

06 October 2017

ASX ANNOUNCEMENT

By Electronic Lodgement

AusIndustry Claims and ATO Matters

The board of Moreton Resources Limited would like to take this opportunity to update the market on the progress of our referral, to the Administrative Appeals Tribunal (**AAT**).

As the market is aware, the matter's referred to the AAT were heard in the week of the 13th of February 2017, and still to date a decision has not been made.

In saying this, the Company did through the AAT process, and still to date monitors with great interest the progression of Leigh Creek Energy's Advanced Finding decision, as announced on 18 November 2016 by LCK to the ASX. The Company believes the Advanced Finding by Innovation Australia for the Leigh Creek Project is objectively the same claim as made by Moreton Resources Limited, which was rejected by Innovation Australia, and as such we believe the advanced finding will be of great interest to the Company and its shareholders should the matter continue past this current awaited decision.

In essence the advanced ruling in favour of the Research and Development activities with Leigh Creek are –

- Appraisal and environmental monitoring well drilling;
- Hydrogeological and geotechnical engineering and associated modelling studies;
- Technical, management, operational, financial and administrative support; and
- Installation, operation and decommissioning of underground and above ground plant and facilities

These activities relate to the "Pre Commercial Demonstration Stage" of what is the underground coal gasification trial. Moreton Resources Limited notes we believe the advanced ruling for Leigh Creek Energy represents sound, correct legislative interpretation and based on factual and truthful analysis, hence we look at this development with great interest, since the same legislative programs administrator in Innovation Australia, attempts to deny our already approved claims with the Research and Development programs claims process.

As outlined we look forward to the AAT decision and also seek to understand how the Department of Industry, Innovation and Science intends to hold its position longer term should this be further referred to the Federal Court. The Company also, at the AAT process, raised significant concerns on due process and natural justice in regard to Innovations Australia's Officers whom in our opinion failed due process, and denied natural justice, evident in significant emails and documents obtained about the selectively unfavourable conduct of certain Government Officers.

However, despite the above the Company has the view that it is in the best interest of the Company to ensure all possibly scenarios are considered, and whilst the Board believe it highly unlikely of an adverse finding, the Company has been working in conjunction with the Australian Tax Office to ensure the interest of the ATO and the Company are maintained, and hence we have entered a binding agreement whereby the Company has agreed the following –

- Bowen Basin Coal Pty Ltd has acted as guarantor for Moreton Resources Limited, based upon an Asset Valuation of the Mackenzie asset in the order of magnitude of \$20 Million.
- The Company has agreed upon the terms of payment of the potential Debt, which leaves the determination upon when such debt will be payable and this has been addressed in a lengthy definition. However, in short, it is when all avenues of appeal and due process are exhausted, which include but are not limited to the AAT, the Federal Court and the High Court and if it is an adverse decision against MRV. Hence should either party choose to appeal and escalate an adverse AAT decision, there are numerous steps to continue this dispute which could move into several years prior to resolution.
- The Company has agreed to a Payment Plan based upon the following, should the Company suffer an adverse decision at the end of all exhausted options -
 - 30% of outstanding Debt payable within 90 days of an adverse finding
 - 20% of outstanding Debt payable within 180 days of an adverse finding
 - 20% of outstanding Debt payable within 270 days of an adverse finding
 - 20% of outstanding Debt payable within 360 days of an adverse finding
 - 10% of outstanding Debt payable within 450 days of an adverse finding

In saying this, the Company will not seek to appeal a decision unless it believes fundamentally errors in law have been made or misinterpretation of the evidence has occurred, however it is far too early to determine any such views, and at the moment the Board still expects a positive decision, based upon our legal advise and outline of prospects prior to entering this dispute, which are strengthened in our view by the Leigh Creek Advanced Funding Decision.

Regards

Jason Elks
Executive Chairman
Moreton Resources Limited

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