Annual Financial Report

For the year ended 30 June 2018

Manuka Resources Ltd

ABN 80 611 963 225

Contents

Directors' Report

The Directors of Manuka Resources Ltd ('Manuka Resources') present their report together with the financial statements of the Entity, being Manuka Resources ('the Company') for the year ended 30 June 2018.

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 Brett Fletcher (resigned 1 October 2018)
- Mr Justin Boylson (appointed 31 January 2019)
- Mr Nicholas Lindsay (appointed 20 June 2019)

Mr Dennis Karp
Non-Executive Director
Director since 20th April 2016

Dennis was Head of Trading at HSBC Australia where he carried responsibility for the bank's interest rate, foreign exchange and proprietary risk management. He left in 1996 to join Tennant Limited, becoming a shareholder and director soon after. In 2000 he oversaw the purchase of Tennant Metals and proceeded to grow it into one of the larger physical commodity trading houses in Australia, with operations and associations in Asia, USA and Europe.

Dennis was a principal shareholder of Tennant Metals until 2011, at which time he conducted its sale to an industrial corporation based in Europe. He remained as Managing Director until 2014. His guidance drove Tennant's excellent reputation for hedging expertise across the base metals complex and later the iron ore markets. Over the past 10 years Dennis has been involved in various resource investments opportunities in base metals and bulk commodities, which had attached marketing rights.

In early 2015, Dennis Karp initiated the start-up of ResCap Investments Pty Ltd as a vehicle through which to capture resource investment opportunities. Dennis is a founding shareholder and Managing Director of ResCap Investments Pty Ltd.

Mr Brett Fletcher
Non-executive Director
Director since 25th November 2016, resigned 1 October 2018.

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 a mechanical 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 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 has formal qualifications in mechanical engineering from Goulburn TAFE.

Mr Justin Boylson
Non-executive Director
Director since 31st January 2019

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.

Mr Nicholas Lindsay
Non-executive Director
Director since 20th June 2019

Mr Nick Lindsay is a very experienced mining executive who brings an attractive mix of commercial, technical and academic qualifications, all of which are very relevant to the Company. He has worked directly for a range of companies including Anglo American Corporation and its subsidiaries, CBH Resources and Kumba Australia, and provided consulting services to Rio Tinto, Codelco, Antofagasta Holdings amongst others. He successfully led Laguna Resources NL (ASX:LRC, now owned by Kingsgate Consolidated) to acquire and commence development of a major silver-gold project in Chile, and has been directly managing the project which is known as the Nueva Esperanza silver project since.

Mr Lindsay is a geologist by profession, specializing in process mineralogy, and has postgraduate degrees from the University of Otago (NZ), University of Melbourne and the University of the Witwatersrand (South Africa). He is a member of the AusIMM and Australian Institute of Geosciences.

Principal activities

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

- Put in place interim funding solutions to allow the company to continue along its path of restarting operations at the Manuka Mine.
- Finalise design and completion of scope of works program and budget for mine restart and plant refurbishment.
- Mandated Julian Vearncombe of SJS Resource Management P/L to complete a geophysical study on the Manuka properties to assist us to better understand the resource opportunity.
- Worked closely with the EPA in pursuit of achieving a removal of the suspension of operations due to legacy issues (achieved as at time of writing).
- Maintained an effective Care and Maintenance program at Manuka to ensure restart will occur in an efficient and timely fashion.
- Commenced discussions with a number of third parties interested in ‘farming-in’ to an arrangement whereby we implement a drilling campaign at their expense, which generates an equity position for the third party as the extent of their investment increases through certain milestone amounts.

Review of operations and financial results

The Company was established in April 2016 to purchase the assets of the Manuka Silver Project, a silver mine and processing plant located in the Cobar Basin. Since the Company was established, it has been involved in negotiating the purchase of the Manuka Silver Project and it has engaged consultants to:

- evaluate the JORC Resource reports produced by previous owners of the mine;
- complete detailed technical resource reviews;
- evaluate the startup parameters and requirements of the existing plant; and
- continue the care and maintenance site of the project.
- resolved the legacy environmental issue which was a carry-over from previous management and caused a suspension in the environmental licence at Manuka. This has now been fully addressed and the license suspension has been lifted.

Significant changes in state of affairs

During the year there have been the following significant changes in the state of affairs of the Company:

- Gleneagle Securities Nominees Pty Ltd – Bridging Loan

  On 11 August 2017 the Company entered into a bridge funding facility with Gleneagle Securities Nominees Pty Ltd for $2,725,000. This was repaid on 28 March 2018.

- MCP Manager Pty Ltd – Secured Loan

  In March 2018, the company entered into a funding facility with MCP Manager Pty Ltd for $3,613,500. It is repayable upon the earlier of Manuka Resources entering into an appropriate debt funding arrangement and is expected to be repaid before 31 August 2019 following receipt of tranche-1 payment from the debt facility from Transasia Private Capital Limited (TPC).

Dividends

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

Events arising since the end of the reporting period

- The legacy environmental suspension (a carry-over from previous management of the project) was lifted in October 2018, following implementation of a comprehensive investigative plan implemented under the guidance of the EPA, which failed to identify any dumping in any of the locations previously alleged. The company has agreed to an ongoing monitoring plan.
- During June 2019, the Company acquired Mt Boppy Resources Pty Ltd from its shareholders (i.e. Gleneagle Security Nominees Pty Ltd and Rescap Investments Pty Ltd) for a consideration of $5,000,000. The consideration was paid by the Company by issuance of its equity instruments.

- The Company entered into a term sheet with TPC in January 2019, and a signed debt facility agreement (TPC Facility) in July 2019. The TPC Facility entitles the Company to USD 13 million (approximately. A$ 18.5 million) in debt facility - to be received in three tranches.

  The Company has received the first tranche payment (USD 4.5 million), which will be utilised for full repayment of MCP Manager Pty Ltd's loan and partial repayment of existing trade creditors.

  Tranche-2 and Tranche-3 when received, will be utilised by the Company in capital expenditure for mine development enabling mining operations and generation of operating cashflows. All existing borrowings (refer to note 13.2 of the financial report) apart from MCP Manager Pty Ltd have been subordinated to the TPC Facility.

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.

Likely developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report because, in the reasonable opinion of the Directors, to do so would be likely to prejudice the business activities of the Company.

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	4	4
Brett Fletcher	4	3
Anthony McPaul	4	4

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
8th Dec 2016	8th Dec 2018	$0.25	5,500,000
4th Jan 2017	4th Jan 2019	$0.35	1,000,000
4th Jan 2017	4th Jan 2020	$0.35	1,000,000
4th Jan 2017	4th Jan 2022	$0.35	2,000,000
4th Jan 2017	n/a	$0.35	1,000,000
11th Aug 2017	11th Aug 2020	$0.07	8,000,000
28th Mar 2018	11th Aug 2020	$0.07	12,500,000

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.

The Company, since the end of the financial period, has transferred or is in the process of transferring ownership of various mining and exploration licences to regulate its activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its activities. So far as the Directors are aware there has been no known breach of the Company'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.

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 of 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.

Auditor’s Independence Declaration

A copy of the Auditor’s Independence Declaration as required under s.307C of the *Corporations Act 2001* is included in page 9 of this financial report and forms part of this Director’s Report.

Signed in accordance with a resolution of the Directors

Dennis Karp

Director

7th August 2019

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 2018, 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, 7 August 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	30 June 2018 $	30 June 2017 $
Revenue	4	1	909,999
Cost of sales		-	(37,500)
Other income	4	-	6,143
Professional expenses		(1,123,377)	(1,506,871)
Site expenses		(593,613)	(1,617,321)
Employment expenses		(612,544)	(261,955)
Share based payment expense	18	(334,101)	(415,734)
Travel expenses		(40,109)	(80,912)
Other expenses		(83,471)	(165,972)
Finance charges		(1,557,137)	(575,098)
Loss before income tax		**(4,344,351)**	**(3,745,221)**
Income tax expense		-	-
Loss for the period		**(4,344,351)**	**(3,745,221)**
Other comprehensive income		-	-
Total comprehensive loss for the period		**(4,344,351)**	**(3,745,221)**

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

Statement of Financial Position

As of 30 June 2018

	Notes	30 June 2018 $	30 June 2017 $
Assets			
Current			
Cash and cash equivalents	10	13,468	1,713
Trade and other receivables	11	102,902	132,499
Total current assets		**116,370**	**134,212**
Non-current			
Exploration assets	12	193,213	147,378
Property, plant and equipment	14	1,979,569	2,014,403
Other financial assets	13	5,504,584	5,825,000
Total non-current assets		**7,677,366**	**7,986,781**
Total assets		**7,793,736**	**8,120,993**
Liabilities			
Current			
Trade and other payables	19	2,068,303	1,261,832
Provisions	17	42,607	25,000
Borrowings	13	8,407,286	5,285,039
Current liabilities		**10,518,196**	**6,571,871**
Non-current			
Provisions	17	4,760,274	5,023,606
Total non-current liabilities		**4,760,274**	**5,023,606**
Total liabilities		**15,278,470**	**11,595,477**
Net deficit		**(7,484,734)**	**(3,474,484)**
Equity			
Share capital	15	1	1
Share based payment reserve	18	749,835	415,734
Accumulated losses		(8,234,570)	(3,890,219)
Total equity		**(7,484,734)**	**(3,474,484)**

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

Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	Share capital	Accumulated losses	Share based payment reserve	Total equity
		$	$	$	$
Balance at 1 July 2016		1	(144,998)	-	(144,998)
Loss for the period		-	(3,745,221)	-	(3,745,221)
Share based payments		-	**-**	**415,734**	**415,734**
Balance at 1 July 2017		**1**	**(3,890,219)**	**415,734**	**(3,474,484)**
Loss for the period		-	(4,344,351)	-	(4,344,351)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	**(4,344,351)**	**-**	**(4,344,351)**
Share based payments		-	**-**	**334,101**	**334,101**
Balance at 30 June 2018		**1**	**(8,234,570)**	**749,835**	**(7,484,734)**

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

Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018	2017
		$	$
Operating activities			
Receipts from customers		-	814,274
Payments to suppliers and employees		(1,564,604)	(2,285,728)
Finance costs		(949,392)	(25,539)
Net cash used in operating activities	16	**(2,513,996)**	**(1,496,993)**
Investing activities			
Purchase of property, plant and equipment, net		-	(1,790,506)
Purchase of intangible assets		(45,835)	(748,772)
Purchase of term deposit		-	(200,000)
Net cash used in investing activities		**(45,835)**	**(2,739,278)**
Financing activities			
Proceeds from issue of convertible notes (net)		-	3,021,000
Proceeds from borrowings, net of repayments		2,571,586	1,216,983
Net cash from financing activities		**2,571,586**	**4,237,983**
Net change in cash and cash equivalents		11,755	1,712
Cash and cash equivalents, at beginning of the period		1,713	1
Cash and cash equivalents, at end of period		**13,468**	**1,713**

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

Notes to the Financial Statements

1 Nature of operations

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

During the financial year the Company's principal activities related to keeping the Manuka Silver Project (a silver mine and processing plant location in the Cobar Basin region) under care and maintenance and minor exploration activities.

2 General information and statement of compliance

The general purpose financial statements of the Company have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Manuka Resources Ltd 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 5, Grafton Bond Building, 201 Kent Street, Sydney, New South Wales.

The financial statements for the year ended 30 June 2018 (including comparatives) were approved and authorised for issue by the Board of Directors on 7th August 2019.

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 Revenue

Revenue has arisen from the sale of mineralised ore. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The Company has applied the revenue recognition criteria set out below to each separately identifiable component of the sales transaction in order to reflect the substance of the transaction.

Sale of goods

Revenue from the sale of goods is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

3.3 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 should the Company not be able to continue as a going concern. In that case, the Company may not be able to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

The Company incurred a loss for the year of $4,344,351, has a deficit of assets of $7,484,734 and is in a net current liability position of $10,401,826. This triggers a material uncertainty in relation to going concern.

Acquisition of Mt Boppy and new debt facility

Subsequent to the reporting period the Company acquired Mt Boppy Resources Pty Ltd (Mt Boppy) during June 2019 for a consideration of $5 million – settled through issuance of the Company's equity instruments.

Consequent to the acquisition of Mt Boppy the Company established a new debt facility (TPC Facility) of $US 13 million with Transasia Private Capital Limited (TPC) during July 2019 with expected repayments by February 2021 on the basis that the cash flows from Mt Boppy mining operations will generate sufficient cash flow.

The Company has received the first tranche payment (USD 4.5 million) which has been used for full repayment of MCP Manager Pty Ltd's loan. Tranche-2 and Tranche-3 payments are conditional on certain requirements (refer to note 25). Tranches 2 and 3, will be utilised by the Company in capital expenditure for mine development enabling mining operations and the working capital needs for generation of operational positive cash flows from:

- Full settlement of MCP Manager Pty Loan and partial settlement of other creditors
- Refurbishment of plant and equipment for Mt Boppy's mine development
- Working capital needs to commence mining operations at My Boppy

All existing borrowings (refer to note 13.2) apart from MCP Manager Pty Ltd have been subordinated to the TPC Facility.

Thus, the ability of the Company to continue as a going concern and to meets its debts and obligations as they fall due is dependent upon the following:

- Receipt of tranches 2 and 3 per and satisfaction of relevant conditions per the TPC Facility;

- The continued financial support of its shareholder ResCap Investments Pty Ltd ('Rescap') through cash advances and the availability of a line of credit;

- The continued financial support of its shareholder Gleneagle Securities Nominees Pty Ltd ('Gleneagle'). As the sole Power of Attorney on behalf of the Convertible Note holders, it has worked closely with the company to ensure all parties can maximise their existing positions within a company which has been searching for restart loan funds or capital;

- In the scenario net cash generated from mining operations is not sufficient to repay the TPC Facility and other debt by the repayment date of the TPC Facility, then extension of loans from Rescap and Gleneagle; and

- Successful mining operations at Mt Boppy, enabling the generation of positive net operating cash flows.

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.

3.4 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.

3.5 Operating expenses

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

3.6 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 in, or in relation to, the interest are continuing. Exploration expenditure which fails to meet at least one of the conditions outlined above is written off.

3.7 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 is calculated on a straight-line basis over the estimated useful life of the asset. Buildings are depreciated over 10 years, leasehold improvement over 5 years and plant and equipment is depreciated over 2 to 10 years depending on the nature of the asset. Land is not depreciated. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a revised useful life basis.

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

3.8 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company 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 all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and 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:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- Held-to-maturity (HTM) investments
- Available-for-sale (AFS) financial assets

All financial assets except for those at fair value through profit or loss (FVTPL) are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company’s trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Held-to-maturity (HTM) investments

Held-to-maturity (HTM) investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity. The Company currently holds listed bonds designated into this category.

Held-to-maturity (HTM) investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss (FVTPL), that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.9 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.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.11 Mine development

Once the technical feasibility and commercial viability of the extraction of mineral resources in a particular area of interest become demonstrable all development costs subsequently incurred within that area of interest are capitalised and carried at cost.

Amortisation of capitalised mine development costs is provided on the unit-of-production method resulting in an amortisation charge proportional to the depletion of the economically recoverable mineral resources. Costs are amortised from the commencement of production.

3.12 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.

3.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the period end and which are unpaid. These amounts are unsecured.

3.14 Interest bearing liabilities

All loans and 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 loans and borrowings using the effective interest method.

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

3.15 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 when the dividends have been approved in a General Meeting prior to the reporting date.

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

3.16 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.

3.17 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.

3.18 New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for periods beginning on or after 1 July 2017. None of the standards and interpretations have been assessed to have a material impact on the Company.

3.19 Accounting Standards issued but not yet effective and not been adopted early by the Company

New accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. We have reviewed the accounting standards and interpretations and have not yet assessed the impact of these standards on the transactions and balances recognised in the financial statements.

3.20 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.

4 Revenue and other income

	30 June 2018 $	30 June 2017 $
Sale of mineralised ore	-	909,999
Total revenue	**-**	**909,999**

	30 June 2018 $	30 June 2017 $
Other income	1	6,143
Total other income	**1**	**6,143**

5 Expenses

	30 June 2018 $	30 June 2017 $
Loss before income tax includes the following expenses:		
Professional expenses	1,123,378	1,506,871
Finance Costs	1,557,137	575,098
Employment Costs	612,544	261,955
Share based payment expense	334,101	415,734
Site Expenses	593,613	1,617,321

6 Finance costs

	30 June 2018 $	30 June 2017 $
Finance costs are made up of the following items:		
Interest expenses and other finance charges – net of discounting	1,053,657	59,300
Borrowing cost application fee paid	80,760	20,000
Amortised borrowing costs of convertible note	35,000	175,000
Accrued interest charged to convertible note	387,720	320,798
Total finance costs	1,557,137	575,098

7 Income tax expense

	30 June 2018 $	30 June 2017 $
Reconciliation of the loss of the period to the income tax expense		
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 before income tax	(4,344,351)	(3,745,221)
Tax at the Australian rate of 27.5% (2017: 27.5%)	(1,194,697)	(1,029,936)
Current year tax benefit not recognised	1,194,697	1,029,936
Income tax expense	-	-

The Company has no available franking credits.

The Company has not booked as a deferred tax asset any tax losses in view of the inherent uncertainty as to whether the Company will be able to utilise those losses in the future.

8 Auditor remuneration

Auditor remuneration details are as follows:

	30 June 2018 $	30 June 2017 $
Audit of financial statements		
Auditors of Manuka Resources – Grant Thornton Australia	45,000	39,500
Remuneration from audit of financial statements	**45,000**	**39,500**
Total other service remuneration	**-**	**47,500**
Total auditor's remuneration	**45,000**	**87,000**

9 Dividends

No dividends for the period ended 30 June 2018 have been declared or paid to shareholders by the Company.

10 Cash and cash equivalents

	30 June 2018 $	30 June 2017 $
Cash and cash equivalents comprises the following:		
Cash at bank and in hand	13,468	1,713
Total cash and cash equivalents	**13,468**	**1,713**

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

11 Trade and other receivables

	Notes	30 June 2018 $	30 June 2017 $
Current			
Other Receivables		21,467	101,868
Prepayments	11(a)	81,435	30,631
Total trade and other receivables		**102,902**	**132,499**

(a) Prepayments relate to prepaid insurances and prepaid interest on borrowings.

12 Exploration assets

The following tables show the movements in exploration assets:

	30 June 2018 $	30 June 2017 $
Exploration assets		
Opening net book amount	147,378	-
Additions at cost		
-Tenement acquisition costs	-	337,500
- Mine development expenses	45,835	336,272
- Other exploration assets	-	275,000
- Discounting of exploration assets	-	(801,394)
Net book value	**193,213**	**147,378**

Also refer to note 25 for details with respect to assets for which TPC has lien over.

13 Financial assets and liabilities

13.1 Categories of financial assets and financial liabilities

Note 3.8 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Notes	30 June 2018 $	30 June 2017 $
Financial assets at amortised cost			
Cash and cash equivalents	10	13,468	1,713
Other financial assets		5,504,584	5,825,000
Total financial assets at amortised cost		**5,518,052**	**5,826,713**
Total financial assets		**5,518,052**	**5,826,713**
Financial Liabilities at Amortised Cost			
Trade and other payables	19	2,068,303	1,230,857
Current borrowings – Intercompany Loan	13.2(a)	500,428	1,768,241
Current borrowings – Convertible Notes	13.2(b)	3,939,519	3,516,798
Current borrowings – Short-term Loan	13.2(c)	280,411	-
Current borrowings – MCP Manager Loan	13.2(d)	3,686,928	-
Total financial liabilities at amortised cost		**10,475,589**	**6,515,896**
Total financial liabilities		**10,475,589**	**6,515,896**

13.2 Borrowings

Borrowings include the following financial liabilities:

	Notes	30 June 2018 $	30 June 2017 $
Current			
Related party loan – ResCap Investments Pty Ltd	13.2(a)	500,428	1,768,241
Convertible notes issued	13.2(b)	3,939,519	3,516,798
Short-term Loan	13.2(c)	280,411	-
MCP Manager Loan	13.2(d)	3,686,928	-
		8,407,286	**5,285,039**

All borrowings are denominated in Australian Dollars. The borrowings are presented in the balance sheet as follows:

	30 June 2018 $	30 June 2017 $
Current		
Face value of borrowings	7,594,500	4,999,241
Unamortised borrowing costs	-	(35,000)
Accrued interest costs	812,786	320,798
	8,407,286	**5,285,039**

The fair value of the loans is measured as described in Note 20.

(a) The intercompany loan was provided by ResCap Investments Pty Ltd in the previous reporting period. Tranche 1 which has been repaid had an interest rate of 6%. Tranche 2 has an interest rate of 16%. It has been agreed that the facility will be subordinated to the TPC Facility (refer to note 25) changing the repayment date of the loan as the earlier of either eighty years or on the repayment of new TPC facility. Also refer to note 25 for further details.

(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. Since the IPO event has not occurred the convertible note has been reassessed as a debt instrument, and interest of $708,518 has been accrued on the note and an establishment cost of $210,000 has been recorded against the value of the note. The establishment cost has been amortised over the life of the loan. It has been agreed that the facility will be subordinated to the TPC Facility (refer to note 25) changing the repayment date of the loan as the earlier of either eighty years or on the repayment of new TPC facility. Also refer to note 25 for further details.

(c) Short-term Loan – The Short-term loan was drawn down in November 2017, and expected to be repaid following a partial sale of an asset which fell over during final documentation. It has been agreed that the facility will be subordinated to the TPC Facility (refer to note 25) changing the repayment date of the loan as the earlier of either eighty years or on the repayment of new TPC facility. Also refer to note 25 for further details.

13.2 Borrowings (continued)

(d) MCP Manager Loan – is the senior secured facility. The facility came into existence in March 2018 with an initial repayment date of December 2018. This has since been refinanced and further drawn down. Consequent to the receipt of tranche 1 payment per the TPC Facility (refer to note 25) all amounts due to MCP Manager were repaid in July 2019. Also refer to note 25 for further details.

(e) During the year 8,000,000 and 12,500,000 share options were issued to Gleneagle and MCP Manager respectively in lieu of borrowing facility provided and extension of facilities. The exercise price is variable to certain factors, creating a derivative financial liability. Company has assessed the fair value of the options issued as Nil. Also refer to note 19.

13.3 Other financial assets

	30 June 2018	30 June 2017
	$	$
Other financial assets comprises the following:		
Non-current		
Deposits for environmental bond – amortised cost	5,304,584	5,625,000
Term Deposit	200,000	200,000
	5,504,584	**5,825,000**

The carrying amount of other financial assets is considered a reasonable approximation of fair value.

13.4 Other financial instruments

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

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

14 Property, plant and equipment

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

	Land	IT Equipment	Plant & Equipment	Motor Vehicles	Total
	$	$	$	$	$
Balance 30 June 2017					
Cost	754,994	1,664	964,714	293,610	2,014,982
Depreciation	-	(579)	-	-	(579)
Net book value	**754,994**	**1,085**	**964,714**	**293,610**	**2,014,403**
Balance 30 June 2018					
Opening net book value	754,994	1,085	964,714	293,610	2,014,403
Depreciation	-	(1,085)	-	(33,749)	(34,834)
Closing net book value	**754,994**	**-**	**964,714**	**259,861**	**1,979,569**

Also refer to note 25 for details with respect to assets for which TPC has lien over.

15 Equity

15.1 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 2018	30 June 2017	30 June 2018	30 June 2017
	# Shares	# Shares	$	$
Shares issued and fully paid:				
• At beginning of period	244,066,247	100	1	1
• share issue - 20 April 2016	-	-	-	-
• share issue – 15 July 2016	-	6,300	-	-
• share split – 2 November 2016	-	175,993,600	-	-
• share split – 24 February 2017	-	68,066,247	-	-
Total contributed equity at end of period	**244,066,247**	**244,066,247**	**1**	**1**

15.2 Capital management policies and procedures

Management controls the capital of the company in order 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.

In making decisions to adjust its capital structure to achieve these aims, through new share issues, the company considers not only its short-term position but also its long-term operational and strategic objective.

16 Reconciliation of cash flows from operating activities

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

	30 June 2018	30 June 2017
	$	$
Cash flows from operating activities		
Loss for the period	(4,344,351)	(3,745,221)
Adjustments for		
• depreciation	34,834	579
• revalue rehabilitation provision	-	(199,477)
• share based payments	334,101	415,734
• finance costs included in investing	550,661	549,559
Net changes in working capital:		
• change in trade and other receivables	80,401	(101,868)
• change in other assets	320,416	329,369
• change in trade and other payables	509,942	1,254.332
Net cash used in operating activities	**(2,513,996)**	**(1,496,993)**

17 Provisions

	30 June 2018 $	30 June 2017 $
Current		
Provision for Employee Entitlements	17,607	-
Provision for mercury contamination	25,000	25,000
Total current provisions	**42,607**	**25,000**
Non-current		
Rehabilitation provisions	4,760,274	5,023,606
Total Non-current provisions	**4,760,274**	**5,023,606**
Total provisions	**4,802,881**	**5,048,606**

17.1 Rehabilitation provisions

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 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.

18 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.

No share options were exercised during the year ended 30 June 2018. (2017: Nil)

18 Share based payments (continued)

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 following principal assumptions were used in the valuation:

	2 year options	3 year options	5 year options
Grant date	Dec 2016 & Jan 2017	Jan 2017	Jan 2017
Vesting period ends	Dec 2018 & Jan 2019	Jan 2020	Jan 2022
Share price at date of grant	$0.20	$0.20	$0.20
Volatility	99.98%	116.3%	112.6%
Option life	2 years	3 years	5 years
Risk free investment rate	2%	2%	2%
Fair value at grant date	0.082 & 0.0986	0.1245	0.1523
Weighted average exercise price at date of grant	$0.27	$0.35	$0.35
Weighted average remaining contractual life	0.46 years	1.5 years	3.5 years

The underlying expected volatility was determined by reference to historical data of comparable entities over a period of time. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, $334,101 (2017: $415,734) of share-based payment expense has been included in profit or loss and credited to share option reserve. The total value of the share based payment reserve is $749,835 *(2017: $415,734)*.

19 Trade and other payables

	30 June 2018 $	30 June 2017 $
Current		
Trade creditors	1,835,206	727,931
Other creditors and accruals	233,097	533,901
Derivative financial liability	-	-
Total trade and other payables	**2,068,303**	**1,261,832**

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.

Derivative financial liability
During the year 8,000,000 and 12,500,000 share options were issued to Gleneagle and MCP Manager respectively in lieu of borrowing facility provided and extension of facilities. The exercise price is variable to certain factors, creating a derivative financial liability. Company has assessed the fair value of the options issued as Nil, thus Nil liability booked as at reporting date. Also refer to note 13.2.

20 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 2018, the Company held the following financial instruments:

	30 June 2018 $	30 June 2017 $
Financial assets		
Cash and cash equivalent	13,468	1,713
Other financial assets	5,504,584	5,825,000
Total financial assets	**5,518,052**	**5,826,713**

	30 June 2018 $	30 June 2017 $
Financial liabilities		
Trade and other payables	2,068,303	1,230,857
Related party loan – ResCap Investments Pty Ltd	500,428	1,768,241
Convertible notes	3,939,519	3,516,798
Other Interest Bearing Loans	3,967,339	-
Total financial liabilities	**10,475,589**	**6,515,896**

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

20 Financial risk management (continued)

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. 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. 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
	$	$	$	$	$
2017					
Non-derivatives					
Trade payables and other payables	1,230,857	1,230,857	1,230,857		-
Related party loan – ResCap Investments Pty Ltd	1,768,241	1,768,241	1,768,241		-
Convertible notes	3,516,798	3,516,798	3,516,798		-
	6,515,896	**6,515,896**	**6,515,896**		-

	Carrying Amount	Contractual Cash flows	< 6 months	6- 12 months	1-3 years
	$	$	$	$	$
2018					
Non-derivatives					
Trade payables and other payables	2,068,303	2,068,303	-	2,068,303	-
Related party loan – ResCap Investments Pty Ltd	500,428	580,496	-	580,496	-
Convertible notes	3,939,519	4,412,261	-	4,412,261	-
Other Interest-Bearing Loans	3,967,339	4,641,787	-	4,641,787	-
	10,475,589	**11,702,847**	-	**11,702,847**	-

20 Financial risk management (continued)

Market risk

Market risk arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk).

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
		$	$	$	$
2017					
Financial assets					
Cash and cash equivalent	0%	-	-	1,713	1,713
Other financial assets	0%	-	-	5,825,000	5,825,000
		-	-	**5,826,713**	**5,826,713**
Financial liabilities					
Trade and other payables	0%	-	-	1,230,857	1,230,857
Related party loan – ResCap Investments Pty Ltd	6%	-	1,768,241	-	1,768,241
Convertible notes	12%	-	3,516,798	-	3,516,798
		-	5,285,039	1,230,857	6,515,896

	Weighted average interest rate	Floating rates	Fixed rates	Non-interest bearing	Total
		$	$	$	$
2018					
Financial assets					
Cash and cash equivalent	0%	-	-	13,468	13,468
Other financial assets	0%	-	-	5,504,584	5,504,584
		-	-	**5,518,052**	**5,518,052**
Financial liabilities					
Trade and other payables	0%	-	-	2,068,303	2,068,303
Related party loan – ResCap Investments Pty Ltd	16%	-	500,428	-	500,428
Convertible notes	12%	-	3,939,519	-	3,939,519
Other Interest Bearing Loans	17%	-	3,967,339	-	3,967,339
		-	**8,407,286**	**2,068,303**	**10,475,589**

20 Financial risk management (continued)

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	2018		Carrying amount	2017	
	$	+1%	-1%	$	+1%	-1%
Cash and cash deposits	13,468	135	(135)	1,713	17	(17)
Tax charge at 27.5% (2017:27.5%)		(37)	37		(5)	5
After tax increase / (decrease)		**98**	**(98)**		12	(12)
Related party loan – ResCap Investments Pty Ltd	500,428	(5,004)	5,004	1,768,241	(17,682)	17,682
Convertible notes	3,939,519	(39,395)	39,395	3,516,798	(35,167)	35,167
Other Interest Bearing Loans	3,967,339	(39,673)	39,673			
Tax charge at 27.5% (2017:27.5%)		23,120	(23,120)		14,533	(14,533)
After tax increase / (decrease)		**(60,952)**	**60,952**		**(38,316)**	**38,316**
Net after tax increase / (decrease)		**(60,854)**	**60,854**		**(38,304)**	**38,304**

21 Leases

21.1 Operating lease as sub-lessee

The Company leases an office under an operating lease on a month by month basis. The future minimum lease payments are as follows:

	Minimum lease payments due			
	Within 1 year $	1 to 5 years $	After 5 years $	Total $
Lease payments				
30 June 2017	26,849	-	-	-
30 June 2018	-	-	-	-

Lease expenses during the period amount to $68,537 (2017: $44,060) representing the minimum lease payments. The previous sublease contract commenced on 1 September 2016 and ceased on 31 December 2017. The company has been leasing the premises on a month by month basis since expiry of the sublease.

22 Commitments for expenditure

22.1 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 2018 $	30 June 2017 $
Not later than one year:	619,000	594,000

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.

23 Contingent assets and liabilities

23.1 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 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.

24 Related party transactions

24.1 Transactions with related parties and outstanding balances

The Company's related parties include key management, 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 2018 $	30 June 2017 $
Details of related party transactions with ResCap Investments Pty Ltd through the Intercompany loan:		
• interest charged on intercompany loan	36,792	53,761
Details of related party transactions with ResCap Investments Pty Ltd as trade and other creditors		
• amounts charged pursuant to sublease to ResCap Investments Pty Ltd and month to month lease payments	68,537	52,874
• amounts charged pursuant to service agreement to ResCap Investments Pty Ltd	450,000	99,000
Details of related party transactions with Gleneagle Securities (Aust) Pty Ltd		
• amounts paid for advisor fees	80,000	210,000
• amounts charged for work completed for the IPO	265,000	-

Details of balances with related parties:		30 June 2018 $	30 June 2017 $
Balance of intercompany loan			
- ResCap Investments Pty Ltd	13.2(a)	500,428	1,768,241
- Gleneagle Securities (Aust) Pty Ltd	13.2(b)	3,939,519	3,516,798
Balance of trade and other creditors			
– ResCap Investments Pty Ltd		570,391	151,874
– Gleneagle Securities (Aust) Pty Ltd		265,000	-

24.1 Transactions with key management personnel

Key management of the Company includes the executive members of Manuka Resources' Board of Directors and management personnel. Key management personnel remuneration includes the following expenses:

	30 June 2018 $	30 June 2017 $
Director fees	148,121	86,250
Executive remuneration	86,257	202,855
Share based payments	334,101	415,734
Total remuneration	**568,479**	**704,839**

No share options were exercised during the year ended 30 June 2018. (2017: Nil)

25 Events subsequent to the end of the reporting period

Acquisition of Mt Boppy

The Company acquired 100% of Mt Boppy Resources Pty Ltd (Mt Boppy) during June 2019 for a consideration of $5 million – settled through issuance of 61,772,400 shares of the Company's equity instrument.

Consequent to the acquisition of Mt Boppy the Company established a new debt facility (TPC Facility) of $US 13 million with Transasia Private Capital Limited (TPC) during July 2019 with expected repayments by February 2021 on the basis that the cash flows from Mt Boppy mining operations will generate sufficient cash flow for repayment of the TPC Facility.

As at the date the financial report has been approved, the initial accounting for the business combination (should this transaction meets the definition of a business combination) is incomplete, as such the acquisition date fair values of assets and liabilities acquired and other required disclosures have not been disclosed.

Transasia Private Capital Ltd (TPC) – $US13M Loan Facility

Manuka has secured a USD$13.0m loan facility (TPC Facility) from TPC, a Hong Kong based fund. The facility is payable in 3 tranches, and at time of writing, Tranche 1 for an amount of USD$4.5m has been advanced. Tranche 2 is due in 30 days and is for the amount of USD$3.5m. Tranche 3 is due in 120 days and is for the amount of USD$5.0m. The total term of the facility is for 18 months. These amounts have been loaned to finance the refurbishment of the Manuka plant and to finance the recommencement of mining at Mt Boppy. Manuka expects to commence the production of gold in December 2019.

Tranche-2 and Tranche-3 payments are conditional on certain requirements including:

- Obtaining confirmation from MCP Manager Pty that the Company has no outstanding debts
- Entering into a General Security Agreement (GSA) which details the assets on lien, and shareholder & personal guarantees. Assets which are pledged as collateral in this respect include
  - Property plant and equipment (refer to note 12)
  - Right to tenure (refer to note 14)
- Entering into a Gold Refinery Agreement with certain third parties
- Opening of a bank account per the GSA, which amongst other matters requires all collection to be deposited in the particular bank account for which TPC has access at all times
- Entering into contracts for the refurbishment of the processing plant
- Monthly updates with respect to the processing plant

All existing borrowings (refer to note 13.2) apart from MCP Manager Pty Ltd have been subordinated to the TPC Facility.

Environmental suspension – lifted

The legacy environmental suspension (a carry-over from previous management of the project) was lifted in October 2018, following implementation of a comprehensive investigative plan implemented under the guidance of the EPA, which failed to identify any dumping in any of the locations previously alleged. The company has agreed to an ongoing monitoring plan.

25 Events subsequent to the end of the reporting period (continued)

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

26 Company Details

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

Manuka Resources Ltd
Level 5 Grafton Bond Building
201 Kent Street, Sydney, New South Wales

Directors' Declaration

1 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 30 June 2018 and of its performance for the financial year ended on that date; and

ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; 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.

2 The financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors

Director
Dennis Karp

Dated the 7th day of August 2019

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

Disclaimer of Opinion

We were engaged to audit the financial report of Manuka Resources Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

We do not express an opinion on the accompanying financial report of the Company. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

Basis for Disclaimer of Opinion

The financial report has been prepared on a going concern basis, however the directors have not been able to provide sufficient appropriate evidence to support their assessment of the Company's ability to pay their debts as and when they fall due. The directors' assessment include the utilisation of a recently established funding facility to initially repay partially existing debt, incurring of capital expenditure on mine development and the generation of cash flows from mining operations enabling repayment of existing debt as at 30 June 2018 and new debt provided subsequent to reporting period by February 2021.

The Company has reported a loss before tax of $4,344,351 for the year ended 30 June 2018 and a net current asset deficiency of $10,401,826.

We have been unable to obtain sufficient evidence as to whether the Company will be able to generate sufficient cash flow enabling repayment of existing debt as at 30 June 2018 and new debt taken subsequent to reporting date.

We considered the impact of the above items to be material and pervasive to the overall financial statements of the Company.

We also draw attention to Note 3.3 of the financial report which describes conditions that indicate the existence of material uncertainties surrounding the continuing use of the going concern assumption in the preparation of 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 Company's annual report for the year ended 30 June 2018, 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 accordingly 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*. The Directors' responsibility also includes 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Company in accordance with 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 7 August 2019