20 March 2018

ASX ANNOUNCEMENT

By Electronic Lodgement

Update on MRV Metals Financial Assurance

The board of Moreton Resources Limited would like to take this opportunity to update the market on a decision notice issued to its fully owned subsidiary MRV Metals Pty Ltd, dated the 20th of March 2018. This notice is a follow on from the notice received by the Company upon the 5th of February 2018, which at the time was referred to the Department of Environment and Science for Internal review of that initial decision.

As of today, the Company has now been formally advised of the outcome of that internal review.

The notice of review has outlined the following two significant issues, that MRV Metals Pty Ltd and the parent Company Moreton Resources Limited must deal with:

- Quantum of Financial Assurance being $11,524,259
- Required submission date of the 14th December 2018.

In response to this decision, the Company has determined it will escalate this decision, as a matter of urgency to the Queensland Land Court, whom has the jurisdiction and authority to review and rule upon the validity of this decision by the Department of Environment and Science. The Company would expect this appeal to have been lodged within the next one to two weeks.

Background

It is the Company's contention that the Financial Assurance is not a mechanism that can apply to disturbance caused by the previous operators of the site, be it under mining operations or be it under freehold tenure whilst harm is caused or exacerbated, and can only apply to the Company's future operations and harm caused by those future operations as per S 292 of the Environment Protection Act 1994. This is further evidenced by the definition of disturbance in the environmental authority itself (detailed further below) whereby the definition of disturbance expressly excludes disturbance that predates the grant of tenure. In the instance of MRV Metals, we were granted a Mining tenure on the 29th of September 2017, to which no prior ML existed at the time of this grant.

By way of further background the Company would like to advise the market of the following key issues to which we have relied upon our decision making to date, and furthermore which have informed our decision to advance to the Land Court of Queensland for determination in this matter.

> On or around the 18th of April 2016, the Hounorable Minister Dr Miles made a media release about the former Texas Mine Site by stating the "estimates of costs to fully rehabilitate the site ranged from $6.9 million to $9.8 million"
>
> At the time he also stated "The Queensland Government has introduced a bill to Parliament to ensure that in future mine operators can't simply walk away from **their responsibilities** if they choose to shut down their operations, such as has happened here in Texas".

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Following that, the Queensland Government has successfully introduced the Environmental Protection (Chain of Responsibility) Amendment Act 2016, which is specifically designed to pursue and hold those whom have created the harm, liable beyond closure and insolvency events.

It is important to note that since the closure of the former Texas Silver Mine, and for a substantial part of the abandonment, the Department of Environment and Science (Formally known as the Department of Environment and Heritage Protection) was in control of the site.

This is a key consideration, as it is expected this is the advisory body who advised the Minister of the time, of the potential **$6.9 - $9.8 Million liability,** which has now risen by approx. 45% from the midpoint of that range, despite the Department of Environment and Heritage Protection expending approx. $2.06 Million of the former Alcyone Resources bond, who were the operators before the mine ceased and the lease was disclaimed to the State as freehold land in late 2015.

Furthermore of note is MRV Metals Pty Ltd upon the 16th of May 2017, agreed to Environmental Authority EPML 04238116 which is the governing authority for MRV Metals to operate once the ML is granted and therefore pending a decision upon a Financial Assurance, operations may commence. It contained the following condition -

A8 Financial assurance must be lodged with the administering authority in the amount, the form and within the time required by the administrating authority.

This ability is enacted based upon the Environmental Protection Act 1994 which states (bold for purpose of highlight by MRV);

> ***292 Requirement to give financial assurance for environmental authority***
>
> *(1) The administering authority **may**, by condition of an environmental authority, require the holder of the environmental authority to give the administering authority financial assurance—*
>
> *(a) **before the relevant activity is carried out** under the environmental authority; and*
>
> *(b) as security for—*
> *(i) compliance with the environmental authority; and*
> *(ii) costs or expenses, or likely costs or expenses, mentioned in section 298 .*
>
> *(2) However, the administering authority may impose a condition requiring a financial assurance to be given **only if it is satisfied the condition is justified having regard to**—*
>
> *(a) the degree of risk of environmental **harm being caused**, or that **might reasonably be expected to be caused**, by the **relevant activity**; and*
>
> *(b) the **likelihood of action being required** to rehabilitate or restore and protect the environment because of environmental harm being caused by the activity; and*
>
> *(c) the environmental record of the holder.*
>
> *(3) The administering authority may require a financial assurance to remain in force until it is satisfied no claim is likely to be made on the assurance.*

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In consideration of Sec 292, we believe all parties would agree, this is the single and only provision that gives effect to Clause A8, within the Environmental Authority.

However, our interpretation of the actual wording of Sec 292, has considerable emphasis on the future tense of harm caused by the activities of the operator, that is the time horizon, that this entire enabling section contemplates.

It is MRV Metals Pty Ltd contention, and literal reading of this section is future harm, future disturbance and in no way considers nor enables, current or past harm to be considered by the Department, being pre-existing prior to grant of tenure.

Whilst the Company has considerable legal advice upon what it believes are clear literal interpretative issues pertaining to this, it also simply relies upon the Environmental Authority itself which states on page 38 of 44, that;

"disturbance "of land includes;

a) Compacting, removing, covering, exposing or stockpiling of earth;
b) Removal or destruction of vegetation or topsoil or both to an extent where the land had been made susceptible to erosion;
c) Carrying out mining within a watercourse, waterway, wetland or lake;
d) The submersion of areas by tailings or hazardous contaminant storage and dam/structure walls;

ETC……..

However, the following areas are not included when calculating areas of "disturbance"

a) …….
b) …….
e) **Disturbance that pre-existed the grant of the tenure**.

Whilst the Company does not intend to outline its issues and concerns with the decision in full in this announcement, the Board has considerable and significant concern based upon the Departments decision, just in the literal reading of the Act and Environmental Authority alone, to have serious concerns about the legitimacy and sustainability of this decision. It is noted that the initial decision nor the review decision, sort to clarify or respond to the EA wording and definition which expressly removed "Disturbance that pre-existed the grant of the tenure".

Further issues pertaining to the increase in the level of disturbance and harm from the former Alcyone quoted by the Minister of up to $9.8 Million, whilst the Department were in control and spending the existing $2.06M bond that was in place, is of concern given that now it has risen post the Departments intervention to some $11.5M. However equally as outlined in prior announcements we do fully understand this is an anomaly situation within the Act and the Industry, regarding the return of an abandoned mine to Industry, and as such we understand the differing and unproven views, and hence believe a ruling is in the best interest of all parties.

In saying this, it is worthy of note that the decision is further at odds with the Departments view of the situation in 2016, whereby the Department of Environment and Heritage Protection in 2016, objected on the grounds of "Public Interest" to the renewal of a lease for underlying tenure, as at that time it was the Departments view that if MRV Metals Pty Ltd were denied the lease, it would then allow the Government to condition or pass on the liability of the prior land through a tender process. This in turn would imply they believed at that time, should MRV Metals Pty Ltd through the due process be granted a mining lease, then the prior liabilities would not transfer.

We would contend that view is supported by Sec 292 and 295 of the Environmental Protection Act, and furthermore the specific expressly written definitions of disturbance within the agreed and issued EA, that further reinforces this view. Whilst we cannot understand how this very literal view could be at odds, we also note the Department has not attempted to clarify this in either of its decision which reinforces our view, there could be no other literal way to interpret that binding definition within the issued Environmental Authority.

Since MRV Metals undertook the purchase of the underlying tenure and advance its ML application, the process has tested and challenged the normal conventional processes and approvals, given the complexities of the site, the history and the anomaly, that this total process presents. However due to this and the outlined matters above, we look forward to the matter being referred to the Land Court as a matter of urgency.

The Company will keep the Market fully up to date upon this matter, and as such sees this as an administrative process that once before the Land Court, will have the level of rigour and accountability whereby the literal and intended readings of the relevant legislation must be applied. We do note however, as we have been grateful throughout this process with the Department of Natural Resources, Mines and Energy through the ML approvals process, we have worked equally well with the Department of Environment and Science and we are appreciative of the deferred payment date, which allows all parties to get definitive clarification upon the outstanding interpretive matters.

- END -

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