

June 2021 Quarterly Activities Report

Highlights

Mt Boppy Gold Project

- Continued progress on all fronts;
- Steady gold production for the Quarter with 4,965 ounces gold produced for a Net Operating Cashflow of A\$779k;
- Average grade for the Quarter of 2.81g/t Au and recoveries of 72.1%;
- Mining of the 185RL at Mt Boppy commenced in July and we are now seeing the benefits of the substantially higher grades (~4.25g Au as forecast in February resource update);
- Forecast of Mt Boppy gold to be recovered upgraded again to 20% above July '20 IPO vs previous guidance of +15% as provided in April '21;
- Mt Boppy gold production to thus continue until year end & Wonawinta silver production to commence in January 2022, initially from stockpiles;
- July production on track for record month - update to be released post month-end;
- Balance sheet flexibility improved with debt facility extended a further 12 months to Sept 2022 and on improved terms.

Wonawinta Silver Project

- Wonawinta Silver production is now planned to commence in January 2022;
- Measured and Indicated Resources at Wonawinta increased 43% following completion of 14,000m in-fill RC drilling program;

- **The classification upgrade paves the way for the completion of the Wonawinta Mine Plan and release of Manuka's maiden JORC reserve during the September quarter;**
- **Additional Wonawinta Silver extension drill program ~50% complete & likely to contribute to next resource update around year-end.**

Wonawinta Deeps Program

- **'Proof-of-Concept' drill program has successfully tested for presence of carbonate-hosted sulphides in the Winduck Shelf strata down-dip from existing Wonawinta open pits encountering lead-zinc-silver mineralisation over 3km strike;**
- **Follow-up planned as part of an 8,000m drill program commencing in August;**
- **The initial program comprised only 3km of a total 15km strike length;**
- **Planning is underway for a targeted geophysics survey along the Wonawinta Trend commencing August, to be followed by further drilling in Dec Quarter.**

Company Review for June Quarter 2021

Production for the March Quarter was the Company's best to date, and the June Quarter was expected to continue this positive trend. While April and May recorded strong operational performance, June was afflicted with very poor weather. The Company saw 20% reduction in days' haulage in June alone vs the entire March Quarter but pleasingly contributed to only a ~6% lower production result.

Mining activities at Mt Boppy are now well ahead of haulage with ~two months' production on the Mt Boppy ROM pad awaiting transport to the Wonawinta plant for processing. Additional trucks have been secured which should ensure suitable availability of ore feed to the mill to maintain planned throughput levels to mitigate future weather impacts.

With respect to our debt refinance planning, COVID-19 and related international travel restrictions and thus site visits, have delayed the Company's expectation of a debt refinance. As a prudent interim step Manuka received a 12 month term extension on improved terms from its existing financier TransAsia Private Capital until 30 September 2022. Manuka will continue to entertain a debt refinance so long as it delivers a materially lower cost of finance as well as providing flexibility towards assisting fulfil the Company's future business plans.

Mt Boppy Gold Project Quarterly Summary:

- 4,965 ounces of gold produced and 4,831 ounces sold at an average price of A\$2,350/oz;
- A total of 105,804 tonnes of ore was mined at Mt Boppy during the June Quarter, with 81,400 tonnes trucked to the Wonawinta plant at an average grade of 2.81g/t Au;
- Wonawinta plant recoveries averaged 72.1% for the quarter (target 75%);
- Currently Manuka has 3 drill and blast programs remaining for the current pit-design at Mt Boppy. The 180RL blasting is scheduled for 25 August, the 175RL blasting is scheduled for mid-Sept and the 170RL blasting is scheduled for late Sept. Mining will complete early October following which a further in-pit exploration program is planned for Mt Boppy. Full details of the program which will include the Canbelego King and Birthday Prospects, as well as Pipeline Ridge and other high conviction targets within our tenements, will be announced to the market in the near term.

Operating Summary

Summary		June Quarter	Financial Year (YTD)
Tonnes Milled	t	76,341	292,579
Gold in Circuit (30-06-21)	oz	1,352	1,352
Gold Recovered	oz	4,965	17,606
Gold Sold	oz	4,831	17,638
Gold Recoveries	%	72.10	73.60
Revenues	AUD \$'000	11,771	44,001

Summary		June Quarter	Financial Year (YTD)
Ore Mined	t	105,804	353,280
Existing Stockpiles	t	-	12,528
Waste Mined	t	39,080	435,320
Total Mined	t	144,884	801,128
Total Hauled (incl. mined & residual stockpiles)	t	81,400	311,158
Average Head Grade	g/t	2.81	2.76

At the time of its IPO in July 2020, Manuka's estimate of gold production anticipated the recovery and sales of between 22,000 – 24,000 ounces gold from Mt Boppy before transitioning to silver production ('Phase 1' production in the prospectus). To end of June 2021, current Phase 1 production of gold is 21,234oz Au.

The Company further notes that the increased grades of ore now flowing through the plant, together with the mining and haulage efficiencies gained since commencement of operations, will contribute to the economical recovery of an additional ~10,000oz Au from the existing pit-shell at Mt Boppy.

In summary, Manuka now expects a 20% increase in forecast gold recovered from Mt Boppy versus the IPO estimate, an increase on our expectations from April which indicated an increase of +15%.

Wonawinta Silver Project:

- Due to the increased gold production from the current Mt Boppy pit-shell extending to November/December, the transition of the plant to silver will occur in early January 2022;
- Silver production will commence with the processing of the ~515,000t of stockpiles at the Wonawinta plant, followed by additional >200,000 stockpiles in close proximity;
- The Company is completing further lead recovery test work prior to the completion of its mine plan and Maiden Reserve;
- Covid-19 issues and general high demand for service providers from the resources sector, continues to cause delays in pre-determined timetables.

Growth and Exploration Outlook

In the previous Quarterly report Manuka announced its ongoing three stage exploration program (see points a – c below). A fourth stage has now been added to the program (see point d below) which reads as follows:

- a) Manuka was to recommence drilling on the ML's from early May 2021 as part of a broader resource extension and infill program focused on the southern area of the mining lease and the adjacent exploration license – this program is now mid-way
- b) Following four consecutive Mt Boppy exploration programs all intersecting spectacular grades, further exploration is to be progressed once mining ceases at Mt Boppy. As Manuka does not want to wait till October to restart Mt Boppy exploration, it has therefore initiated a geophysics program over our ML's and EL in the East Cobar Basin. This program commences in August. Drilling on our already

identified neighbouring targets will commence mid-September, and drilling in the pit will continue following mining.

- c) The independent assay results of the Wonawinta Deeps drill program were very encouraging, encountering lead-zinc-silver mineralization over a 3km strike. The total 15km strike length on tenements held by Manuka in its West Cobar Basin portfolio remains to be tested and a follow up drill program is to commence as part of 8,000m oxide and sulphide program commencing early August. The West Cobar Basin tenements of the Manuka portfolio are also undergoing a comprehensive geophysical review commencing August.
- d) Targeted exploration drilling on the West Cobar Basin tenements – an initial RC (reverse circulation) drilling program will commence in August focusing on our Smith Tank, McKinnons and McKinnons North, Wirlong and Guzzi targets.

Cashflow and Hedging

Manuka generated ~\$0.78 million in positive Operating Cash Flow, over the June Quarter. Cash generation continues to improve since the current Quarter-end, and the Company is comfortable with its funding position. July performance is reasonably expected to continue for the remaining months of gold production, as we head towards the warmer weather of spring, combined with an improved haulage capability, and the continuation of mining in a higher grade section of the pit.

The Company has a margin free hedge facility, and in light of the current volatility in the precious metals markets it has recently initiated a hedging program on future production for 2,500oz gold, which at time of writing is in the money.

Corporate

The Company has extended its senior secured debt facility with TransAsia Private Capital to end September 2022. Amount outstanding as at 30 June 2021 was US\$10.84 million. A further total of A\$2.597 million is owing to subordinated lenders.

Total borrowings at 30 June 2021 were A\$15.75 million down substantially from A\$24.3 million (or A\$26.06 million if including convertible note interest due at that time) as at 30 June 2020.

Unused facilities available at Quarter end were A\$376k whilst the cash balance was \$1.02 million.

In accordance with ASX Listing Rule 5.3.3, during the quarter, the Company made cash payments of \$0.063 million to related parties and their associates (refer items 6.1 and 6.2 of the Appendix 5B). This was the aggregate amount paid to the directors including salary, directors' fees, consulting fees and superannuation.

Statement of commitments

The following information is provided pursuant to Listing Rule 5.3.4 for the period ending 30 June 2021. Use of Funds estimates for 'Exploration and in-drilling activities' were fully expended as at 31 March 2021. At that point, actual expenditure exceeded original estimates by \$0.582M due to expansion of the in-fill drilling program at Wonawinta and additional depth extension drilling at Mt Boppy, which have now been completed. Since 31 March 2021, additional funds have been expended on expanded exploration and drilling programs as outlined above (also refer item 2.1(d) in the Appendix 5B).

Use of Funds¹	Estimate	Actual	Variance
	(as per prospectus 22 May 2020)	from admission to 30 June 2021	Under / (Over)
Type	\$000	\$000	\$000
Exploration and in-drilling activities	3,579	4,161	(582)
Interest on convertible notes	1,761	1,780	(19)
Unpaid cash costs of the Offer	965	1,103	(48)
Working capital	3,071	3,071	-
Total Use of Funds	9,376	10,025	(649)

Mining Exploration Activities

In accordance with ASX Listing Rule 5.3.1 cash outflows for the quarter ended 30 June 2021 in relation to exploration and evaluation activities were \$0.798 million (refer Item 2.1(d) of the Appendix 5B) and predominantly comprised expenditure on:

- field programs on the Wonawinta mining licence (ML 1659) to test for extensions in the north along the inferred oxide resource and to delineate strike extensions to the carbonate hosted sulphide mineralisation and sterilisation drilling for northern waste dumps
- Desktop review and planning for 2H exploration programs on exploration licences

Mining Development Activities

In accordance with ASX Listing Rule 5.3.2 cash outflows for the quarter ended 30 June

¹ The above table is a statement of current intentions. Investors should note that the allocation of funds set out in the above table may change depending on a number of factors including the results of exploration, outcome of development activities, regulatory developments and market and general economic conditions. In light of this the Board reserves the right to alter the way the funds are applied.

2021 in relation to mining development activities were \$0.533 million (refer items 1.2(b) and 2.1(f) of the Appendix 5B) and again comprised outgoings in relation to pre-mining development studies, consultants engaged on development of the Wonawinta Silver Project and ongoing metallurgical test work and tenement administration and management.

Mining Production Activities

In accordance with ASX Listing Rule 5.3.2 cash outflows for the quarter ended 30 June 2021 in relation to mining production activities were \$8.21 million (refer Item 1.2(c) of the Appendix 5B) and comprised the following:

Mining and crushing contractors	\$3.10 million
Hauling contractors	\$1.28 million
Processing	\$3.83 million

Mining Tenements

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 30 June 2021.

Tenement Location: **Wonawinta Silver Project** is situated approximately 90 kilometers to the south of Cobar, NSW, and comprises one (1) granted mining lease and seven (7) granted exploration licences as below, plus processing plant and associated infrastructure.

Tenement	Percentage held / earning	Change during quarter
ML1659	100%	-
EL6482	100%	-
EL7345	100%	-
EL6155	100%	-
EL6302	100%	-
EL7515	100%	-
EL6623	100%	-
EL8498	100%	-

Tenement Location: **Mt Boppy Gold Project** is situated approximately 45 kilometers east of Cobar, NSW, adjacent to the Barrier Highway. The Project comprises four gold leases, two mining leases, one mining purpose lease and one exploration licence which encompasses the MLs and extends the project area to the south.

Tenement	Percentage held / earning	Change during quarter
GL3255	100%	-
GL5836	100%	-
GL5848	100%	-
GL5898	100%	-
ML311	100%	-
ML1681	100%	-
MPL240	100%	-
EL5842	100%	-

There were no tenements acquired or disposed of during the quarter.

About Manuka

Manuka Resources Limited (ASX: MKR) is an Australian mining and exploration company located in the Cobar Basin, central west New South Wales. It is the 100% owner of two fully permitted gold and silver projects which include the following:

- Mt Boppy Gold mine and neighbouring tenements. The Mt Boppy project is currently in production and processing its gold ore through the Company's processing plant at Wonawinta.
- Wonawinta silver project, with mine, processing plant and neighbouring tenements. The Wonawinta processing plant has a nameplate capacity of 850,000 tonnes per year.



This announcement has been approved for release by the Board of Directors of Manuka Resources Limited.

For further information contact:

Dennis Karp
Executive Chairman
Manuka Resources Limited
0412 268 114

Media Contact
Angela East
M+C Partners
0428 432 025

Important Information

This report includes forward-looking statements and comments about future events, including the Company's expectations about the performance of its businesses. Forward-looking words such as "expect", "should", "could", "may", "predict", "plan", "will", "believe", "forecast", "estimate", "target" or other similar expressions are intended to identify forward-looking statements. Such statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and which may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements. Forward-looking statements are provided as a general guide only and should not be relied on as an indication or guarantee of future performance. Given these uncertainties, recipients are cautioned to not place undue reliance on any forward-looking statement. Subject to any continuing obligations under applicable law, the Company disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements in this report to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any such statement is based. No Limited Party or any other person makes any representation, or gives

any assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in the report will occur.

APPENDIX 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Manuka Resources Ltd

ABN

80 611 963 225

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,888	43,708
1.2 Payments for		
(a) exploration & evaluation	(5)	(14)
(b) development	(8)	(174)
(c) production	(8,213)	(28,404)
(d) staff costs	(1,941)	(7,543)
(e) administration and corporate costs	(505)	(3,944)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(526)	(4,805)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	1,088	1,384
1.9 Net cash from / (used in) operating activities	779	208
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(304)	(2,293)
(d) exploration & evaluation	(798)	(4,458)
(e) investments	-	-
(f) other non-current assets – (mine properties and development)	(525)	(1,119)

2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(32)	(159)
2.6	Net cash from / (used in) investing activities	(1,659)	(8,029)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	14,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(887)
3.5	Proceeds from borrowings	550	550
3.6	Repayment of borrowings	(65)	(6,184)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(35)	(148)
3.10	Net cash from / (used in) financing activities	450	7,330

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,448	1,509
4.2	Net cash from / (used in) operating activities (item 1.9 above)	779	208
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,659)	(8,029)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	450	7,330
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,018	1,018

5. Reconciliation of cash and cash equivalents <i>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</i>	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,018	1,448
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,018	1,448

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	90
6.2 Aggregate amount of payments to related parties and their associates included in item 2	3
<i>Note: 6.1 This is made up of amounts paid to the directors including salary, directors' fees, consulting fees and superannuation.</i>	
<i>Note: 6.2 This is made up of amounts paid to the directors including consulting fees in respect of exploration activities.</i>	

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000		
7.1	Loan facilities	16,128	15,753		
7.2	Credit standby arrangements	-	-		
7.3	Other (please specify)	-	-		
7.4	Total financing facilities	16,128	15,753		
7.5	Unused financing facilities available at quarter end		376		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.				
	Lender	Facility type	Total Facility	Rate	Maturity
	TransAsia Private Capital Limited	Secured Senior Debt Facility	13,413	14%	22/09/2022
	ResCap Investments Pty Ltd	Unsecured Working Capital Loan	2,000	16%	22,09/2022
	Gleneagle Securities (Aust) Pty Ltd	Unsecured Working Capital Loan	465	12%	31/12/2021
	Hindsight Trading Pty Ltd	Unsecured Working Capital Loan	250	16%	31/12/2021

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	779
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(798)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(19)
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,018
8.5	Unused finance facilities available at quarter end (item 7.5)	376
8.6	Total available funding (item 8.4 + item 8.5)	1,394
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	75.1
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2021

Authorised by:
Toni Gilholme – Company Secretary
On behalf of the Board of Directors

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
6. By the Company lodging this Appendix 5B, the Managing Director and CFO declare that the Appendix 5B for the relevant quarter:
 - presents a true and fair view, in all material respects, of the cashflows of the Company for the relevant quarter and is in accordance with relevant accounting standards;
 - the statement given above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
 - the Company's financial records have been properly maintained and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.