



SHAREHOLDER UPDATE

18th December 2007

Dear Shareholder,

This updates serves to inform you on the background of where the Company has been, where it is today and where it is going. Your board cannot say that the outlook is bright or that the Company's current dilemmas are over. What we can say however is that a new board is pursuing the Company's future with new vigour.

NEW BOARD APPOINTMENTS

The board welcomes two new appointees;

- James E Gilchrist
- Gregory C Foster

James E Gilchrist is a Sydney based businessman and director of several companies. Jim's background is in electronic commerce and commercial property development. Jim brings to the board a history of sound business acumen and the where with all to guide the Company through its next phase of development.

Gregory C Foster is a Bowral based businessman and director of several companies. Greg's background is in marketing and the motor industry. He brings to the board a history of sound business acumen and the where with all to guide the Company through its next phase of development.

BOARD RESIGNATIONS

It is with regret that we announce the resignation of long serving directors;

- Datuk Lim Fung Chee
- Chong Kiat Lim
- Dato' Azizi Yom Ahmad

Datuk Lim Fung Chee has served as Chairman and deputy chairman over almost the entire history of the Company. He has been most supportive of the Company and it is to him the Company owes its survival. In times of need, Datuk Lim Fung Chee loaned the Company money and has taken his directors fees in stock instead of cash, thus conserving the Company's precious cash resources. Throughout his tenure he continued to acquire stock and increase his holding in the Company. It is testament to his commitment that at no time did Lim Fung Chee sell a single share in the Company. The Board thanks him for his contribution and the Company owes to him a debt of gratitude.

Both *Chong Kiat Lim* and *Dato' Azizi Yom Ahmad* are long serving directors of the Company. Chong Kiat Lim has served as Managing Director and non-executive director. Chong Kiat and Azizzi both converted their director's fees to stock instead of cash and at no time during their tenure disposed of shares in the Company. To Chong Kiat and Azizi the Company extends it gratitude.

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WHERE WE HAVE BEEN

Angola Alluvial Diamond Project

The Company's acquisition of alluvial exploration concession C9 in Angola commenced with great promise in 2003. We were able to set up a camp and deliver substantial mining equipment to the site located at Lapi near Saurimo in north eastern Angola. We had good experienced staff and a well funded operation. Production commenced in April 2005. From the moment we commenced production we experienced continuous intervention and harassment from various local parties culminating in an order from ENDIAMA to cease operations. In frustration the then CEO John Cross resigned in October 2005. Shane Healy, then CFO, was pressed into the role of acting CEO.

There have been approximately 26 foreign entities which have entered Angola since cessation of hostilities in 2002 with a view to mine alluvial diamonds. All have been unsuccessful. To date there is no diamond producer in Angola who was not there either prior to or during the civil war. All new entrants have either wound down operations or withdrawn from the country completely. A combination of *uncontrollable forces* has made it impossible to mine alluvial diamonds profitably in Angola.

The singular success in Angola has been Petra Diamonds. Petra entered Angola during the civil war and is therefore not a new entrant. It is worth mentioning however that Petra is producing no diamonds commercially out of Angola. Petra's success has been a kimberlite (hard rock) diamond concession which it is exploring in joint venture with BHP.

Kimberlite Diamond Decision

During 2004 the market became aware of the difference between alluvial and kimberlite diamonds. The market also became aware that none of the big 4 diamond producers have significant alluvial deposits. All are kimberlite. With the market's lack of interest in alluvial diamond miners, the Company moved to secure an interest in a kimberlite concession.

Our first approach was to seek a license to explore the kimberlite which we knew existed on our C9 concession. C9 abuts the largest, and only, kimberlite diamond producer in Angola, Catoca. Catoca is Russian, owned by Alrosa, one of the big 4 diamond producers. Through *uncontrollable forces*, we were prohibited from exploring any of the kimberlite areas. Catoca had in fact entered our concession, with government authority, and carried out extensive drilling on C9 whilst we were exploring for alluvials.

After Catoca's drilling programme, pressure was put on us to abandon the concession. Access became difficult, deliveries went missing and our Angolan partners became impossibly demanding and obstructive. We made representations to the government and to our Angolan partners, without success. The writing was on the wall, we had to look elsewhere for a kimberlite interest.

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Kimberlite Acquisition

The Company acquired a 20% interest in three kimberlite concessions in March of 2006. The acquisition cost was high due to the de-listing of the Company's shares from the AIM and the high demand for kimberlite concessions in Angola. We were not the only company which had knowledge of the kimberlite imperative.

Prior to acquisition, the board sought an independent geologist's opinion as to the value of the Company's 20% interest in the three concessions. Our geologists reported that our interest was valued at approximately US\$20 million (£11m). The acquisition was achieved by the issue of almost 1 billion NML shares valued at £5m. We issued shares in a company (NML) which had no listing, no assets except past losses and US\$2m worth of used plant and equipment in Angola.

Our interest in the three kimberlite concessions in Angola is a free carry. We have neither management control nor requirement to contribute proportionately to the project exploration costs. To date the Company still holds these assets; however the projects stand idle due to problems in Angola, not the least of which is lack of funding, which puts at risk these concessions.

De-Listing from AIM

The Company's shares were delisted from AIM in March 2006 after the Nomad resigned unilaterally. The crux of the resignation issue, though unstated, has to do with the issue of stock to acquire the kimberlite assets. We believe we have grounds for legal action against the Nomad and broker.

We believe it is the shareholders' desire that there be liquidity in the shares and that the shares be listed on a public market/exchange. We have sought another listing since that date, however the Company's balance sheet (historic losses) has proven a difficult problem to overcome.

An alternative to listing is to be acquired by or a reverse takeover of a listed company. To achieve this, the company has to be attractive to a potential suitor. NML must have something that a suitor wants. After a year flogging the diamond assets around London and Europe it became clear that the market no longer had an interest in Angola. With this knowledge we proceeded to look for an acquisition which was not in Angola and not diamonds but still in mining.

Announcement 21st December 2006

On 21st December 2006 we announced that the Company had entered into an option agreement to acquire an 80% interest in two copper cobalt concessions in the Democratic Republic of Congo (DRC). Payment for the concessions was by way of a workout agreement with the vendor. The workout agreement was for a "royalty" payment on a per ton copper takeoff, thus requiring little upfront cash and no further dilution for shareholders.

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Takeover of NML

Contemporaneously, we have been in discussions with a US registered corporation, to acquire New Millennium (NML) for a share swap. Based on the DRC copper assets, our diamond interests and our mining plant and equipment in Angola. The US entity was prepared to offer US\$26m in stock for NML. This would return to shareholders approximately US\$0.02 per share.

Change in Government regulations

The economics of the proposed copper project in the DRC were founded on artisanal mining of the copper ore. In February, the Katanga provincial governor placed a ban on the export of all unprocessed ore from the Katanga Province (DRC). This ruling implied that further processing (smelting) was required for the export of copper out of the DRC. To comply, we searched for a local smelter with which to JV or acquire.

Smelting Operation

An Australian company, listed on the ASX, owned a smelter in Lubumbashi which it was looking to sell. In February this year, we made an informal approach to that company to open discussions on a possible merge, acquisition or alternative commercial relationship. We met with their Chairman and CEO in Perth twice in March. We agreed that there was a basis for investigating a relationship.

The ASX entity desired to quit the DRC and concentrate entirely on their Australian assets. There were considerable synergies for them in the proposal. Their smelter was losing money due to inability to guarantee supply of raw material. NML would have the raw ore they required. On 22nd August 2007 the ASX entity announced that it was going down a different route which did not include NML.

Due Diligence on DRC project

While negotiations were proceeding with the ASX entity, we proceeded with due diligence on the DRC concessions on offer to us. This process was particularly time consuming and slow. All records are in French and required translation into English. Additionally, government regulations and procedures in Africa do not assist a speedy resolution. In the end, the result was that the concessions on offer were of questionable title and therefore not an asset we could propose to a suitor. Our option has now lapsed.

WHERE ARE WE NOW

Projects

We have been unsuccessful in acquiring any new projects as at this date. We have looked at many projects which have been offered. They have proven either not to be worthwhile or not affordable under our funding capabilities. This includes a coal project in China. The search continues however.

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Assets

The Company has three material assets. A 20% indirect interest in three kimberlite diamond concessions in Angola; mining plant and equipment in Angola and shares in Hudson Resources of Canada. Your board has moved to liquidate all these assets. There has been no interest in the assets located in Angola. We have been successful in liquidating part of our holdings in Hudson Resources. These funds have been employed in audit accounting costs in the compilation of the statutory reports and sundry creditors.

Financial Reports

We are presently completing the accounts and audit to comply with our statutory requirements. Once those accounts become available they will be posted on the Company's website. The Company's current assets exceed its current liabilities and is therefore, by definition, solvent.

WHAT OF THE FUTURE FOR NML

We cannot paint a rosy picture of where we are going and the opportunities which exist for the Company. What we can say is that the major shareholders support continuing the search for a solution which will recover some value back to them. All the shareholders which participated in the major issue are still tied into the stock. There is a belief that there is nothing to lose by a continuation of the search for an alternative solution.

The CEO Shane Healy has agreed to stay on in an effort for find a way forward for the Company. The new directors are committed to finding a new direction for the company. The board therefore remains dedicated to this end.

*By order of the
Board of Directors
New Millennium Resources Limited*

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