

ASX Announcement

30 July 2020

ASX: MKR



Quarterly Activities Report

Manuka Resources Limited (ASX: MKR) (**Manuka** or the **Company**) advises of the release of its quarterly activities report for the period ended 30 June 2020.

Highlights:

- During the June 2020 Qtr Manuka progressed the IPO of the Company on the ASX and commenced trading on the ASX on July 14 2020, raising \$7m from institutional, sophisticated and retail investors.
- 3,600oz gold dore' produced between late April to 30 June 2020 and sold at an average unhedged price of A\$2,555/oz gold, with costs, grades and recoveries consistent with the prospectus.
- A total of 63,499 tonnes of ore (mostly from existing stockpiles) were trucked and processed through the Wonawinta plant in the June quarter at an average grade of 2.63g/t.
- An exploration program which includes brownfields infill drilling at Wonawinta and Mt Boppy, and greenfields drilling at both projects will start in the coming quarter.

Operating Summary

Summary		June Quarter	Full Year
Tonnes Milled	t	63,499	63,499
Gold in Circuit (mth end)	oz	451	
Gold Produced and sold	oz	3,628	3,628
Gold Recoveries	%	75	75
Gold Revenue	AUD \$'000	9,243	9,243

Summary		June Quarter	Full Year
Ore Mined	t	17,604	17,604
Waste Mined	t	48,554	48,554
Total Mined	t	66,158	66,158
Total processed (incl. mined and stockpiles)	t	63,499	63,499
Average grade	g/t	2.63	2.63

The plant performed as expected during the commissioning period and minor adjustments to the flowsheet configuration have been implemented post June 30. The Company installed the Gekko-Cadia modular elution circuit in late June and is running according to the revised schedule with final commissioning expected in early August. This completes the full refurbishment of the Wonawinta plant.

Growth and Exploration Outlook

Manuka has commenced a three stage exploration program in conjunction with geological and mining consultancy, Mining Associates Pty Ltd. The program focusses on three separate work streams, as follows:

- a) The brownfields Wonawinta work program to include in-fill drilling for the purpose of converting part of the existing JORC resource into reserve status, while also progressing with the construction of a 3D geological model over the mining lease and adjacent tenements.
- b) The brownfields Mt Boppy pit work program focusing on drilling for resource extensions especially in the southern extent of existing pit, which is prospective for additional gold mineralisation as well as deeper mineralisation under the planned pit floor.
- c) The greenfields exploration targets on the existing exploration leases (EL's) at both Wonawinta and Mt Boppy targeting gold, silver, zinc and copper.

Manuka has recently entered into a drilling contract (mid-August mobilisation date) with Resolution Drilling Services for the resource infill program and the initial drilling of the deeper mineralised sulphides at the Wonawinta site. Budd Exploration Drilling have been engaged and actively drilling for grade control at Mt Boppy.

Cashflow and Hedging

Manuka had A\$1,509,040 in cash as at 30 June 2020.

Subsequent to the end of the Quarter, the Company raised \$7m via its IPO and continues to generate revenue from gold production.

Manuka was completely unhedged at year end, in both its currency and metal exposures. In April it entered into a pre-payment style agreement whereby it sold 360 ounces of unallocated gold, to assist with working capital requirements at the time, but exercised the repurchase agreement attached to the original transaction on 26 June and settled in full on that day.

The Company confirms it had no other pre-prepayment (or similar) arrangements in existence.

Corporate and Debt

Manuka has a fully drawn US\$14 million facility from TransAsia Private Equity, a Hong Kong based lender. This equated to an outstanding amount of A\$21.118 million at year end.

The company also had a facility from NAB (National Australia Bank) drawn down to A\$251,664 at year end. A further total of A\$2.9 million was owing to subordinated lenders at the same time.

Total borrowings to 30 June 2020 were A\$24.3 million.

During the quarter, the Company made cash payments of \$88,000 to related parties and their associates. This was the aggregate amount paid to the directors including salary, directors' fees, consulting fees and superannuation.

It is important to note that the Company intends to maintain the USD\$ facility in a fully unhedged state (therefore movements in the AUD/USD below 0.6850 will add to its debt burden, while movements above that currency level will reduce the AUD\$ amount due to be repaid, following conversion into USD\$).

Outlook Financial Year 2021

Manuka provided extensive detail in its recently submitted prospectus and is confident of achieving the gold production and revenues as stated.

Further operational guidance for FY21 will be included with the release of Manuka's FY20 financial results.

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:

The Mt Boppy Gold mine hosts an existing open pit probable reserve of 260,000 tonnes grading 3.09g/t gold, based on a cut-off grade of 1.36 g/t for oxide material and 1.47 g/t for transitional material at an assumed gold price of \$A2,200 per ounce.

Wonawinta silver project, with mine, processing plant and neighbouring tenements, hosting a 52 million ounces of silver in an inferred JORC compliant silver resource grading 42g/t Ag at a cut-off grade of \$A20 per ounce Ag. The Wonawinta processing plant has a 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
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**Media Contact
Ben Henri
M+C Partners
0473 246 040**

Previously reported information

This report includes information that relates to Mineral Resources, Ore Reserves, production targets and forecast financial information derived from a production target which was prepared and first disclosed under JORC Code 2012. The information was extracted from the Company's previous ASX announcement dated 10 July 2020 (Prospectus). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of reporting of Ore Reserves and Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which any Competent Person's findings are presented have not been materially modified from the original market announcement.

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 2020

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	10,232	10,232
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(2,511)	(4,590)
(c) production	(2,436)	(5,309)
(d) staff costs	(1,160)	(2,444)
(e) administration and corporate costs	(856)	(2,869)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,077)	(1,972)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	168	168
1.9 Net cash from / (used in) operating activities	2,360	(6,784)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(1,051)	(5,861)
(d) exploration & evaluation	-	(123)
(e) investments	-	-
(f) other non-current assets	-	(90)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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)	-	-
2.6	Net cash from / (used in) investing activities	(1,051)	(6,074)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	500
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	(70)	(70)
3.5	Proceeds from borrowings	2,568	22,825
3.6	Repayment of borrowings	(2,318)	(8,813)
3.7	Transaction costs related to loans and borrowings	-	(75)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	180	14,367

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	20	0
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,360	(6,784)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,051)	(6,074)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	180	14,367

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,509	1,509

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,509	20
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)	1,509	20

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	88
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: 6.1 Amounts paid to the directors include salary, directors' fees, consulting fees and superannuation.

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	23,364	23,138																														
7.2	Credit standby arrangements	-	-																														
7.3	Other (please specify)	-	-																														
7.4	Total financing facilities	23,364	23,138																														
7.5	Unused financing facilities available at quarter end		226																														
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.																																
	<table border="1"> <thead> <tr> <th><i>Lender</i></th> <th><i>Facility type</i></th> <th><i>Total Facility</i></th> <th><i>Rate</i></th> <th><i>Maturity</i></th> </tr> </thead> <tbody> <tr> <td>TransAsia Private Capital Limited</td> <td>Secured Senior Debt Facility</td> <td>20,399</td> <td>14%</td> <td>30/04/2021</td> </tr> <tr> <td>Rescap Investments Pty Ltd</td> <td>Unsecured Working Capital Loan</td> <td>2,000</td> <td>16%</td> <td>5/04/2021</td> </tr> <tr> <td>Gleneagle Securities (Aust) Pty Ltd</td> <td>Unsecured Working Capital Loan</td> <td>465</td> <td>12%</td> <td>31/12/2021</td> </tr> <tr> <td>Hindsight Trading Pty Ltd National</td> <td>Working Capital Loan</td> <td>250</td> <td>16%</td> <td>31/12/2020</td> </tr> <tr> <td>Australia Bank Ltd</td> <td>Business Options Loan</td> <td>250</td> <td>4.50%</td> <td>2/04/2021</td> </tr> </tbody> </table>			<i>Lender</i>	<i>Facility type</i>	<i>Total Facility</i>	<i>Rate</i>	<i>Maturity</i>	TransAsia Private Capital Limited	Secured Senior Debt Facility	20,399	14%	30/04/2021	Rescap Investments Pty Ltd	Unsecured Working Capital Loan	2,000	16%	5/04/2021	Gleneagle Securities (Aust) Pty Ltd	Unsecured Working Capital Loan	465	12%	31/12/2021	Hindsight Trading Pty Ltd National	Working Capital Loan	250	16%	31/12/2020	Australia Bank Ltd	Business Options Loan	250	4.50%	2/04/2021
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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	2,360
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	2,360
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,509
8.5	Unused finance facilities available at quarter end (item 7.5)	226
8.6	Total available funding (item 8.4 + item 8.5)	1,735
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	N/A
	<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:

N/A

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:

N/A

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:

N/A

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 2020

Authorised by:



Toni Gilholme – Company Secretary

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.