

December Quarterly Activities Report

Highlights

Wonawinta Silver Project:

- The planned 9,000m Wonawinta in-fill RC drilling program (as part of the Wonawinta Silver Resource Update program) was completed
- Wonawinta resource update due before the end of April 2021
- In addition, a further 3,500m of RC drilling was continuing in and around the known deposits following identification of strong mineralisation
- Planning for commencement of silver production circa mid 2021 is progressing well, with Manuka set to become Australia's largest primary producer of silver in 2H 2021

Mt Boppy Gold Project:

- 3,628 ounces of Au produced this Quarter and sold at an average unhedged price of A\$2,574/oz.
- A total of 81,840 tonnes of ore was mined, while 87,321 tonnes were trucked to the Wonawinta plant during the Quarter at an average grade of 2.34g/t Au.
- Wonawinta plant recoveries 72.7% (targeting 75%)
- Despite the thirteen days of unseasonable weather events which impacted the project with reduced haulage and operational stoppages, the lower than average grades and a lower gold price, the project only made a small loss for the quarter (A\$167k) which augurs very well for the substantially higher grade over the next two quarters
- A comprehensive grade-control program (consisting of 95 Reverse Circulating (RC) drill holes at 10m average spacing, for a total of 3,139m) was completed within the Mt Boppy pit during November and provides a high level of confidence in the modelled grades over coming 5-6 months (>4g/t Au)

- The Mt Boppy Resource Update announced 1 February 2021 materially increased the deposit grades and tonnages, along with a substantial tonnage increase moved from indicated to the measured category, resulting in an overall uplift in the remaining Au ounces for the project
- The Mt Boppy Resource Update also highlighted a strong likelihood that the projected gold ounces recovered, cash flow and gold production profits will exceed July 2020 IPO forecasts
- The Company completed its first principal repayment of the TransAsia Private Equity debt facility in December 2020 for US\$1.0m

Operating Summary

Summary		December Quarter	Financial Year (y.t.d)
Tonnes Milled	t	84,221	144,307
Gold in Circuit (31-12-20)	oz	1,056	
Gold Produced and sold	oz	3,628	7,730
Gold Recoveries	%	72.7	73.6
Revenues	AUD \$'000	9,339	20,404

Summary		December Quarter	Financial Year (y.t.d)
Ore Mined	t	76,008	140,232
Stockpiles		5,832	12,528
Waste Mined	t	145,640	277,520
Total Mined	t	227,480	430,280
Total hauled (incl. mined & residual stockpiles)	t	87,321	151,160
Average mined grade	g/t	2.34	2.47
Average recovered grade	g/t	2.02	2.2

Manuka Resources Limited (ASX: MKR) (**Manuka** or the **Company**) advises of the release of its quarterly activities report for the period ended 31 December 2020.

Summary

The December 2020 Quarter was challenging, with a combination of continued unusual weather patterns and lower gold grades (largely anticipated) impacting on tonnes hauled from the Mt Boppy gold mine to the Wonawinta plant and gold production from the plant. Lower gold prices for the quarter further affected quarterly revenues.

The lower gold grades mined during the December quarter were expected and were in-line with the current mine plan, the Company however, felt it prudent to undertake a

comprehensive grade control program within the proposed pit shell at the Mt Boppy mine site. The purpose was to provide management with a higher level of confidence in its recovery expectations over the coming 6 months. The timing of the grade control was appropriate as the Company was at the half-way stage of the Mt Boppy gold project, had removed over 430,000t of waste and ore from the pit at the time, and were expecting to enter the higher grade zones early in calendar 2021. The program for a total of 3,139m commenced in early November. A total of 95 RC holes on 10m average spacing and with an average depth of 30m was completed. The results of the grade-control program, which have been included in a Mt Boppy Resource Update (released on 1 February 2021), are very positive.

Table 1 below details the Mt Boppy Resource Update total tonnages by category, while Table 2 gives a direct comparison for the Mt Boppy Resource updates since 2015.

Classification	Tonnes	Grade (g/t)	Gold (oz)
Measured	207,230	4.89	32,570
Indicated	144,200	4.15	19,300
Inferred	11,000	6.7	2,000
Total	362,430	4.62	53,870

Table 1: Mt Boppy Resource Update

Model	Tonnes	Grade (g/t Au)	Gold (ounces)
BOK Schedule December 2015	343,000	3.58	39,500
Mining Associates May 2016	293,000	3.83	36,000
Mining Associates September 2016	292,000	3.72	35,000
Mining Associates January 2021	301,000	4.44	43,000

Table 2: Mt Boppy Resource Updates over time (2.0g/t Au Cut off grade)
For ease of comparison, the latest update has been adjusted to a 2 g/t Au cut-off.

The recently installed Gekko-Cadia elution circuit commenced operations in September, and the on-site furnace is now operating. Manuka now produces gold dore bars on site.

Growth and Exploration Outlook

As advised in our previous Quarterly Activity Reports, Manuka commenced a three stage exploration program in late July. The update to the program is as follows:

- The Wonawinta in-fill drilling program to upgrade our existing JORC Mineral Resource was our immediate priority. As at end of December, the Company had completed the originally planned 9,000m of drilling. The receipt on a number of assays from its independent laboratory is pending. Step-outs and extensions to the original program have added a further 3,500m of drilling to related areas within the existing mining lease. This drilled continued into January 2021.

- b) The Mt Boppy in-pit program, focusing on drilling for resource extensions, commenced in July with results from our first drilling released on 24 August 2020. This was followed with a further two holes, with results released 25 September 2020, and a further 3 holes (with results released on 4 December 2020). The final 6 holes of this current extension program were completed mid-January with assays due mid to late February. A further resource update is anticipated following these results. At this stage the Company expects to cease gold operations by June. The Company will then continue the Mt Boppy exploration program which is showing great potential.
- c) The deeper silver and base metals sulphides exploration program at Wonawinta (the "Wonawinta Deeps") comprising of 16-20 diamond drill holes (drilled over four fences, traversing the existing and planned pits on the Mining Lease) commenced in January. The program is designed to initially test the silver and base metal potential of the sulphide zones below the existing open-pits on the current mining lease. Confirmation of a silver base metals deposit consistent with our neighbours in the basin would be transformational for the Company.

Cashflow and Hedging

Manuka had A\$7.192m in cash as at 31 December 2020.

As advised in its September Quarterly, the Company also has the benefit of a margin-free hedging facility, however it remained completely unhedged (both in its currency and metal exposures) at year end (and continues so at time of writing).

Corporate and Debt

Manuka entered into a fully drawn US\$14 million facility from TransAsia Private Equity, a Hong Kong based lender during 2019. The Company completed its first principal repayment during December 2020 for the amount of US\$1m, leaving a residual balance of US\$13m as at 31 December 2020. The Company also had a facility of A\$250,000 from the NAB (National Australia Bank) of which an amount of A\$170,000 was owing at 31 December, and a further total of A\$1.87 million was owing to subordinated lenders.

Total borrowings to 31 December 2020 were A\$18.93 million.

In accordance with ASX Listing Rule 5.3.3, during the quarter, the Company made cash payments of \$0.307M to related parties and their associates (refer items 6.1 and 6.2 of the Appendix 5B). This was the aggregate amount paid to the directors including salary, directors' fees, consulting fees and superannuation.

Outlook Financial Year 2021

Operational guidance for FY21 was included with the release of Manuka's FY20 financial results. An update summary was attached to the September Quarterly.

Consistent with the September Quarterly, the Company expects to continue mining and producing gold from its Mt Boppy project until June 2021, following which it will transition to processing its silver stockpiles at Wonawinta.

The Mt Boppy Resource Update released to the market on 1 February 2021 (see Table 3 below) sets out the Measured, Indicated and Inferred resource remaining within the deposit, with a total of 362,430 tonnes at an average grade of 4.62g/t Au for a total of 53,870 ounces.

For comparison, the Mt Boppy Ore Reserve estimate reported in the July 2020 was 320,000 tonnes at 3.0 g/t Au, for 31,000oz Au, and the Company has already extracted over 16,000oz Au from operations since that date.

The updated Resource will form the basis for the remaining mining operations at Mt Boppy and company forecasts will be updated once our mining options at Mt Boppy are fully considered.

Resource	Category	Tonnes	Grade	Ounces	Stope fill
Current Open Pit (> 1.6 g/t)	Measured	147,980	4.46	21,220	0%
	Indicated	69,600	3.60	8,100	100%
Below current Pit (> 3.0 g/t)	Measured	59,250	5.96	11,350	0%
	Indicated	74,600	4.67	11,200	59%
	Inferred	11,000	6.7	2,000	0%
Sub Total	Measured	207,230	4.89	32,570	0%
	Indicated	144,200	4.15	19,300	79%
	Inferred	11,000	6.7	2,000	0%
Total		362,430	4.62	53,870	31%

Table 3: Mt Boppy Resource Summary (Mineral Resource 2020)

Statement of commitments

The following information is provided pursuant to Listing Rule 5.3.4 for the period ending 31 December 2020. Use of Funds estimates for 'Exploration and in-drilling activities' continues to increase towards prospectus estimates as at 22 May 2020. Planned drilling activities (4 rigs fully engaged at Mt Boppy and Wonawinta through most of January, reducing temporarily to 3 rigs during February and March 2021) will see prospectus estimates well exceeded by the March Quarterly.

Use of Funds ¹	Estimate (as per prospectus 22 May 2020)	Actual from admission to 31 December 2020	Variance Under / (Over)
Type	\$000	\$000	\$000
Exploration and in-drilling activities	3,579	2,552	1,027
Interest on convertible notes	1,761	1,780	(19)
Unpaid cash costs of the Offer	965	1,103	(48)
Working capital	3,071	3,071	-
Total Use of Funds	9,376	8,416	960

Mining Exploration Activities

In accordance with ASX Listing Rule 5.3.1 cash outflows for the quarter ended 31 December 2020 in relation to exploration and evaluation activities were \$1.366M (refer Item 2.1(d) of the Appendix 5B) and predominantly comprised expenditure on:

- the exploration on the existing exploration leases (EL's) at both Wonawinta and Mt Boppy targeting gold, silver and copper
- the brownfields Wonawinta work program including the in-fill drilling program for the purpose of converting part of the existing inferred JORC resource into reserve status as well as associated mineralogical test work
- completion of a 3D geological model over the mining leases (ML's) to guide mine-site drilling to extend the resource of the Mt Boppy project.

Mining Development Activities

In accordance with ASX Listing Rule 5.3.2 cash outflows for the quarter ended 31 December 2020 in relation to mining development activities were \$0.12M (refer items 1.2(b) and 2.1(f) of the Appendix 5B) and comprised outgoings for completion of the second stage TSF lift and for tenement administration and management.

Mining Production Activities

In accordance with ASX Listing Rule 5.3.2 cash outflows for the quarter ended 31 December

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

2020 in relation to mining production activities were \$5.484M (refer Item 1.2(c) of the Appendix 5B) and comprised the following:

Mining and crushing contractors	\$2.727M
Hauling contractors	\$1.184M
Processing	\$1.573M

Mining Tenements

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 31 December 2020.

Tenement 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%	-

Tenement 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%	-

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

About Manuka

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

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



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

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Important Information

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

APPENDIX 5B***Mining exploration entity or oil and gas exploration entity
quarterly cash flow report******Name of entity***

Manuka Resources Ltd

ABN

80 611 963 225

Quarter ended ("current quarter")

31 December 2020

<i>Consolidated statement of cash flows</i>	<i>Current quarter \$A'000</i>	<i>Year to date (6 months) \$A'000</i>
1. Cash flows from operating activities		
1.1 Receipts from customers	9,187	20,203
1.2 Payments for		
(a) exploration & evaluation	-	(9)
(b) development	(12)	(68)
(c) production	(5,484)	(12,933)
(d) staff costs	(1,595)	(3,359)
(e) administration and corporate costs	(1,655)	(3,089)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(775)	(3,407)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	167	514
1.9 Net cash from / (used in) operating activities	(167)	(2,148)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(638)	(1,439)
(d) exploration & evaluation	(1,366)	(1,995)
(e) investments	-	-
(f) other non-current assets – (mine properties and development)	(108)	(108)

2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(41)	(41)
2.6	Net cash from / (used in) investing activities	(2,153)	(3,583)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	7,000	14,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(445)	(887)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(1,534)	(1,624)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(37)	(74)
3.10	Net cash from / (used in) financing activities	4,984	11,415

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,529	1,509
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(167)	(2,148)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,153)	(3,583)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,984	11,415
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,192	7,192

5.	Reconciliation of cash and cash equivalents <i>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</i>	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,192	4,529
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,192	4,529

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	287
6.2	Aggregate amount of payments to related parties and their associates included in item 2	20
<i>Note: 6.1 This is made up of amounts paid to the directors including salary, directors' fees, consulting fees and superannuation.</i>		
<i>Note: 6.2 This is made up of amounts paid to the directors including consulting fees in respect of exploration activities.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000		
7.1	Loan facilities	19,765	18,930		
7.2	Credit standby arrangements	-	-		
7.3	Other (please specify)	-	-		
7.4	Total financing facilities	19,765	18,930		
7.5	Unused financing facilities available at quarter end		834		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.				
	Lender	Facility type	Total Facility	Rate	Maturity
	TransAsia Private Capital Limited	Secured Senior Debt Facility	16,879	14%	30/04/2021
	Rescap Investments Pty Ltd	Unsecured Working Capital Loan	2,000	16%	5/04/2021
	Gleneagle Securities (Aust) Pty Ltd	Unsecured Working Capital Loan	465	12%	31/12/2021
	Hindsight Trading Pty Ltd	Unsecured Working Capital Loan	250	16%	31/12/2020
	National Australia Bank Ltd	Business Options Loan	171	4.50%	2/04/2021

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(167)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,366)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,534)
8.4	Cash and cash equivalents at quarter end (item 4.6)	7,192
8.5	Unused finance facilities available at quarter end (item 7.5)	834
8.6	Total available funding (item 8.4 + item 8.5)	8,026
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	5
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

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

Answer:

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

Answer:

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

Compliance statement

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

Date: 29 January 2020

Authorised by:



Toni Gilholme – Company Secretary

On behalf of the Board of Directors

Notes

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

6. By the Company lodging this Appendix 5B, the Managing Director and CFO declare that the Appendix 5B for the relevant quarter:
- presents a true and fair view, in all material respects, of the cashflows of the Company for the relevant quarter and is in accordance with relevant accounting standards;
 - the statement given above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
 - the Company's financial records have been properly maintained and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.