



# Manuka Resources Limited

A Rare Opportunity

Initiation of coverage

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## Gold & Silver Ready to Go: A Rare Opportunity

Manuka Resources (MKR) presents a rare opportunity for significant exposure to both gold and silver, with the fully permitted 100%-owned mining operations and refurbished processing plant generating immediate cash flow. The Mt Boppy Gold and Wonawinta Silver projects' existing resource base and ore stockpiles give MKR the capacity to produce gold and silver in a structured three-phase production plan. The immediate target for MKR's cash flow is to pay down its US\$14m debt. The debt carries a high rate of 14% and places restrictions on exploration. Both projects offer enormous exploration opportunities within the existing mining area as well as regionally, presenting MKR with numerous high-quality options.

### Position, Position – A Quality House on a Well-Established Street

MKR's assets are located in the Cobar Basin, one of Australia's most prolific producers of base and precious metals. Copper was first discovered at Cobar in 1869. Mining has produced major amounts of copper, lead, zinc, silver and gold. The combined endowment of the basin is 2.2Mt of copper, 2.4Mt of lead, 3.8Mt of zinc, 140Moz of silver and 6Moz of gold.

The basin is home to five operating mines and a number of ASX-listed companies as well as mining multinational Glencore. The region offers significant exploration upside. The Cobar Basin has well-established mining infrastructure, a skilled labour force and a supportive local community, an ideal area for MKR's strategy to be carried out.

### Producing Gold and Silver at the Right Time

The gold and silver markets continue to be strong. Both have risen significantly since March, driven predominantly by the investment appeal of non-interest-bearing assets.

### Mt Boppy Gold Mine – Immediate Cash Flow and Initial Exploration Success

The Mt Boppy gold mine hosts an existing open-pit resource of 38,700oz with 26,000oz in reserve status. The mine provides MKR's first stage of cash flow, with the company having processed stockpiles in the June quarter before proceeding into the pit. Initial exploration under the existing open pit has intersected high-grade gold, indicating vast potential for the project.

### Wonawinta Silver Project – Short-Term Cash Generation with Long-Term Potential

The Wonawinta Silver Project hosts a 52Moz silver resource and a fully refurbished processing facility, mining camp and tailings storage facility. Wonawinta provides MKR's second stage of cash flow by processing of silver stockpiles and the significant third stage of cash flow generation by mining the silver reserve over a minimum five-year period. MKR is infill drilling during 2H CY2020 to provide tighter drill data to assist the conversion of resource to reserve. The project is only drilled to 60m and provides multiple exploration opportunities within the existing project and regionally.

### Valuation: A\$0.94 Using SOTP with Risk-Weighted NPV

We value MKR at A\$0.94/share (fully diluted, risk-weighted). We consider the options available to Manuka for mine life extension and increased production represent upside to our valuation.



Manuka Resources owns 100% of two fully permitted gold and silver assets located in NSW's Cobar Basin.

Both the Mt Boppy Gold Project and the Wonawinta Silver Project add near-term cash flow potential. Manuka's ownership of the only fully permitted and operating processing plant in the southern extent of the basin adds to the longer-term strategic value of the company.

Stock	MKR.AX
Price	A\$0.47
Market cap	A\$115m

Company data	
Net cash (debt) (30/6/2020)	(A\$24.2m)
Shares on issue	249.35m
Options outstanding	21.25m
Code ASX	MKR
Primary exchange	ASX

Next steps	
Mt Boppy exploration	
Wonawinta infill drilling and reserve definition	
Processing Mt Boppy ore	

### MKR share price – Since trading commenced



# Manuka Resources – Company Snapshot

## Exhibit 1 – Company Snapshot

Manuka Resources Limited						MKR.AX
<b>Year end 30 June</b>						
<b>MARKET DATA</b>						
Price	c					47.5
52 week high / low	\$					0.68 - 0.22
Valuation (diluted)	\$					0.94
Market Capitalisation	\$m					118.4
Enterprise Value	\$m					142.6
Shares on issue (basic)	m					249.4
Options / Performance shares	m					21.25
Other equity	m					1.5
Potential shares on issue (dilut	m					272.1
<b>INVESTMENT FUNDAMENTALS</b>		<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Reported NPAT	\$m	(5.4)	(4.6)	26.1	29.2	26.6
Underlying NPAT	\$m	(5.4)	(4.6)	26.1	29.2	26.6
EPS Reported (undiluted)	c	(2.2)	(1.8)	10.5	11.7	10.7
<b>EPS Underlying (undiluted)</b>	<b>c</b>	<b>(2.2)</b>	<b>(1.8)</b>	<b>10.5</b>	<b>11.7</b>	<b>10.7</b>
Underlying EPS growth	%		16.1%	673.0%	12.1%	-9.0%
P/E Reported (undiluted)	x	(21.8)	(26.0)	4.5	4.1	4.4
<b>P/E Underlying (undiluted)</b>	<b>x</b>	<b>(21.8)</b>	<b>(26.0)</b>	<b>4.5</b>	<b>4.1</b>	<b>4.4</b>
Dividend	c	-	-	-	-	4.3
Payout ratio	%	0%	0%	0%	0%	40%
Yield (Y/E/ Spot)	%	0.0%	0.0%	0.0%	0.0%	9.0%
Franking	%	100%	100%	100%	100%	100%
Gross Yield (Y/E/ Spot)	%	0.0%	0.0%	0.0%	0.0%	12.8%
Operating cash flow / share	c	(0.3)	1.1	11.9	13.0	14.4
Price to operating cash flow	x	(182.6)	42.2	4.0	3.7	3.3
<b>Free cash flow</b>	<b>\$m</b>	<b>(0.6)</b>	<b>(12.0)</b>	<b>20.9</b>	<b>18.7</b>	<b>(23.4)</b>
Free cash flow per share	c	(0.3)	(4.6)	11.2	7.5	(9.4)
Price to free cash flow	x	(182.6)	(10.3)	4.2	6.3	(5.1)
Free cash flow yield	%	-0.5%	-9.7%	23.6%	15.8%	-19.7%
Book value / share	c	(5.2)	(1.0)	12.3	24.0	30.4
Price to book (NAV)	x	(9.1)	(48.4)	3.9	2.0	1.6
NTA / share	c	(5.2)	(1.0)	12.3	24.0	30.4
Price to NTA	x	(9.1)	(48.4)	3.9	2.0	1.6
Year end shares	m	249	249	249	249	249
Market cap (Spot)	\$m	118.4	118.4	118.4	118.4	118.4
Net debt/(cash)	\$m	17.2	24.2	(1.8)	(20.5)	(32.3)
Enterprise value	\$m	136	143	117	98	86
EV/Sales	x		15.4	1.8	1.2	1.0
EV/EBITDA	x	(42.8)	(139.1)	3.6	2.2	1.8
EV/EBIT	x	(42.8)	(139.1)	3.8	2.3	2.0
Net debt / Enterprise Value	x	0.1	0.2	(0.0)	(0.1)	(0.2)
<b>PRODUCTION AND PRICING</b>		<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Gold production (koz)		-	-	25	-	-
Silver production (koz)		-	-	-	2,195	2,508
Gold US\$		1800	1800	1800	1800	1800
Silver US\$		25	25	25	25	25
<b>RESERVES AND RESOURCES</b>						
<b>Mt Boppy</b>		<b>Tonnes</b>	<b>Grade g/t</b>	<b>Contained Gold oz</b>		
<b>Reserves</b>						
Probable		371,700	3.13	38,763		
<b>Resources</b>						
Measured		40,500	3.43	4,473		
Indicated		307,200	3.11	31,720		
Inferred		24,000	3.33	2,570		
<b>Total</b>		<b>371,700</b>	<b>3.13</b>	<b>38,763</b>		
<b>Wonawinta</b>		<b>Tonnes m</b>	<b>Grade g/t</b>	<b>Contained Silver moz</b>		
<b>Resources</b>						
Measured		0.89	45.00	1.30		
Indicated		8.50	48.50	13.24		
Inferred		29.40	40.00	37.84		
<b>Total</b>		<b>38.80</b>	<b>42.00</b>	<b>52.40</b>		
<b>Relative performance since first listing versus S&amp;P/ASX Small Ordinaries</b>						
<b>PROFIT AND LOSS \$A'000</b>		<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Sales		-	9,262	64,815	78,376	89,573
COGS		-	(7,265)	(30,435)	(31,350)	(40,129)
<b>Gross profit</b>			<b>1,997</b>	<b>34,380</b>	<b>47,026</b>	<b>49,444</b>
Gross margin		-	-	53.0%	60.0%	55.2%
Other income		(62)	-	-	-	-
Other operating costs		(2,081)	(2,122)	(2,165)	(2,208)	(2,252)
<b>EBITDA</b>		<b>(3,172)</b>	<b>(1,025)</b>	<b>32,299</b>	<b>44,903</b>	<b>47,279</b>
Depreciation & amortisation		-	-	(1,750)	(3,130)	(4,999)
<b>EBIT</b>		<b>(3,172)</b>	<b>(1,025)</b>	<b>30,549</b>	<b>41,773</b>	<b>42,280</b>
Net interest		(2,256)	(3,528)	(1,864)	-	(4,250)
Impairments / Associates		-	-	-	-	-
<b>Pretax Profit</b>		<b>(5,428)</b>	<b>(4,553)</b>	<b>28,686</b>	<b>41,773</b>	<b>38,030</b>
Tax expense		-	-	2,596	12,532	11,409
Minorities		-	-	-	-	-
<b>NPAT</b>		<b>-5,428</b>	<b>-4,553</b>	<b>26,090</b>	<b>29,241</b>	<b>26,621</b>
Adjustments & Significant items		-	-	-	-	-
<b>Underlying NPAT</b>		<b>-5,428</b>	<b>-4,553</b>	<b>26,090</b>	<b>29,241</b>	<b>26,621</b>
<b>BALANCE SHEET \$A'000</b>		<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Cash		-	1,509	1,844	20,522	32,273
Receivables		13	7,654	7,654	7,654	7,654
Inventory		-	2,008	2,008	2,008	2,008
Other		-	351	351	351	351
<b>Current assets</b>		<b>13</b>	<b>11,522</b>	<b>11,856</b>	<b>30,534</b>	<b>42,285</b>
PPE, Development and Exploratic		5,509	18,255	25,305	35,868	90,090
Other		6,253	6,651	6,651	6,651	6,651
<b>Non current assets</b>		<b>11,762</b>	<b>24,906</b>	<b>31,956</b>	<b>42,519</b>	<b>96,741</b>
<b>Total Assets</b>		<b>11,775</b>	<b>36,427</b>	<b>43,812</b>	<b>73,053</b>	<b>139,026</b>
Accounts Payable		2,246	7,671	7,671	7,671	7,671
Borrowings		17,235	25,705	0	0	0
Other		18	318	318	318	318
<b>Current liabilities</b>		<b>19,499</b>	<b>33,693</b>	<b>7,988</b>	<b>7,988</b>	<b>7,988</b>
Borrowings		-	73	73	73	50,073
Provisions		5,340	5,108	5,108	5,108	5,108
<b>Non current liabilities</b>		<b>5,340</b>	<b>5,181</b>	<b>5,181</b>	<b>5,181</b>	<b>55,181</b>
<b>Total Liabilities</b>		<b>24,838</b>	<b>38,874</b>	<b>13,169</b>	<b>13,169</b>	<b>63,169</b>
Share Capital		0	5,112	12,112	12,112	12,112
Other contributed equity		296	8,867	8,867	8,867	8,867
Accumulated Profits / (Losses)		(13,359)	(16,426)	9,664	38,905	54,878
<b>Total Equity</b>		<b>-13,063</b>	<b>-2,447</b>	<b>30,643</b>	<b>59,885</b>	<b>75,857</b>
<b>CASH FLOW \$A'000</b>		<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Receipts from customers		-	9,029	64,815	78,376	89,573
Payments to suppliers and emplc		(649)	(6,223)	(32,516)	(33,473)	(42,293)
Tax Paid		-	-	(2,596)	(12,532)	(11,409)
<b>Operating cash flow</b>		<b>(649)</b>	<b>2,805</b>	<b>29,704</b>	<b>32,371</b>	<b>35,870</b>
PPE and Exploration		-	(14,744)	(8,800)	(13,693)	(59,221)
<b>Investing cash flow</b>		<b>0</b>	<b>(14,835)</b>	<b>(8,800)</b>	<b>(13,693)</b>	<b>(59,221)</b>
Debt Raised / (Repaid)		635	14,075	(25,705)	-	50,000
Proceeds from issue of shares		-	500	7,000	-	-
Finance costs		-	(1,037)	(1,864)	-	(4,250)
Dividends Paid		-	-	-	-	(10,648)
<b>Financing cash flow</b>		<b>635</b>	<b>13,538</b>	<b>(20,569)</b>	<b>-</b>	<b>35,102</b>
Net Increase/Decrease		(13)	1,509	335	18,678	11,751
Cash at Beginning Year		13	-	1,509	1,844	20,522
<b>Year end cash</b>		<b>-</b>	<b>1,509</b>	<b>1,844</b>	<b>20,522</b>	<b>32,273</b>

Source: MKR, MST Access

## Investment Thesis: High-Class Assets, Established Region, and Australia's Only Direct Silver Production Exposure – A Rare Opportunity

MKR's two key assets are the Mt Boppy Gold Project and the Wonawinta Silver Project, located in a well-established mining precinct with strong exploration potential, both near to mine and regionally. MKR has produced cash flow and is delivering into markets with high pricing. MKR provides the ASX's only direct exposure to genuine near-term silver production and presents a rare investment opportunity. The silver market, although volatile, has improving fundamentals stemming from increased industrial demand and investment appeal.

### Recent Events

- 25 September 2020: Further gold intersections at Mt Boppy
- 24 August 2020: Initial depth extension drilling at Mt Boppy pit, high-grade gold intersections recorded
- 12 August 2020: Wonawinta Silver Project infill drilling commenced, targeting upgrade to reserve status of the existing 52Moz silver resource and testing of orebody below 60m
- 14 July 2020: MKR lists on ASX, raises A\$7m in an oversubscribed equity raising

### Potential Near-Term Catalysts and Timing

- Q3 2020: Achieve steady-state production of Mt Boppy gold ore at Wonawinta plant
- Q3/Q4 2020: Exploration program at Mt Boppy
- Q3/Q4 2020: Wonawinta drilling converting resource to reserve
- Q3/Q4 2020: Commence exploration program at Wonawinta on high-conviction targets
- Q4 2020 – Repay Tranche 1 of Debt US\$2.5m
- Q1 2021 – Repay Tranche 2 of Debt US\$5m
- Q1 2021 – Repay Tranche 3 of Debt US\$6.5m
- Q2 2021: Commence silver production at the Wonawinta plant using silver ore stockpile
- Ongoing: Exploration success at the Mt Boppy Gold Project and the Wonawinta Silver Project

### Financials

MKR is generating immediate cash flow from the Mt Boppy gold ore. The key use of the cash flow will be to pay down the \$US14m debt on the balance sheet. The focus on debt reduction is due to its high coupon of 14% and the restrictions on the use of cash for exploration it imposes.

### Valuation – A\$0.94 – Value in Mt Boppy and Wonawinta Assets

The near-term cash flow from both Mt Boppy and Wonawinta generates strong value for MKR, with significant potential upside from exploration for both extension of mine life and increased production.

### Risks and Sensitivities

Key project risks are:

- operational and / or mining issues
- exploration risks: disappointing exploration results; lower-than-expected gold and silver grades in ore
- lower-than-expected conversion of silver resources to reserves
- operating cost increases
- pandemic and other public health risks, including an adverse effect from the ongoing COVID-19 pandemic.

Key pricing and valuation sensitivities are:

- commodity prices: gold and silver
- exchange rates: US\$/A\$
- costs: operating cost changes
- discount rate.

## Overview: Valuable Assets, Simple Strategy, Supportive Context

### The Assets:

Immediate Cashflow, Huge Potential; Strategic Value of Processing Capacity

Immediate cashflow from two key gold and silver assets

MKR's key assets, Mt Boppy Gold and Wonawinta Silver, are attractive options delivering into strong gold and silver markets. With existing stockpiles of ore at both sites, immediate cashflow can be generated. Existing gold reserves at Mt Boppy and a large silver resource at Wonawinta provide the platform for near term cash flow generation with the mining of the Wonawinta resource providing a strong medium-term cash flow. The cash flow post \$US14m debt repayment will fund an extensive exploration programme, with the aim of mine life extension and/or new economic orebodies.

### Strategic value of processing plant

The Wonawinta processing facility has an 850ktpa nameplate processing capacity (with upside), is fully refurbished and is capable of processing both gold and silver ores. The processing facility's original construction cost was A\$120m and it would likely cost A\$200m to construct today. The processing facility may at times have excess capacity and has strategic value in potentially toll treating ores from third-party mines. Whilst the plant is currently configured as a leach plant, its generous footprint should assist any future modification, such as the addition of flotation capability for sulphide ore types.

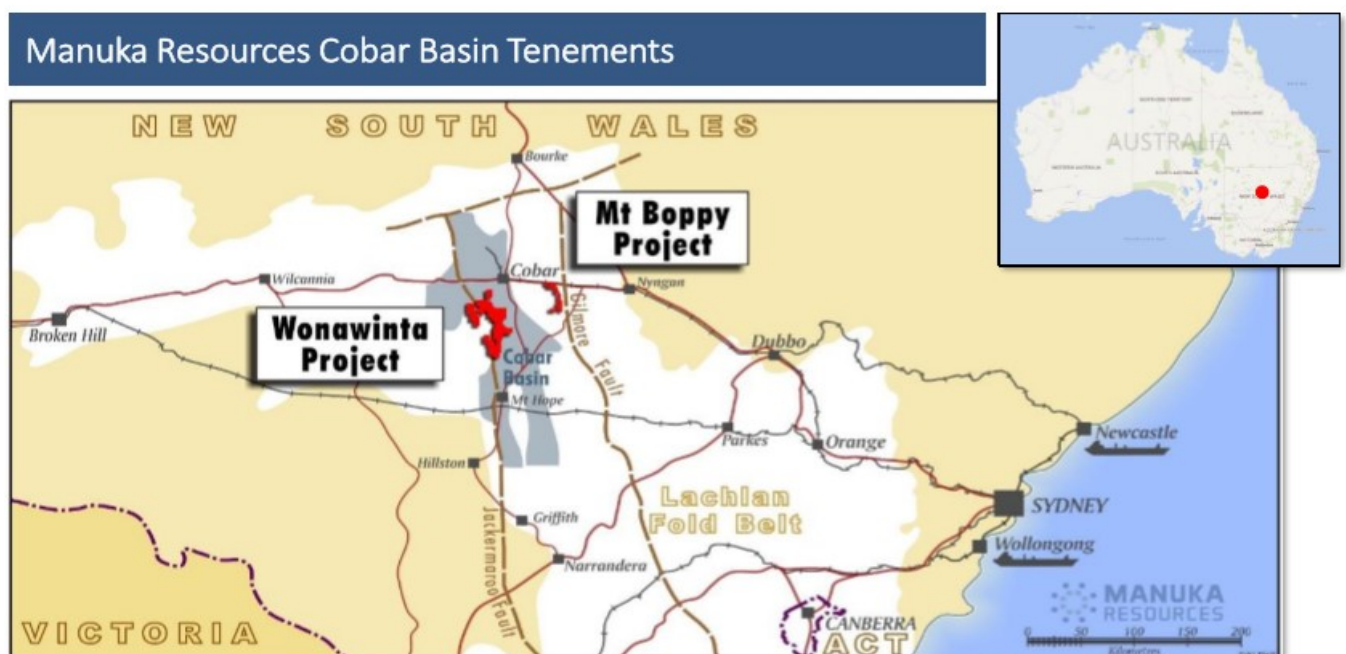
### Massive exploration potential

The Mt Boppy resource is not fully explored under the current planned pit floor, and MKR's first four deeper holes have hit significant mineralisation. The Mt Boppy region also shows significant potential.

Historically, Wonawinta has had little drilling below 60m, and drilling below the oxide ore has hit sulphide mineralisation. As with Mt Boppy, Wonawinta's regional exploration is highly prospective.

See Exhibit 2 for details on the location of the assets.

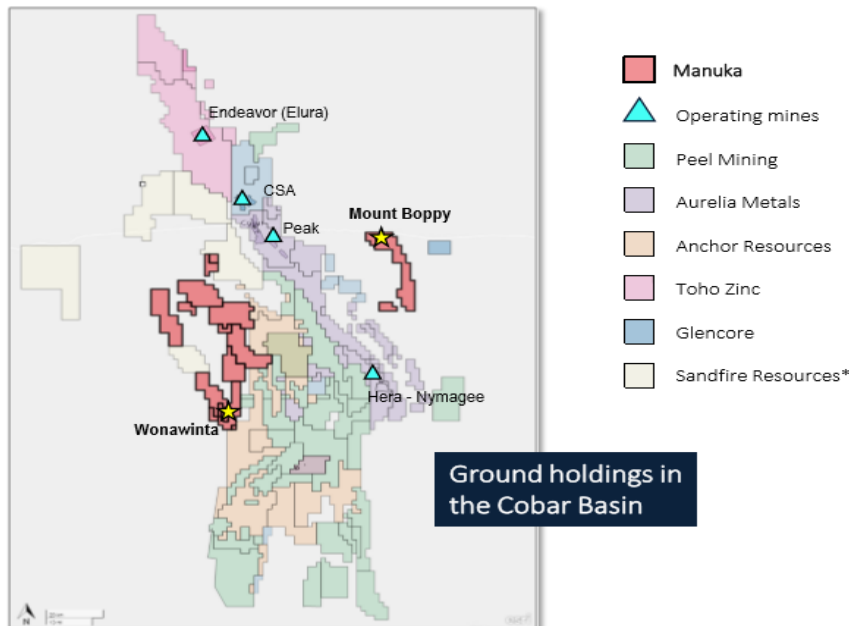
Exhibit 2 – Locations of Mt Boppy and Wonawinta in central NSW's Cobar Basin



Source: MKR.



Exhibit 3 – Producing mines and tenements surrounding Mt Boppy and Wonawinta: a tightly held basin



Source: MKR.

## The Strategy:

### Planned 3-Stage Cash Flow Generation Approach is Transparent and Accountable

MKR has a comprehensive three-stage operations plan. The plan is simple and structured, providing a clear pathway to cash flow generation and debt reduction.

#### Stage 1, Q2 2020–Q2 2021: Mt Boppy Gold and Wonawinta in-fill drilling

- Production at the Wonawinta plant using 60,000t of the Mt Boppy gold ore stockpile completed
- An exploration program at Mt Boppy using the funds from the capital raising commenced
- Achieve steady production of circa 2,300–2,500 oz Au/month at Wonawinta processing Mt Boppy gold ores, with processing expected to complete in June 2021
- Commence an exploration program at Wonawinta on high-conviction targets combined with in-fill drilling to bring silver Resources to Reserves status

#### Stage 2, Q3 2021: Wonawinta Silver stockpiles and exploration

- Process 500,000t silver stockpile on ROM pad at Wonawinta, producing around 1.0moz over a six-month period
- Focus on key Wonawinta exploration targets

#### Stage 3, Q4 2021 – Q1 2022: Wonawinta five-year production plan

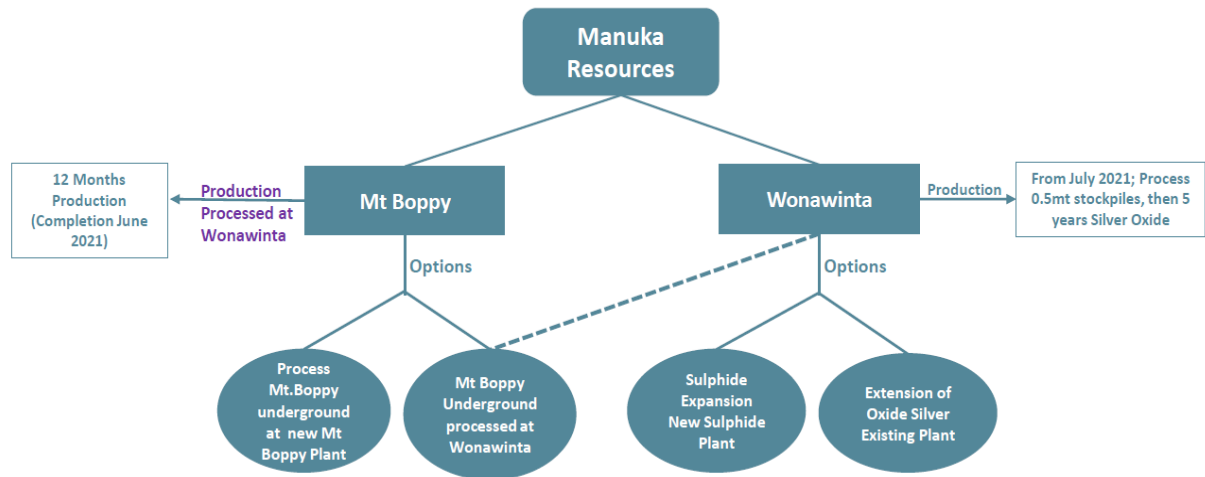
- Further expand MKR's Wonawinta silver production site by continuing to process its silver stockpiles
- Progress to mine, and process its silver reserves (converted from resource post in-fill drilling programme and geometallurgical studies)
- Target 5 years silver production at over 2m oz per year at approximately 100g/t Ag grades

MKR's immediate target for its cash flow is to pay down the US\$14m debt it carries on the balance sheet. The debt has a 14% coupon and also places restrictions on the type of exploration MKR can carry out with non-IPO funds. Paydown of the debt is targeted for Q2 2021 and will increase MKR's flexibility and exploration capacity.

## The Potential – Options Arise from Exploration Success

The exploration targets within the Mt Boppy and Wonawinta projects have the potential to present MKR with several options as to the extension of mine life and or expansion of production. Exhibit 4 shows the options we see available to MKR.

Exhibit 4 – Mt Boppy and Wonawinta – Exploration success drives Multiple Growth Options



Source: MKR.

### Mt Boppy – Underground Mine Potential

Initial exploration at Mt Boppy has delivered some exciting results. Early indications of mineralisation under the current pit point to the potential for an underground mine development. The underground mine development would most likely be a low capital option focussed on selectively mining high grade zones.

The Mt Boppy ore could be processed via the current Wonawinta processing plant or if grade and volume is significant via a dedicated processing plant at My Boppy. Mt Boppy has an existing camp, admin facilities and power reducing the initial capital cost.

### Wonawinta – Oxide Ore Mine Life Extension and / or Sulphide Ore Project

The Wonawinta project presents strong upside options for MKR. The existing Oxide silver oxide resource is currently being drilled to convert to a reserve. The 52moz resource has potential to provide a significantly longer mine life than the currently planned 5 year life. This option would require minimal capital and although would be at a lower grade than the first 5 years has strong potential.

Upon completion of the drilling of the oxide, Manuka will drill below the current resource to ascertain the size and structure of the mineralisation. The current resource is drilled to a mere 60m. The potential to delineate an “Elura” look-a-like sulphide resource is strong and could support an expansion of the plant to process sulphide ores via floatation to produce a silver -lead concentrate for sale to smelters in the Asia Pacific regions.

## The Geographical Context:

### The Cobar Basin – An Established Base and Precious Metals Production Region

Both the Mt Boppy Gold Project and the Wonawinta Silver Project are located in the Cobar Basin, in Central Western NSW. The Cobar Basin is one of Australia's most prominent and prolific base and precious metals production regions, with a combined endowment of more than 2.2Mt of copper (Cu), 2.4Mt lead (Pb), 3.8Mt zinc (Zn), 140Moz silver (Ag) and 6Moz gold (Au). In addition to Manuka's projects, there are four operational mines in the region. The ground in the Cobar Basin is tightly held and gaining exposure is difficult for new entrants.

### Geology of the Cobar Basin

The Cobar Basin is a north-south trending belt of sedimentary and volcanic rocks. The Basin is of mid-Palaeozoic age (460-440 million years old), with the rocks deposited in a series of asymmetric deep-water troughs up to 9 km deep surrounded by shallow water shelves. The Cobar Basin hosts several different mineralisation styles associated with different metals. These include:

- Volcanogenic massive sulphide deposits (VMS). This mineralisation style is dominated by Cu and Au mineralisation. This group comprises more than 70% of known metal pre-mining resources in the Cobar Basin
- Turbidite and carbonate base metal mineralisation dominated by Zn, Pb and Ag metal associations in at the margins of the deep-water troughs (Elura) and shallow-water shelf limestone (Wonawinta).
- Epithermal Au mineralisation occurring in proximity to intrusion bodies (e.g., Mt Boppy) and hosted by quartz and sulphide stockwork veins
- Intrusion-related mineralisation (in the southern portion of the Cobar Basin)
- Au-bearing quartz vein mineralisation
- Au-Cu porphyry mineralisation.

### The basin has both a long history and continued strong production and exploration success

Mining in the Cobar Basin began in 1871 with an erratic production history until 1964, when Broken Hill South Ltd started a modern mining operation at the CSA mine. The operation has subsequently had various owners and is currently operated by mining multinational Glencore, which has focused on mining copper, with a silver by-product.

The other mines in operation in the region are:

- the Peak Mine (~17,000oz of gold produced in FY2020, converting to a base metal operation), owned by Aurelia Metals (ASX: AMI)
- Hera Mine (~15,700oz of gold produced in FY2020)
- Toho Zinc (Tokyo-listed, 5707.T) producing zinc concentrates for shipment to Japan.

Peel Mining, Anchor Resources and Sandfire Resources also own ground in the Cobar Basin. There is virtually no unpegged ground in the entire basin.

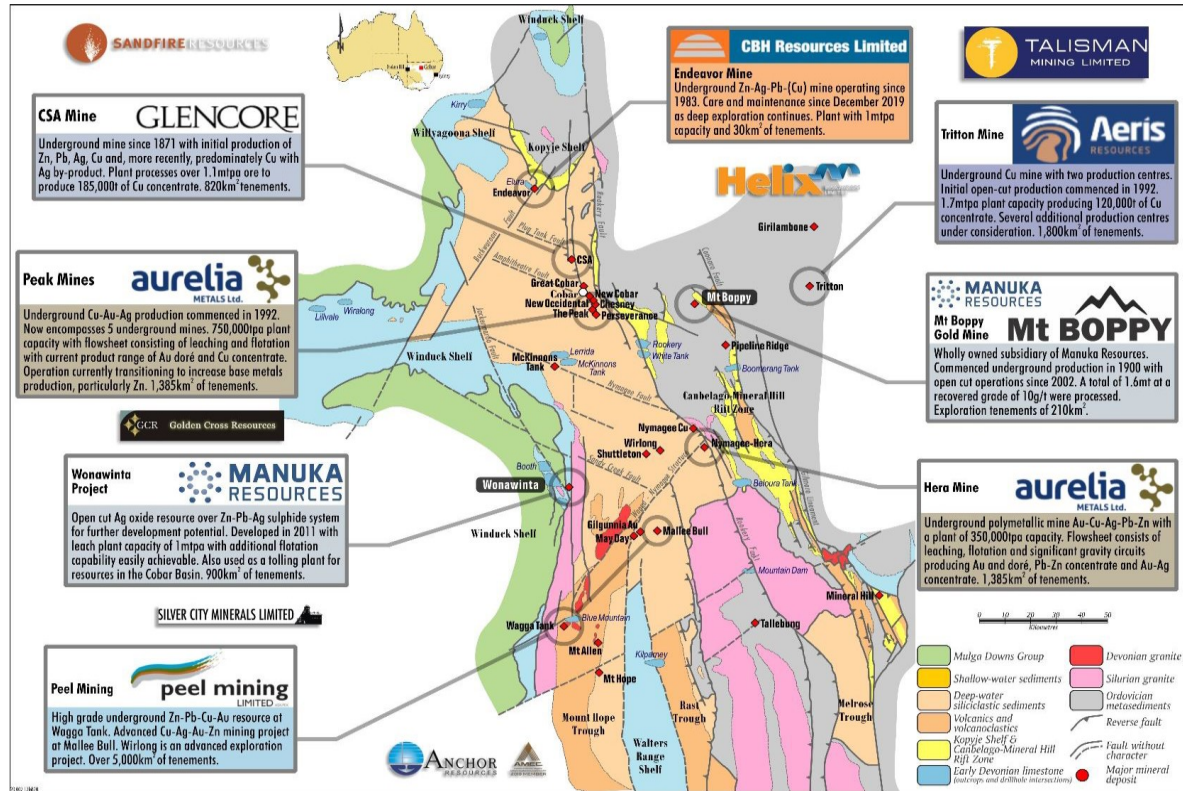
The Cobar Basin remains highly prospective, with recent exploration success for Aurelia in gold and zinc and Peel Mining's Mallee Bull and Wagga Tank projects having success on zinc, copper lead, gold and silver. Sandfire Resources has recently started an exploration programme at its Coomeratta project. Recent success at Mt Boppy also reflects the exploration potential for MKR. These recent exploration successes in the basin partially reflect modern exploration techniques and emphasises the continued upside in the region despite its long history of mining.

### Well-established regulatory environment

The regulation of mining in NSW is well established and transparent. Once approved, mining tenure is secure. Approval processes can be complex and take time, environmental obligations are quite stringent, and Native Title requirements need to be strictly adhered to, but all processes are well understood by the mining industry. Australia's ranking in the World Bank's 'Ease of Doing Business Index' is 14, putting it comfortably in the top quartile.



Exhibit 5 – The Cobar Basin – Operations



Source: MKR.

## The Background: A Brief History of MKR

### Acquisition of initial Australian assets and ASX listing

MKR was incorporated in April 2016.

MKR purchased the Wonawinta Project in late 2016 and acquired the Mt Boppy Gold Project in mid-2019. The company commenced processing Mt Boppy gold ore in April 2020, becoming Australia's newest precious metals producer. MKR was listed on the ASX on 14 July 2020 with an initial oversubscribed raising of A\$7.0m.

### A quick history of Mt Boppy

- 1896: Gold was first discovered at the Mt Boppy Gold Project
- 1900: Mount Boppy Gold Mining Company formed to mine 168 acres of gold leases that were secured around the discovery site
- 1901–1923: Major production from underground mining. The mine was one of the largest gold producers in Australia, with the orebody delivering some 500,000 ounces of gold from ore with a grade of 15 g/t gold. Exploration was conducted by several companies in the following years
- 2002: Mining recommenced when Polymetals reopened the mine and commenced open-cut operations over the historic underground mine, producing 68,000oz of gold in 2002–2005
- 2005: Mine placed on care and maintenance
- 2015: BOK cut out the saddle between the then two pits to create a single pit and ore was trucked to Wonawinta for processing, producing 8,700 ounces of gold
- November 2015: BOK placed into receivership

## A quick history of the Wonawinta Silver Project

- September 2014: BOK acquired the Wonawinta silver-lead-zinc project for total cash consideration of A\$6.175m (\$375,000 for tenements + \$5.8m for rehabilitation bond). The acquisition included the process plant and infrastructure built by Cobar Consolidated Resources (CCR) at a cost of more than A\$60 million with a production capacity of 850,000tpa
- Late 2014–early 2015: BOK invested A\$6m to upgrade the processing facility by installing a larger ball mill and other modifications
- May 2015: Mining at Wonawinta was completed ahead of schedule (614,000 tonnes of ore mined at 84g/t Ag). Approximately 350,000 t of the 614,000 t mined silver ore was processed prior to the transition in September 2015 to gold production from Mt Boppy ore. Silver ore not blended into mill feed during the Mt Boppy gold production campaign was planned to be processed once gold production had concluded.
- End-September 2015: An additional approximate 263,407 tonnes of silver-bearing rock were added to the existing stockpiles on the Manuka ROM pad for potential processing following completion of gold processing of Mt Boppy ore; 13,501 ounces of silver was in circuit at the end of September 2015. Total silver production since operations commenced in March 2015 to November 2015 was 751,704 ounces.

## Mt Boppy Gold Project: Infrastructure, Cashflow, Exploration Potential

### Key Project Advantages

- All approvals in place
- Stockpiles processed
- Immediate cash flow generation
- Gold resource being mined
- Existing infrastructure including power and 42-person camp
- Wonawinta Processing Plant set up for processing gold
- Very low capex
- Virtually unexplored below pit shell
- Regional exploration target options

### Project Details

The Mt Boppy Gold Mine is located 43 km east of Cobar in the Central West region of New South Wales. MKR owns 7 granted mining titles and 1 granted exploration licence as part of the Mt Boppy Project. The ore will be processed from existing stockpiles as well as an existing in-pit resource and reserve. Mt Boppy ore is trucked some 145km along predominantly sealed road to be processed at the fully refurbished Wonawinta processing plant which is currently set up to process gold.

Mt Boppy has fully functioning infrastructure on site, including power, a 42-person camp and associated facilities, a two-stage crushing plant and mobile mining equipment. A full workforce for current operations is on site.

### Geology overview

Mt Boppy is located on the eastern side of the Cobar Basin within the northern tip of one trough known as the Canbelego-Mineral Hill Rift Zone. The Mt Boppy gold deposit is a gold-rich member of the high-grade Cobar-style polymetallic (Au-Ag-Pb-Zn-Cu) deposits. Cobar-style polymetallic deposits are strongly structurally controlled and usually with small but detectable surface footprints. Deposits have significant depth extents (up to 1000 m) and in some cases large strike extents with manifestation of multiple pipe-like deposits.

### Key site infrastructure in place

The key site infrastructure and facilities which are already in place include:

- Operational open cut mine
- Fully operational mine camps
- Onsite power
- Two-stage crushing plant (jaw and cone)
- Mobile mining equipment
- Old tailings for potential reprocessing.

### Project Resources and Reserves

As at 30 June 2020, the Mt Boppy Gold Mine has a resource of 371,700 tonnes of gold ore at 3.13g/t, contained in a mix of oxidised, transitional/fresh ores and historic stoping sands. The reserve of 270,000 tonnes at 3g/t exists in oxide, transitional and fresh rock along with stoping fill from old workings.

## Exhibit 6 – Mount Boppy Gold Mine Resource Estimate

Resource Category	Material	Tonnes	Grade g/t Au	Contained gold Troy ounces
<b>Measured</b>	in-situ	40,500	3.43	4,473
<b>Indicated</b>	in-situ	195,500	2.99	18,790
	stopes	111,700	3.60	12,930
<b>Inferred</b>	in-situ	24,000	3.33	2,570
<b>Total</b>		<b>371,700</b>	<b>3.13</b>	<b>38,763</b>
Stockpiles (measured)		13,972	2.00	898

Source: MKR.

## Exhibit 7 – Mount Boppy Gold Mine Reserve Estimate

Ore Type	Thousand Tonnes	Grade g/t Au
Oxide	10	3.1
Transitional	130	2.9
Fresh	20	3.3
Stope tailingsfill	100	3.3
Existing Stockpiles	10	2.5
<b>Total Probable Ore</b>	<b>270</b>	<b>3.0</b>

Source: MKR

All mining and exploration licenses are current and in place, and environmental obligations are lodged and secured (see Exhibit 6). The value of existing approvals cannot be overstated, as embarking upon approval applications for mining and exploration licences is a slow and laborious process.

## Exhibit 8 – Mount Boppy permits

Statutory requirement	Compliant?	Note	
Mining Licences (ML 1682, ML311)	✓		Mining License & Development Consent ✓
Environmental Protection Licence	✓	EPL20192	Environmental Protection License ✓
Native Title and Cultural Heritage Consents	✓	Cultural Heritage Deed of Agreement executed 19	Native Title & Cultural Heritage Consents ✓
Development Consents	✓	Development Consent 2011/LD-00070	Rehabilitation Security Deposit ✓
Rehabilitation Security Deposit	✓	Lodged \$1,365 with DPE	Water Access license ✓
Water Access Licence	✓		

Source: MKR

## Mining and Processing

### Mining

Mt Boppy ore is mined via a standard drill-and-blast open-cut mining method. The ore is crushed and is loaded onto B-Double trucks for transport to the Wonawinta processing facility some 145km away. Consideration needs to be given in the process to the old underground workings and managing old wooden support beams as well as managing voids from previous mining. The mining of existing reserves will likely see the end of the open-cut mining phase, and any further extensions to Mt Boppy will be underground.

The current Mt Boppy mining schedule is based on a schedule produced by the company in early 2020, after Reserve modelling was undertaken by external consultants based on the Mineral Resource Estimate produced by Mining Associates in 2017. The current plan sees around 290kt of ore mined by April 2021 and processing continuing until June 2021, leaving potential upside from the Resource of 370kt.

### Processing

The mined ore will be crushed at the Mt Boppy site and hauled by road train to the Wonawinta Processing Plant for processing. The plant is a standard Carbon in Leach (CIL) process, where the ore is ground to a slurry via a ball mill and cyclones. Sodium cyanide is added, and the slurry leached through CIL tanks, where in each tank the leaching of gold with sodium cyanide occurs simultaneously with the absorption of the gold into activated carbon. The carbon is treated and passed through an elution column and electrowinning circuit where the sludge is filtered dried and smelted to Gold dore. The dore is securely held and then transported to a nominated refinery.

## Mt Boppy Underexplored, Exploration Options Abound; Early Success Excites

There is substantial gold exploration potential at Mt Boppy. Historically, the mine produced over 500,000 oz of gold @15g/t, and drilling was largely limited to ~120 metres depth. Since then, there has been minimal subsequent exploration drilling. Under previous management, there was strong conviction from geologists that a deeper resource exists on this site of similar grade and scale.

### Initial exploration success – outstanding results

MKR has begun an exploration campaign while mining the remaining resource in the southern section of the existing Mt Boppy gold mine pit, known as the Boppy South prospect.

Four new holes have been drilled at shallow depths and have struck extremely high-grade gold intersections:

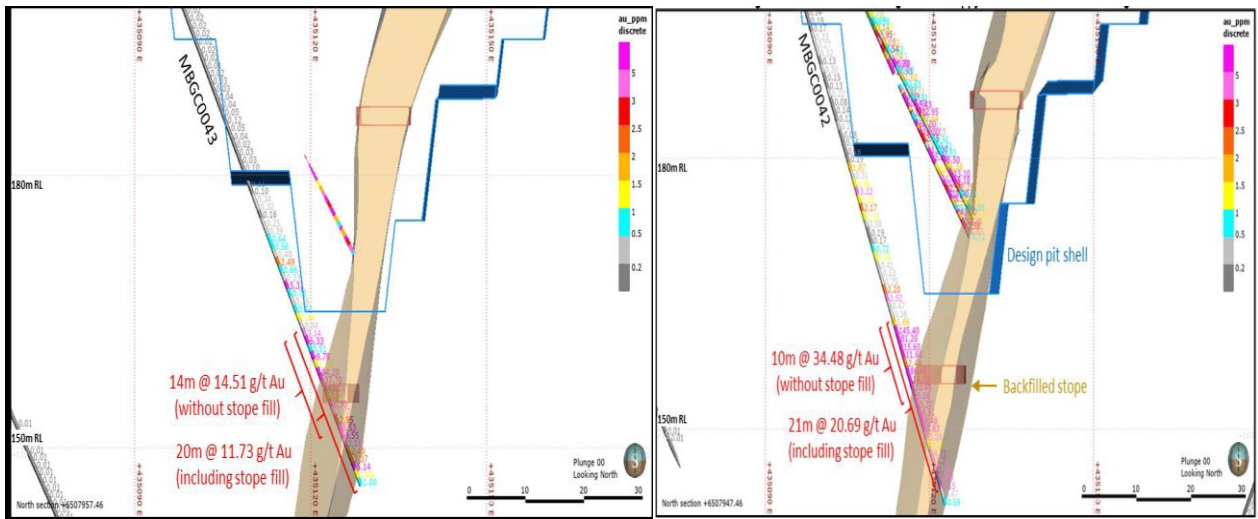
- Hole MBGC0042: 10 m @ 34.48 g/t Au from 57 m depth
- Hole MBGC0043: 14 m @ 14.51 g/t Au from 59 m depth
- Hole MBRC016: 10 m @ 4.05 g/t Au from 158 m
- Hole MBGC017: 18 m @ 6.24 g/t Au from 166 m downhole depth

These intercepts are approximately 7–30 m beneath the current planned pit floor. The reported drill holes were part of a program designed to test down-dip extensions of mineralisation on the west side of back-filled stopes and western side of the pit in the Mt Boppy deposit. Mt Boppy operated as an underground mine in 1900–1923, during which time these stopes were backfilled with tailings sands that contain significant gold grades and form part of the Mt Boppy resource.

MKR has undertaken to develop three-dimensional modelling of the wider Mt Boppy camp and neighbouring tenements and is well advanced in this direction. This interpretation of the wider area around Mt Boppy has highlighted areas of no previous drill testing or other exploration where prospective Baledmund Formation is cross-cut by north-trending structures. These areas are largely covered by alluvium and present targets for shallow (RAB or aircore) drilling. Preparations are underway to complete statutory approvals for these drill programs during September, with the programs (comprising circa 13,500 metres of drilling) planned to commence in October 2020.

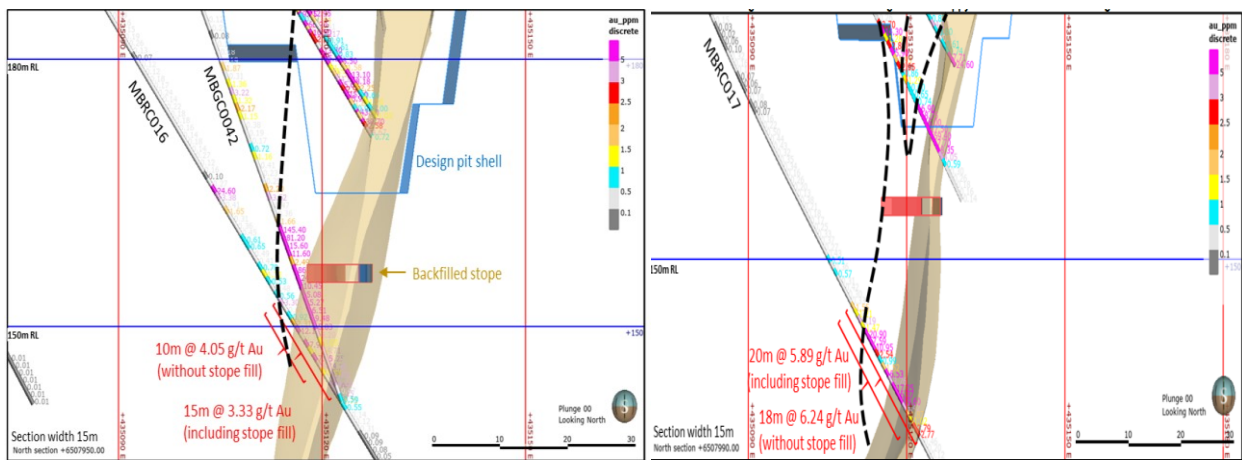


Exhibit 9 – Mt Bopy exploration success



Source: MKR.

Exhibit 9 – Mt Bopy exploration success



Source: MKR.

The Mt Boppy region – more opportunities

In addition to its exploration upside, Mt Boppy is also located within an exciting neighbourhood within NSW’s Cobar Basin. Mount Boppy’s key prospective targets are:

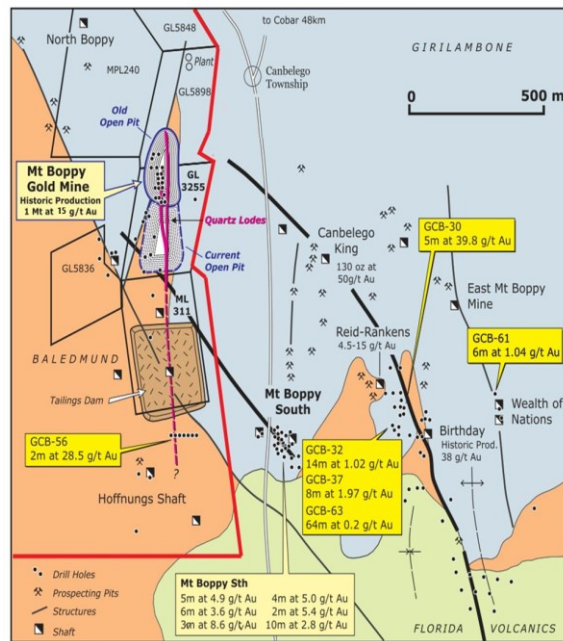
Birthday Prospect: historical production of 38g/t circa 1910

Canbelego King: historical production 50g/t circa 1908

Reid Rankin: historical production up to 15g/t (1900–1910)

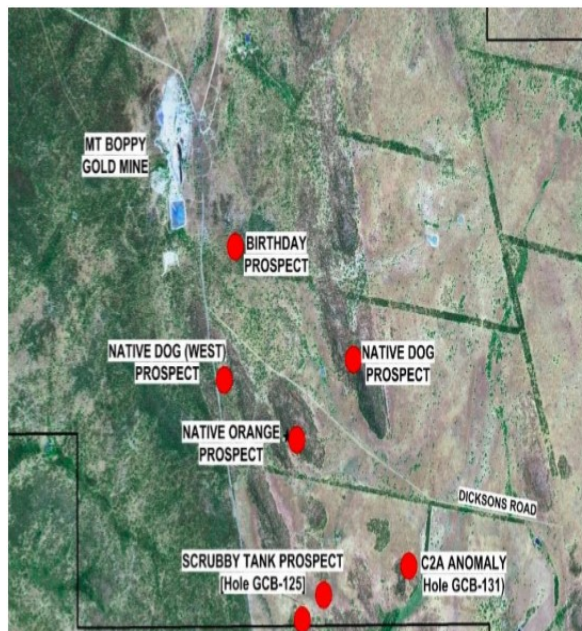
Regional exploration will continue after the Mt Boppy near mine exploration programme has been completed.

Exhibit 10 – Mt Boppy’s neighbourhood



Source: MKR

Exhibit 10a – Mt Boppy’s neighbourhood



Source: MKR.

## Wonawinta Silver Project: High-Grade Silver; Long-Term Potential

### Key Project Advantages

- All approvals in place
- Stockpiles to be processed
- Immediate cash flow generation post Mt Boppy
- Planned minimum five-year mining programme
- High-grade silver resource to be converted to reserve
- Existing infrastructure including power, camps and admin facilities
- Wonawinta Processing Plant nameplate process capacity 850ktpa with 1mtpa potential, strategic capacity
- Secure gold room
- Low capex
- No historic exploration completed below 60m
- Regional exploration target options

### Project Details and Geology

The Wonawinta Silver Project is located south of Cobar on the south-western margin of the Cobar Basin, and is accessed from Cobar via the sealed Kidman Way highway. The Wonawinta Silver project has 1 mining lease and 7 exploration licenses, which cover a total of 920km<sup>2</sup>. The site's refurbishment was completed in December 2019.

The carbonate hosted Wonawinta silver-lead-zinc deposit lies on the western margin of the Cobar Basin. Mineralisation occurs along some 6 km of lateral extent and has been interpreted as an oxidised (supergene-enriched) Mississippi-Valley Type (MVT) deposit. The regional geological setting, host rocks and geometry of mineralisation largely fit this model, although the high silver grades with associated gangue minerals observed at Wonawinta may be more typical of Irish Style deposits.

### Key site infrastructure

The key site infrastructure and facilities which are already in place include:

- A fully operational mine camp and administration area
- Processing facility
- 500,000t oxide Ag stockpile
- Recently expanded tailings storage facility (wall raised 2m)
- Airstrip
- Waste rock disposal areas

### Project resources and reserves

The Wonawinta Silver Project hosts a resource of 38.8 million tonnes @ 42.0 g/t Ag (which equates to 52.4 million oz Ag contained). Additionally, stockpiles at the Wonawinta plant site measure 500kt at an average estimated grade of 75g/t Ag.

Over 10m oz of the total 52m oz resource grades over 100g/t Ag. MKR intends to upgrade the silver oxide resource at Wonawinta to re-establish reserve and increase oxide resource. Over 10m oz of the total 52m oz resource grades over 100g/t Ag. MKR intends to upgrade the silver oxide resource at Wonawinta to re-establish reserve and increase oxide resource. Of critical importance to MKR is the fact that the silver oxide ores are extremely soft and provide greater throughput in the mill. To elaborate, MKR can process 2.4 times the silver oxides through the plant as compared to the Mt Boppy gold ores. Furthermore, there is no haulage costs and limited crushing.

Exhibit 11 – Wonawinta Project mineral silver estimate

Wonawinta Mineral Silver Estimate					
Resource Category	Material (Mt)	Ag (g/t)	Pb (%)	Ag (Moz)	Pb (kt)
Measured	0.90	45	0.70	1.30	6.20
Indicated	8.50	49	0.79	13.20	67.50
Inferred	29.40	40	0.55	37.80	162.90
<b>Total</b>	<b>38.80</b>	<b>42</b>	<b>0.61</b>	<b>52.40</b>	<b>236.50</b>

Source: MKR.

### Tenure and approvals

All mining and exploration licenses are current and in place and environmental obligations are lodged and secured at Wonawinta. Exhibit 12 details the approvals. The value of existing approvals cannot be overstated as embarking upon approval applications for mining and exploration licences is a slow and complex process.

Exhibit 12 – Wonawinta Permits

Statutory requirement	Compliant?	Note
Mining Licences (ML1659)	✓	
Environmental Protection Licence	✓	EPL20020
Native Title and Cultural Heritage Consents	✓	Aboriginal Heritage Impact Permit received 23 April 2012
Development Consents	✓	Development Consent 2010/LD-00074
Rehabilitation Security Deposit	✓	Lodged \$5.515m with DPE
Water Access Licence	✓	

Mining License & Development Consent ✓

Environmental Protection License ✓

Native Title & Cultural Heritage Consents ✓

Rehabilitation Security Deposit ✓

Water Access license ✓

Source: MKR.

### Mining and processing

#### Mining

The Wonawinta silver mine will be a simple shallow open-pit drill and blast mine. The ore is very close to the surface so there will be minimal pre-strip of waste rock prior to mining. The new pits which are intended to be developed are adjacent to the processing plant.

#### Processing

The Wonawinta plant currently processes Mt Boppy gold ores and will follow by processing the 500kt silver stockpile onsite, before mining the existing silver resource. MKR expects the recovery rate of the plant to be around 78%.

The Wonawinta mining inventory and schedule is predicated on mining a high-grade portion of the existing Resource and is conceptual in nature. The stockpiles and in-pit mining inventories are shown in Exhibit 13.

The existing plant has a nameplate capacity of 850ktpa as per the previous owner. However, MKR, prior to listing, replaced the ball mill motor. We estimate the Wonawinta processing plant now has potential capacity of approximately 1mtpa.

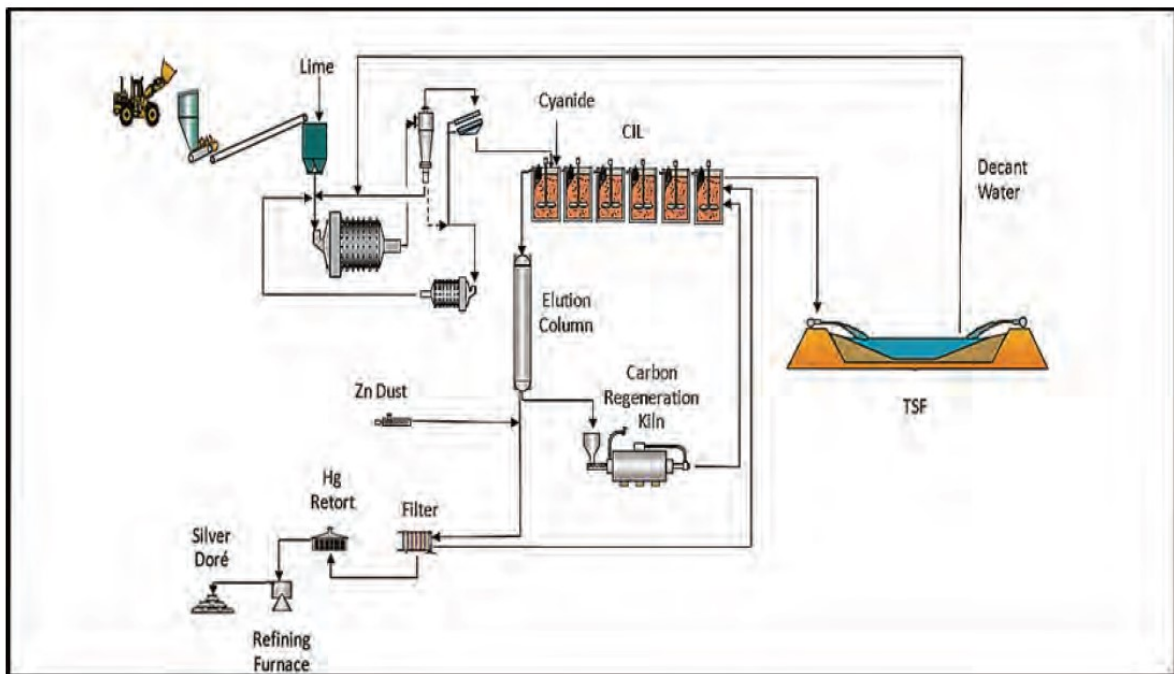
Exhibit 13 – Wonawinta silver stockpile / mining inventory

Category	Ore	Grade (g/t)	Contained Metal (koz)
Wonawinta (silver) stockpile	500	75.0	1,206.0
Wonawinta (silver) mining inventory	4,000	100.0	12,839.0

Source: MKR.

As described in the Mt Boppy section, the processing of silver will be very similar to the processing of gold. Zinc dust will be used to precipitate silver out of solution rather than electrical processes used in the gold flowsheet. Exhibit 14 shows a simplified diagram of the process.

Exhibit 14– Wonawinta – fully functioning plant



Source: MKR.

### Processing of third-party ores

The Wonawinta processing facility is strategically located in the Cobar Basin. The facility is located close enough to the tenements of Peel Mining, Sandfire and Anchor Resources to have potential to process their ores. The facility may have the potential for spare capacity at times and to have the ability to toll treat ores of other producers, saving the third parties capex, significant timelines in obtaining development approvals and generating additional income for MKR.

### Wonawinta – exploration opportunity at many points

Wonawinta Resource – little drilling below 60m

Historical exploration at the Wonawinta site provides promising exploration upside. Historical exploration on the Wonawinta properties was at depths of circa 60m; the existing oxide resources tend to sit above sulphide mineralisation. The Cobar Basin is a deep basin (typified by the current mining depths of the surrounding Peak, Elura/Endeavour and CSA projects), which allows MKR to target deeper drilling at Wonawinta for sulphide deposits.



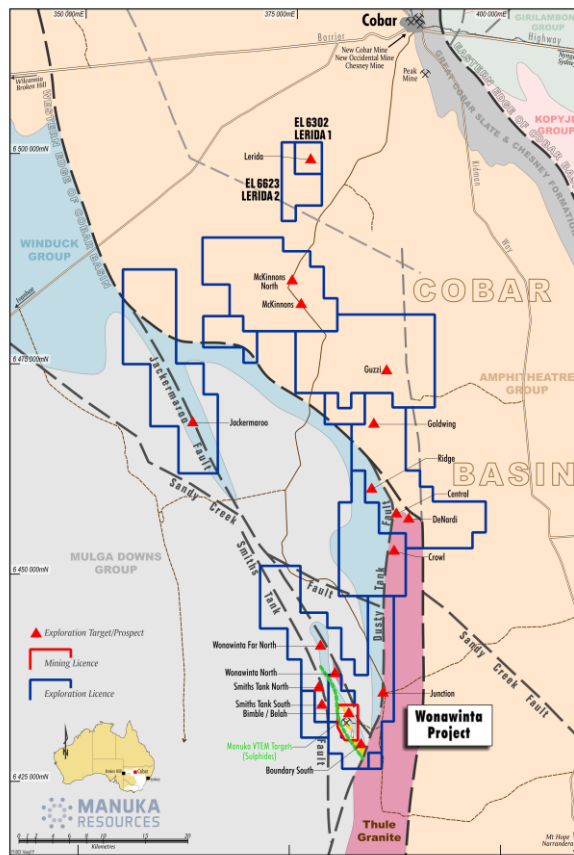
**Regional prospects very promising**

The potential success of the Wonawinta site is supported by successful neighbouring mines, which include Endeavour Mining’s Elura (resources total 17.7MT at 4.9% Pb, 8.7% Zn and 69g/t Ag and reserves of 11MT at 4.5% Pb, 7.9% Zn and 66g/t Ag) and the McKinnon project on the Wonawinta tenements which was previously a gold mine owned by Burdekin Resources, and produced >150,000oz Au @2.6g/t in the late 1990s.

MKR is targeting deeper drilling at Wonawinta for sulphide deposits during 2H CY2020.

As part of their exploration program, MKR has also identified four high-grade, high-conviction targets at Wonawinta. The primary targets are Bimble, Belah, Boundary and Smiths Tank.

Exhibit 15- Wonawinta – regional exploration targets



Source: MKR.

## MST Site Visit to Mt Boppy and Wonawinta – Fully Established and Producing

As part of the process of writing this research report, MST paid a site visit to Mt Boppy and Wonawinta projects.

The visit confirmed the view that MKR has acquired well established assets and options for further exploration success and that the projects' management and staff are competent, highly qualified and motivated.

Exhibit 16 – Wonawinta Plant – Fully Refurbished - Leach Tanks, New Larger Ball Mill, New Diesel Generators



Source: MST.



Exhibit 17 – Wonawinta plant – gold room upgrade allows on site pours, extensive spares acquired from previous owner



Source: MST.

Exhibit 18 – Wonawinta – reserve drilling for silver oxide, fully compliant tailings storage with raised wall



Source: MST.

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Exhibit 19 – Mt Boppy – pit, camp and ore for processing at Wonawinta – fully operating

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Source: MST.



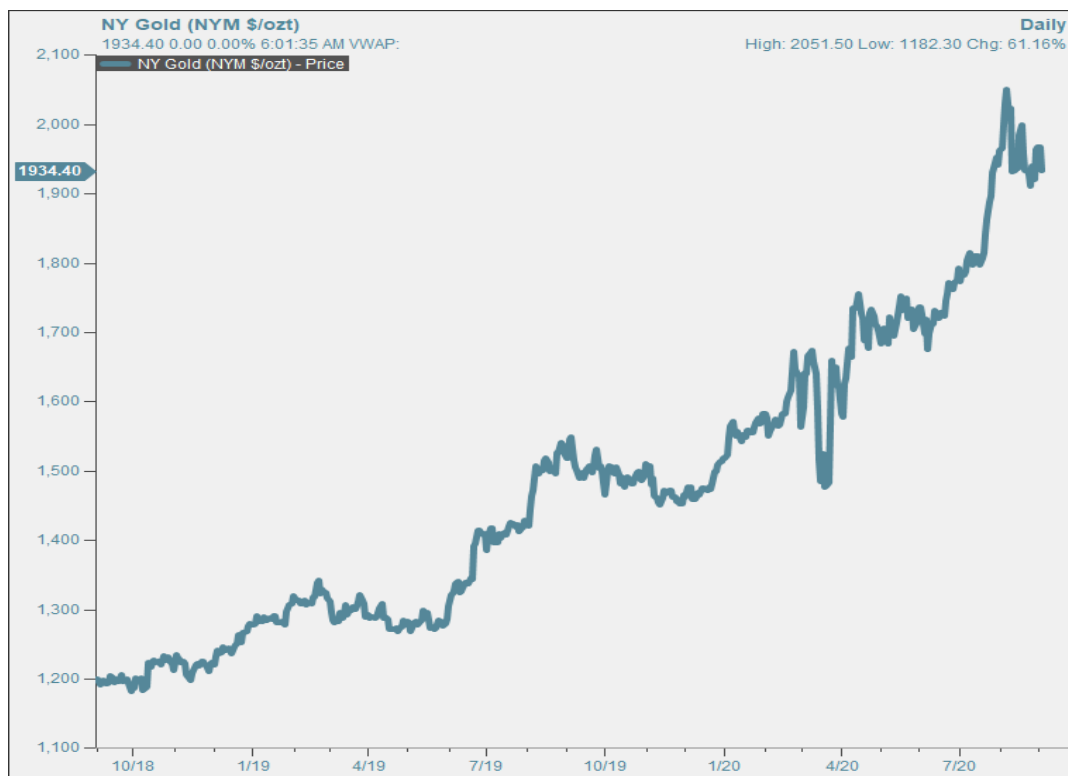
## Gold & Silver Markets Strong;

### A Quick Look at the Gold Market and the Gold Price

The price of gold is determined by a number of factors, each of which influence the price differently depending on the stage of the economic cycle. The key factors influencing the gold price are:

- gold demand – India and China have the most influence on the physical demand for gold. This demand tends to be quite short term and cyclical and can have a short-term influence on gold prices
- derivatives markets – gold options and the speculative market for gold can influence the price
- investors seeking non-interest bearing assets in a low interest rate environment
- macro factors have significant influence on gold prices
  - global economic conditions and geopolitical issues
  - global interest rates and bond yields
  - asset market volatility
  - the US dollar
  - inflation
  - risk tolerance.

Exhibit 20 – Two-year historical gold price



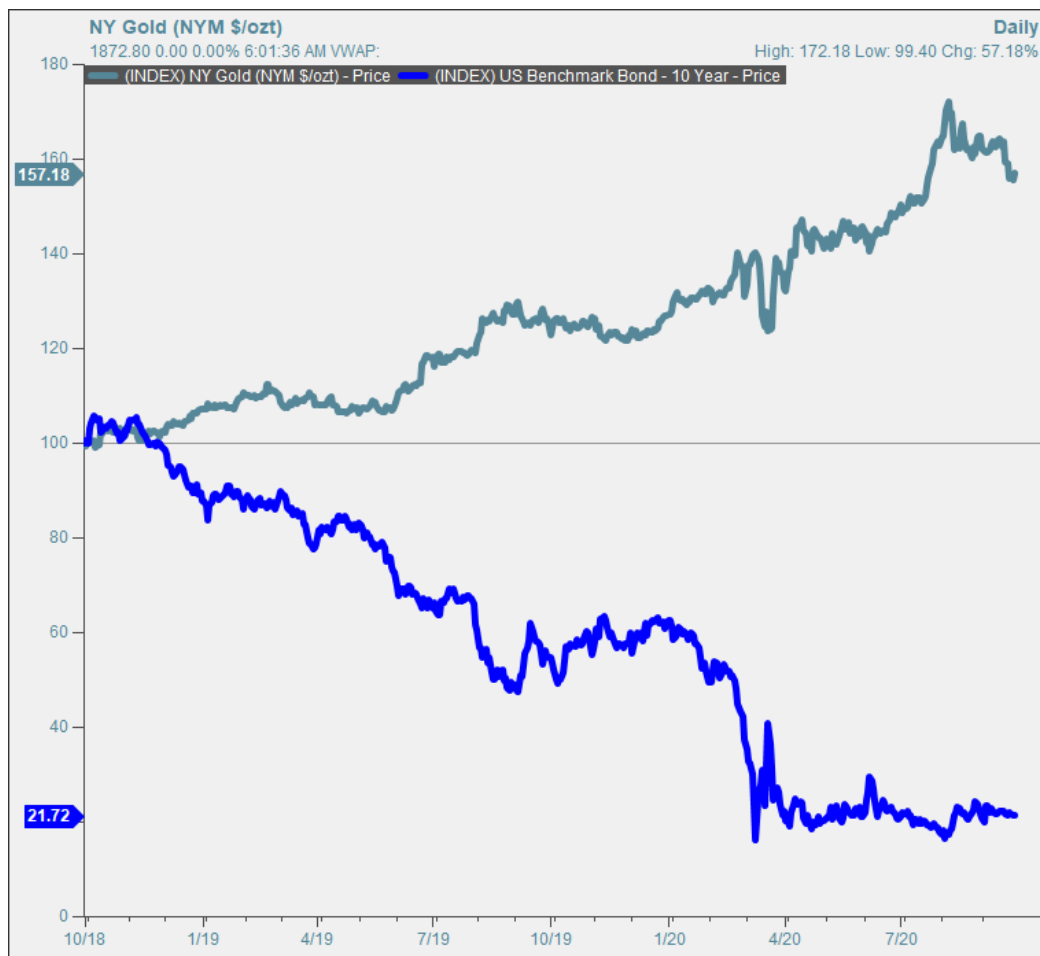
Source: Factset.

The last two years have seen the US dollar gold price range from US\$1175 to just over US\$2000/oz. The major influence on the gold price over the last two years has been the US bond rate (see Exhibit 21).

The current spot rate of gold is around US\$1870.



Exhibit 21 – Two-year historical gold price vs 10-year US bonds



Source: Factset.

## The Silver Market – Some Fundamentals Like Gold, but a Little More Volatile

### Silver market overview

Silver, like gold, has been considered a reliable store of wealth and value for centuries. The physical silver market is much smaller than the market for gold and is valued at approximately 1/70 of the price of gold. In comparison to the total investment in physical gold that equates to approximately US\$40 billion a year, only about US\$4 billion a year is invested in silver. Australia has the largest share of the world's economic silver resources.

Like most commodities, the price of silver is driven by investment and supply and demand. The silver price is volatile compared to the gold price because of the smaller market, lower market liquidity and demand fluctuations between industrial and store of value uses. The main determinants causing volatility in the silver market are

- **Large traders or investors:** The silver market is much smaller in value than the gold market. With physical demand estimated at US\$15.2 billion per year, it may be possible for a large trader or investor to influence the silver price either positively or negatively. Moreover, the central banks do not trade in silver like they do gold, which can not only move the price of gold but do so in a more orderly fashion. Thus, the reliance on investors to determine the value of silver tends to make the silver market more unreliable and unstable than the gold market.
- **Short selling: Industrial, commercial, and consumer demand:** The volatility of the silver market makes it more vulnerable to fluctuations in demand due to investor and trader sentiment.
- **The volatility of the silver market tends to deter long-term silver investors, who prefer lower volatility and steadier price accumulation.** However, for those who seek shorter-term returns, the added volatility of silver can also be viewed as a benefit.

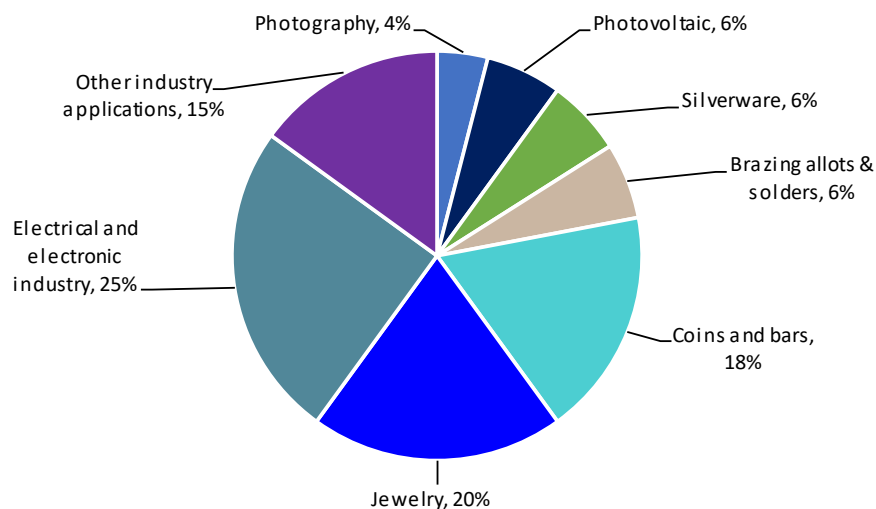
## Uses of silver

Demand for silver comes from both industrial and investment sectors. In 2019, global demand for physical silver increased to 991.8 million ounces from 988.3 million ounces in 2018. The global usage of silver is divided across numerous applications:

- electrical and electronics: Silver’s ability to conduct electricity without corroding makes it a suitable component of many electrical applications, including batteries, switches, contacts and fuses. Moreover, everyday household items such as microwaves, dishwashers, TVs, telephones, toys and computers all contain silver.
- coins and medals
- photography
- jewellery: silver is a popular material in jewellery due to its attractiveness and the ease with which it can be worked
- silverware: Often silverware is made from sterling silver, an alloy comprised from 92.5% silver and 7.5% copper, due to its strength and durability.
- industrial uses such as solar panels, batteries, wood preservatives and water purification.
- silver is also used in the health industry. Silver sulfadiazine, for example, is used to treat burns due to its ability to prevent bacterial growth and speed healing time.

The expansion of the middle classes in emerging economies, with increasing discretionary income and therefore growing demand for non-essential products, may also contribute to a long-term rise in industrial and jewellery usage.

Exhibit 22 – Uses of Silver



Source: Silver Institute.

## Silver’s performance versus gold

Silver’s smaller market size and relatively lower liquidity can also contribute to its outperformance of gold during a major upward price move of both commodities. There are several reasons why silver often lags gold in starting a major upward price move, but then rises faster in percentage terms, with one of the most important factors being the comparatively small size of the market. In 2019, for example, the dollar value of the gold market was around 5.5 times that of silver. Given the smaller size of the silver market, it takes less effort for investors to move the price of the metal higher or lower. The smaller size of the market essentially increases volatility, which while supportive of outperformance compared to gold when prices are rising also adds risk to the performance of silver as a stand-alone asset and to any portfolio in which precious metals are included. In addition, the lack of liquidity within the silver market also contributes to sharper moves in silver relative to gold.

The same factors – smaller market size and relatively lower liquidity – that help silver outperform gold on the upside, however, also make silver a high risk-high-return asset. While there is some benefit to adding silver to a portfolio as a strategic asset, given the higher level of risk associated with the metal, silver is probably better for trading in and out of than for strategic allocation in a portfolio.

In addition, indications are that after years of underperformance relative to gold (reflected in the sharp increase in the gold: silver ratio), the silver price is now playing ‘catch up’ with gold. The ratio has slipped lower but is still at historically elevated levels.

Exhibit 23 – Gold to silver ratio – recent sharp moves – more normalised range now



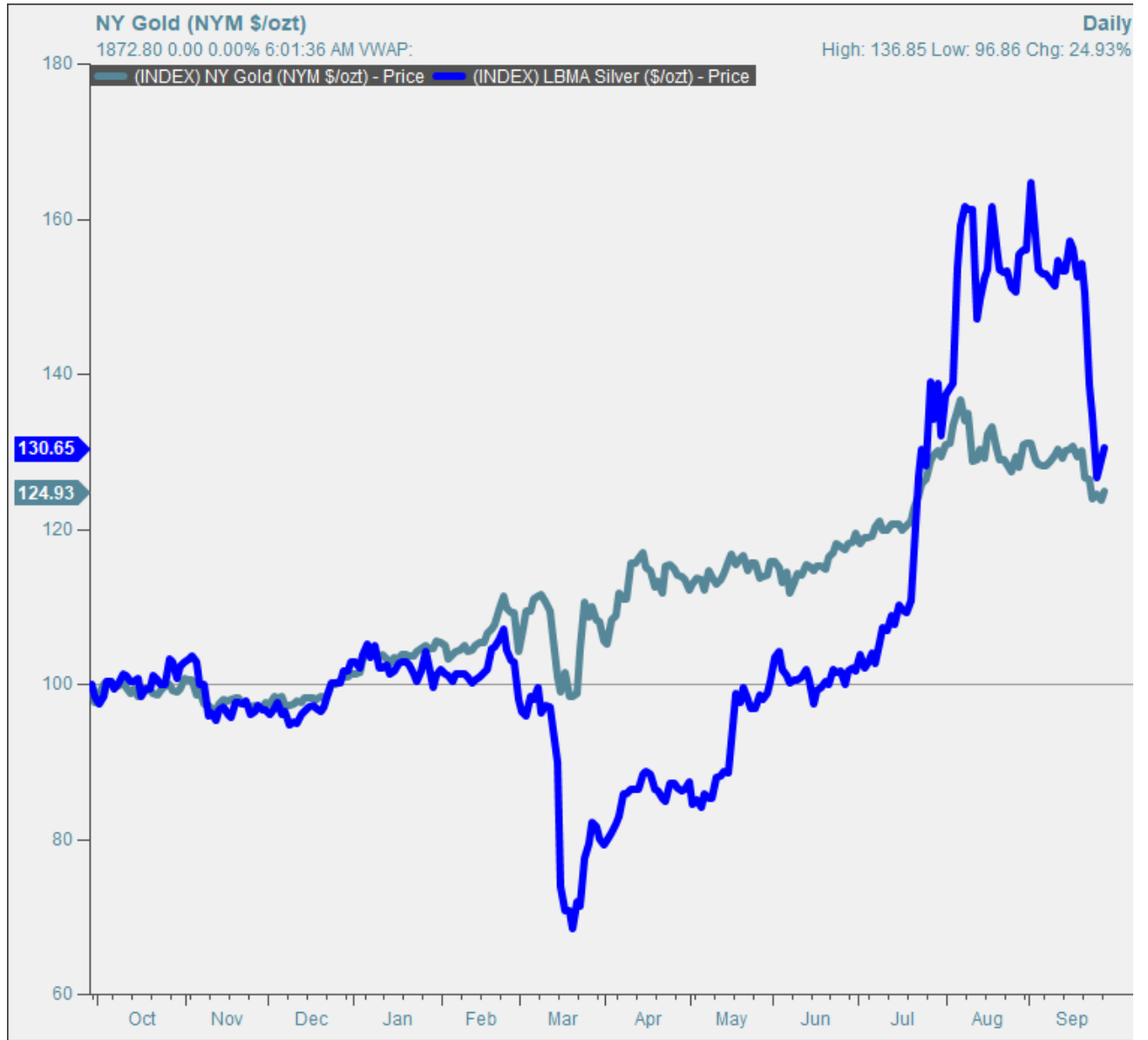
Source: Factset.

### Impact of pandemic on the silver market

The negative economic fallout caused by the COVID-19 pandemic is expected to have a lasting negative impact on commercial real estate values, air travel and jobs. Governments and central banks around the world have rushed to provide support to the economy from this shock, injecting liquidity into the markets that are looking for yield.

The increased liquidity in the market has pushed rates into negative territory, making non-interest-bearing assets like gold and silver appealing to investors.

Exhibit 24 – Gold to silver relative performance – 1 year



Source: Factset.

## Valuation: Near-Term Cash Flow Generation, Upside from Exploration

### Valuation Methodology: Sum-of-the-Parts, Using Risked NPV - \$A0.94

We value MKR at **A\$0.94** per share. We have valued MKR using a sum-of-the-parts methodology, valuing Mt Boppy and Wonawinta Silver on a risked NPV basis.

Key to our MKR valuation is the low-risk, low-capex near-term cash generation from the Mt Boppy resource and the Wonawinta silver resource. Our positive view of both the gold and silver market is a strong driver of our valuation as well.

The presence of an existing fully refurbished plant at Wonawinta gives MKR options to process both gold and silver as well as third-party processing deals. The substantial exploration potential from underground at Mt Boppy and beneath the current oxide resource at Wonawinta presents significant growth potential and mine-life extension.

#### Exhibit 25 – Valuation summary

EQUITY VALUE PROJECTS	A\$M	EQUITY VALUE A\$/SHARE FULLY DILUTED	Valuation Methodology	Risk Factor	% OF VALUE
Equity Value Wonawinta Oxide	206.9	0.76	Risked Project NPV	100%	72%
Equity Value Wonawinta Sulphide	33.8	0.13	Risked Project NPV	40%	12%
Equity Value Mt Boppy	46.5	0.17	Risked Project NPV	Open Pit 100%, Underground 50%	16%
<b>EQUITY VALUE</b>	<b>287.3</b>	<b>1.06</b>			<b>100%</b>
Add: Cash	1.51	0.01	As at 30/06/2020		
Less: Debt	-24.7	-0.09	As at 30/06/2020		
<b>EQUITY VALUE PRE SG&amp;A</b>	<b>264.2</b>	<b>0.99</b>			
SG&A	-13.8	-0.05	NPV of Corporate Costs		
<b>EQUITY VALUE</b>	<b>250.4</b>	<b>0.94</b>			

Shares Outstanding	Million
Number of shares outstanding	249.35
Number of unlisted shares (Options)	21.25
<b>Fully diluted Share Base</b>	<b>270.6</b>

Source: MST estimates

### Core Assumptions: 3-Stage Early Cash Generation Plan Creates Substantial Value, Exploration Adds Upside

The key driver of our valuation is the Wonawinta Silver Project. The low-cost mining of the oxide ore and the benefits it brings in the early years in terms of processing drives value. In addition, the sulphide ores potential beneath the current resource present substantial increase to production of silver (with lead and zinc potential as well) and mine life extension potential.

The Mt Boppy project generates near-term cash flow which will allow MKR to pay off its debt and release the restrictions of its current loan arrangements (in particular, the limits of how much can be spent on exploration). The current drilling underneath the existing pit shell has already indicated substantial mineralisation, indicating the potential for an underground extension to the mine and a standalone processing plant.

We have assumed that all projects are funded by cash flow and debt.



## Exhibit 26 - Core modelling assumptions

Price and Currency	
AUD/ USD	0.70
Silver Price US\$/oz	25
Gold Price US\$/oz	1,800
Cost and Financing	
Discount Rate Silver Project %	10%
Discount Rate Gold Project %	10%
Inflation %	2.5%
Interest on Cash %	1%
Interest on Borrowings %	8%
Modelling	
Depreciation	LOM
Depreciation Rate	10.00%
Mt Boppy Extension Depn	20.00%
Taxation Rate	30%

Source: MST estimates

### Silver price assumptions

We believe that the silver price will remain elevated due to continued high gold prices and loose monetary policy as well as increased demand from industrial and electrical uses. Our silver forecast is US\$25/oz.

### Gold price assumptions

We believe that the silver price will remain elevated due to continued high gold prices and loose monetary policy. We have assumed a gold price of US\$1800/oz.

### Mt Boppy: base-case assumptions – first cash flow for MKR- Strong options for extension of life

## Exhibit 27 – Mt Boppy First Year of Production Assumptions

<b>Tonnes Milled</b>	360,000
<b>Production Completion</b>	30-Jun-21
<b>Monthly Production oz</b>	2,370
<b>Production recovery %</b>	78%
<b>AISC per oz</b>	\$1,310
<b>Total Production oz</b>	25,200

Source: MST estimates

## Mt Boppy Underground – Ore processed at Wonawinta processing facility

An option that MKR may look at is the processing of Mt Boppy underground ore at the Wonawinta plant. There may also be some early underground gold from Mt Boppy mined by selectively and manually and processed at Wonawinta in the early stages of the mine. Our valuation has assumed that any Mt Boppy underground ore is processed at a standalone Mt Boppy processing plant.

## Mt Boppy Underground – New project with standalone processing facility

Mt Boppy's initial drill results under and adjacent to the current pit give positive indications of a mineralised system. Given the history of Mt Boppy, we are confident that MKR will define a resource there will be a gold project for development. For our valuation we have assumed that Mt Boppy will be developed as a standalone project (as the Wonawinta plant is assumed to be a standalone silver project going forward)

Given the early stage of the project, and the subjective nature of the analysis, we have taken a conservative approach to our production and mine life assumptions for Mt Boppy. We have assumed A\$50m of capital will be required to set up a gold processing plant at Mt Boppy. The Mt Boppy project has existing infrastructure including a camp, admin, power and roads, saving significant capex and time for Manuka.

We have assumed that the project will run for 5 years at similar grades to the current Mt Boppy mine (with risk to the upside on grade given initial drilling results) and at production levels similar to the current Mt Boppy mine.

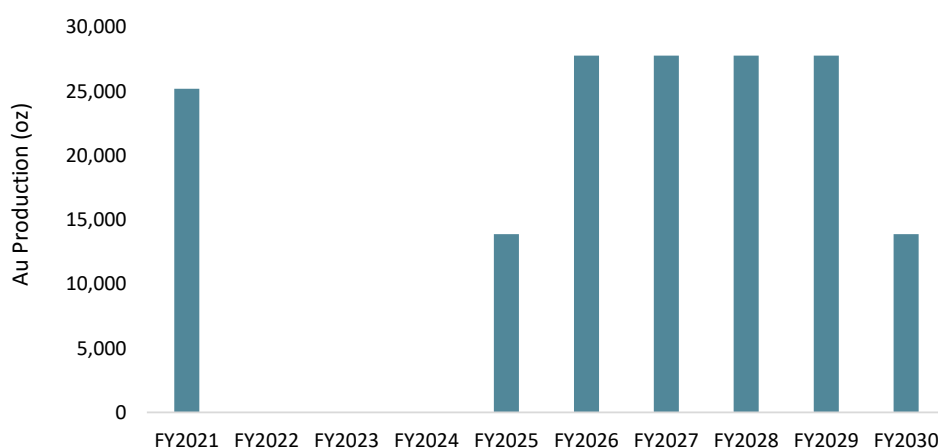
We have risked the project at 50%.

### Exhibit 28 – Mt Boppy Underground Expansion Assumptions

<b>Production Commencement</b>	H2 FY 2025
<b>Tonnes Milled pa</b>	360,000
<b>Annual Production oz</b>	30,000
<b>Average Grade (g/t)</b>	3
<b>Production recovery %</b>	78%
<b>Capex A\$</b>	50,000,000
<b>AISC \$A/oz</b>	\$1,349
<b>Mine Life</b>	5 years
<b>Risk Factor %</b>	50%

Source: MST estimates

### Exhibit 29 – Mt Boppy Open Pit and Underground Production Profile



Source: MST estimates.

## Wonawinta silver project: base-case assumptions – second stage of cash flow, additional mine life from drilling programme

### Wonawinta oxide project – early cash flow generation

We assume an initial 5-year production from the Wonawinta oxide project, and that the drilling programme delineates a 100g/t project. We have risked the project at 100%.

#### Exhibit 30 – Wonawinta Oxide modelling assumptions

<b>Tonnes Milled pa</b>	1,000,000
<b>Oxide Processing Commencement</b>	H2 FY2022
<b>Production recovery %</b>	78%
<b>Average Grade g/t</b>	100
<b>Cash Cost per oz \$A</b>	\$16
<b>Capex A\$</b>	3,000,000
<b>Production Life</b>	5 years
<b>Risk Factor %</b>	100%

Source: MST estimates

### Wonawinta oxide extension of Mine Life and Sulphide Ore Processing

#### Wonawinta Oxide Ore Mine Life Extension

MKR's initial year plan for Wonawinta produces at 2-2.5moz of silver pa for a period of 5 years. The 12.5moz of silver produced is well short of the current resource of 52moz of silver. We acknowledge that the entire silver resource will not be recoverable, however we have assumed a significant increase to the mine life of the oxide ore life past the initial 5 years, extending the production a further 10 years at grades of 75g/t.

#### Exhibit 31 – Wonawinta Oxide Extension Modelling Assumptions

<b>Tonnes Milled pa</b>	1,000,000
<b>Oxide Processing Commencement</b>	H2 FY2027
<b>Production recovery %</b>	78%
<b>Average Grade g/t</b>	75
<b>Cash Cost per oz \$A</b>	\$18
<b>Capex A\$</b>	3,000,000
<b>Production Life years</b>	10
<b>Risk Factor %</b>	100%

Source: MST estimates.

**Wonawinta Sulphide Ore Expansion – Comparable to existing Endeavour Mine**

The Wonawinta ore body is in its early stages of development and requires a significant drilling and assessment programme to properly define the ore body. Existing oxide resources have ended in sulphide mineralisation. There has been minimal drilling below 60m at Wonawinta and as such any assumptions about a potential sulphide project are preliminary and subjective.

The Wonawinta project can be compared to the nearby Endeavour mine, which has been in production since 1983 and mined approximately 30mt of material. The existing resource of 17.7mt including a grade of 69g/t silver, along with 5.3% lead and 8.5% zinc. This is a typical Cobar style base and precious metal mine.

We have assumed that MKR embarks on a significant programme of exploration for the Wonawinta sulphide and spends \$10m over each of FY2022 and FY2023 to delineate a resource for the project. We have assumed that \$50m is spent to pre-strip the mine and construct a sulphide processing plant including a flotation circuit.

The product would most likely be sold as a concentrate, which is usually sold as lead and zinc with silver contained within that concentrate.

Given the preliminary stages of the project and the subjective nature of our valuation, we have taken a simplistic approach. For the purposes of this valuation we have valued only the silver and assumed a grade of 69g/t at a cost of production of A\$8/oz, and processing 1mtpa (in line with Wonawinta Oxide). The low-cost base reflects a “lead / zinc” credit to the costs (acknowledging that in a sanctioned project the ore would be processed into a lead / zinc concentrate).

We also acknowledge that if the sulphide project was to be an Endeavour mine look-a-like than the levels of contained silver “equivalent” production would be significantly higher than in our assumptions due to the high grades of zinc and lead as well as a minor amount of gold. We therefore consider our estimates for the project to be conservative.

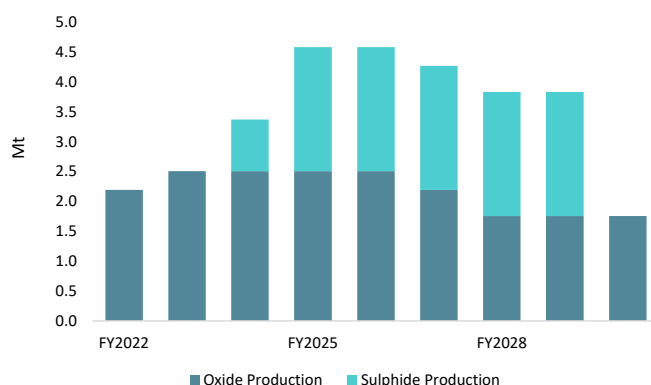
The mine life is assumed to be 5 years and due to the preliminary stages of the project we have applied a risk factor of 40%.

**Exhibit 32 – Wonawinta Sulphide Expansion Modelling Assumptions**

<b>Tonnes Milled pa</b>	1,000,000
<b>Oxide Processing Commencement</b>	H2 FY2024
<b>Production recovery %</b>	78%
<b>Average Grade g/t</b>	69
<b>Cash Cost per oz \$A</b>	\$8.5
<b>Capex A\$</b>	50,000,000
<b>Production Life years</b>	5
<b>Risk Factor %</b>	40%

Source: MST estimates.

**Exhibit 33 – Wonawinta Oxide, Oxide Extension and Sulphide Expansion Production Profile**



Source: MST estimates.



## The Gold/Silver Ratio – Not as Straightforward as It Seems

When valuing silver mines, it is a common practice to apply the gold/silver ratio to a silver mine’s grade to calculate a ‘gold grade equivalent’ for the mine. The gold grade equivalent for the Wonawinta silver oxide project is as follows:

Proposed grade Wonawinta Oxide Project:	100g/t
Gold/silver ratio (spot)	81.8
Gold equivalent grade	1.2g/t

On a straight gold equivalent grade, the Wonawinta silver mine equates to a moderate grade gold grade.

However, the straight-out gold/silver ratio ignores the relative hardness of a gold mine’s ore to that of the Wonawinta ore. The Wonawinta ore is extremely soft and its ‘work index’ in the mine is low, allowing the Wonawinta plant to process the ore at around 1mtpa.

Comparing this to processing Mt Boppy ore, we can calculate an adjusted gold grade equivalent for the Wonawinta silver mine. Exhibit 34 shows the calculation. As can be seen, the Wonawinta oxide silver mine has the equivalent grade of the Mt Boppy mine of around 3.2g/t gold when the processing capacity is taken into consideration.

Exhibit 34 – Mt Boppy Gold Production Silver Equivalent Calculation

<b>Annual Capacity Wonawinta</b>	1,000,000
<b>Mt Boppy Grade(g/t)</b>	3
<b>Theoretical Gold Production</b>	3,000,000
<b>Recovery</b>	78%
<b>Theoretical Gold recovered</b>	2,340,000
<b>Theoretical Gold recovered</b>	75,241
<b>Actual gold processed (oz)</b>	28,800
<b>Relative Work Index of Gold</b>	2.61
<b>Silver Grade (g/t)</b>	100
<b>Adjusted Silver Grade (g/t)</b>	261
<b>Gold / Silver Ratio</b>	81.70
<b>Gold Grade Equivalent of</b>	3.20

Source: MST estimates.

## An Alternative Approach to Valuation: Scarcity of Peer ASX Comparisons Highlights Appeal of MKR

A common tool used to assess the value of mining companies in their pre-production / early phase production phase is to compare the enterprise value (EV) to the resource base in order to see what value the market places on the company's resource and its potential.

One of the key attractions of MKR is that it is a rare opportunity: there are few mining investments like it on the ASX with its direct exposure to silver.

The key comparable to MKR on the ASX is Silver Mines (SVL.AX; Not Covered). Silver Mines own the Barabolar and Bowdens Silver Projects located in Central New South Wales, approximately 26 km east of Mudgee. The recently consolidated project area comprises 2,007 km<sup>2</sup> (496,000 acres) of titles covering approximately 80 km of strike of the mineralised Rylstone Volcanics. The Bowdens Silver is the largest undeveloped silver deposit in Australia and has a reported silver resource of 167moz.

MKR's resource is about one-third of the size of that of Silver Mines. However, MKR is further advanced than Silver Mines:

- fully functioning plant and mining infrastructure
- minimal capex required to start mining silver
- immediate cash flow
- short-term exploration upside
- large gold potential

Silver Mines is looking to develop its project but remains several years from production as the company requires funding as well as time to develop and construct prior to cash generation.

As a quick and simple comparison, we can look at how the market values the respective companies' silver resources by looking at the EV/Resources comparison (see Exhibit 35). MKR is valued at a higher EV/Resource and we consider this to be rational due to MKR's ability to monetise the resource more rapidly than silver mines. The resources of both companies have a similar silver grade. The market is also attributing value to MKR's gold resource at Mt Boppy.

Exhibit 35 – EV/Resource comparison – MKR and Silver Mines

	EV A\$m	Silver Resource moz	EV/Resource
Manuka	143	52	2.72
Silver Mines	212	167	1.27

Source: MST Estimates, Silver Mines, MKR

## A Cross Check on Valuation – EV/EBITDA – Comparable Offshore Companies

MKR's production plan sees cash flow generated over a minimum of 6 years from the Mt Boppy and Wonawinta projects. We can therefore apply a cash generation multiple to the company's earnings and compare that to similar companies. As we have mentioned above, there is no company like MKR listed on the ASX, so we have selected a number of US and Canadian listed Silver based companies to compare MKR to.

The Enterprise Value (EV)/EBITDA ratio is a widely used metric to compare the value of a company, debt included, to the company's cash earnings less non-cash expenses. It's used predominantly for comparing companies within the same industry.

We have selected FY2022 as the year to compare as that is the first full year of production from Wonawinta's oxide ore body.

Exhibit 36 below shows the comparable company table and we obtain an average EV/EBITDA of 6.9x for those companies. MKR's EV/EBITDA based on FY2022 is 2.2. If we apply the average EV/EBITDA ratio to MKR's EBITDA in 2022 then we achieve an EV for Manuka of A\$309m. This compares to our EV valuation based on the sum of the valuations of Mt Boppy and Wonawinta of A\$270m.

Exhibit 36 – EV/EBITDA comparison – MKR and Comparable Offshore Companies

Code	Company	2022 EV/EBITDA Estimate
CDE	Coeur Mining Corp	4.9
Fres	Fresnillo	10.7
EXK	Endeavour Silver Corp	4.5
AG	First Majestic Silver Corp	7.3
FSM	Fortuna Silver Mines	3.8
MAG	MAG Silver Corp	8.0
PAAS	Pan American Silver	5.7
SVR	Silvercorp Metals Inc	10.6
	Average	6.9
MKR	Manuka Resources	<b>2.2</b>

Source: Factset, MST Access

## Key Sensitivities: Silver Prices, Operating Costs at Wonawinta and USD

Exhibit 37 – Valuation sensitivity to change in silver price

\$15	\$20	\$25	\$30	\$35
0.18	0.56	0.94	1.31	1.69

Source: MST estimates.

Exhibit 38 – Valuation sensitivity to change in A\$1:US\$ exchange rate (A\$)

\$0.60	\$0.65	\$0.70	\$0.75	\$0.80
1.17	1.05	0.94	0.84	0.76

Source: MST estimates.

Exhibit 39 – Valuation sensitivity to change in operating costs (Wonawinta) (A\$)

-20%	-10%	0%	10%	20%
1.07	1.00	0.94	0.87	0.80

Source: MST estimates.



## Positive Catalysts for the Share Price

### Key drivers of share price upside

#### Wonawinta Silver exploration

The Wonawinta Project has potential for significant silver exploration success. The current resource is only drilled to 60m, and there are potential high-grade silver sulphide resources below the current resource, with the potential to increase both grade and mine life.

#### Mt Boppy Gold exploration

Manuka has drilled four holes below the pit shell of Mt Boppy, hitting high-grade intersections. Further drilling is in process, and there is strong potential for further high-grade intersections. Successful exploration could lead to a mine life extension via an underground mine.

#### Short term cash flow generation and debt reduction

The key to the near-term cash flow generation is to repay the US\$14m in debt, which will unlock the restrictions placed on MKR as far as exploration is concerned. Repayment of the debt will be a positive catalyst for the stock.

#### Gold price

Mt Boppy is providing MKR with its near-term cash flow. An increase to the gold price would increase cash flow generation.

#### Silver price

MKR's key asset is the Wonawinta Silver Project which underpins its valuation. Increases in the silver price directly increase the value of MKR.

#### Operational stability

The fully functioning Wonawinta processing plant provides MKR with a key operational advantage over the majority of junior miners. Demonstration of operational consistency and cost control will be key to MKR's share price performance.

### Other potential share price catalysts

#### Exploration success from targets outside Mt Boppy and Wonawinta

MKR is leveraged to exploration success. MKR has significant exploration targets that sit outside of Wonawinta and Mt Boppy. Exploration success at these targets accelerates the potential to develop those projects and add to valuation.

#### Expansion of Wonawinta Processing Plant

The Wonawinta plant sits on a footprint that allows for easy expansion. Exploration success may lead to opportunities to expand the plant and process sulphide ores

#### Processing of third-party ores

The processing plant also provides options for MKR to process third-party ores. A number of parties within the Cobar Basin do not have processing facilities, and a deal with MKR may be beneficial for them. It would also add flexibility to MKR's schedules when it may have excess capacity at the plant.

## Risks to the Share Price and Valuation

### Key risks to share price

#### Disappointing Mt Boppy exploration results

As the key to exploration success, any disappointing result in the Mt Boppy exploration programme could lead to delays or no further project development for Mt Boppy.

#### Disappointing Wonawinta exploration results

As the key to exploration success, any disappointing result in the Wonawinta exploration programme could lead to delays or no further project development for Wonawinta.

#### Gold price

Mt Boppy is providing MKR with its near-term cash flow. A decline in the gold price would reduce cash flow.

#### Silver price

MKR's key asset is the Wonawinta Silver Project which underpins its valuation. Decreases in the silver price would directly decrease the value of MKR.

#### Operational stability issues

The operational stability of the processing plant is a key to MKR's strategy. Any issues with the plant would reduce market confidence in the project.

#### Operational cost issues

Any material increase in operational costs would have a detrimental effect on cash flow and valuation.

### Other potential risks to share price and valuation

#### Lack of exploration success from targets outside Mt Boppy and Wonawinta

MKR is leveraged to exploration success. A lack of exploration success outside of Mt Boppy and Wonawinta would decrease the ability of MKR to extend the mine life.

#### Appreciating A\$ vs US\$

An increasing A\$ against the US\$ would lead to decreased A\$ gold and silver prices, reducing cashflow and valuation.

#### COVID-19 related delays

As the COVID-19 pandemic continues, delays may be experienced in operations and exploration.

## Financials: A Strong Starting Position; A\$8.5m Cash after IPO; Focus on Debt Repayment via Strong Cash Flow from Mt Boppy

### A Strong Financial Position

Post the IPO, MKR has A\$8.5m in cash and as at 30 June 2020 had A\$25.7m in debt, with the main loan being a US\$14m fully drawn facility.

#### Debt Repayment – Strong Cash Flow from Mt Boppy allows repayment of high coupon debt

MKR has set its first stage of its strategy to process Mt Boppy ores in order to generate cash to enable the repayment of the debt in its entirety. We estimate the cash flow generation in FY2021 will allow repayment of debt within the financial year.

The required payments of the debt are

- US\$2.5m in October 2020
- US\$5.5m in February 2021
- US\$6.5m in April 2021

The current US\$ facility places restrictions on the use of cash for exploration, and in the immediate term, Mt Boppy and Wonawinta exploration is being funded via IPO funds. On repayment of the US\$14m facility (or refinancing), MKR will not have any restrictions on its exploration spend. The coupon on the current facility is 14% and was negotiated prior to Mt Boppy production commencing. MKR are considering refinancing the facility and are of the view that it could be done at a much lower coupon and without exploration restrictions.

#### Wonawinta Cash Flow Generation

FY2022 will see the second stage of MKR's cash generation plan with the processing of Wonawinta silver stockpiles and the commencement of processing Wonawinta oxide ores.

The processing of Wonawinta ores provides MKR with 5 years of cash flow generation in order to fund exploration at Wonawinta and Mt Boppy. Further development of Mt Boppy and Wonawinta projects beyond that time for expansion of the processing facility can be funded by cash flow and debt.

We do not see a need for equity capital raisings in the foreseeable future.

Our cash flow forecasts do not take into consideration any expansion of MKR's production from exploration success in targets outside the Mt Boppy and Wonawinta projects. The cash flow generation from Wonawinta gives MKR multiple options as to mine life extension, including from projects outside Mt Boppy and Wonawinta.

#### Accumulated Tax Losses

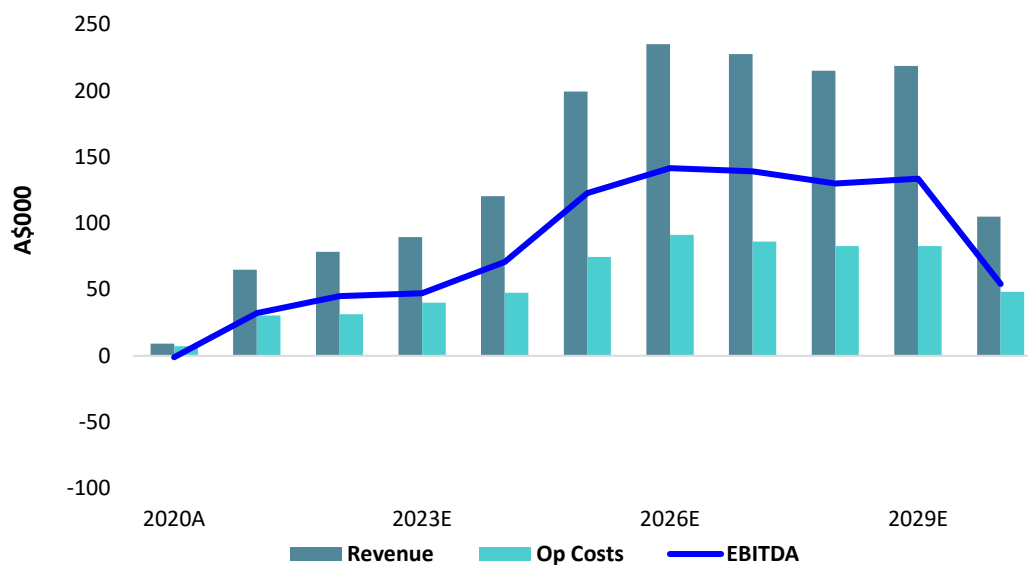
As at 30 June 2020, MKR has accumulated tax losses of A\$6.01m. We have assumed that these tax losses will be applied against the FY2021 taxable income and fully absorbed.

#### Dividends

With immediate strong cash flow generation and repayment of debt, we have assumed that the payment of dividends will be implemented in FY2023. We have assumed that a payout ratio of 40% of after-tax profits will be paid and that the dividends will be fully franked. We consider the cash flow generation from the projects going forward is sufficient to allow the payment of dividends and to fund growth from cash and debt.

## Project revenue, costs and EBITDA

Exhibit 40 – Forecast consolidated gold and silver production for MKR (ounces per annum)



Source: MST estimates.

## Exhibit 41 – Financial summary

PROFIT AND LOSS \$A'000	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales</b>	-	<b>9,262</b>	<b>64,815</b>	<b>78,376</b>	<b>89,573</b>
COGS	-	(7,265)	(30,435)	(31,350)	(40,129)
<b>Gross profit</b>	-	<b>1,997</b>	<b>34,380</b>	<b>47,026</b>	<b>49,444</b>
<b>Gross margin</b>	-	-	<b>53.0%</b>	<b>60.0%</b>	<b>55.2%</b>
Other income	(62)	-	-	-	-
Other operating costs	(2,081)	(2,122)	(2,165)	(2,208)	(2,252)
<b>EBITDA</b>	<b>(3,172)</b>	<b>(1,025)</b>	<b>32,299</b>	<b>44,903</b>	<b>47,279</b>
Depreciation & amortisation	-	-	(1,750)	(3,130)	(4,999)
<b>EBIT</b>	<b>(3,172)</b>	<b>(1,025)</b>	<b>30,549</b>	<b>41,773</b>	<b>42,280</b>
Net interest	(2,256)	(3,528)	(1,864)	-	(4,250)
Impairments / Associates	-	-	-	-	-
<b>Pretax Profit</b>	<b>(5,428)</b>	<b>(4,553)</b>	<b>28,686</b>	<b>41,773</b>	<b>38,030</b>
Tax expense	-	-	8,606	12,532	11,409
Minorities	-	-	-	-	-
<b>NPAT</b>	<b>-5,428</b>	<b>-4,553</b>	<b>20,080</b>	<b>29,241</b>	<b>26,621</b>
Adjustments & Significant items	-	-	-	-	-
<b>Underlying NPAT</b>	<b>-5,428</b>	<b>-4,553</b>	<b>20,080</b>	<b>29,241</b>	<b>26,621</b>

BALANCE SHEET \$A'000	FY19A	FY20A	FY21E	FY22E	FY23E
Cash	-	1,509	1,935	20,613	32,364
Receivables	13	7,654	7,654	7,654	7,654
Inventory	-	2,008	2,008	2,008	2,008
Other	-	351	351	351	351
<b>Current assets</b>	<b>13</b>	<b>11,522</b>	<b>11,947</b>	<b>30,625</b>	<b>42,376</b>
PPE, Development and Exploratic	5,509	18,255	25,305	35,868	90,090
Other	6,253	6,651	6,651	6,651	6,651
<b>Non current assets</b>	<b>11,762</b>	<b>24,906</b>	<b>31,956</b>	<b>42,519</b>	<b>96,741</b>
<b>Total Assets</b>	<b>11,775</b>	<b>36,427</b>	<b>43,903</b>	<b>73,144</b>	<b>139,117</b>
Accounts Payable	2,246	7,671	7,671	7,671	7,671
Borrowings	17,235	25,705	0	0	0
Other	18	318	318	318	318
<b>Current liabilities</b>	<b>19,499</b>	<b>33,693</b>	<b>7,988</b>	<b>7,988</b>	<b>7,988</b>
Borrowings	-	73	73	73	50,073
Provisions	5,340	5,108	11,209	11,209	11,209
<b>Non current liabilities</b>	<b>5,340</b>	<b>5,181</b>	<b>11,282</b>	<b>11,282</b>	<b>61,282</b>
<b>Total Liabilities</b>	<b>24,838</b>	<b>38,874</b>	<b>19,270</b>	<b>19,270</b>	<b>69,270</b>
Share Capital	0	5,112	12,112	12,112	12,112
Other contributed equity	296	8,867	8,867	8,867	8,867
Accumulated Profits / (Losses)	-13,359	-16,426	3,654	32,895	48,868
<b>Total Equity</b>	<b>-13,063</b>	<b>-2,447</b>	<b>24,633</b>	<b>53,875</b>	<b>69,847</b>

CASH FLOW \$A'000	FY19A	FY20A	FY21E	FY22E	FY23E
Receipts from customers	-	9,029	64,815	78,376	89,573
Payments to suppliers and emplc	(649)	(6,223)	(32,516)	(33,473)	(42,293)
Tax Paid	-	-	(2,505)	(12,532)	(11,409)
<b>Operating cash flow</b>	<b>(649)</b>	<b>2,805</b>	<b>29,795</b>	<b>32,371</b>	<b>35,870</b>
PPE and Exploration	-	(14,744)	(8,800)	(13,693)	(59,221)
<b>Investing cash flow</b>	<b>0</b>	<b>(14,835)</b>	<b>(8,800)</b>	<b>(13,693)</b>	<b>(59,221)</b>
Debt Raised / (Repaid)	635	14,075	(25,705)	-	50,000
Proceeds from issue of shares	-	500	7,000	-	-
Finance costs	-	(1,037)	(1,864)	-	(4,250)
Dividends Paid	-	-	-	-	(10,648)
<b>Financing cash flow</b>	<b>635</b>	<b>13,538</b>	<b>(20,569)</b>	<b>-</b>	<b>35,102</b>
Net Increase/Decrease	(13)	1,509	426	18,678	11,751
Cash at Beginning Year	13	-	1,509	1,935	20,613
<b>Year end cash</b>	<b>-</b>	<b>1,509</b>	<b>1,935</b>	<b>20,613</b>	<b>32,364</b>

Source: MST estimates.



## Environmental, Social and Governance (ESG)

ESG factors play an integral role in many investors' decision-making. MKR's overall ESG profile is strong, and the company has processes in place to ensure that all key ESG factors are covered, given its current small size.

### Environmental – MKR's Gold and Silver Projects

The assessment of MKR's environmental credentials falls into two categories:

- environmental assessment of the gold and silver projects
- environmental assessment of MKR's key products, silver, and gold.

#### Assessment of MKR's projects

All extractive industries have an impact on the environment. MKR's projects have been operating mines, and as a result have affected their environment, particularly with relation to the tailings facilities and waste rock disposal. For MKR, the environmental impact associated with the restarting of existing operations is relatively less than for new operations, as waste and tailings are incremental and are adding to existing facilities as opposed to starting with new operations. Modern environmental conditions placed on miners in NSW naturally reduce the level of environmental harm from mining operations relative to older ones. MKR will need to manage several key areas correctly to minimise environmental damage from the restarting of projects: the management of water, tailings, and waste.

#### Water management

Water is a key input into the processing plants. Water is also a scarce commodity in and around Cobar and must be managed carefully. MKR will use existing water infrastructure from within its projects.

#### Tailings management

A key to the process is safe management of tailings. The Wonawinta TSF has had the wall lifted by 2 metres to ensure tailings from the processing of Mt Boppy and Wonawinta ores are adequately and safely captured and contained.

#### Waste management

Waste rock areas already exist in the MKR projects as both Mt Boppy and Wonawinta have been previously mined. There will be minimal additional waste rock from the Mt Boppy operations as stockpiles and existing ore are being mined. There will be some additional waste when the Wonawinta mine begins mining due to some pre strip of waste. There are ample waste rock facilities in the Wonawinta mining precinct. The processing of the gold and silver will involve the use of cyanide and mercury. Mercury will be recovered and sold as a by-product for commercial use. Cyanide will be destroyed in accordance with the *International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold*.

### Assessment of MKR's primary products, gold, and silver

#### Gold

The environmental assessment of MKR's product, gold, is generally positive. Gold's major use is for investment, and as such gold is stored physically in secure vaults, having minimal impact on the environment.

#### Silver

The environmental assessment of MKR's other product, silver, is generally positive. Like gold, silver's major use is for investment, and as such it is stored physically in secure vaults, having minimal impact on the environment. Silver does have industrial uses including for electronics and jewellery. In many cases silver is totally recyclable and therefore has minimal impact on the environment.

## Social

The social aspects of MKR’s business are key to operating successfully in the community and give the company a licence to operate. For its upcoming projects, MKR will take steps to:

- promote diversity and develop inclusiveness
- where possible and practical, employ local businesses and contractors for its work
- adopt a zero-harm approach to safety
- be involved in local community groups
- pay wages that are fair and reasonable.

The construction and continuing operations of MKR’s projects will stimulate regional economies and generate important export revenue for Australia. The Cobar region is highly dependent on the mining industry for employment and for the use of local businesses.

## Governance

### Corporate Governance and Board Composition

MKR’s governance is documented in its Corporate Governance Statement. Key elements are:

- The company applies the ASX Corporate Governance Council Principles and Recommendations.
- The board’s qualifications are appropriate for the business.
- The board has adopted a remuneration structure, risk assessment and policies that are in line with market practices.
- The board is small, with only three members, two of whom are independent. This is not uncommon for companies of this size; however, as the company grows and becomes more complex, additional appropriately qualified and preferably independent board members will need to be added to the board
- The company is led by an executive chairman. Again, this is a common practice in small companies; however, it would be preferable as the company grows to separate the chairman from an executive position.
- The policies and procedures adopted by the board are appropriate for a company of MKR’s size and stage of development but will need to evolve as the company grows.

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### Exhibit 42 –MKR Board of Directors

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Directors		Skills					
Name	Position	Independent	Capital Markets	Resources Industry	Mining Geology	Finance Accounting	Listed Company
Dennis Karp	Executive Chairman	No	Yes	Yes	Yes	Yes	No
Anthony McPaul	Non-Executive Director	Yes	No	Yes	Yes	Yes	Yes
Nick Lindsay	Non-Executive Director	Yes	No	Yes	Yes	Yes	Yes

Source; MKR

### Management and Board Shareholding

Rescap owns ~ 36.6% of the MKR shares. Rescap is an investment vehicle that has 5 shareholders, 2 of which are the Executive Chairman and the Chief Operating Officer. 22.2% of MKR shares held by Rescap are escrowed for 2 years from the time of listing, the remaining 14.4% is not.

## MKR Management – Industry Experience

### Dennis Karp – Executive Chairman

Mr Karp is a former commodities trader with over 35 years of relevant industry experience. Over the past 10 years, he has been involved in various resource project and investment opportunities involving precious and base metals and bulk commodities.

### Haydn Lynch – Chief Operating Officer

Mr Lynch has over 25 years of M&A, financial markets and private equity experience with a substantive track record in the origination and execution of domestic and cross-border transactions in various sectors including metals & mining and industrials covering counterparties and assets based in Australia, Africa, Japan, China, and Mongolia.

He has senior management experience in successfully creating and leading teams of marketers and corporate finance professionals in global investment banks including Bankers Trust Australia, Investec Bank, RBC Capital Markets and Southern Cross Equities. He is co-founder of Metamor Capital Partners, a bespoke investor to start-up technology firms.

### David Power – General Manager Operations

Mr Power has deep operational experience managing mining assets, focusing on plant and infrastructure in both underground and open-cut operations. He has worked at many of the major mines in Central West NSW including Peak Gold, Cadia and Endeavour mines over a cumulative 30+ year period. Mr Power has led maintenance programs and managed major plant shutdowns. He has a strong network of suppliers and personal contacts within the region, which has proved to be invaluable in the efficient and safe operation of the Wonawinta and Mt Boppy projects.

### Rod Griffith – Mining and Technical Consultant

Mr Griffith has over 25 years' mine management and engineering experience as COO and GM in a number of mid-tier mining companies. He has significant Central Western NSW experience with KBL Mining, Silver City Minerals, Girilambone Copper and Cobalt Blue across a number of commodity groups and mining styles.

## Appendices

### Appendix 1 – Top 20 Shareholders

#### Exhibit 43 –MKR Board of Directors

Position	Holder Name	Holding	% of Issued Capital
1	RESCAP PROCESSING PROJECTS LTD	59,690,106	23.94%
2	RESCAP INVESTMENTS PTY LTD	30,583,174	12.26%
3	SPINITE PTY LTD	15,655,751	6.28%
4	CLAYMORE CAPITAL PTY LTD <NOMINEE TRADING A/C>	14,723,825	5.90%
5	LEVEL 1 PTY LTD <THE LEVEL ONE A/C>	10,119,496	4.06%
6	MR MATTHEW DAVID ROSENBERG	8,227,174	3.30%
7	MR ADAM AARON ROSENBERG	8,167,174	3.28%
8	KIZOGO PTY LTD <BERGAN EXECUTIVE RETIREMENT FUND A/C>	5,434,783	2.18%
9	BRADFORD LEON BANDUCCI	4,754,347	1.91%
10	EXIT OUT PTY LTD <THE DISCRETIONARY A/C>	3,838,933	1.54%
11	A N HOLMAN INVESTMENTS PTY LIMITED <HOLMAN FAMILY A/C>	3,687,684	1.48%
12	LANGSTON KEY LIMITED	3,344,482	1.34%
13	GEULAH PTY LTD <GEULAH FAMILY A/C>	2,788,780	1.12%
14	RIGI INVESTMENTS PTY LIMITED <CAPE A/C>	2,698,532	1.08%
15	HARGREAVES SINGAPORE PTE LTD	2,500,000	1.00%
16	JONATHAN MARQUARD & AMANDA HUTTON <JANEZ FAMILY A/C>	2,141,082	0.86%
17	MINING ASSOCIATES LIMITED	2,072,573	0.83%
17	MR SAVITHRI THIRUNAVUKARASU <SAVI3 SUPER FUND A/C>	2,072,573	0.83%
18	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,650,000	0.66%
19	SUPERMAX PTY LTD <SUPERMAX SUPER FUND A/C>	1,554,430	0.62%
20	THE LF POINT PTY LTD <POINT A/C>	1,487,268	0.60%
	<b>TOTALS</b>	<b>195,419,341</b>	<b>78.4%</b>
	<b>Total Issued Capital</b>	<b>249,353,712</b>	<b>100.0%</b>

Source; MKR

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