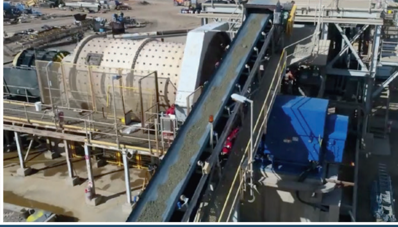


# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

MANUKA RESOURCES

Manuka Resources Ltd ABN 80 611 963 225

# CORPORATE DIRECTORY

**Directors**
Dennis Karp – Executive Chairman
Nick Lindsay – Non-Executive Director
Anthony McPaul – Non-Executive Director

**Key Management**
Haydn Lynch – Chief Operating Officer

**Joint Company Secretaries**
Toni Gilholme
Dennis Wilkins

**Registered Office**
Level 4, Grafton Bond Building
201 Kent Street
Sydney NSW 2000

www.manukaresources.com.au

**Lawyers**
K&L Gates
Level 31, 1 O'Connell Street
Sydney NSW 2000

**Auditor**
Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

**Share Registry**
Automic Group Pty Ltd
Level 5, 126 Phillip Street
Sydney , NSW 2000

**Stock Exchange Listing**
Manuka Resources Limited shares (Code: MKR) are listed on the Australian Securities Exchange.

# Contents

# Executive Chairman's Letter

## Pursuit of excellence in precious metals production

As your Executive Chairman, I am very pleased to present our maiden report as a company listed on the Australian Securities Exchange ('ASX'). We are an exciting company and extremely well positioned to capitalise on current market conditions for the benefit of all shareholders and other stakeholders.

We do not forecast commodity prices, however I have been active in commodity and financial markets for over 35 years, and the current climate for gold and silver is exceptional. Manuka Resources Limited has a large land holding for a young company with outstanding prospects for increasing our gold and silver resource inventory. We believe that silver has been undervalued for an extended period of time which has been reflected in the "higher than normal" gold-silver ratio despite there being a silver supply deficit for the past 5 years. This imbalance appears likely to be rectified in the near term.

Manuka was privileged to join the main board of the ASX on 14 July 2020, and at the time I noted that we were Australia's newest gold and silver producer, and as far as I can determine, this remains the case.

The past 12 months have been very active, as we secured a debt facility for the refurbishment and upgrade of the Wonawinta plant (which we completed between August and December 2019), commenced mining at Mt Boppy, built a production team from scratch and commenced gold production at Wonawinta on the Mt Boppy gold ores. We also progressed our IPO and admission onto the ASX, and we received our letter of acceptance on 30th June 2020.

By way of background, Manuka Resources Limited was incorporated in April 2016 for the purpose of purchasing the various assets comprising the Wonawinta silver project. This occurred in August 2016, and in June 2019 Manuka completed purchase of Mt Boppy Resources Pty Ltd, which is the corporate owner of the assets and tenements included in the Mt Boppy gold project. These two projects, which include more than 1,130km$^2$ of mining licences and exploration licences, provide a terrific platform from which to build a substantial company focused on mining and processing in the Cobar Basin.

It is my objective to lead Manuka on its journey to be a profitable gold producer at Mt Boppy, followed by returning the Wonawinta project to its historical position as Australia's largest primary silver producer - again with a focus on profitable production. On behalf of the Company I would like to assure all that we will also strive to ensure both objectives are achieved within a framework of safety, responsibility, commitment to local communities, and sustainability.

We produced 4,500oz Au in our first quarter of gold production. We are confident of reaching our 12-month production target of over 24,000oz Au. As announced to the market, recent drilling success indicates that we are likely to produce in excess of the target. We have commenced exploration programs at both Mt Boppy and Wonawinta and are committed to exploration through the second half of calendar 2020. We await the results of this exploration with anticipation, and initial indications are very pleasing.

This is a good opportunity to again outline our three mining projects (one current and two future) at Manuka.

1) Our current mining project is the Mt Boppy gold project. This project is 45km east of Cobar and has its origins dating back to between 1895 and 1925 when it was one of the richest gold mines in NSW (producing circa 500,000oz Au at 15g/t Au). We will be mining and processing the gold ores from this project through our Wonawinta plant until June 2021 from ore included in the existing JORC reserve (31,000oz at 3.1g Au/t). We have commenced exploring for resource extension at this time.

2) We promptly follow the Mt Boppy gold production with the mining and processing of silver ores from our Wonawinta silver project. Historically the largest producer of primary silver in Australia, Wonawinta is currently engaged in an infill drilling program seeking to convert part of its 52 million oz Ag resource into reserve. Company expectations are conservative and internally target mining 4 million tonnes of silver ore grading over 90g/t Ag. Key to the processing of our silver ores is their scale. We will process 2.4 times the quantity of silver ore compared to gold ore. Specifically, we are able to process 850,000tpa of the softer silver ore compared with 350,000tpa of the harder Mt Boppy gold ore. Furthermore, there is no road haulage cost for the Wonawinta ore with the plant onsite at the deposits. Both these factors (scale of production, and no haulage) impact substantially when applying the rule of thumb calculation for converting silver projects into gold equivalent at Wonawinta. The successful production of over 2.5 million ounces Ag annually will be very profitable for our company.

3) Wonawinta also hosts a number of substantial high conviction sulphide targets on which exploration work is scheduled to commence imminently. We are seeking a high grade Pb Zn Ag sulphide project and it is worthwhile noting that our existing resource all ends in sulphide mineralisation. I look forward to reporting on the exploration results arising from this campaign in the months ahead.

Of course, companies are essentially about people and we have been extremely fortunate in this regard. I would like to make special mention of our two non-executive directors Tony McPaul and Nick Lindsay as well as Haydn Lynch, our COO. They have engaged wholeheartedly in our invigorating but at times tumultuous four-year journey. Justin Boylson resigned as a director during the 2020 financial year, and his support since the incorporation of Manuka has been invaluable both for the advice and counsel he extended as a non-executive director and also as an associated shareholder. David Power and the strong on-site team we have built over the past twelve months, from a standing start, each and everyone one of them have contributed so very much. It has been a leap of faith from all to join us at Manuka, and we very much appreciate their commitment to our continued pursuit of excellence in precious metal production.

Thank you to all.

Dennis Karp
Executive Chairman
Manuka Resources Limited

# Review of Operations

## COMPANY PROFILE

Manuka Resources Ltd (Manuka or the Company) has been focussed on completing its path to steady state production at the Wonawinta processing plant. The Company and its wholly owned subsidiary, Mt Boppy Resources Pty Ltd, (the Group) has also been focussed on preparing the Mt Boppy pit for commencement of mining with first tonnes mined and initial plant production during June quarter 2020.

## ADMISSION AND COMMENCEMENT OF OFFICIAL QUOTATION ON THE ASX

On Friday 10 July 2020, the Company was admitted to the Official List of the Australian Securities Exchange (‘ASX’). Official Quotation of the Company’s shares commenced on 14 July 2020. The Company raised $7,000,000 pursuant to the offer under its prospectus dated 22 May 2020 by the issue of 35,000,000 shares at an issue price of $0.20 per share.

## BACKGROUND

Manuka Resources Limited (**Manuka** or the **Company**) is a public company which was incorporated in Victoria, Australia on 20 April 2016. The Company’s assets comprise:

(a) the Mt Boppy Gold Project; and

(b) the Wonawinta Silver Project.

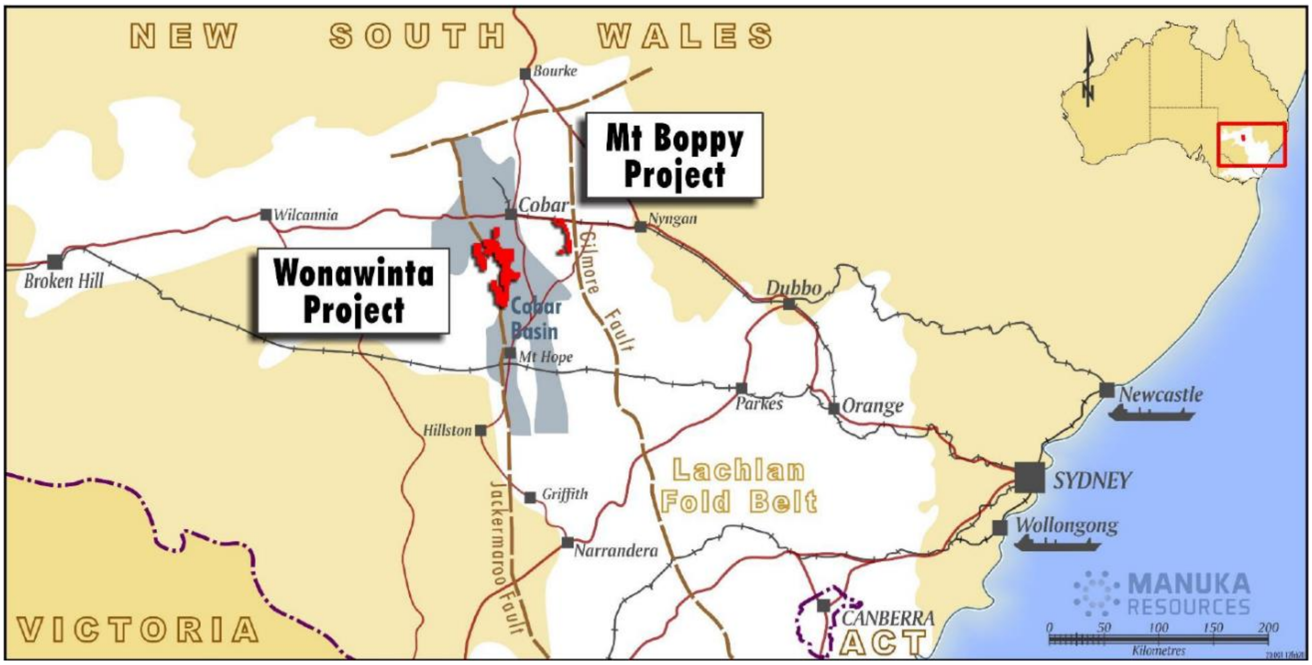
As a part of these key projects, the Company has at balance date:

- a processing plant and mill with current nameplate capacity of approximately 850,000 tpa (that is, the Wonawinta Processing Plant);
- mining accommodation camps at both projects;
- tailing storage facilities at both projects;
- a probable gold reserve[1] of 268,505 tonnes at 3.04 g/t
- approximately 500,000 tonnes at 70 g/t silver oxide ROM stockpiles located at the Wonawinta Silver Project.
- An inferred silver resource[2] of 38.8m tonnes at 42g/t

The Company commenced production from Mt Boppy in the June quarter after successful commissioning of the plant.

---

[1] See Mineral Resources and Ore Reserves Statement
[2] See Mineral Resources and Ore Reserves Statement




*(Figure 1 – Location of the Mt Boppy Gold Project and the Wonawinta Silver Project)*

The Company's strategy can be broken into three (3) separate but interrelated phases:

**Phase 1: Mt Boppy**

(a) Continue processing gold ore from the Mt Boppy Gold Project[3]. The Company expects that such processing will produce approximately 24,000 ounces of gold over the next approximately 12 months.

(b) Progress fieldwork on known exploration targets on granted Mt Boppy Gold Project mining leases and adjacent exploration licences with the intention of increasing the Mineral Resources attributable to the Mt Boppy Gold Project.

**Phase 2**: **Wonawinta**

(a) After the processing of Mt Boppy gold ore has concluded, the Company intends to commence processing the existing approximately 500,000t of oxide silver material stockpiled at the Wonawinta Processing Plant.

(b) Exploration will continue with a focus on priority exploration targets to seek to identify potential further Mineral Resources in both precious and base metals at the Wonawinta Silver Project. Completion of infill drilling to upgrade the current mineral resource estimate so that work to develop silver reserves can be completed

**Phase 3: Wonawinta**

(a) Commence the mining and processing of the shallow oxide material located on the Wonawinta Mining Lease (**Wonawinta ML**). The Company expects to be in a position to start this third phase during 1H 2022.

---

[3] Processing of Mt Boppy gold ore commenced in April 2020.

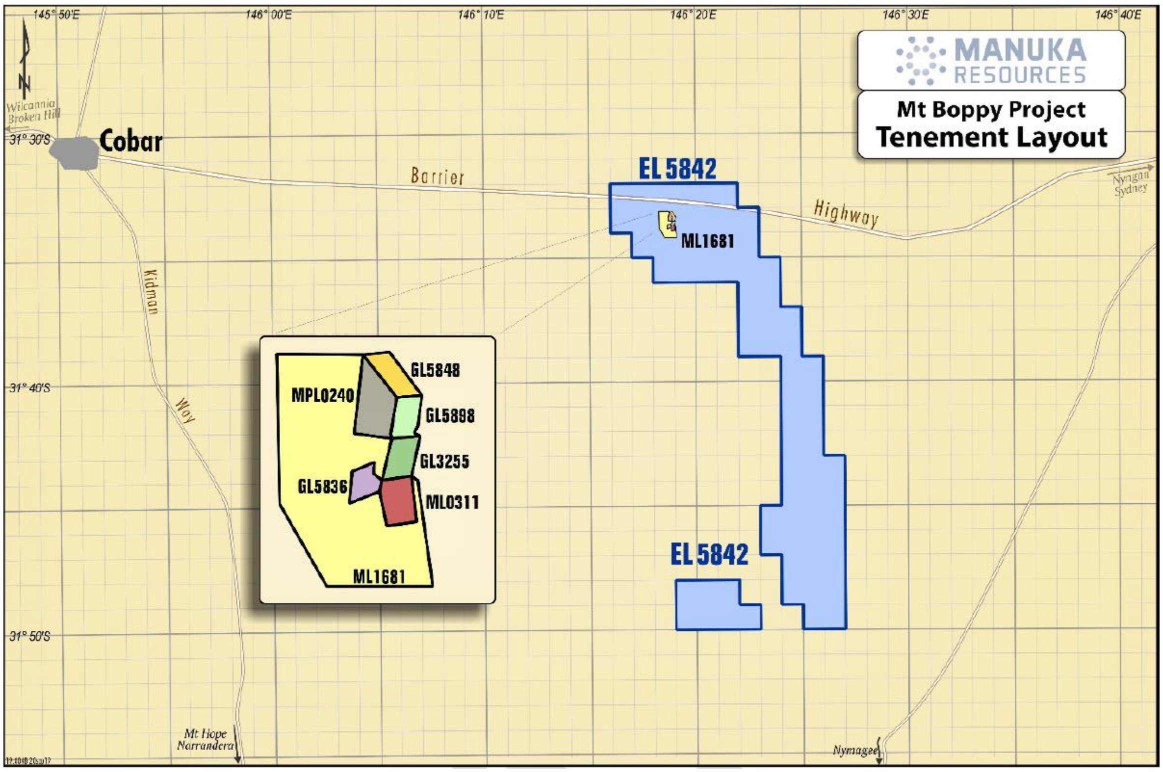
# THE MT BOPPY GOLD PROJECT

## Tenements

The Mt Boppy Gold Project (which comprises 3 granted mining leases, 4 gold leases, and one exploration licence (which together cover an area in excess of approximately 210 km$^2$)) is located approximately 46 km east of Cobar, on the eastern side of the highly prospective and metalliferous Cobar Basin. The Company owns (via its wholly owned subsidiary, Mt Boppy Resources) 100% of the interests in the tenements detailed in the following table:

| Tenement | Grant Date | Renewal Date | Expiry Date | Area (Ha) |
|---|---|---|---|---|
| GL3255 | 20-May-1926 | 08-Jul-2014 | 20-May-2033 | 8.30 |
| GL5836 | 15-Jun-1965 | 08-Jul-2014 | 15-Jun-2033 | 6.05 |
| GL5848 | 15-Feb-1968 | 08-Jul-2014 | 15-Jun-2033 | 8.62 |
| GL5898 | 21-Jun-1972 | 08-Jul-2014 | 12-Dec-2033 | 7.50 |
| ML311 | 08-Dec-1976 | 08-Jul-2014 | 12-Dec-2033 | 10.12 |
| ML1681 | 12-Dec-2012 | 12-Dec-2012 | 12-Dec-2033 | 188.10 |
| MPL240 | 17-Jan-1986 | 08-Jul-2014 | 12-Dec-2033 | 17.80 |
| EL5842 | 19-Apr-2001 | 03-Jul-2017 | 19-Apr-2021 | 210 km$^2$ |

*(Table 1 – Tenements Mt Boppy)*




*(Figure 2 - Tenements and geology of Mt Boppy Gold Project)*

**Accessibility**

The Mt Boppy Gold Project mine site is accessed via the Barrier Highway located on the northern edge of EL5842 and via the Canbelego-Nymagee road which traverses the entire north-south extent of EL5842. Further access to the Mt Boppy Gold Project is obtained via dry weather shire roads and property access tracks located within EL5842.

**Regional Geology**

Mount Boppy is hosted within Devonian-age sedimentary and volcanic rocks of the Canbelego-Mineral Hill Rift Zone. Mineralisation occurs largely in brecciated and silicified fine-grained sediments of the Baledmund Formation, within and adjacent to a faulted contact with older Girilambone Group sedimentary rocks. Lodes strike approximately north-south and dip steeply west, although the widest zone of mineralisation is related to slightly shallower dips. Gold mineralisation is fine-grained and commonly associated with coarse grained iron rich sphalerite. Section 7.2 of the Independent Technical Report[4] discusses the local geology of the project area.

**Tenement Activity History**

Gold was first discovered at the Mt Boppy Gold Project in 1896 with the Mount Boppy Gold Mining Company formed in 1900 to mine 168 acres of gold leases that were secured around the discovery site. Major production from underground mining commenced in 1901 and continued until 1923. In its day, the mine was one of the largest gold producers in Australia. The orebody delivered some 417,000 ounces of gold from ore with a notional grade of 15 g/t gold[5] (12.2 g/t gold recovered). Exploration was conducted by several companies in the following years and it was only in 2002 that mining recommenced with Polymetals as detailed below:

| Company | Years | Activity |
|---|---|---|
| Polymetals | 2002 - 2005 | Reopened mine and commenced open cut operations over the historic underground mine. Produced 68,000 ounces of gold. |
| BOK | 2015 | Cutback of the open pit with ore trucked to Wonawinta for processing. Produced 8,700 ounces of gold. |

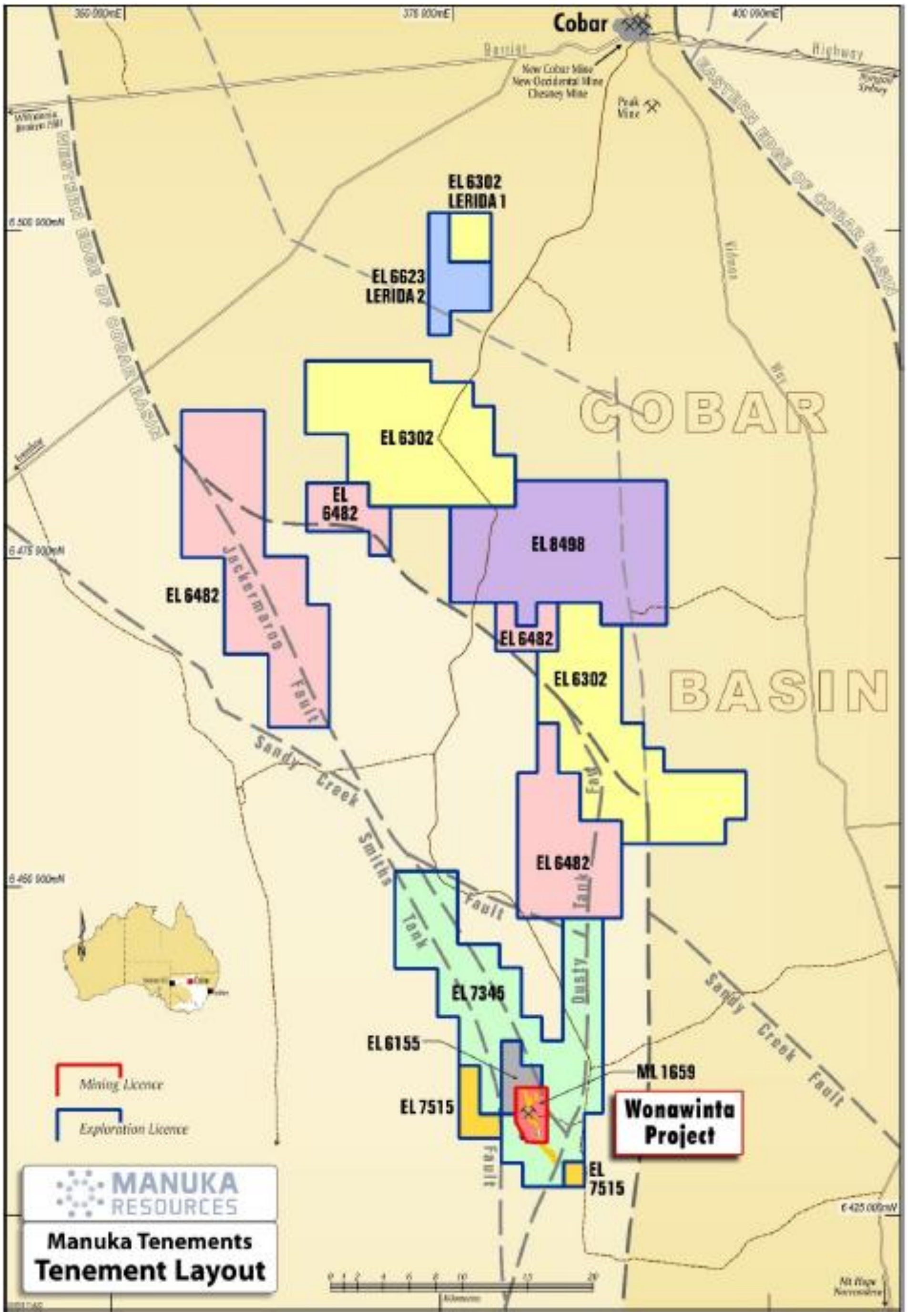
*(Table 2 – Modern Operational History – Mt Boppy)*

[4] See Prospectus dated 22 May 2020 and released on the ASX market announcements platform on 10 July 2020.

[5] ibid

## THE WONAWINTA SILVER PROJECT

The Company holds title to the pastoral lease for the grazing property called "Manuka", upon part of which the Wonawinta Silver Project is located. The Manuka pastoral lease is connected to the low voltage rural power network and contains useful infrastructure namely a homestead and airstrip.




*(Figure 3 - Tenements and geology of Wonawinta Silver Project)*

### Tenements

The Company directly owns 100% of the interests in the Wonawinta Tenements detailed in the following table:

| Tenement | Grant Date | Renewal Date | Expiry Date | Area (km2) |
|---|---|---|---|---|
| ML1659 | 23-Nov-11 | 23-Nov-2011 | 23-Nov-32 | 9.24 |
| EL6482 | 18-Nov-05 | 07-Mar-2017 | 11-Nov-21 | 268.21 |
| EL7345 | 25-May-09 | 30-Mar-2017 | 25-May-22 | 169.18 |
| EL6155 | 17-Nov-03 | 16-May-2017 | 17-Nov-21 | 10.54 |
| EL6302 | 23-Sep-04 | 08-Feb-2017 | 23-Sep-21 | 280.02 |
| EL7515 | 7-Apr-10 | 26-Jul-2017 | 7-Apr-22 | 14.53 |
| EL6623 | 31-Aug-06 | 20-Jun-2019 | [6] 30-Aug-20 | 26.24 |
| EL8498 | 10-Jan-17 | Pending | 10-Jan-20 | 139.93 |

*(Table 3 – Tenements Wonawinta)*

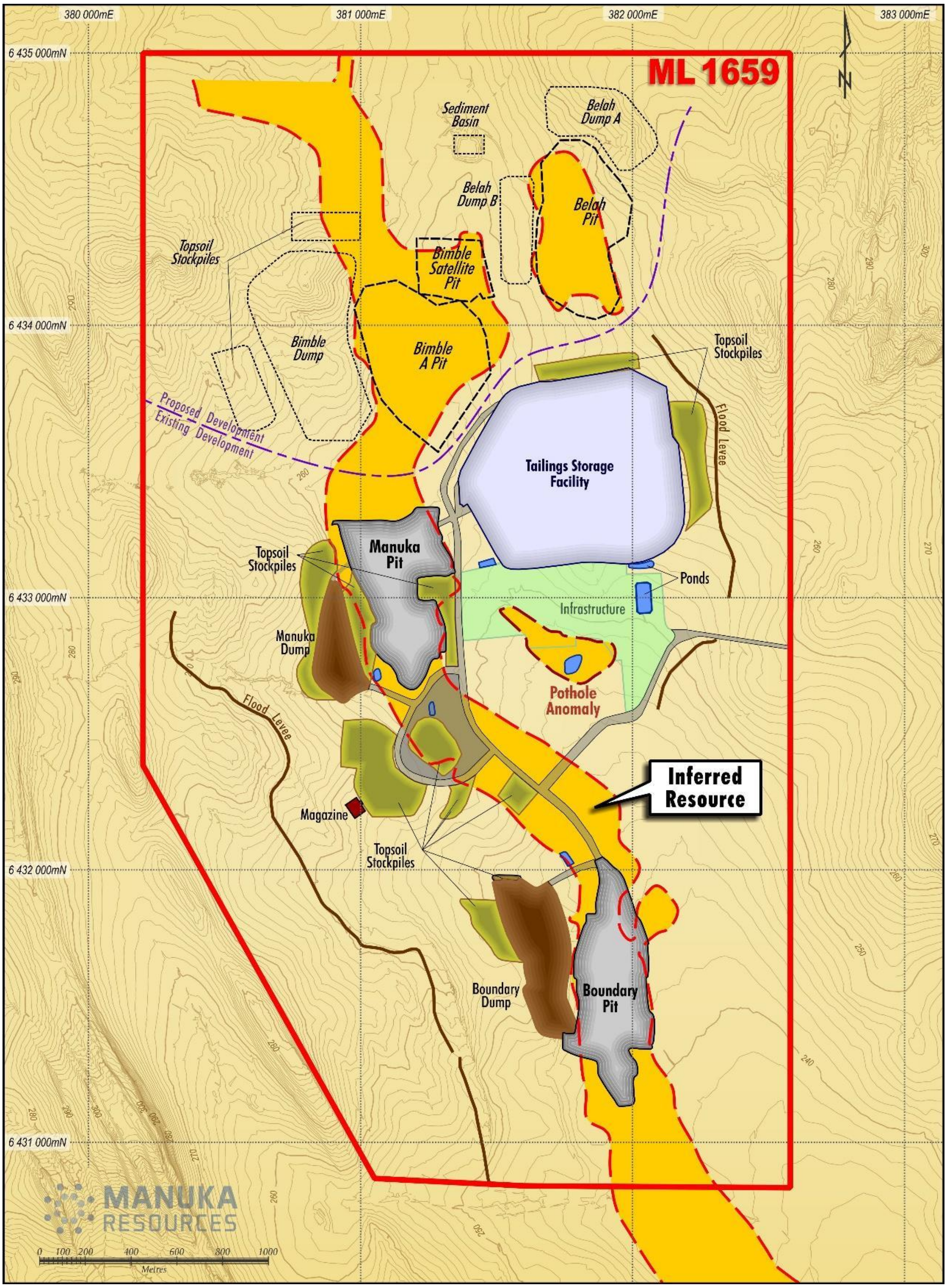
### Accessibility

The Wonawinta Silver Project is accessible via state highways, formed gravel local council roads and pastoral property tracks. Unsealed roads and tracks may become difficult to traverse for heavy vehicles for several days after heavy rain. Unsealed roads comprise no more than 30 km of access to the Wonawinta Silver Project and are continually maintained by the Company to enable heavy vehicle movements in all but the heaviest rainfall.

### Regional Geology

The Cobar Basin is located in central-west New South Wales, approximately 700 km north-west of Sydney. It is a complex metallogenic system containing numerous mineral deposits. "Cobar-style" mineral deposits comprise a unique class of large and commonly high-grade base and precious metal deposits hosted by marine sediments. They typically have great vertical extent but only a small surface footprint.

[6] Renewal in process




*(Figure 4 – Existing mine infrastructure and resource outline in ML 1659)*

## STRATEGY AND DEVELOPMENT PLANS

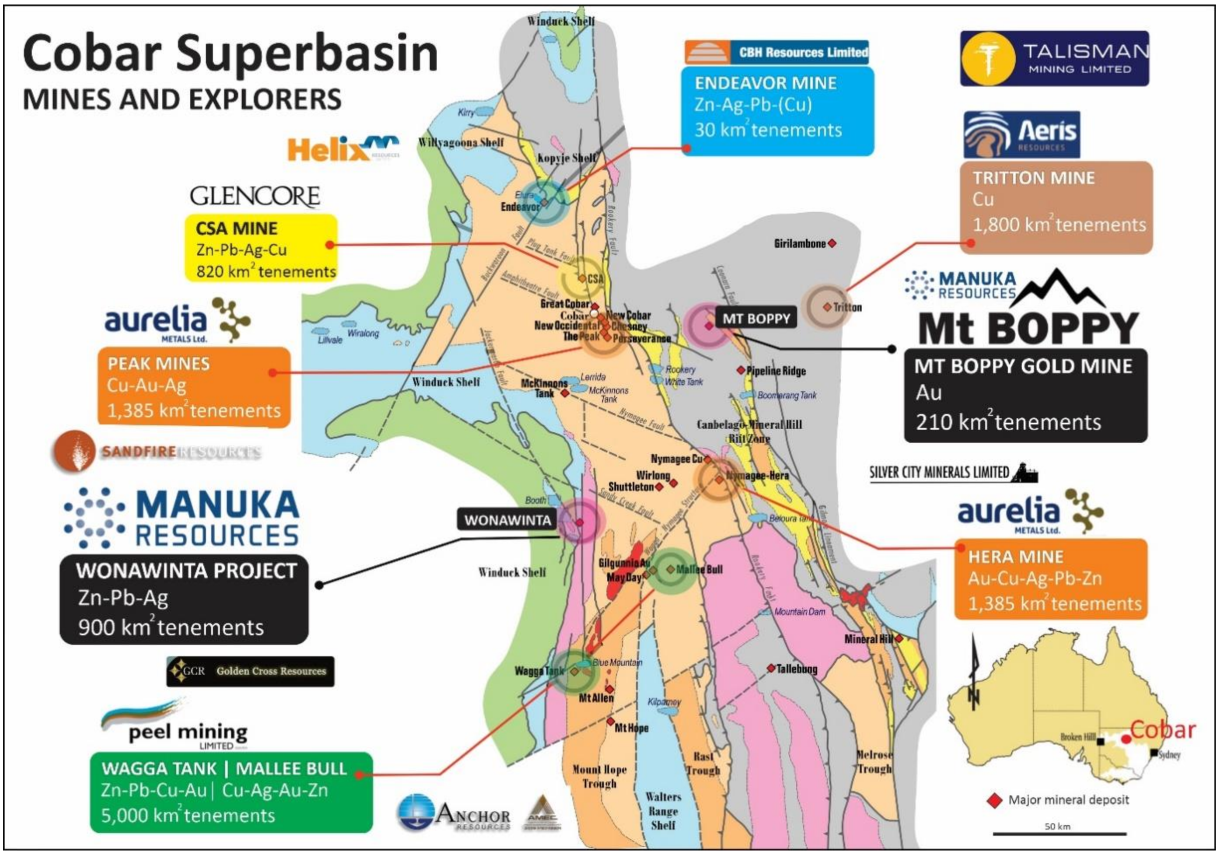
The Company's strategy is based on undertaking a logical sequence of events which is designed to provide maximum value to all stakeholders. This strategy includes:

- With the Wonawinta Processing Plant refurbishment complete, the Company will process reserves from the Mt Boppy Gold Project and will also conduct an infill drilling program on known silver resources at the Wonawinta Silver Project.
- Once the current Mt Boppy open pit gold reserves are exhausted, mining and processing of silver oxide material through the Wonawinta Processing Plant will commence. Concurrently, the Company intends to undertake infill and exploration drilling at the Wonawinta Silver Project in order to:
    i. define areas for mine planning by infill drilling the current inferred oxide resource base;
    ii. test drill deeper sulphide targets on the Wonawinta ML with the aim of developing secondary sulphide ore streams; and
    iii. conduct field work on priority targets on exploration leases for both precious and base metal systems as discussed in the Section below.

*(Figure 5 - The Wonawinta Plant)*

**Exploration Strategy and Overview**

The Company intends to undertake exploration on its over 1,100 km2 of tenements all of which are located within the highly prospective Cobar Superbasin. The exploration strategy comprises a combination of brownfields evaluation (on granted mining titles and nearby exploration licences) and greenfields exploration on its prospective, either not fully explored or underexplored, exploration licences. Numerous other companies are conducting mining and exploration activities within the Cobar Superbasin as shown below.




*(Figure 6 - Location of Manuka Resources sites (Wonawinta and Mt Boppy Gold Mine) and other companies' operations/exploration in the Cobar Superbasin)*

**Exploration Planning and Drilling Programs**

The Company intends to conduct a range of exploration activities and follow-up drilling programs, along with facilitating planning for potential oxide silver mining and to evaluate the potential to mine silver, lead and zinc sulphide. Drilling will be conducted on high priority targets at both the Mt Boppy Gold Project and the Wonawinta Silver Project contemporaneously with the ongoing processing of Mt Boppy gold ore. Greenfields activities on less advanced or incompletely assessed prospects will also be carried out in line with an overall strategy of progressively testing and identifying potential mineralisation, increasing confidence in existing resources and processing to mine planning for future mining.

The Company's exploration planning and drilling programs are divided into three (3) key components, namely (i) near-mine evaluation activities at Mt Boppy (ML/GLs and adjacent EL5842), (ii) near-mine evaluation at Wonawinta (Wonawinta ML and adjacent Wonawinta ELs) and (iii) early/follow-up-phase exploration on the Company's exploration tenements/mining leases as follows:

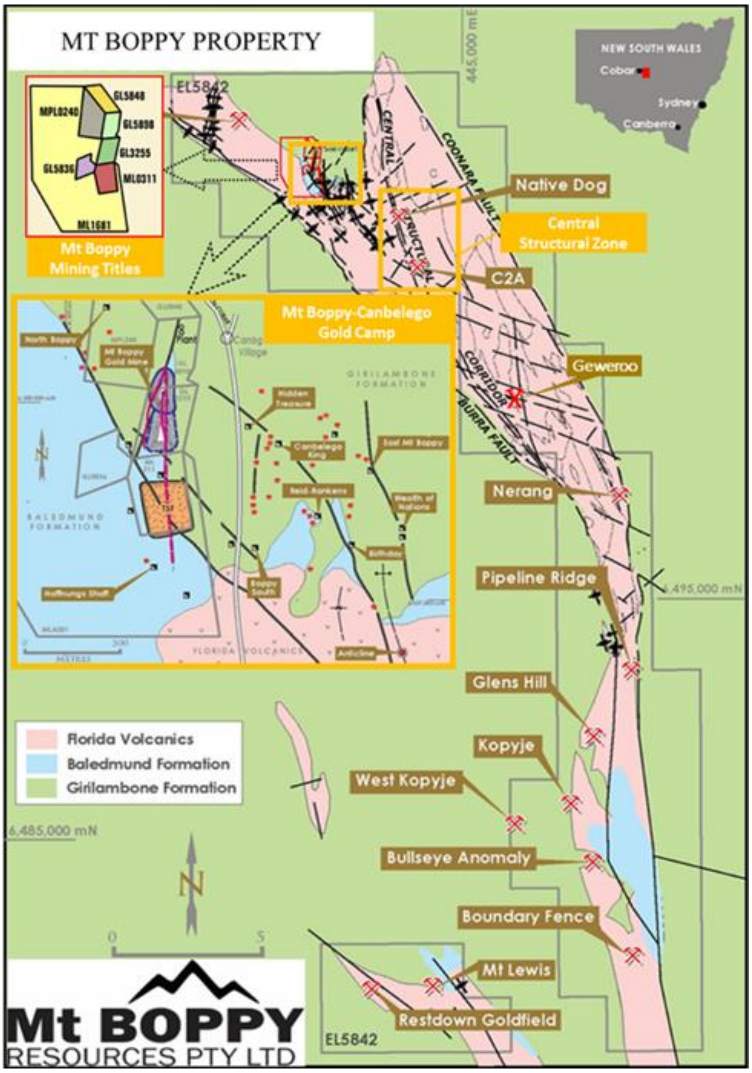
**i. Near mine Mt Boppy (ML/GLs and adjacent EL5842)**

The Mt Boppy Gold Project encompasses a high-grade gold deposit similar to other Cobar-style polymetallic (Zn-Pb-Ag-Cu-Au) deposits. Cobar-style deposits are understood to have pipe-like orientations with small surface footprints and steep plunges extending to considerable depth (up to 1 km deep). Multiple deposits can develop over large strike extents (+10 km). The objective of the Company's near mine activities at the Mt Boppy Gold Project is to evaluate the ML/GLs and adjacent EL5842 for gold mineralisation extensions by:

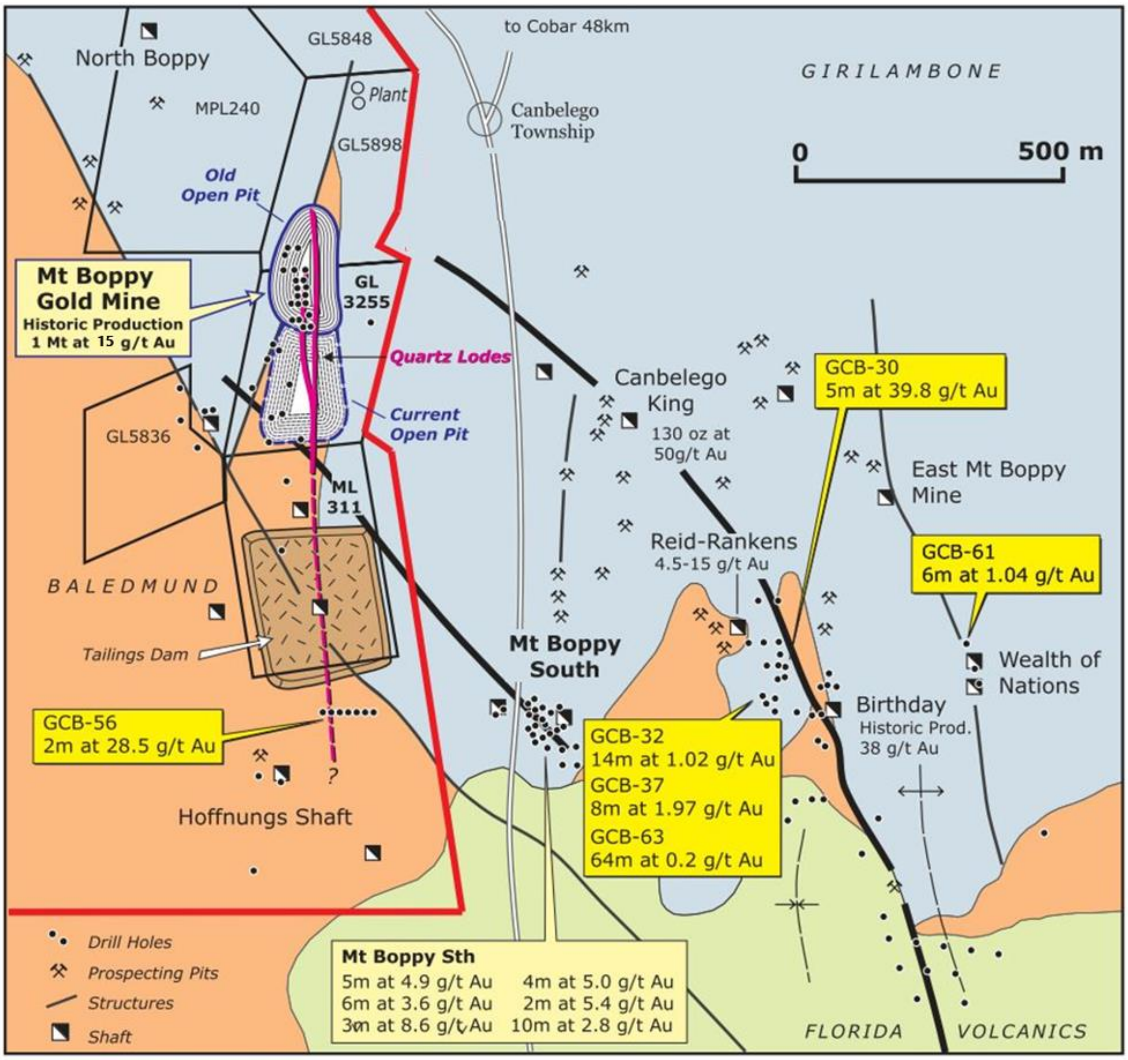
(A) Identifying potential mineralisation extensions to the known gold Resources. Existing Resources have to date been tested unsystematically to only 215m depth. Very little effective deep drilling has been undertaken at the Mt Boppy Gold Project to test for depth extensions and strike extents have received only limited assessment;

(B) Undertaking 3D synthesis and targeting in the 3 × 3 km Mt Boppy-Canbelego Gold Camp area. There are significant gold occurrences in historical shallow drill holes and numerous mine shafts are located within the Gold Camp. The Company intends to undertake an integrated camp-scale compilation approach to facilitate near mine targeting for new gold Resources. The past decade has seen many advances in understanding the genesis of Cobar-style polymetallic ore systems which have not yet been systematically applied in the Mt Boppy-Canbelego Project area; and

(C) Further investigating numerous untested or inadequately tested areas by drilling, various prospects located in the structural corridor known as the "Central Structural Zone" in the northern part of EL5842, along with other prospects and areas located further south on EL5842 that require further assessment.




*(Figure 7 - Mt Boppy-Canbelego Project Area and Prospects.)*




*(Figure 8 - Mt Boppy-Canbelego Gold Camp area)*

### ii. Near Mine Wonawinta Silver Project

The Company's primary objectives in relation to the Wonawinta ML include:

(A) To increase confidence in Inferred Mineral Resources to Indicated and/or Measured categories. Following this, mining studies will be undertaken to prepare mining schedules for the commencement of "Phase 3" activities; and

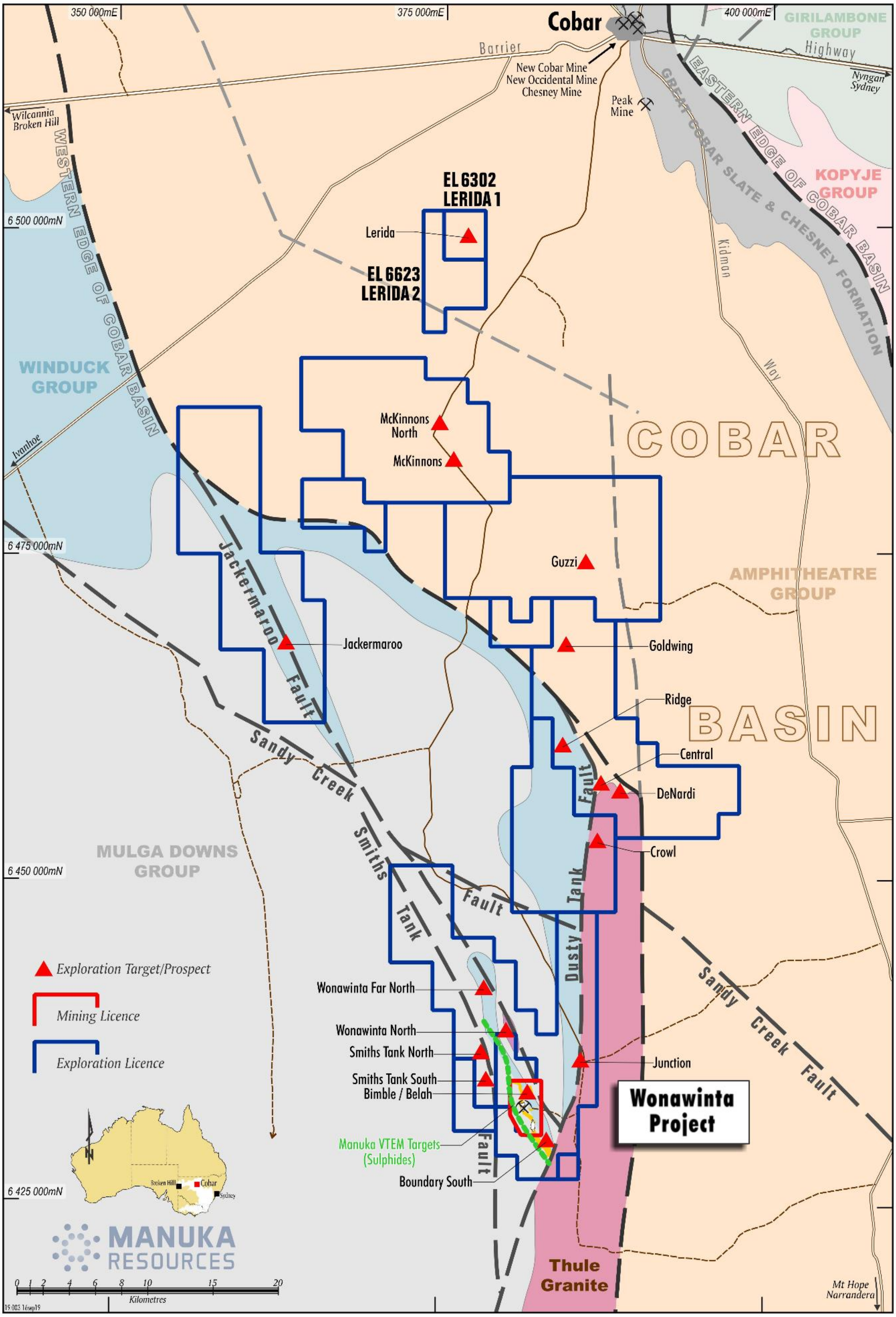
(B) Define new areas of both oxide and sulphide mineralisation on the Wonawinta ML.

The Company intends to undertake priority exploration along the trend from the Wonawinta ML and into EL7345, comprising the "Wonawinta" line of lode.

There are two (2) main avenues to increasing the known mineralisation within the Wonawinta project:

(A) Definition of further supergene oxide clay material at near surface (less than 50 metres depth); and

(B) Define the deeper, sulphide mineralisation extensions below current drilling.




*(Figure 9 - Wonawinta Silver Project Area and Prospects)*

# Mineral Resources and Ore Reserves Statement

Mining operations commenced at Mt Boppy in 2020 and as at 30th June 2020 JORC 2012 categorised Resources and Reserves have been updated[7][8]. JORC categorised Mineral Resources for Wonawinta are unchanged from the initial reporting in the Prospectus[9].

Production commenced with the processing of the legacy stockpiled material, (56,832 t). Mining from the 205 bench depleted 12,000t from the resource, and an extra 5,604 ore included from outside of the resource model. Of this material 13,972t at 2.00 g/t remained on the ROM pad.

**Mt Boppy Resource Statement**

The total resource remaining at the 30th June 2020 is 371,7000 tonnes at 3.23 g/t Au providing 38,020 ounces. An additional 13,972 t at 2.00 g/t were on the ROM at the close of the month.

| Resource Category | Material | Tonnes | Grade | Contained gold |
|---|---|---|---|---|
| | | | g/t Au | Troy ounces |
| Measured | in-situ | 40,500 | 3.43 | 4,473 |
| Indicated | in-situ | 195,500 | 2.99 | 18,790 |
| | stopes | 111,700 | 3.6 | 12,930 |
| Inferred | in-situ | 24,000 | 3.33 | 2,570 |
| Total | | 371,700 | 3.23 | 38,763 |
| Stockpiles (measured) | | 13,972 | 2.00 | 898 |

*(Table 4 – Mt Boppy Gold Resource Statement at 30th June 2020)*

Note: Reported differences may be present due to rounding of significant figures.

The Company was admitted to the official list of the ASX on 10 July 2020. As such, it cannot provide a comparison of the Mineral Resources as at 30 June 2020 against those reported as at 30 June 2019. The table below provides a comparison of Mineral Resources as at 30 June 2020 against those reported in the Company's initial public offer Prospectus as at 31 March 2020. The Company will provide a balance date previous year comparison in its 2021 annual report.

| Resource Category | Material | Tonnes | Grade | Contained gold |
|---|---|---|---|---|
| | | | g/t Au | Troy ounces |
| **As at 31 March 2020** | | | | |
| Measured | in-situ | 48,900 | 3.24 | 5,090 |
| Indicated | in-situ | 195,500 | 2.99 | 18,790 |
| | stopes | 115,300 | 3.60 | 13,350 |
| Inferred | in-situ | 24,000 | 3.33 | 2,570 |
| Total | | 383,700 | 3.23 | 39,800 |
| Stockpiles (measured) | | 60,300 | 2.54 | 4,920 |

*(Table 5 – Comparative Mt Boppy Gold Mineral Resource Statement)*

7 Resources are inclusive of Ore Reserves
8 See Prospectus dated 22 May 2020 and released on the ASX market announcements platform on 10 July 2020
9 Ibid

The changes arise from mining depletion, as detailed above.

Full details in relation to the Mineral Resources (other than mining depletion) are given in the Company's ASX announcement dated 10 July 2020 (Prospectus), including JORC 2012 Table 1.

**Mt Boppy Ore Reserves Statement**

In June 2020, the Company crushed and exhausted the legacy stockpile and extracted 17,604 t at approximately 2.0g/t Au from the 205RL blasted bench. Within the extraction area it is estimated that 7,456t at 3.04g/t Au was depleted from the previously estimated Ore Reserves. The updated Probable Ore Reserves Estimate is summarised below.

| Ore Type | tonnes | Au g/t Au | Au oz |
|---|---|---|---|
| Oxide | 10,000 | 3.1 | 1,000 |
| Transitional | 130,000 | 2.9 | 12,000 |
| Fresh | 20,000 | 3.3 | 2,000 |
| Stope tailings fill | 100,000 | 3.3 | 11,000 |
| Stockpiles | 10,000 | 2.0 | 1,000 |
| **Total Probable Ore Reserves** | 270,000 | 3.0 | 26,000 |

*(Table 6 Mt Boppy Probable Ore Reserves at 30th June 2020)*

Note: The estimated Ore Reserve tonnes and grades shown are stated to a number of significant figures reflecting the confidence of the estimate. The table may nevertheless show apparent inconsistencies between the sum of components and the corresponding rounded totals.

The Company was admitted to the official list of the ASX on 10 July 2020. As such, it cannot provide a comparison of the Ore Reserves as at 30 June 2020 against those reported as at 30 June 2019. The table below provides a comparison of Ore Reserves as at 30 June 2020 against those reported in the Company's initial public offer Prospectus as at 31 March 2020. The Company will provide a balance date previous year comparison in its 2021 annual report.

| Ore Type | tonnes | Au g/t Au | Au oz |
|---|---|---|---|
| **As at 31 March 2020** | | | |
| Oxide | 10,000 | 3.1 | 1,000 |
| Transitional | 130,000 | 2.9 | 12,000 |
| Fresh | 20,000 | 3.3 | 2,000 |
| Stope tailings fill | 100,000 | 3.3 | 11,000 |
| Stockpiles | 60,000 | 2.5 | 5,000 |
| **Total Probable Ore Reserves** | **320,000** | **3.0** | **31,000** |
| | | | |
| **As at 30 June 2020** | | | |
| Oxide | 10,000 | 3.1 | 1,000 |
| Transitional | 130,000 | 2.9 | 12,000 |
| Fresh | 20,000 | 3.3 | 2,000 |
| Stope tailings fill | 100,000 | 3.3 | 11,000 |
| Stockpiles | 10,000 | 2.0 | 1,000 |
| **Total Probable Ore Reserves** | **270,000** | **3.0** | **26,000** |

*(Table 7 – Comparative Mt Boppy Gold Ore Reserves Statement)*

The changes arise from mining depletion, as detailed above and rounding.

Full details in relation to the Ore Reserves (other than mining depletion) are given in the Company's ASX announcement dated 10 July 2020 (Prospectus), including JORC 2012 Table 1.

**Wonawinta Mineral Resources Statement**

JORC categorised Mineral Resources for Wonawinta are unchanged from the initial reporting in the Prospectus[10]. The total resource is 38.774 million tonnes at 42.0 g/t Ag and 0.61% Pb providing 52,367 thousand ounces and 236.5 thousand tonnes of lead.

| Resource category | Material Type | Tonnes (kt) | Ag (g/t) | Pb (%) | koz | Kt |
|---|---|---|---|---|---|---|
| Measured | Ox | 785.75 | 45.7 | 0.73 | 1,154 | 5.7 |
| | Fr | 105.30 | 40.3 | 0.47 | 137 | 0.5 |
| Indicated | Ox | 6,023 | 46.7 | 0.85 | 9,041 | 51.0 |
| | Fr | 2,473 | 52.8 | 0.66 | 4,200 | 16.4 |
| Sub Total | Ox | 6,808 | 46.6 | 0.83 | 10,195 | 57 |
| MI | Fr | 2,579 | 52.3 | 0.66 | 4,336 | 17 |
| Inferred | Ox | 14,474 | 38.9 | 0.68 | 18,119 | 97.9 |
| | Fr | 14,913 | 41.1 | 0.44 | 19,718 | 64.9 |
| **Total MII** | | **38,774** | **42.0** | **0.61** | **52,367** | **236.5** |
| Stockpiles (Indicated) | | 515.7 | 70.01 | | 1,161 | |

*(Table 8 – Wonawinta Resource Statement at 30th June 2020)*

Note: Reported differences may be present due to rounding of significant figures.

The Company will provide a balance date previous year comparison in its 2021 annual report.

Full details in relation to the Mineral Resources are given in the Company's ASX announcement dated 10 July 2020 (Prospectus), including JORC 2012 Table 1.

**Governance arrangements and internal controls**

Manuka has put in place governance arrangements and internal controls with respect to its estimates of Mineral Resources and Ore Reserves and the estimation process, including:

- oversight and approval of each annual statement by external consultants or responsible senior officers;
- establishment of internal procedures and controls to meet JORC Code 2012 compliance in all external reporting[11];
- independent review of new and materially changed estimates;
- annual reconciliation with internal planning to validate reserve estimates for operating mines; and

[10] See Prospectus dated 22 May 2020 and released on the ASX market announcements platform on 10 July 2020

Competent Persons retained by the Company are members of the Australasian Institute of Mining and Metallurgy (AusIMM) and/or the Australian Institute of Geoscientists (AIG), and qualify as Competent Persons as defined in the JORC Code 2012.

**Competent Persons Statements**

The information in this report that relates to Mineral Resources is based on, and fairly represents, information and supporting documentation prepared by Mr Ian Taylor, who is a Certified Professional by The Australasian Institute of Mining and Metallurgy and is employed by Mining Associates Pty Ltd. Mr Taylor has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Taylor consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Ore Reserves is based on, and fairly represents, information and supporting documentation prepared by Christopher Desoe, BE (Min)(Hons), FAusIMM (CP), RPEQ, Manager – Mining at consultancy Australian Mine Design and Development Pty Ltd (AMDAD). Mr Desoe has 37 years of experience in metalliferous mining, including more than 20 years in metalliferous open cut mining, and he has completed the Professional Certificate JORC Code Reporting course through the Australasian Institute of Mining and Metallurgy. Mr Desoe has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Applicable to the Mt Boppy Mine is his operations experience as Open Cut and Mine Planning Superintendent at Selwyn gold-copper mine, as well as consulting experience for small to medium scale open cut gold mines in Eastern Australia including Tomingley Gold Mine, Osborne Copper Gold Mine, Twin Hills Area 3, Lorena Gold Mine, Mungana Gold Copper Project, Pajingo Venue Gold Mine, Inheritance Copper Gold Mine and the Highway and Reward Copper Gold Mines.

This report includes information that relates to Mt Boppy Mineral Resources and Ore Reserves which were prepared and first disclosed under JORC Code 2012. The information was extracted from the Company's ASX announcement dated 10 July 2020 (Prospectus). The Company confirms that, other than mining depletion, 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.

This report includes information that relates to Wonawinta Mineral Resources which were prepared and first disclosed under JORC Code 2012. The information was extracted from the Company's 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.

# Directors' Report

The Directors of Manuka Resources Ltd ('Manuka Resources') present their report together with the financial statements of the Entity or the Group, being Manuka Resources ('the Company') and its subsidiary Mt Boppy Resources Pty Ltd ('Mt Boppy') for the year ended 30 June 2020.

Manuka Resources Limited is a company limited by shares and incorporated in Australia on the 20th April 2016.

## Director details

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

- Mr Dennis Karp
- Mr Anthony McPaul
- Mr Nicholas Lindsay
- Mr Justin Boylson (resigned 17 March 2020)

**Mr Dennis Karp**
Executive Chairman
Director since 20th April 2016

Mr Karp commenced his career in the Australian financial markets in 1983. He was the Head of Trading at HSBC Australia prior to joining Tennant Limited in 1997, one of Australia's largest physical commodities trading companies with operations in Asia and Europe. He was a principal shareholder of Tennant Metals until 2010, and managing director until December 2014. Mr Karp founded ResCap Investments Pty Ltd in December 2014.

Over the past 10 years, Mr Karp has been involved in various resource projects and investment opportunities in base metals and bulk commodities which have had marketing rights attached.

Mr Karp holds a Bachelor of Commerce from the University of Cape Town. Mr Karp does not hold any current and has not held any former directorships in other listed companies in the last 3 years.

**Mr Anthony McPaul**
Non-executive Director
Director since 25th November 2016

Mr Anthony McPaul is a senior mining executive with over 35 years' experience in mining operations and mineral processing. Mr McPaul has worked in and led both open cut and underground operations and was most recently the general manager for Newcrest's Cadia Valley Operations, in Orange NSW.

Mr McPaul commenced his career as an automotive engineer and progressed to maintenance and then onto operations management at various companies, including CRA, Denehurst, MIM and more recently Newcrest. He has successfully managed a wide range of operating projects from base through to precious metals in both surface and underground mines and has been directly responsible for all aspects of production and scheduling.

Mr McPaul formally retired from Newcrest in July 2016 and has since devoted his time to non-executive and contract roles. Mr McPaul has represented Newcrest and the resources industry on many boards, such as NSW

Minerals Council, NSW Minerals Council Executive Committee, and was the NSW Minerals Council representative on the Mine Safety Advisory Council. Mr McPaul has chaired many of these committees.

Mr McPaul is the current Chairman of the NSW Minerals Council Board and Executive Committee and a member of the recently formed Mineral Industry Advisory Council.

Mr McPaul has formal qualifications in automotive engineering from Goulburn TAFE. Mr McPaul does not hold any current and has not held any former directorships in other listed companies in the last three years.

**Dr Nicholas Lindsay**
Non-executive Director
Director since 20th June 2019

Dr Nicholas Lindsay is an experienced mining executive who brings an attractive mix of commercial, technical and academic qualifications, all of which are relevant to the Company. He has worked directly for a range of major and mid-tier mining companies over his career, and led juniors in copper, gold and silver though listings and mergers. Dr Lindsay is a geologist by profession, specialising in process mineralogy, and has postgraduate degrees from the University of Otago (NZ), the University of Melbourne and the University of the Witwatersrand (South Africa). He is a member of the AusIMM and Australian Institute of Geoscientists. Mr Lindsay has held the following Directorships in other listed companies in the 3 years immediately before the end of the financial year:-

- Valor Resources Ltd - Chief Executive Officer and Executive Director – Technical (current)
- Lake Resources NL - Non-Executive Director (current)
- Daura Capital Corp. - Non-Executive Director (current)

**Mr Justin Boylson**
Non-executive Director
Director since 31st January 2019, Resigned 17 March 2020

Justin commenced his career in the international trade and commodity markets in 1996 after time in the Australian Army. He worked for Brickworks Limited (and its subsidiaries) where in various senior managerial positions for over 7 years, including as regional export manager, project manager Western Australia and regional director Middle East. Justin joined Sinosteel Australia in 2006 where he was responsible for the day to day running of the trade desk until 2008 when he joined Tennant Metals as its Western Australia and Bulk Commodity General Manager where he was responsible for some high profile off-take transactions for Tennant Metals. Justin joined ResCap Investments as a Director in 2014 and is also a Director of Mt Boppy Resources Pty Ltd. Mr Boylson does not hold any current and has not held any former directorships in other listed companies in the last three years.

## Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Manuka Resources Limited were:

| | Ordinary Shares | Options over Ordinary Shares |
|---|---|---|
| Mr Dennis Karp | 91,814,557 | 1,500,000 |
| Mr Anthony McPaul | - | 1,500,000 |
| Dr Nick Lindsay | - | 1,500,000 |

## Company Secretary details

### Ms Toni Gilholme

Company Secretary since 20th April 2016

Ms Toni Gilholme is an experienced Financial Controller and a Qualified Chartered Accountant with over 15 years of experience in Financial Accounting and Company Secretarial matters and over 10 years of experience in Public Practice.

Ms. Gilholme holds a Bachelor of Business from the University of Technology, Sydney and is a qualified Chartered Accountant.

### Mr Dennis Wilkins

Company Secretary since 15th September 2016

Mr Wilkins is the founder and principal of DWCorporate Pty Ltd a leading privately held corporate advisory firm servicing the natural resources industry. Since 1994 he has been a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, PNG, Scandinavia and Africa. From 1995 to 2001 he was the Finance Director of Lynas Corporation Ltd during the period when the Mt Weld Rare Earths project was acquired by the group. He was also founding director and advisor to Atlas Iron Ltd at the time of Atlas' initial public offering in 2006.

Since July 2001 Mr Wilkins has been running DWCorporate Pty Ltd where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector. Mr Wilkins is currently a non-executive director of Key Petroleum Ltd since 5 July 2006, and an alternate director of Middle Island Resources Ltd since 1 May 2010.

## Principal activities

During the period, the principal activities undertaken by the Group were:

Since the acquisition of the Mt Boppy Gold Project and the Wonawinta Silver Project, the Company has:

(a) commissioned a resource estimation report for the Mt Boppy Gold Project (a majority of which has been now upgraded to Mineral Reserve status);

(b) prepared exploration strategies and detailed work programs for both the Mt Boppy Gold Project and the Wonawinta Silver Project;

(c) updated mine operations plans and obtained all relevant consents, authorisations and licences for both the Mt Boppy Gold Project and the Wonawinta Silver Project;

(d) refurbished the Wonawinta Processing Plant to enable the restart of processing onsite at the Wonawinta Silver Project;

(e) completed physical construction of the stage 2 TSF lift;

(f) commenced crushing and hauling of the Mt Boppy gold ore for processing at the Wonawinta Processing Plant; and

(g) completed the IPO of the Company on the ASX and commenced trading on the ASX on 14 July 2020, raising $7million from institutional, sophisticated and retail investors.

## Review of operations

Information on the operations and financial position of the group and its business strategies and prospects is set out in the review of operations on pages 4 to 15 of this annual report.

## Significant changes in state of affairs

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

- **TransAsia Private Capital (TPC) Facility – Secured Loan**

  The Company entered into a term sheet with a TPC in January 2020, and a signed debt facility agreement (TPC Facility) with its first drawdown occurring in July 2019. The TPC Facility is a Senior Secured Debt Facility for US$14 Million (approximately. A$20 Million).

  At time of writing the Company has received all five tranches totalling US$14 Million, which has been utilised for repayment of the MCP Manager Pty Ltd loan, and the upgrade and refurbishment of the plant as well as the multitude of pre-mining factors needing attention. All borrowings in place at the time of entering into the TPC facility with the exception of the MCP Manager Facility, have been subordinated to the TPC Facility. Refer to Note 19.2 of the financial report for details of borrowings.

- **Commencement of production**

  During the financial period, the Company completed an extensive plant refurbishment and upgrade. The Company then moved into steady state production in April 2020. This involved significant investment in capital and extensive recruitment to mobilise an experienced workforce running on a 24/7 basis. The Company completed its first sale of gold doré in May 2020.

- **TSF lift physical completion**

  Concurrently with the path to production, the Company completed the physical expansion of the Tailings Storage Facility to increase tailings capacity. The expanded capacity is expected be sufficient to contain tailings for two to three years of future production before a further lift is required.

- **Coronavirus (COVID-19) pandemic**

  Manuka Resources has implemented a number of processes in response to the COVID-19 pandemic to ensure the health and safety of employees and contractors and to aid in reducing the risk of transmission while still supporting an effective and productive workforce. These include measures which support social distancing, restrict non-essential travel, support staff wellbeing and include improved hygiene and cleaning protocols. Mining, production and exploration activities have continued without interruption with no material impact from COVID-19 on the Company’s operations. The Company will continue to adopt best practice protocols as the situation evolves to ensure the ongoing safety and wellbeing of employees and contractors.

- **Admission to ASX**

  On Friday 10 July 2020, the Company was admitted to the Official List of the Australian Securities Exchange.

## Dividends

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

## Events arising since the end of the reporting period

- **Commencement of Official Quotation on the ASX**

  Official Quotation of the Company's shares commenced on 14 July 2020. The Company raised $7,000,000 pursuant to the offer under its prospectus dated 22 May 2020 by the issue of 35,000,000 shares at an issue price of $0.20 per share.

- **Commencement of exploration**

  In August 2020, the Company commenced its three stage exploration and drilling program. The initial phase of the program is for approximately a two month term, drilling over 200 holes comprising approximately 7,000 metres predominantly reverse circulation (RC), with 1,000 diamond drilling (DD) expected.

- **Initial Mt Boppy drill results released**

  On 24 August 2020, the Company released the results of the assays from initial drill holes conducted as extension of existing grade control program. Extremely high-grade gold intersections were recorded from two holes drilled under the planned pit floor including
    - 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

- **Repayment of interest Convertible note holders**

  In July 2020, the Company paid all the outstanding interest of $1.78 million to Convertible Note holders.

- **Coronavirus (COVID-19) pandemic**

  The COVID-19 pandemic did not have any significant impact on the Group's operations during the year. Subsequent to the end of the financial year, the pandemic and its impact has continued to evolve with further outbreaks resulting in lockdown restrictions in Victoria, additional border closures between states, new stimulus measures (such as Jobkeeper 2.0) and many other items. It is therefore not practical to estimate the potential impact, positive or negative, after reporting date.

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

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

## Likely developments

During the next twelve to eighteen months it is expected that the Company will complete the processing of the gold ore from the Mt Boppy Gold Project. The plant will be transitioned from gold to silver and the Company will commence processing the existing approximately 500,000t of oxide silver material stockpiled at the Wonawinta Processing Plant.

During this period the Company also intends to expand its exploration activities and follow-up drilling programs, along with facilitating planning for potential oxide silver mining and to evaluate the potential to mine silver, lead and zinc sulphide.

Further information on the likely developments of the group and its business strategies and prospects is set out in the review of operations on pages 4 to 15 of this annual report.

## Directors' meetings

The number of meetings of Directors (including meetings of Committees of Directors) held during the period and the number of meetings attended by each Director is as follows:

| | Board Meetings | |
|---|---|---|
| **Board Member** | **A** | **B** |
| Dennis Karp | 11 | 11 |
| Anthony McPaul | 11 | 10 |
| Nicholas Lindsay | 11 | 10 |
| Justin Boylson (resigned 17 March 2020) | 7 | 5 |

Where:
**column A:** is the number of meetings the Director was entitled to attend
**column B:** is the number of meetings the Director attended

## Unissued shares under option

Unissued ordinary shares of Manuka Resources under option at the date of this report are:

| Date Options Granted | Expiry Date | Exercise Price of Shares $ | Number under option |
|---|---|---|---|
| Apr 2020 | 17th Apr 2023 | $0.25 | 3,250,000 |
| Mar 2020 | 17th Apr 2023 | $0.25 | 8,000,000 |
| June 2020 | 14th Jul 2023 | $0.25 | 10,000,000 |
| | | | 21,250,000 |

No shares were issued during or since the end of the year as a result of exercise of the options.

## Environmental legislation

The operations of Manuka Resources Limited are subject to a number of particular and significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

All conditions governing the administration of various environmental and tenement licences have been complied with. So far as the Directors are aware there has been no known breach of the Group's licence conditions and all activities comply with relevant environmental regulations. The Directors are not aware of any environmental regulation which is not being complied with.

## Remuneration report (audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*. The remuneration report sets out remuneration information for the Company's Executive Director, Non-Executive Directors and other Key Management Personnel ("KMP"). The report contains the following sections:

a) Key Management Personnel disclosed in this report;
b) Remuneration policy;
c) Performance-based remuneration;
d) Company performance, shareholder wealth and directors' and executives' remuneration;
e) Use of remuneration consultants;
f) Details of remuneration;
g) Service agreements;
h) Share-based compensation;
i) Equity instruments held by Key Management Personnel; and
j) Other transactions with Key Management Personnel.

### a) Key Management Personnel disclosed in this report

*Non-Executive and Executive directors (refer pages 20 to 21 for details on each director)*

- Dennis Karp
- Anthony McPaul
- Nick Lindsay
- Justin Boylson (resigned 17 March 2020)
- Brett Fletcher (resigned 1 October 2018)

*Other Key Management Personnel*

- Haydn Lynch, Chief Operations Officer (from 1st July 2019)
- David Power, Operations Manager (from 30th September 2019)

There have been no changes to directors or KMP since the end of the reporting period.

### b) Remuneration policy

The remuneration policy of Manuka Resources Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of Manuka Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.
- Executives are also entitled to participate in the employee share and option arrangements.
- The executive directors and executives (if any) receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2020 financial year, and do not receive any other retirement benefits. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.
- All remuneration paid to directors and executives is valued at the cost to the Group and expensed. The cost of share-based payments is measured by reference to the fair value at the date at which they are granted using an option pricing model.
- The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment, and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $180,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

**c) Performance-based remuneration**

The Group currently has no performance-based remuneration component built into key management personnel remuneration packages. Remuneration and share based payments are issued to align the Directors' interest with that of shareholders.

**d) Company performance, shareholder wealth and directors' and executives' remuneration**

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and key management personnel performance. Currently, this is facilitated through the issue of options to the majority of key management personnel to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth.

The table below shows the gross revenue, losses and earnings per share for the last five financial periods for the listed entity.

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Revenue and other income | 9,468,320 | - | 1 | 909,999 | - |
| Net loss | (4,552,843) | (5,428,238) | (4,344,351) | (3,745,221) | (144,998) |
| Loss per share (cents) * | (3.28) | (4.08) | (3.28) | (4.95) | (268,515) |

No dividends have been paid during the financial years ended 30 June 2016 to 30 June 2020.

* In accordance with AASB 133 paragraph 26, the weighted average number of shares outstanding during the period and for all period presented shall be adjusted for events (such as a share consolidation) that have changed the number of shares outstanding without a corresponding change in resources. As a result, the share consolidation described in Note 22.1 (e) has been applied to the full financial year ended 30 June 2020 and all the previous reporting periods.

### e) Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2020 (2019: None).

### f) Details of remuneration

Details of the remuneration of the key management personnel of the Group are set out in the following table.

| | Fixed Remuneration | | | | Variable Remuneration | |
|---|---|---|---|---|---|---|
| | Salary/ Directors Fee $ | Non-Monetary Benefits $ | Annual and Long Service Leave $ | Superannuation $ | Options $ | Total $ |
| **Directors** | | | | | | |
| Dennis Karp | | | | | | |
| 2020 | $110,000 | - | - | $7,001 | $81,677 | $198,678 |
| 2019 | $30,000 | - | - | - | - | $30,000 |
| Anthony McPaul | | | | | | |
| 2020 | $41,000 | - | - | - | $81,677 | $122,677 |
| 2019 | $22,495 | - | - | - | - | $22,495 |
| Nick Lindsay | | | | | | |
| 2020 | $39,000 | - | - | - | $81,677 | $120,677 |
| 2019 | - | - | - | - | - | - |
| Justin Boylson | | | | | | |
| 2020 | $24,000 | - | - | - | $81,677 | $105,677 |
| 2019 | $9,375 | - | - | - | - | $9,375 |
| Brett Fletcher [1] | | | | | | |
| 2020 | - | - | - | - | - | - |
| 2019 | $3,750 | - | - | - | - | $3,750 |
| **Other KMP (Group)** | | | | | | |
| Haydn Lynch | | | | | | |
| 2020 | $206,495 | - | $12,683 | $20,822 | $81,677 | $321,677 |
| 2019 | - | - | - | - | - | - |
| David Power | | | | | | |
| 2020 | $166,848 | - | - | $15,850 | - | $182,698 |
| 2019 | - | - | - | - | - | - |
| **Total KMP remuneration expensed** | | | | | | |
| 2020 | $587,343 | - | $12,683 | $43,673 | $408,385 | $1,052,084 |
| 2019 | $65,620 | - | - | - | - | $65,620 |

(1) Brett Fletcher resigned effective 1 October 2018

### g) Service agreements

The details of service agreements of the key management personnel of the Group are as follows:

*Dennis Karp, Executive Chairman*:

(a) Mr Karp was appointed Executive Chairman on 1 March 2020 at an annual salary of $262,800 (inclusive of superannuation); and

(b) The agreement is ongoing until terminated in accordance with the agreement. Mr Karp may terminate the agreement by giving 12 weeks' notice in writing to the Company and the Company may terminate the agreement (without cause) by giving Mr Karp 12 weeks' written notice or by making payment in lieu of notice.

*Haydn Lynch, Chief Operations Officer*:
(a) Mr Lynch will receive an annual salary of $240,000 (inclusive of superannuation); and
(b) The agreement is ongoing until terminated in accordance with the agreement. Mr Lynch may terminate the agreement by giving 12 weeks' notice in writing to the Company and the Company may terminate the agreement (without cause) by giving Mr Lynch 12 weeks' written notice or by making payment in lieu of notice.

*David Power, Executive Chairman*:
(a) Mr Power will receive an annual salary of $219,000 (inclusive of superannuation); and
(b) The agreement is ongoing until terminated in accordance with the agreement. Mr Power may terminate the agreement by giving 4 weeks' notice in writing to the Company and the Company may terminate the agreement (without cause) by giving Mr Power 4 weeks' written notice or by making payment in lieu of notice.

All non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

### h) Share-based compensation

*Options*

Options are issued to key management personnel as part of their remuneration. The options are not issued based on performance criteria but are issued to the majority of key management personnel of Manuka Resources Limited to increase goal congruence between key management personnel and shareholders. The following options were granted to or vesting with key management personnel during the year:

| | Grant Date | Granted Number | Vesting Date | Expiry Date | Exercise Price (cents) | Value Per Option at Grant Date (cents) (1) | Exercised Number | % of Remuneration |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Dennis Karp | 11/03/2020 | 1,500,000 | 6/05/2020 | 17/04/2023 | 25.0 | 5.45 | Nil | 41% |
| Anthony McPaul | 11/03/2020 | 1,500,000 | 6/05/2020 | 17/04/2023 | 25.0 | 5.45 | Nil | 67% |
| Nick Lindsay | 11/03/2020 | 1,500,000 | 6/05/2020 | 17/04/2023 | 25.0 | 5.45 | Nil | 68% |
| Justin Boylson | 11/03/2020 | 1,500,000 | 6/05/2020 | 17/04/2023 | 25.0 | 5.45 | Nil | 77% |
| **Other KMP** | | | | | | | | |
| Haydn Lynch | 11/03/2020 | 1,500,000 | 6/05/2020 | 17/04/2023 | 25.0 | 5.45 | Nil | 25% |

(1) The value at grant date in accordance with AASB 2: *Share Based Payments* of options granted during the year as part of remuneration.

For options granted during the current year, the valuation inputs for the option pricing model were as follows:

| | Underlying Share Price (cents) | Exercise Price (cents) | Volatility | Risk Free Interest Rate | Valuation Date | Expiry Date |
|---|---|---|---|---|---|---|
| Directors and Other KMP | 14.95 | 25.0 | 77% | 0.25% | 11/03/2020 | 17/04/2023 |

No ordinary shares in the Company have been provided as a result of the exercise of remuneration options to each director of Manuka Resources Limited and other key management personnel of the Group during the year.

### i) Equity instruments held by Key Management Personnel

*Share holdings*

The numbers of shares in the Company held during the financial year by each director of Manuka Resources Limited and other key management personnel of the Group, including their related parties, and any nominally held, are set out below. There were no shares granted during the reporting period as compensation.

| | Balance at start of the year | Received during the year on the exercise of Options | Other changes during the year | Balance at end of the year |
|---|---|---|---|---|
| **Directors** | | | | |
| Dennis Karp | 80,869,567 | - | 10,944,990 | 91,814,557 |
| Anthony McPaul | - | - | - | - |
| Nick Lindsay | - | - | - | - |
| Justin Boylson | - | - | - | (1) - |
| **Other KMP** | | | | |
| Haydn Lynch | - | - | - | - |
| David Power | - | - | - | - |

(1) Balance held at the date of resignation (17 March 2020).

*Option holdings*

The numbers of options over ordinary shares in the Company held during the financial year by each director of Manuka Resources Limited and other key management personnel of the Group, including their personally related parties, and any nominally held, are set out below.

| | Balance at start of the year | Granted as compen-sation | Exercised | Other changes | Balance at end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Dennis Karp | - | 1,500,000 | - | - | 1,500,000 | 1,500,000 | - |
| Anthony McPaul | - | 1,500,000 | - | - | 1,500,000 | 1,500,000 | - |
| Nick Lindsay | 3,000,000 | 1,500,000 | - | (3,000,000) | 1,500,000 | 1,500,000 | - |
| Justin Boylson | - | 1,500,000 | - | - | (1) 1,500,000 | 1,500,000 | - |
| **Other KMP** | | | | | | | |
| Haydn Lynch | - | 1,500,000 | - | - | 1,500,000 | 1,500,000 | - |
| David Power | - | - | - | - | - | - | - |

(1) Balance held at the date of resignation (17 March 2020).

All vested options are exercisable at the end of the year.

### j) Other transactions with Key Management Personnel

- ResCap Investments Pty Ltd - A director, Mr Dennis Karp, is a director of, and holds a controlling interest in, ResCap Investments Pty Ltd ("ResCap"). The Group has borrowing arrangements with ResCap, along with transactions for the sublease of office premises and a service agreement for the provision of administrative services. The ResCap office sublease ended in July 2019 and the service agreement ended in February 2020.

- Cobar Gold Unit Trust 2020- Mr Dennis Karp is a director of Cobar United Pty Ltd that acted as trustee for the Cobar Gold Unit Trust 2020. Manuka entered into a prepayment in relation to the sale of gold ore to Cobar United Pty Ltd ATF Cobar Gold Unit Trust 2020 amounting to $950,000. There is a call and put option in Manuka's favour in relation to the agreement. The put option was exercised in June 2020 and payment was made on 26 June 2020 to settle the agreement.

Aggregate amounts of each of the above types of other transactions with key management personnel of Manuka Resources Limited:

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **Details of related party transactions with ResCap through the loan facility:** | | |
| • interest charged on loan | 107,225 | 106,374 |
| **Details of related party transactions with ResCap as trade and other creditors** | | |
| • amounts charged pursuant to sublease to ResCap and month to month lease payments | 21,267 | 83,094 |
| • amounts charged pursuant to service agreement to ResCap | 240,000 | 360,000 |
| **Details of related party transactions with Cobar Unit Trust through the loan facility:** | | |
| • interest paid in relation to prepayment of sale of gold | 95,000 | - |
| **Details of balances with related parties:** | | |
| **Balance of loan with Manuka Resources Ltd** | | |
| - payable to ResCap Investments Pty Ltd | 2,005,327 | 1,776,080 |
| - payable to Cobar Unit Trust | - | - |
| **Balance of loan with Mt Boppy Resources Pty Ltd** | | |
| - payable to ResCap Investments Pty Ltd | 196,143 | 3,084,143 |

**End of audited Remuneration Report**

## Indemnities given to, and insurance premiums paid for, auditors and officers

During the period, Manuka Resources has paid a premium to insure officers of the Company. The officers of the Company that are covered by the insurance policy includes all directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

The Company has not otherwise, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Company against a liability incurred as such by an officer.

The Company has agreed to indemnify its auditors, Grant Thornton, to the extent permitted by law, against any claim by a third party arising from the Company's breach of its agreement. The indemnity requires the Company to meet the full amount of any such liabilities including a reasonable amount of legal costs.

## Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought, or intervened in, on behalf of the company with leave of the court under section 237 of the *Corporations Act 2001.*

## Audit and non-audit services

Details of the amounts paid or payable to the auditor (Grant Thornton Audit Pty Ltd) for audit and non-audit services during the year are disclosed in Note ▯.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The board of directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board of directors to ensure they do not impact the impartiality and objectivity of the auditor, and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

## Auditor's Independence Declaration

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

Signed in accordance with a resolution of the Directors

Dennis Karp
Executive Chairman
Dated the 25th day of September 2020

Level 17, 383 Kent Street
Sydney NSW 2000

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

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

# Auditor's Independence Declaration

## To the Directors of Manuka Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Manuka Resources Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 25 September 2020



'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the year ended 30 June 2020

| | Notes | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| Sales revenue | 5(a) | 9,261,798 | - |
| Cost of sales | 6(a) | (7,264,503) | - |
| **Operating profit** | | **1,997,295** | **-** |
| Other income | 5(b) | 206,522 | - |
| Other expenses | 6(c) | (2,554,138) | (1,760,183) |
| Movement in fair value of derivative liability | 13 | (239,130) | - |
| Share based payment credit / (expense) | 26 | (435,611) | 150,266 |
| Loss on acquisition of asset | 30 | - | (1,552,915) |
| **Loss before finance expenses** | | **(1,025,062)** | **(3,171,832)** |
| Finance expenses | 7 | (3,527,781) | (2,256,406) |
| **Loss before income tax** | | **(4,552,843)** | **(5,428,238)** |
| Income tax expense | 8 | - | - |
| **Loss for the year attributable to members of Manuka Resources Limited** | | **(4,552,843)** | **(5,428,238)** |
| Other comprehensive income | | - | - |
| **Total comprehensive loss for the year attributable to members of Manuka Resources Limited** | | **(4,552,843)** | **(5,428,238)** |
| **Loss per share for loss attributable to the ordinary equity holders of the Company** | | | |
| Basic and diluted loss per share (cents per share) | 25 | (3.28) | (4.08) |

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

# Consolidated Statement of Financial Position

## As of 30 June 2020

| | Notes | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current** | | | |
| Cash and cash equivalents | 11 | 1,509,040 | 62 |
| Trade and other receivables | 12 | 7,653,740 | 12,914 |
| Inventories | 14 | 2,007,761 | - |
| Prepayments | | 351,127 | - |
| **Total current assets** | | **11,521,668** | **12,976** |
| **Non-current** | | | |
| Mine properties and development assets | 15 | 9,343,296 | 3,307,887 |
| Exploration and evaluation assets | 16 | 322,305 | - |
| Property, plant and equipment | 17 | 8,589,019 | 2,200,710 |
| Right of use asset | 18 | 194,557 | - |
| Other financial assets | 19 | 6,456,370 | 6,253,362 |
| **Total non-current assets** | | **24,905,547** | **11,761,959** |
| **Total assets** | | **36,427,215** | **11,774,935** |
| | | | |
| **Liabilities** | | | |
| **Current** | | | |
| Trade and other payables | 20 | 7,670,573 | 2,246,362 |
| Provisions | 21 | 188,617 | 17,607 |
| Borrowings | 19 | 25,704,579 | 17,234,551 |
| Lease liabilities | 18 | 128,937 | - |
| **Current liabilities** | | **33,692,706** | **19,498,520** |
| **Non-current** | | | |
| Provisions | 21 | 5,108,158 | 5,339,653 |
| Lease liabilities | 18 | 73,078 | - |
| **Total non-current liabilities** | | **5,181,236** | **5,339,653** |
| **Total liabilities** | | **38,873,942** | **24,838,173** |
| **Net deficit** | | **(2,446,727)** | **(13,063,238)** |
| | | | |
| **Equity** | | | |
| Share capital | 22 | 5,112,041 | 1 |
| Other contributed equity | 23 | 8,867,407 | 296,170 |
| Share based payment reserve | 26 | 1,486,077 | - |
| Accumulated losses | | (17,912,252) | (13,359,409) |
| **Total equity** | | **(2,446,727)** | **(13,063,238)** |

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

# Consolidated Statement of Changes in Equity

## For the year ended 30 June 2020

| | Share Capital | Other Contributed Equity | Share based payment reserve | Accumulated losses | Total equity |
|---|---|---|---|---|---|
| | $ | $ | $ | | $ |
| **Balance at 1 July 2018** | **1** | **296,170** | **749,835** | **(8,530,740)** | **(7,484,734)** |
| Loss for the period | - | - | - | (5,428,238) | (5,428,238) |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive loss for the period** | **-** | **-** | **-** | **(5,428,238)** | **(5,428,238)** |
| Reversal of share options expired | - | - | (599,569) | 599,569 | - |
| Reversal of share based payment expense | - | - | (150,266) | - | (150,266) |
| **Balance at 1 July 2019** | **1** | **296,170** | **-** | **(13,359,409)** | **(13,063,238)** |
| Loss for the period | - | - | - | (4,552,843) | (4,552,843) |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive loss for the period** | **-** | **-** | **-** | **(4,552,843)** | **(4,552,843)** |
| Contribution of equity | 5,112,040 | 9,934,830 | - | - | 15,046,870 |
| Share issue costs | - | (1,363,593) | - | - | (1,363,593) |
| Share based payments | - | - | 1,486,077 | - | 1,486,077 |
| **Balance at 30 June 2020** | **5,112,041** | **8,867,407** | **1,486,077** | **(17,912,252)** | **(2,446,727)** |

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

# Consolidated Statement of Cash Flows

## For the year ended 30 June 2020

| | Notes | 2020 | 2019 |
|---|---|---|---|
| | | **$** | **$** |
| **Operating activities** | | | |
| Receipts from customers | | 8,822,251 | - |
| Payments to suppliers and employees | | (6,223,442) | (648,586) |
| Other income | | 206,522 | - |
| Finance costs paid | | (1,037,063) | - |
| **Net cash from / (used in) operating activities** | 24 | **1,768,268** | **(648,586)** |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | | (6,816,544) | - |
| Payments for development and exploration assets | | (7,927,193) | - |
| Payment for other assets | | (91,280) | - |
| Cash on acquisition of Mt Boppy Resources | | - | 62 |
| **Net cash (used in) / from investing activities** | | **(14,835,017)** | **62** |
| **Financing activities** | | | |
| Proceeds from borrowings | | 24,009,356 | 635,118 |
| Repayments of borrowings | | (9,860,466) | - |
| Repayment of lease liabilities | | (73,163) | - |
| Proceeds from issues of ordinary shares | | 500,000 | - |
| **Net cash from financing activities** | | **14,575,727** | **635,118** |
| Net change in cash and cash equivalents | | 1,508,978 | (13,406) |
| Cash and cash equivalents, at beginning of the period | | 62 | 13,468 |
| **Cash and cash equivalents, at end of period** | 11 | **1,509,040** | **62** |

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

# Notes to the Financial Statements

## 1 Nature of operations and general information and statement of compliance

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

During the financial year the Company's principal activities related to refurbishing and upgrading the Wonawinta production facility, the finalisation of a mine plan for Mt Boppy, and the identification and appointment of the required staff to oversee the two projects (the mining of Mt Boppy and the production process at Wonawinta) and commencement of production at the Wonawinta plant.

The financial report includes the consolidated financial statements and notes of Manuka Resources Limited and its controlled entity Mt Boppy Resources Pty Ltd (Consolidated Group or Group).

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. These include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures the that the financial report, comprising the financial statements and the notes, complies with International Financial Reporting Standards (IFRS). Manuka Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

Manuka Resources Ltd is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Level 4, Grafton Bond Building, 201 Kent Street, Sydney, New South Wales.

The consolidated financial statements for the year ended 30 June 2020 were approved and authorised for issue by the Board of Directors on 25th September 2020. The directors have the power to amend and reissue the financial statements.

## 2 Changes in accounting policies

### 2.1 New and amended standards adopted as at 1 July 2019

The Group has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

**AASB 16 – Leases**

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

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

The Group has reviewed its contracts that were in place at 1 July 2019 and determined that there were no operating leases with a term greater than 12 months. The Group has not applied any of the practical expedients allowed when applying AASB 16.

On adoption of AASB 16, the Group recognises on its balance sheet the minimum lease payments under its lease arrangements as 'right-of-use assets' with a corresponding financial lease liability. The financial liability is adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense previously recognised under AASB 117 is replaced with a depreciation charge for the leased asset (included in operating costs), and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

***Impact of adoption***

AASB 16 was applied upon the Company entering into a leasing arrangement during the financial year, as a result there was no impact on the opening retained earnings. A right-of-use asset of $258,702 and a lease liability of $258,702 were recognised on 1 January 2020 being the commencement date of the lease.

**Interpretation 23 – Uncertainty over income tax treatments**

Interpretation 23 clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatment exists. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments.

The Group has adopted Interpretation 23 from 1 July 2019. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group has determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The adoption of Interpretation 23 did not have an impact on the consolidated financial statements of the Group.

The Group will continue to review the "Same Business Test" and the "Continuity of ownership test" to assess whether it has an impact on the accessibility of tax losses.

## 2.2 Accounting standards and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is that they are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 3 Summary of accounting policies

### 3.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The financial statements have been prepared on a historical cost basis, except for the assets held for sale which are measured at fair value less cost of disposal. The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

### 3.2 Going Concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The financial statements do not include any adjustments that might be necessary to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report, should the Group not be able to continue as a going concern.

During the financial year ended 30 June 2020, the Group achieved the following significant milestones:

- The Group entered into a new debt facility (TFC/TA Facility) of USD$13 million (approximately AUD$19 million) with TransAsia Private Capital Limited (TPC) which was then increased to USD$ 14 million. The facility has been fully drawdown to fund the necessary capital and operational expenses to recommission the plant located at Wonawinta. The repayments are scheduled for in three tranches being USD$2.5 million on 30 November 2020, USD$ 5 million on 3 February 2021 and USD$ 6.5 million on 5 April 2021;
- On 17 April 2020, The Group completed its refurbishment and upgrade program of the plant and started gold commercial production, achieving $9.261 million of revenue for the period ended 30 June 2020; and
- On 12 June 2020, the Group closed its offer under its prospectus dated 22 May 2020 after a successful capital raising of $7,000,000. The Group was admitted to Official Quotation on the ASX on 14 July 2020.

Whilst a significant improvement in the net liability position of the Group is noted driven by commercial production, and the raising of $7,000,000 in capital, the Group incurred a loss for the year ended 30 June 2020 of $4,552,843 (2019: 5,428,238) and still had a deficit of assets of $2,446,727 (2019: 13,063,238) and is in a net current liability position of $22,171,038 (2019: 19,485,544) as of the reporting date.

Management have prepared cash flow projections for the period to 30 September 2021 that support the ability of the Group to continue as a going concern.

In order to repay its current liabilities in the timeframe, the projections rely on the ability of the Group continuing gold production profitably based on the forecast gold price, the cut-off grade, the amount of known resources and reserves, the successful transition of the plant to silver production at Wonawinta, the forecast silver price and the forecast USD/AUD exchange rate.

In the event the Group is unable to achieve some of the matters detailed above, this would create a material uncertainty with respect to the ability of the Group to continue as a going concern and accordingly to realise its assets and extinguish its liabilities in the ordinary course of operations.

In such a scenario the Group has a number of alternative plans including:

- Undertaking capital raising activities on the market; and

- Renegotiating with TPC the terms of the facility by delaying some of the repayment dates and/or finding alternative financing arrangements.

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

### 3.3 Basis of consolidation

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries at the end of the reporting period. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

### 3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

### 3.5 Foreign currency translation

***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Manuka Resources Limited's functional and presentation currency.

***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

### 3.6 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

### 3.7 Leases

As explained in Note 2.1 above, the Company has changed its accounting policy for leases where the Company is the lessee.

***Policy applicable before 1 July 2019***

Until 30 June 2019, leases where a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

***Policy applicable from 1 July 2019***

On adoption of AASB 16, the Group recognises on its balance sheet the minimum lease payments under its lease arrangements as ‘right-of-use assets’ with a corresponding financial lease liability. The financial liability is adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognised previously recognised under AASB 117 is replaced with a depreciation charge for the leased asset (included in operating costs), and an interest expense on the recognised lease liability (included in finance costs). The new policy and the impact of the change are described in Note 2.1.

***Short-term leases and leases of low value assets***
The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months of less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 3.8 Revenue recognition
The Group recognises revenue as follows:

***Revenue from contracts with customers***
Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

***Sale of goods***
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. The Company has one Key Customer which is an LBMA Accredited Refinery. Sales revenue is recognised at the time of the Lock-in Contract. This is when goods are delivered and title and risk passes to the customer. The Lock-in contract is based on provisional assays at the spot price. Final assays are completed at the Outturn and the resulting difference in product is deposited to the Company's Unallocated Metals account, where the goods are recognised as Inventory at cost price.

## 3.9 Government grants
Grants from the government, including the COVID-19 cashflow boost, are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants are recorded in other income.

### 3.10 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

### 3.11 Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are transferred to mine properties and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site. A regular review for impairment is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Exploration expenditure which fails to meet at least one of the conditions outlined above is written off.

### 3.12 Property, plant and equipment

Property, plant, equipment, is stated at cost less accumulated depreciation and any impairment in value.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation commences on assets when it is deemed they are capable of operating in the manner intended. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a revised useful life basis.

| Asset | Depreciation rate |
|---|---|
| Freehold land – at cost | not depreciated |
| **Computer Equipment:-** | |
| - Laptops and mobile devices | 2 years effective life (50%) - straight-lined |
| - Other Computer equipment | 4 years effective life (25%) - straight-lined |
| **Plant and Equipment** | |
| Ball Mill Motor | 25 years effective life (4%) - straight-lined |
| Other Pumps and Motors | 20 years effective life (5%) - straight-lined |
| Generators | 10 years effective life (10%) - straight-lined |
| Other | 2-5 years effective life (20% to 50%) - straight-lined |
| Processing Plant | units of production |

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### 3.13 Financial instruments

***Recognition and derecognition***

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

***Subsequent measurement of financial assets***

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVPL)
- debt instruments at fair value through other comprehensive income (FVOCI)
- equity instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The entity’s business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

***Financial assets at amortised cost***
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

***Financial assets at fair value through profit or loss (FVPL)***
Financial assets that are held within a business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category.

***Impairment of financial assets***
The AASB 9 impairment model uses forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of this impairment model depends on whether there has been a significant increase in credit risk.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

***Trade and other receivables and contract assets***
The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

***Classification and measurement of financial liabilities***
The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

### 3.14 Inventories
Inventories are measured at the lower of their costs and net realisable value. An impairment provision is recognised when there is objective evidence that the Company will not be able to realise the carrying amount through use or sale.

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale inventories are valued at the lower of cost and net realisable value.

### 3.15 Care and Maintenance
When a mine moves into the care and maintenance stage, the costs of maintaining the mine are expensed in the period as incurred unless there are future economic benefits for other operating mines.

### 3.16 Mine development
Mine development expenditure relates to costs incurred to access a mineral resource. It represents those exploration and evaluation costs incurred after the technical feasibility and commercial viability of extracting the mineral resource has been demonstrated and an identified mineral reserve is being prepared for production (but is not yet in production).

Significant factors considered in determining the technical feasibility and commercial viability of the project are the completion of a feasibility study, the existence of sufficient proven and probable reserves to proceed with development and approval by the Board of directors to proceed with development of the project. Mine development costs include direct and indirect costs associated with mine infrastructure, pre-production development costs, development excavation, project execution costs and other subsurface expenditure pertaining to that area of interest. Costs related to tangible surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

Development costs are carried forward in respect of areas of interest in the development phase until commercial production commences. When commercial production commences, carried forward development costs are transferred to Mine Properties and amortised on a units of production basis over the life of economically recoverable reserves of the area of interest. The Group assesses future capital costs required to bring existing reserves into production and includes an estimate of these costs in the base when calculating amortisation expense. Development assets are assessed for impairment if an impairment trigger is identified.

For the purposes of impairment testing, development assets are allocated to CGUs to which the development activity relates.

***Production Stripping***
Removal of waste material normally continues after commercial production commences and throughout the life of a mine. This activity is referred to as production stripping. The costs of production stripping are capitalised. The amount of stripping costs deferred is based on the ratio of waste tonnes mined and ore tonnes mined. Amortisation of the production stripping asset takes place on a unit of production based on the identified component of the ore body which is mined. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g. tonnes) of waste to be stripped and ore to be mined in each of these components.

### 3.17 Cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

### 3.18 Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### 3.19 Borrowing costs
General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

### 3.20 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of derivatives are recognised immediately in profit or loss and are included in other gains/(losses).

### 3.21 Employee benefits

***Short-term obligations***

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

***Other long-term employee benefit obligations***

The Group also has liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

***Share based payments***

Options over ordinary shares have been granted to employees, Directors and finance providers from time to time, on a discretionary basis. The cost of these share-based payments is measured by reference to the fair value at the date at which they are granted using an option pricing model. The options may be subject to service or other vesting conditions and their fair value is recognised as an expense together with a corresponding increase in other reserve equity over the vesting period.

### 3.22 Equity, reserves and dividend payments

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities if the dividends have been being appropriately authorised and are no longer at the discretion of the entity prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

### 3.23 Earnings per share

***Basic earnings per share***

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

***Diluted earnings per share***

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### 3.24 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

### 3.25 Rehabilitation

Provisions made for rehabilitation are recognised where there is a present obligation as a result of exploration, development or production activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning mining activities and restoring the affected areas. The provision for future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the obligation at the reporting date, based on current legal requirements and technology. Future rehabilitation costs are reviewed annually, and any changes are reflected in the present value of the rehabilitation provision at the end of the reporting period. The amount of the provision for future rehabilitation costs relating to exploration and development activities is capitalised as a cost of those activities. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate the risks specific to the liability.

### 3.26 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

***Rehabilitation provision***

The Company is required by the relevant regulatory authorities to ensure that appropriate rehabilitation is carried out on tenements that are mined. The amount of the rehabilitation cost is an estimate based upon the estimated life of each mined tenement, as well as the future timing and cost of such rehabilitation. The provision is constantly revised as information about the life of mine, depth of mining and cost estimates are updated.

***Share based payment reserve***

Management uses valuation techniques to determine the fair value of the reserve created when options are issued to employees and executives. This involves developing estimates and assumptions determined by reference to historical data of comparable entities over a period of time. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available.

***Taxation***

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates consider both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by the Australian Taxation Office.

***Exploration and evaluation costs***

Exploration and evaluation costs have been capitalised and are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Key judgements are applied in considering the costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

***Coronavirus (COVID-19) pandemic***

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

***Impairment***

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using the directors' best estimate of the asset's fair value, which can incorporate various key assumptions. Any amounts in excess of the fair value are impaired.

***Life of mine method of amortisation and depreciation***

The Group applies the life of mine method of amortisation and depreciation to its mine specific plant and to mine properties and development based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and the production capacity of the plants to be depreciated under this method. Factors that are considered in determining reserves and production capacity are the complexity of metallurgy, markets and future developments. When these factors change or become known in the future, such differences will impact pre tax profit and carrying values of assets.

***Net realisable value of inventories***

The calculation of net realisable value for raw materials, work in progress and finished goods involves significant judgement and estimates in relation to timing and cost of processing, commodity prices, recoveries.

A change in any of these assumptions will alter the estimated net realisable value and may therefore impact the carrying value of inventories.

***Determination of mineral resources and ore reserves***

The Group reports its Mineral Resources and Ore Reserves in accordance with the Joint Ore Reserves Committee (**JORC**) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code**). The information on Mineral Resources and Ore Reserves is prepared by Competent Persons as defined by the JORC Code.

There are numerous uncertainties inherent in estimating the quantities of economically recoverable Mineral Resources and Ore Reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes may impact asset carrying values, depreciation and amortisation rates, deferred development costs and provisions for rehabilitation.

***Commencement of production***

The Group achieved operating status on 17 April 2020, reaching production for accounting purposes. Accordingly, for the period 17 April 2020 to 30 June 2020, revenues derived from mining activities and associated costs were no longer capitalised and have been recognised in profit or loss, and depreciation and amortisation of mine properties commenced on 17 April 2020.

## 4 Segment reporting

***Identification of reportable segments***

The Group has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is operated under one business segment which is investment in the exploration, appraisal, development and commercialisation of gold and silver deposits. Currently all the Group’s gold and silver tenements and resources are in New South Wales.

***Revenue and assets by geographical region***

The Company's revenue is derived from sources and assets located wholly within Australia.

***Major customers***

The Company currently delivers all its product to one off-taker.

***Financial information***

Reportable items required to be disclosed in this note are consistent with the information disclosed in the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position and are not duplicated here.

## 5 Revenue and other income

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **(a) Operating sales revenue** | | |
| Sale of mineralised ore – gold (point in time) | 9,243,350 | - |
| Sale of mineralised ore – silver (point in time) | 18,448 | - |
| **Total revenue from contracts with customers** | **9,261,798** | **-** |

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **(b) Other income** | | - |
| Government grant | 168,000 | - |
| Other income | 38,522 | - |
| **Total other income** | **206,522** | **-** |

## 6 Expenses

### (a) Cost of sales

| | | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| Operating expenses | 6(b) | 8,555,954 | - |
| Royalties | | 439,201 | - |
| Inventory movements | | (1,730,652) | - |
| **Total operating expenses** | | **7,264,503** | **-** |

### (b) Operating expenses

| | | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| Mining expenses | | 647,863 | - |
| Hauling and crushing expenses | | 1,684,782 | - |
| Processing and refining expenses | | 3,110,883 | - |
| Site administration expenses | | 2,130,244 | - |
| Amortisation of mine properties | 15 | 982,182 | |
| **Total operating expenses** | | **8,555,954** | **-** |

### (c) Other expenses

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Professional expenses | 1,169,448 | 1,036,204 |
| Employment expenses | 519,420 | 289,087 |
| Depreciation and amortisation - leases | 64,145 | - |
| IPO expenses | 429,282 | - |
| Other expenses | 371,843 | 443,892 |
| **Total other expenses** | **2,554,138** | **1,769,183** |

## 7 Finance costs

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **Finance costs are made up of the following items:** | | |
| Interest expenses and other finance charges – net of capitalisation of borrowing costs | 2,439,578 | 2,038,085 |
| Net discounting impact of rehabilitation provisions and financial assets | 242,794 | (169,399) |
| Net foreign exchange loss | 181,135 | - |
| Accrued interest charged to notes | 664,274 | 387,720 |
| **Total finance costs** | 3,527,781 | 2,256,406 |

## 8 Income tax expense

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **(a) Income tax benefit recognised in the income statement** | | |
| Current tax | - | - |
| Deferred tax | - | - |
| **Income tax as reported in the statement of comprehensive income** | - | - |
| | | |
| **(b) Reconciliation of income tax expense to prima facie tax payable** | | |
| The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows: | | |
| Loss from ordinary activities before income tax expense | (4,552,843) | (5,428,238) |
| Tax at the Australian rate of 27.5% (2019: 27.5%) | (1,252,032) | (1,492,765) |
| Increase / (decrease) in income tax due to: | | |
| Temporary differences | (1,355,229) | 175,758 |
| Permanent differences | (134,776) | 427,052 |
| Unused tax losses not recognised | 2,742,037 | 889,955 |
| **Income tax expense** | **-** | **-** |
| | | |
| **(c) Deferred tax assets not recognised** | | |
| Deferred tax assets | | |
| - carry forward tax losses at 27.5% (2019: 27.5%) not recognised | 6,003,401 | 3,261,364 |
| - other deferred tax assets | 2,985,591 | 2,027,940 |
| Deferred tax liabilities | (2,978,743) | (909,669) |
| **Net deferred tax assets not recognised** | 6,010,249 | 4,379,635 |

The Company has no available franking credits.

Potential deferred tax assets attributable to tax losses and other temporary differences have not been brought to account as at 30 June 2020. Because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will be obtained if:

- The Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the expenditure to be realised; and
- No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the expenditure.

## 9 Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **Audit of financial statements** | | |
| Grant Thornton Audit Pty Ltd – audit and review of financial reports | 189,997 | 55,253 |
| **Remuneration from audit of financial statements** | **189,997** | **55,253** |
| **Other services** | | |
| Grant Thornton Australia Ltd – Investigating Accountants Report | 69,025 | - |
| **Total other services remuneration** | **69,025** | **-** |
| **Total auditor's remuneration** | **259,022** | **55,253** |

## 10 Dividends

No dividends for the year ended 30 June 2020 have been declared or paid to shareholders by the Company.

## 11 Cash and cash equivalents

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **Cash and cash equivalents comprise the following:** | | |
| Cash at bank and in hand | 1,509,040 | 62 |
| **Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows** | **1,509,040** | **62** |

Cash at bank and in hand is non-interest bearing.

## 12 Trade and other receivables

| | | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **Current** | | | |
| Trade receivables | | 200,403 | - |
| Other receivables | | 453,337 | 12,914 |
| IPO funds raised not yet received | 23 | 7,000,000 | - |
| **Total trade and other receivables** | | **7,653,740** | **12,914** |

## 13 Derivative financial liability

During the 2018 financial year 8,000,000 and 12,500,000 share options were issued to Gleneagle Securities (Aust) Pty Ltd and MCP Manager respectively in lieu of borrowing facility provided and extension of facilities. The exercise price was variable to certain factors creating a derivative financial liability including a settlement price the Company may be liable to pay in the instance of an IPO. During 2020, the Company issued an IPO notice to option holders and has assessed the fair value of the settlement price of the options as $239,130 (30 June 2019: Nil).

## 14 Inventories

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Consumables, supplies and spares | 277,109 | - |
| Gold concentrate in circuit at cost | 1,085,212 | - |
| Ore stockpiles | 645,440 | - |
| **Inventories at cost** | **2,007,761** | **-** |

## 15 Development assets and mine properties

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **Development assets at cost** | 450,919 | 3,307,887 |
| Accumulated amortisation | - | - |
| **Net carrying amount** | **450,919** | **3,307,887** |
| | | |
| **Mine properties at cost** | 9,874,559 | - |
| Accumulated amortisation | (982,182) | - |
| **Net carrying amount** | **8,892,377** | **-** |
| | | |
| **Total development assets and mine properties at cost** | 10,325,478 | - |
| Accumulated amortisation | (982,182) | - |
| **Total net carrying amount** | **9,343,296** | **-** |

The following tables show the movements in development assets and mine properties:

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **Development assets** | | |
| Opening carrying value | 3,307,887 | 193,213 |
| Additions at cost | 5,516,730 | |
| Transfer to mine properties | (8,373,698) | |
| **Closing carrying value net of accumulated amortisation** | **450,919** | **3,307,887** |
| | | |
| **Mine Properties** | | |
| Opening carrying value | - | - |
| Transfer from development assets | 8,373,698 | - |
| Additions at cost | 1,500,861 | - |
| Amortisation charge for the year | (982,182) | - |
| **Closing carrying value net of accumulated amortisation** | **8,892,377** | **-** |
| | | |
| **Total development assets and mine properties at cost** | | |
| Opening carrying value | 3,307,887 | 193,213 |
| Additions at cost | 7,017,591 | 3,114,674 |
| Amortisation charge for the year | (982,182) | - |
| **Total closing carrying value net of accumulated amortisation** | **9,343,296** | **3,307,887** |

(a) In June 2019, the Company purchased 100% of the equity of Mt Boppy Resources Pty Ltd (Mt Boppy). Mt Boppy is a gold mine, 45km to the East of Cobar in NSW on the Barrier Highway. It has produced over 500,000oz at an average grade 15g p/t Au. Mt Boppy has been in intermittent production since 1895 but has surprisingly had little exploration to date. The acquisition will provide immediate cashflow to the group through processing of the existing approximate 36,000oz Au resource on site. It is an open-pit mine that is fully permitted. The cost of the acquisition was settled through the issue of 61,772,400[12] shares in Manuka Resources Ltd.

## 16 Exploration and evaluation assets

Exploration and evaluation costs carried forward in respect of areas of interest:

| | | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **Exploration assets** | | | |
| Opening net book amount | | - | - |
| Exploration and evaluation costs during the year | 16(a) | 322,305 | - |
| **Net book value** | | **322,305** | **-** |

(a) During the year, the Company undertook planning and evaluation activities to assess the potential to mine silver, lead and zinc sulphide in line with the activities outlined in its prospectus dated 22 May 2020. The Company’s exploration planning and drilling programs are divided into three key components, as follows:
 (i) near-mine evaluation activities at Mt Boppy (ML/GLs and adjacent EL5842),
 (ii) near-mine evaluation at Wonawinta (Wonawinta ML and adjacent Wonawinta ELs); and
 (iii) early/follow-up-phase exploration on the Company’s exploration tenements/mining leases.

Post balance date the Company commenced infill drilling of the Wonawinta silver resource. Detailed planning for high priority targets at both the Mt Boppy Gold Project and the Wonawinta Silver Project have commenced. Greenfields activities on less advanced or incompletely assessed prospects will also be carried.

[12] Pre share consolidation on 11 May 2020

## 17 Property, plant and equipment

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

| | Land | IT Equipment | Plant & Equipment | Fixtures & Fittings | Motor Vehicles | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Balance 30 June 2018** | | | | | | |
| Cost | 754,994 | 1,664 | 964,714 | - | 293,610 | 2,014,403 |
| Depreciation | - | (1,664) | - | - | (33,749) | (34,834) |
| **Net book value** | **754,994** | **-** | **964,714** | **-** | **259,861** | **1,979,569** |
| **Year ended 30 June 2019** | | | | | | |
| Opening net book value | **754,994** | **-** | **964,714** | **-** | **259,861** | **1,979,569** |
| Additions | - | - | 251,000 | - | - | 251,000 |
| Depreciation | - | - | - | - | (29,859) | (29,859) |
| **Closing net book value** | **754,994** | **-** | **1,215,714** | **-** | **230,002** | **2,200,710** |
| **Balance 30 June 2019** | | | | | | |
| Cost | 754,994 | 1,664 | 1,215,714 | - | 293,610 | 2,265,982 |
| Depreciation | - | (1,664) | - | - | (63,608) | (65,272) |
| **Net book value** | **754,994** | **-** | **1,215,714** | **-** | **230,002** | **2,200,710** |
| **Year ended 30 June 2020** | | | | | | |
| Opening net book value | **754,994** | **-** | **1,215,714** | **-** | **230,002** | **2,200,710** |
| Additions | - | 42,361 | 6,384,420 | 12,757 | 93,794 | 6,533,332 |
| Depreciation | - | (13,065) | (96,396) | (1,107) | (34,455) | (145,023) |
| **Closing net book value** | **754,994** | **29,296** | **7,503,738** | **11,650** | **289,341** | **8,589,019** |
| **Balance 30 June 2020** | | | | | | |
| Cost | 754,994 | 44,025 | 7,600,134 | 12,757 | 387,404 | 8,799,314 |
| Depreciation | - | (14,729) | (96,396) | (1,107) | (98,063) | (210,295) |
| **Net book value** | **754,994** | **29,296** | **7,503,738** | **11,650** | **289,341** | **8,589,019** |

Included within Plant and Equipment is an amount of $782,105 (2019 : Nil) representing costs incurred on a machine which was not brought to use as at 30 June 2020 and as such represents capital works in progress.

## 18 Right-of-use assets and liabilities

***Leases***

The Group has one lease contract for its office premises which commenced on 1 January 2020. The lease has a lease term of two years with no option to extend and with a rent increase of 4% after one year of commencement.

***Short term lease expenses***

The following table shows the short-term lease expenses during the period.

| | 30 June 2020 | 30 June 2019 |
|---|---|---|
| | $ | $ |
| Rent expenses – office rental | 56,712 | 83,094 |
| Cost of Sales/Operating expenses – hire of plant | 310,129 | - |
| **Total short-term lease expenses** | 366,841 | 83,094 |

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

| | 30 June 2020 | 30 June 2019 |
|---|---|---|
| **Year ended 30 June 2020** | **$** | **$** |
| Balance at 1 July 2019 | - | - |
| Additions | 258,702 | - |
| Depreciation | (64,145) | - |
| **Closing net book value** | 194,557 | - |

Set out below are the carrying amounts of lease liabilities.

| | 30 June 2020 | 30 June 2019 |
|---|---|---|
| | **$** | **$** |
| As at 1 July 2019 | - | - |
| Additions | 258,702 | - |
| Accretion of interest (included in finance expenses) | 16,477 | - |
| Payments | (73,164) | - |
| **As at 30 June 2020** | 202,015 | - |
| | | |
| Current | 128,937 | - |
| Non-current | 73,078 | - |

## 19 Financial assets and liabilities

### 19.1 Categories of financial assets and financial liabilities

The carrying amounts of financial assets in each category are as follows:

| | Notes | 30 June 2020 | 30 June 2019 |
|---|---|---|---|
| | | **$** | **$** |
| **Financial assets at amortised cost** | | | |
| Cash and cash equivalents | 11 | 1,509,040 | 62 |
| Trade and other receivables | 12 | 7,200,403 | - |
| Other financial assets | 19.3 | 6,456,370 | 6,253,362 |
| **Total financial assets at amortised cost** | | **15,165,813** | **6,253,424** |
| **Total financial assets** | | **15,165,813** | **6,253,424** |

The carrying amounts of financial liabilities in each category are as follows:

| | Notes | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **Financial liabilities at amortised cost** | | | |
| Trade and other payables | 0 | 7,670,573 | 2,246,362 |
| Current borrowings – Other | | 251,664 | 13,178 |
| Current borrowings – Related party loans owed by Manuka | 19.2(a) | 2,507,878 | 2,253,179 |
| Current borrowings – Convertible notes | 19.2(b) | 1,760,513 | 4,327,238 |
| Current borrowings – Short-term loan | 19.2(c) | 426,475 | 355,616 |
| Current borrowings – MCP Manager loan | 19.2(d) | - | 5,809,196 |
| Current borrowings – Senior secured lender – TPC facility (net of borrowing costs) | 19.2(e) | 20,561,906 | - |
| Current borrowings – Related Party Loans owed by Mt Boppy | 19.2(f) | 196,143 | 4,476,143 |
| Lease liabilities | | 202,015 | - |
| **Total financial liabilities at amortised cost** | | **33,577,167** | **19,480,912** |
| **Financial liabilities at fair value through profit and loss** | | | |
| Derivative liabilities | | - | - |
| **Total financial liabilities at fair value through profit and loss** | | - | - |
| **Total financial liabilities** | | **33,577,167** | **19,480,912** |

## 19.2 Borrowings

Borrowings include the following financial liabilities:

| | Notes | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **Current** | | | |
| Related party loans owed by Manuka | (a) | 2,507,878 | 2,253,179 |
| Convertible notes | (b) | 1,760,513 | 4,327,238 |
| Short-term Loan | (c) | 426,475 | 355,616 |
| MCP Manager Loan | (d) | - | 5,809,196 |
| Senior secured lender – TPC facility (net of borrowing costs) | (e) | 20,561,906 | - |
| Related party Loans owed by Mt Boppy | (f) | 196,143 | 4,476,143 |
| Other borrowings | | 251,664 | 13,178 |
| **Total current borrowings** | | **25,704,579** | **17,234,550** |
| **Total borrowings** | | **25,704,579** | **17,234,550** |

All borrowings are denominated in Australian Dollars except for the TPC Facility which is denominated in US Dollars.

(a) The related party loans include the following:

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| ResCap Investments Pty Ltd | 2,005,327 | 1,776,080 |
| Gleneagle Securities (Aust) Pty Ltd | 502,551 | 477,099 |

The loan provided by ResCap Investments Pty Ltd includes working capital drawn down during the period and amounts owing for services provided. The loan on the working capital portion has an interest rate of 16%. On 3 July 2019, the facility was subordinated to the TPC Facility changing the repayment date of the loan to after the repayment of new TPC facility.

The loan provided by Gleneagle Securities (Aust) Pty Ltd includes working capital drawn down during the period and amounts owing for services provided. The loan on the working capital portion has an interest rate of 12%. On 3 July 2019, the facility was subordinated to the TPC Facility changing the repayment date of the loan to after the repayment of new TPC facility.

(b) On the 1st September 2016 the Company issued 3,231,000 convertible notes with a $1.00 face value. The terms of the Convertible Notes are outlined in a Convertible Note Deed Poll and they were to convert to shares on occurrence of the any of an IPO event, an RTA event or a Trade Sale event. The Company was admitted to the ASX on 30 June 2020, and the convertible note was reassessed as Other Contributed Equity. At 30 June 2020, total interest of $1,760,513 (2019: $1,096,238) has been accrued on the note. Interest owing on the convertible note was paid in full on 14 July 2020 and the principal of $3,231,000 was converted into equity on IPO.

(c) Short-term Loan – The Short-term loan was drawn down in November 2017 and was expected to be repaid following a partial sale of an asset which fell over during final documentation. On 3 July 2019 this facility was subordinated to the TPC Facility, changing the repayment date of the loan to after the repayment of new TPC facility.

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

(e) The Company signed a US $13 Million debt facility agreement (TPC Facility) with TransAsia Private Capital Limited (TPC) during July 2019, with the first drawdown occurring in July 2019. During April 2020 the TPC Facility limit was increased to US$14 Million (and the additional US$1 Million was drawn) with repayments scheduled for three tranches being US$2.5 Million on 5 October 2020, US$5 Million on 3 February 2021 and US$6.5 Million on 5 April 2021. The interest rate attributable to this facility is 14% per annum payable quarterly.

The Company also entered into a further AU$3.25 Million facility (the "extension TFC Facility") to fund the company into production. Only AU$2 Million was drawn down against the extension TFC Facility. This facility was repaid in full prior to 30 June 2020.

(f) The related party loans include the following loans advanced to Mt Boppy Resources Pty Ltd:

| | **30 June 2020** | **30 June 2019** |
|---|---|---|
| | **$** | **$** |
| ResCap Investments Pty Ltd | 196,143 | 3,084,143 |
| Gleneagle Securities (Aust) Pty Ltd | - | 1,392,000 |

The loan provided by ResCap Investments Pty Ltd includes amounts advanced and working capital drawn down during the period. No interest has been charged. The loan provided by Gleneagle Securities (Aust) Pty Ltd includes amounts advanced.

The original vendor loans to Mt Boppy Resources Ltd from ResCap Investments Pty Ltd and Gleneagle Securities (Aust) Pty Ltd which comprised amounts advanced as Vendor Loans were converted to equity on 13 May 2020 at a share price of $0.20 as follows:

| | Vendor Loan | Shares issued |
|---|---|---|
| | $ | # |
| ResCap Investments Pty Ltd | 2,088,000 | 10,440,000 |
| Gleneagle Securities (Aust) Pty Ltd | 1,392,000 | 6,960,000 |

### 19.3 Other financial assets

| | Notes | 30 June 2020 | 30 June 2019 |
|---|---|---|---|
| | | $ | $ |
| **Other financial assets comprises the following:** | | | |
| **Non-current assets at amortised cost** | (a) | | |
| Manuka Resources - Deposit for environmental bond | | 4,825,210 | 4,680,380 |
| Term Deposit – at amortised cost | | 171,563 | 200,000 |
| Rental Bond – at amortised cost | | 86,615 | - |
| **Non-current asset at amortised cost** | (b) | | |
| Mt Boppy Resources – Deposit for environmental bond | | 1,372,982 | 1,372,982 |
| | | **6,456,370** | **6,253,362** |

The carrying amount of other financial assets is considered a reasonable approximation of fair value unless stated below:

(a) The Environmental Bond and Rental Bond Deposits in the name of Manuka Resources Ltd have been amortised with reference to a discount rate of 2.6%. They have been discounted over a 6 year period which is a reasonable approximation as to when the rehabilitation work will have to be conducted.

(b) The Environmental Bond Deposit in the name of Mt Boppy Resources Pty Ltd has been recorded at historical cost which has been assessed as a reasonable approximation of its fair value given the rehabilitation work will have to be undertaken within 18 months.

### 19.4 Other financial instruments

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value due to the short-term nature of the financial instruments:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Other financial assets

## 20 Trade and other payables

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **Current** | | |
| Trade creditors | 5,733,337 | 1,776,438 |
| Other creditors and accruals | 1,937,236 | 469,924 |
| **Total trade and other payables** | **7,670,573** | **2,246,362** |

Trade and other payables amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

## 21 Provisions

| | Notes | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **Current** | | | |
| Provision for annual leave | | 188,617 | 17,607 |
| **Total current provisions** | | **188,617** | **17,607** |
| | | | |
| **Non-current** | | | |
| Rehabilitation provisions | 21.1 | 5,108,158 | 5,339,653 |
| **Total non-current provisions** | | **5,108,158** | **5,339,653** |
| **Total provisions** | | **5,296,775** | **5,357,260** |

### 21.1 Rehabilitation provisions

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

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **Rehabilitation provisions** | | |
| Manuka Resources Ltd | 3,912,817 | 3,966,671 |
| Mt Boppy Resources Ltd | 1,195,341 | 1,372,982 |
| **Total rehabilitation provisions** | **5,108,158** | **5,339,653** |

Set out below are the movements of the rehabilitation provision during the period.

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Carrying amount at start of year | 5,339,653 | 4,760,274 |
| Re-assessment of provision | (587,297) | - |
| Additions through asset acquisition | - | 1,372,982 |
| Net impact of discounting | 355,802 | (793,603) |
| **Carrying amount at end of year** | 5,108,158 | 5,339,653 |

Provisions made for rehabilitation are recognised where there is a present obligation as a result of exploration, development or production activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning mining activities and restoring the affected areas. The provision for future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the obligation at the reporting date, based on current legal requirements and technology. Future rehabilitation costs are reviewed annually, and any changes are reflected in the present value of the rehabilitation provision at the end of the reporting period. The amount of the provision for future rehabilitation costs relating to exploration and development activities is capitalised as a cost of those activities. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate the risks specific to the liability. The fair value of the rehabilitation provision for Manuka Resources has been calculated with reference to a discount rate of 5.6% over 6 years. The discounting impact for Mt Boppy has been considered to be non-material as a result of the Company expecting to complete its rehabilitation work within twelve to eighteen months.

The Company is required by the relevant regulatory authorities to ensure that appropriate rehabilitation is carried out on tenements that are mined. The amount of rehabilitation cost is an estimate based upon the estimated life of each mined tenement, as well as the future timing and cost of such rehabilitation. The provision is constantly revised as information about the life of mine, depth of mining and cost estimates are updated.

## 22 Equity

### 22.1 Share capital

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

| | 30 June 2020 | 30 June 2019 | 30 June 2020 | 30 June 2019 |
|---|---|---|---|---|
| | # Shares | # Shares | $ | $ |
| Shares issued and fully paid: | | | | |
| • At beginning of period | 305,838,647 | 244,066,247 | 1 | 1 |
| • share issue 20 June 2019 [(a)] | - | 61,772,400 | - | - |
| • share issue 23 September 2019 [(b)] | 3,023,353 | - | 296,170 | - |
| • share issue 24 February 2020 [(c)] | 2,400,000 | - | 200,000 | - |
| • share issue 27 February 2020 [(d)] | 6,153,846 | - | 500,000 | - |
| • share consolidation 11 May 2020 [(e)] | (144,907,234) | - | - | - |
| • share issue 11 May 2020 [(f)] | 2,500,000 | - | 500,000 | - |
| • share issue 12 May 2020 [(g)] | 679,348 | - | 135,870 | - |
| • share issue 13 May 2020 [(h)] | 17,400,000 | - | 3,480,000 | - |
| **Total share capital at end of period** | **193,087,960** | **305,838,647** | **5,112,041** | **1** |

a) On 20 June 2019, the Company acquired Mt Boppy Resources Pty Ltd. The consideration was paid by the Company by issuance of its equity instruments (61,772,400 shares)[13]. As a result of the fair value of the liabilities of Mt Boppy Resources being greater than the fair value of the assets, this did not result in an increase of the value of the Company's share capital.

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

[13] Pre share consolidation on 11 May 2020

c) On 24 February 2020 the Company issued 2,400,000 shares to Mining Associates (or its nominated entity) as a result of an agreement to convert $200,000 of debt to equity.

d) On 27 February 2020 the Company issued 6,153,846 shares to Hargreaves Singapore Pte Ltd as a result of a capital raise for a cash consideration of $500,000.

e) On 11 May 2020 the Company undertook a share consolidation on the basis that each share be divided by 1.84 subsequent to a resolution approved at the 2019 AGM.

f) On 11 May 2020 the Company issued 2,500,000 shares to Hargreaves Singapore Pte Ltd (or its nominated entity) at $0.20 per share in respect of services rendered with helping to secure the additional loan facility. This share issue has been capitalised against the borrowing.

g) On 12 May 2020 the Company issued 679,348 shares MCP Manager (or its nominees entities) at $0.20 per share pursuant to an agreement to settle their options for an amount equivalent to the difference between the exercise price of 18.4 cents per share and 20 cents per share plus an additional 25% in accordance with the terms of the option agreement.

h) On 13 May 2020 the Company issued 17,400,000 shares at $0.20 per share to ResCap Investments and Gleneagle Securities (Aust) (or its nominated entity) as a result of an agreement to convert $3,480,000 of debt owing by Mt Boppy Resources Pty Ltd into equity in Manuka Resources Ltd.

## 22.2 Movements in options on issue or granted

| | Number of Options | |
|---|---|---|
| | **2020** | **2019** |
| Beginning of the financial year | 3,000,000 | 10,500,000 |
| Expired on 8 December 2018, exercisable at $0.25 | - | (5,500,000) |
| Expired on 4 January 2019, exercisable at $0.35 | | (1,000,000) |
| Lapsed on 28 August 2018, exercisable at $0.35 | - | (1,000,000) |
| Forfeited on 6 May 2020, exercisable at $0.35 | (3,000,000) | - |
| Issued, exercisable at $0.25 on or before 17 April 2023 | 11,250,000 | - |
| Granted, exercisable at $0.25 on or before 14 July 2023 | 10,000,000 | - |
| **End of the financial year** | **21,250,000** | **3,000,000** |

## 22.3 Capital management policies and procedures

Management's objectives when managing the capital of the company are to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the company can fund its operations and continue as a going concern.

The Company's capital includes ordinary share capital, short-term borrowings and financial liabilities, supported by financial assets.

The Company has a Loan to Value Ratio requirement of 80% under its TPC Facility. Borrowings are regularly monitored and reported monthly to the Senior Secured Lender.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. In making decisions to adjust its capital structure the company considers not only its short-term position but also its long-term operational and strategic objectives. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, pay dividends to shareholders or issue new shares.

## 23 Other contributed equity

Other contributed equity comprises the following:

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Shares allotted but not yet issued in respect of | | |
| • services rendered | - | 296,170 |
| • IPO funds raised, not yet received | 7,000,000 | - |
| • convertible notes | 3,231,000 | - |
| IPO expenses in equity | (490,094) | - |
| Share based payments in equity | (873,499) | - |
| **Total other contributed equity** | **8,867,407** | **296,170** |

## 24 Reconciliation of cash flows from operating activities

(a) Details of the reconciliation of cash flows from operating activities are listed in the following table:

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period | (4,552,843) | (5,428,238) |
| Adjustments for non-cash items: | | |
| • depreciation and amortisation | 1,191,350 | 29,859 |
| • loss on acquisition of asset | - | 1,552,915 |
| • discounting of provisions and financial assets | 242,794 | (169,399) |
| • share based payments | 435,611 | (150,266) |
| • amortisation of finance transaction costs | 120,606 | - |
| • accretion of interest | 16,477 | - |
| • finance costs accrued, not paid | 1,871,711 | 2,425,549 |
| • movement in fair value of derivative liability | 239,131 | - |
| Change in operating assets and liabilities: | | |
| • change in trade and other receivables | (439,547) | 90,253 |
| • change in prepayments | (351,127) | - |
| • change in inventories | (2,007,761) | - |
| • change in trade, other payables and related party advances | 4,830,856 | 1,025,741 |
| • change in provisions | 171,010 | (25,000) |
| **Net cash used in operating activities** | **1,768,268** | **(648,586)** |

(b) The Company has undertaken a number of non-cash investing and financing activities. Details of the non-cash financing activities which have resulted in the issue of shares are outlined above at Note 22.1. In addition the Company has issued options in respect of non-cash financing and investing activities as outlined in the table below.

| | # options | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| 3 June 2020 - Options granted to lead broker for IPO services | | | |
| • Other contributed equity | 10,000,000 | (873,499) | - |
| 16 April 2020 – Options issued to finance provider in respect of financing and extension of financing | | | |
| • Borrowings – capitalised finance expenses | 3,250,000 | (176,967) | - |

## 25 Loss per share

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Loss attributable to the owners of the Company used in calculating basic and diluted loss per share | (4,552,843) | (5,428,238) |
| | **No of shares** | **No of shares** |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share * | 138,695,011 | 133,104,589 |
| | **Cents per share** | **Cents per share** |
| Basic and diluted loss per share | (3.28) | (4.08) |

As the Group made a loss for the year ended 30 June 2020, none of the potentially dilutive securities were included in the calculation of diluted earnings per share. These securities could potentially dilute basic earnings per share in the future.

* In accordance with AASB 133 paragraph 26, the weighted average number of shares outstanding during the period and for all periods presented shall be adjusted for events (such as a share consolidation) that have changed the number of shares outstanding without a corresponding change in resources. As a result, the share consolidation described in Note 22.1 (e) has been applied to the full financial year ended 30 June 2020 and 30 June 2019.

## 26 Share based payments

Options over ordinary shares have been granted to employees and Directors and finance providers from time to time, on a discretionary basis. The cost of these share-based payments is measured by reference to the fair value at the date at which they are granted using an option pricing model. The options may be subject to service or other vesting conditions and their fair value is recognised as an expense together with a corresponding increase in other reserve equity over the vesting period.

The weighted average fair value of the options granted during the year was 25 cents (2019: N/A). The fair values were determined using a variation of the binomial option pricing model that takes into account factors such as the vesting period, applying the following inputs:

| | 30 June 2020 | 30 June 2019 |
|---|---|---|
| Weighted average exercise price (cents) | 25 | 35 |
| Weighted average life of the option (years) | 3 | 4 |
| Weighted average underlying share price (cents) | 17 | 14 |
| Expected share price volatility | 77% | - |
| Risk free interest rate | 0.25% | - |

Set out below is a summary of the share-based payment options granted:

| | 30 June 2020 | | 30 June 2019 | |
|---|---|---|---|---|
| | # Options | Weighted average exercise price cents | # Options | Weighted average exercise price cents |
| Beginning of the year | 3,000,000 | 35 | 10,500,000 | 30 |
| Granted | 21,250,000 | 25 | - | - |
| Forfeited | (3,000,000) | 35 | (1,000,000) | 35 |
| Exercised | - | - | - | - |
| Expired | - | - | (6,500,000) | 27 |
| **Outstanding at year end** | **21,250,000** | **25** | **3,000,000** | **35** |
| **Exercisable at year end** | **21,250,000** | **25** | **3,000,000** | **35** |

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.9 years (2019: 1.9 years), and the exercise prices are at 25 cents.

In total, a share-based payment expense of $435,611 (2019: credit of $150,266) has been included in the profit or loss and credited (2019: debited) to the share option reserve. At 30 June 2020 the total value of the share based payment reserve is $1,486,077 (2019: $Nil).

## 27 Financial risk management

### *General objectives, policies and processes*

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Activities undertaken by the Company may expose the Company to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority to its finance team, for designing and operating processes that ensure the effective implementation of the objectives and policies of the Company. The Company's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material. The Board receives regular updates from Management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility.

At 30 June 2020, the Company held the following financial instruments:

| | 30 June 2020 | 30 June 2019 |
|---|---|---|
| **Financial assets** | **$** | **$** |
| Cash and cash equivalent | 1,509,040 | 62 |
| Trade and other receivables | 7,200,403 | - |
| Other financial assets | 6,456,370 | 6,253,362 |
| **Total financial assets** | **15,165,813** | **6,253,424** |

| | 30 June 2020 | 30 June 2019 |
|---|---|---|
| **Financial liabilities** | **$** | **$** |
| Trade and other payables | 7,670,573 | 2,246,362 |
| Related party loans | 2,704,021 | 6,729,322 |
| Convertible notes | 1,760,513 | 4,327,238 |
| Other interest-bearing loans (net of borrowing costs) | 20,988,381 | 6,164,812 |
| Lease liabilities | 202,015 | - |
| Other borrowings | 251,664 | 13,178 |
| **Total financial liabilities** | **33,577,167** | **19,480,912** |

The fair value of these current financial instruments is assumed to approximate their carrying value.

***Credit risk***

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Company incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Company. The policy of the Company is that sales are only made to customers that are credit worthy. Credit limits for each customer are reviewed and approved by Management.

Receivable balances are monitored on an ongoing basis. The Company has one Key Customer which is an LBMA Accredited Refinery. To mitigate Credit Risk associated with its Key Receivable, the Company has in place a contract which ensures payment is received at the time of transfer of title and physical delivery of goods.

To mitigate the credit risk associated with cash and cash equivalents, contracts are taken out only with reputable financial institutions in Australia.

The maximum exposure to credit risk at balance date in relation to each class of financial asset is the carrying amount of those assets, which is net of impairment losses. Refer to the summary of financial instruments table above for the total carrying amount of financial assets.

***Liquidity risk***

Liquidity risk is the risk that the Company may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. Prudent liquidity risk management implies maintaining sufficient cash and ensuring the availability of funding through an adequate amount of committed credit facilities.

The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows, seeking the financial support from its shareholders, finding debt providers and matching the maturity profiles of financial assets and liabilities.

***Maturity Analysis***

The table below summarises the maturity profile of the Company's financial liabilities based on contractual commitments.

| | Carrying Amount | Contractual Cash flows | < 6 months | 6- 12 months | 1-3 years |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **2020** | | | | | |
| **Non-derivatives** | | | | | |
| Trade and other payables | 7,670,573 | 7,670,573 | 7,670,573 | - | - |
| Related party loans | 2,704,021 | 2,842,992 | 196,143 | 2,646,849 | - |
| Convertible notes | 1,760,513 | 1,780,152 | 1,780,152 | - | - |
| Other interest-bearing loans | 20,988,381 | 22,659,562 | 4,979,156 | 17,680,406 | - |
| Lease liabilities | 202,015 | 225,347 | 73,164 | 76,092 | 76,091 |
| Other borrowings | 251,664 | 259,974 | 86,658 | 173,316 | - |
| | **33,577,167** | **35,438,600** | **14,785,846** | **20,576,663** | **76,091** |
| **2019** | | | | | |
| **Non-derivatives** | | | | | |
| Trade and other payables | 2,246,362 | 2,246,362 | 2,246,362 | - | - |
| Related party loans | 6,729,322 | 6,729,322 | 6,729,322 | - | - |
| Convertible notes | 4,327,238 | 4,327,238 | 4,327,238 | - | - |
| Other interest-bearing loans | 6,164,812 | 6,164,812 | 6,164,812 | - | - |
| Other borrowings | 13,178 | 13,178 | 13,178 | - | - |
| | **19,480,912** | **19,480,912** | **19,480,912** | **-** | **-** |

a) On 3 July 2019 the Company secured a USD$13 Million loan facility (TPC Facility) from TPC, a Hong Kong based fund. As part of this facility the existing interest-bearing loans were subordinated until the after repayment of the TPC Facility. As at 30 June 2019, all the loans were due for repayment, all the balances have therefore been reclassified in the column "< 6 months".

***Foreign exchange risk***

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure considering exchange rate movements.

The Group is exposed to foreign exchange risk through the USD denominated debt facility obtained from TPC, refer Note 19.2(e). The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

| | 30 June 2020 | 30 June 2019 |
|---|---|---|
| | $ | $ |
| Borrowings | 21,118,267 | - |

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Net foreign exchange (loss) recognised in profit or loss included in finance expenses | 181,135 | - |

***Sensitivity analysis***

The following table demonstrates the sensitivity to a reasonably possible change in the USD:AUD exchange rate, with all other variables held constant, of the Company's profit/loss after tax (through the impact on USD denominated financial liabilities).

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| USD:AUD exchange rate – increase 10% | 1,919,842 | - |
| USD:AUD exchange rate – decrease 10% | (2,346,474) | - |

***Interest rate risk***

The Company's exposure to market risk for changes in interest rates relates primarily to cash and interest-bearing liabilities.

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the tables below:

| | Weighted average interest rate | Floating rates $ | Fixed rates $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|---|
| **2020** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalent | - | - | - | 1,509,040 | 1,509,040 |
| Trade and other receivables | - | - | - | 7,200,403 | 7,200,403 |
| Other financial assets | - | - | - | 6,456,370 | 6,456,370 |
| | | - | - | **15,165,813** | **15,165,813** |
| **Financial liabilities** | | | | | |
| Other | 4.5% | 251,664 | - | - | 251,664 |
| Trade and other payables | - | - | | 7,670,573 | 7,670,573 |
| Related party loans | 15% | - | 1,217,486 | 1,486,535 | 2,704,021 |
| Convertible notes | 12% | - | 1,760,513 | - | 1,760,513 |
| Other interest-bearing loans | 14% | - | 20,825,717 | 162,664 | 20,988,381 |
| Lease liability | 14% | - | 202,015 | - | 202,015 |
| | | **251,664** | **24,005,731** | **9,319,772** | **33,577,167** |

| | Weighted average interest rate | Floating rates | Fixed rates | Non-interest bearing | Total |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **2019** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalent | - | - | - | 62 | 62 |
| Other financial assets | - | - | - | 6,253,362 | 6,253,362 |
| | | - | - | **6,253,424** | **6,253,424** |
| **Financial liabilities** | | | | | |
| Other | | - | 13,178 | - | 13,178 |
| Trade and other payables | - | - | - | 2,246,362 | 2,246,362 |
| Related party loans | 15% | - | 962,788 | 5,766,534 | 6,729,322 |
| Notes | 12% | - | 4,327,238 | - | 4,327,238 |
| Other interest-bearing loans | 43% | - | 6,164,812 | - | 6,164,812 |
| | | - | **11,468,016** | **8,012,896** | **19,480,912** |

***Sensitivity analysis***

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit/loss after tax (through the impact on floating rate financial assets and financial liabilities).

| | Carrying amount | 2020 | | Carrying amount | 2019 | |
|---|---|---|---|---|---|---|
| | $ | +1% | -1% | $ | +1% | -1% |
| Cash and cash deposits | 1,509,040 | 15,090 | (15,090) | 62 | 1 | (1) |
| Tax charge at 27.5% (2019:27.5%) | | (4,150) | 4,150 | | - | - |
| **After tax increase / (decrease)** | | **10,940** | **(10,940)** | | **1** | **(1)** |
| Other | 251,664 | (2,517) | 2,517 | 13,178 | (132) | 132 |
| Tax charge at 27.5% (2019:27.5%) | | 692 | (692) | | 36 | (36) |
| **After tax increase / (decrease)** | | **(1,825)** | **1,825** | | **(96)** | **96** |
| **Net after tax increase / (decrease)** | | **9,115** | **(9,115)** | | **(95)** | **95** |

## 28 Commitments for expenditure

### 28.1 Tenement Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the State Government. Due to the nature of the Company's operations in exploring and evaluating areas of interest, exploration expenditure commitments beyond twelve months cannot be reliably determined. It is anticipated that expenditure commitments in subsequent years will be similar to that for the forthcoming twelve months.

These obligations are not provided for in the financial report and are payable as follows:

| | 30 June 2020 | 30 June 2019 |
|---|---|---|
| | $ | $ |
| Not later than one year | 910,000 | 954,000 |
| Between 1 year and 5 years | 1,255,000 | 1,170,417 |
| | 2,165,000 | 2,124,417 |

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the Statement of Financial Position may require review to determine the appropriateness of carrying values.

## 29 Contingent assets and liabilities

### 29.1 Bank Guarantee to Cobar Shire Council and road rehabilitation

The Company has a term deposit with NAB to cover a bank guarantee of $200,000 issued by the NAB to Cobar Shire Council. The bank guarantee is required by Cobar Shire Council to cover the estimated cost of restoring the road to their pre-mining condition.

Due to the contingent nature of the asset and liability and the significant uncertainty of timing and because the cost of necessary road repairs cannot be estimated with any degree of certainty, the value of the bank guarantee has not been brought to account in the financial statements of the Company.

### 29.2 Meadowhead royalty agreement

Pursuant to a royalty agreement attaching to the Mt Boppy Gold Project, the Company is also potentially required to provide Meadowhead Investments Pty Ltd (Meadowhead) with 3% of all gold produced from any of the existing mining leases associated with the Mt Boppy Gold Project. The Company is seeking legal advice in relation to the enforceability of this royalty agreement given technical issues associated with the assignment of the royalty by the previous owners of the Mt Boppy Gold Project to Meadowhead.

## 30 Acquisition of Mt Boppy

The Company acquired 100% Mt Boppy Resources Pty Ltd (Mt Boppy) on 20th June 2019 for a consideration settled through issuance of 61,772,400[14] shares of the Company's equity instrument.

The transaction was treated as an asset acquisition as it did not meet the definition of a business combination. As a result of the fair value of the assets acquired being $4,738,981 and the fair value of the liabilities acquired being $6,91,896 a loss on acquisition of $1,552,915 was recognised as at 30 June 2019.

Mt Boppy is a gold mine, 45km to the East of Cobar in NSW on the Barrier Highway. It has produced over 500,000oz at an average grade 15g p/t Au. Mt Boppy has been in intermittent production since 1895 but has had little modern exploration to date. The acquisition has provided short-term cashflow to the group through processing of the existing approximate gold resource on site. It is an open-pit mine that is fully permitted.

## 31 Interests in Subsidiaries

Set out below are details of the subsidiaries held directly by the Group:

| | | | Proportion of ownership interests held by the Group | |
|---|---|---|---|---|
| **Name of the subsidiary** | **Place of incorporation and place of business** | **Principal activity** | **30 June 2020** | **30 June 2019** |
| Mt Boppy Resources Pty Ltd | Australia | Gold Mine | 100% | 100% |

[14] Pre share consolidation on 11 May 2020

## 32 Parent Entity Information

Information relating to Manuka Resources Ltd (the Parent Entity):

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Current assets | 11,521,149 | 12,651 |
| Non-current assets | 19,020,187 | 7,023,303 |
| **Total assets** | **30,541,336** | **7,035,954** |
| Current liabilities | 29,002,168 | 14,579,606 |
| Non-current liabilities | 3,985,895 | 1,266,671 |
| **Total liabilities** | **32,988,063** | **18,546,277** |
| **Net deficit** | **(2,446,727)** | **(11,510,323)** |
| Issued capital and other contributed equity | 13,979,448 | 296,171 |
| Accumulated losses | (17,912,252) | (11,806,494) |
| Share based payment reserve | 1,486,077 | - |
| **Total equity** | **(2,446,727)** | **(11,510,323)** |
| **Statement of profit or loss and other comprehensive income** | | |
| Loss for the year | (6,105,758) | (3,875,323) |
| Other comprehensive income | - | - |
| **Total comprehensive loss** | **(6,105,758)** | **(3,875,323)** |

The Parent Entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end. Refer to Note 29 for details of the Group's contingent liabilities.

## 33 Related party transactions

### 33.1 Transactions with related parties and outstanding balances

The Company's related parties include key management personnel, and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

| | | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **DETAILS OF TRANSACTIONS WITH RELATED PARTIES:** | | | |
| **Details of related party transactions with ResCap Investments Pty Ltd,** an entity controlled by a member of KMP: | | | |
| • interest charged on intercompany loan | | 107,225 | 106,374 |
| • amounts charged pursuant to sublease to ResCap Investments Pty Ltd and month to month lease payments | | 21,267 | 83,094 |
| • amounts charged pursuant to service agreement to ResCap Investments Pty Ltd | | 240,000 | 360,000 |
| • conversion of debt in Mt Boppy Resources to equity in Manuka Resources | 22.1(h) | 2,088,000 | - |

| | | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **Details of related party transactions with Cobar Gold Unit Trust 2020,** an entity related to KMP: | | | |
| • interest paid in relation to prepayment of sale of gold | 33.1(a) | 95,000 | - |
| **Details of related party transactions with MCP Unit Trust,** an entity related to KMP: | | | |
| • interest expenses and finance fees charged on loan | | 16,287 | 1,831,036 |
| **Details of related party transactions with Gleneagle Securities (Aust) Pty Ltd,** being an entity which is a related party due its control over the Convertible Notes pursuant to the Convertible Note Deed Poll. Gleneagle Securities (Aust) Pty Ltd ceased being a related party on conversion of the Convertible Notes in July 2020. | | | |
| • interest charged on intercompany loan | | 25,452 | 12,099 |
| • interest on notes payable to convertible note holders | | 664,274 | 387,720 |
| **Details of related party transactions with Gleneagle Securities Nominees Pty Ltd**, an entity which was a substantial shareholder of the Company. Gleneagle Securities Nominees Pty Ltd ceased as a shareholder and related party on 6 May 2020. | | | |
| • conversion of debt in Mt Boppy Resources to equity in Manuka Resources | 22.1(h) | 1,392,000 | - |
| • conversion of trade creditor amount to equity in Manuka Resources | | 200,000 | - |
| **DETAILS OF BALANCES WITH RELATED PARTIES:** | | | |
| **Balance of loan with Manuka Resources Ltd** | | | |
| - payable to ResCap Investments Pty Ltd | 19.2(a) | 2,005,327 | 1,776,080 |
| - payable to Gleneagle Securities (Aust) Pty Ltd | 19.2(a) | 502,551 | 477,099 |
| - payable to Cobar Unit Trust | 33.1(a) | - | - |
| - payable to MCP Unit Trust | 19.2(d) | - | 5,809,196 |
| **Balance of convertible notes** | 19.2(b) | 1,760,513 | 4,327,238 |
| **Balance of Directors fees and wages payable to KMP** | | 181,122 | 193,138 |
| **Balance of loan with Mt Boppy Resources Pty Ltd** | | | |
| - payable to ResCap Investments Pty Ltd | 19.2(f) | 196,143 | 3,084,143 |
| - payable to Gleneagle Securities Nominees Pty Ltd | 19.2(f) | - | 1,392,000 |

a) Agreement for Prepayment of Gold Sales with Cobar Gold Unit Trust 2020 - Mr Dennis Karp, the Executive Chairman, is a director of Cobar United Pty Ltd the trustee for the Cobar Gold Unit Trust 2020. Manuka entered into a prepayment in relation to the sale of gold to Cobar United Pty Ltd ATF Cobar Gold Unit Trust 2020 amounting to $950,000. There is a call and put option in Manuka’s favour in relation to the agreement. The put option was exercised and payment was made to Cobar Unit Trust on 26 June 2020 to settle the agreement.

### 33.2 Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Short-term employee benefits | 600,026 | 65,620 |
| Post-employment benefits | 43,673 | - |
| Long-term benefits | - | - |
| Share-based payments | 408,385 | - |
| Total remuneration | **1,052,084** | **65,620** |

Detailed remuneration disclosures are provided in the remuneration report on pages 26 to 31.

## 34 Events subsequent to the end of the reporting period

- **Commencement of Official Quotation on the ASX**

  Official Quotation of the Company's shares commenced on 14 July 2020. The Company raised $7,000,000 pursuant to the offer under its prospectus dated 22 May 2020 by the issue of 35,000,000 shares at an issue price of $0.20 per share.

- **Commencement of exploration**

  In August 2020, the Company commenced its three stage exploration and drilling program. The initial phase of the program is for approximately two months term, drilling over 200 holes comprising approximately 7,000 metres predominantly reverse circulation (RC), with 1,000 diamond drilling (DD) expected.

- **Initial Mt Boppy drill results released**

  On 24 August 2020, the Company released the results of it's the assays from initial drill holes conducted as extension of existing grade control program. Extremely high-grade gold intersections were recorded from two holes drilled under the planned pit floor including
  - 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

- **Repayment of interest to Convertible note holders**

  In July 2020, the Company paid all the outstanding interest of $1.78Million to Convertible Note holders.

- **Coronavirus (COVID-19) pandemic**

  The COVID-19 pandemic did not have any significant impact on the Group's operations during the year. Subsequent to the end of the financial year, the pandemic and its impact has continued to evolve with further outbreaks resulting in lockdown restrictions in Victoria, additional border closures between states, new stimulus measures (such as Jobkeeper 2.0) and many other items. It is therefore not practical to estimate the potential impact, positive or negative, after reporting date.

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

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

## 35 Company Details

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

Manuka Resources Ltd
Level 4 Grafton Bond Building
201 Kent Street, Sydney, New South Wales

# Directors' Declaration

In the opinion of the Directors of Manuka Resources Ltd:

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

i. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

ii. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

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

c a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.

Dennis Karp
Executive Chairman

Dated the 25th day of September 2020

Level 17, 383 Kent Street
Sydney NSW 2000

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

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

# Independent Auditor's Report

## To the Members of Manuka Resources Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Manuka Resources Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

**www.grantthornton.com.au**

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiary and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

### Material uncertainty related to going concern

We draw attention to Note 3.2 in the financial statements, which indicates that the Group incurred a net loss of $4,552,843 during the year ended 30 June 2020, has net cash outflows from operating activities of $1,768,268 and as of that date, the Group's current liabilities exceeded its current assets by $22,171,038 and the Group was in a net liability position of $2,446,727. As stated in Note 3.2, these events or conditions, along with other matters as set forth in Note 3.2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Accounting for mine properties (Note 15)** | |
| As at 30 June 2020, the Group has recorded mine properties and development assets totalling $9.343 million.<br><br>The Group's carrying value of mine properties is a key audit matter as the carrying value of these assets is impacted by various key estimates and judgements, in particular the following:<br>• Ore reserve and resource estimates;<br>• Commercial production start date; and<br>• Amortisation rates.<br><br>Furthermore, as the carrying value of mine properties represents a significant asset to the Group, we considered necessary to assess whether any facts or circumstances exist suggesting that the carrying amount of the mine properties may exceed its recoverable amount. | Our audit procedures included, but were not limited to:<br><br>• Evaluating the Group's amortisation policy in accordance with Australian Accounting Standards and relevant accounting interpretations and reviewing its consistency with the mine plan;<br>• Testing a sample of additions and assessing whether the Group has recorded mining expenses in line with the requirements of AASB 116 Property, plant and equipment and that development assets have correctly been transferred to mine properties;<br>• Agreeing the inputs including the ore reserve and resource estimates and ounces of gold produced during the year that were used in the calculation of the amortisation rates to supporting documentation;<br>• Testing the mathematical accuracy and application of the amortisation rates applied to the carrying values of all mine properties in commercial production by recalculating amortisation for the year;<br>• Assessing the competency and objectivity of the experts used by management in the preparation of the ore reserve and resource reports;<br>• Evaluating whether there were any indicators of impairment under the Australian Accounting Standards; and<br>• Assessing the adequacy of the related disclosures in the financial report. |

### Valuation of ore inventory (Note 14)

| | |
|---|---|
| As a result of the Group commencing commercial production during the year, the Group has recognised inventory (including ore inventory) totalling $2.008 million as at 30 June 2020.<br><br>The Group's inventory is a key audit matter as the inventory costing model requires significant estimates to calculate the cost of the ore inventory and net realisable value ('NRV'). | Our audit procedures included, but were not limited to:<br><br>• observing the surveying process and procedures during our year-end site visit;<br>• obtaining management's technical reports, including surveying reports and reconciling the ore grades and tonnages included in the inventory costing model as at 30 June 2020;<br>• assessing the competency and objectivity of the experts used by management in the preparation of the technical reports;<br>• assessing management's expected processing and realisation timing assumptions of the long-term ore stocks compared to the forecast mine model and actual processing data during the year for reasonableness;<br>• assessing the model applied by the Group in determining the cost for ore stocks and its net realisable value against the requirements of Australian Accounting Standards; and<br>• assessing the adequacy of the related disclosures in the financial report. |

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 26 to 31 of the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Manuka Resources Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 25 September 2020

# ASX Additional Information

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 21 September 2020.

### (a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

| | | | Ordinary shares | |
|---|---|---|---|---|
| | | | **Number of holders** | **Number of shares** |
| 1 | - | 1,000 | 195 | 158,495 |
| 1,001 | - | 5,000 | 671 | 1,822,742 |
| 5,001 | - | 10,000 | 504 | 4,350,522 |
| 10,001 | - | 100,000 | 567 | 18,689,698 |
| 100,001 | | and over | 140 | 224,332,255 |
| | | | **2,077** | **249,353,712** |
| The number of equity security holders holding less than a marketable parcel of securities are: | | | 199 | 162,516 |

### (b) Twenty largest shareholders

*Twenty largest quoted equity security holders*

The names of the twenty largest holders of quoted ordinary shares are:

| | | Listed ordinary shares | |
|---|---|---|---|
| | | **Number of shares** | **Percentage of ordinary shares** |
| 1 | RESCAP INVESTMENTS PTY LTD | 10,440,000 | 14.41% |
| 2 | CLAYMORE CAPITAL PTY LTD <NOMINEE TRADING A/C> | 3,995,804 | 5.51% |
| 3 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 3,087,190 | 4.26% |
| 4 | SPINITE PTY LTD | 2,840,000 | 3.92% |
| 5 | BRADFORD LEON BANDUCCI | 2,750,000 | 3.80% |
| 6 | LANGSTON KEY LIMITED | 2,100,000 | 2.90% |
| 7 | CLAYMORE CAPITAL PTY LTD <NOMINEE TRADING A/C> | 1,889,000 | 2.61% |
| 8 | JONATHAN MARQUARD & AMANDA HUTTON <JANEZ FAMILY A/C> | 1,508,778 | 2.08% |
| 9 | GLS PHOENIX LIMITED | 1,150,000 | 1.59% |
| 10 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA | 825,000 | 1.14% |
| 11 | INVIA CUSTODIAN PTY LIMITED <PRECISION MGNT CO PL A/C> | 750,000 | 1.04% |
| 12 | ARUNDEL WILTON PTY LIMITED <WILTON FAMILY S/F A/C> | 750,000 | 1.04% |
| 13 | CITICORP NOMINEES PTY LIMITED | 744,865 | 1.03% |
| 14 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 732,969 | 1.01% |
| 15 | MR PETER RUNGE & MRS NOELA RUNGE | 700,000 | 0.97% |
| 16 | PILLAIYAR PTY LTD | 691,446 | 0.95% |
| 17 | A N HOLMAN INVESTMENTS PTY LIMITED <HOLMAN FAMILY A/C> | 572,677 | 0.79% |
| 18 | UBS NOMINEES PTY LTD | 500,000 | 0.69% |
| 19 | MR GUY LEON BANDUCCI | 475,000 | 0.66% |
| 20 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 473,366 | 0.65% |
| | | **37,435,040** | **51.66%** |

## (c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

| | Number of Shares | % Issued Capital |
|---|---|---|
| Level 1 Pty Ltd (ACN 105 622 928) <The Level one trust>, Kizogo Pty Ltd (ACN003 334 370) <Bergan Executive Retirement Fund>, Claymore Capital Pty Ltd (ACN 082 722 290) <Nominee trading a/c>, Mile Oak Investments Limited, Sharron Ruth Rosenberg | 29,686,268 | 11.91% |
| ResCap Investments Pty Ltd | 90,273,280 | 36.20% |
| Dennis Karp (including holding of ResCap Investments Pty Ltd) | 91,814,557 | 36.82% |

## (d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

## (e) Schedule of interests in mining tenements as at 21 September 2020

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

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

Location : **Mt Boppy Gold Project** is situated approximately 45 kilometres east of Cobar, NSW, adjacent to the Barrier Highway. The Project comprises four (4) gold leases , two(2) mining leases, one (1) mining purpose lease and one (1) exploration licence which encompasses the MLs and extends the project area to the south.

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

### (f) Unquoted Securities

At 21 September 2020, the Company had the following unlisted securities on issue:

| Class | Number of Securities | Number of Holders | Holders of 20% or more of the class: Holder Name | Holders of 20% or more of the class: Number of Securities |
|---|---|---|---|---|
| $0.25 options, expiring 17/04/2023 | 11,250,000 | 7 | Hargreaves Singapore Pte Ltd | 3,250,000 |
| $0.25 options, expiring 14/07/2023 | 10,000,000 | 1 | Bell Potter Securities Ltd | 10,000,000 |

### (f) Restricted Securities

**At 21 September 2020, the Company had the following restricted securities on issue:**

| Class | Number of Securities | Date escrow period ends |
|---|---|---|
| ESCROWED SHARES 24 MONTHS FROM QUOTATION | 167,862,649 | 14/07/2022 |
| ESCROWED SHARES 12 MONTHS FROM ISSUE 27.2.20 | 844,482 | 27/02/2021 |
| ESCROWED SHARES 12 MONTHS FROM ISSUE 12.5.20 | 3,095,593 | 12/05/2021 |
| ESCROWED SHARES 12 MONTHS FROM ISSUE 8.7.20 | 5,088,606 | 08/07/2021 |

### (h) Approach to Corporate Governance

Manuka Resources Ltd ACN 611 963 225 (**Company**) has established a corporate governance framework commencing from when the Company was admitted to the official list of ASX. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4$^{th}$ edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices.

The following governance-related documents can be found on the Company's website at www.manukaresources.com.au, under the section marked "About Us > Corporate Governance":

**Charters**

- Board
- Audit & Risk Committee
- Nomination Committee
- Remuneration Committee

**Policies and Procedures**

- Corporate Code of Conduct
- Disclosure - Performance Evaluation
- Disclosure - Continuous Disclosure
- Disclosure - Risk Management
- Trading Policy
- Diversity Policy
- Shareholder Communication Strategy

For the financial year ended 30 June 2020 (**Reporting Period**) the Company was an unlisted public company and was not subject to the requirements of the ASX Listing Rules or the Principles & Recommendations. The Company will publish its Corporate Governance Statement for the reporting period 1 July 2020 to 30 June 2021 with its 2021 Annual Report.

**(i) Use of Funds**

The Company was admitted to the official list of the ASX on 11 July 2020 and so was not admitted before the end of the reporting period. The Company has, during the period from admission to the Official List of the ASX on 11 July 2020 to 25 September 2020, used the funds that it had at the time of admission in a way consistent with its initial business objectives.





Manuka Resources Limited
Level 4, Grafton Bond Building,
201 Kent St, Sydney, NSW
Australia, 2000