

September 2021 Quarterly Activities Report

Highlights

General

- Sales revenue of A\$22.8m (A\$11.8m June Quarter)
- Significant increase in Net Operating Cashflow to A\$8.2m (A\$779k June Quarter);
- Record gold production of >10koz @ 4.49g/t (3,600oz @ 2.81g/t June Quarter) with recoveries of 76.9%, well above target;
- Mt Boppy gold production to continue until early 2022 & Manuka now expects to nearly double gold recovered from Mt Boppy versus its original Prospectus forecast;
- Balance sheet strengthened due to high cash generation and debt repayment - total debt less cash as at 30 September of A\$8.5m;
- Acceleration of exploration activity for gold and Cobar style base metals as targets show great promise - drilling ramping up;
- Minor impact from COVID-19 operational shutdown in August.

Mt Boppy Gold Project

- Three months of consecutive record performance;
- Production for the Quarter 10,089 oz gold produced more than double the June Quarter
- Average grade up strongly to 4.49g/t Au and recoveries continue to improve, reaching 76.9% (2.81g/t Au and 72.1% for June Quarter);
- Mt Boppy extension and neighbouring tenements drilling program (Canbelego campaign) commencing early October for the following:
 - Proposed metres ~12,800
 - Expected budget ~A\$1.6m
 - Total no. holes to be drilled ~60

Wonawinta Silver Project

- **Wonawinta Silver production now planned to commence in February/March 2022;**
- **Intensified drill program now underway testing for Cobar style lead-zinc-silver mineralisation and copper-gold deposits within EL area**
- **Drilling commenced in August on our Wirlong target (26 RC holes drilled – awaiting laboratory assays) & progressed on to Smiths Tank.**
- **Other targets include Gunderoo, McKinnons and McKinnons North, Tango, 3-Mile, Guzzi and Goldwing**
- **Total metrics of the 6 month program as follows:**
 - **Proposed metres** ~17,000
 - **Expected budget** ~A\$2.25m
 - **Total no. holes to be drilled** ~90

Company Review for September Quarter 2021

Production for the September Quarter was the Company's best to date. Manuka enjoyed the benefits of high ore grades, steady production and improved recoveries, all of which are expected to continue.

Metallurgical recoveries have improved by 5% since the installation of the second ball mill in July, and its inclusion as a regrind circuit.

Total quantity of ore processed during the Quarter was 90,900t up 20% versus the June Quarter (76,341t). This was largely due to the establishment of a larger ore stockpile at the Wonawinta plant, thereby removing the negative impact of weather on haulage.

The improved ore grades were identified in the grade control drilling undertaken in November 2020, the results of which were announced on 1st February 2021.

During the September Quarter, the Company's cash and debt position continued to improve. The terms from its existing financier TransAsia Private Capital continue until 30 September 2022 (with no penalty for early repayments) and are repayable in a bullet payment on that date. Manuka expects to fully repay this facility in Q1 2022 from cash-flows generated by profitable gold production.

Mt Boppy Gold Project Quarterly Summary:

- 10,089 ounces of gold produced and 9,284 ounces sold at an average price of A\$2,452/oz;
- A total of 112,788 tonnes of ore was mined at Mt Boppy during the September Quarter, with 101,896 tonnes averaging 4.49g/t gold trucked to the Wonawinta plant;
- Plant recoveries averaged 76.9% for the Quarter exceeding the target level of 75%;
- Currently Manuka has 2 drill and blast programs remaining for its existing pit-design at Mt Boppy. The 175RL blasting originally scheduled for mid-Sept was delayed by weather events and occurred mid-October. The 170RL blast scheduled for late September will now occur late October/early November.
- Mining will be complete following the above two RL blast programs, following which a further in-pit exploration program is planned for Mt Boppy. Full details of the program will be announced to the market in the near term.

Operating Summary

Summary		September Quarter	Financial Year (YTD)
Tonnes Milled	t	90,900	90,900
Gold in Circuit (30-09-21)	oz	2,178	2,178
Gold Recovered	oz	10,089	10,089
Gold Sold	oz	9,284	9,284
Gold Recoveries	%	76.9	76.9
Revenues	AUD \$'000	22,760	22,760

Summary		September Quarter	Financial Year (YTD)
Ore Mined	t	112,788	112,788
Waste Mined	t	41,320	41,320
Total Mined	t	154,108	154,108
Total Hauled (incl. mined & residual stockpiles)	t	101,896	101,896
Average Head Grade	g/t	4.49	4.49

At its IPO in July 2020, Manuka's estimate of gold production from Mt Boppy was 22,000 – 24,000 ounces before transitioning to silver production ("Phase 1" gold production in the prospectus). To the end of September 2021, Phase 1 gold production has exceeded the high end of this initial estimate by over 30%, reaching 31,774oz gold.

An increase in ore grades to the plant, together with the mining and haulage efficiencies gained since commencement of operations, is expected to contribute to the profitable recovery of an additional 10,000 - 12,000oz gold from the existing pit-shell at Mt Boppy.

In summary, Manuka now expects to nearly double gold recovered from Mt Boppy versus its original Prospectus forecast. The Company will cease mining at the end of "Phase 1" gold production in order to implement an in-pit exploration program targeting further extensions to the current Mt Boppy resource Prior to the contribution of any successful drill results, and allowing for depletion from current mining, management expects that circa 25,000oz gold will remain within the pit at that time. Prospects for increasing the resource in future are very promising.

Wonawinta Silver Project:

- Due to the increased gold production from the current Mt Boppy pit-shell extending to January/February, the transition of the plant to silver is likely to occur in March 2022;
- Silver production will commence with the processing of over 715,000t of stockpiles (515,000t grading 70g/t Ag as per ASX release 1 April 2021) near the Wonawinta plant;
- The Company continues its metallurgical test work program prior to the completion of its Mine Plan and Maiden Reserve;
- The impact on the Company from the Covid-19 pandemic during the quarter was disruptive but manageable. The geophysics program was delayed due to interstate quarantine restrictions and is expected to be completed in the new calendar year.

Resource Growth and Exploration Outlook

In the June Quarterly report, Manuka announced its expanded four stage exploration program, which has now been adjusted as follows:

- a) The Wonawinta MLs will continue to be explored as part of a broader resource extension and infill program focused on the southern area of the mining lease and the adjacent exploration licence. The timetable for further drilling will be defined following work planned for points b) and d) below.
- b) A comprehensive Mt Boppy in-pit exploration program is scheduled to commence

once mining ceases at Mt Boppy. Initially Manuka had planned for a geophysics program over our ML's and EL in the East Cobar Basin, to occur in August 2021. The preferred contractor's team was coming from Queensland but interstate quarantine restrictions have prevented its travel until the new year. The pandemic has also caused intermittent delays to drilling. Drilling on identified Canbelego targets will now commence in October, with drilling in the pit to occur in November.

- c) The independent assay results of the Wonawinta Deeps drill program were very encouraging, encountering lead-zinc-silver mineralization over a 3km strike within the mining lease. The total 15km strike length on tenements held by Manuka in its West Cobar Basin portfolio remains to be tested and a follow up drill program was to commence as part of 8,000m oxide and sulphide program in early August. However the Company elected to drill out its Wirlong target as a priority. The Wirlong drilling could shed light on the geological structure governing the Wonawinta Deeps. 26 holes were drilled at Wirlong totaling 2,600m of drilling. We are currently awaiting assay results and expect them in 3 – 4 weeks
- d) Targeted exploration drilling on the West Cobar Basin tenements – initially a RC (reverse circulation) drilling program - is now underway, focusing on the Smiths Tank prospect immediately west of the ML, while the northern EL's which host McKinnons and McKinnons North, Wirlong and Guzzi targets will be drill tested.

Key metrics of this western basin exploration campaign are as follows:

Proposed metres	~17,000
Expected budget	~A\$2.25m
Total holes to be drilled	~90 RC holes

Cashflow and Hedging

Manuka generated \$8.2 million in positive Operating Cash Flow over the September Quarter. Strong cash generation is reasonably expected to continue for the remainder of Phase 1 gold production.

The Company has a margin free hedge facility and has maintained a hedging program on future production of 2,500oz gold (around 22-25% of future production) for the past 4 months. The current hedged rate is AUD\$2,455, which allows the Company to effectively sell part of its future production at that price. The average price received for gold sales over the September Quarter was AUD\$2452/oz gold. The current hedging program on future production is 'in the money' which means it is profitable when viewed against the current spot market.

Corporate

As announced on 29 June 2021, the Company extended its senior secured debt facility with TransAsia Private Capital to the end of September 2022, repayable in a single bullet payment. Nevertheless, given Manuka's strengthened cash position the Board chose to make an early debt repayment of US\$1.084m against the TransAsia facility during the September Quarter. The amount outstanding at Quarter end was US\$9.0m million.

Total borrowings at 30 September 2021 were A\$13.6 million.

Unused facilities available at Quarter end were A\$1,340k and the cash balance was \$5.16 million.

In accordance with ASX Listing Rule 5.3.3, during the quarter, the Company made cash payments of \$0.105 million to related parties and their associates (refer items 6.1 and 6.2 of the Appendix 5B). This was the aggregate amount paid to the directors including salary, directors' fees, consulting fees and superannuation.

Statement of commitments

The following information is provided pursuant to Listing Rule 5.3.4 for the period ending 30 September 2021. Use of Funds estimates for 'Exploration and in-drilling activities' were fully expended as at 31 March 2021. At that point, actual exploration expenditure exceeded original estimates by \$0.582M due to expansion of the in-fill drilling program at Wonawinta and additional depth extension drilling at Mt Boppy, which have now been completed. Since 31 March 2021, additional funds have been expended on expanded exploration and drilling programs as outlined above (also refer item 2.1(d) in the Appendix 5B). These additional activities have not been included in the table below as prospectus funds were fully expended during the period ended 31 March 2021.

Use of Funds¹	Estimate	Actual	Variance
Type	(as per prospectus 22 May 2020)	from admission to 30 Sept 2021	Under / (Over)
	\$000	\$000	\$000
Exploration and in-drilling activities	3,579	4,161	(582)
Interest on convertible notes	1,761	1,780	(19)
Unpaid cash costs of the Offer	965	1,103	(48)
Working capital	3,071	3,071	-
Total Use of Funds	9,376	10,025	(649)

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

Mining Exploration Activities

In accordance with ASX Listing Rule 5.3.1 cash outflows for the quarter ended 30 September 2021 in relation to exploration and evaluation activities were \$0.738 million (refer Item 2.1(d) of the Appendix 5B) and predominantly comprised expenditure on:

- Completion of the review of historic geophysics with new targets identified for follow up exploration;
- Commencement of drilling on the Southern extension of the Wonawinta Resource and progressing drilling on the Western region of the Wonawinta mining licence (ML 1659);
- Finalisation of drill targets adjacent to operations at Mt Boppy Project, including EL5842 at Canbelego; and
- Planning drill programs on EL6302 (historic McKinnons site) and EL8498.

Mining Development Activities

In accordance with ASX Listing Rule 5.3.2 cash outflows for the quarter ended 30 September 2021 in relation to mining development activities were \$0.491 million (refer items 1.2(b) and 2.1(f) of the Appendix 5B) and again comprised outgoings in relation to pre-mining development studies, consultants engaged on development of the Wonawinta Silver Project and ongoing metallurgical test work and tenement administration and management.

Mining Production Activities

In accordance with ASX Listing Rule 5.3.2 cash outflows for the quarter ended 30 September 2021 in relation to mining production activities were \$8.78 million (refer Item 1.2(c) of the Appendix 5B) and comprised the following:

Mining and crushing contractors	\$3.58 million
Hauling contractors	\$1.30 million
Processing	\$3.90 million

Mining Tenements

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 30 September 2021.

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

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

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

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

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

About Manuka

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

- Mt Boppy Gold mine and neighbouring tenements. The Mt Boppy project is currently in production and processing its gold ore through the Company's processing plant at Wonawinta.
- Wonawinta silver project, with mine, processing plant and neighbouring tenements. The Wonawinta processing plant has a nameplate capacity of 850,000 tonnes per year.
- Highly prospective exploration targets on its ~1250km² tenement portfolio in the Cobar Basin



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

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Important Information

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

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

Manuka Resources Ltd

ABN

80 611 963 225

Quarter ended ("current quarter")

30 September 2021

<i>Consolidated statement of cash flows</i>	<i>Current quarter \$A'000</i>	<i>Year to date (3 months) \$A'000</i>
1. Cash flows from operating activities		
1.1 Receipts from customers	22,625	22,625
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(32)	(32)
(c) production	(8,783)	(8,783)
(d) staff costs	(2,133)	(2,133)
(e) administration and corporate costs	(1,323)	(1,323)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,537)	(1,537)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(576)	(576)
1.9 Net cash from / (used in) operating activities	8,241	8,241
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(269)	(269)
(d) exploration & evaluation	(738)	(738)
(e) investments	-	-
(f) other non-current assets – (mine properties and development)	(459)	(459)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,467)	(1,467)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(2,594)	(2,594)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(39)	(39)
3.10	Net cash from / (used in) financing activities	(2,632)	(2,632)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,018	1,018
4.2	Net cash from / (used in) operating activities (item 1.9 above)	8,241	8,241
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,467)	(1,467)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,632)	(2,632)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,160	5,160

5. Reconciliation of cash and cash equivalents <i>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</i>	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	5,160	1,018
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,160	1,018

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	105
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: 6.1 This is made up of amounts paid to the directors including salary, directors' fees, consulting fees and superannuation.</i>	
<i>Note: 6.2 This is made up of amounts paid to the directors including consulting fees in respect of exploration activities.</i>	

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000		
7.1	Loan facilities	15,005	13,664		
7.2	Credit standby arrangements	-	-		
7.3	Other (please specify)	-	-		
7.4	Total financing facilities	15,005	13,664		
7.5	Unused financing facilities available at quarter end		1,340		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.				
	Lender	Facility type	Total Facility	Rate	Maturity
	TransAsia Private Capital Limited	Secured Senior Debt Facility	12,490	13%	22/09/2022
	ResCap Investments Pty Ltd	Unsecured Working Capital Loan	2,000	16%	22,09/2022
	Gleneagle Securities (Aust) Pty Ltd	Unsecured Working Capital Loan	265	12%	31/12/2021
	Hindsight Trading Pty Ltd	Unsecured Working Capital Loan	250	16%	31/12/2021

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	8,241
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(738)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	7,503
8.4	Cash and cash equivalents at quarter end (item 4.6)	5,160
8.5	Unused finance facilities available at quarter end (item 7.5)	1,340
8.6	Total available funding (item 8.4 + item 8.5)	6,501
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	N/A
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer:	

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

Answer:

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

Answer:

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

Compliance statement

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

Date: 21 October 2021

Authorised by:

Toni Gilholme – Company Secretary

On behalf of the Board of Directors

Notes

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