31 December 2019 Interim Financial Report

For the 6-month period ended 31 December 2019

Manuka Resources Ltd and its controlled entity

ABN 80 611 963 225

Contents

Directors' Report

The Directors of Manuka Resources Ltd ('Manuka Resources') present their report together with the financial statements of the Entity or the Group, being Manuka Resources ('the Company') and its subsidiary Mt Boppy Resources Pty Ltd ('Mt Boppy') for the six month ended 31 December 2019.

Director details

The following persons were Directors of Manuka Resources during or since the end of the financial period and up to the date of this report:

- Mr Dennis Karp
- Mr Anthony McPaul
- Mr Justin Boylson (appointed 31 January 2019, resigned 17th March 2020)
- Mr Nicholas Lindsay (appointed 20 June 2019)

Review of operations and financial results

The Company was established in April 2016 to purchase the assets of the Wonawinta Silver Project, a silver mine and processing plant located in the Cobar Basin.

Since that time, Manuka Resources has secured the financing required to refurbish the Wonawinta plant, it has purchased the Mt Boppy gold project (also located in the Cobar Basin) and commenced production (as at time of writing). Of great benefit to the Company has been the steadily increasing gold price when measured in AUD. Over the past 6 months the Company has enjoyed the notional benefit of an 8% increase in the price of gold in AUD (from A$2,010/oz to A$2,170/oz) and a 35% increase (to A$2,715) at time of writing. Specifically, over the past 12 months, the following have been completed:

- established a detailed technical resource review
- executed a term sheet for the 'financing to production' of the Wonawinta processing plant
- completed the financing providing sufficient funds to facilitate plant refurbishment
- completed the purchase of Mt Boppy Resources Pty Ltd (owner of the Mt Boppy gold project)
- commenced the dewatering of the Mt Boppy gold pit
- commenced the crushing and haulage of the Mt Boppy gold stock-pile to Wonawinta
- commenced required work to ensure the Company is in position to IPO mid 2020.

Significant changes in state of affairs

During the half-year there have been no significant changes in the state of affairs of the Group other than:

- TFC/ TA Facility – Secured Loan

  The Company signed USD 13 million debt facility agreement (TFC/TA Facility) with TransAsia Private Capital Limited (TPC) during July 2019, with the first drawdown occurring in July 2019. The interest rate attributable to this facility is 14% per annum payable quarterly. As of 31 December 2019 the Company has drawn a total of USD 13 Million (approximately A$ 18.5 million).

  The loan drawdowns were utilised in making a full repayment of MCP Manager Pty Ltd's loan, completing the refurbishment of the plant, as well as attending to the multitude of pre-mining factors needing attention. All existing borrowings have now been subordinated to the TFC/TA Facility.

- IPO Mandate signed

  Manuka management attended an introductory meeting with the ASX on 8 January 2020. The purpose was to discuss the Company's aim of completing an IPO in Q1 2020 and determine whether the ASX foresaw any barriers to this pursuit. The Company aims to be the next gold producer in Australia and is funded to production.

  We have appointed Bell Potter as our lead broker, and while initially were targeting early March for the lodgement of all documents and prospectus, the COVID-19 pandemic delayed those plans. The Company still plans to be listed during H1 2020.

Events arising since the end of the reporting period

- TransAsia Private Capital Limited Secured Facility

  Subsequent to the reporting period and during April 2020 the TFC/ TA Facility limit was increased to USD 14 million (and the additional USD 1 million drawn) with repayments scheduled for in three tranches being USD2.5 million on 3 July 2020, USD 5 million on 3 November 2020 and USD 6.5 million on 5 April 2021.

  Effective 15 May 2020 the repayment dates for the first two tranches were further extended from 3 July 2020 to 5 October 2020 and from 3 November 2020 to 3 February 2021.

  Subsequent to the end of the reporting period, the Company also entered into a further AUD 3.25 million facility (the "extension TFC Facility") to fund the company into production. Only AUD 2 million has been drawn down against the extension TFC Facility to date. The initial draw down under this facility is repayable on 11 June 2020. Any future draw down is repayable 6 months from the utilisation date. The interest rate attributable to this facility is from 18-25% per annum.

Events arising since the end of the reporting period (continued)

- NAB facility

  On 27 April 2020, the Company obtained a 1 year facility from NAB amounting $250,000.

- Office Lease, Level 4 Grafton Bond Building, 201 Kent Street

  The Company entered into an operating lease for office premises at Suite 405, Grafton Bond Building, 201 Kent Street, Sydney. The lease commenced on 1 January 2020 and has a non-cancellable term of 2 years.

- Commencement of production

  The Company commenced the processing of the Mt Boppy stockpiles on Friday 10th April 2020. As at time of writing the forecast production targets have been exceeded, as have gold recoveries (in circuit). The Company received its first receipt of cash from gold sales on 14 May 2020.

- Pre-purchase agreement over unallocated gold

  On 29 April 2020, a term sheet was signed with Cobar United Pty Ltd where this entity has contracted with Manuka Resources Limited to purchase up to 460 unallocated ounces of gold from the future production, at a price of AUD 2,500/oz Au for a total amount of $1,150,000. Cobar United Pty Ltd also grant Manuka Resources Limited a call option to repurchase the same gold at AUD 2,750/oz, as well as retain a put option to sell the gold to Manuka Resources Limited at AUD 2,750/oz, following a period of 8 weeks.

- Issue of Shares after period end

  On 24 February 2020 Mining Associates Pty Ltd and Vigar Investments Pty Ltd converted $200,000 of Trade Creditors to equity at A$0.0833 per share, and on 27 February 2020 Hargreaves Singapore Pte Ltd applied for $500,000 of company share at A$0.0813 per share.

  On 11 May 2020, 2,500,000 shares were issued to a nominated party of TransAsia Private Capital Limited (TPC) at A$0.2 per share in lieu of extension of borrowing facilities

  On 12 May 2020, 679,348 shares were issued to MCP Manuka Unit Trust 2018 in lieu of settlement price due to them in the instance of an IPO. The shares were issued at A$0.2 per share.

  On 13 May 2020, related party loans of $3,480,000 were converted to equity at A$0.20 per share (post consolidation).

Events arising since the end of the reporting period (continued)

- Issue of Management Options

  On 16 April 2020 the company issued 8,000,000 options to Directors and key personnel as part of a remuneration package which was determined to be reasonable and within market terms. The options have been issued at an exercise price of $0.25 with an expiry date of 16 April 2023.

- Resolutions passed at AGM
  On 18 March 2020, the Shareholders passed a resolution at an AGM adopting a new constitution and approving a share consolidation.
  - Share Consolidation – In anticipation of the company's proposal to list on the ASX through an IPO, the company proposed a share consolidation. This was approved by shareholders at the AGM. Pursuant to the resolution, the total shares on issue of 317,416,846 at that time have been divided by a factor of 1.84 to give a post-consolidated total shares on issue of 172,508,612.
  - Adoption of a new constitution - The adoption of the new constitution was considered necessary to ensure that the Company has a constitution that is appropriate for an ASX-listed company. The Company believes that the New Constitution is in customary form and is largely equivalent to the constitutions of many ASX-listed companies including in relation to the rights applicable to attending and voting at Company meetings, the appointment and removal of Directors, entitlement to dividends and the application of the ASX Listing Rules. The new constitution was adopted by resolutions of shareholders at the AGM.

- COVID-19

  In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Australia. The spread of COVID-19 has caused significant volatility in Australian and International markets. No significant impact yet has been noted to the Group's operations as Gold operations remain largely unaffected as of now. However, there is still significant uncertainty around the breadth and duration of business disruptions in Australia in general (which may or may not impact operations of the Group) related to COVID-19.

Apart from the matters noted above, there are no other matters or circumstances that have arisen since the end of the period that has significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years.

Dividends

No dividends were paid or declared during the period and no recommendation is made as to dividends.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s.307C of the *Corporations Act 2001* is included on the following page of this financial report and forms part of this Director's Report.

Signed in accordance with a resolution of the Directors

Dennis Karp

Director

Date: 19 May 2020

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Manuka Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Manuka Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 19 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	Notes	31 December 2019 $	31 December 2018 $
Revenue		-	-
Other income		2,456	-
Consulting and legal expenses		(742,876)	(333,192)
Site expenses		(300,437)	(359,178)
Employment expenses		(645,849)	(143,193)
Share based payment credit	14	-	150,266
Travel expenses		(31,839)	(10,736)
Other expenses		(58,696)	(20,211)
Net finance charges		(1,012,337)	(570,746)
Foreign currency gain / (loss)		163,698	-
Movement in fair value of derivative liability	5	(288,765)	-
Loss before income tax		**(2,914,645)**	**(1,286,990)**
Income tax expense		-	-
Loss for the period		**(2,914,645)**	**(1,286,990)**
Other comprehensive income		-	-
Total comprehensive loss for the period		**(2,914,645)**	**(1,286,990)**

Loss per share		**31 December 2019**	**31 December 2018**
Basic loss per share:	12	(0.95)	(0.53)
Diluted loss per share:	12	(0.95)	(0.53)

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As of 31 December 2019

	Notes	31 December 2019 $	30 June 2019 $
Assets			
Current			
Cash and cash equivalents		1,827,567	62
Trade and other receivables		509,755	12,914
Inventories	6	540,689	-
Prepayments		342,224	-
Total current assets		**3,220,235**	**12,976**
Non-current			
Development assets	7	4,764,894	3,307,887
Exploration assets		105,951	-
Property, plant and equipment	9	7,410,460	2,200,710
Other financial assets	8	6,128,432	6,253,362
Total non-current assets		**18,409,737**	**11,761,959**
Total assets		**21,629,972**	**11,774,935**
Liabilities			
Current			
Trade and other payables		2,649,899	2,246,362
Provisions		58,319	17,607
Borrowings	10	9,274,762	17,234,551
Other financial liabilities	5	288,765	-
Current liabilities		**12,271,745**	**19,498,520**
Non-current			
Provisions	11	5,179,520	5,339,653
Borrowings	10	20,156,590	-
Total non-current liabilities		**25,336,110**	**5,339,653**
Total liabilities		**37,607,855**	**24,838,173**
Net liability		**(15,977,883)**	**(13,063,238)**
Equity			
Share capital	13	296,171	1
Other contributed equity		-	296,170
Share based payment reserve	14	-	-
Accumulated losses		(16,274,054)	(13,359,409)
Total equity		**(15,977,883)**	**(13,063,238)**

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

	Share Capital	Accumulated losses	Other Contributed Equity	Share based payment reserve	Total equity
	$	$	$	$	$
Balance at 1 July 2018	**1**	**(8,530,740)**	**296,170**	**749,835**	**(7,484,734)**
Loss for the period	-	(1,286,990)	-	-	(1,286,990)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	**-**	**(1,286,990)**	**-**	**-**	**(1,286,990)**
Reversal of share options expired	-	599,569	-	(599,569)	-
Reversal of share based payment expense	-	-	-	(150,266)	(150,266)
Total transactions with Owners		**599,569**		**(749,835)**	**(150,266)**
Balance at 31 December 2018	**1**	**(9,218,161)**	**296,170**	**-**	**(8,291,990)**
Balance at 1 July 2019	**1**	**(13,359,409)**	**296,170**	**-**	**(13,063,238)**
Loss for the period	-	(2,914,645)	-	-	(2,914,645)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	**-**	**(2,914,645)**	**-**	**-**	**(2,914,645)**
Shares issued	296,170	-	(296,170)	-	-
Total transactions with Owners	**296,170**	**-**	**(296,167)**	**-**	**-**
Balance at 31 December 2019	**296,171**	**(16,274,054)**	**-**	**-**	**(15,977,883)**

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2019

	31 December 2019 $	31 December 2018 $
Operating activities		
Receipts from customers	-	-
Payments to suppliers and employees	(3,264,512)	(1,215,821)
Finance costs paid	(895,243)	(47,368)
Net cash used in operating activities	**(4,159,755)**	**(1,263,189)**
Investing activities		
Acquisition of property, plant and equipment	(4,721,912)	-
Payments in relation to mine development expenditure	(1,282,718)	-
Payments in relation to exploration expenditure	(105,950)	-
Net cash used in investing activities	**(6,110,580)**	**-**
Financing activities		
Proceeds from borrowings	18,592,326	1,644,404
Repayments of borrowings	(6,494,486)	(250,000)
Net cash from financing activities	**12,097,840**	**1,393,904**
Net change in cash and cash equivalents	1,827,505	130,715
Cash and cash equivalents, at beginning of the period	62	13,468
Cash and cash equivalents, at end of period	**1,827,567**	**144,183**

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

1 Nature of operations

The principal activities of Manuka Resources Ltd comprise of exploration, mine development, mining at processing of silver and gold.

During the financial half-year ending 31 December 2019, the Company's principal activities related to refurbishing the Wonawinta production facility, the finalising of a mine plan for Mt Boppy, and the identification and appointment of the required staff to oversee the two projects (the mining of Mt Boppy and the production process at Manuka).

2 Basis of Preparation

The condensed interim consolidated financial statements of the Group are for the six months ended 31 December 2019 and are presented in Australian dollar ($), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2019.

The interim financial report has been approved and authorised for issue by the board of directors on 19 May 2020.

2.1 Going Concern

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

The financial statements do not include any adjustments that might be necessary should the Group not be able to continue as a going concern. In that case, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

The Group incurred a loss for the period of $2,914,645, has a deficit of assets of $15,977,883 and is in a net current liability position of $9,051,510. This triggers a material uncertainty in relation to going concern.

During the reporting period a new debt facility (TFC/TA Facility) of USD$13 million (approximately AUD$19 million) was entered into with TransAsia Private Capital Limited (TPC). Subsequent to the reporting period the facility limit was increased to USD 14 million (and the additional USD 1 million drawn) with repayments scheduled for in three tranches being USD2.5 million on 3 July 2020, USD 5 million on 1 November 2020 and USD 6.5 million on 5 April 2020. Effective 15 May 2020 the repayment dates for the first two tranches were further extended from 3 July 2020 to 5 October 2020 and from 3 November 2020 to 3 February 2021.

Moreover, also subsequent to the end of the reporting period, the Company entered into a further AUD 3.25 million facility (the "extension TFC Facility") to fund the Group into production. Only AUD 2 million has been drawn down against the extension TFC Facility to date. The initial draw down under this facility is repayable on 11 June 2020. Any future draw down is repayable 6 months from the utilisation date. The interest rate attributable to this facility is from 18-25% per annum.

The Group commenced the processing of the Mt Boppy stockpiles on Friday 10th April 2020. As at time of writing, the forecast production targets have been exceeded, as have gold recoveries (in circuit). We note, whilst at the moment there has been no significant impact to the Group's operations due to COVID-19 , future impact cannot be reliably ascertained (also refer to Note 15).

Thus, the ability of the Group to continue as a going concern and to meets its debts and obligations as they fall due is dependent upon the following:

- The continued financial support and the ability to provide such support of its shareholder ResCap Investments Pty Ltd ('Rescap') through cash advances, the availability of a line of credit and the extension of repayment terms;

- The continued financial support and the ability to provide such support of its directors, so the Group can continue to meet its working capital obligations including paying its creditors;

- The continued financial support and the ability to provide such support of its shareholder Gleneagle Securities Nominees Pty Ltd ('Gleneagle') through cash advances, the availability of a line of credit and the extension of repayment terms;

- Successful mining operations at Mt Boppy, enabling the generation of sufficient positive net operating cash flows to repay all the loans and trade payables;

- Undertaking capital raising activities on the market in June/July 2020 as part of the IPO

- The spot price of Gold in AUD terms, currently at approx. A$2,600 per ounce as of 15 May 2020, remains higher than A$2,500 per ounce for the next 12 months; and

- In the event net cash generated from mining operations and capital raising is not sufficient to repay the TFC/TA Facility by the repayment date of the TFC/TA Facility and other debts/payables, then negotiating an extension of the repayment terms and/or raising alternative capital/debt.

The Directors are convinced with respect to the favourable outcome of the above matters and as such have therefore prepared the financial statements on a going concern basis.

3 Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.1 New and revised standards

The Group adopted AASB 16 from 1 July 2019, which replaces AASB 117 Leases and some lease-related Interpretations:

- Requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- Provides new guidance on the application of the definition of lease and on sale and lease back accounting
- Largely retains the existing lessor accounting requirements in AASB 117
- Requires new and different disclosures about leases

On adoption of AASB 16, the Group recognises on its balance sheet the minimum lease payments under its lease arrangements as 'right-of-use assets' with a corresponding financial lease liability. The financial liability is 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 recognised previously recognised under AASB 117 is 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)

There was no impact of adoption of AASB 16 as the Group did not have any long-term leases as at 1 July 2019 and during the reporting period.

4 Segment reporting

The operations of the Group were conducted wholly within Australia.

The Group has adopted AASB 8 operating segments whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the executive management team makes strategic decisions.

The Group is operated under one business segment which is investment in the exploration, appraisal, development and commercialisation of gold and silver deposits.

5 Derivative financial liability

During the 2018 financial year 8,000,000 and 12,500,000 share options were issued to Gleneagle Securities (Aust) Pty Ltd and MCP Manager respectively in lieu of borrowing facility provided and extension of facilities. The exercise price is variable to certain factors creating a derivative financial liability including a settlement price the Company may be liable to pay in the instance of an IPO. The Company has assessed the fair value of the options issued as $288,765 (30 June 2019: Nil)

6 Inventories

Inventories consist of the following:

	31 December 2019 $	30 June 2019 $
Consumables supplies and spares	416,204	-
Ore Raw materials	124,485	-
Inventories at cost	**540,689**	**-**

7 Development assets

The following tables show the movements in development assets:

		31 December 2019 $	30 June 2019 $
Development assets			
Opening net book amount		3,307,887	193,213
Additions at cost			
- Mt Boppy development assets purchased	7(a)	-	3,114,674
- Mine development costs capitalised		1,457,007	-
Net book value		**4,764,894**	**3,307,887**

(a) In June 2019, the Company purchased 100% of the equity of Mt Boppy Resources Pty Ltd (Mt Boppy). Mt Boppy is a NSW gold mine, 45km to the East of Cobar in NSW on the Barrier Highway. It has produced over 500,000oz at an average grade 15g per NT Au. Mt Boppy has been in intermittent production since 1895 but has surprisingly had little exploration to date. The acquisition will provide immediate cashflow to the group through processing of the existing approximate 36,000oz AU resource on site. It is an open-pit mine that is fully permitted. The cost of the acquisition was settled through the issue of 61,772,400 shares in Manuka Resources Ltd.

8 Other financial assets

	31 December 2019 $	30 June 2019 $
Other financial assets comprises the following:		
Non-current		
Manuka Resources - Deposit for environmental bond – amortised cost	4,627,212	4,680,380
Mt Boppy Resources – Deposit for environmental bond historical cost	1,301,220	1,372,982
Term Deposit	200,000	200,000
Total other financial assets	**6,128,432**	**6,253,362**

9 Property, plant and equipment

The following tables show the movements in property, plant and equipment:

	Land	Office Equipment	Plant & Equipment	Motor Vehicles	Total
	$	$	$	$	$
Balance as at 1 July 2018	**754,994**	**-**	**964,714**	**259,861**	**1,979,569**
Additions	-	-	251,000	-	251,000
Depreciation	-	-	-	(29,859)	(29,859)
Balance as at 30 June 2019	**754,994**	**-**	**1,215,714**	**230,002**	**2,200,710**
Balance as at 1 July 2019	**754,994**	**-**	**1,215,714**	**230,002**	**2,200,710**
Additions	-	17,093	5,116,975	93,794	5,227,862
Depreciation	-	(1,188)	(1,259)	(15,665)	(18,112)
Balance as at 31 December 2019	**754,994**	**15,905**	**6,331,430**	**308,131**	**7,410,460**

The additions to Plant and Equipment for the half-year ended 31 December 2019 is mainly in relation to refurbishment of the Manuka plant.

10 Borrowings

Borrowings include the following financial liabilities:

	Notes	31 December 2019	30 June 2019
		$	$
Current			
Loans - other	10(a)	-	368,795
Related party loans	10(a)	-	6,729,322
Notes	10(a)	-	4,327,238
MCP Manager loan	10(b)	-	5,809,196
Senior secured facility	10(c)	9,274,762	-
Total current borrowings		**9,274,762**	**17,234,551**
Non-current			
Senior secured facility	10(c)	9,277,762	-
Loans - other	10(a)	397,143	-
Related party loans	10(a)	5,958,993	-
Notes	10(a)	4,522,692	-
Total non-current borrowings		**20,156,590**	**-**
Total borrowings		**29,431,352**	**17,234,551**

All borrowings are denominated in Australian Dollars except for the Senior secured facility that is denominated in USD.

10 Borrowings (continued)

(a) The loans are substantially in line with terms and conditions as outlined in the 30 June 2019 accounts. On 3 July 2019, the facilities were subordinated to the TFC/TA Facility changing the principal repayment date of the loan to after the repayment of new TFC/TA Facility. Where applicable, interest payments on the loans are remain payable.

(b) MCP Manager Loan – was a secured facility which was repaid in full in July 2019, consequent to the receipt of tranche 1 funds under the TFC/TA Facility.

(c) The Company signed USD 13 million debt facility agreement (TFC/TA Facility) with TransAsia Private Capital Limited (TPC) during July 2019, with the first drawdown occurring in July 2019. The interest rate attributable to this facility is 14% per annum payable quarterly. As of 31 December 2019 the Company has drawn a total of USD 13 Million (approximately. A$ 18.5 million). Also refer to Note 15.

11 Non-current provisions - rehabilitation provisions

Rehabilitation provisions split between the parent and subsidiary are as follows:

	31 December 2019 $	30 June 2019 $
Rehabilitation provisions		
Manuka Resources	3,951,101	3,966,671
Mt Boppy	1,228,419	1,372,982
Total rehabilitation provisions	**5,179,520**	**5,339,653**

Provisions made for rehabilitation are recognised where there is a present obligation as a result of exploration, development or production activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning mining activities and restoring the affected areas. The provision for future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the obligation at the reporting date, based on current legal requirements and technology.

12 Loss per share

	Six months to 31 December 2019	Six months to 31 December 2018
	$	$
Loss for the period attributable to equity holders of the Company	(2,914,645)	(1,286,990)
	No of shares	No of shares
Weighted average number of shares used at the end of the period used in basic and diluted loss per share	307,540,316	244,066,247
	Cents per share	Cents per share
Basic and diluted loss per share	(0.95)	(0.53)

As the Group is loss making, none of the potentially dilutive securities is currently dilutive.

13 Share Capital

The share capital of Manuka Resources consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Manuka Resources.

	6 months to 31 December 2019	Year to 30 June 2019	31 December 2019	30 June 2019
	# Shares	# Shares	$	$
Shares issued and fully paid:				
• At beginning of period	305,838,647	244,066,247	1	1
• Share issue 26 June 2019	-	61,772,400	-	-
• Share issue 23 Sept 2019	3,023,353	-	296,170	-
Total contributed equity at end of period	**308,862,000**	**305,838,647**	**296,171**	**1**

On 23 September 2019 the Company issued 3,023,353 shares to Gleneagle as a result of services rendered to the Company.

13.1 Capital management policies and procedures

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the company can fund its operations and continue as a going concern.

In making decisions to adjust its capital structure to achieve these aims, through new share issues, the company considers not only its short-term position but also its long-term operational and strategic objective.

14 Share based payments

Options over ordinary shares have been granted to employees and Directors and finance providers from time to time, on a discretionary basis.

Share options are as follows for the reporting periods presented:

	31 December 2019	30 June 2019
	# Options	# Options
Options issued:		
• At beginning of period	3,000,000	10,500,000
• Expired	-	(6,500,00)
• Forfeited	-	(1,000,000)
Total options at end of period	**3,000,000**	**3,000,000**

No share options were exercised during the period ended 31 December 2019. (30 June 2019: Nil)

The fair values of options granted were determined using a variation of the binomial option pricing model that takes into account factors such as the vesting period.

In total, share-based payment expense of $Nil (31 December 2018: credit $150,266) has been included in profit or loss and debited to share option reserve. It has been assessed that the remaining options on issue will be unlikely to vest due to the vesting conditions and at 31 December 2019 the total value of the share based payment reserve is $Nil (30 June 2019: $Nil).

15 Events subsequent to the end of the reporting period

- TransAsia Private Capital Limited Secured Facility

  Subsequent to the reporting period and during April 2020 the TFC/ TA Facility limit was increased to USD 14 million (and the additional USD 1 million drawn) with repayments scheduled for in three tranches being USD2.5 million on 3 July 2020, USD 5 million on 3 November 2020 and USD 6.5 million on 5 April 2021.

  Effective 15 May 2020 the repayment dates for the first two tranches were further extended from 3 July 2020 to 5 October 2020 and from 3 November 2020 to 3 February 2021.

  Subsequent to the end of the reporting period, the Company also entered into a further AUD 3.25 million facility (the “extension TFC Facility”) to fund the company into production. Only AUD 2 million has been drawn down against the extension TFC Facility to date. The initial draw down under this facility is repayable on 11 June 2020. Any future draw down is repayable 6 months from the utilisation date. The interest rate attributable to this facility is from 18-25% per annum.

- NAB facility

  On 27 April 2020, the Company obtained a 1 year facility from NAB amounting $250,000.

15 Events subsequent to the end of the reporting period (continued)

- Office Lease, Level 4 Grafton Bond Building, 201 Kent Street

  The Company entered into an operating lease for office premises at Suite 405, Grafton Bond Building, 201 Kent Street, Sydney. The lease commenced on 1 January 2020 and has a non-cancellable term of 2 years.

- Commencement of production

  The Company commenced the processing of the Mt Boppy stockpiles on Friday 10th April 2020. As at time of writing the forecast production targets have been exceeded, as have gold recoveries (in circuit). The Company received its first receipt of cash from gold sales on 14 May 2020.

- Pre-purchase agreement over unallocated gold

  On 29 April 2020, a term sheet was signed with Cobar United Pty Ltd where this entity has contracted with Manuka Resources Limited to purchase up to 460 unallocated ounces of gold from the future production, at a price of AUD 2,500/oz Au for a total amount of $1,150,000. Cobar United Pty Ltd also grant Manuka Resources Limited a call option to repurchase the same gold at AUD 2,750/oz, as well as retain a put option to sell the gold to Manuka Resources Limited at AUD 2,750/oz, following a period of 8 weeks.

- Issue of Shares after period end

  On 24 February 2020 Mining Associates Pty Ltd and Vigar Investments Pty Ltd converted $200,000 of Trade Creditors to equity at A$0.0833 per share, and on 27 February 2020 Hargreaves Singapore Pte Ltd applied for $500,000 of company share at A$0.0813 per share.

  On 11 May 2020, 2,500,000 shares were issued to a nominated party of TransAsia Private Capital Limited (TPC) at A$0.2 per share in lieu of extension of borrowing facilities.

  On 12 May 2020, 679,348 shares were issued to MCP Manuka Unit Trust 2018 in lieu of settlement price due to them (refer note 5). The shares were issued at A$0.2 per share.

  On 13 May 2020, related party loans of $3,480,000 were converted to equity at A$0.20 per share (post consolidation).

- Issue of Management Options

  On 16 April 2020 the company issued 8,000,000 options to Directors and key personnel as part of a remuneration package which was determined to be reasonable and within market terms. The options have been issued at an exercise price of $0.25 with an expiry date of 16 April 2023.

15 Events subsequent to the end of the reporting period (continued)

- Resolutions passed at AGM

  On 18 March 2020, the Shareholders passed a resolution at an AGM adopting a new constitution and approving a share consolidation.

  - Share Consolidation – in anticipation of the company proposing to list on the ASX through an IPO, the company proposed a share consolidation. This was approved by shareholders at the AGM. Pursuant to the resolution, the total shares on issue of 317,416,846 have been divided by a factor of 1.84 to give a post-consolidated total shares on issue of 172,508,612.

    Adoption of new constitution - The adoption of the New Constitution was considered necessary to ensure that the Company has a constitution that is appropriate for an ASX-listed company. The Company believes that the New Constitution is in customary form and is largely equivalent to the constitutions of many ASX-listed companies including in relation to the rights applicable to attending and voting at Company meetings, the appointment and removal of Directors, entitlement to dividends and the application of the ASX Listing Rules. The new constitution was adopted by resolutions of shareholders at the AGM.

- COVID-19

  In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Australia. The spread of COVID-19 has caused significant volatility in Australian and International markets. No significant impact yet has been noted to the Group's operations as Gold operations remain largely unaffected as of now. However, there is still significant uncertainty around the breadth and duration of business disruptions in Australia in general (which may or may not impact operations of the Group) related to COVID-19.

Apart from the matters noted above, there are no other matters or circumstances that have arisen since the end of the period that has significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years.

16 Company Details

The registered office and principle place of business of the Company is:

Manuka Resources Ltd
Level 5 Grafton Bond Building
201 Kent Street, Sydney, New South Wales

Directors’ Declaration

In the opinion of the Directors of Manuka Resources Ltd:

a The financial statements and notes of Manuka Resources Ltd are in accordance with the *Corporations Act 2001*, including:

i. Giving a true and fair view of its financial position as at 31 December 2019 and of its performance for the period ended on that date; and

ii. Complying with Australian Accounting Standards AASB 134 Interim Financial Reporting; and

b There are reasonable grounds to believe that Manuka Resources Ltd will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

Director
Dennis Karp

Dated the 19th day of May 2020

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of Manuka Resources Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Manuka Resources Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Manuka Resources Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 2.1 in the financial report, which indicates that the Group incurred a net loss of $2,914,645 during the half-year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by $9,051,510. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1 and Note 15 which highlights the continued uncertainty surrounding the COVID-19 coronavirus, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Manuka Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 19 May 2020