



Manuka Resources Ltd ABN 80 611 963 225

For personal use only

ANNUAL REPORT 2022



For personal use only



Annual Report

For the year ended 30 June 2022

Manuka Resources Ltd

ABN 80 611 963 225

CORPORATE DIRECTORY

| | |
|--|--|
| <p>Directors Dennis Karp – Executive Chairman Nick Lindsay – Non-Executive Director Anthony McPaul – Non-Executive Director</p> <p>Key Management Haydn Lynch – Chief Operating Officer</p> <p>Company Secretary Toni Gilholme</p> <p>Registered Office Level 4, Grafton Bond Building 201 Kent Street Sydney NSW 2000</p> <p>www.manukaresources.com.au</p> | <p>Lawyers K&L Gates Level 31, 1 O'Connell Street Sydney NSW 2000</p> <p>Auditor Ernst & Young 200 George Street Sydney NSW 2000</p> <p>Share Registry Automic Group Pty Ltd Level 5, 126 Phillip Street Sydney NSW 2000</p> <p>Stock Exchange Listing Manuka Resources Limited shares (Code: MKR) are listed on the Australian Securities Exchange.</p> |
|--|--|

Contents

| | Page |
|---|-------------|
| Executive Chairman's Report | 3 |
| Review of Operations | 5 |
| Mineral Resources Statements | 16 |
| Directors' Report | 19 |
| Auditor's Independence Declaration | 32 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 33 |
| Consolidated Statement of Financial Position | 34 |
| Consolidated Statement of Changes in Equity | 36 |
| Consolidated Statement of Cash Flows | 37 |
| Notes to the Financial Statements | 38 |
| Directors' Declaration | 82 |
| Independent Auditor's Report | 83 |
| ASX Additional Information | 88 |

Executive Chairman's Report

Transitioning from gold to silver production, and securing the future

This annual report marks our second year as a resources company listed on the ASX.

As most readers of this report may be aware, Manuka recommenced processing operations at its 100% owned Wonawinta plant on stockpiled Mt Boppy gold ores in April 2020. In June 2020 we began mining at Mt Boppy and continued to do so until 30 November 2021, with processing of the gold ores continuing until March 2022. The actual end-date was a month premature due to a significant weather event triggering an inflow of water into the pit. A direct impact of this significant weather event was that we had just completed a drill and blast at our RL170 level, and that ore remains in the pit (together with some residual material from the RL175 drill and blast). This equates to ~4000oz gold which would have been a good boost for cash flows at the time, but now gives us a running start when we elect to recommence mining at Mt Boppy.

It has long been our plan to conclude our phase 1 of gold production by the end of 2021. This was to provide us with the opportunity of updating our Mineral Resource Summary, and commercially assess the mining options available to us in what had become a narrow open-pit requiring a cut-back prior to further mining. This assessment is now underway, as our Resource Summary (released through the ASX on 29-7-22) demonstrates 45,000oz gold remaining in-pit at an average grade of 4.95g/t gold. As at the end of phase 1 gold production we had recovered and sold ~41,000 ounces of gold (a positive outcome when compared to our pre-IPO estimate of 22,000-24,000 ounces).

Gold ore processing operations at the Wonawinta plant continued until early March, following which time the transition from gold to silver processing took place. It is important to note that it was silver which drove the initial construction of Wonawinta back in 2012. Manuka's recommissioning of the silver circuit started in April 2022 on a 515,000t stockpile sitting alongside the pit, (and forecast to produce ~900,000oz silver). Internally at Manuka we have deemed the stockpile processing as a trial program, intended to ensure we fully understand the nature of our Wonawinta silver ores and providing notice of any as yet unforeseen metallurgical challenge which may present itself. To date we have spent more than A\$1.25m on the metallurgical recoveries of our ore, and we look forward to the work undertaken in laboratories replicating itself in the plant, prior to embarking on mining our ~50 million oz silver resource (which is subject to a commercially viable mine plan).

It has been fascinating to note the existence of background gold accompanying all our Wonawinta silver recoveries from the stockpiles to date. Our exploration results to date have not uncovered any material levels of gold within the tenements comprising the Wonawinta mining lease and will be revisited during calendar 2023.

Three of our key corporate objectives over the past 12 months were the following:

- a. To complete the phase 1 mining at Mt Boppy
- b. To commence silver production through the Wonawinta plant
- c. To repay the outstanding debt to our secured lenders of USD\$10m

While the first two points were achieved, we were unable to repay the outstanding debt to our secured lenders in full. Principal payments were made during the financial year, and these reduced the balance to USD\$8m. However, the November water event at Mt Boppy effectively shut the chance of a full repayment from occurring.

Part of the role of a board of directors is to ensure the survival and future growth of the company they serve. While this role may involve many considerations, it became clear to the Manuka board that a key risk the company faced, was its reliance on precious metals. This has been reinforced over the period where we have seen external factors that historically would have led to substantial increases in the price of both gold and silver, have little effect on either (or as has been the case with silver over the past 6 months, resulted in a 30% fall in price).

Manuka considered a number of commercial opportunities, but the South Taranaki Bight (“STB”) project was far and away the most commercially enticing. We entered into a binding term sheet which was announced to the market through the ASX on 1 August 2022, and at time of writing have secured Manuka shareholder approval for the acquisition. The STB project was issued its mining licence in 2014 for the mining of 5.0 million t.p.a. over a 20 year period. In terms of its sheer commercial potential, this project presents Manuka with the unique opportunity of securing a stronghold in vanadium production, a commodity which has been declared a critical mineral by the USA, the EU and Australia, and is proving essential for utility or grid storage within the green energy fuelled global economy. Furthermore, the STB project will quite possibly be the lowest carbon emitter per tonne of ore produced of any iron ore producer.

I am also pleased to include our first update on our Sustainability journey which follows a little further within this Financial Report. The board of Manuka understands that being recognised for sustainable performance is a longer journey but sees the adoption of a Sustainability Statement as a strong signal of our intent, and our commitment to fulfil our ESG obligations. The Board has approved a number of actions and the Board Charter has been amended accordingly. We are in the process of reviewing and updating all our polices targeting activities which may have environmental and social impacts. We have published our Sustainability Statement, highlighting our priorities and commitments, including a commitment to align to the United Nations’ SDG’s (Sustainable Development Goals).

Our disclosure reporting will align with the internationally recognised GRI (Global Reporting Initiative) Reporting Principles and Standards. To support our reporting and disclosure activities over the next reporting period, we have commenced using a mining-sector specific, sustainability reporting platform.

Finally, we will be refreshing our website to highlight our sustainability commitments and improve the visibility of our actions and impact.

In closing, I would like to thank the entire team at Manuka Resources. The past year has again presented us with a number of challenges, as you all worked tirelessly to grow the Company. We no longer use the term ‘abnormal weather’ on site, as severe weather conditions have now been far too consistent to warrant such a label. When I reflect back to 2016, when we first purchased the Wonawinta Project, I remember being told when asking about the weather that ‘it never rains in Cobar’, if only!

In closing, I would like to add how proud I am of all within Manuka, and specifically acknowledge the role played by our Operations Manager, David Power, and his team.

Thank you to our two Non-Executive Directors Tony McPaul and Nick Lindsay, to Haydn Lynch, our Chief Operating Officer, and Toni Gilholme our Company Secretary for all their work during the financial year. Also thank you to our shareholders for your support during the period.


Dennis Karp
Chairman

Review of Operations

COMPANY PROFILE AND OPERATIONAL OVERVIEW

Manuka Resources Ltd (“Manuka” or “the Company”) successfully completed Phase 1 of its mining operations at its Mt Boppy gold mine during the year and commenced a trial of processing silver ore stockpiles from its Wonawinta site through the Company’s plant located at Wonawinta. The Company has been able to employ a significant percentage of its workforce including contractors from the Central Western region of NSW as part of its concerted effort to benefit the local community as much as possible.

Activities (excluding mining) at Mt Boppy have focused on identifying additional resources beneath the planned pit floor contemporaneously with a complete exploration review of targets and initial drill activity on the surrounding exploration licence. A geophysical survey (VTEM) has been designed for EL5842 and will be flown in due course.

The major focus (excluding processing) at the Wonawinta site has been on completing the first phase of a ground gravity survey over Wonawinta mining lease areas.

BACKGROUND

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 mining projects, one gold and one silver, both within the Cobar Basin, which include the following:

- Mt Boppy Gold mine and neighbouring tenements. Operations at the Mt Boppy project are currently suspended, as the Company awaits an updated mine plan.
- Wonawinta silver project, with mine, processing plant and neighbouring tenements. The Wonawinta processing plant has a nameplate capacity of 850,000 tonnes per year, and recommenced silver production in March 2022.
- Highly prospective exploration targets on its ~1150km² tenement portfolio in the Cobar Basin

Manuka has also entered into a binding term sheet to purchase Trans-Tasman Resources Limited, owners of the South Taranaki Bight VTM (vanadiferous titanomagnetite) project.

THE MT BOPPY GOLD PROJECT

Operations

Following a comprehensive refurbishment of its Wonawinta plant during the 2020 financial reporting period, and a lift in its tailings storage facility, Manuka Resources Limited commenced production at its 100% owned Mt Boppy gold project in April 2020. The Company successfully completed its first Phase of gold production in February 2022. The key performance measures (as detailed below) from Phase 1 gold at Mt Boppy exceeded prospectus forecasts on all key metrics¹.

| Summary of Project Performance | Prospectus Forecast 2020 | Project Actuals Apr 2020 – Feb 2022 |
|------------------------------------|--------------------------|-------------------------------------|
| Ore Milled (tonnes) | 320,000 | 560,430 |
| Feed Grade (gram per tonne) | 3.00 | 3.02 |
| Recovery % | 75% | 75.3% |
| Gold Production (ounces) | 22-24,000 | 40,942 |
| Gross Metal Sales Revenue | \$55-60m | >\$100m |

Tenements

The Mt Boppy Gold Project (which comprises 3 granted mining leases, 4 gold leases, and one exploration licence (which together cover an area in excess of approximately 210 km²)) is located approximately 46 km east of Cobar, on the eastern side of the highly prospective and metalliferous Cobar Basin. The Company owns (via its wholly owned subsidiary, Mt Boppy Resources P/L) 100% of the interests in the tenements detailed in the following table:

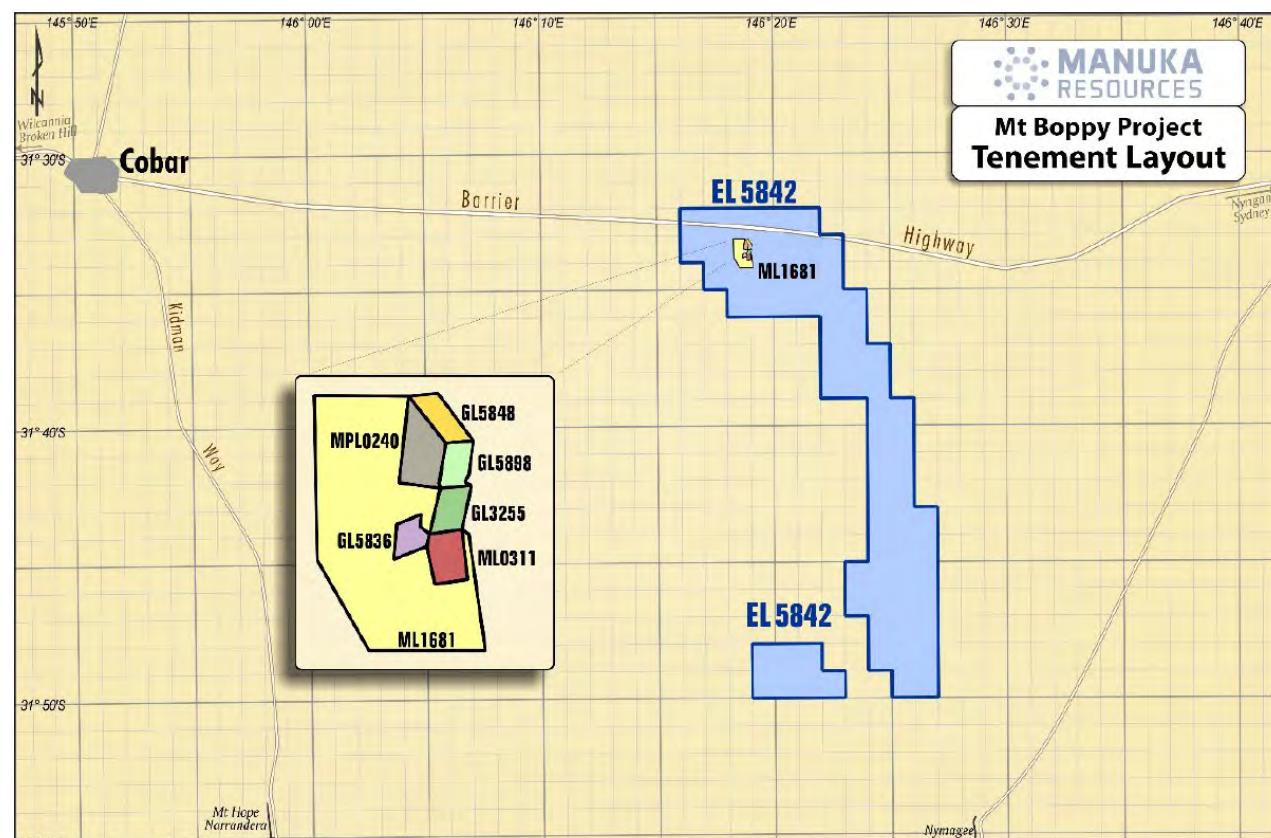
| Tenement | Grant Date | Renewal Date | Expiry Date | Area (km ²) |
|---------------|-------------|--------------|-------------|-------------------------|
| GL3255 | 20-May-1926 | 08-Jul-2014 | 20-May-2033 | 8.30 |
| GL5836 | 15-Jun-1965 | 08-Jul-2014 | 15-Jun-2033 | 6.05 |
| GL5848 | 15-Feb-1968 | 08-Jul-2014 | 15-Jun-2033 | 8.62 |
| GL5898 | 21-Jun-1972 | 08-Jul-2014 | 12-Dec-2033 | 7.50 |
| ML311 | 08-Dec-1976 | 08-Jul-2014 | 12-Dec-2033 | 10.12 |
| ML1681 | 12-Dec-2012 | 12-Dec-2012 | 12-Dec-2033 | 188.10 |
| MPL240 | 17-Jan-1986 | 08-Jul-2014 | 12-Dec-2033 | 17.80 |
| EL5842 | 19-Apr-2001 | 3-Aug-2022 | 19-Apr-2026 | 210 km ² |

(Table 1 – Tenements Mt Boppy)

¹ Refer ASX release dated 4 March 2022

Regional Geology

Mount Boppy is hosted within Devonian-age sedimentary and volcanic rocks of the Canbelego-Mineral Hill Rift Zone. Mineralisation occurs largely in brecciated and silicified fine-grained sediments of the Baledmund Formation, within and adjacent to a faulted contact with older Girilambone Group sedimentary rocks. Lodes strike approximately north-south and dip steeply west, although the widest zone of mineralisation is related to slightly shallower dips. Gold mineralisation is fine-grained and commonly associated with coarse grained iron rich sphalerite. Section 7.2 of the Independent Technical Report discusses the local geology of the project area².

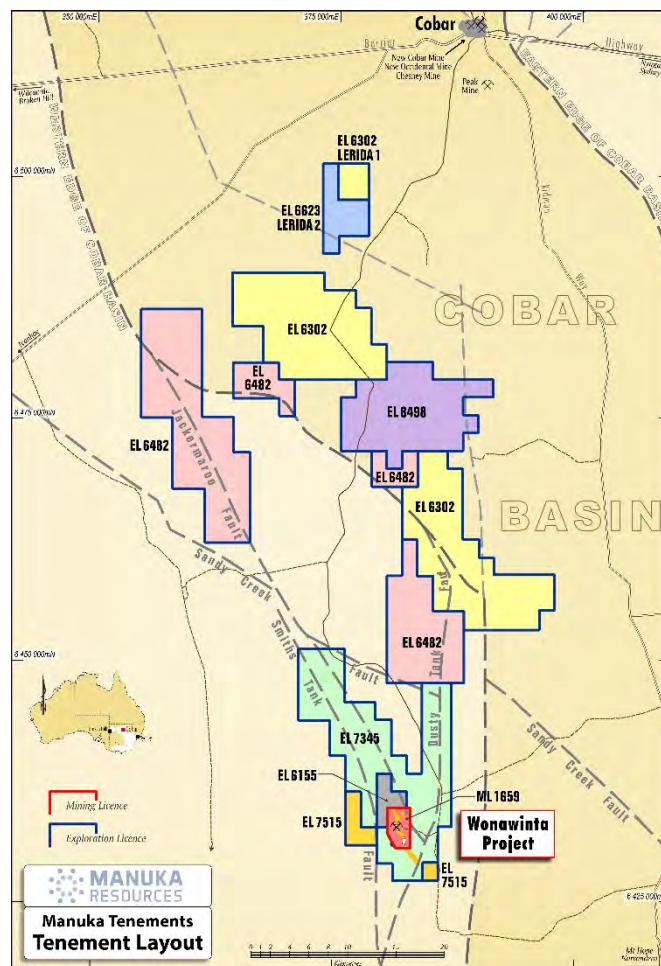


(Figure 2 - Tenements - Mt Boppy Gold Project)

² See Prospectus dated 22 May 2020, released to the ASX platform on 10 July 2020

THE WONAWINTA SILVER PROJECT

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



(Figure 3 - Tenements of Wonawinta Silver Project)

Operations

The Company transitioned to silver production in late March 2022³. Contract crushing commenced with a two stage circuit consisting of a jaw and cone crusher in combination with screens. Minor modifications were made to the plant in several areas including pump upgrades, reconfiguration of diesel gen sets and re-commissioning of the original silver elution circuit which incorporates a 10 tonne carbon column. During the gold phase of processing this circuit was bypassed with a Gekko-Cadia modular elution circuit. The precious metal room was also modified with additional fume extraction and oven enclosures.

The June 2022 quarter marked the Company's first full quarter of silver production and no contribution from mining Mt Boppy gold ores. The silver production ramp-up has not been without its challenges. Chief among them was the sufficient feedstock for processing, and balanced plant operations which were not forthcoming. Persistent wet weather has made handling this material, which has a high clay content, challenging and additional procedures and further front end modifications have been incorporated to assist its processing. In amongst our plant operational issues, our contractors encountered equipment supply issues, a COVID-19 wave

³ Refer ASX release dated 1 June 2022

through their workforce, and the general staffing challenges confronting most mining related companies at present.

Considerable metallurgical test work was spent over the preceding 18 months to optimise the stockpile processing. The preferred solution identified was the incorporation of a second silver recovery circuit specifically targeting the washing out of the clays and the treatment of the finer grained but high-grading ores which remained. This ‘deslimer circuit’ has been a source of delay since commencement of stock-pile processing in March. There are approximately 125,000 ounces of fines crushed and awaiting processing through the deslimer and now scheduled to commence end-September. Around 500,000 ounces of silver are budgeted for recovery in the last quarter of 2022, together with gold of 1000oz remaining in the stockpile.

Internally, the silver stockpile processing has been viewed as a trial program, intended to complete our understanding of any challenges likely to arise from mining and processing the broader 50 million ounce silver resource within the mining lease at Wonawinta. Understanding and confirming the likely recoveries from material processed through the deslimer will be the final piece in this puzzle.

Tenements

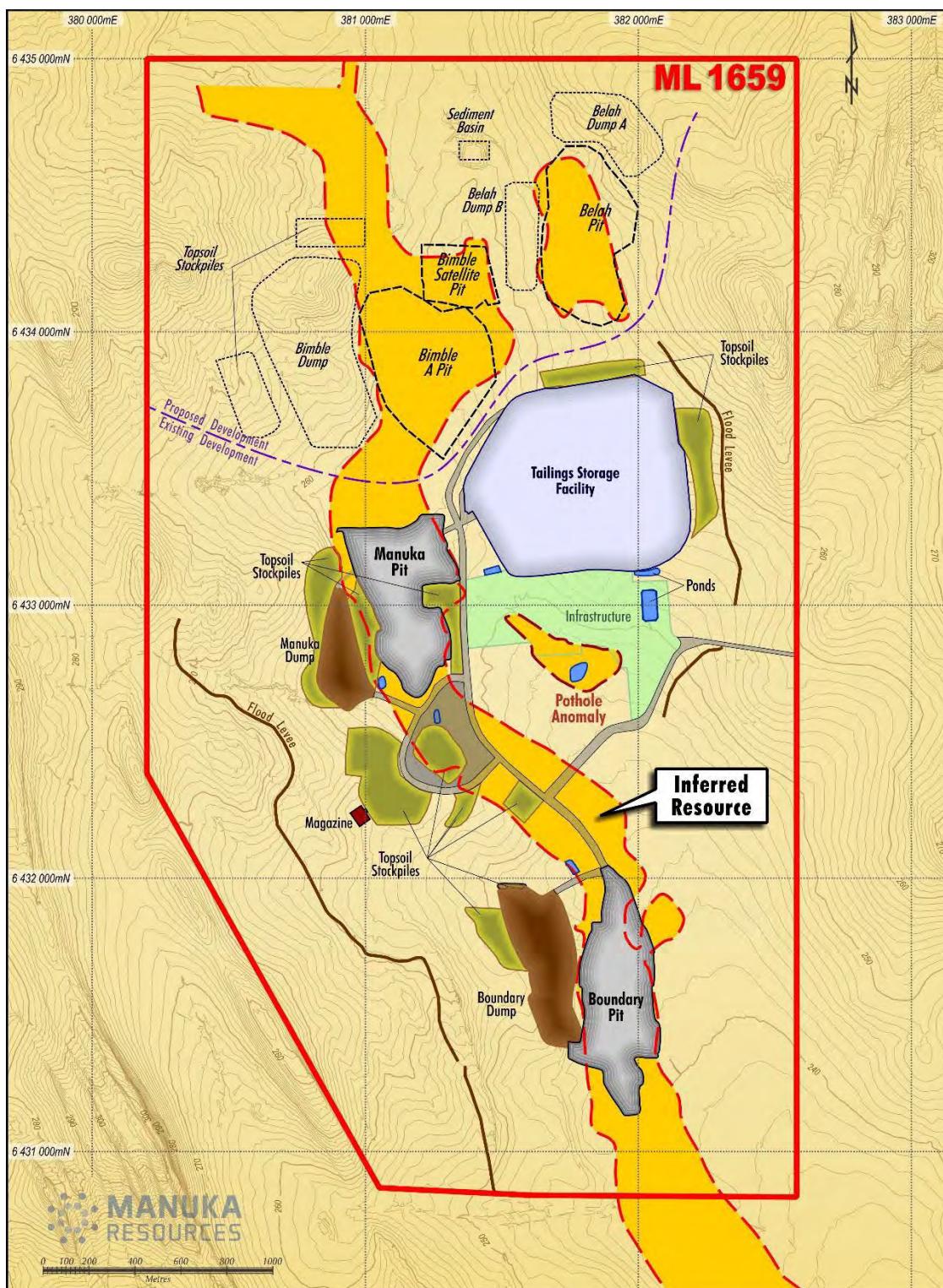
The Company directly owns 100% of the interests in the Tenements detailed in the following table:

| Tenement | Grant Date | Renewal Date | Expiry Date | Area (km2) |
|---------------|------------|--------------|-------------|------------|
| ML1659 | 23-Nov-11 | 23-Nov-2011 | 23-Nov-32 | 9.24 |
| EL6482 | 18-Nov-05 | 27-Jan-2022 | 18-Nov-26 | 268.21 |
| EL7345 | 25-May-09 | 28-Jul-2022 | 25-May-28 | 169.18 |
| EL6155 | 17-Nov-03 | 23-Jan-2022 | 17-Nov-26 | 10.54 |
| EL6302 | 23-Sep-04 | 10-Dec-2021 | 23-Sep-26 | 280.02 |
| EL7515 | 7-Apr-10 | 9-Jun-2022 | 7-Apr-27 | 14.53 |
| EL6623 | 31-Aug-06 | 20-Jun-2019 | 31-Aug-23 | 26.24 |
| EL8498 | 10-Jan-17 | 3 –Nov-2021 | 10-Jan-24 | 114 |

(Table 2 – Tenements Wonawinta)

Regional Geology

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



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

STRATEGY AND DEVELOPMENT PLANS

The first phase of open cut production at the Mt Boppy gold mine successfully concluded at the end of Q1 2022.

Operations transitioned to a trial phase of silver stockpile processing at the Wonawinta silver project during Q2. During this trial phase the Company will obtain valuable processing and metallurgical data which will better inform mine planning for the oxide silver resource at Wonawinta. This data will include an evaluation of optimal ore handling in the comminution circuit and whether ore feeds should be segregated into discrete particle fractions before being feed into the ball mill. These trials will determine if finer sizings should bypass the primary ball mill and be set straight to the leach circuit via the secondary mill. Recent operating performance has shown a significant distribution of high-grade silver species in the finer fractions of the ore. These results are expected to have a material result on the overall metallurgical recoveries of the various lithologies in the ore on the stockpiles and hence representative of the insitu oxide resource of the project.

The company also continues to evaluate proximal and near-term silver, base metals processing opportunities which take advantage of the strategic location of the Wonawinta processing plant in the southern Cobar Basin. This includes the potential reconfiguration of the existing flowsheet to process sulphide ore through a flotation circuit. The Mt Boppy gold mine is also undergoing evaluation for a second phase of open cut mining to extract the current gold resource. This would involve a cut back on the western wall of the pit and require updated geotechnical assessment before mine plans could be finalised. Initial pit optimisations are being progressed and mine planning continues to ascertain if current market conditions are conducive to development of an economic silver project at this point in time.

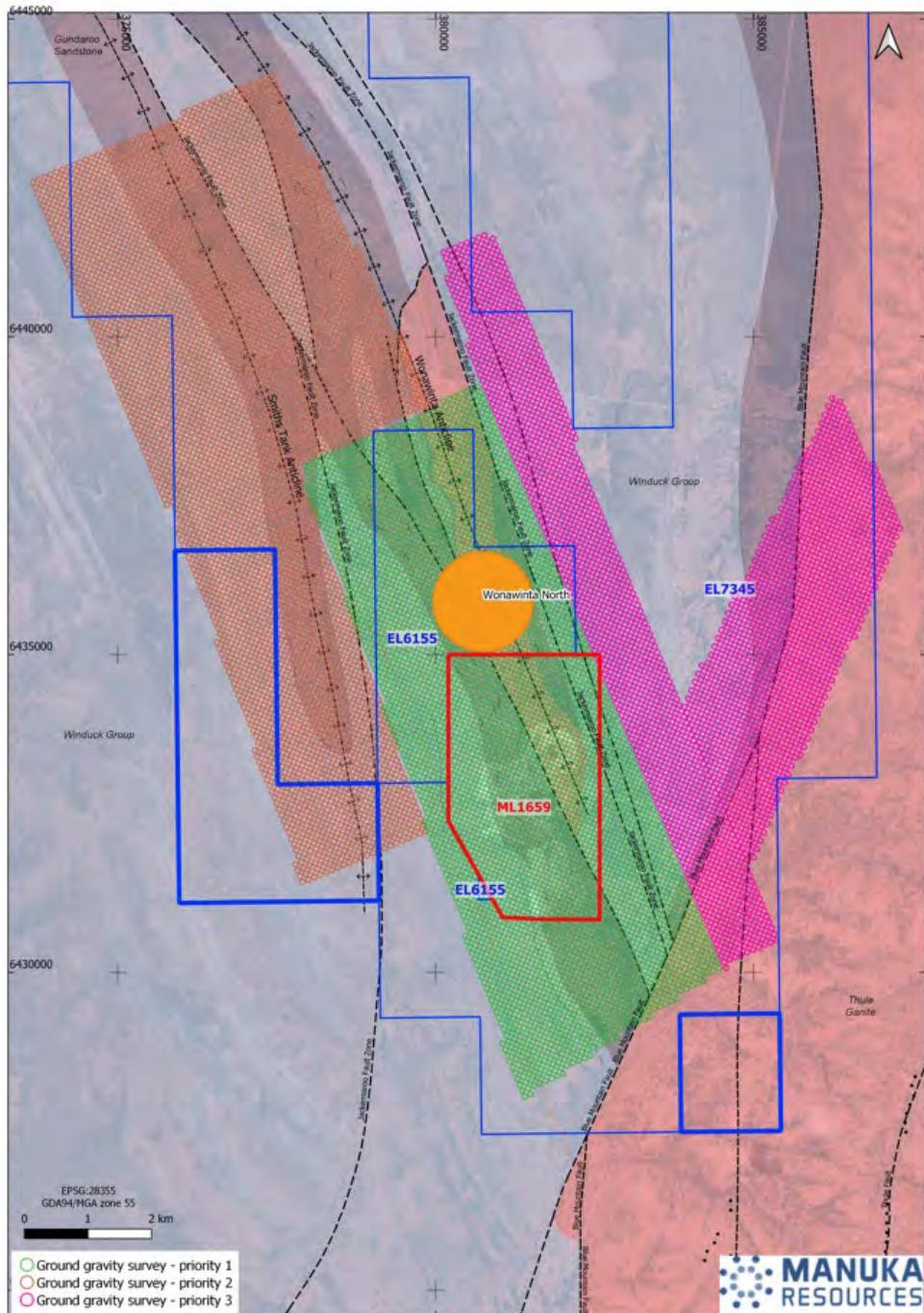
Exploration Strategy and Overview

The Company's exploration strategy to date has focussed on near mine targets at both Mt Boppy and Wonawinta in an effort to develop resources close to existing operations. Activities at Mt Boppy centred on drilling the gold resource beneath the pit and further drill programs near/beneath the pit once dewatering has commenced as current water levels in the pit create drill sample recovery problems due to hydrostatic pressure. Partially completed drill programs were conducted at the Racecourse and Bullseye prospects but could not be drilled to planned target depths and will be re-assessed later in 2022.

A ground gravity survey was conducted on the Wonawinta mining lease in early 2022, this has been planned in three phases of which this survey was the first. The first phase of this program has better defined the extent of the sulphide system which was drill tested by the Company in 2021⁴. Additional drill targets have been planned on the ML with the intention to complete these holes in Q4 2022.

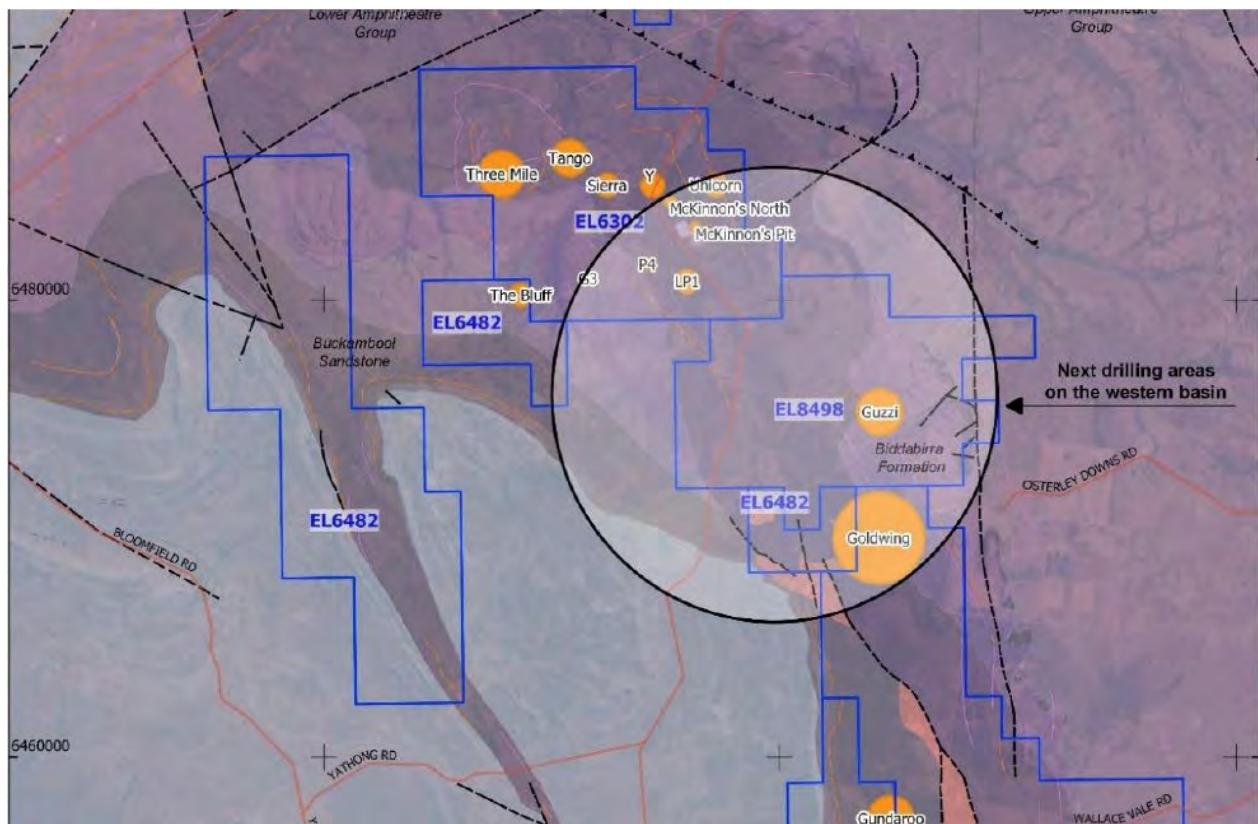
⁴ Refer ASX release on Wonawinta Deep dated 9 February 2021

For personal use only



(Figure 5 – Staged Ground Gravity Survey 2022)

To the north of Wonawinta targets on EL6302 (site of the historic 3g/t McKinnons gold mine) and EL8498 were developed (displayed on plan below) to be drilled as weather conditions allow. These targets are favoured for gold and base metals.



(Figure 6 – Exploration targets on Northern Leases)

Precious metals targets on Exploration Licences

The exploration lease surrounding the Mt Boppy mine at Canbelego (EL5842) is slated for a comprehensive helicopter VTEM survey over approximately 2,200-line kms. This survey will complete a large number of information gaps due to irregular historic surveys on the tenement. Once the data has been processed it is expected a large number of drill targets for both gold and base metals will be able to be confirmed for the next drilling season. Weather has been the main impediment to mobilisation of drill rigs over the past 12 months. Central West NSW has experienced two wet years in succession making wheeled vehicle access difficult due to frequent bogging. Even the use of a tracked rig does not completely resolve the situation as support and geological crews use wheeled vehicles.



(Figure 7 – Helicopter VTEM Area EL5842)

South Taranaki Bight Project

Manuka entered into a Binding Term Sheet for the purchase (subject to Manuka shareholder approval) of emerging vanadiferous titanomagnetite iron sands producer Trans-Tasman Resources Limited on 1st August 2022⁵. Manuka will acquire 100% of TTR for the issue of between 170-180 million new Manuka shares.

TTR is a New Zealand incorporated company that owns Mineral Mining Permit 55581 and Mineral Exploration Permit 54068 situated in the South Taranaki Bight off the west coast of the North Island of New Zealand on which a Bankable Feasibility Study (BFS) for an offshore iron sands project has commenced (STB Project). Manuka's vision is for a project initially recovering approximately 5 million tonnes of vanadiferous titanomagnetite (VTM) iron ore concentrate per annum over a 20 year mine life⁶.

⁵ Refer ASX release dated 1 August 2022

⁶ Refer ASX release dated 1 August 2022

A general meeting of shareholders was called under a notice of meeting distributed to shareholders on 22nd August 2022⁷. At the General Meeting which was held on 21st September 2022 shareholders approved the issue of Manuka shares to TTR shareholders⁸. Shares will be issued at Completion of the acquisition which is expected in early November 2022.

The South Taranaki Bight extends into an EEZ (exclusive economic zone) controlled by New Zealand. Within the EEZ there exists 3 operating oil and gas platforms, while other commercial operations await operating approval. The STB Project was granted a mining licence in 2014 and received EPA environmental consents to operate in 2017. It is now awaiting its final EPA operating consent (following Supreme Court and High Court rulings) a process which is understood to be procedural.

⁷ Refer ASX release dated 22 August 2022

⁸ Refer ASX release dated 21 September 2022

Mineral Resources Statements

Mining operations ceased at Mt Boppy in November 2021 and at 30th June 2022, the JORC 2012 categorised Resources have been updated. The updated Mt Boppy resource was released 29th July 2022⁹. JORC categorised Mineral Resources for Wonawinta were released to the ASX on 1 April 2021.

Mt Boppy Resource Statement

The total remaining Resource as at 30 June 2022 is 281,850 tonnes at a grade of 4.95 g/t Au for 44,820 ounces. The mineral resource estimate for Mt Boppy is reported within a pit shell that reaches a depth of 215m below surface at the southern end of the deposit. Resources are reported with respect to the current pit design. Material within the pit design is reported at a 1.6 g/t cut off and material below the pit design is reported to a 3.0 g/t cut off.

| Resource Category | Tonnes | Grade | Contained gold |
|-------------------|----------------|-------------|----------------|
| | | g/t Au | Troy ounces |
| Measured | 106,850 | 5.25 | 18,020 |
| Indicated | 158,000 | 4.85 | 24,700 |
| Inferred | 17,000 | 3.93 | 2,100 |
| Total | 281,850 | 4.95 | 44,820 |

(Table 3 - Mt Boppy Gold Resource at 30 June 2022)

The Mt Boppy Resource reported in the previous year as at 30 June 2021 is reproduced below.

| Resource Category | Tonnes | Grade | Contained gold |
|-------------------|----------------|-------------|----------------|
| | | g/t Au | Troy ounces |
| Measured | 159,470 | 4.64 | 23,800 |
| Indicated | 175,700 | 4.44 | 25,100 |
| Inferred | 4,000 | 5.70 | 1,000 |
| Total | 339,170 | 4.58 | 49,900 |

(Table 4 – Mt Boppy Gold Resource at 30th June 2021)

The changes arise from a combination of mining depletion over the past year and additional resource drilling completed over the same period¹⁰. The majority of this additional resource is beneath the existing pit floor and further drilling may be undertaken in the future.

Wonawinta Mineral Resources Statement

The JORC (2012) Mineral Resource Estimate is unchanged over the past 12 months as no additional infill drilling was completed on the Wonawinta resource and no changes have been made to the resource model. The original estimate was released to the ASX on 1 April 2021. The total resources is 38.3 million tonnes at 41.3 g/t Ag and 0.54% Pb providing 50.94 million ounces of silver and 207.2 thousand tonnes of lead.

⁹ Refer ASX release dated 29 July 2022

¹⁰ Refer ASX release dated 28 March 2022

| Resource Category | Material (Mt) | Ag (g/t) | Ag Moz | Pb (%) | Pb kt |
|-------------------|---------------|----------|--------|--------|-------|
| Measured | 1.1 | 47.3 | 1.65 | 0.69 | 7.5 |
| Indicated | 12.3 | 45.5 | 18.04 | 0.83 | 102.8 |
| Inferred | 24.9 | 39.0 | 31.25 | 0.39 | 96.9 |
| Total | 38.3 | 41.3 | 50.94 | 0.54 | 207.2 |

(Table 7: Resource Estimate reported > 20g/t Ag)

Comparison with previous resource estimate

The Wonawinta Resource reported as at 30 June 2020 is reproduced below:

| Resource Category | Material (Mt) | Ag (g/t) | Ag Moz | Pb (%) | Pb kt |
|-------------------|---------------|----------|--------|--------|-------|
| Measured | 0.9 | 45.0 | 1.3 | 0.7 | 6.2 |
| Indicated | 8.5 | 48.5 | 13.2 | 0.79 | 67.5 |
| Inferred | 29.4 | 39.0 | 37.9 | 0.55 | 162.9 |
| Total | 38.8 | 42.0 | 52.4 | 0.61 | 236.6 |

(Table 8: Resource Estimate reported > 20 g/t Ag)

Governance arrangements and internal controls

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

- oversight and approval of each annual statement by external consultants (if the estimate was prepared internally) or responsible senior officers;
- establishment of internal procedures and controls to meet JORC Code 2012 compliance in all external reporting;
- independent review of new and materially changed estimates;
- annual reconciliation with internal planning to validate reserve estimates for operating mines.

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

Competent Persons Statements

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

This report includes information that relates to Mt Boppy Mineral Resources which were prepared and first disclosed under JORC Code 2012. The Company confirms that it is not aware of any new information or data that materially affects the information included in the July 2022 market announcement and, in the case of reporting of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which any Competent Person's findings are presented have not been materially modified from the original market announcement.

This report includes information that relates to Wonawinta Mineral Resources which were prepared and first disclosed under JORC Code 2012. The information was extracted from the Company's ASX announcement dated 1 April 2021. The Company confirms that it is not aware of any new information or data that materially affects the information included in the April 2021 market announcement and, in the case of reporting of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which any Competent Person's findings are presented have not been materially modified from the original market announcement.

For personal use only

Directors' Report

The Directors of Manuka Resources Ltd ('Manuka Resources') present their report together with the financial statements of the Entity or the Group, being Manuka Resources ('the Company') and its subsidiary Mt Boppy Resources Pty Ltd ('Mt Boppy') for the year ended 30 June 2022.

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

Director details

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

- Mr Dennis Karp
- Mr Anthony McPaul
- Mr Nicholas Lindsay

Mr Dennis Karp

Executive Chairman

Director since 20th April 2016

Mr Karp commenced his career in the Australian financial markets in 1983. He was the Head of Trading at HSBC Australia prior to joining Tennant Limited in 1997, a substantial Australian domiciled physical commodity trading company with operations in Asia and Europe. He was a principal shareholder of Tennant Metals until 2010 and managing director from 2000 until December 2014. Mr Karp founded ResCap Investments Pty Ltd in December 2014.

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

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

Mr Anthony McPaul

Non-executive Director

Director since 25th November 2016

Mr Anthony McPaul is a senior mining executive with over 40 years' experience in mining operations and mineral processing. Mr McPaul has worked in and led both open cut and underground operations and was most formerly the general manager for Newcrest's Cadia Valley Operations, in Orange NSW.

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

Mr McPaul formally retired from Newcrest in July 2016 and has since devoted his time to non-executive and contract roles. Mr McPaul has represented Newcrest and the resources industry on many boards, such as NSW Minerals Council, NSW Minerals Council Executive Committee, and was the NSW Minerals Council representative on the Mine Safety Advisory Council. Mr McPaul has chaired many of these committees.

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

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

Dr Nicholas Lindsay

Non-executive Director

Director since 20th June 2019

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

- Lake Resources NL - Executive Technical Director (current)
- Valor Resources Ltd - Chief Executive Officer and Executive Director – Technical (ceased October 2020)
- Daura Capital Corp. - Non-Executive Director (ceased September 2020)

Interests in the shares and options of the Company and related bodies corporate
As at the date of this report, the interests of the directors in the shares and options of Manuka Resources Limited were:

| | Ordinary Shares | Options over Ordinary Shares |
|-------------------|-----------------|------------------------------|
| Mr Dennis Karp | 91,814,557 | 2,000,000 |
| Mr Anthony McPaul | - | 1,800,000 |
| Dr Nick Lindsay | - | 1,800,000 |

Company Secretary details

Ms Toni Gilholme

Company Secretary since 20th April 2016

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

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

Principal activities

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

- Completion of Phase 1 of mining operations at Mt Boppy together with ore haulage and processing through the Wonawinta plant¹¹.
- Release¹² of an updated Mineral Resource Estimate for the Mt Boppy Gold project
- Commencement of a trial phase of silver oxide stockpile processing at the Wonawinta Silver Project. This trial phase of operations will inform the Company of any additional work required as part of the mine planning studies for Wonawinta, principally in the areas of material handling.

Review of operations

Information on the operations and financial position of the group and its business strategies and prospects is set out in the review of operations on pages 5 to 15 of this annual report.

Significant changes in state of affairs

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

- **Wonawinta Silver Project**

A trial phase of silver stockpile commenced during Q2 to obtain valuable processing and metallurgical data which will better inform mine planning for the oxide silver resource at Wonawinta. These trials will determine if finer sizings should bypass the primary ball mill and be set straight to the leach circuit via the secondary mill. Recent operating performance has shown a significant distribution of high-grade silver species in the finer fractions of the ore. These results are expected to have a material result on the overall metallurgical recoveries of the various lithologies in the ore on the stockpiles and hence representative of the insitu oxide resource of the project.

- **Secured Debt Facility Extension and issuance of options**

During the period, the Company documented the extension of the term of the facility to 30 September 2022¹³. The agreement was signed by the parties on the 20th July 2021. The first tranche of Options pursuant to the term of the negotiated extension, being 5,000,000 options at a strike price of \$0.30 with an expiry of 28 July 2023, were issued on 28 July 2021. Subsequent to the end of the reporting period a further extension of the Secured Debt Facility to 30 September 2023 has been agreed.¹⁴

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

Throughout the reporting period the Company has continued to consider the potential implications of the Coronavirus. The Company has continued to adapt its policies to monitor and mitigate the impacts of COVID-19 such as safety and health measures in line with government guidelines and securing the supply of essential materials and equipment. During August 2021, a worker who had left site returned a positive result for COVID-19 as he prepared to return to site. The test was conducted in line with our standard operating procedures (the requirement of a current negative test result prior to returning to work). This

¹¹ Refer ASX release dated 4 March 2022

¹² Refer ASX release dated 29 July 2022

¹³ Refer ASX announcements dated 14 May 2021 and 29 June 2021

¹⁴ Refer ASX announcement 24 August 2022

led to a number of on-site workers being tested and placed in isolation. The health and welfare of our employees is fundamental to our Company, and Manuka management worked closely with NSW Health and its regional agencies. All close contacts returned negative results on initial and subsequent retests. No parties including the primary contact reported any adverse symptoms. These actions caused a temporary period of limited activity at the plant and importantly tested the Company's Covid management plan.

Containing a possible transmission of the virus to protect our employees has been a priority since the risk of COVID-19 arose in March 2020 and continues to be the case and protocols are in place for such a circumstance. The Company does maintain a dual roster workforce and is able to recall additional workers to site if necessary. Even with the above there been no significant impact to the Group's operations.

Dividends

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

Events arising since the end of the reporting period

- **Execution of Binding Term Sheet for the purchase of Trans-Tasman Resources Limited ("TTR")**

Manuka entered into a Binding Term Sheet for the purchase (subject to Manuka shareholder approval) of emerging vanadiferous titanomagnetite iron sands producer Trans-Tasman Resources Limited on 1st August 2022¹⁵. Manuka will acquire 100% of TTR for the issue of between 170-180 million new Manuka shares. TTR is the owner of a 3.8B tonne iron sands resource located in the South Taranaki Bight on the North Island of New Zealand. Post completion of this transaction a bankable feasibility study will be progressed based on offshore recovery and processing of this resource into an iron ore concentrate with vanadium and titanium credits.

- **Extension of Secured Debt Facility Extension**

Since the end of the reporting period, the Company successfully negotiated to extend the term of the secured debt facility to 30 September 2023.¹⁶ The extension has been granted on existing terms and rates with no extension penalties or cash fees. The Company has resolved at a Board meeting held 29th September 2022 to grant the issue of 5Million options with an exercise price based on the 5-day VWAP plus a 10% premium.

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

Throughout the reporting period the Company has continued to consider the potential implications of the Coronavirus. The Company has continued to adapt its policies to monitor and mitigate the impacts of COVID-19 such as safety and health measures in line with government guidelines and securing the supply of essential materials and equipment. The health and welfare of our employees is fundamental to our Company, and Manuka management have been working closely with NSW Health and its regional agencies.

Containing a possible transmission of the virus to protect our employees has been a priority since the risk of COVID-19 arose in March 2020 and continues to be the case and protocols are in place for such a circumstance. The Company does maintain a dual roster workforce and is able to recall additional workers to site if necessary. Even with the above there been no significant impact to the Group's operations.

¹⁵ Refer ASX release dated 1 August 2022

¹⁶ Refer ASX release dated 24 August 2022

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

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

Likely developments

Processing of the silver oxide ores at Wonawinta is likely to continue till end of 2022 or early 2023. This trial phase of silver operations will assist the company in subsequent mine planning on the Wonawinta mining lease. As discussed above the Company continues to expand its greenfield exploration activities on distal exploration licences which target gold and copper prospects as well as brownfields silver-lead-zinc primary and secondary mineralisation on and adjacent to the Wonawinta mining lease.

Further information on the likely developments of the group and its business strategies and prospects is set out in the review of operations on pages 5 to 15 of this annual report.

Directors' meetings

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

| Board Member | Board Meetings | |
|------------------|----------------|----|
| | A | B |
| Dennis Karp | 11 | 11 |
| Anthony McPaul | 11 | 11 |
| Nicholas Lindsay | 11 | 10 |

Where:

column A: is the number of meetings the Director was entitled to attend

column B: is the number of meetings the Director attended

Corporate Governance Statement

For the financial year ended 30 June 2022 (**Reporting Period**) the Company has adopted the fourth edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council. The Company's 2022 Annual Corporate Governance Statement has been approved by the Board and is publicly available on the Company's website at www.manukaresources.com.au/site/about/corporate-governance. It will also be released to the ASX at the same time as this 2022 Annual Report.

Unissued shares under option

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

| Date Options Granted | Expiry Date | Exercise Price of Shares \$ | Number under option |
|----------------------|---------------------------|-----------------------------|---------------------|
| Apr 2020 | 17 th Apr 2023 | \$0.25 | 3,250,000 |
| Mar 2020 | 17 th Apr 2023 | \$0.25 | 8,000,000 |
| June 2020 | 14 th Jul 2023 | \$0.25 | 10,000,000 |
| Jul 2021 | 28 th Jul 2023 | \$0.30 | 5,000,000 |
| Sep 2021 | 30 th Sep 2023 | \$0.32 | 5,000,000 |
| Jan 2022 | 11 th Jan 2024 | \$0.50 | 1,100,000 |
| Mar 2022 | 4 th Mar 2023 | \$0.50 | 13,620,002 |
| Apr 2022 | 8 th Apr 2023 | \$0.50 | 8,046,667 |

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

Environmental legislation

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

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

Sustainability

During the current reporting period, Manuka Resources (MKR) released its Sustainability Statement. This is intended as a signal of the Company's intent and commitment to fulfil its ESG obligations.

The Company is committed to accepting accountability for its sustainability performance and to this end has approved a number of actions. The renamed Audit, Risk & Sustainability Sub-Committee specifically highlights the importance of focusing on sustainability performance, and the Board Charter has been amended accordingly. The Company is in the process of reviewing and updating all policies targeting activities which may have environmental and social impacts. At an operational level, all capital expenditure requests now require an additional assessment of environmental, social and governance factors.

The Company has published its Sustainability Statement, highlighting our priorities and commitments, including a commitment to align to the United Nations' SDG's (Sustainable Development Goals).

An important consideration in addressing potential impacts is ensuring we are engaged with all our relevant stakeholders. As a first early step in this journey, we have undertaken an initial internal stakeholder materiality impact assessment and plan to broaden this over the next year to include better engagement with key stakeholders.

As we build our capabilities and maturity, we are planning improved sustainability disclosure, providing increased levels of reporting transparency both internally and publicly. Our disclosure reporting will align with the internationally recognised GRI (Global Reporting Initiative) Reporting Principles and Standards. To support our reporting and disclosure activities over the next reporting period, we have commenced using a mining-sector specific, sustainability reporting platform.

Finally, we will be refreshing our website to highlight our sustainability commitments and improve the visibility of our actions and impact.

Remuneration report (audited)

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

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

- a) Key Management Personnel disclosed in this report

Non-Executive and Executive directors (refer pages 19 to 20 for details on each director)

- Dennis Karp
- Anthony McPaul
- Nick Lindsay

Other Key Management Personnel

- Haydn Lynch, Chief Operations Officer (from 1st July 2019)

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

b) Remuneration policy

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

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

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

- The board exercises its discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.
- Executives are also entitled to participate in the employee share and option arrangements.
- The executive directors and executives (if any) receive a superannuation guarantee contribution required by the government, which was 10% for the 2022 financial year (2021: 9.5%), and do not receive any other retirement benefits. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.
- All remuneration paid to directors and executives is valued at the cost to the Group and expensed. The cost of share-based payments is measured by reference to the fair value at the date at which they are granted using an option pricing model.
- The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment, and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$240,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

c) Performance-based remuneration

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

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

Whilst no formal policy exists, remuneration is tailored to increase the direct positive relationship between shareholders' investment objectives and key management personnel performance. Currently, this is facilitated through the issue of options to the majority of key management personnel to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth.

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

| | 2022 | 2021 restated | 2020 restated | 2019 | 2018 |
|--|------------|------------------|------------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue and other income | 53,271,499 | 44,544,455 | 9,468,320 | - | 1 |
| Net profit / (loss) | 5,281,420 | (3,074,177) | (3,884,45) | (5,428,238) | (4,344,351) |
| Profit / (loss) per share (cents) * | 1.92 | (1.19) | (2.80) | (4.08) | (3.28) |
| Share price | \$0.17 | \$0.32 | n/a | n/a | n/a |

No dividends have been paid during the financial years ended 30 June 2018 to 30 June 2022.

* In accordance with AASB 133 paragraph 26, the weighted average number of shares outstanding during the period and for all periods presented shall be adjusted for events (such as a share consolidation) that have changed the number of shares outstanding without a corresponding change in resources. As a result, the share

consolidation which occurred on 11th May 2020 has been applied to the full financial year ended 30 June 2020 and all the previous reporting periods.

e) Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2022 (2021: None).

f) Details of remuneration

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

| | Fixed Remuneration | | | | Variable Remuneration | Total |
|------------------------------|--------------------------------|------------------------------------|--|----------------------|-----------------------|-----------|
| | Salary/ Directors Fee \$ | Non- Monetary Benefits \$ | Accrual for Annual and Long Service Leave \$ | Superannuation \$ | Options \$ | |
| Directors | | | | | | |
| Dennis Karp | | | | | | |
| 2022 | \$343,300 | - | \$52,860 | \$22,885 | \$31,690 | \$450,735 |
| 2021 | \$240,000 | - | \$21,192 | \$21,003 | - | \$282,195 |
| Anthony McPaul ¹⁷ | | | | | | |
| 2022 | \$55,004 | - | - | - | \$19,014 | \$74,018 |
| 2021 | \$45,000 | - | - | - | - | \$45,000 |
| Nick Lindsay ¹⁸ | | | | | | |
| 2022 | \$55,004 | - | - | - | \$19,014 | \$74,018 |
| 2021 | \$78,800 | - | - | - | - | \$78,800 |

| | Fixed Remuneration | | | | Variable Remuneration | Total |
|--|--------------------------------|------------------------------------|--|----------------------|-----------------------|-----------|
| | Salary/ Directors Fee \$ | Non- Monetary Benefits \$ | Accrual for Annual and Long Service Leave \$ | Superannuation \$ | Options \$ | |
| Other KMP (Group) | | | | | | |
| Haydn Lynch | | | | | | |
| 2022 | \$278,105 | - | \$33,555 | \$22,743 | - | \$334,403 |
| 2021 | \$219,178 | - | \$16,095 | \$20,822 | - | \$256,095 |
| Total KMP remuneration expensed | | | | | | |
| 2022 | \$731,413 | - | \$86,415 | \$45,628 | \$69,718 | \$933,174 |
| 2021 | \$582,978 | - | \$37,287 | \$41,825 | - | \$662,090 |

g) Service agreements

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

Dennis Karp, Executive Chairman:

(a) Mr Karp was appointed Executive Chairman on 1 March 2020 at an annual salary of \$240,000 (exclusive of superannuation) plus any Compulsory Superannuation. This was increased effective 1 January 2022 to \$350,000 plus any Compulsory Superannuation; and

¹⁷ Director fees for Mr McPaul are paid into a Company nominated by Mr McPaul.

¹⁸ Director fees for Mr Lindsay are paid into a Company nominated by Mr Lindsay.

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

Haydn Lynch, Chief Operations Officer:

(a) Mr Lynch was appointed Chief Operating Officer on 1 July 2019 at annual salary of \$240,000 (inclusive of superannuation). This was increased effective 1 January 2022 to \$250,000 plus any Compulsory Superannuation; and

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

Anthony McPaul and Nicholas Lindsay, Non-executive Directors:

The non-executive directors (NEDs) have entered into service agreements with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director. Annual remuneration is \$60,000 per annum effective 1 January 2022 (previously \$45,000 per annum), with additional fees payable where the Board determines special duties, or services outside the scope of the ordinary duties of a NED, have been performed. Remuneration is subject to annual review by the Board and reasonable notice of an intention to resign or to not seek re-election should be given to the Company.

h) Share-based compensation

Options

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

| | Grant Date | Granted Number | Vesting Date | Expiry Date | Exercise Price (cents) | Value Per Option at Grant Date (cents) ¹⁹ | Exercised Number | % of Remuneration |
|------------------|------------|----------------|--------------|-------------|------------------------|--|------------------|-------------------|
| Directors | | | | | | | | |
| Dennis Karp | 13/12/2021 | 500,000 | 13/12/2021 | 11/01/2024 | 50.0 | 6.34 | Nil | 7.5% |
| Anthony McPaul | 13/12/2021 | 300,000 | 13/12/2021 | 11/01/2024 | 50.0 | 6.34 | Nil | 25.7% |
| Nick Lindsay | 13/12/2021 | 300,000 | 13/12/2021 | 11/01/2024 | 50.0 | 6.34 | Nil | 25.7% |

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

| | Underlying Share Price (cents) | Exercise Price (cents) | Volatility | Risk Free Interest Rate | Valuation Date | Expiry Date |
|-----------|--------------------------------|------------------------|------------|-------------------------|----------------|-------------|
| Directors | 30.5 | 50 | 64% | 0.25% | 13/12/2021 | 11/01/2024 |

¹⁹ The value at grant date in accordance with AASB 2: *Share Based Payments* of options granted during the year as part of remuneration.

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

i) Equity instruments held by Key Management Personnel

Share holdings

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

| | Balance at start of the year | Received during the year on the exercise of Options | Other changes during the year | Balance at end of the year |
|------------------|------------------------------|---|-------------------------------|----------------------------|
| Directors | | | | |
| Dennis Karp | 91,814,557 | - | - | 91,814,557 |
| Anthony McPaul | - | - | - | - |
| Nicholas Lindsay | - | - | - | - |
| Other KMP | | | | |
| Haydn Lynch | - | - | - | - |

Option holdings

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

| | Balance at start of the year | Granted as compensation | Exercised | Other changes | Balance at end of the year | Vested and exercisable | Unvested |
|------------------|------------------------------|-------------------------|-----------|---------------|----------------------------|------------------------|----------|
| Directors | | | | | | | |
| Dennis Karp | 1,500,000 | 500,000 | - | - | 2,000,000 | 2,000,000 | - |
| Anthony McPaul | 1,500,000 | 300,000 | - | - | 1,800,000 | 1,800,000 | - |
| Nicholas Lindsay | 1,500,000 | 300,000 | - | - | 1,800,000 | 1,800,000 | - |
| Other KMP | | | | | | | |
| Haydn Lynch | 1,500,000 | - | - | - | 1,500,000 | 1,500,000 | - |

All vested options are exercisable. Details of options held by Directors are as follows:

Exercise price of 25 cents, expiry 14 April 2023

| Directors | # options held |
|------------------|----------------|
| Dennis Karp | 1,500,000 |
| Anthony McPaul | 1,500,000 |
| Nicholas Lindsay | 1,500,000 |
| Other KMP | |
| Haydn Lynch | 1,500,000 |

Exercise price of 50 cents, expiry 11 January 2024

| Directors | # options held |
|------------------|----------------|
| Dennis Karp | 500,000 |
| Anthony McPaul | 300,000 |
| Nicholas Lindsay | 300,000 |

j) Other transactions with Key Management Personnel

- Rescap Investments Pty Ltd - A director, Mr Dennis Karp, is a director of, and holds a controlling interest in, ResCap Investments Pty Ltd ("ResCap"). The Group has borrowing arrangements with ResCap.

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

| | 30 June 2022 | 30 June 2021 |
|---|-----------------|-----------------|
| | \$ | \$ |
| Details of related party transactions with ResCap through the loan facility: | | |
| • interest charged on loan | 29,184 | 83,640 |
| Details of balances with related parties: | | |
| Balance of loan with Manuka Resources Ltd - payable to ResCap Investments Pty Ltd | 909,959 | 1,624,493 |
| Balance of loan with Mt Boppy Resources Pty Ltd - payable to ResCap Investments Pty Ltd | - | 84,143 |

End of audited Remuneration Report

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

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

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

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

Proceedings on behalf of the Company

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

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

Audit and non-audit services

Details of the amounts paid or payable to the auditor (Ernst & Young) for audit and non-audit services during the year are disclosed in Note 2.

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

The board of directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. There were no non-audit services during the financial year ended 30 June 2022.

Auditor's Independence Declaration

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

Signed in accordance with a resolution of the Directors



Dennis Karp
Executive Chairman
Dated the 30th day of September 2022



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's independence declaration to the directors of Manuka Resources Limited

As lead auditor for the audit of the financial report of Manuka Resources Limited for the financial year ended 30 June 2022, I declare 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Manuka Resources Limited and the entities it controlled during the financial year.

Ernst & Young

Siobhan Hughes
Partner
30 September 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

| | Notes | 30 June 2022 | Restated ²⁰ 30 June 2021 |
|---|-------|-------------------|---|
| | | \$ | \$ |
| Sales revenue | 6(a) | 53,271,499 | 43,752,567 |
| Cost of sales | 7(a) | (41,244,405) | (43,312,892) |
| Operating profit | | 12,027,094 | 439,675 |
| Other income | 6(b) | 304,621 | 791,888 |
| Other expenses | 7(c) | (2,540,079) | (2,387,032) |
| Share based payment credit / (expense) | 7(e) | (69,718) | - |
| Foreign exchange gains / (losses) | 7(f) | (1,025,343) | 1,721,880 |
| Profit / (loss) before finance expenses | | 8,696,575 | 566,411 |
| Finance expenses | 8 | (3,415,155) | (3,640,588) |
| Profit / (loss) before income tax | | 5,281,420 | (3,074,177) |
| Income tax expense | 9 | - | - |
| Profit / (loss) for the period attributable to members of Manuka Resources Limited | | 5,281,420 | (3,074,177) |
| Other comprehensive profit / (loss) - items that will be reclassified subsequently to profit or loss | | | |
| Cashflow hedging profit / (loss) | | 6,297 | (6,297) |
| | | 6,297 | (6,297) |
| Total comprehensive profit / (loss) for the year attributable to members of Manuka Resources Limited | | 5,287,717 | (3,080,474) |
| Profit / (loss) per share for loss attributable to the ordinary equity holders of the Company | | | |
| Basic profit / (loss) per share (cents per share) | 25 | 1.92 | (1.19) |
| Diluted profit / (loss) per share (cents per share) | 25 | 1.61 | (1.19) |

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

²⁰ Refer Note 4

Consolidated Statement of Financial Position

As of 30 June 2022

| | Notes | 30 June 2022 | Restated ²¹ 30 June 2021 | Restated 30 June 2020 |
|--|-------|-------------------|---|-----------------------------|
| | | \$ | \$ | \$ |
| Assets | | | | |
| Current | | | | |
| Cash and cash equivalents | 12 | 1,160,615 | 1,018,035 | 1,509,040 |
| Trade and other receivables | 13 | 430,582 | 693,571 | 7,653,740 |
| Contract assets | | - | 4,533 | - |
| Inventories | 15 | 2,889,123 | 4,692,287 | 2,007,761 |
| Prepayments | 14 | 770,552 | 569,627 | 351,127 |
| Other financial assets | 20.3 | 186,000 | 84,000 | - |
| Total current assets | | 5,436,872 | 7,062,053 | 11,521,668 |
| Non-current | | | | |
| Mine properties and development assets | 16 | 5,415,800 | 6,087,628 | 9,151,674 |
| Exploration and evaluation assets | 17 | 8,457,839 | 4,780,492 | 322,305 |
| Property, plant and equipment | 18 | 15,359,140 | 12,212,916 | 10,711,303 |
| Right of use asset | 19 | 374,641 | 68,083 | 194,557 |
| Other financial assets | 20.3 | 6,552,225 | 7,063,984 | 7,124,778 |
| Total non-current assets | | 36,159,645 | 30,213,103 | 27,504,617 |
| Total assets | | 41,596,517 | 37,275,156 | 39,026,285 |
| Liabilities | | | | |
| Current | | | | |
| Trade and other payables | 21 | 6,242,625 | 9,979,330 | 7,670,573 |
| Provisions | 22 | 628,315 | 460,189 | 188,617 |
| Contract liabilities | | 62,183 | - | - |
| Derivative liabilities | 20.4 | - | 6,297 | - |
| Borrowings | 20.2 | 13,053,251 | - | 25,704,579 |
| Lease liabilities | 19 | 124,901 | 75,419 | 128,937 |
| Current liabilities | | 20,111,275 | 10,521,235 | 33,692,706 |
| Non-current | | | | |
| Provisions | 22 | 7,594,510 | 7,457,767 | 7,038,820 |
| Lease liabilities | 19 | 259,040 | 694 | 73,078 |
| Borrowings | 20.2 | 57,927 | 16,621,347 | - |
| Total non-current liabilities | | 7,911,477 | 24,079,808 | 7,111,898 |
| Total liabilities | | 28,022,752 | 34,601,043 | 40,804,604 |
| Net assets / (deficit) | | 13,573,765 | 2,674,113 | (1,778,319) |

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

²¹ Refer Note 4

| Notes | 30 June 2022 | Restated ²² | |
|-----------------------------|-----------------|------------------------|--------------------|
| | | 30 June 2021 | 30 June 2020 |
| | \$ | \$ | \$ |
| Equity | | | |
| Share capital | 23 | 25,771,113 | 21,512,355 |
| Other contributed equity | | - | - |
| Share based payment reserve | 26 | 2,839,254 | 1,486,077 |
| Hedging reserve | 26 | - | (6,297) |
| Accumulated losses | | (15,036,602) | (20,318,022) |
| Total equity | | 13,573,765 | 2,674,113 |
| | | | (1,778,319) |

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

²² Refer Note 4

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

| | Share Capital | Other Contributed Equity | Share-based payment reserve | Hedging reserve | Accumulated losses | Total equity |
|--|-------------------|--------------------------|-----------------------------|-----------------|---------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Restated balance at 1 July 2020 | 5,112,041 | 8,867,407 | 1,486,077 | - | (17,243,844) | (1,778,319) |
| Restated loss for the period | - | - | - | - | (3,074,177) | (3,074,177) |
| Other comprehensive income | - | - | - | (6,297) | - | (6,297) |
| Total comprehensive loss for the period | - | - | - | (6,297) | (3,074,177) | (3,080,474) |
| Contribution of equity | 18,231,000 | (10,231,000) | - | - | - | 8,000,000 |
| Share issue costs | (1,830,686) | 1,363,593 | - | - | - | (467,093) |
| Restated balance at 30 June 2021 | 21,512,355 | - | 1,486,077 | (6,297) | (20,318,022) | 2,674,113 |
| Profit for the period | - | - | - | - | 5,281,420 | 5,281,420 |
| Other comprehensive profit | - | - | - | 6,297 | - | 6,297 |
| Total comprehensive loss for the period | - | - | - | 6,297 | 5,281,420 | 5,287,717 |
| Contribution of equity | 5,000,000 | - | - | - | - | 5,000,000 |
| Share based payments | - | - | 1,353,177 | - | - | 1,353,177 |
| Share issue costs | (741,242) | - | - | - | - | (741,242) |
| Balance at 30 June 2022 | 25,771,113 | - | 2,839,254 | - | (15,036,602) | 13,573,765 |

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

| | Notes | 2022 | 2021 |
|---|-------|--------------------|--------------------|
| | | \$ | \$ |
| Operating activities | | | |
| Receipts from customers | | 53,537,741 | 43,708,204 |
| Payments to suppliers and employees | | (43,023,213) | (40,079,469) |
| Other income | | 302,461 | 791,888 |
| Finance costs paid | | (2,465,743) | (4,212,830) |
| Net cash from operating activities | 24 | 8,351,246 | 207,793 |
| Investing activities | | | |
| Acquisition of property, plant and equipment | | (6,903,932) | (2,292,825) |
| Sale of property, plant and equipment | | 225,128 | - |
| Payments for development and exploration assets | | (1,974,742) | (5,577,475) |
| Payment for other assets | | 92,345 | (158,803) |
| Net cash (used in) investing activities | | (8,561,201) | (8,029,103) |
| Financing activities | | | |
| Proceeds from borrowings | | 375,680 | 550,000 |
| Repayments of borrowings | | (4,560,884) | (6,184,480) |
| Repayment of lease liabilities | | (133,071) | (148,122) |
| Proceeds from issues of ordinary shares | | 5,000,000 | 14,000,000 |
| Costs of issue of ordinary shares | | (329,190) | (887,093) |
| Net cash from financing activities | | 352,535 | 7,330,305 |
| Net change in cash and cash equivalents | | 142,580 | (491,005) |
| Cash and cash equivalents, at beginning of the period | | 1,018,035 | 1,509,040 |
| Cash and cash equivalents, at end of period | 12 | 1,160,615 | 1,018,035 |

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

Notes to the Financial Statements

1 Nature of operations and general information and statement of compliance

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

During the financial year the Company's principal activities related to continuing mining from the Mt Boppy pit until completion of mining in November 2021, gold production and the transition to silver production at the Wonawinta plant²³. Field activities for exploration consisted of drilling targets on the western and eastern tenement portfolio and designing additional geophysics programs to investigate newly identified prospects. In addition, the Company completed the first phase of the ground gravity program over the mineral resource at Wonawinta and identified a number of additional sulphide targets²⁴.

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

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

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

The consolidated financial statements for the year ended 30 June 2022 were approved and authorised for issue by the Board of Directors on 30 September 2022. The directors have the power to amend and reissue the financial statements.

2 Changes in accounting policies

2.1 New and amended standards adopted

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

²³ Refer ASX announcement dated 28 January 2022

²⁴ Refer ASX announcement Quarterly Activities report dated 29 July 2022

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The Group has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2.2 Accounting standards and interpretations not yet effective

New accounting standards and interpretations that have been published that are not mandatory for the 30 June 2022 reporting period, have not been early adopted by the Group.

The directors of the Company anticipate that the application of the amendments of the new Standards and Amendments will not have a material impact on the Group's consolidated financial statements, as many of the amendments either do not affect the Group's existing accounting policies, or apply to situations, transactions and events that the Group does not undertake, except as outlined below:

AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

Property, Plant and Equipment — Proceeds before Intended Use

The amendments to AASB 116 Property, Plant and Equipment prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. AASB 116 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others or for administrative purposes.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management or on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The directors of the Company anticipate that the application of the amendments will likely impact on the Group's accounting policies in respect of the construction of assets, as certain proceeds of selling items produced whilst bringing assets under construction are currently deducted from the cost of the asset. However, the directors have not assessed the financial effect of this change in accounting policy.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

AASB 2021-2 amends AASB Standards to improve accounting policy disclosures so that they provide more useful information to investors users of the financial statements and clarify the distinction between accounting policies and accounting estimates. Specifically, AASB 2021-2 amends:

- AASB 7 Financial Instruments: Disclosures, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements
- AASB 101 Presentation of Financial Statements, to require entities to disclose their material accounting policy information rather than their significant accounting policies
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates
- AASB 134 Interim Financial Reporting, to identify material accounting policy information as a component of a complete set of financial statements
- AASB Practice Statement 2 Making Materiality Judgements, to provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

Except for the amendments to AASB Practice Statement 2 (which provide non-mandatory guidance and therefore do not have an effective date), the amendments are effective for annual periods beginning on or after 1 January 2023. The amendments to the individual Standards may be applied early, separately from the amendments to the other Standards, where feasible.

The directors of the Company do not anticipate that the amendments will have a material impact on the Group but may change the disclosure of accounting policies included in the financial statements.

3 Summary of accounting policies

3.1 Overall considerations

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

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

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

3.2 Going Concern

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

During the financial year ended 30 June 2022, the Group generated operating profit of \$5,281,420 and positive operating cash flows of \$8,351,246, primarily driven by strong operating results from Mt Boppy. Debt repayments of \$2,998,302 (\$US2,000,000) were made using these proceeds and the Group was also successful in raising \$5,000,000 in equity in March 2022 in order to fund the Company's transition to silver production from Wonawinta.

Notwithstanding, at 30 June 2022 the Group had \$1.16m of cash on hand and remained in a net current liability position of \$14,674,402, due primarily to \$13,098,931 in current debt. Subsequent to year end, this liability has been successfully extended to 30 September 2023, however this remains due 12 months from the date of this report. In the period since 30 June 2022, the Group has been managing its cash position through sales of silver ores, negotiated deferral of creditor payment terms and utilisation of existing working capital facility.

The Directors, in their consideration of the appropriateness of the going concern basis for the preparation of the financial statements, have prepared cash flow projections for the period to 30 September 2023 and 31 December 2023 that supports the ability of the Group to continue as a going concern over the coming 12 to 18 month period. However, in order to repay its current liabilities in the timeframe required, these projections rely on the following:

- The ability of the Group to continue gold and silver production profitably from both Wonawinta and Mt Boppy, based on the forecast gold and silver prices, the cut-off grade, and the planned recoveries from known resources and stockpiles. Current forecasts assume a silver price of US\$19.50/oz, a gold price of US\$1,720/oz and an exchange rate of AUD/USD of \$0.67.
- The ability to obtain additional financing through additional debt placements or through the capital raising activities in the market to fund further mining from Mt Boppy and meet other short term creditor, working capital and interest obligations.
- The ability to renegotiate with TransAsia Private Capital Limited ("TPC") the terms of the facility beyond 30 September 2023 (if required) and/or finding alternative financing arrangements, if required based on the timing of cash receipts from gold and silver production.
- The ability to repay current creditors through profits from silver mining or to successfully negotiate payment extensions with long dated creditors. Alternatively, further short-term financing may be required to manage short term cash flow.

Should the Group be unsuccessful in achieving the matters set out above, a material uncertainty would exist that may cast significant doubt on the ability of the Group to continue as a going concern, and therefore, whether it will realise its assets and extinguish its liabilities in the ordinary course of business.

The Directors are confident that the above steps can be achieved based on:

- History of being able to successfully extend the current debt facilities, noting the facility with TransAsia Private Capital Limited (as disclosed in note 20.2) has been successfully extended twice to date;
- Track record of successfully raising funds in the market as required to fund mining activities including \$7,000,000 in December 2020 and \$5,000,000 in March 2022;
- Ability to achieve significant profits from Mt Boppy in the 30 June 2022 fiscal year and the continued high gold prices.

At the date of signing this report, the Directors have reasonable grounds to believe that due to the matters noted above and the actions taken that it is appropriate to prepare the financial statements on the going concern basis.

3.3 Basis of consolidation

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

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

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date on which control is transferred to the Group, or up to the date that control ceases.

3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors. (Refer Note 5)

3.5 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

3.6 Income taxes

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

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

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

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

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

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

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

3.7 Leases

At the date of commencement of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (and, if applicable, in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in

the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest-bearing loans and borrowings (refer Note 20.1).

Short-term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.8 Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

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

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

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. The Company has one Key Customer which is a London Bullion Market Association (LBMA) Accredited Refinery. Sales revenue is recognised at the time of the Lock-in Contract. This is when goods are delivered and title and risk passes to the customer.

3.9 Government grants

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

3.10 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service.

3.11 Exploration and evaluation expenditure

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

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

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

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

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

3.12 Property, plant and equipment

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

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

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.13 Financial instruments

Recognition and derecognition

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

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

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

Subsequent measurement of financial assets

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

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

Classifications are determined by both:

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

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

Financial assets at amortised cost

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

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

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

Financial assets at fair value through profit or loss (FVPL)

Financial assets that are held within a business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Impairment of financial assets

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

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

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

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

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

Trade and other receivables and contract assets

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. In determining the recoverability of a trade or other receivables using the expected credit loss model, the Group performs a risk analysis considering the type and age of the outstanding receivables, the creditworthiness of the counterparty, contract provisions, letter of credit and timing of payment.

No provision for credit losses was required to be recognised in the current period ending 30 June 2022.

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, borrowings, lease liabilities and derivative financial instruments.

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. Except for those foreign exchange gains and losses related to borrowings, foreign exchange gains and losses are recognised in the 'Other income' or 'Other losses' line items in profit or loss for financial liabilities that are not part of a designated hedging relationship. Foreign exchange gains and losses related to borrowings are recognised in the 'Finance Charges' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

3.14 Inventories

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

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

ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale inventories are valued at the lower of cost and net realisable value.

3.15 Care and Maintenance

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

3.16 Mine development

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

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

Development costs are carried forward in respect of areas of interest in the development phase until commercial production commences. When commercial production commences, carried forward development costs are transferred to Mine Properties and amortised on a units of production basis over the life of economically recoverable reserves of the area of interest. Development assets are assessed for impairment if an impairment trigger is identified. For the purposes of impairment testing, development assets are allocated to CGUs to which the development activity relates.

3.17 Cash and cash equivalents

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

3.18 Borrowings

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

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

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

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

3.19 Borrowing costs

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

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

3.20 Derivatives

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

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship, and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

For the reporting periods under review, the Group has designated certain gold swap and spot contracts as hedging instruments in cash flow hedge relationships. Where appropriate, these arrangements have been entered into to mitigate short-term commodity price impacts arising from certain highly probable sales transactions and to give certainty to exchange rate and commodity price impacts on the realised sales prices of the Commodities produced by the Group.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the consolidated statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

3.21 Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

Share based payments

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

3.22 Equity, reserves and dividend payments

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

Other components of equity include the following:

- **Share based payment reserve** – comprising assessed fair value of options issued to employees, executives and other parties
- **Reserve for cash flow hedges** – comprising gains and losses relating to these types of financial instruments

Retained earnings include all current and prior period retained profits.

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

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

3.23 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

3.24 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. 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.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.25 Rehabilitation

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

3.26 Significant management judgement in applying accounting policies and estimation uncertainty

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

Determination of cash generating unit (CGU) and assessment of impairment

The Group assesses each Cash-Generating Unit (CGU), at each reporting period to determine whether there is any indication of impairment or reversal. Indicators reviewed include, but are not limited to, operating performance of the CGU, future business plans, assumptions around future commodity prices, exchange rates, production rates and production costs. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made. Where the carrying amount of an asset of CGU exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount and the impairment would be recognised in the Statement of Profit or Loss.

The Group considers that there is a single CGU, being the Wonawinta Plant after considering the following:

- Cash inflows result only from the sale of the final Doré produced by the Wonawinta processing plant after inputs are processed from the either the Mt Boppy mine or the Wonawinta Silver Project.
- There is no active market for the unprocessed ores at the Mt Boppy mine or the Wonawinta Silver Project and cash flows are dependent on processing at the Wonawinta plant.

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, level of ground disturbance 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 either the Company or of comparable entities over a period of time where applicable (e.g. historical volatility data of comparable entities has been considered where there was insufficient historical volatility information for the Company). 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.

Exploration and evaluation costs

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

Net realisable value of inventories

The calculation of net realisable value for raw materials, work in progress and finished goods involves significant judgement and estimates in relation to timing and cost of processing, commodity prices, recoveries. A change in any of these assumptions will alter the estimated net realisable value and may therefore impact the carrying value of inventories.

Determination of mineral resources and ore reserves

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

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

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

4 Correction of prior period errors

During the reporting period, the following matters relating to prior reporting periods came to the Company's attention and have been treated as corrections to the prior period financial statements

(a) Rehabilitation Liability (Provisions)

In prior periods, all rehabilitation liability movements were being recorded through the statement of other comprehensive income as finance expenses, rather than as an adjustment to mineral properties (rehabilitation asset). Only the unwind of the discount on the provision should have been recorded through finance expense.

(b) Environmental Bonds (Financial Assets)

In prior periods the environmental bonds were being fair valued rather than recorded at amortised cost. This resulted in a change in the method in which the carrying value has been calculated each period.

(c) Development Assets (Mine Properties and Development Assets)

In prior periods, Development Assets included items of Plant and Equipment. These items (together with the corresponding accumulated depreciation) have been reclassified.

The impact that these matters have on the prior period figures as follows:

| Impact on Statement of Financial Position | Provisions | Financial assets | Mine Properties/ Development assets | Property, Plant and Equipment | Accumulated Depreciation | Accumulated losses |
|---|------------------|------------------|--|-------------------------------|--------------------------|---------------------|
| 30 June 2020 | 5,296,775 | 6,456,370 | 9,343,296 | 8,798,735 | (209,716) | (17,912,252) |
| adjustment | 1,930,662 | 668,408 | (191,622) | 2,285,467 | (163,183) | 668,408 |
| Restated 1 July 2020 | 7,227,437 | 7,124,778 | 9,151,674 | 11,084,202 | (372,899) | (17,243,844) |
| 30 June 2021 | 6,377,651 | 6,888,571 | 6,439,546 | 11,147,702 | (1,057,071) | (20,807,496) |
| Adjustment | 1,540,305 | 259,413 | (351,918) | 2,285,467 | (163,183) | 489,475 |
| Restated 30 June 2021 | 7,917,956 | 7,147,984 | 6,087,628 | 13,433,169 | (1,220,254) | (20,318,021) |

The impact of the above matters on the statement of comprehensive income for the comparative period, being 30 June 2021, was a decrease of \$178,933.

5 Segment reporting

Identification of reportable segments

The Group has identified operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Currently all the Group's gold and silver tenements and resources are in New South Wales.

Two operating segments have been identified:

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

The following table presents revenue and loss information regarding operating segments for the years ended 30 June 2022 and 30 June 2021 (restated).

| Year ended 30 June 2022 | Exploration | Operations | Total |
|---|--------------------|--------------------|--------------------|
| | | | \$ |
| Segment revenue (external customers) | - | 53,271,499 | 53,271,499 |
| Segment cost of sales | - | (41,244,405) | (41,244,405) |
| Segment operating contribution | - | 12,027,094 | 12,027,094 |
| Other income | - | 304,621 | 304,621 |
| Expenses | (27,724) | (2,512,355) | (2,540,079) |
| Share based payments | - | (69,718) | (69,718) |
| Foreign exchange gains / losses | - | (1,025,343) | (1,025,343) |
| Finance income / (expenses) | - | (3,415,155) | (3,415,155) |
| Profit / (loss) before income tax | (27,724) | 5,309,144 | 5,281,420 |
| Year ended 30 June 2021 restated | | | |
| | Exploration | Operations | Total |
| | | | \$ |
| Segment revenue (external customers) | - | 43,752,567 | 43,752,567 |
| Segment cost of sales | - | (43,312,892) | (43,312,892) |
| Segment operating contribution | - | 439,675 | 439,675 |
| Other income | - | 791,888 | 791,888 |
| Expenses | (23,677) | (2,363,355) | (2,387,032) |
| Foreign exchange gains / (losses) | | 1,721,880 | 1,721,880 |
| Finance income / (expenses) | (499) | (3,640,089) | (3,640,588) |
| Loss before income tax | (24,176) | (3,050,001) | (3,074,177) |

The following table presents segment assets and liabilities of operating segments at 30 June 2022 and 30 June 2021 (restated).

| Segment Assets | Exploration | Operations | Total |
|-----------------------------|-------------|------------|------------|
| | | | \$ |
| As at 30 June 2022 | 8,457,839 | 33,138,678 | 41,596,517 |
| Restated as at 30 June 2021 | 4,780,492 | 32,494,664 | 37,275,156 |

| Segment Liabilities | Exploration | Operations | Total |
|-----------------------------|-------------|------------|------------|
| | | | \$ |
| As at 30 June 2022 | 115,800 | 27,906,951 | 28,022,751 |
| Restated as at 30 June 2021 | 317,125 | 34,283,919 | 34,601,044 |

Revenue and assets by geographical region

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

Major customers

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

Financial information

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

6 Revenue and other income

| | Notes | 30 June 2022 | 30 June 2021 |
|--|-------|-------------------|-------------------|
| | | \$ | \$ |
| (a) Operating sales revenue | | | |
| Sale of mineralised ore – gold | | 49,308,178 | 42,993,529 |
| Sale of mineralised ore – silver | | 3,963,321 | 759,038 |
| Total revenue from contracts with customers | | 53,271,499 | 43,752,567 |
| (b) Other income | | | |
| Government grant - Jobkeeper | | - | 463,500 |
| Income from cash settled hedges | 20.4 | 58,272 | 248,454 |
| Other income | | 246,349 | 79,934 |
| Total other income | | 304,621 | 791,888 |

7 Expenses

(a) Cost of sales

| | | 30 June 2022 | 30 June 2021 |
|---------------------------------|------|-------------------|-------------------|
| | | \$ | \$ |
| Operating expenses | 7(b) | 37,622,448 | 43,610,478 |
| Royalties | | 1,388,891 | 1,996,666 |
| Inventory movements | | 2,233,066 | (2,294,252) |
| Total operating expenses | | 41,244,405 | 43,312,892 |

(b) Operating expenses

| | | 30 June 2022 | 30 June 2021 |
|----------------------------------|----|-------------------|-------------------|
| | | \$ | \$ |
| Mining expenses | | 4,299,060 | 9,038,681 |
| Hauling and crushing expenses | | 8,680,972 | 10,042,536 |
| Processing and refining expenses | | 18,200,370 | 15,422,039 |
| Site administration expenses | | 5,114,513 | 4,889,892 |
| Amortisation of mine properties | 16 | 1,327,533 | 4,217,330 |
| Total operating expenses | | 37,622,448 | 43,610,478 |

(c) Other expenses

| | | 30 June 2022 | 30 June 2021 |
|-----------------------------|------|------------------|------------------|
| | | \$ | \$ |
| Professional expenses | | 880,900 | 963,558 |
| Employment expenses | 7(d) | 1,105,731 | 904,632 |
| Depreciation | | 115,529 | 56,142 |
| Other expenses | | 437,919 | 462,700 |
| Total other expenses | | 2,540,079 | 2,387,032 |

(d) Employment Expenses

| | | 30 June 2022 | 30 June 2021 |
|--------------------|--|------------------|-----------------|
| | | \$ | \$ |
| Wages and Salaries | | 990,066 | 768,112 |
| Superannuation | | 75,625 | 66,293 |
| Employment taxes | | 40,040 | 70,227 |
| | | 1,105,731 | 904,632 |

(e) Share based payments

| | | 30 June 2022 | 30 June 2021 |
|------------------|--|-----------------|-----------------|
| | | \$ | \$ |
| Director options | | 69,718 | - |

(f) Foreign exchange (gains) and losses

| | 30 June 2022 | 30 June 2021 |
|--|------------------|--------------------|
| | \$ | \$ |
| Realised foreign exchange (gains) | (173,122) | - |
| Unrealised foreign exchange (gains) / losses | 1,198,465 | (1,721,880) |
| Total foreign exchange (gains) / losses | 1,025,343 | (1,721,880) |

8 Finance costs

Finance costs are made up of the following items:

Interest expenses and other finance charges – net of capitalisation of borrowing costs

Discounting impact of rehabilitation provisions

Discounting impact of financial assets

Accrued interest charged to notes

Total finance costs

| | 30 June 2022 | 30 June 2021 | Restated |
|----------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| | 3,030,154 | 3,659,157 | 3,659,157 |
| | 451,353 | 305,544 | 305,544 |
| | (66,352) | (343,751) | (343,751) |
| | - | 19,638 | 19,638 |
| Total finance costs | 3,415,155 | 3,640,588 | 3,640,588 |

9 Income tax expense

(a) Income tax benefit recognised in the income statement

Current tax

Deferred tax

Income tax as reported in the statement of comprehensive income

| | 30 June 2022 | 30 June 2021 | Restated |
|--|-----------------|-----------------|----------|
| | \$ | \$ | \$ |
| | - | - | - |
| | - | - | - |
| | - | - | - |

(b) Reconciliation of income tax expense to prima facie tax payable

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

Profit / (loss) from ordinary activities before income tax expense

5,281,420 (3,074,177)

Tax at the Australian rate of 30% (2021 : 26%)

1,584,426 (799,286)

Increase / (decrease) in income tax due to:

Temporary differences

(2,138,201) (1,083,700)

Permanent differences

28,796 845,460

Unused tax losses not recognised

524,979 1,037,525

Income tax expense

| | |
|---|---|
| - | - |
| - | - |

(c) Deferred tax assets not recognised

Deferred tax assets

8,271,289 6,713,468

- carry forward tax losses at 30% (2021: 26%) not recognised

1,442,678 548,773

- other deferred tax assets

(5,991,788) (2,683,114)

Deferred tax liabilities

3,722,179 4,579,126

Net deferred tax assets not recognised

The Company has no available franking credits.

Potential deferred tax assets attributable to tax losses and other temporary differences have not been brought to account as at 30 June 2022. Because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will be obtained if:

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

10 Auditor remuneration

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

| | 30 June 2022 | 30 June 2021 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Audit of financial statements | | |
| Grant Thornton – audit and review of financial reports | - | 143,500 |
| Ernst & Young – audit and review of financial reports | 149,640 | - |
| Remuneration from audit of financial statements | 149,640 | 143,500 |
| Other services – Grant Thornton | 3,000 | - |
| Total other services remuneration | 3,000 | - |
| Total auditor's remuneration | 152,640 | 143,500 |

11 Dividends

No dividends for the year ended 30 June 2022 have been declared or paid to shareholders by the Company.

12 Cash and cash equivalents

| | 30 June 2022 | 30 June 2021 |
|--|------------------|------------------|
| | \$ | \$ |
| Cash and cash equivalents comprise the following: | | |
| Cash at bank and in hand | 1,160,615 | 1,018,035 |
| Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows | 1,160,615 | 1,018,035 |

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

13 Trade and other receivables

| | 30 June 2022 | 30 June 2021 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Current | | |
| Trade receivables | 50,600 | 355,290 |
| Other receivables | 379,982 | 338,281 |
| Total trade and other receivables | 430,582 | 693,571 |

14 Prepayments

Prepayments consist of the following:

| | 30 June 2022 | 30 June 2021 |
|----------------------------|-----------------|-----------------|
| | \$ | \$ |
| Current prepaid insurances | 684,625 | 531,335 |
| Other prepayments | 85,927 | 38,292 |
| Prepayments at cost | 770,552 | 569,627 |

15 Inventories

| | 30 June 2022 | 30 June 2021 |
|-------------------------------------|------------------|------------------|
| | \$ | \$ |
| Consumables, supplies and spares | 1,108,498 | 667,383 |
| Gold concentrate in circuit at cost | 1,759,657 | 2,882,813 |
| Ore stockpiles | 20,968 | 1,142,091 |
| Inventories at cost | 2,889,123 | 4,692,287 |

16 Development assets and mine properties

| | Restated | |
|---|--------------------|--------------------|
| | 30 June 2022 | 30 June 2021 |
| | \$ | \$ |
| Development assets at cost | | |
| Rehabilitation cost estimates | 197,500 | 1,220,200 |
| Accumulated amortisation | - | (214,850) |
| Net carrying amount | (14,733) | - |
| Mine properties at cost | | |
| Rehabilitation cost estimates | 10,194,875 | 8,665,958 |
| Accumulated amortisation | 1,387,287 | 1,452,649 |
| Net carrying amount | (6,349,129) | (5,036,329) |
| Total development assets and mine properties at cost | 5,233,033 | 5,082,278 |
| Rehabilitation cost estimates | 10,392,375 | 9,886,158 |
| Accumulated amortisation | 1,387,287 | 1,237,799 |
| Total net carrying amount | (6,363,862) | (5,036,329) |
| | 5,415,800 | 6,087,628 |

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

| | Restated | |
|---|------------------|------------------|
| | 30 June 2022 | 30 June 2021 |
| | \$ | \$ |
| Development assets | | |
| Opening carrying value | 1,005,350 | 460,919 |
| Additions at cost | - | 759,281 |
| Transfer to mine properties | (1,022,700) | - |
| Adjustment to rehabilitation cost estimates | 214,850 | (214,850) |
| Amortisation charge for the year | (14,733) | - |
| Closing carrying value net of accumulated amortisation | 182,767 | 1,005,350 |
| Mine properties | | |
| Opening carrying value | 5,082,278 | 8,690,755 |
| Additions at cost | 506,217 | 208,777 |
| Transfer from development assets | 1,022,700 | - |
| Adjustment to rehabilitation cost estimates | (65,362) | 400,076 |
| Amortisation charge for the year | (1,312,800) | (4,217,330) |
| Closing carrying value net of accumulated amortisation | 5,233,033 | 5,082,278 |
| Total development assets and mine properties at cost | | |
| Opening carrying value | 6,087,628 | 9,151,674 |
| Additions at cost | 506,217 | 753,208 |
| Adjustment to rehabilitation cost estimates | 149,488 | 400,076 |
| Amortisation charge for the year | (1,327,533) | (4,217,330) |
| Total closing carrying value net of accumulated amortisation | 5,415,800 | 6,087,628 |

17 Exploration and evaluation assets

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

| | 30 June 2022 | | 30 June 2021 |
|--|------------------|------------------|-----------------|
| | \$ | \$ | |
| Exploration assets | | | |
| Opening net book amount | 4,780,492 | 322,305 | |
| Exploration and evaluation costs during the year | 3,677,347 | 4,458,187 | |
| Net book value | 8,457,839 | 4,780,492 | |

During the period, the Company undertook the following activities as part of the follow-up-phase exploration on the Company's regional exploration tenements²⁵:

- (a) Drilling for resource extensions of the Mt Boppy pit which have comprised most of the Company's field work this period and which were impacted by both wet weather and challenging ground conditions, requiring careful management of the drill program. Programs were put on hold due to adverse weather impacts with rig remobilisation expected later in the 2022 calendar year;
- (b) Phase one of a three stage ground gravity survey over ML1659 was completed in June with subsequent data interpretation defining additional sulphide targets (co-incident with elevated Pb and Zn grades from the 2021 Wonawinta Deeps program) which the Company will follow up in due course when rigs are mobilised on the ML.

²⁵ Refer ASX announcement dated 29 July 2022

(c) Sampling of stockpiles on the Wonawinta ROM continued with over 500 samples submitted to the site laboratory for analysis

An updated Mt Boppy Mineral Resources Estimate was released to the market 29 July 2022²⁶.

18 Property, plant and equipment

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

| | Land | IT Equipment | Plant & Equipment | Fixtures & Fittings | Motor Vehicles | Total |
|--------------------------------|----------------|---------------|-------------------|---------------------|----------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Restated | | | | | | |
| Year ended 30 June 2021 | | | | | | |
| Opening net book value | 754,994 | 29,295 | 9,626,023 | 11,650 | 289,341 | 10,711,303 |
| Additions | 0 | 35,896 | 2,122,814 | 13,829 | 176,427 | 2,348,967 |
| Depreciation | 0 | (39,518) | (753,926) | (4,578) | (49,332) | (847,354) |
| Closing net book value | 754,994 | 25,673 | 10,994,911 | 20,901 | 416,437 | 12,212,916 |
| Restated | | | | | | |
| Balance 30 June 2021 | | | | | | |
| Cost | 754,994 | 79,342 | 12,008,416 | 26,586 | 563,831 | 13,433,169 |
| Depreciation | 0 | (53,669) | (1,013,505) | (5,686) | (147,394) | (1,220,254) |
| Net book value | 754,994 | 25,673 | 10,994,911 | 20,901 | 416,437 | 12,212,916 |
| Year ended 30 June 2022 | | | | | | |
| Opening net book value | 754,994 | 25,673 | 10,994,911 | 20,901 | 416,437 | 12,212,916 |
| Additions | - | 20,265 | 4,328,740 | 27,353 | 242,109 | 4,618,467 |
| Disposals | - | - | (247,500) | - | - | (247,500) |
| Depreciation | - | (26,947) | (1,122,160) | (9,301) | (66,335) | (1,224,743) |
| Closing net book value | 754,994 | 18,991 | 13,953,991 | 38,953 | 592,211 | 15,359,140 |
| Balance 30 June 2022 | | | | | | |
| Cost | 754,994 | 99,607 | 16,089,656 | 53,939 | 805,939 | 17,804,136 |
| Depreciation | - | (80,616) | (2,135,665) | (14,987) | (213,728) | (2,444,996) |
| Net book value | 754,994 | 18,991 | 13,953,991 | 38,952 | 592,211 | 15,359,140 |

Included within Plant and Equipment is an amount of \$401,449 (2021 : \$324,000) representing costs incurred on equipment which was not brought to use as at 30 June 2022 and as such represents capital works in progress.

19 Right-of-use assets and liabilities

Leases

The Group has two lease contracts, including one for its office premises which commenced on 1 March 2022 and a lease for a printer which commenced September 2020. The office lease has a lease term of three years with no option to extend and with a rent increase of 3.75% each year. The printer lease has a term of two years.

²⁶ Refer ASX announcement dated 29 July 2022

Short term lease expenses

The Group applies the short-term lease recognition exemption allowed in AASB116 to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The following table shows the short-term lease expenses during the period to which this exemption has been applied.

| | 30 June 2022 | 30 June 2021 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Rent expenses | 11,520 | 12,500 |
| Total short-term lease expenses | 11,520 | 12,500 |

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

| | 30 June 2022 | 30 June 2021 |
|-------------------------------|-----------------|-----------------|
| | \$ | \$ |
| Balance at start of period | 68,083 | 194,557 |
| Additions | 420,714 | 4,933 |
| Depreciation | (114,156) | (131,407) |
| Closing net book value | 374,641 | 68,083 |

Set out below are the carrying amounts of lease liabilities.

| | 30 June 2022 | 30 June 2021 |
|--|--------------------|-------------------|
| | \$ | \$ |
| Balance at start of period | 76,113 | 202,015 |
| Additions | 420,714 | 4,933 |
| Accretion of interest (included in finance expenses) | 20,193 | 20,762 |
| Payments | (133,079) | (151,597) |
| Closing balance lease liabilities | 383,941 | 76,113 |
| Current | 124,901 | 75,419 |
| Non-current | 259,040 | 694 |

20 Financial assets and liabilities

20.1 Categories of financial assets and financial liabilities

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

| | Notes | Restated | |
|---|-------|------------------|------------------|
| | | 30 June 2022 | 30 June 2021 |
| | | \$ | \$ |
| Financial assets at amortised cost | | | |
| Cash and cash equivalents | 12 | 1,160,615 | 1,018,035 |
| Trade and other receivables | 13 | 430,582 | 693,571 |
| Other financial assets | 20.3 | 6,738,225 | 7,147,984 |
| Total financial assets at amortised cost | | 8,329,422 | 8,859,590 |
| Total financial assets | | 8,329,422 | 8,859,590 |

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

| | | Restated | 30 June | 30 June |
|--|---------|----------|-------------------|-------------------|
| | | | 2022 | 2021 |
| | | | \$ | \$ |
| Financial liabilities at amortised cost | | | | |
| Trade and other payables | 21 | | 6,242,625 | 9,979,330 |
| Borrowings – Related party loans | 20.2(a) | | 909,959 | 2,239,615 |
| Borrowings – Senior secured debt facility (net of borrowing costs) | 20.2(b) | | 12,128,978 | 14,023,439 |
| Borrowings – Other loans | | | 72,241 | 358,293 |
| Lease liabilities | 19 | | 383,941 | 76,113 |
| Total financial liabilities at amortised cost | | | 19,737,744 | 26,676,790 |
| Financial liabilities at fair value through profit and loss | | | | |
| Derivative liabilities | 20.4 | | - | 6,297 |
| Total financial liabilities at fair value through profit and loss | | | - | - |
| Total financial liabilities | | | 19,737,744 | 26,683,087 |

20.2 Borrowings

Borrowings include the following financial liabilities:

| | | Restated | 30 June | 30 June |
|---|---------|----------|-------------------|-------------------|
| | | | 2022 | 2021 |
| | | | \$ | \$ |
| Current | | | | |
| Related party loans | 20.2(a) | | 909,959 | - |
| Senior secured debt facility (net of borrowing costs) | 20.2(b) | | 12,128,978 | - |
| Other loans | | | 14,314 | - |
| Total current borrowings | | | 13,053,251 | - |
| Non-current | | | | |
| Related party loans | 20.2(a) | | - | 2,239,615 |
| Senior secured debt facility | 20.2(b) | | - | 14,023,439 |
| Other loans | | | 57,927 | 358,293 |
| Total non-current borrowings | | | 57,927 | 16,621,347 |
| Total borrowings | | | 13,111,178 | 16,621,347 |

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

(a) The related party loans include the following:

| | | Restated | 30 June | 30 June |
|-------------------------------------|--|----------|---------|-----------|
| | | | 2022 | 2021 |
| | | | \$ | \$ |
| ResCap Investments Pty Ltd | | | 909,959 | 1,708,636 |
| Gleneagle Securities (Aust) Pty Ltd | | | - | 530,979 |

The loan provided by ResCap Investments Pty Ltd includes working capital drawn down during the period and amounts owing for services provided. The loan on the working capital portion has an interest rate of 16%. In line with the documentation in place at the time services were provided (being prior to listing on

the ASX and during the period ended 2019), the portion relating to services rendered do not attract interest.

The loan provided by Gleneagle Securities (Aust) Pty Ltd includes working capital drawn down during the period and amounts owing for services provided. The loan on the working capital portion has an interest rate of 12%. This was repaid in full during the period.

(b) The Company signed a debt facility agreement (TPC Facility) with TransAsia Private Capital Limited (TPC) during July 2019, with the first drawdown occurring in July 2019. The TPC Facility limit was for a total of US\$14 Million (AU\$20,364,427). As at 30 June 2022, the balance owing under the facility was US\$8Million plus interest (AU\$12,332,456). During the financial period, US\$2.084Million (AU\$2,998,302) was repaid earlier then the required repayment date of 30 September 2022. The interest rate attributable to this facility is 12.5% per annum payable quarterly, with service and management fees of 2.5% per annum. Subsequent to the end of the period, repayment of the balance was extended to 30 September 2023.

Details of the unamortised borrowing costs in relation to Senior secured debt facility is as follows:

| | 30 June 2022 | 30 June 2021 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Senior secured debt facility | 12,332,456 | 14,023,439 |
| Less: Borrowing Costs | (203,479) | - |
| Total senior secured debt facility (net of borrowing costs) | 12,128,977 | 14,023,439 |

20.3 Other financial assets

| | Notes | 30 June 2022 | Restated 30 June 2021 |
|--|-------|------------------|-----------------------------|
| | | \$ | \$ |
| Other financial assets comprises the following: | | | |
| Current assets at amortised cost | | | |
| Mt Boppy Resources - Deposit for exploration bond | | 186,000 | 84,000 |
| Non-current assets at amortised cost | | | |
| Manuka Resources - Deposit for environmental bond | (a) | 5,021,967 | 5,407,665 |
| Mt Boppy Resources – Deposit for environmental bond | (b) | 1,352,016 | 1,372,982 |
| Term Deposit | (a) | 178,242 | 192,272 |
| Rental Bond | | - | 91,065 |
| | | 6,738,225 | 7,147,984 |

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

(a) The Environmental Bond and the Term Deposit in the name of Manuka Resources Ltd have been amortised with reference to a discount rate of 3.12% (restated 2021: 0.83%). They have been discounted over a 3.75 year period which is a reasonable approximation as to when the rehabilitation work will have to be conducted.

(b) The Environmental Bond Deposits in the name of Mt Boppy Resources Pty Ltd have been recorded at historical cost which has been assessed as a reasonable approximation of its fair value given the rehabilitation work will have to be undertaken within 12 months.

20.4 Derivative financial instruments and hedge accounting

Derivatives are only used for economic hedging purposes and not as speculative investments. As at 30 June 2022 the Company had no hedge positions in place. At the end of the prior period being 30 June 2021, the Company had a hedge position of \$6,297 reflecting a negative mark-to-market value of gold contracts. These prior period end gold hedges comprised spot and swap gold contracts for 1,000 ounces of gold (2020: Nil) at an average price of \$2,359 per ounce (2022: Nil) The hedges were closed out in February 2022.

Derivative Financial instruments are measured at fair value and are summarised below:

| | 30 June 2022 | 30 June 2021 |
|---|-----------------|-----------------|
| | \$ | \$ |
| Other financial liabilities comprises the following: | | |
| Gold spot and swap exchange contracts – cash flow hedge | - | 6,297 |
| Total derivative financial liabilities | - | 6,297 |

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income through the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income within other income or other expense.

Amounts accumulated in the cash flow hedge reserve are reclassified to the Statement of Profit or Loss and Other Comprehensive Income in the periods when the hedged item affects profit or loss for instance when the forecast sale that is hedged takes place.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as depreciation in the case of fixed assets.

The Group has designated certain gold swap and spot contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate short-term commodity price impacts arising from certain highly probable sales transactions and to give certainty to exchange rate and commodity price impacts on the realised sales prices of the Commodities produced by the Group.

The Group's Policy is to hedge up to 60% of highly probable forecast metal produced.

The following movements in the cash flow hedge reserve relate to one risk category being hedges relating to cash flows arising from gold sales.

| | 30 June 2022 | 30 June 2021 |
|---|-----------------|-----------------|
| | \$ | \$ |
| Cash flow hedging reserve | | |
| Opening balance at start of period | 6,297 | - |
| Change in fair value of hedging instrument recognised in other comprehensive income (OCI) | (6,297) | 6,297 |
| Closing balance at end of period | - | 6,297 |

No amounts have been reclassified to profit or loss. No ineffectiveness arose during the year ended 30 June 2022 (2021: Nil).

The effect of hedge accounting on the Group's consolidated financial position and performance is as follows, including the outline timing and profile of the hedging instruments:

| | 30 June 2022 | 30 June 2021 |
|--|-----------------|---------------------------|
| | \$ | \$ |
| Carrying amount of gold forward contracts | - | (6,297) |
| Notional amount of gold forward contracts | - | 2,359,080 |
| Hedge Ratio | n/a | 1:1 |
| Maturity date | | July to September 2021 |
| Average forward gold price per oz (in AUD) | n/a | 2,359 |

20.5 Other financial instruments

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

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

20.6 Fair Value Hierarchy

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities. The following instruments are carried at fair value in the statement of financial position and are measured at fair value through profit or loss.

| | Level 1 Quoted prices in an active market | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs |
|------------------------|--|--|--|
| at 30 June 2022 | | \$ | \$ |
| Liabilities | | | |
| Derivative liabilities | | - | - |
| at 30 June 2021 | | | |
| Liabilities | | | |
| Derivative liabilities | | 6,297 | - |

At 30 June 2021 Environmental Bonds (including the Term Deposit for Rehabilitation) were valued at Fair Value. With the restatement of the 30 Jun 2021 Balance Sheet as detailed at Note 4, Environmental Bonds which were previously recorded at fair value, are now recorded at amortised cost.

21 Trade and other payables

| | 30 June 2022 | 30 June 2021 |
|---------------------------------------|------------------|------------------|
| | \$ | \$ |
| Current | | |
| Trade creditors | 4,520,381 | 7,183,356 |
| Other creditors and accruals | 1,722,244 | 2,795,974 |
| Total trade and other payables | 6,242,625 | 9,979,330 |

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.

22 Provisions

| | Notes | Restated 30 June 2021 |
|-------------------------------------|-------|-----------------------------|
| | | \$ |
| Current | | |
| Provision for annual leave | | 628,315 |
| Total current provisions | | 628,315 |
| Non-current | | |
| Provision for long service leave | | 29,107 |
| Rehabilitation provisions | 22.1 | 7,565,403 |
| Total non-current provisions | | 7,594,510 |
| Total provisions | | 8,222,825 |
| | | 7,917,956 |

22.1 Rehabilitation provisions

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

| | 30 June 2022 | Restated 30 June 2021 |
|--|------------------|-----------------------------|
| | \$ | \$ |
| Rehabilitation provisions | | |
| Manuka Resources Ltd | 6,422,934 | 6,319,038 |
| Mt Boppy Resources Ltd | 1,142,469 | 1,121,604 |
| Total rehabilitation provisions | 7,565,403 | 7,440,642 |

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

| | 30 June 2022 | Restated 30 June 2021 |
|---------------------------------------|------------------|-----------------------------|
| | \$ | \$ |
| Carrying amount at start of year | 7,440,642 | 7,038,820 |
| Re-assessment of provision | 20,865 | 560,372 |
| Payments | - | (73,736) |
| Net impact of discounting | 103,896 | (84,814) |
| Carrying amount at end of year | 7,565,403 | 7,440,642 |

Provisions made for rehabilitation are recognised where there is a present obligation as a result of exploration, development or production activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning mining activities and restoring the affected areas. The provision for future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the obligation at the reporting date, based on current legal requirements and technology. Future rehabilitation costs are reviewed annually, and any changes are reflected in the present value of the rehabilitation provision at the end of the reporting period. The amount of the provision for future rehabilitation costs relating to exploration and development activities is capitalised as a cost of those activities. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate the risks specific to the liability. The fair value of the rehabilitation provision for Manuka Resources has been calculated with reference to an inflation rate of 5.09% (restated 2021: 2%) and a discount rate of 3.12% (restated 2021: 0.83%) over 3.75 years (restated 2021: 4.75 years). As there is no committed mine plan for Mt Boppy, it has been assumed that rehabilitation work will be completed within twelve to eighteen months. If a mine plan is implemented that results in further mining activity this assumption will be amended.

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.

23 Equity

23.1 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 2022 # Shares | 30 June 2021 # Shares | 30 June 2022 \$ | 30 June 2021 \$ |
|--|-----------------------------|-----------------------------|-----------------------|-----------------------|
| Shares issued and fully paid: | | | | |
| • At beginning of period | 269,353,712 | 193,087,960 | 21,512,355 | 5,112,041 |
| • share issue 8 July 2020 ^(a) | - | 21,265,752 | - | 3,231,000 |
| • share issue 8 July 2020 ^(b) | - | 35,000,000 | - | 7,000,000 |
| • share issue 17 December 2020 ^(c) | - | 17,500,000 | - | 7,000,000 |
| • share issue 17 December 2020 ^(d) | - | 2,500,000 | - | 1,000,000 |
| • share issue 4 March 2022 ^(e) | 16,666,669 | - | 5,000,000 | - |
| • issue costs - options issued to broker | - | - | (70,831) | (873,499) |
| • issue costs – options issued to shareholders | - | - | (341,220) | - |
| • IPO and Placement expenses | - | - | (329,191) | (957,187) |
| Total share capital at end of period | 286,020,381 | 269,353,712 | 25,771,113 | 21,512,355 |

- a) On 8 July 2020, the Company issued 21,265,752 shares at \$0.15 per share for the conversion of \$3,231,000 in Convertible Notes to equity.
- b) On 8 July 2020 the Company issued 35,000,000 shares at an issue price of \$0.20 per share pursuant to the offer under its prospectus dated 22 May 2020.
- c) On 17 December 2020, the Company completed a Placement of \$7,000,000 before costs through the issue of 17,500,000 ordinary shares at \$0.40 per share, to sophisticated, professional and institutional investors.
- d) On 17 December 2020, the Company converted \$1,000,000 in unsecured loans to equity through the issue of 2,500,000 ordinary shares at \$0.40 per share.
- e) On 4 March 2022 the Company completed a Placement of \$5,000,000 before costs through the issue of 16,666,669 ordinary shares at \$0.30 per share, to sophisticated, professional and institutional investors.

23.2 Movements in options on issue or granted

| | Number of Options | |
|--|-------------------|-------------------|
| | 2022 | 2021 |
| Beginning of the financial year | 21,250,000 | 21,250,000 |
| Issued, exercisable at \$0.30 on or before 28 July 2023 | 5,000,000 | - |
| Issued, exercisable at \$0.32 on or before 30 September 2023 | 5,000,000 | - |
| Issued, exercisable at \$0.50 on or before 11 January 2024 | 1,100,000 | - |
| Issued, exercisable at \$0.50 on or before 3 March 2024 | 13,620,002 | - |
| Issued, exercisable at \$0.50 on or before 7 April 2024 | 8,046,667 | - |
| End of the financial year | 54,016,669 | 21,250,000 |

23.3 Capital management policies and procedures

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

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

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

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

24 Reconciliation of cash flows from operating activities

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

| | 30 June 2022 | 30 June 2021 |
|--|------------------|-----------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Profit / (loss) for the period | 5,281,420 | (2,895,244) |
| Adjustments for non-cash items: | | |
| • depreciation and amortisation | 2,653,448 | 5,506,027 |
| • discounting of provisions and financial assets | 407,986 | (41,591) |
| • share based payments | 69,718 | - |
| • accretion of interest and finance costs | (301,145) | (1,858,103) |
| • amortisation of borrowing costs | 667,929 | 556,361 |
| • unrealised foreign exchange gains | 1,197,825 | (1,129,722) |
| Change in operating assets and liabilities: | | |
| • change in trade and other receivables | 266,241 | (44,363) |
| • change in prepayments | (200,925) | (218,500) |
| • change in inventories | 1,803,164 | (2,684,526) |
| • change in trade, other payables and related party advances | (3,736,706) | 2,728,757 |
| • change in contract liabilities | 62,183 | - |
| • change in provisions | 180,108 | 288,697 |
| Net cash provided by operating activities | 8,351,246 | 207,793 |

(b) The Company has undertaken a number of non-cash investing and financing activities. Details of the non-cash financing activities which have resulted in the issue of shares are outlined above at Note 23.1 In addition, the Company has issued options in respect of non-cash financing and investing activities as outlined in the table below.

| | # options | 30 June 2022 | 30 June 2021 |
|--|------------------------|------------------------|-----------------|
| | | \$ | \$ |
| 21 July 2021 – Options issued to finance provider in respect of financing and extension of financing | | | |
| • Borrowings – capitalised finance expenses | 10,000,000 | 871,408 | - |
| 4 March 2022/8 April 2022 – Options issued pursuant to share placement | | | |
| • Share based payment expenses | 16,666,669 | 341,220 | - |
| 8 April 2022 - Options granted to lead broker for placement services | | | |
| • Other contributed equity | 5,000,000 | 70,831 | - |
| 25 Earnings / (Loss) per share | | | |
| | 30 June 2022 | 30 June 2021 | |
| | \$ | \$ | |
| Profit / (loss) attributable to the owners of the Company used in calculating basic and diluted loss per share | 5,281,420 | (3,074,177) | |
| | No of shares | No of shares | |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share * | 274,741,841 | 258,805,422 | |
| | Cents per share | Cents per share | |
| Basic earnings / (loss) per share | 1.92 | (1.19) | |
| Diluted earnings / (loss) per share | 1.61 | (1.19) | |

As the Group made a loss for the year ended 30 June 2021, none of the potentially dilutive securities were included in the calculation of diluted earnings per share for that year. These securities could potentially dilute basic earnings per share in the future.

* In accordance with AASB 133 paragraph 26, the weighted average number of shares outstanding during the period and for all periods presented shall be adjusted for events (such as a share consolidation) that have changed the number of shares outstanding without a corresponding change in resources.

26 Reserves

26.1 Share based payments

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

The weighted average fair value of the options granted during the year was 44 cents. The fair values were determined using a variation of the binomial option pricing model that takes into account factors such as the vesting period, applying the following inputs:

| | 30 June 2022 | 30 June 2021 |
|--|-----------------|-----------------|
| Weighted average exercise price (cents) | 44 | - |
| Weighted average life of the option (years) | 1.4 | - |
| Weighted average underlying share price (cents) | 29 | - |
| Weighted average expected share price volatility | 59% | - |
| Weighted average risk free interest rate | 0.65% | - |

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

| | 30 June 2022 | | 30 June 2021 | |
|--------------------------------|-------------------|--|-------------------|--|
| | # Options | Weighted average exercise price cents | # Options | Weighted average exercise price cents |
| Beginning of the year | 21,250,000 | 25 | 21,250,000 | 25 |
| Granted | 32,766,669 | 44 | - | - |
| Forfeited | - | - | - | - |
| Exercised | - | - | - | - |
| Expired | - | - | - | - |
| Outstanding at year end | 54,016,669 | 37 | 21,250,000 | 25 |
| Exercisable at year end | 54,016,669 | 37 | 21,250,000 | 25 |

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 0.6 years (2021: 1.9 years), and the weighted average exercise price is 37 cents.

During the period there were share-based payment expenses of \$69,718 recorded (2021: \$Nil) in the profit or loss and there was an increase in the share option reserve of \$1,353,177 (2021: \$Nil). At 30 June 2022 the total value of the share based payment reserve is \$2,839,254 (2021: \$1,486,077).

26.2 Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments (net of tax) used in cash flow hedges pending subsequent recognition in profit or loss. The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss. At 30 June 2022, the total value of the hedging reserve is \$Nil (2021: (\$6,297)).

27 Financial risk management

General objectives, policies and processes

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

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

Activities undertaken by the Company may expose the Company to market risk (including gold price risk, 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 2022, the Company held the following financial instruments:

| | Restated | |
|---|-------------------|-------------------|
| | 30 June 2022 | 30 June 2021 |
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalent | 1,160,615 | 1,018,035 |
| Trade and other receivables | 430,582 | 693,571 |
| Other financial assets | 6,738,225 | 7,147,984 |
| Total financial assets | 8,329,422 | 8,859,590 |
| Financial liabilities | | |
| Trade and other payables | 6,242,625 | 9,979,330 |
| Related party loans | 909,959 | 2,239,615 |
| Other interest-bearing loans (net of borrowing costs) | 12,201,219 | 14,381,732 |
| Lease liabilities | 383,941 | 76,113 |
| Derivative liabilities | - | 6,297 |
| Total financial liabilities | 19,737,744 | 26,683,087 |

The fair value of current and non-current financial instruments is assumed to approximate their carrying value.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, interest rates and equity prices will affect the consolidated entity income or the value of its holdings of financial instruments.

The Group is currently exposed to the risk of fluctuations in prevailing market commodity prices on the gold and silver currently produced from its gold mine. The Group does not have any physical gold or silver delivery contracts in place as at 30 June 2022 (30 June 2021: Nil).

Derivative financial instruments and hedge accounting

Derivatives are only used for economic hedging purposes and not as speculative investments.

Changes in the market gold price will affect the derivative valuation at each reporting date. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The consolidated entity enters into derivative financial instruments to hedge such transactions.

The Company's risk management policy is to hedge between 0% to 60% of forecast gold/silver sales in local currency over a rolling 24-month period. As at 30 June 2022 the Company had no hedge positions in place. At the end of the prior period being 30 June 2021, the Company had a hedge position of \$6,297 reflecting a negative mark-to-market value of gold contracts. These prior period end gold hedges comprised spot and swap gold contracts for 1,000 ounces of gold (2020: Nil) at an average price of \$2,359 per ounce (2022: Nil) The hedges were closed out in February 2022. At 30 June 2022 the Company had closed all gold forward contracts used to hedge the exposure of future gold sales. The following table sets out the current hedge position and fair value:

| | No. of contracts | Gold sold | 0-6 months \$'000 | 7-12 months \$'000 | Maturity More than 1 year \$'000 |
|--------------------|------------------|-----------|----------------------|-----------------------|--|
| As at 30 June 2022 | - | - | - | - | - |
| As at 30 June 2021 | 3 | 1,000 oz | \$6 | - | - |

Gold price sensitivity

The carrying amount of derivative financial instruments are valued using appropriate valuations models with inputs such as forward gold prices. The potential effect of using reasonably possible alternative assumptions in these models, based on changes in the forward gold price by 10 per cent while holding all other variables constant, is shown in the following table:

| | Carrying amount \$'000 | Other Comprehensive Income | |
|----------------------------------|---------------------------|----------------------------|------------------------|
| | | 10% increase \$'000 | 10% decrease \$'000 |
| 30 June 2022 | | | |
| Derivative Financial Instruments | - | - | - |
| 30 June 2021 | | | |
| Derivative Financial Instruments | 6 | (236) | 236 |

The accounting policy for derivative financial instruments and hedge accounting is outlined at Note 20.4 above.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement. During the period, the Company did not enter into any fair value hedges (2021: 4,000 oz of gold) which did not classify for hedge accounting. During the prior year ended 30 June 2021, an amount of \$248,454 was recognised in the Profit and Loss in relation to these hedges which were settled prior to the end of the period.

Credit risk

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

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

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

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

Liquidity risk

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

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

Maturity Analysis

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

| | Carrying Amount | Contractual Cash flows | < 6 months | 6- 12 months | 1-3 years |
|------------------------------|-------------------|------------------------|-------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2022 | | | | | |
| Non-derivatives | | | | | |
| Trade and other payables | 6,242,625 | 6,242,625 | 6,242,625 | - | - |
| Related party loans | 909,959 | 1,000,577 | 46,532 | 36,247 | 917,798 |
| Other interest-bearing loans | 12,201,219 | 14,519,060 | 1,571,025 | 851,233 | 12,096,802 |
| Lease liabilities | 383,941 | 454,288 | 82,074 | 83,646 | 288,568 |
| | 19,737,744 | 22,216,550 | 7,942,256 | 971,126 | 13,303,168 |
| 2021 | | | | | |
| Non-derivatives | | | | | |
| Trade and other payables | 9,979,330 | 9,979,330 | 9,979,330 | - | - |
| Related party loans | 2,239,615 | 2,483,092 | 181,534 | 97,391 | 2,204,167 |
| Other interest-bearing loans | 14,381,732 | 16,644,553 | 905,128 | 905,128 | 14,834,297 |
| Lease liabilities | 76,113 | 79,370 | 77,497 | 1,405 | 468 |
| | 26,676,790 | 29,186,345 | 11,143,489 | 1,003,924 | 17,038,932 |

Foreign exchange risk

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

The Group is exposed to foreign exchange risk through the USD denominated debt facility obtained from its senior secured lender, refer Note 20.2(d). The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

| | 30 June 2022 | 30 June 2021 |
|------------|-----------------|-----------------|
| | \$ | \$ |
| Borrowings | 12,332,456 | 14,023,439 |

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

| | 30 June 2022 | 30 June 2021 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Net foreign exchange gain / (loss) recognised in profit or loss included in finance expenses | (1,023,183) | 1,721,879 |

Sensitivity analysis

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

| | 30 June 2022 | 30 June 2021 |
|--------------------------------------|-----------------|-----------------|
| | \$ | \$ |
| USD:AUD exchange rate – increase 10% | 1,055,701 | 1,219,377 |
| USD:AUD exchange rate – decrease 10% | (1,290,302) | (1,490,349) |

Interest rate risk

Interest rate risk is 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 | | | | |
|------------------------------|--------------------------------------|----------------|-------------------|-------------------------|-------------------|--|--|--|--|
| | | | | | \$ | | | | |
| 2022 | | | | | | | | | |
| Financial assets | | | | | | | | | |
| Cash and cash equivalent | - | - | - | 1,160,615 | 1,160,615 | | | | |
| Trade and other receivables | - | - | - | 430,582 | 430,582 | | | | |
| Other financial assets | - | - | - | 6,738,225 | 6,738,225 | | | | |
| | | - | - | 8,329,422 | 8,329,422 | | | | |
| Financial liabilities | | | | | | | | | |
| Trade and other payables | - | - | - | 6,242,625 | 6,242,625 | | | | |
| Related party loans | 16% | - | 453,083 | 456,876 | 909,959 | | | | |
| Other interest-bearing loans | 14% | - | 11,684,906 | 516,313 | 12,201,219 | | | | |
| Lease liability | 14% | - | 383,941 | - | 383,941 | | | | |
| | | - | 12,521,930 | 7,215,814 | 19,737,744 | | | | |

| | Weighted average interest rate | Floating rates | Fixed rates | Non-interest bearing | Total | | | | |
|------------------------------|--------------------------------------|----------------|-------------------|-------------------------|-------------------|--|--|--|--|
| | | | | | \$ | | | | |
| 2021 | | | | | | | | | |
| Financial assets | | | | | | | | | |
| Cash and cash equivalent | - | - | - | 1,018,035 | 1,018,035 | | | | |
| Trade and other receivables | - | - | - | 693,571 | 693,571 | | | | |
| Other financial assets | - | - | - | 7,147,984 | 7,147,984 | | | | |
| | | - | - | 8,859,590 | 8,859,590 | | | | |
| Financial liabilities | | | | | | | | | |
| Trade and other payables | - | - | - | 9,979,330 | 9,979,330 | | | | |
| Related party loans | 15% | - | 1,283,881 | 955,734 | 2,239,615 | | | | |
| Other interest-bearing loans | 18% | - | 13,771,435 | 610,297 | 14,381,732 | | | | |
| Lease liability | 14% | - | 76,113 | - | 76,113 | | | | |
| | | - | 15,131,429 | 11,545,361 | 26,676,790 | | | | |

Sensitivity analysis

The Company has fixed rate or non-interest bearing financial assets and liabilities and has no exposure to a changes in interest rates.

28 Commitments for expenditure

28.1 Tenement Commitments

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

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

| | 30 June 2022 | 30 June 2021 |
|----------------------------|------------------|------------------|
| | \$ | \$ |
| Not later than one year | 1,106,667 | 561,507 |
| Between 1 year and 5 years | 4,383,333 | 671,096 |
| | 5,490,000 | 1,232,603 |

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

29 Contingent assets and liabilities

29.1 Bank Guarantee to Cobar Shire Council and road rehabilitation

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

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

29.2 Rental bond and office lease guarantee and indemnity

The Company has entered into a Deed of Indemnity to in relation to a Lease Bond Facility with Lombard Insurance Company Ltd. The Lease Bond Facility covers the Company's guarantee and indemnity obligations in respect of the office lease outlined at Note 19. The total facility as at 30 June 2022 was \$111,514,.31 (2021: \$Nil).

30 Interests in Subsidiaries

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

| Name of the subsidiary | Place of incorporation and place of business | Principal activity | Proportion of ownership interests held by the Group | |
|-------------------------------|---|---------------------------|--|---------------------|
| | | | 30 June 2022 | 30 June 2021 |
| Mt Boppy Resources Pty Ltd | Australia | Gold Mine | 100% | 100% |

31 Parent Entity Information

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

| | 30 June 2022 | Restated 30 June 2021 |
|---|---------------------|------------------------------|
| | \$ | \$ |
| Current assets | 5,318,650 | 7,079,698 |
| Non-current assets | 34,421,877 | 28,077,384 |
| Total assets | 39,740,527 | 35,157,082 |
| Current liabilities | 18,799,563 | 9,608,910 |
| Non-current liabilities | 6,769,008 | 22,874,060 |
| Total liabilities | 25,568,571 | 32,482,970 |
| Net assets / (deficit) | 14,171,956 | 2,674,112 |
| Statement of profit or loss and other comprehensive income | | |
| Profit / (loss) for the year | 5,482,314 | (2,877,080) |
| Other comprehensive income / (loss) | 6,297 | (6,297) |
| Total comprehensive profit / loss | 5,488,611 | (2,883,377) |

The Parent Entity has contingent liabilities at the year end as outlined in Note 29.

32 Related party transactions

32.1 Transactions with related parties and outstanding balances

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

| Notes | 30 June 2022 | | 30 June 2021 | |
|---|-----------------|----|-----------------|----|
| | | \$ | | \$ |
| DETAILS OF TRANSACTIONS WITH RELATED PARTIES: | | | | |
| Details of related party transactions with ResCap | | | | |
| Investments Pty Ltd , an entity controlled by a member of KMP: | | | | |
| • interest charged on intercompany loan | 29,184 | | 83,640 | |
| • conversion of debt to equity in Manuka Resources | 23.1 (d) | - | 1,000,000 | |

Details of related party transactions with Gleneagle

Securities (Aust) Pty Ltd, being an entity which is a related party due its control over the Convertible Notes pursuant to the Convertible Note Deed Poll. Gleneagle Securities (Aust) Pty Ltd ceased being a related party on conversion of the Convertible Notes in July 2020.

| | | |
|---|---|--------|
| • interest charged on intercompany loan | - | 28,428 |
| • interest on notes payable to convertible note holders | - | 19,638 |

DETAILS OF BALANCES WITH RELATED PARTIES:

Balance of loan with Manuka Resources Ltd

| | | | |
|--|---------|---------|-----------|
| - payable to ResCap Investments Pty Ltd | 20.2(a) | 909,959 | 1,624,493 |
| - payable to Gleneagle Securities (Aust) Pty Ltd | 20.2(a) | - | 530,979 |

Balance of loan with Mt Boppy Resources Pty Ltd

| | | | |
|---|---------|---|--------|
| - payable to ResCap Investments Pty Ltd | 20.2(a) | - | 84,143 |
|---|---------|---|--------|

32.2 Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

| | 30 June 2022 | | 30 June 2021 | |
|------------------------------|-----------------|----------------|-----------------|----------------|
| | | \$ | | \$ |
| Short-term employee benefits | | 817,827 | | 846,890 |
| Post-employment benefits | | 45,628 | | 62,517 |
| Long-term benefits | | - | | - |
| Share-based payments | | 69,718 | | - |
| Total remuneration | | 933,173 | | 909,407 |

Detailed remuneration disclosures are provided in the remuneration report on pages 25 to 30.

33 Events subsequent to the end of the reporting period

• **Execution of Binding Term Sheet for the purchase of Trans-Tasman Resources Limited (“TTR”)**

Manuka entered into a Binding Term Sheet for the purchase (subject to Manuka shareholder approval) of emerging vanadiferous titanomagnetite iron sands producer Trans-Tasman Resources Limited on 12th August 2022²⁷. Manuka will acquire 100% of TTR for the issue of between 170-180 million new Manuka shares. TTR is the owner of a 3.8B tonne iron sands resource located in the South Taranaki Bight on the North Island of New Zealand. Post completion of this transaction a bankable feasibility study will be progressed based on offshore recovery and processing of this resource into an iron ore concentrate with vanadium and titanium credits.

• **Extension of Secured Debt Facility Extension**

Since the end of the reporting period, the Company successfully negotiated to extend the term of the secured debt facility to 30 September 2023.²⁸ The extension has been granted on existing terms and rates with no extension penalties or cash fees. The Company has resolved at a Board meeting held 29th September 2022 to grant the issue of 5Million options with an exercise price based on the 5-day VWAP plus a 10% premium.

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.

34 Company Details

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

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

²⁷ Refer ASX release dated 12 August 2022

²⁸ Refer ASX release dated 24 August 2022

Directors' Declaration

In the opinion of the Directors of Manuka Resources Ltd:

- a The financial statements and notes of Manuka Resources Ltd are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
 - ii. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- b There are reasonable grounds to believe that Manuka Resources Ltd will be able to pay its debts as and when they become due and payable; and
- c a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

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

Signed in accordance with a resolution of the directors.



Dennis Karp
Executive Chairman

Dated the 30th day of September 2022



Building a better
working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent auditor's report to the members of Manuka Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Manuka Resources Limited ("the Company") and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to Note 3.2 in the financial report, which indicates that the Group's current liabilities exceeded its current assets by \$14,737,774 as at 30 June 2022. This condition, along with other matters set forth in Note 3.2 indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Carrying value of Non-Current Assets

| Why significant | How our audit addressed the key audit matter |
|---|---|
| <p>At 30 June 2022 the carrying value of the Group's non-current assets totalled \$36,159,645, comprising of mine properties and development, exploration and evaluation, and property, plant and equipment. The Group assessed there is one cash generating unit (CGU) for impairment purposes.</p> <p>Australian Accounting Standards require the Group to assess whether there are any indicators that its non-current assets may be impaired. If such indicator exists, the Group estimates the recoverable amount of the CGU.</p> <p>At 30 June 2022, the Group determined that no indicators of impairment were present and accordingly the Group's analysis concluded that no impairment was required.</p> <p>The assessment of indicators of impairment and determination of CGUs involves judgment including assessing future expected operating performance, considering changes in market conditions including gold and silver price forecasts, assessment of interdependence of cash flows and estimation of reserves and resources.</p> <p>Due to the significance of the carrying amount of the non-current assets relative to total assets and the significant judgment required in determining whether indicators of impairment exist, we consider this a key audit matter.</p> | <p>In performing our procedures, we:</p> <ul style="list-style-type: none">▶ Evaluated the Group's identification of its CGUs and its quantification of the carrying amount of its CGUs.▶ Considered whether indicators of impairment were present for the CGU with reference to the Australian Accounting Standards for both mining and exploration assets including:<ul style="list-style-type: none">○ Assessing whether there is any indication the market value of the CGU has declined during the period with reference to recent operating results and JORC compliant resource data;○ Verifying that all licences held were current and in good standing and that budgeted spend was planned;○ Considering whether any significant adverse changes in the market had occurred during the period with reference to commodity price data and relevant market factors;○ Considering whether any obsolesce or physical asset damage had occurred with reference to knowledge obtained from a site visit conducted by the audit team and the age and functionality of all physical items of PP&E (including the processing plant);○ Compared the Group's total net assets to market capitalisation;○ Performing a cross check of carrying values at 30 June 2022 to other market information including resource multiples appropriate to the assets;○ In respect of the physical PP&E (including the processing plant), considering whether there was anything to suggest the carrying value is not recoverable, with reference to the nature and age of the assets, the plant's processing functionality, recent comparable transactions and alternate use cases.▶ Obtained and reviewed the independent third party resource statements prepared in compliance with the JORC Code 2012.▶ Evaluated the qualifications, competence and objectivity of the experts used by the Group to determine the gold and silver resource estimates.▶ Assessed the adequacy of the related disclosures in the notes to the financial statements. |

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 2022 annual report but does not include the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 30 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Manuka Resources Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.



Building a better
working world

Page 5

Responsibilities

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

Ernst & Young

Siobhan Hughes
Partner
Sydney
30 September 2022

ASX Additional Information

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 30th September 2022.

(a) Distribution of equity securities

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

| | | Ordinary shares | |
|--|-----------|-------------------|------------------|
| | | Number of holders | Number of shares |
| 1 | - 1,000 | 137 | 89,863 |
| 1,001 | - 5,000 | 644 | 1,795,068 |
| 5,001 | - 10,000 | 437 | 3,742,254 |
| 10,001 | - 100,000 | 686 | 23,767,357 |
| 100,001 | and over | 183 | 256,625,839 |
| | | 2,087 | 286,020,381 |
| The number of equity security holders holding less than a marketable parcel of securities are: | | 570 | 965,223 |

(b) Twenty largest shareholders

Twenty largest quoted equity security holders

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

| Listed ordinary shares | | |
|---|--------------------|-------------------------------|
| | Number of shares | Percentage of ordinary shares |
| 1 RESCAP INVESTMENTS PTY LTD | 79,833,280 | 27.91% |
| 2 SPINITE PTY LTD | 11,917,297 | 4.17% |
| 3 CLAYMORE CAPITAL PTY LTD <NOMINEE TRADING A/C> | 11,526,296 | 4.03% |
| 4 RESCAP INVESTMENTS PTY LTD | 10,440,000 | 3.65% |
| 5 LEVEL 1 PTY LTD <THE LEVEL ONE A/C> | 10,119,496 | 3.54% |
| 6 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 9,327,118 | 3.26% |
| 7 ADAM AARON ROSENBERG | 8,152,174 | 2.85% |
| 7 MATTHEW DAVID ROSENBERG | 8,152,174 | 2.85% |
| 7 BRETT SAMUEL ROSENBERG | 8,152,174 | 2.85% |
| 8 BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 6,066,083 | 2.12% |
| 9 KIZOGO PTY LTD <BERGAN EXECUTIVE RETIREMENT FUND A/C> | 5,434,783 | 1.90% |
| 10 CITICORP NOMINEES PTY LIMITED | 5,304,397 | 1.85% |
| 11 SPINITE PTY LTD | 4,234,712 | 1.48% |
| 12 A N HOLMAN INVESTMENTS PTY LIMITED <THE HOLMAN FAMILY A/C> | 3,825,361 | 1.34% |
| 13 EXIT OUT PTY LTD <THE DISCRETIONARY A/C> | 3,194,938 | 1.12% |
| 14 GEULAH PTY LTD <GEULAH FAMILY A/C> | 2,974,610 | 1.04% |
| 15 MR DALE ANDREW BURKITT | 2,600,000 | 0.91% |
| 16 VISVALINGAM PTY LTD <SAVI3 SUPER FUND A/C> | 2,072,573 | 0.72% |
| 16 MINING ASSOCIATES LIMITED | 2,072,573 | 0.72% |
| 17 JONATHAN MARQUARD & AMANDA HUTTON <JANEZ FAMILY A/C> | 1,890,637 | 0.66% |
| | 202,599,501 | 70.83% |

(c) Substantial shareholders

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

| | Number of Shares | % Issued Capital |
|---|------------------|------------------|
| Level 1 Pty Ltd (ACN 105 622 928) <The Level one trust>, Kizogo Pty Ltd (ACN003 334 370) <Bergan Executive Retirement Fund>, Claymore Capital Pty Ltd (ACN 082 722 290) <Nominee trading a/c>, Sharron Ruth Rosenberg | 30,413,247 | 10.63% |
| ResCap Investments Pty Ltd | 90,273,280 | 31.56% |
| Dennis Karp (including holding of ResCap Investments Pty Ltd) | 91,814,557 | 33.51% |

(d) Voting rights

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

(e) Schedule of interests in mining tenements as at 30 September 2022

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

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

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

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

(f) Unquoted Securities

At 30 September 2022, the Company had the following unlisted securities on issue:

| Class | Number of Securities | Number of Holders | Holders of 20% or more of the class | |
|-------------------------------------|----------------------|-------------------|---------------------------------------|----------------------|
| | | | Holder Name | Number of Securities |
| \$0.25 options, expiring 17/04/2023 | 11,250,000 | 8 | n/a | |
| \$0.25 options, expiring 14/07/2023 | 10,000,000 | 1 | Bell Potter Securities Ltd | 10,000,000 |
| \$0.30 options, expiring 28/07/2023 | 5,000,000 | 1 | Conan Minerals Group Pty Ltd | 5,000,000 |
| \$0.32 options, expiring 30/09/2023 | 5,000,000 | 1 | TA Private Capital Security Agent Ltd | 5,000,000 |
| \$0.50 options. expiring 11/04/2024 | 1,100,000 | 3 | Dennis Karp | 500,000 |
| | | | Nicholas Lindsay | 300,000 |
| | | | Anthony McPaul | 300,000 |
| \$0.50 options, expiring 04/03/2023 | 13,620,002 | 71 | n/a | |
| \$0.50 options, expiring 08/04/2023 | 8,046,667 | 17 | Evolution Capital Pty Ltd | 3,750,000 |

(f) Restricted Securities

At 30 September 2022, the Company had no restricted securities on issue.

(h) Approach to Corporate Governance

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

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

Charters

- Board
- Audit, Risk and Sustainability Committee
- Nomination Committee
- Remuneration Committee

Policies and Procedures

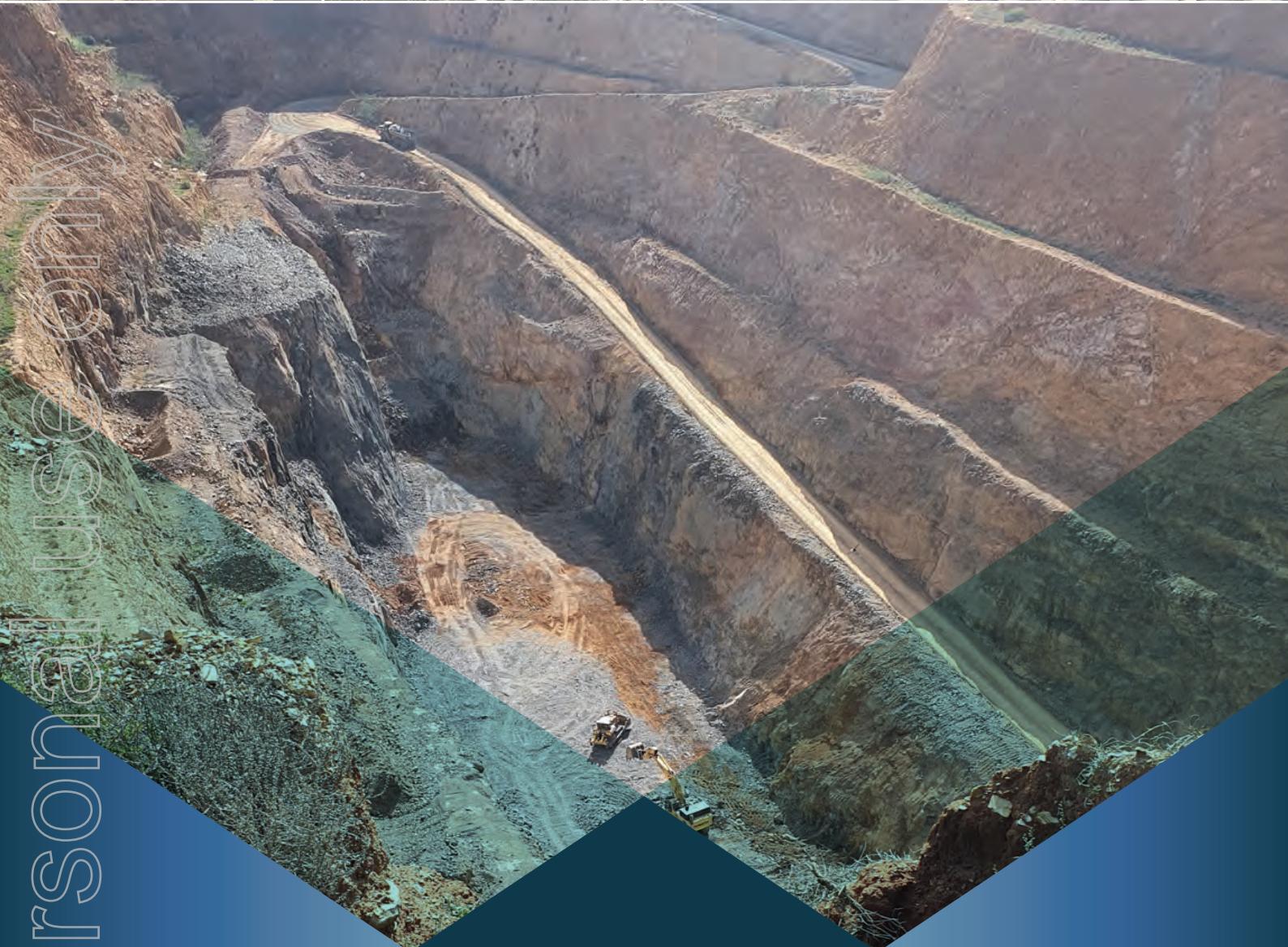
- Corporate Code of Conduct
- Disclosure - Performance Evaluation
- Continuous Disclosure
- Risk Management Policy
- Trading Policy
- Diversity Policy
- Shareholder Communication Strategy
- Sustainability Policy
- Hedging Policy
- Whistleblower Policy

For the financial year ended 30 June 2022 (**Reporting Period**) the Company has adopted the fourth edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council. The Company's 2022 Annual Corporate Governance Statement has been approved by the Board and is publicly available on the Company's website at www.manukaresources.com.au/site/about/corporate-governance. It will also be released to the ASX at the same time as this 2022 Annual Report.

(i) Use of Proceeds

The Company was admitted to the official list of the ASX on 11 July 2020. In accordance with Listing Rule 4.10.19, the Company has, during the financial year ended 30 June 2022, used cash and assets in a form readily convertible to cash, in a way consistent with its business objectives.

For personal use only



For personal use only



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