

25 September 2018

ASX ANNOUNCEMENT

By Electronic Lodgement

AGM and Notice of Meeting Notification

The board of Moreton Resources Limited is pleased to announce that it will hold its annual general meeting upon the **11th of October 2018, at 10.00am**. This meeting will be held at our share registry being Link market Services Limited Board Room, Level 21, 10 Eagle Street, Brisbane Queensland (the meeting).

Also please find attached the Notice of Meeting that has been issued already to all registered shareholders, pertaining to the calling of this meeting. Postal and email notifications to all shareholders, took place upon or before the 11th of September 2018.

We are also please to attach to this notice our 2018 Annual Report.

- ENDS -

Notice of General Meeting and Explanatory Memorandum

Moreton Resources Ltd
ACN 060 111 784 (Company)

Notice is given that the general meeting of the Company will be held at:

Date	11 October 2018
Time	10.00am
Location	Attending in person: Link Market Services Limited Board Room Level 21, 10 Eagle St Brisbane, Queensland

AGENDA

ORDINARY BUSINESS

FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Company's financial reports and the report of the Directors and the Auditor contained in the Company's Financial Report for the financial year ended 30 June 2018.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, pass the following advisory resolution of the Company:

"That the Remuneration Report contained in the Company's Financial Report for the financial year ended 30 June 2018 be adopted."

Note: This resolution is advisory only and does not bind the Directors or the Company.

RESOLUTION 2 – TO RE-ELECT ALEXANDER JASON ELKS AS A DIRECTOR

To consider, and if thought fit, pass the following as an Ordinary Resolution:

"That Alexander Jason Elks, a Director of the Company appointed to fill a casual vacancy in 2013, elected as a Company Director on 19 September 2014, and previous Managing

Director who is required to retire in accordance with Rule 9.1(e) of the Company's constitution and ASX Listing Rule 14.4, and being eligible for election, be elected as a Director of the Company with effect from the close of this meeting."

SPECIAL BUSINESS

RESOLUTION 3 – APPROVAL OF LONG TERM INCENTIVE PLAN

To consider, and if thought fit, pass the following as an Ordinary Resolution:

"That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval be given to the Company's Long Term Incentive Plan and the issue of securities under the Company's Long Term Incentive Plan on the terms and conditions specified in the rules of the Long Term Incentive Plan (which are summarised in the Explanatory Memorandum accompanying this Notice of Annual General Meeting)."

Note: Further details of the long term incentive plan, the subject of Resolution 3, are contained within the Explanatory Memorandum.

GENERAL BUSINESS

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

VOTING EXCLUSIONS

Resolutions 1 and 3 are subject to the Voting Exclusion requirements set out below.

VOTING EXCLUSION STATEMENTS

RESOLUTION 1

A vote on Resolution 1 must not be cast (in any capacity) by, or on behalf of, the following persons:

- a. a member of the Key Management Personnel (KMP) whose remuneration details are included in the 2018 Remuneration Report; or
- b. a closely related party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- a. *the proxy appointment is in writing that specifies the way the proxy is to vote (e.g. for, against, abstain) on the resolution; or*
- b. *the vote is cast by the chair of the Meeting and the appointment of the chair as proxy:*
 - i. *does not specify the way the proxy is to vote on the resolution; and*
 - ii. *expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

"Key management personnel" and "closely related party" have the same meaning as set out in the Corporations Act.

RESOLUTION 3

In accordance with ASX Listing Rules 14.11, the Company will disregard any votes cast in favour of Resolution 3 by or on behalf of a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) of the Company or by an associate of such a Director.

However the Company need not disregard a vote if:

- a. *the vote is cast by a person as a proxy who is entitled to vote, in accordance with the directions on the proxy form; or*
- b. *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

In addition, a vote on Resolution 3 must not be cast (in any capacity) by, or on behalf of, the following persons:

- a. a member of the Key Management Personnel (KMP) whose remuneration details are included in the employee incentive scheme; or
- b. a closely related party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- a. *the proxy appointment is in writing that specifies the way the proxy is to vote (e.g. for, against, abstain) on the resolution; or*
- b. *the vote is cast by the chair of the Meeting and the appointment of the chair as proxy:*
 - iii. *does not specify the way the proxy is to vote on the resolution; and*
 - iv. *expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

"Key management personnel" and "closely related party" have the same meaning as set out in the Corporations Act.

EXPLANATORY MEMORANDUM

THIS EXPLANATORY MEMORANDUM SHOULD BE READ IN ITS ENTIRETY. IF SHAREHOLDERS ARE IN DOUBT AS TO HOW THEY SHOULD VOTE, THEY SHOULD SEEK ADVICE FROM THEIR ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISER PRIOR TO VOTING.

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting of Shareholders to be held on 11 October 2018 at 10.00am ("the Meeting" or "Annual General Meeting" or "AGM").

This Explanatory Memorandum should be read in conjunction with the accompanying Notice.

Terms used in this Explanatory Memorandum are defined in Schedule 1 of this Explanatory Memorandum

FINANCIAL STATEMENTS AND REPORTS & ANNUAL REPORT

Section 317 of the Corporations Act requires the Directors of the Company to display before the Annual General Meeting the Financial Report, Director's Report (including the Remuneration Report) and the Auditor's Report for the last financial year that ended before the AGM.

In accordance with section 250S of the Corporations Act, Shareholders will be provided with a reasonable opportunity to ask questions or make statements in relation to those reports but no formal resolution to adopt the reports will be put to Shareholders at the AGM (save for Resolution 1 for the adoption of the Remuneration Report).

Shareholders will be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report. In addition to taking questions at the AGM, written questions to the Chairman about the management of the Company, or the Company's Auditor regarding:

- a) the preparation and content of the Auditor's Report;
- b) the conduct of the audit;
- c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- d) the independence of the Auditor in relation to the conduct of the audit,

may be submitted no later than five (5) business days before the AGM to the registered office of the Company.

A copy of the 2018 Annual Report is available at www.moretonresources.com.au within the Investors section of the website.

The following matters should be noted in respect of the various items of business:

RESOLUTIONS

BACKGROUND TO RESOLUTION 1 (ORDINARY) - ADOPTION OF REMUNERATION REPORT

Pursuant to section 250R of the Corporations Act, the Company is required to put the Remuneration Report to the vote of Shareholders. The Corporations Act provides that Resolution 1 need only be an advisory vote of Shareholders and does not bind the Directors of the Company.

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report.

The Remuneration Report, amongst other things:

- a) explains the Board's policy for determining the nature and amount of remuneration of Key Management Personnel of the Company;
- b) explains the relationship between the Board's remuneration policy and the Company's performance;
- c) sets out remuneration details for each Key Management Personnel of the Company, including details of performance related remuneration and options granted as part of remuneration; and
- d) details and explains any performance conditions applicable to the remuneration of Key Management Personnel of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

BACKGROUND TO RESOLUTION 2 (ORDINARY) – TO RE-ELECT MR ALEXANDER JASON ELKS AS A NON-EXECUTIVE DIRECTOR

Following the resignation of a Director in 2013, the Directors appointed Mr Jason Elks to the Board to fill a casual vacancy on 28 November 2013. He was subsequently appointed as a Director by the shareholders at the 2014 AGM on 19 September 2014.

Rule 9.1(e) of the Company's Constitution and ASX Listing Rule 14.5 provide that the Company must hold an election of at least one Director at each AGM (a requirement from which Mr Elks was previously exempt as the Company's Managing Director) and hence Mr Jason Elks has retired and, being eligible, nominated himself for re-election.

Until recently Mr Elks was the Company's Managing Director and Executive Chairman. Mr Elks' most recent role was with Rio Tinto, based in Montreal, managing the People and Organisation support areas throughout North and South America, Australia and New Zealand. Prior to this Jason held senior roles with LGL, Zinifex, OneSteel and Kodak Australasia.

Recommendation of Directors:

The Directors, with Mr Elks abstaining, recommend that the Shareholders vote in favour of the resolution to re-elect Mr Elks as a Director of the Company.

**BACKGROUND TO RESOLUTION 3 (ORDINARY) –
APPROVAL OF LONG TERM INCENTIVE PLAN**

Shareholder approval of an employee incentive plan (the Long Term Incentive Plan) is sought under the Corporations Act and the ASX Listing Rules.

The aim of the Long Term Incentive Plan is to align long term incentives for executives to participate in the future growth and profitability of the Company with the delivery of key performance measures and to align them with Company and Shareholder objectives.

The Long Term Incentive Plan allows the grant of share rights to participants each of which is a right to acquire a Share, subject to the satisfaction of performance conditions. No Share Rights are outstanding under the Long Term Incentive Plan at the date of this notice.

A copy of the Long Term Incentive Plan will be made available for inspection at the Meeting. A summary of the terms of the Long Term Incentive Plan is set out in Schedule 2.

Shareholder approval is not required under the Corporations Act or the ASX Listing Rules for the operation of an employee incentive scheme. However, Shareholder approval is being sought to rely on an exception to the calculation of the placement limits imposed by ASX Listing Rules 7.1 and 7.1A on the number of securities that may be issued without shareholder approval.

ASX Listing Rule 7.2 exception 9(b) provides that ASX Listing Rules 7.1 and 7.1A do not apply to an issue of securities under an employee incentive scheme that has been approved by shareholders and the issue of securities is within three years from the date of shareholder approval of the issue of securities under the employee incentive scheme.

Recommendation of Directors:

The Directors unanimously recommend that the Shareholders vote in favour of the resolution to approve the Long Term Incentive Plan.

SCHEDULE 1 – DEFINITIONS

In this Explanatory Memorandum and Notice terms defined in the Corporations Act have the same meaning when used in this document (unless the context otherwise requires) and the following words have the following meanings:

"Annual Report" means the Company's annual report for the period ending 30 June 2017.

"ASX" means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).

"Board" means the board of Directors of the Company.

"Company" or **"Moreton"** or **"Moreton Resources"** means Moreton Resources Ltd ACN 060 111 784.

"Constitution" means the Company's constitution.

"Corporations Act" means the *Corporations Act 2001* (Cth).

"Director" means a director of the Company.

"Explanatory Memorandum" means the explanatory memorandum to this Notice.

"Listing Rules" means the Listing Rules of ASX.

"Meeting" or **"Annual General Meeting"** or **"AGM"** means the meeting convened by the Notice.

"Notice" means this notice of meeting including the Explanatory Memorandum and the Proxy Form.

"Proxy Form" means the proxy form attached to the Notice.

"Resolution" means a resolution for the consideration of Shareholders at the Meeting.

"Remuneration Report" means the report of that name set out in the Annual Report.

"Schedule" means a schedule to this Notice.

"Share" means a fully paid ordinary share in the capital of the Company.

"Shareholder" means a registered holder of a Share.

Words importing the singular include the plural and vice versa.

SCHEDULE 2 – SUMMARY OF LONG TERM INCENTIVE PLAN

Pursuant to the Long Term Incentive Plan:

1. Participation is by invitation only to eligible executives invited by the Board (**Participants**).
2. The grant of Share Rights to Participants entitles them to be granted up to the corresponding number of Shares where certain performance conditions are met.
3. The performance conditions are based on two objective measures being:
 - a. the Company's achievement of its year on year objectives as outlined in its operational plans; and
 - b. the Company's improvements in overall performance metrics in the performance period as against its competitors and/or allocated share price bench mark.
4. Participants do not pay any consideration for Share Rights becoming Shares.
5. Prior to exercise, the Share Right does not carry any dividend, voting or other entitlements of shareholders.
6. The Share Rights granted will be subject to a three year performance period.
7. Shortly after the expiration of the three year performance period the Board will assess performance against the performance conditions and will determine if any Share Rights will vest.
8. Share rights will lapse if the Participant resigns from the Company.
9. If the Participant's fixed term contract expires or the Participant is terminated for any other reason other than misconduct, they will be entitled to a pro-rata of each month, and part month, divided by the 36 month program. The Board will perform an assessment of performance when determining the final number offered to vest.

VOTING

Moreton Resources has determined that for the purpose of voting at the meeting, or adjourned meeting, shareholders who are recorded in Moreton's register of shareholders as at 11 September 2018 will be taken, for the purpose of the Annual General Meeting, to be entitled to attend and vote at the meeting.

APPOINTMENT BY PROXY

The Proxy Form must be completed and lodged at Moreton's share registry at Link Market Services (together with the power of attorney (if any) under which the Proxy Form is signed), in accordance with the instructions set out in the Proxy Form, at least 48 hours before the meeting (i.e. lodgement must occur not later than 10.00am (Brisbane time) on 9 October 2018).

CORPORATE REPRESENTATIVE

A corporation may elect to appoint a representative, rather than appoint a proxy, in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.

VOTING ENTITLEMENT

A person's entitlement to vote at the Meeting will be determined by reference to the number of fully paid shares registered in the name of that person (reflected in the register of Shareholders) as at 7pm on the 9 October 2018.

IMPORTANT

The business of the Meeting affects your shareholding and your vote is important. To vote in person, attend the Meeting on the date and at the place set out above.

To vote by proxy, please complete and sign the enclosed Proxy Form and return **it not later than** 10.00am (Brisbane time) on 9 October 2018 to Link Market Services and in accordance with the instructions set out on the Proxy Form.

This Notice of Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

ENQUIRIES

Shareholders are required to contact the Company on +61 7 3839 0218 if they have any queries in respect of the matters set out in these documents.

By order of the Board

Alexander Jason Elks

Executive Chairman



2018 ANNUAL REPORT

For the Year Ended 30 June 2018



CORPORATE DIRECTORY

Directors

Mr. Alexander Jason Elks
Executive Chairman and CEO

Mr. Tony Feitelson
Non-Executive Director

Mr. Valeri Melik-Babakhanov
Non-Executive Director

Company Secretary

Terry Bourke
Level 2, Suite 8
113 Wickham Tce,
Spring Hill, Brisbane
Queensland, 4000

Registered Office

29 High St
Texas, QLD 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
Telephone: 1300 554 474

Auditors

Nexia Brisbane Audit Pty Ltd
(Formerly Hayes Knight Audit (QLD) Pty Ltd)
Level 28, 10 Eagle Street
Brisbane, Queensland, 4000
Australia

Solicitors

Sparke Helmore Lawyers
Level 25, 240 Queen Street
Brisbane, Queensland, 4000
Australia

Irish Bentleys
Level 5, 99 Creek St
Brisbane, Queensland, 4000
Australia

Tax Lawyers

KPMG Law
147 Collins Street
Melbourne, Victoria, 3000
Australia



VISION AND VALUES

CORE VALUES & BELIEFS

An uncompromised commitment to safety and the environment

Through our actions, positively contribute to the communities in which we operate

Treat all with Fairness and Respect

Act with Honesty and Integrity in all our dealings

Deliver through Team Work

Committed to being a Results Focused Organization

We acknowledge our history, and the history of the traditional owners, regions, communities and cultures to which we seek to coexistence with.



SUSTAINABLE DEVELOPMENT

The Moreton Resources Limited Group will operate our business in a sustainable manner which means to earn and maintain the **right to operate**, we will be a contributor to the **social wellbeing** and **economic development** in our host communities; **an employer of choice** for our people; **a steward of the environment** and **a trustworthy business partner**; in ways that extend **beyond the life of our Assets**.

These principles ensure we can create **value for our shareholders**.

We and opportunities,
hand in hand with the
community's and
land holders,
to whom we do
business with;

Belief that our people
will not only contribute
to the communities in
which we operate,
but be a part of
those communities;

We will seek to not
only restore the
environment to
pre-mining conditions
but to enhance
the environmental
outcomes post mining;

We will seek to
ensure growth,
prosperity and
advancement of
not only our operations,
but the communities,
environments and
regions to which
we operate;

We believe in the
coexistence of mining,
communities, agriculture
and the environment.

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CEO AND EXECUTIVE CHAIRMAN'S REPORT

There has been no question that the 2018 financial year has again seen a flourish of activity within the business as we continue to focus on closing out some of our historical commitments, and importantly looking at the future and delivering against our strategy. It has not been an easy year, and much of our time has gone into discussions, debates and protracted processes whereby logical legislative interpretation seems to be at odds, with the dealings we are having, which is simply a distraction for the Company across the board. However, this is not something that is foreign to our Company over the last number of years and I am confident that we have the resources to overcome these hurdles. So much so, that for the first time in Moreton Resources Limited 25-year history, we have now delivered an underlying operating profit of approximately \$11 million for the 2018 financial year. This is a significant milestone and step change in moving from Explorer to Operator within the resources sector.

I am proud to say that we continue to demonstrate and live our core values through our commitment to the communities in which we operate, establishing solid partnerships and importantly, acknowledging our history, and the history of the traditional owners, regions, communities and cultures to which we seek to coexistence with. We also continue to boast a proud record of achievement since taking on the organization in November 2013, with nil lost time injuries and nil environmental exceedances to June 30, 2018. This is a remarkable, but achievable outcome, provided we have good people, who lead from the top and instill a basis of good values and behaviors that lead the direction in our day to day operations. I am also exceptionally pleased to say that amongst our approx. 25 employees within the organization which is growing, we have a strong contingent of female, aboriginal and Torres Strait Islanders and local residents which is true to the mandate and corporate values, that I have set out to instill within the business almost 5 years ago. This includes at our Granite Belt Operations having our first trainee and apprentice graduate from their training regime and on take full time and permanent employment with the group.

Whilst it has been a year of competing priorities, I have sought to ensure we have stayed focused on delivering upon our commitments to our shareholders and building a solid foundation for the future. As such, similarly to last year, the majority of activity has been within MRV Metals business and MRV Tarong Basin Coal business. I am pleased to share some of the key highlights with you and thank those involved for their contributions to achieving some great outcomes:

- A continuation of nil lost time injuries and nil environmental exceedances across the organisation, including the ramp up of our operational Assets and reliance upon contractors.

MRV Metals Pty Ltd

- Successfully submitted our revised Plan of Operations to reduce our Financial Assurance for the Granite Belt Project. However, ongoing work is required on this front as we continue to move into production and seek to separate prior harm to that of MRV Metals Pty Ltd.
- 70% of our employees have come direct from the communities in which we operate and our women in mining diversity rate is 26% to which we are extremely proud.
- The recommissioning ponds and heap leaches, toward advancement of our pH correction processes, as we move toward Silver recoveries at this site which is step one.
- Significant enhancement to environmental value across the Granite Belt Project Site, with a major focus upon clean up, increase in containment and uplift in day to day site environmental impacts, and ensuring a positive operational view, taking a sustainable approach to the environment.

- Initial drill program, whereby 2 initial holes were completed at the Granite Belt Exploration Project, what was ceased due to uncertainty with our Financial Assurance discussions.

MRV Tarong Basin Coal Pty Ltd

- A highly successful infill drilling program was undertaken to understand our total opportunity on Coal qualities and quantities. These holes provided significant confirmation of data for us and allows the business to progress through to our Mine Planning activities.
- We have had significantly advanced our technical studies and EIS advancement, with infrastructure studies and environmental reviews completed.
- Strong community and stakeholder engagement has continued which enhances our social license to operate, including in-principle partnership with the Wakka Wakka claimant group.

It is important that we mention our MRV Surat Basin Coal business and MRV Bowen Basin Coal business as they remain an important part of our future and our development pipeline, although whilst I have worked hard to secure all of our asset base, due to the longer term value I believed they offered, we now face a situation where the Coal market has moved with strong upward trends and hence many of our assets are of interest to the broader market.

I reflect upon the significant contribution that I believe the South Burnett Coal project will make upon Moreton Resources Limited and the fact that when on taking the role as Chief Executive Officer, despite the views of many, my desire to acquire EPC 882 based upon my belief of its significant potential, now proven to be what could be one of the most exciting Coal prospects in the State. As shareholders will recall this was also shortly after followed up with the portfolio of assets being the Granite Belt Exploration Project, which equally I have the same belief in. Whilst we may seek to be challenged from time to time operationally, the underlying assets and potential is significant, and well in excess of the market capitalisation of our business currently.

Both of these significant assets were acquired through long strategic negotiations, but through a genuine understanding of the value; I am proud to say I was fortunate enough to bring them into the group.

So it on the back of the mandate, which I committed to many of our existing shareholders, that I would take control of the Company and seek to add value and protect it from being wound up, that I have now made the choice that at the 5 year mark to relinquish the role of CEO. During the past 5 years I have achieved and in fact exceeded the commitments made to the shareholder base whom have stuck with us for the journey. I believe that we have significant assets, great potential and therefore it is time to allow the next chapter of the Company to unfold under the stewardship of our newly appointed CEO, Mr Terry Bourke, whom I know will serve the shareholders well and will seek to drive our business forward.

As shareholders, I trust this summary demonstrates the hard work that has gone in over the past 12 months to deliver upon our Strategy and beyond in fact for the 5 years of my tenure. I encourage you to read more about our achievements throughout this annual report.

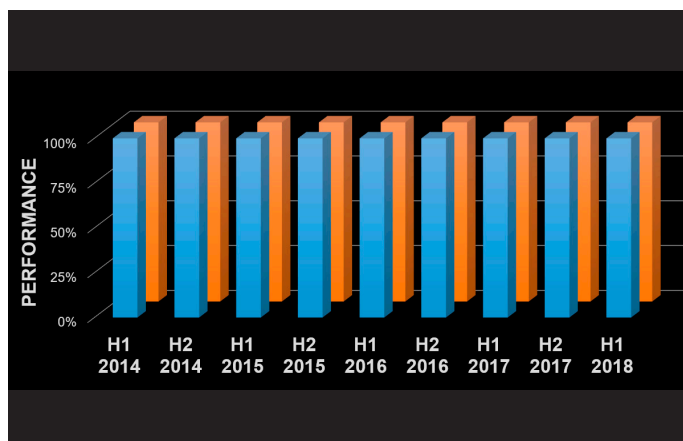
As I do year on year, I want to sincerely thank each of our investors for your continued support and hope you will equally seek to support our new executive, as they seek to take us into a significant growth phase.



Alexander JASON ELKS
CEO and Executive Chairman
16 August 2018

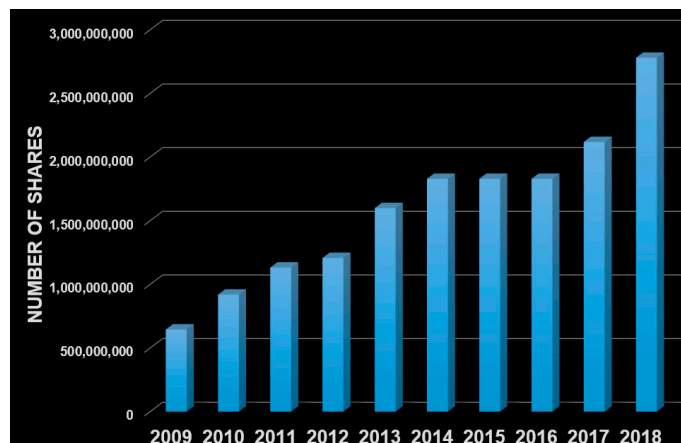
KEY PERFORMANCE INDICATORS

Safety and Environment Performance



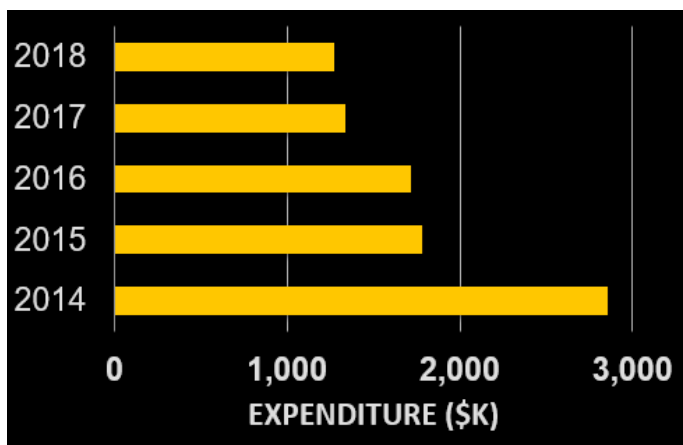
MRV has maintained a nil Injury Frequency Rate and nil reportable Environmental Exceedances whilst transitioning from explore to operator. MRV continues to focus on our environment and safety beliefs and obligations, with an uncompromised record.

Company Equity



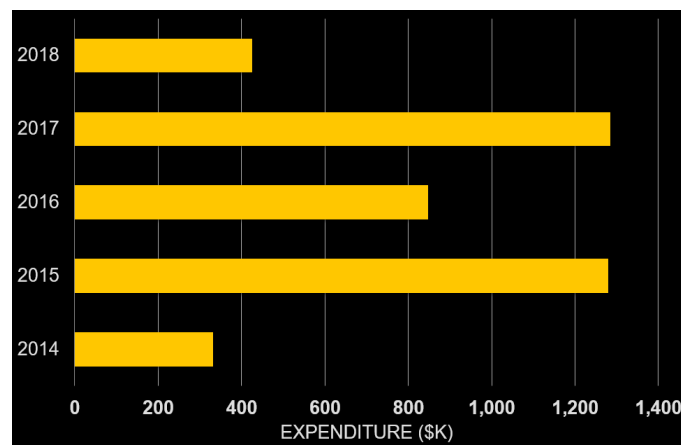
MRV has in the last financial year undertaken a capital raise with the intent to advancing the Granite Belt Project and the South Burnett Coal Project. Funds raised have had a direct benefit to the company moving into operation and advancing two core projects. The value is reflected in our asset base.

Corporate Costs



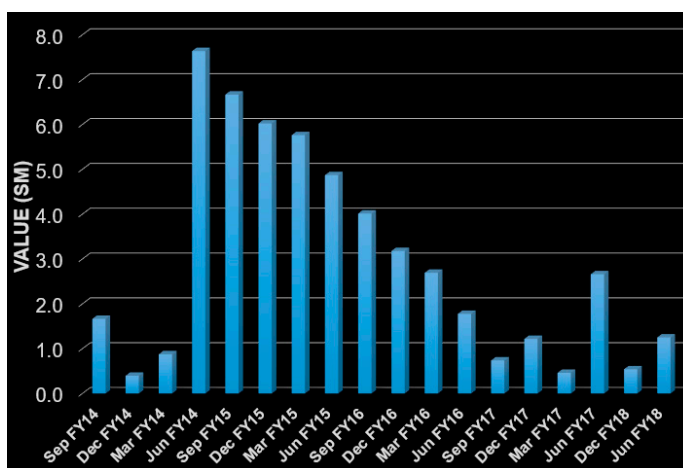
MRV has increased the Company's investment in value add activities, being focused on the resources we have and putting available funds into those assets, seeking to increase shareholder returns. Our corporate costs have continued to remain low as we ramp up operational activities and cash generating ventures.

Investment in our Assets



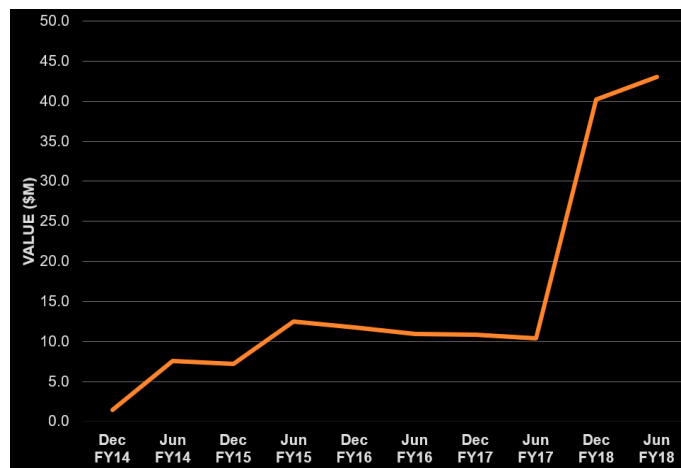
MRV has continued to investment in Asset acquisition and advancement and the FY 2018 demonstrated this. In line with the current board strategy, MRV will continue to grow our business and investment however in the last financial year focused solely upon bringing its Granite Belt project into operation.

Cash Position for MRV



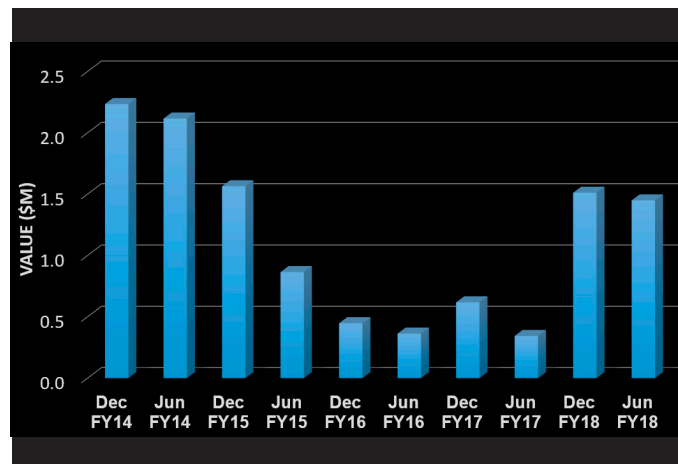
MRV has worked hard to establish a strong balance sheet as the company strengthens its foundation for the future and positions itself to move into a cash generating Asset during the FY19. The funds we have sought from our investors have translated in multiples against our balance sheet, having strong asset growth and therefore setting up the foundations to now move the business forward in a sustainable way.

Other Asset Value of MRV



MRV has significantly increased our asset value. Our Net Asset Value increased exponentially since FY14 with a focus upon FY17 due to realization of our strategic acquisition in the Granite Belt Project, which has bought about significant inventory, physical assets and long-term prospects that have potential of exponential returns. This sets the foundation for the long-term future of the company.

Current Liabilities for MRV



MRV continues to be focused on minimizing our current liabilities. The current liability balance is inclusive of a loan commitment repayable in the short term.

SUMMARY

The 2018 FY has seen the combination of the last 5 years come together and build the solid basis for rapid growth. Our Asset base/values have grown upon our balance sheet by approximately 45 times since the new strategic direction of the company in late 2013. We have seen a clear and consistent commitment to safe and environmentally sustainable operations, and our business has grown through employees, year on year spend and our future prospects. The Company is in a remarkable position to realise the next 3-5 years of rapid growth and operations upon multiple fronts.

This balance sheet and over all performance is also a significant enabler for us moving into a cycle that is seeing coal prices advance strongly and the global demand for copper, continue to develop which are potentially two commodities the Group seeks to develop and hold for the long term, to ensure continued expedient growth.

Certainly, FY2019 should see a fundamental transformation of our business and a significant appreciation in the market given the base fundamentals are strong and the platform is set, to allow rapid advancement.

COMPANY PORTFOLIO

The Moreton Resources Limited Board in 2014, set a very clear strategic intent, that through our subsidiary companies we will seek to be an owner and/or operator within the Australian resources sector within multiple commodities. Whilst board renewal has been undertaken through the journey, the position realized in the FY2018 is a combination of that journey and hard work.



Near-term outlook – Given the opportunistic nature we are afforded, we have defined our short to near-term outlook as being focused on the development of our current near-term Metals Assets, which will in turn enable our mid-term coal prospects, whilst seeking to grow both of these commodity groups rapidly. This has remained consistent with our strategy to seek quality metals assets to support our Coal aspirations, and hence much of this strategy is now coming to fruition. We see the potential for significant exploration and increased confidence in potential resources classification at the Granite Belt Exploration Project being a priority for the 2019 calendar year, pending several key decisions falling Moreton Resources Limited's way.

Near-term outlook rationale – Our market view across all commodities has been steady and consistent with a fundamental belief that quality Coal Assets will be recognized and the overall market of supply and demand, will bring some reality back into the Coal debate and this is happening rapidly at the time of writing this annual report. A realization that Coal is a sustainable and critical provider of baseload power across the globe has coming into the day to day debate upon Coal. We also have advancements of our existing operations in Silver, Gold, Copper and Zinc however we certainly would have like to have been further advanced to where we are, but we continue to move forward never the less.

Our subsidiary companies and Assets:

HOLDER	ASSETS	PROJECT INFORMATION
MRV Metals Pty Ltd 	Granite Belt Silver Mine Project ML 100106 Granite Belt Exploration Project EPM 8854 EPM 11455 EPM 12858 EPM 18950 EPM 26275	Location Near Texas, QLD Area 1,243km ²
MRV Tarong Basin Coal Pty Ltd 	Tarong Basin Coal Project MLA 700015 MDL 385 EPC 882	Location Near Kingaroy, QLD Area 966km ²
MRV Bowen Basin Coal Pty Ltd 	Mackenzie Coal Project MDL 503 EPC 1145	Location Near Blackwater, QLD Area 1.875km ²
MRV Surat Basin Coal Pty Ltd 	Wandoan Coal Project MDL 420	Location Near Miles, QLD Area 7.104km ²

OVERVIEW OF OPERATIONS



GRANITE BELT PROJECT

MRV Metals Pty Ltd is a fully owned subsidiary of Moreton Resources Limited which was created as part of our 2014 advancement strategy and came about in early 2016 with the creation of the MRV Metals Pty Ltd subsidiary. Shortly after creation we acquired in mid 2016 the suite of assets that make up the Granite Belt Project and the Granite Belt Exploration Project including the granting of Mining tenure in October of 2017, just over 12 months from the acquisition of those prospective tenements.

The Granite Belt Project area is located approximately 300km from central Brisbane and approximately 6km from the township of Texas, in a rural agriculture area of southern Queensland. The community in the Texas region is highly supportive of the co-existence of mining and agriculture, and specifically supportive of the activities Moreton Resources and MRV Metals have undertaken with respect to restarting mineral production at the former Twin Hills site. Whilst we are continuing to navigate government processes, interpretation and determinations, it has distracted significantly from our advancement of this Asset into production, however we continue to be positive that the returns available from the commissioning and genuine operation of this site are substantial for an aspiring junior.

The Granite Belt Project consists of a mining precinct which contains multiple potential resources covering a range of metals from Copper, Silver, Lead, Zinc and Gold. The site has a central processing facility that currently has in-situ crushing, screening, stacking, treatment and refining facilities. The intent is to commission the central processing facility utilising the extensive exploration and development activities already proven, and bring those potential resources into the hub, whereby processing will be undertaken.

At present the focus is on moving into cash generation through a streamlined heap leach commissioning strategy only, with deferred crushing and mining operations until the initial strategy is achieved which may also include the consideration and advancement of a polymetallic study now, which would negate double handling in our processing operations later, and hence seek to maximize the overall return from the operations should this prove to be a viable advancement.

Should sufficient Copper or alternate metals warrant an upgrade in processing to a polymetallic operation, this existing area is considered suitable for additional infrastructure upon the current footprint. As outlined above this could potentially halt operations onsite whilst we seek to upgrade and recover multiple commodities, as the Company has already identified Copper grades within the heap leaches which are of interest. Within a polymetallic operation we would seek to use the existing heaps as feedstock to supplement mining of fresh ore, and hence evaluation of the prospect is paramount to ensure we are not double handling due to our current efforts, taking into account the long-term potential.

Remaining upon the current path would see the first four years of operations, coupled with years 5 to 8 which will include the development of the Mt Gunyan resources, achieving the initial base case strategy of having several potential mining projects within the granted Mining Lease area. However, a polymetallic operation is fundamental in the overall success of the mining lease application which is focused upon a 20-year mining operation.



Images: Granite Belt Project



Figure 4: Aerial photo of the Granite Belt Project depicting the layout and infrastructure

The following is an outline of the potential we have within the Granite Belt Project.

Target	Prospectively	Stage	Location
Twin Hills Mine	Silver	Mining of JORC Resource	ML 100106
Twin Hills Deepes	Silver	Potential to increase JORC and Mine Life	ML 100106
Mt Gunyan	Silver, Zinc, Gold	Mining of JORC Resource	ML 100106
Mt Gunyan Nth	Silver, Zinc, Gold	Potential to increase JORC and Mine Life	ML 100106
Harrier	Copper, Silver	Advanced Exploration Target with resource potential	ML 100106
Apache	Copper, Silver	Exploration Target	ML 100106

Table 1: The Granite Belt Project Key Areas of Interest



Granite Belt Project' tenements owned by MRV Metals



Granite Belt Project Exploration Project Tenements

OUR ADVANCEMENT PROJECTS



GRANITE BELT EXPLORATION PROJECT

The Granite Belt Exploration Project consists of the acquired tenements located in the Granite Belt region, close to the township of Texas in Southern Queensland. In addition to this in the last financial year the company applied for and was granted an additional tenement. The Company has undertaken significant data analysis not only of the former operators of mining in recent times within the region, but also reviewed decades of data dating back to 1905, and has begun to put together a significant and exciting picture, of the potential of this asset portfolio.

As such, over 20 areas of interest have been identified as containing indications of high grade Silver and Copper, with additional early indications of Gold, Lead and Zinc.

Through its field work, the has also sought to investigate the historic prospects pertaining to the old mining operations, and determining if there is potential to move into operations of multiple other areas within the region. Certainly having over approx. 20 shafts and mullock heaps identified within close proximity of areas that we have target as areas of interest, increases the Company's confidence and view of highly prospective opportunities before us at the Granite Belt Exploration Project.

The Granite Belt Exploration Project is approx. 180 sqkm of Exploration Lease, already containing multiple identified advanced exploration targets ranging from 1km to 4km which are:

- Hornet (ASX release 19 July 2016)
- Hornet North - believed to be a possible extension to Hornet
- Hawker (ASX release 18 July 2016)

The Granite Belt Exploration Project area is located approximately 300km from Brisbane and borders the township of Texas to the West, Inglewood to the North and is bound by the Damaquas River on the South, at the Queensland/New South Wales boarder.

The Granite Belt Exploration Project consists of a mining precinct which contains multiple potential resources covering a range of metals from Copper, Silver, Lead, Zinc and Gold.

The Granite Belt Project Key Areas of Interest (overview table)

Hornet	Copper	Advanced Exploration Target with resource potential	EPM 8854
Hawker	Copper, Silver	Advanced Exploration Target with resource potential	EPM 11455
12 plus additional Targets	Copper, Silver, Lead, Zinc, Gold	Early Stage Exploration Targets	EPM 11455, EPM8854, EPM18950, EPM12858, EPM 26275



January 2018 Drill Program Arcott State Forest Texas QLD



TARONG BASIN COAL PROJECTS

MRV Tarong Basin Coal Pty Ltd, is a 100% fully owned subsidiary Company of Moreton Resources Limited. It is operated through a management and financing agreement between the two entities, and as such, the parent Company provides the total technical, financial and human resources capabilities to the subsidiary. This arrangement however, will cease when the project advances into detailed studies and design, as the future of MRV Tarong Basin Coal Pty Ltd has been established to operate as a standalone, 100% fully owned entity of Moreton Resources Limited and will seek to stand alone as a Corporate entity upon establishment of mining operations.

The area consists of several tenements, being 2 currently held by MRV Tarong Basin Coal Pty Ltd and one under application being the Mining Lease MLA 700015.

South Burnett Coal Project – MLA 700015

The Company continues to advance its MLA, its feasibility studies and Environmental Impact studies. As this project progresses the organization sees the long-term potential of the prospect and hence is rapidly advancing. The opportunities that have been identified within this area are significant and have been further validated in MRV Tarong Basin Coal Pty Ltd's drilling program in early 2018, whereby ply by ply sections of Coal were analyzed to cross validate significant modeling and mining assumptions that had taken place with prior studies. The results of this drilling validated and enhanced considerably the Company's view about the prospectively of this asset being an economic mine in the near term, based upon international coal market outlooks.

Further to this, the Company has undertaken significant advancement of its technical studies having completed evaluations from Pit to Port on a number of options, including slurry pipe, conveyor and rail. Whilst all three options have identified as feasible and practical, economically a stand out has been the slurry pipe line. This coupled with the company's proposed use of the FGX potentially offers the operations and region multiple solutions to community and environmentally based concerns, that many operations face in the permitting, approvals but also operational phases of such mining operations.

The work to date, is exceptionally promising however as outlined the project at this early stage based upon any of the three options, is viable and workable taking into account the technical issues and considerations for such a project.

The Company expects to make significant advancement announcements pertaining to this project by the end of calendar year 2018.

OUR STRATEGIC ASSETS



MACKENZIE COAL PROJECT

MRV Bowen Basin Coal Pty Ltd which is a 100% fully owned subsidiary of Moreton Resources Limited, manages the Mackenzie Coal Project, which is comprised of MDL 503 and EPC 1445. The tenements are located in the Bowen Basin (central Queensland) near the town of Blackwater, 120 km east of the regional centre Emerald, and 340 km from the port of Gladstone. The total area under tenure is approximately 2,200 ha. Access to the tenements is via the Yarrabee – Jellinbah haul road which intersects the Capricorn Highway at the Boonal coal loading facility. In addition to this, the railway line to Gladstone is located 30 km to the south.

The tenements are surrounded by several operating mines, namely: the BMA Blackwater mine, Curragh North mine, Xstrata Cook colliery and the Yancoal Yarrabee operation.

We continue to seek to review our potential advancement activities.



WANDOAN COAL PROJECT

The Wandoan Coal Project (MDL 420) is located approximately 25 km south of Wandoan in southern Queensland's Surat Basin. MDL 420 straddles the former Wandoan Branch Rail Line, which would provide a direct rail link to the Port of Gladstone coal export facilities via the proposed Surat Basin Rail Line and existing Moura Line.

This asset continues to be of interest to the Moreton Resources Limited Group and with the recent Mining Lease grant of a major mine in the area, this is anticipated as an opportunity to open the region to viable bulk Coal exports, which if the case, will see this asset advance in value but also in our operational planning for potential to become a mining operation within the Moreton Resources Group of Companies.

CORPORATE GOVERNANCE STATEMENT



TEXAS
POST OFFICE
4385



The Board of Directors of Moreton Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders, by whom they are elected and to whom they are accountable.

Moreton Resources Limited is committed to operating its business ethically and with high standards of corporate governance. The Board has taken the opportunity to disclose its 2018 Corporate Governance Statement in the Corporate Governance section of the Company's website (moretonresources.com.au)

DIRECTORS' REPORT



DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2018



Alexander Jason Elks | CEO and Executive Chairman

Mr Elks has been the Managing Director of Moreton Resources Limited and its subsidiaries since Nov 2013, and been instrumental in positioning the Company to where it is today. Mr Elks recently announced he would not seek to negotiate renewal of his contract as CEO, and as such he will step back to the role of Chairman over the transitional period in late 2018. Prior to this he held the role of Vice President with Rio Tinto, based in Montreal, managing the People and Organisation support areas throughout North and South America, Australia and New Zealand.

Mr Elks has held senior roles with LGL, Zinifex, OneSteel and Kodak Australasia and has extensive operational and corporate experience within large global companies, as well as smaller national enterprises. His commodity experience includes coal, iron ore, zinc, lead and gold, along with a history in oil and gas exploration and heavy industry manufacturing. Qualifications: Masters of Management and Human Resources.



Valeri Melik-Babakhanov | Non-Executive Director

Mr Melik prior to 2016 held a position of General Manager of Technical Services and has significant history with the Company, joining the Company in 2008, and an intricate knowledge of the Assets currently managed by the Company. Mr Melik holds a Bachelor of Engineering (Honours) in Electrical Power Systems and Networks from the State Oil Academy in Azerbaijan (former AZINEFTECHIM USSR) which was recognised and endorsed by the Institution of Engineers Australia. In addition to this, Mr Melik holds a Master of Engineering (Electrical) from RMIT University and other qualifications pertaining to Analogue and Microprocessor Based Digital Computer and Communication Equipment, and electro-mechanics.



Tony Feitelson | Non-Executive Director

Mr Feitelson has had an association with Moreton Resources Ltd since 2013, being a significant shareholder of the Company. Mr Feitelson holds a degree in Architecture and retired as a practicing Architect several years ago. Mr Feitelson is a director of a number of private companies owning retail, commercial, industrial, and farming properties



The directors present their report, together with the financial statements of the Group, being Moreton Resources Limited (the Company) and its controlled entities, for the financial year ended 30 June 2018.

Directors

The names of the directors in office at any time during, or since the end of, the financial year are:

Names	Position
Mr Alexander Jason Elks	Executive Chairman and CEO
Mr Tony Feitelson	Non-Executive Director
Mr Valeri Melik-Babakhanov	Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Interests in the shares and options of the Group

As at the date of this report, the interests of the directors in the shares and options of Moreton Resources Limited were:

Names	Number of ordinary shares
Mr Alexander Jason Elks	285,500,501
Mr Tony Feitelson	903,213,566
Mr Valeri Melik-Babakhanov	1,570,000

Name	Number of options
Mr Alexander Jason Elks	40,378,124

Principal activities and significant changes in nature of activities

The Company's principal activities were acquiring and advancing its assets from exploration through to operations, in particular in the Metals and Coal space of the resources sector.

Operating results and financial position

The consolidated profit of the Group after income tax for the year was \$11,338,312 (2017: consolidated loss of \$1,692,516).

During the year the Group acquired the Granite Belt Silver Mine project – net assets acquired were \$13,330,500 for consideration of \$10,003, giving rise to a gain on purchase of \$13,320,497. The Company continues to be a developer of projects and has no revenue earning operations in production at this time.

At year-end, the Group's net assets totalled \$28,996,249 (2017: \$10,351,291) which included cash assets of \$1,250,695 and Research and Development tax benefit receivable of \$5,160,515. Exploration tenements remain in place and the capitalised book value is \$5,731,376 (2017: \$5,305,001).

The Group's external borrowings total \$8,750,000 with repayment due within 12 months. As set out in the financial statements the Group's Australian Taxation Office (ATO) Research and Development matter remains undecided, however the Group would need to raise further funding if it was required to settle the matter. The Group will also be required to fund ongoing operational expenditure in relation to its mining, exploration and corporate activities. Pending the outcome of the ATO matter the Group may need to raise further funding to meet their commitments.

Further discussion on the Group's operations immediately follows.

Review of operations

(i) Group Assets

The Company has determined, through its existing Board, that the organisation is focused upon continuing to realise its coal assets and develop its metals assets. The following Asset brief refers to this strategy.

MDL 385 Tarong Basin Thermal Coal Project

The Company's MDL 385, strategically located in the Tarong Basin in south-eastern Queensland is seen as a commercially viable Asset that could significantly complement power generation activities either locally or internationally. Having a Coal Resource estimate of 517.5Mt, (134 Mt Measured, 383.5 Mt Indicated) reported in accordance with the JORC Code (2012 edition), this asset is seen as a genuine mid-term prospect for the Company, and activities to advance this project are underway.

EPC 882 Tarong Basin Thermal Coal Project

The Company purchased EPC 882 in October 2015. EPC 882 is strategically located in the Tarong Basin in south-eastern Queensland, abutting MDL 385. The Coal Resource estimate is included in the MDL 385 figures as noted above.

EPC 1445 – Mackenzie Coal Project

The Company holds asset EPC 1445, which is located within the world-renowned Bowen Basin in central Queensland. Following the granting of MDL 503, the sub-blocks constituting MDL 503 were relinquished from the EPC 1445 holding. EPC 1445 now consists of one sub-block that adjoins MDL 503 (refer below). ATO has a registered mortgage via security arrangement upon AAT R&D pending decision.

MDL 503 – Mackenzie Coal Project

The Company was granted MDL 503 in 2015. A further exploration program was carried out on this MDL during 2015 with an updated Coal Resource estimate released in August 2015. The updated estimate (reported in accordance with the JORC Code 2012 edition) totals 138.1 Mt (65.1 Mt Indicated and 73.0 Mt Inferred) on an in-situ basis. Surrounded by several significant and profitable PCI operations, this potential underground asset is seen as a highly desirable, significant future operation. ATO has a registered mortgage via security arrangement upon AAT R&D pending decision.

MDL 420 Wandoan Coal Project

MDL 420, situated in the Surat Basin in southern Queensland is seen as a long-term strategic Asset that allows the Company to show a complete pipe line of potential development from near, mid through to long term. This asset has a Coal Resource estimate of 341.3 Mt (33.7 Mt Indicated and 307.6 Mt inferred) reported in accordance with the JORC Code (2004 edition).

The region called the Surat Basin is awaiting a major operator to advance. In August of 2017 a major mining Company was awarded a mining licence for a tenement within the region.

ML100106 Granite Belt Project

The Company was granted the Mining Lease in October 2017. ML 100106 is located within the Silver Spur Basin near Texas, Queensland. This asset is the Granite Belt Project Silver Mine.

The total assets of the previous operator – the liquidated Alycone - including physical and technical assets have become the property of MRV Metals Pty Ltd through the acquisition of the underlying tenures. The company continues to move into operations whilst working through several technical commissioning issues, outside of normal day to day mining operations.

EPM 8854 Granite Belt Metals Project

The Company purchased EPM 8854 during 2016. EPM 8854 is located within the Silver Spur Basin near Texas, Queensland. This asset has been extensively explored in the past and contains a number of promising exploration targets for silver and copper, which the Company is currently investigating. This tenement is the location of majority of the already declared targets under the Granite Belt Project and also the Granite Belt Exploration Project.

EPM 11455 Granite Belt Metals Project

The Company purchased EPM 11455 during 2016. EPM 11455 is located within the Silver Spur Basin near Texas, Queensland and is adjacent to EPM 8854. As a result, this asset is seen as being complimentary to EPM 8854 and the Company is currently investigating its potential.

EPM 12858 Granite Belt Metals Project

The Company purchased EPM 12858 during 2016. EPM 12858 is located within the Silver Spur Basin near Texas, Queensland and is adjacent to EPM 8854 and EPM 11455. As a result, this asset is seen as being complimentary to EPM 8854 and EPM 11455, and the Company is currently investigating its potential.

EPM 18950 Granite Belt Metals Project

The Company purchased EPM 18950 during 2016. EPM 18950 is located within the Silver Spur Basin near Texas, Queensland and is adjacent to EPM 8854, EPM 11455 and EPM 12858. As a result, this asset is seen as being complimentary to EPM 8854, EPM 11455 and EPM 12858, and the Company is currently investigating its potential.

EPM 26275 Granite Belt Metals Project

The Company purchased EPM 26275 during 2016. EPM 26275 is located within the Silver Spur Basin near Texas, Queensland and is located within the current cluster of EPMs and completes the total footprint of the Granite Belt Project. The Company is currently investigating its potential.

(ii) Business strategies and prospects

The strategy for 2018 and beyond will be to maximise the value of the Assets we currently have under our control, and look to opportunistically increase our prospects, through either strategic alliances or joint ventures.

The Company does not foresee any major business risks for 2018-2019, other than the risks inherent in the coal exploration industry, the metals exploration and minerals processing industries and in connection with the current AAT proceedings and ATO matters. Management of any potential financial risks is discussed further in note 4 financial risk management. The future projected cash flow is based on the Granite Belt Project moving into production.

Significant changes in the state of affairs

During the year the Group advanced its coal and metals projects, including the acquisition of the silver mine under mining lease ML 100106.

Share issues in the year totalled 655,243,959 shares and raised \$7,302,632. 40,378,124 options were issued and 8,057,250 options were exercised. Borrowings in the year totalled \$5,725,000.

Matters subsequent to the end of the financial year

The following significant matters or circumstances have arisen since the end of the financial year which could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years:

- On 27 August 2018 the Company announced a strategic review to determine core and non-core assets.
- The re-commissioning of the Granite Belt Project continues to incur operational and environmental challenges.
- As of 27 August 2018, Mr Terry Bourke has been appointed as Moreton Resources Limited CEO and Company Secretary.

Dividends paid or recommended

No dividends were paid or declared for future payment during the 2018 financial year.

Future developments and results

The Company continues to focus on its strategy to develop a portfolio of tenements which are prospective for coal. Key activities include conducting detailed analysis and drilling programs to develop exploration targets and JORC compliant resource and reserve statements, building relationships (including with infrastructure providers), and fast tracking the profitable projects to coal production. At the same time, the Company is determined to conduct all activities safely and sustainably, with sensitivity towards its stakeholders and communities and with a view to growing shareholder wealth.

We continue to advance the Granite Belt Project into operations and are seeking to become cash producing in the foreseeable future.

Environmental matters

The Group lodges financial assurance bonds with the Queensland Department of Environment and Science for its maximum predicted level of disturbance at any one time. That maximum level is based on disturbance of one hectare of pastoral land per tenement on which drilling is occurring with the intensity limited to the rehabilitation of shallow sumps and topsoil disturbance. To date the Group has not exceeded its maximum predicted level of disturbance and as a result the assurance bonds have not been called on by the Department.

In addition to this with the granting of ML 100106 the company continues to negotiate with the Department of Environment and Science upon a suitable and final financial assurance for the Granite Belt Project. Currently a cash bond of \$3.9M is held by the department and this figure may rise or fall depending on future negotiation and plan of operation disturbance areas.

Risk factors

The company operates in the resources industry in Australia. There are a number of factors, both specific to the Company and to the resources industry in general, which may, either individually or in combination, affect the future operating and financial performance of the Group, its prospects and/or the value of Moreton Resources shares. Many of the circumstances giving rise to these risks are beyond the control of the Company's Directors and its management. The major risks believed to be associated with investment in Moreton Resources are as follows:

Development Risks

There is a risk that circumstances (including unforeseen circumstances) may cause a delay to project development, exploration milestones or other operating factors, resulting in receipt of revenue at a later date than expected. Additionally, the construction of new projects/expansion by the Company may exceed the currently envisaged timeframe or cost for a variety of reasons outside of the control of the Company.

In relation to the commissioning of the Granite Belt project, the currently envisaged timeframe or cost may be exceeded for a variety of reasons outside of the control of the Company. There are a number of milestones that need to be met in a timely manner for production to commence and there is a risk that circumstances (including unforeseen circumstances) may cause delay, resulting in the receipt of revenue at a later date than expected.

Country risks

There is a risk that circumstances (including unforeseen circumstances) in Australia may cause a delay to project development, exploration milestones or other operating factors, resulting in receipt of revenue at a later date than expected.

Financing risks

To meet capital expenditure commitments at the coal tenements, additional funding will be required. The Company believes that there are reasonable grounds that additional funding required will be obtained to meet current and future obligations.

Geology risks

Resource and reserve estimates are stated to the JORC Code and are expressions of judgement based on knowledge, experience and industry practice. There are risks associated with such estimates, including that coal mined may be of a different quality, tonnage or strip ratio from those in the estimates.

Market risks

The Company's future financial performance will be impacted by future coal and silver prices and foreign exchange rates.

The factors which affect prices and demand include the outcome of future sales contract negotiations, general economic activity, industrial production levels, changes in foreign exchange rates, changes in energy demand and demand for steel, changes in infrastructure and transportation costs, the cost of other commodities and substitutes for coal, market changes in coal quality requirements and government regulation which restricts the use of coal, imposes taxation on the resources industry or otherwise affects the likely volume of sales or pricing of coal.

Information on directors

Mr Alexander Jason Elks	Executive Chairman and Chief Executive Officer
Qualifications	Mast. Management and Human Resources
Experience	Mr. Elks' most recent role was with Rio Tinto, based in Montreal, managing the People and Organisation support areas throughout North and South America, Australia and New Zealand. Prior to this Jason held senior roles with LGL, Zinifex, OneSteel and Kodak Australasia. Mr. Elks has extensive operational and corporate experience within large global companies as well as smaller national enterprises. His commodity experience includes coal, iron ore, zinc, lead and gold, along with a history in oil and gas exploration and heavy industry manufacturing.
Special Responsibilities	Executive Chairman and member of the Audit Committee.
Directorships held in other listed entities during the three years prior to the current year	Nil
Mr Tony Feitelson	Non-Executive Director
Qualifications	
Experience	Mr Feitelson has had an association with Moreton Resources Ltd since 2013, being a significant shareholder of the Company. Mr Feitelson holds a degree in Architecture and retired as a practicing Architect several years ago. Mr Feitelson is a director of a number of private companies owning retail, commercial, industrial, and farming properties.
Special Responsibilities	Member of the Remuneration and Audit Committee.
Directorships held in other listed entities during the three years prior to the current year	Nil

Mr Valeri Melik	Non-Executive Director
Qualifications	Engineering (Hons), Master of Engineering MEng, CPEng, NPER, BPEQ
Experience	Mr Melik prior to August 2016, held a position of General Manager Technical Services and has significant history with the Company, joining the Company in 2008, and an intricate knowledge of the Assets currently managed by the Company. Mr Melik holds a Bachelor of Engineering (Honours) in Electrical Power Systems and Networks from the State Oil Academy in Azerbaijan (former AZINEFTECHIM USSR) which was recognised and endorsed by the Institution of Engineers Australia. In addition to this, Mr Melik holds a Master of Engineering (Electrical) from RMIT University and other qualifications pertaining to Analogue and Microprocessor Based Digital Computer and Communication Equipment, and electro-mechanics.
Special Responsibilities	Member of the Remuneration and Audit Committee.
Directorships held in other listed entities during the three years prior to the current year	Nil

Company Secretary

Mr Jason Culpeper was appointed to the position of company secretary on 13 April 2018. Mr Culpeper replaced Mr Evans Hughes who ceased employment as company secretarial and General Manager of Business Services. Mr Hughes replaced Mr Lee Horobin and Ms Kate O'Donohue who were contracted to provide company secretarial roles prior to taking the role on inhouse. Mr Jason Culpeper resigned on 23 August 2018. From 27 August 2018 Mr Terry Bourke has taken on the role of Company Secretary and CEO.

Meetings of directors

During the financial year, 8 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Alexander Jason Elks	8	8	2	2	0	0
Mr Tony Feitelson	8	8	2	2	2	2
Mr Valeri Melik-Babakhanov	8	8	2	2	2	2

Indemnification and insurance of officers and auditors

The Company has agreed to indemnify the officers of the Company and its controlled entities to the maximum extent permitted by law, for all liabilities incurred by the officers and all legal and other costs and expenses arising from any proceedings or investigations, incurred by them, as a consequence of them having been an officer of the Company.

The Company has paid premiums totalling \$42,262 to insure the Directors for costs and expenses incurred in defending proceedings arising from their conduct as Directors, other than conduct involving unlawful breach of duty.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Options

At the date of this report, the unissued ordinary shares of Moreton Resources under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
27 October 2017	31 December 2018	\$0.004	20,189,062
27 October 2017	31 December 2019	\$0.004	20,189,062
			<hr/>
			40,378,124
			<hr/>

Option holders do not have any rights to participate in any issues of shares or other interests of the Company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

At the date of this report, other than the unlisted options issued as remuneration to key management personnel, there were no other unissued ordinary shares of the Company under option.

Other than as set out above, there have been no unissued shares or interests under option in the Company or a controlled entity during or since the reporting date.

Proceedings on behalf of the Company

No person has applied for leave of Court 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit services

Apart from auditing services, the Company's auditors did not provide any other services to the Company, either during or since the end of the financial year. No amounts were therefore paid or payable to the Company's auditor for any non-audit services.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2018 has been received and can be found on page 53 of the financial report.

Remuneration report (audited)

1. Individual directors and key management personnel

Details of directors and key management personnel are set out below:

Names	Position
Non-Executive Directors	
Mr Tony Feitelson	Non-Executive Director
Mr Valeri Melik-Babakhanov	Non-Executive Director
Executives	
Mr Alexander Jason Elks	Executive Chairman and CEO

2. Remuneration at a glance

This remuneration report for the year ended 30 June 2018 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

3. Remuneration Committee

Due to the varying size of the Board and staff numbers during the year, the directors from time to time have been responsible for determining remuneration. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for directors, the executives and other key staff. The Remuneration Committee uses its broad economic, business and industry experience to assess the nature and amount of remuneration of all staff including directors and the executives by reference to relevant employment market conditions and will when necessary seek independent expert advice.

The Remuneration Committee met three times during the year.

4. Remuneration policy

The remuneration policy of the Group has been designed to align the remuneration available to directors and executives with shareholders' interests by providing a fixed remuneration component and specific incentive payments based on the achievement of share price. The overall objective of that policy is the retention and attraction of a high quality Board and executive. The Board believes the remuneration policy to be appropriate and effective to attract and retain the best key management personnel to manage the Group as well as to create goal congruence between directors, executives and shareholders.

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

- Key management personnel receive a base salary (which is based on factors such as market and comparative group rates and experience), superannuation, fringe benefits and other performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators have been met.
- The Remuneration Committee reviews key management personnel packages annually by reference to the Group's performance, individual performance and comparable information from industry sectors.

Key management personnel receive the superannuation guarantee contribution required by law and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. All remuneration paid to key management personnel is valued at the cost to the Group and expensed.

The Board's policy is to remunerate non-executive directors at market rates 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.

No remuneration recommendations were received from external providers during the financial year.

5. Performance-based remuneration

The Board may also elect from time to time to pay a cash performance bonus to the Executives linked to the successful performance of the individual and the Group based on key performance indicators.

6. Relationship between performance conditions and Company performance

The Board and the Remuneration Committee resolved that there would be no short-term incentive for the year ended June 2018.

The Board and the Remuneration Committee has resolved that future executive remuneration outcomes would be based on an appropriate incentive plan for a company moving into production. The terms and conditions of any such incentive plan are under development.

7. Employment details of directors and key management personnel

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group. The table also illustrates the proportion of remuneration that was performance- and non-performance-based and the proportion of remuneration received in the form of options.

		Salary, non-cash based incentives	Non-salary, cash based incentives	Non salary, non-cash based incentive	Fixed Salary/fee s	Total
Position		%	%	%	%	%
Non-Executive Directors						
Mr Tony Feitelson	Non-Executive Director	-	-	-	100	100
Mr Valeri Melik-Babakhanov	Non-Executive Director	-	-	-	100	100
Executives						
Mr Alexander Jason Elks	Executive Chairman and CEO	-	-	10.5	89.5	100

The employment terms and conditions of key management personnel and group executives are formalised in individual contracts of employment.

Terms of employment generally provide for three months' notice for executives and the Company in normal circumstances, one month's notice from the executive in cases of breach of contract by the Company and immediate termination in certain specified circumstances likely to prevent the discharging of the duties of his or her position.

8. Subsequent changes in Key Management Personnel (other than directors)

As of August 2018, Mr Terry Bourke has been appointed as Moreton Resources Limited CEO and Company Secretary.

9. Remuneration details for the year ended 30 June 2018

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for directors and key management personnel of the Group.

	Short-term Benefits				Post-employment Benefits	
	Salary, fees and leave \$	Profit share and Bonuses \$	Non-monetary \$	Equity-settled Share Based Payments(*) \$	Pension and Superannuation \$	Total \$
For the year ended 30 June 2018						
Non-Executive Directors						
Mr Tony Feitelson	43,836	-	-	-	4,164	48,000
Mr Valeri Melik-Babakhanov	43,836	-	-	-	4,164	48,000
Executives						
Mr Alexander Jason Elks	349,434	-	-	45,551	38,081	433,066
Total	437,106	-	-	45,551	46,409	529,066
For the year ended 30 June 2017						
Non-Executive Directors						
Mr Tony Feitelson	-	-	-	-	-	-
Mr Valeri Melik-Babakhanov	-	-	-	-	-	-
Mr Brett Fletcher (resigned 26/08/2016)	11,416	-	-	-	1,084	12,500
Mr Wayne Penning (resigned 26/08/2016)	-	-	-	-	-	-
Executives						
Mr Alexander Jason Elks	322,163	83,179	-	1,380	33,067	439,789
Mr Chris Santaquiliana (finished employment 28/10/2016)	40,989	-	-	-	4,843	45,832
Total	374,568	83,179	-	1,380	37,910	485,621

NOTES

(*) The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using a binomial pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Options and Rights Granted as Remuneration – Summary

	Balance at Beginning of Year No.	Grant Details			Exercised		Lapsed	Balance at End of Year (all unvested) No.
		Issue Date	No.	Value \$ (Note 1)	No. (Note 2)	Value (Note 3)	No.	
Group KMP								
Jason Elks	8,057,250	27/10/2017	40,378,124	101,709	8,057,250	2,495	-	40,378,124
Total	8,057,250		40,378,124	101,709	8,057,250	2,495	-	40,378,124

NOTES

- (1) The fair value of options granted as remuneration and as shown in the above table has been determined in accordance with the Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied.
- (2) All options that were exercised resulted in the issue of ordinary shares in Moreton Resources Limited on a 1:1 basis. All persons exercising options paid the applicable exercise price.
- (3) The value of options that have been exercised during the year as shown in the above table was determined as at grant date.
- (4) The options have been granted subject to certain performance criteria being met before the options vest.
- (5) The options have been granted subject to continued employment until the vesting period for Directors only.
- (6) All options issued entitle the holder to one ordinary share in Moreton Resources Limited for each option exercised.
- (7) There have not been any alterations to the terms or conditions of any grants since grant date.

Description of Options Issued as Remuneration

Details of the options granted as remuneration to those KMP listed in the previous table are as follows:

Grant Date	Issuer	Entitlement on Exercise	No. of Options	Dates Exercisable	Exercise Price (\$)	Value per Option at Grant Date (\$)	Amount Paid/Payable by Recipient (\$)
27/10/2017	Moreton Resources Limited	1:1 Ordinary Share in Moreton	20,189,062	From vesting date to expiry on 31/12/2018	0.004	0.003	-
27/10/2017	Moreton Resources Limited	1:1 Ordinary Share in Moreton	20,189,062	From vesting date to expiry on 31/12/2019	0.004	0.002	-
			40,378,124				

Option values at grant date were determined using the Binominal method. No options were granted as remuneration in the year ended 30 June 2017.

Key Management Personnel Shareholdings

The number of the Company's fully paid ordinary shares, held during the financial year by each director of Moreton Resources Limited and other key management personnel of the Group, including their personally related parties, is set out below. There were no shares granted during either financial year as remuneration.

Name of Personnel	Balance at the Beginning of the Year	Options Exercised	Granted as Remuneration during the Year	Disposed during the year	Other Changes	Balance at end of the year*
2018						
Jason Elks	270,147,564	8,057,250	-	(18,000,000)	24,445,749	284,650,563
Valeri Melik	1,200,000	-	-	-	370,000	1,570,000
Tony Feitelson	628,697,270	-	-	-	301,387,851	930,085,121
Total number	900,044,834	8,057,250	-	(18,000,000)	326,203,600	1,216,305,684
2017						
Jason Elks	188,466,687	-	-	(100,000,000)	181,680,877	270,147,564
Valeri Melik	1,000,000	-	-	-	200,000	1,200,000
Tony Feitelson	517,030,603	-	-	-	111,666,667	628,697,270
Brett Fletcher	5,000,000	-	-	(5,000,000)	-	-
Wayne Penning	-	-	-	-	-	-
Chris Santagiuliana	-	-	-	-	-	-
Total number	711,497,290	-	-	(105,000,000)	293,547,544	900,044,834

* Balance at end of year or at resignation.

Service Agreements

The remuneration and other terms of employment for the Managing Director, and other key management personnel are formalised in service agreements. Each agreement sets out the components of each person's total remuneration package. Typically, these components may include a base salary, superannuation, salary sacrificed superannuation, reimbursement of professional fees, provision of a motor vehicle and eligibility for participation in the Company's Share Options plans. All contracts with executives may be terminated early by either party with notice periods set out in the table below, subject to termination payments based on no misconduct. Other major provisions are set out below.

Employment Details of Members of Key Management Personnel (KMP)

The following table provides employment details of persons who were, during the financial year, members of KMP of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

	Position Held as at 30 June 2018	Contract Details (Duration and Termination)	Annual Base Salary including superannuation \$	Other Benefits	Proportions of Elements of Remuneration Related to Performance (Other than Options Issued)		Proportions of Elements of Remuneration Not Related to Performance Fixed Salary/ Fees
					Non-salary cash-based Incentives %	Shares/ units %	
Group KMP - Current Valeri Melik	Executive Director	Refer to Note (2) for duration and term.	48,000	-	-	-	100%
	Chair Remuneration Committee Audit and Risk Committee			-	-	-	
Tony Feitelson	Non-Executive Director	Refer to Note (2) for duration and term.	48,000	-	-	-	100%
	Remuneration Committee Chair Audit and Risk Committee			-	-	-	
Alexander Jason Elks	Managing Director and Chief Executive Officer	Permanent contract. Started 1 July 2014. 3 months' notice to terminate.	364,324	25% STI ⁽¹⁾	-	-	89.5%
	Audit and Risk Committee			LTI ⁽¹⁾	-	-	

- (1) Under Mr Elks employment contract, he is eligible to participate in short (STI) and long-term incentive (LTI) schemes as determined by the Company from time to time. Mr Elks was granted two tranches of share-based compensation as a LTI per his contract. Each tranche consists of 20,189,062 options with exercise prices of \$0.004 per share for each tranche with expiry dates of 31 December 2018 and 31 December 2019.
- (2) Directors are appointed upon the terms for Directors as outlined within the Corporations Act, and as such there are no termination provisions or notice period. Each Director however is subject to rotation at a maximum of 3 years for shareholder re-election.

Short-Term Incentive Program

A Short-Term Incentive Plan (STIP) was approved and introduced by the Board in the 2015 financial year. The STIP is an integral part of the Company's overall approach to competitive performance-based remuneration. The Plan aims to reward eligible Employees for meeting their goals and aligning their activities to the Company's values. Employees will be assessed through the normal performance enhancement system to measure their achievement of goals and alignment with the values. Poor alignment with the values and/or poor achievement of goals will result in a reduction to or non-payment of an incentive award. The incentive is for over and above day-to-day performance and role outcomes, which have already been remunerated for.

The STIP is discretionary and will only be maintained and awards given, provided the Company has achieved an overall positive result, as determined by the CEO and/or Board.

This Plan applies to invited permanent full-time or part-time MRV Corporate Employees employed in Australia. Eligibility will depend on their contract of employment.

This Plan will not extend to anyone where to do so would result in an overlap or doubling up of reward potential for specified performance over the same period.

Employee Share Scheme

The Company does not have an employee share scheme.

Management Share Options

In a prior year the Board reviewed the Company's existing Employees', Officers' and Consultants 2007 Option Plan, which was most recently voted on by shareholders in 2013, that provides for the issue of Unlisted Options over fully paid ordinary shares in the Company. Following the review, and due to the minor nature of the changes, the revised Option Plan was approved by the Remuneration and Nomination Board Committee in August 2015. The revised Option Plan is now called the Employees, Officers, Consultants and Partners 2015 Option Plan and is available on the Company's website (www.moretonresources.com.au).

Ordinary shares are not granted as remuneration, but key management personnel may hold shares in a shareholder capacity.

Additional Information

Other than the items disclosed above there are no further equity, remuneration or loans to key management personnel in the year. As set out in note 21 in the financial statements, there are borrowings and other commercial arrangements in place with key management personnel.

This is the end of the remuneration report, which has been audited.

Resolution of the Directors

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

.....
Alexander Jason Elks

Executive Chairman and Chief Executive Officer

Dated 30 August 2018

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Moreton Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders, by whom they are elected and to whom they are accountable.

Moreton Resources Limited is committed to operating its business ethically and with high standards of corporate governance. The Board has taken the opportunity to disclose its 2018 Corporate Governance Statement in the Corporate Governance section of the Company's website (www.moretonresources.com.au)

	Note	2018 \$	2017 \$
Revenue			
Other income	2	113,583	15,261
Gain on business acquisition	16	13,320,497	-
Total Revenue		13,434,080	15,261
Expenses			
Depreciation and amortisation expense		169,424	45,586
Employee benefits expense		656,772	341,521
Insurance expense		146,742	51,304
Interest expense		547,605	31,520
Professional fees and contractors		190,005	829,159
Securities quotation fees		124,547	32,679
Other corporate costs		222,120	347,486
Travel costs		38,552	28,522
Total Expenses	3	2,095,768	1,707,777
Profit/(Loss) before income tax		11,338,312	(1,692,516)
Income tax benefit/ (expense)	6	-	-
Total Profit/(Loss) after income tax for the year		11,338,312	(1,692,516)
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		11,338,312	(1,692,516)
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		11,338,312	(1,692,516)
Total comprehensive income/(loss)		11,338,312	(1,692,516)
Earnings per share			
Basic earnings per share (cents)	5	0.38	(0.08)
Diluted earnings per share (cents)	5	0.38	(0.08)

MORETON RESOURCES LIMITEDCONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	1,250,695	2,660,805
Trade and other receivables	9	5,397,176	5,262,274
Inventories	16	9,554,500	-
Other assets	10	597,969	147,969
TOTAL CURRENT ASSETS		16,800,340	8,071,048
NON-CURRENT ASSETS			
Restricted cash	11	3,965,720	-
Property, plant and equipment	12	5,775,948	344,722
Mine development assets	15	10,722,990	-
Exploration and evaluation assets	14	5,731,376	5,305,001
TOTAL NON-CURRENT ASSETS		26,196,034	5,649,723
TOTAL ASSETS		42,996,374	13,720,771
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	1,291,057	133,396
Short-term provisions	18	159,068	211,084
Borrowings	19, 20	8,750,000	3,025,000
TOTAL CURRENT LIABILITIES		10,200,125	3,369,480
NON-CURRENT LIABILITIES			
Provisions	16	3,800,000	-
TOTAL NON-CURRENT LIABILITIES		3,800,000	-
TOTAL LIABILITIES		14,000,125	3,369,480
NET ASSETS		28,996,249	10,351,291
EQUITY			
Issued capital	23	82,508,541	75,247,446
Reserves	22	45,551	2,495
Retained earnings		(53,557,843)	(64,898,650)
TOTAL EQUITY		28,996,249	10,351,291

	Note	Issued capital \$	Accumulated losses \$	Share-based Payments reserve \$	Total \$
Balance at 1 July 2017		75,247,446	(64,898,650)	2,495	10,351,291
Profit attributable to members of the parent entity		-	11,338,312	-	11,338,312
Total other comprehensive income for the year		-	-	-	-
Transactions with owners in their capacity as owners					
Shares issued during the year	23	7,302,632	-	-	7,302,632
Share issue costs	23	(41,537)	-	-	(41,537)
Share based payments	22	-	-	45,551	45,551
Transfer of share-based payment reserve to retained earnings	22	-	2,495	(2,495)	-
Total transactions with owners		7,261,095	2,495	43,056	7,306,646
Balance at 30 June 2018		82,508,541	(53,557,843)	45,551	28,996,249

Balance at 1 July 2016	74,092,375	(63,206,777)	1,758	10,887,356
Profit attributable to members of the parent entity	-	(1,692,516)	-	(1,692,516)
Total other comprehensive income for the year	-	-	-	-
Transactions with owners in their capacity as owners				
Shares issued during the year	1,176,702	-	-	1,176,702
Share issue costs	(21,631)	-	-	(21,631)
Share based payments	-	-	1,380	1,380
Transfer of share-based payment reserve to retained earnings	-	643	(643)	-
Total transactions with owners	1,155,071	643	737	1,156,451
Balance at 30 June 2017	75,247,446	(64,898,650)	2,495	10,351,291

MORETON RESOURCES LIMITEDCONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(1,937,080)	(1,827,458)
Interest received		58,598	15,215
Finance costs		(265,721)	(18,519)
GST receipts		742,022	157,715
Net cash provided by (used in) operating activities	25(b)	(1,402,181)	(1,673,047)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Security deposits lodged		(4,415,720)	(44,730)
Payments for property, plant and equipment		(1,616,042)	(294,149)
Proceeds from sale of property, plant and equipment		129,985	-
Payments for exploration, evaluation and development expenditure		(1,256,789)	(1,284,050)
Payments for mine development assets		(5,585,602)	-
Payments for business acquisition	16	(10,003)	-
Net cash provided by (used in) investing activities		(12,754,171)	(1,622,929)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		7,021,242	1,155,071
Proceeds from issue of debentures		4,025,000	3,025,000
Proceeds from Short Term loan		1,200,000	-
Loans from related parties			
• Loans received		500,000	321,397
• Loans repaid		-	(321,397)
Net cash provided by (used in) financing activities		12,746,242	4,180,071
Net increase (decrease) in cash and cash equivalents held		(1,410,110)	884,095
Cash and cash equivalents at beginning of year		2,660,805	1,776,710
Cash and cash equivalents at end of financial year	25(a)	1,250,695	2,660,805

This financial report covers the consolidated financial statements and notes of Moreton Resources Limited and controlled entities (the Group).

The separate financial statements of the parent entity, Moreton Resources Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*. The parent entity summary is included in Note 33.

The financial statements were authorised for issue by the Board of Directors on 31 August 2018.

Note 1 Summary of significant accounting policies

a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Material accounting policies adopted in the preparation and presentation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

b) Going concern

The financial report has been prepared on a going concern basis that contemplates the continuity of normal operating activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 June 2018, consolidated total assets was \$42,996,374 including cash of \$1,250,695, receivables of \$5,397,176 and inventories of \$9,554,500. Consolidated current assets totalled \$16,800,340 and consolidated current liabilities totalled \$10,200,125.

As set out in note 9, included in receivables is \$5,160,515 relating to Research and Development Tax Incentive Offset claims, with this amount currently subject of proceedings in the Administrative Appeals Tribunal.

The ultimate outcome of these proceedings cannot be predicted with certainty; however, the amount receivable continues to be carried at full value as the Company's best estimate of the probable amount recoverable.

As set out in note 9, the Australian Taxation Office (ATO) has advised it will seek repayment of \$8,185,724 previously paid to the Company in respect of prior year Research and Development Tax Incentive Offset claims. On the basis of professional advice obtained, the Company considers its claim to the incentive payments is justified and valid and notes that the amounts received relate to Research and Development Tax Incentive Offset claims lodged on the same basis as the \$5,160,515 tax benefit receivable mentioned above which is currently the subject of proceedings. The ultimate outcome of this matter against the Company also cannot be predicted with certainty, however the Company has already entered a deed of arrangement for any potential future payments and these potential debts would need to be cured via operating cash flows or the raising of funds through an alternate source.

The Company will also be required to fund ongoing operational expenditure in relation to its mining, exploration and corporate activities, and meet debt repayment obligations due within 1 year. Pending the outcome of the ATO Matter above the Company may need to raise further funding to meet these commitments.

Should the Company be unable to source funding for the ATO matter and/ or it's ongoing commitments mentioned above, if required, there exists a significant uncertainty that may cast doubt over the Group's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities should this occur. On the basis of the present status of these matters, the Directors have formed the view that it is appropriate to prepare the financial report on a going concern basis.

Note 1 Summary of significant accounting policies (continued)

c) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Moreton Resources) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 26.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

d) Business combinations

Business combinations occur where an acquirer obtains control over one or more business.

Business combinations are accounted for using the acquisition method from the date when control is obtained, whereby the fair value of identifiable assets acquired and liabilities (including contingent liabilities) is recognised.

The acquisition of a business may result in the recognition of goodwill or a gain on acquisition. As set out in note 16, the Company applied business combination accounting to its acquisition of the Twin Hills Silver Mine.

e) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date, and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Note 1 Summary of significant accounting policies (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- receivables and payables, which are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. This requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received, and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

g) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with a maturity 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.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Note 1 Summary of significant accounting policies (continued)

h) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land, is depreciated on a reducing balance method from the date that management determine that the asset is available for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Useful Life (years)
Motor Vehicles	2 - 10
Office equipment and furniture	2 - 10
Plant and equipment	ROM Production
Mine Development	ROM Production

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Alternatively, when an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is able to be restated proportionately with the change in the gross carrying amount of the asset so that the net carrying amount of the asset after revaluation equals its revalued amount.

i) Exploration and development expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. Direct and indirect costs attributable to finding mineral resources are allocated to the exploration and evaluation assets to the extent they are expected to be recovered 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. General and administrative costs that are not related directly to operational activities in the areas of interest have been expensed as incurred.

Exploration and evaluation assets are reclassified when technical feasibility and commercial viability has been established.

The exploration and evaluation assets are assessed against facts and circumstances to determine whether the carrying amount exceeds the recoverable amount. The facts and circumstances considered include whether the rights to explore are current, whether any area of interest has been removed from plans for substantive exploration, whether a decision has been taken to discontinue activities, and whether data suggests that the carrying amounts are unlikely to be recovered from development or sale.

j) Restoration and rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location.

Note 1 Summary of significant accounting policies (continued)

When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development/construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

k) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value or amortised cost using the effective interest rate method.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of profit or loss and other comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire, or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled, or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 1 Summary of significant accounting policies (continued)

l) Impairment of non-financial assets

Non-financial assets other than goodwill and indefinite life intangibles, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets that suffered an impairment are tested for possible reversal of the impairment where events or changes in circumstances indicate an impairment may have reversed.

m) Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories acquired as part of a business combination have been recognised at their fair value as outlined in note 1(d) and note 16.

n) Intangible Assets

Software

Computer software expenses are capitalised at cost of acquisition. Computer software has a finite life and is carried at cost less any accumulated amortisation, and any impairment losses. Computer software is amortised over its useful life ranging from three to five years.

o) Employee benefits

Wages, salaries, annual leave and sick leave

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 respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Equity-settled compensation

Share-based payments to employees are measured at the fair value of the instruments at grant date and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amounts are recognised in the option reserve and statement of profit and loss respectively. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Note 1 Summary of significant accounting policies (continued)

p) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial period, which are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

q) Revenue and other income

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

All revenue is stated net of the amount of GST.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which it incurs them.

s) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility and evaluation studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period.

Environmental rehabilitation costs

The provisions for rehabilitation costs are based on estimated future costs using information available at the balance sheet date. To the extent the actual costs differ from these estimates, adjustments will be recorded, and the income statement may be impacted.

Note 1 Summary of significant accounting policies (continued)

Recovery of Deferred Tax Assets

Deferred tax assets resulted from unused tax losses are only recognised to the extent that management considers it is probable that future tax profits will be available to utilise the unused tax losses.

Recognition of Receivables relating to Research and Development Tax Incentive Offset

As set out in note 9, included in receivables is \$5,160,515 relating to Research and Development Tax Incentive Offset claims, with this amount currently subject of proceedings in the Administrative Appeals Tribunal. The ultimate outcome of these proceedings cannot be predicted with certainty; however, the amount receivable continues to be carried at full value as the Company's best estimate of the probable amount recoverable.

As set out in note 9, the Australian Taxation Office has advised it will seek repayment of \$8,185,724 previously paid to the Company in respect of prior year Research and Development Tax Incentive Offset claims. The ultimate outcome of this matter against the Company also cannot be predicted with certainty.

Business Combinations

As set out in note 16, 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 ML 100106 being 3rd October 2017. The group is required to recognise separately at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment and developing other assumptions. Note 16, details the methodology used in determining those fair values.

t) Earnings per share

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

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.

u) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); whose operating results are regularly reviewed by the entity's chief operating decision-makers to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

The operating segments have been identified based on the information provided to the chief operating decision-makers, the Board of Directors.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services;
- nature of the production processes;
- type or class of customer for the products and services;
- methods used to distribute the products or provide the services and if applicable; and
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Note 1 Summary of significant accounting policies (continued)

v) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Australian Accounting Standard. Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not trade in an active market are determined using one of more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

w) New Accounting Standards for application in future periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018). The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments requirements for financial instruments and hedge accounting. Based on a preliminary assessment performed, the effects of AASB 9 are not expected to have a material effect on the group.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15). Based on a preliminary assessment AASB 15 will have no impact until the Group earns revenue.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 July 2019). Based on a preliminary assessment AASB 16 is not expected to have a material effect on the group.

x) New and amended Accounting Standards

The Group adopted all relevant new and amended Accounting Standards issued by the Australian Accounting Standards Board. In particular:

AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107. This Standard amends AASB 107 Statement of Cash Flows to include additional disclosures and reconciliation relating to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

There are no other new or amended Accounting Standards that have had a material effect on the group.

Note 2 Other Income

	2018 \$	2017 \$
- Interest received	58,598	15,215
- Gain on sale of property, plant and equipment	54,985	-
- Other income	-	46
	113,583	15,261

Note 3 Expenses

	2018 \$	2017 \$
Finance costs on financial liabilities at amortised cost:		
- Finance expense on debentures (refer to Note 19(c))	535,578	-
- Interest on short term loan (refer to Note 19(c))	9,901	-
- Other interest	2,126	31,520
	547,605	31,520
Legal and professional fees:		
- Legal fees	18,960	653,687
- Accounting fees	35,342	43,490
- Other professional fees	135,703	131,982
	190,005	829,159
Minimum lease payments on operating leases:		
- Office and car park rent	58,841	45,039
	58,841	45,039
Employee benefits expense:		
- Gross employee benefits	3,794,183	863,106
- Less capitalised employee costs	(3,137,410)	(521,585)
	656,772	341,521
Defined contribution expense (included in Employee benefits expense above)		
- Gross employee benefits	232,150	77,680
- Less capitalised costs	(191,965)	(46,943)
	40,185	30,737
Other expenses		
- Depreciation and amortisation	169,424	45,586
- Employee share-based payments	45,551	1,380

Note 4 Remuneration of auditors

	2018 \$	2017 \$
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial statements	35,000	33,200
- Other non-audit services	-	-
	<u>35,000</u>	<u>33,200</u>

Note 5 Earnings per share

a) Reconciliation of earnings to profit or loss from continuing operations

	2018 \$	2017 \$
Total Profit/(Loss) after income tax from continuing operations	11,338,312	(1,692,516)
Earnings used in calculation of earnings per share	<u>11,338,312</u>	<u>(1,692,516)</u>

b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2018 No.	2017 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	2,985,706,314	1,955,087,443
Weighted average number of dilutive options outstanding	<u>18,115,903</u>	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>3,003,822,217</u>	<u>1,955,087,443</u>

c) Information Regarding the Classification of Dilutive Potential Ordinary Shares

Options over unissued ordinary shares

All of the Group's options are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share, to the extent to which they are dilutive.

There were 40,378,124 options issued during the financial year. There are 40,378,124 options on issue at 30 June 2018 as follows:

Grant Date	Vesting Date	Expiry Date	Exercise Price	Number
27 October 2017	1 November 2018	31 December 2018	\$0.004	20,189,062
27 October 2017	1 November 2019	31 December 2019	\$0.004	20,189,062
Balance at the end of the financial year				<u><u>40,378,124</u></u>

Note 6 Income tax

a) Income tax benefit/(expense)

	2018	2017
	\$	\$
Current tax	-	-
Deferred tax	-	-
Total	-	-

b) Reconciliation of income tax to accounting profit:

	2018	2017
	\$	\$
Gain/(loss) from continuing operations	11,338,312	(1,692,516)
Total gain/(loss) before income tax	11,338,312	(1,692,516)
Prima facie tax benefit on profit or loss from ordinary activities before income tax at 27.5%	3,118,036	(465,442)
Add (less) tax effect of:		
- Gain on business acquisition	(3,663,137)	-
- Non-deductible costs	12,526	1,343
- Exploration expenditure capitalised	(345,617)	(353,113)
- Other expenses not currently deductible	39,068	20,062
- Deferred tax assets not recognised	839,124	797,150
Total income tax benefit / (expense)	-	-

The weighted average effective tax rates are nil due to tax losses.

c) Accumulated tax losses not recognised

The Group had estimated accumulated Australian tax losses as at 30 June 2018 of \$28,251,329 (2017: \$25,199,971) – tax effect \$7,769,116 (2017: \$6,929,992). No net deferred tax asset has been recognised on the basis that utilisation of tax losses is not currently considered probable.

The taxation losses will be realisable only if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be realised;
- the Group continues to comply with the conditions for deductibility imposed by the law;
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses; and
- the resolution of the R&D matter set out in note 9.

Note 7 Operating Segments

Identification of reportable segments

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.

Note 7 Operating Segments (continued)

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.

Types of products and services by reportable segment

The principal products and services of each of these operating segments are as follows:

Segment	Activities
Coal	Coal exploration and extraction activities.
Minerals	Minerals exploration and extraction activities including the transition to producer at the Granite Belt project.

Basis of accounting for purposes of reporting by operating segments

a) Accounting policies adopted

All amounts reported to the Board of Directors, being the chief operating decision-makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

A number of inter-segment transactions, receivables, payables or loans occurred during the period, or existed at balance date. In addition, corporate re-charges were allocated to the reporting segments.

b) Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

c) Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables, and certain direct borrowings.

d) Unallocated items

Unallocated expenses include corporate overheads and other costs not considered part of segment operations.

Unallocated assets and liabilities include cash, receivables and creditors where the amounts are not considered part of core segment operations.

Note 7 Operating Segments (continued)

e) Segment performance

	Minerals		Coal		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Reconciliation of segment net loss to consolidated net loss after tax:								
Revenue from external customers	-	-	-	-	-	-	-	-
Other income	13,375,482	-	-	-	58,598	15,261	13,434,080	15,261
Expenses	(1,225,739)	-	(44,089)	(12,475)	(825,940)	(1,695,302)	(2,095,768)	(1,707,777)
Segment Net income/(loss) after tax per Statement of Comprehensive Income	12,149,743	-	(44,089)	(12,475)	(767,342)	(1,680,041)	(11,338,312)	(1,692,516)

f) Segment assets and liabilities

Segment assets

Assets	30,217,555	926,646	5,435,366	4,526,965	7,343,453	8,267,161	42,996,374	13,720,771
Total assets per Statement of Financial Position	30,217,555	926,646	5,435,366	4,526,965	7,343,453	8,267,161	42,996,374	13,720,771

Segment Liabilities

Liabilities	12,550,206	206	30,000	74,089	1,419,919	3,295,185	14,000,125	3,369,480
Total liabilities per Statement of Financial Position	12,550,206	206	30,000	74,089	1,419,919	3,295,185	14,000,125	3,369,480

Note 8 Cash and cash equivalents

	2018	2017
	\$	\$
Cash at bank and in-hand	1,250,695	2,660,805
Total	1,250,695	2,660,805

Note 9 Trade and other receivables

	2018 \$	2012 \$
Other receivables*	5,160,515	5,160,515
Sundry receivables	236,661	101,759
Total trade and other receivables	5,397,176	5,262,274

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.

* 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 (ATO). 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 ATO has amended the Research & Development Tax Incentive Offsets for the 2012, 2013 and 2014 income years to \$0. The ATO 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 claim interest and penalties 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 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.

Note 10 Other assets

	2018	2017
	\$	\$
Cash security bonds lodged for tenements	594,609	144,609
Security/rental tenancy deposits	3,360	3,360
Total	597,969	147,969

Note 11 Restricted cash

	2018	2017
	\$	\$
Restricted cash	3,965,720	-
Total	3,965,720	-

During the year, \$3,965,720 was placed with a financial institution as restricted cash as financial assurance for the environmental authority related to the Mining Licence (ML100106) over the Granite Belt project (see note 16).

Note 12 Property, plant and equipment

	2018	2017
	\$	\$
Total assets – at cost	6,200,817	562,908
Accumulated depreciation	(424,869)	(218,186)
Total	5,775,948	344,722

Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Motor Vehicles	Office Equipment & Furniture	Plant and equipment	Property	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2017	82,285	37,807	224,630	-	344,722
Additions	60,926	33,661	2,014,815	14,100	2,123,502
Acquisition of business	-	-	3,556,000	-	3,556,000
Disposals	-	(3,853)	(75,000)	-	(78,853)
Depreciation expense	(30,872)	(6,701)	(131,850)	-	(169,423)
Balance at 30 June 2018	112,339	60,914	5,588,595	14,100	5,775,948

Note 12 Property, plant and equipment (continued)

	Motor Vehicles \$	Office Equipment & Furniture \$	Plant and Equipment \$	Property \$	Total \$
Balance at 1 July 2016	17,576	55,813	22,770	-	96,159
Additions	70,699	16,159	207,291	-	294,149
Depreciation expense	(5,990)	(34,165)	(5,431)	-	(45,586)
Balance at 30 June 2017	82,285	37,807	224,630	-	344,722

Note 13 Intangible Assets

	2018 \$	2017 \$
UCG technology general licence		
Cost	750,000	750,000
Accumulated amortisation	(750,000)	(750,000)
Total	-	-

UCG technology general licence fees represent the fees paid to Ergo Exergy Technologies, Inc (Ergo) by Moreton Resources Limited to have an agreed partnership to advance UCG technology and know-how in Australia and other countries, following the signing of a General Licence Agreement on 3 November 2008 and which was further extended in June 2012. As the Company has moved its focus from UCG, the Company has therefore fully impaired the current book value of the licence.

Note 14 Exploration and evaluation assets

	2018 \$	2017 \$
Exploration and evaluation assets - at cost	5,731,376	5,305,001
Tarong Basin thermal coal project (QLD)		
Balance at the start of the financial year	1,508,824	1,076,251
Additional expenditure	804,693	432,573
Balance at the end of the financial year	2,313,517	1,508,824
Wandoan coal project (QLD)		
Balance at the start of the financial year	1,225,968	1,154,043
Additional expenditure	72,271	71,925
Balance at the end of the financial year	1,298,239	1,225,968

Note 14 Exploration and evaluation assets (continued)

	2018 \$	2017 \$
Mackenzie coal project (QLD)		
Balance at the start of the financial year	1,739,795	1,676,069
Additional expenditure	31,706	63,726
Balance at the end of the financial year	1,771,501	1,739,795
Granite Belt Metals Project (QLD)		
Balance at the start of the financial year	830,414	114,588
Transfer to Mine Development (note 15)	(830,414)	-
Additional expenditure	348,119	715,826
Balance at the end of the financial year	348,119	830,414
Total Exploration and Evaluation Assets	5,731,376	5,305,001

The Company's focus is now on advancing both its coal assets and minerals assets and expenditure incurred is targeted at progressing these projects. All projects are in exploration and evaluation phase. Recovery of the carrying amount of exploration assets is dependent on the successful development of the projects, and/or their sale.

Tenements held by the group

	Licence	Project	Acquisition /	Equity Interest (%)	
Licence Holder	Number	Location	Grant Date	2018	2017
MRV Tarong Basin Coal Pty Ltd	MDL 385	South Burnett	18/12/2015	100%	100%
MRV Tarong Basin Coal Pty Ltd	EPC 882	South Burnett	26/10/2015	100%	100%
MRV Surat Basin Coal Pty Ltd	MDL 420	Wandoan	22/12/2015	100%	100%
MRV Bowen Basin Coal Pty Ltd	EPC 1445	Mackenzie	22/12/2015	100%	100%
MRV Bowen Basin Coal Pty Ltd	MDL 503	Mackenzie	22/12/2015	100%	100%
MRV Metals Pty Ltd	EPM 8854	Granite Belt	23/05/2016	100%	100%
MRV Metals Pty Ltd	EPM 11455	Granite Belt	23/05/2016	100%	100%
MRV Metals Pty Ltd	EPM 12858	Granite Belt	23/05/2016	100%	100%
MRV Metals Pty Ltd	EPM 18950	Granite Belt	23/05/2016	100%	100%
MRV Metals Pty Ltd	EPM 26275	Granite Belt	12/02/2017	100%	-

Note 15 Mine development assets

During the year the Company was granted Mining Licence ML100106 on the Granite Belt Project and recommissioned the mine site.

	Note	2018 \$	2017 \$
Granite Belt Metals project			
Balance at the start of the financial period		-	-
Transferred from exploration & evaluation assets	14	830,414	-
Assets acquired in business combination	16	4,020,000	-
Expenditure		5,872,576	-
Balance at the end of the financial period		<u>10,722,990</u>	<u>-</u>

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 16 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 transaction meets the definition of a business combination as it involves the acquisition of inputs, processes and outputs). 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:

	2018 \$	2017 \$
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>	<u>-</u>
Consideration (cash)	(10,003)	-
Gain on acquisition	<u>13,320,497</u>	<u>-</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.

Note 16 Business combination (continued)

In addition to the acquisition payment the Company has lodged a voluntary bond for the project (see note 11), 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 (this amount has been agreed with the Queensland Government).

As allowed by AASB 3: *Business Combinations*, the final amounts of assets and liabilities acquired in the transaction, including environmental rehabilitation, will be determined within the next 6 months. The current accounting treatment and fair values are provisional only - reflecting the complexity of the transaction and the re-commissioning. In addition, since acquisition, the Company has encountered changes to environmental requirements of the Queensland Government – some of which have been resolved in the Company's favour and some are still under review.

Since acquisition recommissioning of the mine has been undertaken and trial processing. These works have continued since balance date. The loss in the period resulting from the acquisition is \$1,170,754 (net of gain on acquisition). 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 17 Trade and other payables

	2018	2017
	\$	\$
Trade and other payables	1,291,057	133,396
Total	<u>1,291,057</u>	<u>133,396</u>

Note 18 Provisions

	Current		Non-current	Total
	Employee Benefits	Mine Restoration Kingaroy UCG site	Rehabilitation on Granite Belt Project	
CURRENT				
Opening balance at 1 July 2017	136,995	74,089	-	211,084
Additional provisions	101,639	-	3,800,000	3,901,639
Amounts used / paid out	(109,566)	(44,089)	-	(153,655)
Unused amounts reversed	-	-	-	-
Total current provisions	129,068	30,000	3,800,000	3,959,068

Note 19 Borrowings

	2018 \$	2017 \$
a) Current		
Secured debentures (a)		
- Related parties	2,250,000	25,000
- Non-related parties	4,800,000	3,000,000
Total secured debentures	7,050,000	3,025,000
Short-term loans (b)		
- Related parties	500,000	-
- Non-related parties	1,200,000	-
Total short-term loans	1,700,000	-
Total	8,750,000	3,025,000

a) Debentures

Debentures drawn at balance date have been issued under a secured debenture deed executed by the company 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 and interest rate of 10% per annum (payable quarterly). 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 and part payment of interest by issue of shares was approved at the AGM in October 2017. 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.

b) Short-term loans

Director Tony Feitelson provided an unsecured loan to the Company of \$500,000. The loan is subject to an interest rate of 13.00% p.a. and repayable on demand.

First Samuel Limited provided a short-term unsecured note facility for \$1,200,000 at an interest rate of 10.00% p.a. with interest and principle repayable at the end of September 2018.

Note 19 Borrowings (continued)

	2018 \$	2017 \$
c) Interest expense on borrowings		
Payable to		
- Related parties (debentures)	144,774	2,753
- Non-related parties (debentures)	392,062	28,767
- Total interest on debentures	536,836	31,520
- Related parties (short-term loan)	9,901	-
Total	546,737	31,520

Note 20 Reconciliation of liabilities from financing activities

	2017 \$	Cash flows \$	Non-cash changes	2018 \$
Total Borrowings	3,025,000	5,725,000	-	8,750,000
Total liabilities from financing activities	3,025,000	5,725,000	-	8,750,000

Note 21 Related Party Transactions

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. Transactions with related parties are set out below. Remuneration and equity interests of key management personnel are set out in note 29.

- Director Tony Feitelson has provided an unsecured loan to the Company of \$500,000 (2017: \$nil) - see note 19. Interest expense for the financial year totalled \$9,901 (2017: \$nil).
- Companies and Entities associated with Director Tony Feitelson have debenture facilities with the company totalling \$1,500,000 (2017: \$25,000) - see note 19. Interest expense for the year totalled \$103,130 (2017: \$nil).
- Director Jason Elks has a debenture facility with the company of \$750,000 – see note 19. Interest expense for the year totalled \$41,644 (2017: \$nil).

Other transactions with related parties are set out below:

- The Company rents commercial space in Spring Hill from a company associated with Director Tony Feitelson. Total occupancy expenses incurred by the Company were \$41,660.
- Director Valeri Melik-Babakhanov received \$43,058 (2017: \$110,916) for professional consultancy fees during the financial year.
- Louise Elks, wife of Executive Chairman Jason Elks, was employed during the year as Human Resources Manager on a base salary of \$130,000 per annum inclusive of superannuation.

Note 22 Reserves

	2018 \$	2017 \$
Share-based payment reserve	45,551	2,495
	45,551	2,495

Share-based payment reserve: records amounts recognised as expenses on valuation of employee options.

Note 23 Issued capital

	2018 \$	2017 \$
2,775,534,676 (2017: 2,120,290,717) Ordinary Shares	82,508,541	75,247,446

a) Ordinary shares

	No.	\$
Balance at 1 July 2017	2,120,290,717	75,247,446
Issued on 2 August 2017 as part of Rights Issue at an issue price of \$0.011	421,965,184	4,641,617
Issued on 29 August 2017 as part of Debenture interest at an issue price of \$0.011	3,465,754	38,123
Issued on 11 October 2017 as part of Debenture subscription at an issue price of \$0.011	5,681,818	62,500
Issued on 2 November 2017 as part of Debenture subscription at an issue price of \$0.011	39,772,727	437,500
Issued on 26 November 2017 as part of Debenture interest at an issue price of \$0.011	3,465,754	38,123
Issued on 11 December 2017 on exercise of options at an issue price of \$0.006	8,057,250	48,344
Issued on 5 January 2018 as part of Debenture interest at an issue price of \$0.011	186,177	2,048
Issued on 12 February 2018 as part of Rights Issue at an issue price of \$0.012	129,234,914	1,550,819
Issued on 24 January 2018 as part of Debenture subscription at an issue price of \$0.011	22,727,272	250,000
Issued on 29 January 2018 as part of Debenture interest at an issue price of \$0.011	1,958,280	21,541
Issued on 21 February 2018 as part of Debenture interest at an issue price of \$0.011	1,718,555	18,904
Issued on 26 February 2018 as part of Debenture interest at an issue price of \$0.011	3,437,111	37,808
Issued on 7 March 2018 as part of Rights Issue at an issue price of \$0.012	6,000,000	72,000
Issued on 27 April 2018 as part of Debenture interest at an issue price of \$0.011	2,585,616	28,442
Issued on 21 May 2018 as part of Debenture interest at an issue price of \$0.011	1,662,516	18,288
Issued on 28 May 2018 as part of Debenture interest at an issue price of \$0.011	3,325,031	36,575
Share issuance expenses		(41,537)
Balance at 30 June 2018	2,775,534,676	82,508,541

	No.	\$
Balance at 1 July 2016	1,829,167,072	74,092,375
Issued December 2016 as part of Rights Issue at an issue price of \$0.004	209,629,736	838,519
Issued February 2017 as part of Rights Issue at an issue price of \$0.004	79,750,000	319,000
Issued June 2017 as part of Rights Issue at an issue price of \$0.011	1,743,909	19,183
Share issuance expenses		(21,631)
Balance at 30 June 2017	2,120,290,717	75,247,446

Note 23 Issued capital (continued)

Fully and Partly Paid Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid up on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Call Options Over Unissued Shares

All options issued by the Company entitle the holder to purchase one fully paid ordinary share in the capital of the Company at their respective exercise prices. None of the options has any dividend or voting entitlements, nor do they carry any participation rights in respect of any proceeds from the winding up of the Company.

b) Capital management

Management controls the capital of the Group in order to maintain a reasonable debt to equity ratio, provide the shareholders with adequate returns, and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. The Group's capital management strategy altered in the prior year when debt funding was sourced. In the current year the Group has raised further share capital and debt.

Note 24 Equity - Options

	Securities Issued 2018 Number	Fair Value 2018 \$	Securities Issued 2017 Number	Fair Value 2017 \$
Movements in the unlisted options reserve				
Reserve balance at the start of the financial year	8,057,250	2,495	19,541,166	1,758
Options exercised	(8,057,250)	(2,495)	-	-
Write-back for forfeited options	-	-	(11,483,916)	(643)
Issued in the year and expensed	40,378,124	45,551	-	-
Expensed in year	-	-	-	1,380
Reserve balance at the end of the financial year	40,378,124	45,551	8,057,250	2,495

* The share-based payment reserve above records the fair value of equity benefits provided as part of agreements entered into by the Company. Note 30 and the remuneration section of the Directors' Report provides further details about these options, including their respective exercise prices and expiry dates.

Note 25 Cash flow Information

a) Reconciliation of cash balances

	2018 \$	2017 \$
Cash and cash equivalents	1,250,695	2,660,805
Balance per Statement of Cash Flows	1,250,695	2,660,805

b) Reconciliation of result for the year to cash flows from operating activities

Reconciliation of net income to net cash provided by operating activities:

Profit (loss) for the year	11,338,312	(1,692,516)
Non-cash flows in profit:		
- depreciation and amortisation	169,424	45,586
- share-based payments & reserves	45,551	1,380
- gain on business acquisition	(13,320,497)	-
- gain on sale of property, plant and equipment	(54,985)	-
- equity settled debenture interest	239,853	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	(134,902)	(8,244)
- increase/(decrease) in trade and other payables	367,079	(73,002)
- increase/(decrease) in provisions	(52,016)	53,749
Cash flow from operations	(1,402,181)	(1,673,047)

Note 26 Controlled entities

	Country of incorporation	Parent Entity's Equity Holdings as at*	
		Percentage owned (%) 2018	Percentage owned (%) 2017
Parent entity:			
Moreton Resources Limited	Australia		
Subsidiaries:			
MRV Tarong Basin Coal Pty Limited	Australia	100	100
MRV Surat Basin Coal Pty Limited	Australia	100	100
MRV Bowen Basin Coal Pty Limited	Australia	100	100
MRV Metals Pty Limited	Australia	100	100

*The proportion of ownership interest is equal to the voting power held. Ownership interest are directly held.

The assets of MRV Bowen Basin Coal Pty Ltd secure the claim by the Australian Taxation Office (note 9). MRV Metals Pty Ltd has guaranteed the Company's obligations under the Debentures (note 19). There are no significant restrictions over the Group's ability to access or use the assets and settle liabilities of the Group.

Note 27 Capital and leasing commitments

a) Finance leases

The Group has no finance lease commitments as at 30 June 2018 (2017: nil).

b) Operating leases

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	2018	2017
	\$	\$
Payable minimum lease payments:		
- not later than one year	14,802	23,585
- later than one year, not later than five years	16,315	32,695
	31,117	56,280

c) Capital expenditure commitments

The Group must meet minimum expenditure commitments in relation to granted exploration and mining development tenements to maintain those tenements in good standing. If the relevant tenement is relinquished the expenditure commitment also ceases:

	2018	2017
	\$	\$
Payable:		
- not later than one year	814,108	454,608
- later than one year, not later than five years	737,404	309,732
	1,551,512	764,340

Note 28 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, cash flow forecasting, and ageing analysis for credit risk. The Board of the Parent Entity reviews and approves policies for managing each type of financial risk to which the Group is exposed. The Group's financial instruments consists mainly of deposits with banks, accounts receivable, accounts payable and borrowings.

Note 28 Financial risk management (continued)

A summary of the Group's financial instruments is set out below.

		2018 \$	2017 \$
	Note		
Financial assets			
Cash and cash equivalents	8	1,250,695	2,660,805
Trade and other receivables	9	5,397,176	5,262,274
Other financial assets	10, 11	4,563,689	147,969
Total financial assets		11,212,560	8,071,048
Financial liabilities			
Trade and other payables	17	1,210,057	133,396
Financial borrowings	19, 20	8,750,000	3,025,000
Total financial liabilities		9,960,057	3,158,396
Net financial assets		1,252,503	4,912,652

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, and commodity price risk.

a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group.

The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested. Risk limits are regularly monitored.

The maximum exposure to credit risk for financial assets is their carrying amount as shown above. The Group has a concentration of credit risk in respect of receivables and other financial assets.

b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit risk profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables below reflect an undiscounted contractual maturity analysis for financial assets and liabilities. Cash flows reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

Note 28 Financial risk management (continued)

	Within 1 Year		Over 5 Years		Total	
	2018	2017	2018	2017	2018	2017
Consolidated Group	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Borrowings	8,750,000	3,025,000	-	-	8,750,000	3,025,000
Trade and other payables	1,291,057	133,396	-	-	1,291,057	133,396
Total expected outflows	10,041,057	3,158,396	-	-	10,041,057	3,158,396
Financial assets – cash flows realisable						
Cash and cash equivalents	1,250,695	2,660,805	-	-	1,250,695	2,660,805
Trade and other receivables	5,397,176	5,262,274	-	-	5,397,176	5,262,274
Other financial assets	503,360	3,360	4,060,689	144,609	4,563,689	147,969
Total anticipated inflows	7,151,231	7,926,439	4,060,689	144,609	11,211,560	8,071,048
Net (outflow)/ inflow on financial instruments	(2,889,826)	4,768,043	4,060,689	144,609	1,170,503	4,912,652

As set out in note 1(b) the Group will need to manage its funding in the next twelve months.

c) Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Commodity price risk

Commodity price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group has no exposure to commodity price risk as it is not yet in production.

Sensitivity analysis

Interest rate risk sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonable possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	2018		2017	
	+1%	-1%	+1%	-1%
Profit after income tax	12,508	(12,508)	26,608	(26,608)
Equity	12,508	(12,508)	(26,608)	(26,608)

Fair value estimation

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of financial assets and financial liabilities presented in the financial statements are not materially different to the carrying value of these assets and liabilities.

Note 29 Directors and key management personnel remuneration

a) Details of directors and key management personnel

Non-Executive Directors

Mr Tony Feitelson	Non-Executive Director
Mr Valeri Melik-Babakhanov	Non-Executive Director

Executives

Mr Alexander Jason Elks	Executive Chairman and CEO
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b) Totals of remuneration paid

Directors and key management personnel remuneration included within employee expenses for the year is shown below:

	2018	2017
	\$	\$
Short-term employee benefits	437,106	457,747
Post-employment benefits	46,409	38,994
Share-based payments	45,551	1,380
	529,066	498,121

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2018.

Note 30 Share-based payments

During the year the Company has issued options in respect of remuneration and shares in respect of interest payable.

a) Employees', Officers', Consultants and Partners Option Plan 2015

The exercise price and vesting conditions of options issued under this plan are determined by the Company's Directors, in accordance with the plan. The total fair value of these options is recognised progressively on a pro-rata basis over each option's respective vesting period. Participation in the plan is at the Directors' discretion. The options are granted for no consideration and carry no dividend or voting entitlements. When exercised, each option converts into one fully paid ordinary share in the capital of the Company. The maximum number of unexercised options that can be issued at any one time is 5% of the current number of issued shares.

(i) Number and Weighted Average Exercise Prices of Options

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted in the year*	Exercised in the year	Forfeited in the year	Balance at the end of the year	Vested and exercisable at the end of the year
2018								
27/11/2015	31/12/2017	\$0.006	8,057,250	-	(8,057,250)	-	-	-
27/10/2017	31/12/2018	\$0.004	-	20,189,062	-	-	20,189,062	-
27/10/2017	31/12/2019	\$0.004	-	20,189,062	-	-	20,189,062	-
Total Number			8,057,250	40,378,124	(8,057,250)	-	40,378,124	-
Weighted average exercise price			\$0.006	\$0.004	\$0.006		\$0.004	
2017								
27/11/2015	31/12/2016	\$0.004	9,437,250	-	-	(9,437,250)	-	-
27/11/2015	31/12/2017	\$0.006	9,437,250	-	-	(1,380,000)	8,057,250	-
27/11/2015	31/12/2017	\$0.000	666,666	-	-	(666,666)	-	-
Total Number			19,541,166	-	-	(11,483,916)	8,057,250	-
Weighted average exercise price			\$0.005			\$0.005	\$0.006	

Note 30 Share-based payments (continued)

The weighted average remaining life of options outstanding at year end is 1 year. All options are held by key management personnel. The fair value of options granted is considered to represent the value of KMP employee services received over the vesting period. These values were calculated using an options pricing model applying the following inputs.

	Tranche 1	Tranche 2
Exercise price	\$0.004	\$0.004
Weighted average life	1.18 years	2.18 years
Expected share price volatility	114.55%	114.55%
Risk free interest rate	2%	2%
Share price at grant date	\$0.015	\$0.015
Dividend yield	0%	0%

Share price volatility is based on historical as the best estimate. The total expense arising from share-based payment option transactions recognised during the year is \$45,551 (2017: \$1,380).

b) Share Issues

As set out in note 19 interest payable on debentures may be settled by equity.

In the current year 21,804,794 shares have been issued at \$0.011 per share to settle interest payable of \$239,852. Of the 21,804,794 shares issued, 5,163,761 were to Director Tony Feitelson and related parties and 2,145,081 were to Director Jason Elks.

Note 31 Contingencies

Contingent liabilities

In addition to the ATO matter disclosed in note 9, as at 30 June 2018, the Group had the following contingent liabilities:

PricewaterhouseCoopers Claim

The Company had received a claim from a former company advisor claiming outstanding professional fees in the amount of \$97,000. The Company has determined to contest this matter. Further details pertaining to this matter, including the basis of contention, are not able to be disclosed as any disclosure of these details may prejudice the outcome of this matter.

Note 32 Events occurring after the reporting date

The following significant matters or circumstances have arisen since the end of the financial year which could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years:

- On 27 August 2018 the Company announced a strategic review to determine core and non-core assets.
- The re-commissioning of the Granite Belt Project continues to incur operational and environmental challenges.
- As of 27 August 2018, Mr Terry Bourke has been appointed as Moreton Resources Limited CEO and Company Secretary.

Note 33 Parent entity

The following information has been extracted from the books and records of the parent Company, Moreton Resources Limited, and has been prepared in accordance with Accounting Standards.

	2018	2017
	\$	\$
Statement of Financial Position		
Assets		
Current assets	26,317,980	7,918,269
Non-current assets	4,663,920	5,676,286
Total Assets	30,981,900	13,594,555
Liabilities		
Current liabilities	10,169,918	3,243,264
Non-current liabilities	-	-
Total Liabilities	10,169,918	3,243,264
Net Assets	20,811,982	10,351,291
Equity		
Issued capital	82,508,541	75,247,446
Retained earnings	(61,742,110)	(64,898,650)
Option Reserve	45,551	2,495
Total Equity	20,811,982	10,351,291
Consolidated Statement of Comprehensive Income		
Total profit or (loss) for the year	1,415,815	(1,691,873)
Total comprehensive income / (loss)	1,415,815	(1,691,873)

Commitment and contingencies of the Company are consistent with the Group - refer notes 27 and 31.

Note 34 Company details

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

29 High Street

Texas QLD 4385

AUSTRALIA

Note 35 Fair value measurements

There are no assets or liabilities measured at fair value on a recurring basis, or non-recurring basis, after initial recognition.

As set out in note 28, for financial assets and liabilities, their fair values approximate carrying values.

As set out in note 16, the assets and liabilities recognised in the business combination were measured at fair value at acquisition date.

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2018 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2018 and the performance for the year ended on that date of the consolidated Group;
2. the Chief Executive Officer and Chief Financial Officer have given the declarations required by Section 295A of the Corporations Act 2001.
3. in the directors' opinion, there are reasonable grounds to believe that the Company 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 Board of Directors.

.....

Jason Alexander Elks
Executive Chairman

Dated: 30 August 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 year ended 30 June 2018 there have been no contraventions of:

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

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

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Nigel Bamford

N D Bamford

Director

Date: 30 August 2018

Independent Auditor's Report to the Members of Moreton Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Moreton Resources Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, and 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:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year then ended; and
- (ii) 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 Group 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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Independent Auditor's Report to the Members of Moreton Resources Limited (continued)

Material uncertainty related to going concern

We draw attention to Note 1 (b) in the financial statements which indicates the uncertainty over the \$5,160,515 amount receivable by the Company, and the \$8,185,724 repayment claim against the Company, both relating to Research and Development Tax Incentive Offsets. As indicated in the note the ultimate outcome of these matters cannot be predicted with any certainty. The Company would need to source further funding if it was required to settle these matters.

The note also indicates the Company will be required to fund ongoing operational expenditure in relation to its mining, exploration and corporate activities, and meet debt repayment obligations due within 1 year. Pending the outcome of the tax matter above the Company may need to raise further funding to meet these commitments.

As stated in Note 1 (b), these events or conditions indicate that a material uncertainty exists that may cast doubt on the Company's (and 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 judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Acquisition of silver mine – accounting and fair values</p> <p><i>Refer to note 16 (Business Combination)</i></p> <p>In October 2017 the Group was issued ML 100106 relating to the Twin Hills Silver Mine in Texas, Queensland. This is the acquisition of a previously operating mine which was in the possession of the Queensland government.</p> <p>As disclosed in Note 16 this acquisition has been accounted for as a business combination under Australian Accounting Standard AASB 3. The note indicates this is a key estimate in preparation of the financial statements, and that the current accounting treatment and fair values are provisional only - reflecting the complexity of the transaction and the re-commissioning of the mine site.</p> <p>In the financial statements the Group has recorded at fair value for the acquisition total assets of \$17,130,000, total liabilities of \$3,800,000, and a gain on acquisition of \$13,320,497.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We obtained an understanding of the acquisition by examining relevant documents; • We obtained an understanding of the operational status of the mine site by physical inspection and by examining relevant documents for the mine recommissioning and mine operating plans. • We assessed whether the acquisition constituted a business combination under AASB 3. • We obtained evidence of the fair values calculated for the assets and liabilities acquired; • We evaluated the competency and independence of management's experts used in their assessment of the mine recommissioning and mine operating plans, and the fair values adopted; • We considered the key assumptions and estimates used by management to apply AASB 3.

Independent Auditor's Report to the Members of Moreton Resources Limited (continued)

Key audit matter	How our audit addressed the key audit matter
<p>The accounting for the acquisition was considered a key audit matter due to the estimates required to account for the acquisition as a business combination, the estimates required to measure the fair values of the assets and liabilities acquired, and due to the significant amounts involved.</p>	
<p>Carrying Value of Exploration and Evaluation Assets</p> <p><i>Refer to note 14 (Exploration and Evaluation Assets)</i></p> <p>As at 30 June 2018 the carrying value of exploration and evaluation assets is \$5,731,376. The Group's accounting policy in respect of exploration and evaluation assets is outlined in Note 2 (i).</p> <p>This is a key audit matter as this is a significant asset of the Group, and due to the fact that significant judgement is applied in determining whether the capitalized exploration and evaluation assets meet the recognition criteria set out in Australian Accounting Standard AASB 6.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We obtained evidence as to whether the rights to tenure of the areas of interest remained current at balance date as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future; • We obtained evidence of the future intention for the areas of interest, including reviewing future budgeted expenditure and related work programs; • We obtained an understanding of the status of ongoing exploration programs, for the areas of interest; and • We obtained evidence as to the assumptions made by management in the determination of the recoverable value of the asset.
<p>Research and Development Tax Incentive Offset - receivable and contingent payable</p> <p><i>Refer to note 9 (Trade and other receivables)</i></p> <p>As at 30 June 2018, a Research and Development Tax Incentive Offset of \$5,160,515 is recognised as receivable – the amount carries forward from the 2016 financial year. The amount is disputed by the Australian Taxation Office.</p> <p>The Company had previously also received \$8,185,724 as Research and Development Tax Incentive Offsets relating to the 2012-2014 financial years. In July 2016 the ATO sought repayment of that amount.</p> <p>These matters were heard before the Administrative Appeals Tribunal in February 2017; however no decision has yet been issued.</p> <p>In the current year, the Company has entered into a Deed Of Security with the ATO in respect of the \$8,185,724 claim against the Company.</p> <p>The ultimate outcome of the amount receivable, and the amount claimed against the Company, cannot be predicted with any certainty. This is a key audit matter due to the size and nature of the estimates as well as the significant level of judgement and uncertainty involved.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We obtained evidence as to the current status of the matter. • We obtained evidence as to the Deed Of Security issued by the Company. • We considered whether the key assumptions and judgments used in management's estimates were consistently applied with the prior year. • We considered whether the Company's assessment of the ultimate outcome of these matters remains appropriate for the current year.

Independent Auditor's Report to the Members of Moreton Resources Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon. The Annual report will be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and request that a correction be made.

Directors' responsibility 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 related 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 responsibility 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 judgement 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.

Independent Auditor's Report to the Members of Moreton Resources Limited (continued)

- 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 Group 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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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 Remuneration Report***Opinion on the Remuneration Report***

We have audited the Remuneration Report included in pages 9 to 15 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Moreton Resources Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Independent Auditor's Report to the Members of Moreton Resources Limited (continued)***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.

**Nexia Brisbane Audit Pty Ltd****N D Bamford**

Director

Level 28, 10 Eagle Street
Brisbane, QLD, 4000

Date: 30 August 2018

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 23 August 2018.

a. Distribution of equity security holders

An analysis of the numbers of each class of equity security holders by the size of their holdings follows.

Range	Number of Holders	%	Number of Units	%
1 - 1,000	95	4.12	11,326	0
1,001 - 5,000	60	2.6	200,775	0.01
5,001 - 10,000	119	5.16	995,138	0.04
10,001 - 50,000	444	19.25	12,772,525	0.46
50,001 -100,000	267	11.57	21,445,232	0.77
100,001 and over	1,322	57.30	2,744,378,047	98.73
	2,307	100	2,779,803,043	100
Unmarketable Parcels	740	32.08	15,151,301	0.55

b. Equity Security Holders

(i) Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are set out below.

Rank	Name	Number Held	% Issued Capital*
1	MR PHILIP ANTHONY FEITELSON	672,746,139	24.20
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	325,112,250	11.70
3	MR ALEXANDER JASON ELKS	191,388,215	6.88
4	THE PROMENADE COFFS HARBOUR PTY LTD	124,960,000	4.50
5	COLLINGS SEA FORCE PROPERTY PTY LTD	68,946,000	2.48
6	SUPERFOS PTY LTD	67,000,000	2.41
7	MRS LOUISE ELKS	61,182,683	2.20
8	HENADOME PTY LTD	49,080,850	1.77
9	MR ALEXANDER CAMPBELL SMITH	43,277,177	1.56
10	MR ALEXANDER JASON ELKS & MRS LOUISE MARY ELKS	32,929,603	1.18
11	A & J CONSULTANCY PTY LTD	30,254,259	1.09
12	LIMITLESS INTERNATIONAL HOLDINGS PTY LTD	28,571,429	1.03
13	MR JOHN NIELSEN	20,536,611	0.74
14	AARAN GROUP (WA) PTY LTD	15,842,424	0.57
15	MR PETER ANDREW ELSTON	13,525,356	0.49
16	MR JASON WORLEY	13,225,000	0.48
17	MR DONALD LANSBURY DILLON & MS KATHRYN MARY LAMBERT	12,501,215	0.45
18	NEWBETT PTY LTD	12,500,000	0.45
19	FEITELSON HOLDINGS PTY LIMITED	12,397,416	0.45
20	MR AARON ORYA	12,365,600	0.44
Total		1,808,342,227	65.05
Balance of register		971,460,816	34.95
Grand total		2,779,803,043	100.00

*Individual percentages vary due to rounding. As at 23 August 2018.

(ii) Unquoted Equity Securities

There are 40,378,124 options on issue.

c. Substantial Equity Holders

The Parent Entity's substantial equity holders are set out below.

Name of Equity Holder	Listed Fully Paid Ordinary Shares		Unlisted Options#	
	Number Held	% Issued Capital	Number Held	% Issued Capital
Feitelson Group (Mr P A Feitelson, Henadome Pty Ltd, The Promenade Coffs Harbour Pty Ltd, A & J Consultancy, Albrow Income No 1 Pty Ltd, JR Cycles at the Promenade Pty Ltd)	903,213,566	32.49		
J P Morgan Nominees Australia Limited	325,112,250	11.70		
Mr Alexander Jason Elks (Mr A J Elks & Mrs L Elks)	285,500,501	10.27	40,378,124	

Options over unissued ordinary shares do not form part of substantial holder calculations.

d. Voting Rights

Listed Fully Paid Ordinary Shares:

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Unlisted Options

All classes of the Company's unlisted options have no voting rights.

e. Tenements and Mining Licences

Tenements held by the group

Licence Holder	Licence	Project	Acquisition /	Equity Interest (%)	
	Number	Location	Grant Date	2018	2017
MRV Tarong Basin Coal Pty Ltd	MDL 385	South Burnett	18/12/2015	100%	100%
MRV Tarong Basin Coal Pty Ltd	EPC 882	South Burnett	26/10/2015	100%	100%
MRV Surat Basin Coal Pty Ltd	MDL 420	Wandoan	22/12/2015	100%	100%
MRV Bowen Basin Coal Pty Ltd	EPC 1445	Mackenzie	22/12/2015	100%	100%
MRV Bowen Basin Coal Pty Ltd	MDL 503	Mackenzie	22/12/2015	100%	100%
MRV Metals Pty Ltd	EPM 8854	Granite Belt	23/05/2016	100%	100%
MRV Metals Pty Ltd	EPM 11455	Granite Belt	23/05/2016	100%	100%
MRV Metals Pty Ltd	EPM 12858	Granite Belt	23/05/2016	100%	100%
MRV Metals Pty Ltd	EPM 18950	Granite Belt	23/05/2016	100%	100%
MRV Metals Pty Ltd	EPM 26275	Granite Belt	12/02/2017	100%	-
MRV Metals Pty Ltd	ML 100106	Granite Belt	03/10/2017	100%	-

Legend: MDL = Mineral Development Licence; EPM = Exploration Permit for Mineral Application; EPC = Exploration Permit for Coal; MDLA = MDL Application; ML = Mining Licence

COMPETENT PERSON STATEMENT

Securities exchange

The Company is listed on the Australian Securities Exchange.

The information in this report that relates to MDL 385, MDL503 & MDL 420 is extracted from ASX announcements titled: *Significant Jorc underpinned MLA 700015* on 15 December 2017, ASX announcement titled *Mackenzie Campaign Identifies Coking Coal* issued on 2 September 2015 and *Wandoan Coal JORC Resource Exceeds Expectations* issued on 18 August 2009 respectively. These announcements contain a separate Competent Person Statement and are available to view on the Company's website: www.moretonresources.com.au.

The Company confirms that it is not aware of any new information or data that materially affect the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, 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 the Competent Person's findings are presented have not been materially modified from the original market announcement





Moreton ***Resources***

