



Moreton Resources Limited
ABN 75 060 111 784

Interim Financial Report

For the Half-Year Ended
31 December 2017

This Interim financial report is provided to the ASX under ASX Listing Rule 4.2A.3 and should be read in conjunction with the 2017 Annual Financial Report and any announcements made to the market during the period.

**MORETON RESOURCES LIMITED
CORPORATE DIRECTORY**

Directors

Mr Tony Feitelson Non-Executive Director
Mr Valeri Melik Non-Executive Director
Mr Alexander Jason Elks Chairman / CEO

Lee Horobin Company Secretary
(resigned 31 Jan 2018)
Evan Hughes Company Secretary
(appointed 31 Jan 2018)

Registered Office

29 High Street
Texas, Queensland, 4385
Telephone: + (61 7) 4653 1769

Principal Office

Same as registered office

Website

www.moretonresources.com.au

Share Registry

Link Market Services
Level 21
10 Eagle Street
Brisbane, Queensland, 4000
Australia
Telephone: + (61 7) 3320 2235
Facsimile: + (61 7) 3228 4999

Auditors

Nexia Brisbane Pty Ltd
Level 28, 10 Eagle Street
Brisbane, Queensland, 4000
Australia

Tax Advisors

Hoopers Accountants Pty Ltd
100 Neil Street
Toowoomba, Queensland, 4350

Stock Exchange Home Branch

Australian Securities Exchange Limited (ASX)
Exchange Centre, 20 Bridge Street
Sydney, New South Wales, 2000

ASX Securities Codes

MRV - fully paid ordinary shares

MORETON RESOURCES LIMITED
ACN 060 111 784

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 December 2017

The Directors of Moreton Resources Limited submit their report for the half-year ended 31 December 2017.

DIRECTORS

The names and particulars of the Directors of Moreton Resources Limited in office at any time during or since the end of the period:

Name and qualifications	Title	Capacity
Jason Elks	Executive Chairman	Executive Director
Valeri Melik	Non-Executive Director	Non-Executive Director
Tony Feitelson	Non-Executive Director	Non-Executive Director

REVIEW OF OPERATIONS

The highlights of the half year were as follows:

- Mining Lease for the Granite Belt Project was granted.
- Plan of Operation for Granite Belt Project lodged with Dept of Environment and heritage protection and \$4.5 million voluntary Bond lodged.
- Significant recommissioning activities undertaken at Granite Belt Project with the first shipment of silver produced from recommissioning activities.
- Consultants engaged to progress EIS on South Burnett Coal Project.
- Updated JORC Resource on South Burnett Coal Project finalised and released.
- Surat Basin Coal Project commenced the State and Federal Approvals Process.
- Debenture funding drawn down to finance Granite Belt project restart.
- A successful Rights Issue was undertaken by the company.
- The Company completed the half-year with a cash balance on hand and at bank of \$540,644.

Company Projects (Or fully owned subsidiaries' projects)

South Burnet Coal Project (Tarong Basin, MDL 385/EPC 882)

During the half year the company progressed the preparation of the EIS utilising various specialised consulting firms. Ranbury Consulting were appointed to refine the final route considerations and costs for a definitive Rail option to the North Coast Rail Line and GHD Engineering were appointed to study for slurry pipeline or conveyor options for coal load out at the North Coast Rail Line. Baseline air quality and noise monitoring studies for the Environmental Impact Statement were undertaken and these will incorporate the substantial data that the Company already has compiled over the last ten years.

Mackenzie Project (Bowen Basin, EPC 1445, MDL 503)

The Mackenzie project is still a key focus for the Company and we continue to assess and plan with a target of advancing next step activities within the 2018 calendar year.

MORETON RESOURCES LIMITED

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DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 December 2017

Wandoan Project (Surat Basin MDL 420)

The Company commenced the statutory approvals process for the Surat Basin Coal Mining Project. The Project entered the Commonwealth approvals process through a referral to the Commonwealth Department of the Environment and Energy to seek an assessment level determination of the projects status and legislative triggers for final consideration and assessment. At the same time, a Voluntary EIS application was lodged to the Queensland Department of Environment and Heritage Protection which again seeks an assessment level determination and recommendation that both State and Federal permits are assessed and approved through the Bilateral Process operated between both Governments.

Granite Belt Project (MRV Metals Pty Ltd, ML100106, EPM 8854, EPM 11455, EPM 18950 and EPM 12858)

The Mining Lease, ML100106, was granted in early October and this was immediately followed by re-commissioning work commencing on site. Work undertaken has included major environmental clean-up and rectification work and also significant safety and systems advancements. The silver room has been recommissioned and this produced an amount of silver concentrate that was shipped from site and formed the first sale to the contracted refiner in Melbourne. Various other remediation work around the site has included improvement of the heaps by fixing slumped areas and improving the batter angles to prevent future slumping. Liner integrity has been improved by implementing a number of liner repairs. A number of ancillary mobile plant items have been purchased in order to complete much site work and additionally several mobile crushers have been purchased as part of the plan to improve the crushing circuit. The restart strategy is to commence leaching of the heaps after correction of the pH levels throughout the circuit and mining and crushing will then restart once the operation is cash positive.

CORPORATE

Research and Development Refund

The company awaits the decision of the Administrative Appeals Tribunal action which was held in early 2017. The ultimate outcome of these proceedings is still pending and cannot be predicted with certainty. Should any amounts ultimately be payable to the ATO, the company has entered into an agreed payment plan with the ATO.

On the basis of professional advice obtained, the Company considers its claim to the Research and Development Tax Incentive Offsets is justified and valid. The amount of the receivable for the Research and Development Tax Incentive Offsets continues to be carried at the full value of the claim as the Company's best estimate of the probable amount recoverable. The Company has at all times kept the market fully informed as to the status of this matter.

Debentures

The Company executed a Secured debenture deed on 26 May 2017. Debentures are secured by all of the assets of the Company and a guarantee by wholly-owned subsidiary MRV Metals Pty Ltd. The debenture deed has a 2-year term, interest rate of 10% per annum (payable quarterly) and total facility amount of \$5.25M (excluding Equity issues) and during the half year this was extended to \$6.75M. Interest payments may be made 50% cash and 50% equity (at \$0.011 per share). As some of the debentures were taken up by Directors the initial issue of shares part payment of interest by issue of shares was approved at the AGM in October 2017.

RESULTS AND FINANCIAL POSITION

The financial position of the Company at balance date has changed significantly from 30 June 2017, following the receipt of the Granite Belt Project mining lease and the acquisition of the associated assets and liabilities of the mine site. The consolidated net profit after income tax attributable to the owners of Moreton Resources Limited for the half-year ended 31 December 2017 was \$12,296,097 (2016HY loss: (\$924,015)). Consolidated net assets at 31 December 2017 totalled \$28,127,511 (30 June 2017 \$10,351,291), including cash balances of \$540,644 (30 June 2017 \$2,660,805).

MORETON RESOURCES LIMITED
ACN 060 111 784

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

In the half year to 31 December 2017, the company issued 505,135,760 new shares raising \$5,516,208. The company issued 40,378,124 options whilst 8,057,250 options were exercised.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the next page.

This report is made in accordance with a resolution of the directors.



Jason Elks
Chief Executive Officer

Brisbane 15 March 2018

Auditor's Independence Declaration

Under Section 307C of the *Corporations Act 2001*

To the Directors of Moreton Resources Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2017 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Moreton Resources Limited and the entities it controlled during the period.



Nexia Brisbane Audit Pty Ltd



ND Bamford
Director

Date: 15 March 2018

MORETON RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	31 December 2017 \$	30 June 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents		540,644	2,660,805
Trade and other receivables	4	6,067,722	5,262,274
Inventories	11	9,554,500	-
Other financial assets		647,970	147,969
Total current assets		16,810,836	8,071,048
Non-current assets			
Exploration and evaluation assets	5	5,100,243	5,305,001
Mine Development Assets	6	7,639,950	-
Restricted Cash	7	4,500,000	-
Property, plant and equipment	8	6,138,507	344,722
Total non-current assets		23,378,700	5,649,723
TOTAL ASSETS		40,189,536	13,720,771
LIABILITIES			
Current liabilities			
Trade and other payables		1,382,544	133,396
Provisions		129,481	211,084
Borrowings	9	6,750,000	3,025,000
Total current liabilities		8,262,025	3,369,480
Term Liabilities			
Provisions	11	3,800,000	-
Total Term Liabilities		3,800,000	-
TOTAL LIABILITIES		12,062,025	3,369,480
NET ASSETS		28,127,511	10,351,291
EQUITY			
Issued capital	10	80,722,118	75,247,446
Reserves		5,451	2,495
Accumulated losses		(52,600,058)	(64,898,650)
TOTAL EQUITY		28,127,511	10,351,291

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

MORETON RESOURCES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Notes	Half Year Ended 31 December 2017 \$	Half Year Ended 31 December 2016 \$
REVENUE			
Other Income		10,027	8,390
Gain on business acquisition	11	13,320,497	-
EXPENSES			
Depreciation and amortisation		16,996	20,161
Exploration expenditure expensed		-	198,858
Employee benefits expense		259,402	172,817
Insurance expenses		66,673	25,786
Professional fees		193,101	396,889
Securities quotation fees		62,829	40,146
Other corporate costs		185,937	62,518
Finance costs		205,426	-
Travel costs		44,063	15,230
Total Expenses		1,034,427	932,405
PROFIT/(LOSS) BEFORE INCOME TAX		12,296,097	(924,015)
Income Tax		-	-
TOTAL PROFIT/(LOSS) AFTER INCOME TAX FOR THE HALF YEAR	2	12,296,097	(924,015)
OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR, NET OF TAX		-	-
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE HALF YEAR ATTRIBUTABLE TO MEMBER OF THE PARENT ENTITY		12,296,097	(924,015)
		Cents	Cents
Basic earnings per share		0.49	(0.05)
Diluted earnings per share		0.49	(0.05)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

MORETON RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Contributed Equity \$	Share-based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
2017				
Balances at 01-07-2017	75,247,446	2,495	(64,898,650)	10,351,291
<u>Comprehensive income</u>				
Profit after tax for the period	-	-	12,296,097	12,296,097
Other comprehensive income for the period	-	-	-	-
Total comprehensive income	-	-	12,296,097	12,296,097
<u>Transactions with owners in their capacity as owners</u>				
Contributions by owners				
Shares issued	5,516,208	-	-	5,516,208
Share Issue costs	(41,536)	-	-	(41,536)
Share based payments	-	5,451	-	5,451
Transfer of share based payment reserve to retained earnings	-	(2,495)	2,495	-
Total transactions with owners	5,474,672	2,956	2,495	5,480,123
Balances at 31-12-2017	80,722,118	5,451	(52,600,058)	28,127,511
2016				
Balances at 01-07-2016	74,092,375	1,758	(63,206,777)	10,887,356
<u>Comprehensive income</u>				
Loss after tax for the period	-	-	(924,015)	(924,015)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income	-	-	(924,015)	(924,015)
<u>Transactions with owners in their capacity as owners</u>				
Contributions by owners				
Shares issued	838,519	-	-	838,519
Share based payments	-	1,027	-	1,027
Transfer of share based payment reserve to retained earnings	-	(309)	309	-
Total transactions with owners	838,519	718	309	839,546
Balances at 31-12-2016	74,930,894	2,476	(64,130,483)	10,802,887

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

MORETON RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Notes	Half Year Ended 31 December 2017 \$	Half Year Ended 31 December 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers			
Payments to suppliers and employees		(799,423)	(1,023,267)
Interest Paid		(181,426)	-
Interest received		10,027	8,343
Net cash (outflow) from operating activities		(970,822)	(1,014,924)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security deposits lodged		(5,000,000)	-
Payments for property, plant and equipment		(1,874,244)	(3,817)
Payments for exploration and evaluation assets		(625,656)	(698,262)
Payments for mine development assets		(2,349,109)	-
Net cash inflow from investing activities		(9,849,009)	(702,079)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		5,224,670	838,519
Proceeds from issue of debentures		3,475,000	-
Proceeds from borrowings		-	321,398
Net cash inflow from financing activities		8,699,670	1,159,917
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,120,161)	(557,086)
Cash and cash equivalents at the beginning of the half year		2,660,805	1,776,710
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF YEAR		540,644	1,219,624

Significant non-cash investing and financing activities in the half year was the business combination as set out in note 11.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Corporate Information

The financial report of Moreton Resources Limited (the 'Company' or 'consolidated entity') for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors as per the date of signature on the Directors Declaration. Moreton Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ('ASX') with the ASX trading code of 'MRV'.

Basis of preparation

These general purpose interim financial statements for the half-year ended 31 December 2017 have been prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting* ('AASB 134'). The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the consolidated entity. Thus this half-year financial report does not include notes of the type normally included in an annual financial report and therefore should be read in conjunction with the annual financial report for the year ended 30 June 2017 and considered together with any public announcements made by the Company during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The accounting policies and methods of computation, judgements, estimates and assumptions adopted in the preparation of the half-year are consistent with those adopted and disclosed in the Company's most recent annual financial report for the year ended 30 June 2017, other than the key estimates taken in respect of the business combination (note 11). All amounts are presented in Australian dollars, unless otherwise stated.

Business combination

Following the acquisition of mining operations in the period, the following accounting policy in respect of a business combination has been applied.

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date. All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period, however their effect is not relevant. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

When the Company transitions to full mine operations new accounting standards AASB 9/15/16 (due to apply from January 2018) will be relevant to the Company.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 2 RESULT FOR THE PERIOD

Loss for the period includes the following items

	Notes	31 December 2017 \$	31 December 2016 \$
Other Income			
Interest		10,027	8,343
Profit on sale of assets		-	47
Gain on business acquisition	11	13,320,497	-
		13,330,524	8,390
Employee Benefits			
Employee benefits		253,951	171,790
Employee share options		5,451	1,027
		259,402	172,817
Professional fees	(a)	193,101	396,889
Income tax	(b)	-	-

(a) These amounts relate to services provided by external professionals for accountancy support, audit services, taxation services, legal services and public relations, communications and human resources support.

(b) The Company has significant carry forward income tax losses and no income tax expense. At 31 December 2017 an amount of \$5,160,515 [30 June 2017: \$5,160,515] is included in receivables in the Statement of Financial Position in relation to R&D Tax Incentive payments (refer Note 4).

NOTE 3 SEGMENT INFORMATION

The principal business of the group is the development of resource projects in Australia. The segments identified are the company's mineral assets comprising the Granite Belt Project and the coal assets comprising the Kingaroy, Wandoan and McKenzie Coal Projects. The company only operates in one geographical location being Australia.

	31 December 2017		
	Minerals	Coal	Total
Revenue from external customers	-	-	-
Other Income	13,320,497	-	13,320,497
Expenses	(399,245)	-	(399,245)
Reportable Segment profit/(loss) before Income tax	12,921,252	-	12,921,252
Unallocated corporate net income/(loss)			(625,155)
Consolidated profit before income tax			<u>12,296,097</u>
Segment Assets	28,473,747	5,022,385	33,496,132
Unallocated Assets			6,693,404
Total Assets			<u>40,189,536</u>
Segment Liabilities	11,908,281	58,367	11,966,648
Unallocated Liabilities			95,377
Total Liabilities			<u>12,062,025</u>

In the current period the Group's reporting segments have been realigned to reflect developments in the Granite Belt Project, which is now reported as a segment (Minerals) separate to the coal projects. The Group had only one operating segment in the previous reporting period relating to exploration and evaluation projects.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 4 TRADE AND OTHER RECEIVABLES

	31 December 2017	30 June 2017
	\$	\$
Other receivables *	5,160,515	5,160,515
Sundry receivables	907,207	101,759
	6,067,722	5,262,274

Trade and other Receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. The above amounts are not past due date and therefore no amounts have been impaired. Security is not obtained.

* The Company has previously made claims in relation to the Research and Development Tax Incentive Offset in accordance with Division 355 of the Income Tax Assessment Act 1997 (Cth).

The Company originally claimed the following amounts:

- \$473,476 of Research & Development Tax Incentive Offsets in its 2012 income tax return,
- \$7,104,744 of Research & Development Tax Incentive Offsets in its 2013 income tax return,
- \$465,515 of Research & Development Tax Incentive Offsets in its 2014 income tax return, and
- \$444,756 of Research & Development Tax Incentive Offsets in its 2015 income tax return.

In 2014 and 2015, the Company lodged an amendment request in relation to its 2012 income tax return and received a further \$498,248 in Research & Development Tax Incentive Offset claims from the Australian Taxation Office. The Company also lodged an objection to the 2013 and 2014 income tax returns which entitled the Company to an additional \$5,160,515 in Research & Development Tax Incentive Offset claims.

Based on a finding made by Innovation Australia in relation to the activities related to the Research & Development Tax Incentive Offsets, the Australian Taxation Office has amended the Research & Development Tax Incentive Offsets for the 2012, 2013 and 2014 income years to \$0. The Australian Taxation Office has also amended the Research & Development Tax Incentive Offset claim for the 2015 income year to \$0. In relation to the 2012 and 2013 income years, the Australia Taxation Office has advised it will seek repayment of \$8,185,724 previously paid to the Company in respect of the Research and Development Tax Incentive Offsets claimed. The ATO has also indicated it may seek compound interest and further claims should the matter be found in their favour. Although the ultimate outcome of this matter against the Company also cannot be predicted with certainty, the Company rejects this position and is of the view that the Research and Development Tax Incentive Offsets have been correctly claimed.

In order to defend its position, the Company initiated proceedings in the Administrative Appeals Tribunal to dispute the finding made by Innovation Australia in the 2012 to 2014 income years. The matter was heard by the tribunal in February 2017, however no decision has been issued. The ultimate outcome of these proceedings is still pending and cannot be predicted with certainty. In the current period the Company has provided its interest in the McKenzie Coal Project as security to the ATO, for the \$8,185,724 repayment sought by the ATO. A payment plan has also been agreed with the ATO, should the Company after having extinguished all of its appeal options and escalation rights still be liable for the payment, whereby 30% of the debt is payable within 90 days, further amounts of 20% each at 180/270/360 days, and a final 10% payment at 450 days.

On the basis of professional advice obtained, the Company considers its claim to the Research and Development Tax Incentive Offsets is justified and valid. The amount of the receivable for the Research and Development Tax Incentive Offsets continues to be carried at the full value of the claim as the Company's best estimate of the probable amount recoverable. The Company has at all times kept the market fully informed as to the status of this matter.

The Company has not recognised in the Financial Statements the R&D Tax Incentive Claim pertaining to 2015 income tax return, totalling \$444,756, on the basis that the Registration Certificate (required to enable the claim to move forward) has been held in abeyance by Innovation Australia, pending the outcome of the current action before the Administrative Appeals Tribunal.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 5 EXPLORATION AND EVALUATION ASSETS

	Notes	31 December 2017 \$	30 June 2017 \$
Kingaroy, Qld Coal Project			
Balance at the start of the financial period		1,508,824	1,076,251
Additional expenditure		391,712	432,573
Balance at the end of the financial period		1,900,536	1,508,824
Wandoan, Qld Coal Project			
Balance at the start of the financial period		1,225,968	1,154,043
Additional expenditure		72,271	71,925
Balance at the end of the financial period		1,298,239	1,225,968
Mackenzie, Qld Coal Project			
Balance at the start of the financial period		1,739,795	1,676,069
Additional expenditure		31,706	63,726
Balance at the end of the financial period		1,771,501	1,739,795
Granite Belt Metals Project			
Balance at the start of the financial period		830,414	114,588
Additional expenditure		129,967	715,826
Transfer to Mine Development		(830,414)	-
Balance at the end of the financial period		129,967	830,414
Total exploration and evaluation assets		5,100,243	5,305,001

NOTE 6 MINE DEVELOPMENT ASSETS

During the half year the Company was granted a Mining Licence on the Granite Belt Project and commenced recommissioning the mine site.

	Note	31 December 2017 \$	30 June 2017 \$
Granite Belt Metals Project			
Balance at the start of the financial period		-	-
Transferred from Exploration & Evaluation Assets		830,414	-
Assets acquired in business combination	11	4,020,000	-
Expenditure		2,789,536	-
Balance at the end of the financial period		7,639,950	-

The "Transferred from Exploration & Evaluation Assets" reflects the carrying amount of the Granite Belt Project previously held in the capitalised Exploration & Evaluation expenditure account which have been transferred to development following the Board's decision to proceed with the project.

NOTE 7 RESTRICTED CASH

During the financial period a voluntary bond of \$4,500,000 was placed with the Department of Environment and Science as Financial Assurance for the Environmental Authority related to the Mining Licence over the Granite Belt project. (See Notes 11 & 13)

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 8 PROPERTY, PLANT & EQUIPMENT

	Office Equipment & Furniture	Property, Plant & Equipment	Total Depreciable Assets
Half Year to 31 December 2017			
Balance at start of period	37,807	306,915	344,722
Additions	50,924	2,267,759	2,318,683
Acquired in business combination (note 11)	-	3,556,000	3,556,000
Depreciation expense	(16,996)	(63,902)	(80,898)
Balance at end of period	<u>71,735</u>	<u>6,066,772</u>	<u>6,138,507</u>
2017 Financial Year			
Balance at start of period	55,813	40,346	96,159
Additions	16,159	277,990	294,149
Depreciation expense	(34,165)	(11,421)	(45,586)
Balance at end of period	<u>37,807</u>	<u>306,915</u>	<u>344,722</u>

Additions of \$2,318,683 relate primarily to the recommissioning of the Granite Belt Project.

NOTE 9 BORROWINGS

	31 December 2017 \$	30 June 2017 \$
Secured Debentures		
- related parties	2,250,000	25,000
- non-related parties	4,500,000	3,000,000
Total	<u>6,750,000</u>	<u>3,025,000</u>

The Company executed a Secured debenture deed on 26 May 2017. Debentures are secured by all of the assets of the Company and a guarantee by wholly-owned subsidiary MRV Metals Pty Ltd. The debenture deed has a 2-year term, interest rate of 10% per annum (payable quarterly) and total facility amount of \$5.25M (excluding Equity issues) and during the half year this was extended to \$6.75M. Interest payments are made 50% cash and 50% equity (at \$0.011 per share). As some of the debentures were taken up by Directors the initial issue of shares and part payment of interest by issue of shares was approved at the AGM in October. Whilst the debentures have a 2-year term, in accordance with Australian Accounting Standards they are disclosed as a current liability as the Company does not have an unconditional right to defer payment until after 30 June 2018.

NOTE 10 EQUITY

Movements in ordinary shares:

	Notes	Number	\$
Opening Balance		2,120,290,717	75,247,446
Rights Issue - July 2017		421,965,184	4,641,617
Issued as part of Debenture subscription	9	68,181,818	750,000
Issued as part payment of debenture interest	9	6,931,508	76,247
Issued on exercise of Options		8,057,250	48,344
Issue Costs		-	(41,536)
Balance at end of period		<u>2,625,426,477</u>	<u>80,722,118</u>

In the year to 30 June 2017 the Company issued 291,123,645 shares raising \$1,155,071

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT:
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 10 EQUITY continued

Movements in options on issue:

	Notes	31 December 2017 \$	30 June 2017 \$
Opening balance		8,057,250	19,541,166
Issued during the period following approval at the AGM		40,378,124	-
Lapsed / exercised during the period		(8,057,250)	(11,483,916)
Balance at end of period		40,378,124	8,057,250

Details of share options outstanding at period end:

Grant Date	Vesting Date	Expiry Date	Exercise Price	Number
January 1 2016	November 1 2018	December 31 2018	\$0.004	20,189,062
January 1 2017	November 1 2019	December 31 2019	\$0.004	20,189,062

NOTE 11 BUSINESS COMBINATION

MRV Metals Pty Ltd, a 100% subsidiary of Moreton Resources Limited, acquired the historic Twin Hills Silver Mine on the date of the granting of Mining Licence 100106 being 3rd October 2017 and the Directors have determined that this is a business combination pursuant to AASB 3 Business Combinations. The Company had previously acquired exploration permits for the area and its surrounds. Included in the acquisition was certain fixed plant and equipment such as the crusher system and the processing plant that was previously used by Alcyone Resources Limited when it operated the Twin Hills Silver Mine in 2014. Site infrastructure was also acquired which included the leach heaps and the ponds and dams used in the mining process. Included in the heaps is an amount of silver inventory. This acquisition has given MRV Metals Pty Ltd the ability to recommence the mining operation. In turn this recommencement of operations will give the Queensland Government a significant benefit that the area will no longer be classified as an "abandoned mine" and the State will therefore not be responsible for the ongoing costs to manage the site. In order to release the State of this ongoing site management the formerly abandoned assets were transferred to MRV Metals Pty Ltd upon the granting of the mining licence for \$10,003.

The assets and liabilities recognised as a result of the acquisition are as follows:

Plant and Equipment	3,556,000
Mine Infrastructure	4,020,000
Inventories	9,554,500
Provision for Rehabilitation	(3,800,000)
Total	<u>13,330,500</u>
Consideration	<u>(10,003)</u>
Gain on acquisition	<u>13,320,497</u>

In accordance with AASB3 these amounts are recorded on the balance sheet as regards the assets and liabilities and a gain has been recognised in the statement of profit or loss and other comprehensive income.

In addition to the acquisition payment the Company has lodged a voluntary bond for the project (see note 7), covering future environmental responsibilities. Acquisition related costs included in the profit and loss total \$39,859.

The assets and liabilities acquired are recorded at their fair value determined on the following basis:

Plant and Equipment and Mine Infrastructure fair values were determined by consultants with expertise in valuing this type of equipment who have visited the site and made their assessments based upon their expert knowledge. Inventories were based upon an assessment of the recoverable silver in the heaps valued at the lower of an estimated cost of production or net realisable value. The land has an associated liability with it as being on the Contaminated Land Register and the company has taken on the liability to rehabilitate this issue for which it has made an estimate of the cost to remedy this problem.

The final amounts of assets and liabilities acquired in the transaction, including environmental rehabilitation, will be determined when any further environmental rehabilitation responsibilities are identified. The Company expects this will be within the next 6-12 months.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 11 BUSINESS COMBINATION continued

Since acquisition recommissioning of the mine has been undertaken and trial processing. These works have continued since balance date and expectations of commercial production are for April 2018. The loss in the period resulting from the acquisition is \$399,245. Due to the re-commissioning nature of the business combination there is no relevant full period performance comparative.

The accounting treatment of this business combination is a key estimate taken in preparation of the financial report. Whilst some re-commissioning of the mine site was required at acquisition, the presence of unmined resources, leach heaps, ponds & mine infrastructure are indicative of the inputs/ processes/ outputs in a business (per AASB3). In addition the fair value of assets and liabilities acquired are key estimates taken in preparation of the financial report.

The Company has accounted for items of property, plant and equipment and mine development assets at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

NOTE 12 CONTINGENT LIABILITIES

Exploration expenditure commitments on the tenements as at 31 December 2017 total \$809,390 over the next five years. As at 31 December 2017 the Company had a contingent liability relating to prior year matters in the amount of \$97,000 as set out in the company's 30 June 2017 financial statements.

NOTE 13 EVENTS OCCURRING AFTER THE BALANCE DATE

As set out in Note 11 the Company expects Granite Belt Project commercial production in April 2018.

The Department of Environment and Science issued a notice on 5th February regarding the level and timeframe for the proposed Financial Assurance for the Granite Belt project (above the already lodged voluntary \$4,500,000- See Note 7). The Company has a different interpretation of the law and requested an internal review process to be undertaken. The Company then has right of appeal to the Land Court to have its legal interpretation reviewed.

Entitlement Issue - The company had an entitlement issue to shareholders which closed on 5th February 2018. In total 129,234,914 shares were issued at an issue price of \$0.012, raising \$1.55 million

NOTE 14 FAIR VALUE MEASUREMENT

There are no assets or liabilities measured at fair value on a recurring basis, or non-recurring basis, after initial recognition. For financial assets and liabilities their fair values approximate carrying values due to their short term nature. As set out in note 11, assets and liabilities relating to the acquisition of the silver mine were measured at fair value at acquisition.

NOTE 15 RELATED PARTY DISCLOSURE

Related parties of the group are directors and key management personnel. Transactions with related parties are on commercial terms and conditions no more favourable than to other parties. Equity interests of Directors are set out in the Director's Report. During the half year certain Directors took up Debentures with the Company. The debentures are for a period of two years and incur an interest rate of 10% - half of which is payable in cash and half in shares (@0.011/share). The issue of debentures also included a subscription of shares equivalent to one third of the value of subscribed debentures. The issues were approved by shareholders at the AGM in October 2017. The Directors who subscribed for debentures were as follows:

- Companies and Entities associated with Director Tony Feitelson have debenture facilities with the company totalling \$1,312,500. A&J Consulting Pty Ltd has a debenture facility with the company of \$187,500. A&J Consulting Pty Ltd is 100% owned by the wife of Director Tony Feitelson.
- The company rents commercial space in Spring Hill from 113 Wickham Terrace Pty Ltd, a company associated with Director Tony Feitelson
- Director Jason Elks has a debenture facility with the company of \$750,000 of which \$500,000 has been drawn down by the company as at year end and \$250,000 is receivable at year end (received in January 2018).

Other transactions with related parties are set out below.

- Director Valeri Melik received \$46,152 for professional consultancy fees during the half year.
- Remuneration is paid in accordance with previously reported arrangements.

MORETON RESOURCES LIMITED
ACN 060 111 784

DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 December 2017

The Directors of Moreton Resources Limited declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
 - (b) complying with Accounting Standard AASB 134 '*Interim Financial Reporting*'.
2. There are reasonable grounds to believe that Moreton Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Jason Elks
Chief Executive Officer

Brisbane 15 March 2018

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MORETON RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Moreton Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Director's Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Moreton Resources Limited financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Moreton Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MORETON RESOURCES LIMITED (CONTINUED)**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Moreton Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

- i. giving a true and fair view of Moreton Resources Limited financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Nexia Brisbane Audit Pty Ltd****ND Bamford**

Director

Level 28, 10 Eagle Street,
Brisbane, QLD, 4000

Date: 15 March 2018