \$ 8m          | 1.0 c         | 1.5 c         |  |
| Equity raisings       | 100%   | \$ 0m            | \$ 0m          | 0.1 c         | 0.1 c         |  |
| <b>TOTAL</b>          |        | <b>\$ 194m</b>   | <b>\$ 152m</b> | <b>19.6 c</b> | <b>19.8 c</b> |  |
| Shares on issue       |        | 742.7m           | F P O shares   | 32.0m         | Options       |  |
|                       |        | 0.0m             | 0              | 30.0m         | Ops. Ex'd     |  |

| Financial Ratios    |       |        |       |       |       |       |
|---------------------|-------|--------|-------|-------|-------|-------|
| Year ended December | 2014  | 2015   | 2016  | 2017  | 2018  | 2019  |
| Revenue             | \$A m | 116    | 142   | 141   | 143   | 146   |
| EBITDA              | \$A m | 2      | 48    | 48    | 57    | 62    |
| EBIT                | \$A m | (25)   | 26    | 27    | 28    | 46    |
| NPAT (reported)     | \$A m | (43)   | 16    | 19    | 19    | 32    |
| Adjusted EPS (cps)  |       | (1.4c) | 6.4 c | 2.6 c | 2.6 c | 4.2 c |
| EPS Growth (%)      |       |        |       | (60%) | (0%)  | 63 %  |
| DPS (c)             |       | 0.0 c  | 0.0 c | 0.0 c | 0.0 c | 0.0 c |
| Dividend Yield (%)  |       | 0 %    | 0 %   | 0 %   | 0 %   | 0 %   |
| PE adj. (x)         | x     | (2.7)  | 1.5   | 3.8   | 3.8   | 2.3   |
| EV / EBITDA (x)     | x     | 19.4   | 1.3   | 0.8   | 0.1   | (0.4) |
| EV / EBIT (x)       | x     | (1.7)  | 2.5   | 1.5   | 0.3   | (0.5) |
| Gearing (%)         |       | 50 %   | 5 %   | 0 %   | 0 %   | 0 %   |
| Return on Assets    |       | (34%)  | 36 %  | 33 %  | 27 %  | 35 %  |
| Return on Equity    |       | (350%) | 30 %  | 28 %  | 22 %  | 24 %  |
| EBITDA Margin (%)   |       | 2 %    | 34 %  | 34 %  | 40 %  | 43 %  |
| Interest Cover (x)  | x     | n/a    | n/a   | n/a   | n/a   | n/a   |

| Major shareholders    |               |               |               |
|-----------------------|---------------|---------------|---------------|
| IMC Resource Holdings |               | fully diluted |               |
|                       |               |               |               |
| existing              | 75.4m         | 34.6 %        | 91.4m         |
| new                   | 281.6m        | 53.6 %        | 281.6m        |
| <b>Total</b>          | <b>357.0m</b> | <b>48.1 %</b> | <b>373.0m</b> |



## Important Information

### **Confidential**

This document is for the confidential use of the recipients only and is not to be reproduced without the authority of Beer & Co Pty Ltd. It has been prepared at the request of Millennium Minerals Limited and Beer & Co Pty Ltd will receive a fee for its preparation.

### **Disclaimer**

The persons involved in or responsible for the preparation and publication of this report believe that the information herein has been obtained from reliable sources and that any estimates, opinions, conclusions or recommendations are reasonably held at the time of compilation. No warranty is made as to the accuracy of the information in this document and, to the maximum extent permitted by law, Beer & Co Pty Ltd and its related entities, their respective directors and officers disclaim all liability for any loss or damage which may be suffered by any recipient through relying on anything contained or omitted from this document.

### **General Advice**

The content is of a general nature and is based on a consideration of the securities alone, and as such is conditional and must not be relied upon without advice from a securities adviser as to the appropriateness to you given your individual investment objectives, financial situation and particular needs. Whilst this document is based on information and assessments that are current at the date of publication, Beer & Co Pty Ltd has not undertaken detailed due diligence on the information provided and has no obligation to provide revised assessments in the event of changed circumstances.

### **Disclosure**

Beer & Co Pty Ltd has been engaged by Millennium Minerals Limited to prepare this research report and is being paid a fee for its preparation. In the future, Beer & Co Pty Ltd may provide capital raising services to Millennium Minerals Limited on commercial terms. Directors of Beer & Co or other associate companies may own securities in Millennium Minerals Limited. Beer & Co Pty Ltd seeks to do work with those companies it researches. As a result, investors should be aware that Beer & Co Pty Ltd may have a conflict of interest that could affect the objectivity of this report.

### **Analyst Certification**

The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

Report prepared by : Pieter Bruinstroop [pbruinstroop@beerandco.com.au](mailto:pbruinstroop@beerandco.com.au)

---

BEER & CO PTY LTD ABN 88 158 837 186,  
AUTHORISED REPRESENTATIVE MELBOURNE VENTURE SECURITIES PTY LTD AFSL No. 224 313

---

#### Melbourne Office:

Suite 4, Level 2, Bank House

11 - 19 Bank Place,

Melbourne, Vic, Australia 3000

Telephone: (+613) 9600 3599

Facsimile: (+613) 9602 2291

Email: [info@beerandco.com.au](mailto:info@beerandco.com.au)

Web: [www.beerandco.com.au](http://www.beerandco.com.au)