



31 December 2020 Interim Financial Report

For the 6-month period ended 31 December 2020

**Manuka Resources Ltd and its
controlled entity**

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
(resigned 11th February 2021)

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.

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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 six months ended 31 December 2020.

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

Review of operations and financial results

Manuka Resources was established in April 2016 to purchase the assets of the Wonawinta Silver Project, a silver mine and processing plant located in the Cobar Basin. The Company then proceeded to purchase Mt Boppy Resources Pty Ltd, a fully permitted gold mine in the Cobar Basin and circa 150km north east of Wonawinta in July 2019. The Company listed on the ASX after a highly successful Initial Public Offering ("IPO") on 14th July 2020.

Since that time, Manuka Resources has continued gold production at the Wonawinta plant and undertaken several detailed field work programs on both the Mt Boppy and Wonawinta projects. Specifically, over the past six months, the following have been completed:

- Completed a comprehensive grade-control program within the Mt Boppy pit consisting of 95 Reverse Circulation (RC) drill holes at 10m average spacing for a total of 3,139m. This included completion of a 3D geological model which provides a vastly improved understanding of inherent structures, mineralisation and guidance for future exploration and mining focus.¹
- Completed 12,500 Wonawinta in-fill RC drilling program (as part of the Wonawinta Silver Resource Update Program which is due for completion late March / early April 2021). This was expanded from an original 9,000m program to include step out holes to add to the current resource inventory as well as to better define inferred resources between the existing developed pits.
- Completed three drill programs targeting extensions of mineralisation below the current pit design, the results of which were released through the ASX in August, September and December 2020.

¹ Refer ASX announcement dated 24 November 2020

Operating Summary

The loss for the consolidated entity for the half-year ended 31 December 2020 was \$895,680 (2019 Loss: \$2,914,645). As at 31 December 2020, the consolidated entity had \$7,192,409 in cash. The Company produced 7,730 ounces of Au during the half-year and sold at an average unhedged price of \$2,593/oz.

Production summary		31 Dec 2020
Tonnes Milled	t	144,307
Gold in Circuit	oz	1,056
Gold Produced and Sold	oz	7,730
Gold Recoveries	%	73.6
Revenues	AUD\$'000	20,448
Mining Summary		
Ore Mined	t	147,024
Waste mined	t	277,520
Total mined		424,544
Average recovered grade	g/t	2.16

Significant changes in state of affairs

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

- **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, before costs, 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**

As advised to the ASX in its Exploration Update release to the market on 12 August 2020, the Company commenced its three stage exploration and drilling program. This program comprises the following:

- 1) The brownfields Wonawinta work program which includes in-fill drilling of the inferred resource as well as identification of areas of mineralisation in close proximity but not as yet contributing to the Company's existing mineral resource. The 9000m in-fill drilling program as completed in January 2021, with an up-dated resource model to follow before the end of April 2021². The mine plan and reserve modelling will be completed thereafter.
- 2) The brownfields Mt Boppy pit exploration program which requires tight management to ensure its activities are coordinated to coexist with ongoing grade control and void management work, and regular mining. The Company has to date made three ASX releases relating to Mt Boppy in pit exploration, all of which have been very exciting:

² Refer ASX announcement dated 1 February 2021 Quarterly Activities Report

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- i. On 24 August 2020, the Company released the results of the assays from initial drill holes conducted as extensions of the 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 circa 7-29m below current planned pit floor
 - Hole MBGC0043: 14 m @ 14.51 g/t Au from circa 7-29m below current planned pit floor
 - ii. On 25 September 2020, the Company released the results of assays from the two southern drill holes which again recorded excellent mineralisation under the pit design including:
 - Hole MBGC0016: 10 m @ 4.05 g/t Au from circa 10-30m below current planned pit floor
 - Hole MBGC0017: 18 m @ 6.24 g/t Au from circa 10-30m below current planned pit floor
 - iii. On 4 December 2020, the Company released the results of the assays from additional three drill holes which included the following:
 - Hole MBGC0075: 24 m @ 6.36 g/t Au from 48 m depth
 - Hole MBGC0078: 33 m @ 4.15 g/t Au from 19 m depth
 - Hole MBGC0079: 11 m @ 5.27g/t Au from 44 m depth

Of greatest importance is the continuation of mineralisation at economic grades, and the Company notes its intention to continue to conduct programs to define further mineralisation.

- 3) The third component of the exploration programme is the greenfields exploration targets on the existing exploration licenses (EL's) and mining lease (ML). A key focus is the deeper drilling programme planned beneath the oxide resource on the ML. Internally this is known as the Wonawinta Deeps program, targeting delivery of a sulphide silver base metals deposit. This program commenced in January 2021 and showed encouraging results from preliminary analysis with a portable XRF.³

- **Repayment of interest Convertible note holders**

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

- **Tranche 1 Principal Repayment of Secured Debt Facility**

In December 2020, the Company made an initial principal repayment of US\$1.0m to its principal lender TransAsia Private Capital. This was followed up with a post-balance date payment of USD\$1.5m which was paid in early January 2021 and a further payment of \$US1.5m in March 2021 to bring the balance of the facility to \$US10m as at the date of signing.

- **Share Placement to Sophisticated and Institutional investors**

In December 2020, the Company completed a placement of 17,500,000 new fully paid ordinary shares to sophisticated and institutional investors at \$0.40 per share raising \$7,000,000 before costs. The capital was raised to fund accelerated exploration and drilling at the Mt Boppy and Wonawinta projects, as well as for the purchase of capital equipment and for general working capital.

In addition to the placement, the Company converted \$1,000,000 in unsecured loans to equity at \$0.40 per share.

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

The COVID-19 pandemic did not have any significant impact on the Group's operations during the year. During the financial period, the pandemic and its impact has continued to evolve with further outbreaks resulting in lockdown restrictions in New South Wales and Victoria, additional border closures between

³ Refer ASX announcement dated 22nd January 2021 and ASX announcement 9th February 2021.

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.

Events arising since the end of the reporting period

- Commenced Wonawinta Deeps Exploration Program⁴

The deeper silver and base metals sulphides exploration program at Wonawinta (the “Wonawinta Deeps”) comprising of 16-20 diamond drillholes (drilled over four fences, traversing the existing and planned pits on the Mining Lease) commenced in January 2021. The program is designed to initially test the silver and base metal potential of sulphide zones below the existing open-cut pits on the current ML. The initial program is for a total of approximately 4,000m and should take two months to conclude.
- Mt Boppy Gold Project Resource Upgrade⁵

The Company released the Mt Boppy Gold Project Resource Upgrade showing a 23% increase in contained ounces and a 20% increase in grade. The Mineral Resource estimate for Mt Boppy is reported within the designed pit that reaches a maximum depth of 115 m below surface at the southern end of the deposit. Resources are reported with respect to the current pit design. Material within the pit design is reported at a 1.6 g/t cut off and material below the pit design is reported to a 3.0 g/t cut off.

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

*The preceding statements of Mineral Resources conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition. Due to rounding to appropriate significant figures, minor discrepancies may occur. All tonnages reported are dry metric.

- Debt Facility

The Company had a senior secured debt facility which was drawn to US\$13.0m as at reporting date. This was further paid down to US\$11.5m in January 2021 and then to US\$10m in March 2021. This is a facility which was entered into in July 2019, providing the Company with funding to complete the refurbishment of the Wonawinta plant and commence mining and production of gold. The Company believes this to be an appropriate time to seek a more competitive cost of funding. The refinancing is intended to provide sufficient working capital flexibility for the Company as it commences the mining of its silver stockpiles, and deal with any capex items prior to commencement, as well as securing a substantially reduced cost of borrowing.
- COVID-19

Throughout the reporting period the Company has continued to consider the potential implications of the Coronavirus. The Company has continued to adapt its policies to monitor and mitigate the impacts of COVID-19 such as safety and health measures in line with government guidelines and securing the supply

⁴ Refer ASX announcement dated 22 January 2021 and ASX announcement dated 1 February 2021 Quarterly Activities Report.

⁵ Refer ASX announcement dated 1 February 2021

of essential materials and equipment. No significant impact yet has been noted to the Group's operations as Gold operations remain largely unaffected. However, there is still significant uncertainty around the breadth and duration of business disruptions in Australia in general (which may or may not impact operations of the Group) related to COVID-19.

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.

Dividends

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

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 Director's Report.

Signed in accordance with a resolution of the Directors



Dennis Karp

Director

Date: 15th March 2021

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.granthornton.com.au

Auditor's Independence Declaration

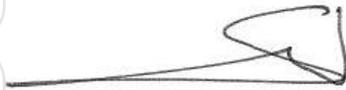
To the Directors of Manuka Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Manuka Resources Limited for the half-year ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 15 March 2021

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

	Notes	31 December 2020 \$	31 December 2019 \$
Sales revenue		20,448,472	-
Cost of sales	5(a)	(20,571,442)	-
Operating contribution		(122,970)	-
Other income		282,879	2,456
Expenses	5(c)	(1,263,355)	(1,779,697)
Movement in fair value of derivative liability		-	(288,765)
Loss before finance income / expenses		(1,103,446)	(2,066,006)
Finance income / (expenses)	5(d)	207,766	(848,639)
Loss before income tax		(895,680)	(2,914,645)
Income tax expense		-	-
Loss for the year attributable to members of Manuka Resources Limited		(895,680)	(2,914,645)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to members of Manuka Resources Limited		(895,680)	(2,914,645)
Loss per share for loss attributable to the ordinary equity holders of the Company			
Basic and diluted loss per share (cents per share)	13	(0.36)	(1.75)

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

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Consolidated Statement of Financial Position

As of 31 December 2020

	Notes	31 December 2020 \$	30 June 2020 \$
Assets			
Current			
Cash and cash equivalents		7,192,409	1,509,040
Trade and other receivables		779,795	7,653,740
Inventories	6	2,988,816	2,007,761
Prepayments		417,071	351,127
Financial assets	7	17,000	-
Total current assets		11,395,091	11,521,668
Non-current			
Mine properties and development assets	8	7,550,802	9,343,296
Exploration and evaluation assets	9	2,317,544	322,305
Property, plant and equipment	10	9,658,572	8,589,019
Right of use asset		133,460	194,557
Financial assets	7	6,984,202	6,456,370
Total non-current assets		26,644,580	24,905,547
Total assets		38,039,671	36,427,215
Liabilities			
Current			
Trade and other payables		7,667,164	7,670,573
Provisions	12	1,550,057	188,617
Contract Liabilities		17,710	-
Borrowings	11	19,589,917	25,704,579
Lease liabilities		130,899	128,937
Current liabilities		28,955,747	33,692,706
Non-current			
Provisions	12	4,878,876	5,108,158
Lease liabilities		14,548	73,078
Total non-current liabilities		4,893,424	5,181,236
Total liabilities		33,849,171	38,873,942
Net assets / (deficit)		4,190,500	(2,446,727)
Equity			
Share capital	14	21,512,355	5,112,041
Contributed equity		-	8,867,407
Share based payment reserve	15	1,486,077	1,486,077
Accumulated losses		(18,807,932)	(17,912,252)
Total equity / (deficit)		4,190,500	(2,446,727)

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

	Share Capital	Contributed Equity	Share based payment reserve	Accumulated losses	Total equity
	\$	\$	\$		\$
Balance at 1 July 2019	1	296,170	-	(13,359,409)	(13,063,238)
Loss for the period	-	-	-	(2,914,645)	(2,914,645)
Total comprehensive loss for the period	-	-	-	(2,914,645)	(2,914,645)
Shares issued	296,170	(296,170)	-	-	-
Total transactions with owners	296,170	(296,170)	-	-	-
Balance at 31 December 2019	296,171	-	-	(16,274,054)	(15,977,883)
Balance at 1 July 2020	5,112,041	8,867,407	1,486,077	(17,912,252)	(2,446,727)
Loss for the period	-	-	-	(895,680)	(895,680)
Subtotal	5,112,041	8,867,407	1,486,077	(18,807,932)	(3,342,407)
Shares issued	18,231,000	(10,231,000)	-	-	8,000,000
Share issue costs	(1,830,686)	1,363,593	-	-	(467,093)
Balance at 31 December 2020	21,512,355	-	1,486,077	(18,807,932)	4,190,500

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

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Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

	31 December 2020	31 December 2019
	\$	\$
Operating activities		
Receipts from customers	20,322,417	-
Payments to suppliers and employees	(19,577,906)	(3,264,512)
Other income	514,379	-
Finance costs paid	(3,407,237)	(895,243)
Net cash used in operating activities	(2,148,347)	(4,159,755)
Investing activities		
Acquisition of property, plant and equipment	(1,438,968)	(4,721,912)
Payments for development and exploration assets	(2,103,290)	(1,388,668)
Payment for other assets	(40,827)	-
Net cash used in investing activities	(3,583,085)	(6,110,580)
Financing activities		
Proceeds from borrowings	-	18,592,326
Repayments of borrowings	(1,624,213)	(6,494,486)
Repayment of lease liabilities	(73,893)	-
Proceeds from issues of ordinary shares	13,112,907	-
Net cash from financing activities	11,414,801	12,097,840
Net change in cash and cash equivalents	5,683,369	1,827,505
Cash and cash equivalents, at beginning of the period	1,509,040	62
Cash and cash equivalents, at end of period	7,192,409	1,827,567

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

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Notes to the Financial Statements

1 Nature of operations

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

During the financial half-year ending 31 December 2020, the Company's principal activities related to continuing gold production at the Wonawinta plant, undertaking comprehensive grade control and in-fill drilling programs and commencement of a number of exploration programs. In addition, the Company commenced planning for the transition from gold production into silver operations at its Wonawinta silver project in Cobar which is expected to commence in the second half 2021⁶.

2 Basis of Preparation

The interim consolidated financial statements of the Group are for the six months ended 31 December 2020 and are presented in Australian dollars (\$), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2020 together with any public announcements made during the half-year ended 31 December 2020.

The interim financial report has been approved and authorised for issue by the board of directors on 15th March 2021.

2.1 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 reporting period, the Group achieved the following significant milestones:

- Official Quotation of the Company's shares commenced on 14 July 2020. The Company raised \$7,000,000 (before costs of \$512,450) 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.
- On 17 December 2020, the Company completed a placement of \$7,000,000 (before costs of \$444,737) through the issue of 17,500,000 ordinary shares at \$0.40 per share, to sophisticated, professional and institutional investors. Funds raised from the Placement will support accelerated exploration and resources drilling activities at the Mt Boppy Gold Project and the Wonawinta Silver and Base Metals Project and will also provide general working capital to the Group. In addition to the Placement the

⁶ Refer ASX announcement dated 29 October 2020.

Company converted \$1,000,000 in unsecured loans to equity through the issue of 2,500,000 ordinary shares at \$0.40 per share.

- The Company has commenced an initial proof of concept exploration program designed to identify the existence of a commercially viable silver / base metals sulphide deposit more typical with the style of mineralisation found in the Cobar Basin. The program is known internally as the Wonawinta Deeps program and comprises 16 – 20 deeper diamond drill holes testing the mineralisation at depth beneath the existing four oxide deposits on the ML. Manuka has also completed the in-fill drilling program at Wonawinta and will present a Resource Update late March / April as well as having completed the grade-control drilling program at Mt Boppy which in turn generated a Resource Update for Mt Boppy.
- Manuka is progressed on the refinancing of its existing senior secured debt facility. The refinancing is intended to provide sufficient working capital flexibility for the Company to commence the mining of its silver stockpiles, and to deal with any capital expenditure items prior to commencement.
- Subsequent to the end of the reporting period, the Company released a significantly improved Mt Boppy Gold Project Resource Upgrade which contains a 23% increase in contained ounces and a 20% increase in grade, when compared with the last reported JORC Resource (September 2016)⁷.

Although there is a significant improvement in the net asset position of the Group, driven by both commercial production and the raising of \$7,000,000 in capital, the Group incurred a loss for the period ended 31 December 2020 of \$895,680 (Loss 2019: 2,914,645). The Company has converted its balance sheet to a net asset position of \$4,195,500 (30 June 2020: net deficit \$2,446,727) and has improved its net current liability position to \$17,560,656 (30 June 2020: 22,171,038) as at the reporting date.

Management have prepared cash flow projections for the period to 31 March 2022 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, and the planned recoveries from known resources and reserves within the current pit design, the successful transition of the plant to silver production at Wonawinta as well as further extending the repayment dates of the facility (refer Note 11(d) for the current repayment timetable). The Company's forecast silver price and the forecast USD/AUD exchange rate are also key.

In the event the Group is unable to achieve 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 TransAsia Private Capital Limited ("TPC") the terms of the facility by delaying further some of the repayment dates disclosed in Note 11 d) and/or finding alternative financing arrangements.

⁷ Refer ASX announcement dated 1 February 2021.

As a result, the Directors are confident 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 Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2020, except for the adoption of new standards effective as of 1 July 2020 which did not have a significant impact. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4 Segment reporting

Identification of reportable segments

The Group has identified operating segments 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. Currently all the Group's gold and silver tenements and resources are in New South Wales. Two operating segments have been identified:

- Exploration: Exploration of existing gold leases and exploration leases at Wonawinta and Mt Boppy projects
- Operations: being the appraisal, development and processing of gold and silver deposits

The following table presents revenue and loss information regarding operating segments for the half-years ended 31 December 2020 and 31 December 2019.

Half-year ended 31 December 2020	Exploration	Operations	Total \$
Segment revenue (external customers)	-	20,448,472	20,448,472
Segment cost of sales	-	(20,571,442)	(20,571,442)
Segment operating contribution	-	(122,970)	(122,970)
Other income	-	282,879	282,879
Expenses	(18,651)	(1,244,704)	(1,263,355)
Finance income / (expenses)	(499)	208,265	207,766
Loss before income tax	(19,150)	(876,530)	(895,680)
Half-year ended 31 December 2019	Exploration	Operations	Total \$
Segment revenue (external customers)	-	-	-
Segment cost of sales	-	-	-
Segment operating contribution	-	-	-
Other income	-	2,456	2,456
Expenses	(18,028)	(2,050,434)	(2,068,462)
Finance income / (expenses)	-	(848,639)	(848,639)
Loss before income tax	(18,028)	(2,896,617)	(2,914,645)

The following table presents segment assets and liabilities of operating segments at 31 December 2020 and 30 June 2020.

Segment Assets	Exploration	Operations	Total
			\$
As at 31 December 2020	2,317,544	35,722,127	38,039,671
As at 30 June 2020	322,305	36,104,910	36,427,215

Segment Liabilities	Exploration	Operations	Total
			\$
As at 31 December 2020	668,026	33,181,145	33,849,171
As at 30 June 2020	68,865	38,805,077	38,873,942

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.

5 Expenses

(a) Cost of sales

		31 December 2020	31 December 2019
		\$	\$
Operating expenses	5(b)	20,996,623	-
Royalties		847,819	-
Inventory movements		(1,273,000)	-
Total operating expenses		20,571,442	-

(b) Operating expenses

		31 December 2020	31 December 2019
		\$	\$
Mining expenses		4,662,131	-
Hauling and crushing expenses		4,473,518	-
Processing and refining expenses		6,874,766	-
Site administration expenses		2,209,461	-
Amortisation of mine properties	8	2,776,747	-
Total operating expenses		20,996,623	-

(c) Other expenses

	31 December 2020	31 December 2019
	\$	\$
Professional expenses	448,802	742,876
Employment expenses	464,074	645,849
Depreciation and amortisation - leases	106,437	-
IPO expenses	47,694	-
Other expenses	196,348	227,274
Total other expenses	1,263,355	1,615,999

(d) Finance expenses / (income)

	31 December 2020	31 December 2019
	\$	\$
Interest expense	1,637,109	860,624
Other finance charges	226,104	151,713
Unrealised foreign currency (gain) on borrowings	(2,070,979)	(163,698)
Total finance expenses / (income)	(207,766)	848,639

6 Inventories

Inventories consist of the following:

	31 December 2020	30 June 2020
	\$	\$
Consumables supplies and spares	238,459	277,109
Gold concentrate in circuit at lower of cost or net realisable value	2,528,038	1,085,212
Ore stockpiles	222,319	645,440
Inventories at cost	2,988,816	2,007,761

7 Financial assets

Other financial assets comprise the following:

Current asset at historical cost

Manuka Resources - Deposit for exploration bond

Notes	31 December 2020	30 June 2020
	\$	\$
	17,000	-

Non-current assets at amortised cost

Manuka Resources - Deposit for environmental bond

(a) 5,332,530 4,825,210

Term Deposit – at amortised cost

189,601 171,563

Rental Bond – at amortised cost

89,089 86,615

Non-current asset at historical cost

Mt Boppy Resources – Deposit for environmental bond

(b) 1,372,982 1,372,982

7,001,202 6,456,370

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 1.02%. The Environmental Bond has been discounted over a 5.3 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 12 months.

8 Development assets and mine properties

	31 December 2020	30 June 2020
	\$	\$
Development assets at cost and net carrying amount	504,449	450,919
Mine properties at cost	10,805,282	9,874,559
Accumulated amortisation	(3,758,929)	(982,182)
Net carrying amount	7,046,353	8,892,377
Total development assets and mine properties at cost	11,309,731	10,325,478
Accumulated amortisation	(3,758,929)	(982,182)
Total net carrying amount	7,550,802	9,343,296

9 Exploration and evaluation assets

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

	31 December 2020	30 June 2020
	\$	\$
Exploration assets		
Opening net book amount	322,305	-
Exploration and evaluation costs during the year	1,995,239	322,305
Net book value	2,317,544	322,305

- (a) During the period, the Company continued its planning and evaluation activities and commenced several field programs as outlined in its prospectus dated 22 May 2020, namely:
- (i) near-mine and in pit evaluation activities at Mt Boppy,
 - (ii) near-mine evaluation at Wonawinta (the Wonawinta ML and targets proximal to the ML); and
 - (iii) early/follow-up-phase exploration on the Company's regional exploration tenements.

The Company also completed an infill drilling program of the Wonawinta silver resource. The receipt of a number of assays from the Company's 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 lease⁸.

⁸ Refer ASX announcement dated 2 February 2021 Quarterly Activities Report

Detailed planning for high priority targets at both the Mt Boppy Gold Project and the Wonawinta Silver Project have commenced. Field work planning activities on less advanced or incompletely assessed prospects are also being carried out.

10 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 \$
Year ended 30 June 2020						
Balance as at 1 July 2019	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
Period ended 31 December 2020						
Balance as at 1 July 2020	754,994	29,296	7,503,738	11,650	289,341	8,589,019
Additions	-	19,891	1,294,900	10,367	113,810	1,438,968
Depreciation	-	(15,524)	(330,248)	(1,926)	(21,717)	(369,415)
Closing net book value	754,994	33,663	8,468,390	20,091	381,434	9,658,572
Balance 31 December 2020						
Cost	754,994	63,338	8,895,034	23,123	501,214	10,237,703
Depreciation	-	(29,675)	(426,644)	(3,032)	(119,780)	(579,131)
Net book value	754,994	33,663	8,468,390	20,091	381,434	9,658,572

11 Borrowings

Borrowings include the following financial liabilities:

	Notes	31 December 2020 \$	30 June 2020 \$
Current			
Related party loans owed by Manuka	(a)	1,576,682	2,507,878
Convertible notes	(b)	-	1,760,513
Short-term loan	(c)	333,978	426,475
Senior secured lender – TPC facility (net of borrowing costs)	(d)	17,402,335	20,561,906
Related party loan owed by Mt Boppy	(e)	106,143	196,143
Other borrowings		170,779	251,664
Total current borrowings		19,589,917	25,704,579
Total borrowings		19,589,917	25,704,579

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:

	31 December 2020	30 June 2020
	\$	\$
ResCap Investments Pty Ltd	1,059,840	2,005,327
Gleneagle Securities (Aust) Pty Ltd	516,842	502,551

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. \$1,000,000 of this loan was converted into equity as part of the Placement which occurred on 17 December 2020.

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 were outlined in a Convertible Note Deed Poll and which stated they were to convert to shares on occurrence of an IPO event. The Company undertook an IPO and was admitted to the ASX on 30 June 2020, and the convertible note was reassessed as 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. 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) The Company signed a debt facility agreement (TPC Facility) with TransAsia Private Capital Limited (TPC) during July 2019, with the first drawdown occurring in July 2019. The TPC Facility limit was for a total of US\$14 Million. In December 2020, US\$1 Million was repaid against the facility. As at 31 December 2020, the balance owing under the facility was US\$13Million. Subsequent to the end of the financial period, US\$1.5Million was repaid in January 2021 with a further US\$1.5Million repaid in March 2021, to bring the balance owing under the facility down to \$US10 Million as at the date of signing. An updated repayment schedule has been agreed, and legal documentation is being prepared at the time of writing. The amended schedule allows for repayment of US\$0.5Million in March 2021, US\$2.5Million at each end of month for April and May, with repayments of US\$2.25Million at each end of month for June and July 2021. The interest rate attributable to this facility is 14% per annum payable quarterly.
- (e) The related party loan was advanced to Mt Boppy Resources Pty Ltd by ResCap Investments Pty Ltd, and includes amounts advanced and working capital drawn down during the period. No interest has been charged.

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12 Provisions

		31 December 2020	30 June 2020
		\$	\$
Current			
Employment provisions		378,543	188,617
Rehabilitation provisions	12.1	1,171,514	-
Total current provisions		1,550,057	188,617
Non-current			
Employment provisions		14,801	-
Rehabilitation provisions	12.1	4,864,075	5,108,158
Total non-current provisions		4,878,876	5,108,158
Total provisions		6,428,933	5,296,775

12.1 Rehabilitation provisions

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

	31 December 2020	30 June 2020
	\$	\$
Rehabilitation provisions		
Manuka Resources Ltd	4,864,075	3,912,817
Mt Boppy Resources Ltd	1,171,514	1,195,341
Total rehabilitation provisions	6,035,589	5,108,158

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 4.02% over 5.25 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 six to twelve 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.

13 Loss per share

	Six months to 31 December 2020 \$	Six months to 31 December 2019 \$
Loss for the period attributable to equity holders of the Company	(895,680)	(2,914,645)
	No of shares	No of shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share *	248,883,973	166,675,831
	Cents per share	Cents per share
Basic and diluted loss per share	(0.36)	(1.75)

As the Group made a loss for the period ended 31 December 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 previous period and for all periods presented has been 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 14 has been recalculated to apply to the full financial period ended 31 December 2019.

14 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.

	6 months to 31 December 2020 # Shares	30 June 2020 # Shares	6 months to 31 December 2020 \$	Year to 30 June 2020 \$
Shares issued and fully paid:				
• At beginning of period	193,087,960	305,838,647	5,112,041	1
• share issue 23 September 2019	-	3,023,353	-	296,170
• share issue 24 February 2020	-	2,400,000	-	200,000
• share issue 27 February 2020	-	6,153,846	-	500,000
• share consolidation 11 May 2020	-	(144,907,234)	-	-
• share issue 11 May 2020	-	2,500,000	-	500,000
• share issue 12 May 2020	-	679,348	-	135,870
• share issue 13 May 2020	-	17,400,000	-	3,480,000
• share issue 8 July 2020 ^(a)	21,265,752	-	3,231,000	-
• share issue 8 July 2020 ^(b)	35,000,000	-	7,000,000	-
• share issue 17 December 2020 ^(c)	17,500,000	-	7,000,000	-
• share issue 17 December 2020 ^(d)	2,500,000	-	1,000,000	-
• issue costs - options issued to broker	-	-	(873,499)	-
• IPO and Placement expenses	-	-	(957,187)	-
Total share capital at end of period	269,353,712	193,087,960	21,512,355	5,112,041

- a) On 8 July 2020, the Company issued 21,265,752 shares at \$0.15 per share for the conversion of \$3,231,000 in Convertible Notes to equity.
- b) On 8 July 2020 the Company issued 35,000,000 shares at an issue price of \$0.20 per share pursuant to the offer under its prospectus dated 22 May 2020.
- c) On 17 December 2020, the Company completed a Placement of \$7,000,000 before costs through the issue of 17,500,000 ordinary shares at \$0.40 per share, to sophisticated, professional and institutional investors.
- d) On 17 December 2020, the Company converted \$1,000,000 in unsecured loans to equity through the issue of 2,500,000 ordinary shares at \$0.40 per share.

15 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.

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

	31 December 2020		30 June 2020	
	# Options	Weighted average exercise price cents	# Options	Weighted average exercise price cents
Beginning of the period	21,250,000	25	3,000,000	35
Granted	-	-	21,250,000	25
Forfeited	-	-	(3,000,000)	35
Outstanding at period end	21,250,000	25	21,250,000	25
Exercisable at period end	21,250,000	25	21,250,000	25

No share options were exercised during the period ended 31 December 2020.

The fair values of options granted were determined using a variation of the binomial option pricing model that takes into account factors such as the vesting period. The weighted average remaining contractual life of share options outstanding at the end of the financial period was 2.3 years (2020: 2.9 years), and the exercise price is at 25 cents (2020: 25 cents).

In total, a share-based payment expense of \$Nil (2020: \$435,611) has been included in the profit or loss and credited to the share option reserve. At 31 December 2020 the total value of the share based payment reserve is \$1,486,077 (30 June 2020: \$1,486,077).

16 Events subsequent to the end of the reporting period

- Commenced Wonawinta Deeps Exploration Program⁹

The deeper silver and base metals sulphides exploration program at Wonawinta (the “Wonawinta Deeps”) comprising of 16-20 diamond drillholes (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

⁹ Refer ASX announcement dated 22 January 2021 and ASX announcement dated 1 February 2021 Quarterly Activities Report.

silver and base metal potential of sulphide zones below the existing open-cut pits on the current ML. The initial program is for a total of approximately 4,000m of drilling and should take two months to conclude.

- Mt Boppy Gold Project Resource Upgrade¹⁰

On 1st February 2021, the Company released to the ASX the Mt Boppy Gold Project Resource Upgrade showing a 23% increase in contained ounces and a 20% increase in grade. The Mineral Resource estimate for Mt Boppy is reported within the designed pit that reaches a maximum depth of 115 m below surface at the southern end of the deposit. Mining Associates (MA) has classified the current estimate as Measured, Indicated and inferred. Resources are reported with respect to the current pit design. Material within the pit design is reported at a 1.6 g/t cut off and material below the pit design is reported to a 3.0 g/t cut off.

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

*The preceding statements of Mineral Resources conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition. Due to rounding to appropriate significant figures, minor discrepancies may occur. All tonnages reported are dry metric.

- Refinance Debt Facility

The Company had a senior secured debt facility which was drawn to US\$13.0m as at reporting date. This was paid down to US\$11.5m in January 2021 with a further repayment in March to bring the balance owing under the facility to \$US10m. This is a facility which was entered into in July 2019, providing the Company with funding to complete the refurbishment of the Wonawinta plant and commence mining and production of gold. The Company believes this to be an appropriate time to seek a more competitive cost of funding. The refinancing is intended to provide sufficient working capital flexibility for the Company as it commences the mining of its silver stockpiles, and deal with any capex items prior to commencement, as well as securing a substantially reduced cost of borrowing.

- COVID-19

Throughout the reporting period the Company has continued to consider the potential implications of the Coronavirus. The Company has continued to adapt its policies to monitor and mitigate the impacts of COVID-19 such as safety and health measures in line with government guidelines and securing the supply of essential materials and equipment. No significant impact yet has been noted to the Group's operations as Gold operations remain largely unaffected. However, there is still significant uncertainty around the breadth and duration of business disruptions in Australia in general (which may or may not impact operations of the Group) related to COVID-19.

¹⁰ Refer ASX announcement dated 1 February 2021

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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.

17 Company Details

The registered office and principal 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 its financial position as at 31 December 2020 and of its performance for the period ended on that date; and
 - ii Complying with Australian Accounting Standards AASB 134 Interim Financial Reporting; and
- 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.

Signed in accordance with a resolution of the Directors



Director
Dennis Karp

Dated the 15th March 2021

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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.granthornton.com.au

Independent Auditor's Review Report

To the Members of Manuka Resources Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Manuka Resources Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and 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 half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Manuka Resources Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Manuka Resources Limited's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2.1 in the financial report, which indicates that the Group incurred a net loss of \$895,680 during the half-year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by \$17,560,656. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 15 March 2021