

29 November 2018

## ASX ANNOUNCEMENT

By Electronic Lodgement

### **MARKET CLARIFICATION – STRATEGIC REVIEW SOUTH BURNETT COAL PROJECT**

Moreton Resources Limited (ASX:MRV) ("Moreton", "the Company") would like to clarify, for the benefit of the market and potential bidders the following information. Whilst the Strategic Review has been announced and is well underway, the South Burnett Coal Project continues to advance. A data room on this major Project is expected to be available for the interested parties, to review early in 2019.

The reason for this clarification, is that the company has received, via its advisors, who are undertaking the Strategic Review, and directly, queries regarding the advancement and availability of relevant information on the progress of the South Burnett Project, for consideration as part of the announced process. As outlined the Company has determined it will consider all possible outcomes for each of its subsidiaries and projects. In addition to the process undertaken with our advisors, we continue to advance under signed confidentiality agreements with several interested parties in the South Burnett Coal Project, regarding the various potential participation scenarios that this project presents.

The Company continues to be focused upon advancement of the project and therefore we take this opportunity to update the market upon the progress of this project, that continues to evolve and offer the Company a potential corner stone Coal development asset in the near to mid-term.

By way of general update upon the total process, currently the Company has multiple parties visiting and working in the data rooms, where MRV Bowen Basin Coal Pty Ltd and MRV Surat Basin Coal Pty Ltd are both open and relevant information is being reviewed by interested parties. The Company has set a date of the 7<sup>th</sup> of December 2018, for initial indicative non-binding bids or potential transaction sheets, at which time our advisors will determine next steps which could include, potentially undertaking site visits and inspections by several groups.

The Company continues to operate day to day with a key focus upon bringing our challenging operational Silver site, under the MRV Metals Pty Ltd banner into production, and also advancement of our key projects in parallel whilst we undertake this process. Should any genuine outcomes be reached that become of a binding nature, we will inform the market as per our disclosure obligations at the relevant junctures.

Please see for clarification and awareness, the updated progress upon the South Burnett Coal Project which continues to move forward, albeit having lost some momentum in the last six months due to internal issues which have recently been resolved.

## ***South Burnett Coal Project in Review***

### **2015 Period**

**2015, 3 September** MRV Tarong Basin Coal Pty Ltd announces the **advancement to pre-feasibility** after consideration of the positive JORC Coal Resources, coal quality and Mine Concept Studies as per ASX Release titled "Tarong Basin Coal Asset Advances to Pre-Feasibility Study."

**2015, 23 September** MRV Tarong Basin Coal Pty Ltd announces **acquisition of EPC 882**, to complement coal portfolio in the Tarong Basin that will assist with the development of MDL 385 via ASX Announcement titled "COK – Sale of Kingaroy Tenement EPC 882."

**2015, 25 November** MRV Tarong Basin Coal Pty Ltd announces the commissioning of a high-level **Coal Transport options (Rail) Analysis** completed by Randbury with consideration for both Domestic Rail and Export options as announced via the ASX titled "Rail Analysis Completed."

**2015, 2 December** MRV Tarong Basin Coal Pty Ltd announces independent **industry benchmark survey on strip ratio**, undertaken by AMC Consultants that declares the South Burnett Coal Project in the lowest quartile of strip ratio at approx 4.5BCM/1t for QLD/NSW Open Cut Coal Mining Industry as announced on the ASX "Bench Mark Survey."

**2015, 10 December** MRV Tarong Basin Coal Pty Ltd announces **maiden JORC of 912Mt** (166.2Mt Measured; 712Mt Indicated; and 33.2Mt Inferred) across its recently acquired asset of EPC 882 and long held MDL 385, as announced on the ASX "MRV Announces South Burnett Coal Resources of 912Mt."

**2015, 21 December** MRV Tarong Basin Coal Pty Ltd **release AMC Consultants Pty Ltd Pre-Feasibility Study** upon the South Burnett Coal Project with results exceeding expectation, highlighting a positive NPV of \$460M and a reserve probably reserve of 290Mt as announced on the ASX "South Burnett Project Pre-Feasibility Exceeds Expectation."

**2015, 21 December FGX review and studies** confirm within PFS outcome, positive outlook upon dry separation and simulated yields via consultant work group including AMC Consultants, Karbine Services, Ross Stainlay and Tangshan Shenzhou Manufacturing Co Ltd, as announced on the ASX "South Burnett Project Pre-Feasibility Exceeds Expectations."

### **2016 Period**

**2016, 7 March** the Company announced the South Burnett Project continues to advance through to the next stage of the process and moves into **approval stages** as announced on the ASX "South Burnett Project set to advance to approval stage."

**2016, 10 May** MRV Tarong Basin Coal Pty Ltd after considerable **community engagement** and consultation, sought to relinquish 4 Northern Sub-blocks which were bordering the township of Kingaroy and hence the company looked to increase its buffer and distance from the township to approx. 6km to respond to community concerns. As announced on the ASX "South Burnett Project Relinquishment of Northern Sub-blocks."

**2016, 10 May** MRV Tarong Basin Coal Pty Ltd announced it had reached agreement with the Wakka Wakka Aboriginal claimant Group upon a **Cultural Heritage Management Plan** that would oversee the potential future mining lease and infrastructure corridor for the South Burnett Coal Project, as announced on the ASX "South Burnett Project takes significant step forward."

**2016, 12 May** MRV Tarong Basin Coal Pty Ltd referred the South Burnett Coal Project to the Federal Department of Environment to seek a determination of the project being '**Controlled Action**' under the bilateral referral scheme. This was announced via ASX announcement "South Burnett Referred for Controlled Action Determination."

**2016, 18 August** MRV Tarong Basin Coal entered the formal approvals process via the Office of the Coordinator General which was declared as a coordinated project, and hence began the due **process of approvals for Environmental Impact Statement (EIS)**, albeit through an alternate process which once commenced the Company found to be limited in its approach and consistency to the model mining conditions and hence has since announced in 2018, its intent to use the existing Department of Environment and Science process for approvals for the project pertaining to environmental approvals. This was announced via ASX announcement "MRV TBC Advancement to permitting stage."

**2016, 14 October** MRV Tarong Basin Coal Pty Ltd moves to lodge formal mining lease application over underlying tenure MDL385 and EPC882, to form **MLA700015** which is currently in the due process, awaiting the Company to apply and subsequently lodge its EIS for parallel advertising and processing of application. This was announced via ASX announcement "MRV Tarong Basin Coal proceeds on approvals path."

**2016, 20 December** MRV Tarong Basin Coal Pty Ltd after significant interaction with the Office of the Coordinator General around broader regional impacts and other significant projects within the Bundaberg region, announced **agreement of the Terms of Reference** for the South Burnett Coal Project which in the main forms the intended application for the Department of Environment and Science under their legislative process for EIS applications, however will not include the subjective and adhoc additional items that were sought through the OGC process. This was announced via ASX announcement "MRV Tarong Basin Coal green light for TOR."

## **2017 Period**

**2017, 16 May** MRV Tarong Basin Coal Pty Ltd announced it had identified and refined its **key transportation route** of choice, from the South Burnett Coal project to Theebine, North of Gympie via a historic rail reserve that remained in situ, and that is subject to Government policy which has sought to give priority to resources projects for access, and whilst no formal application has been made through the transport corridor rights under the Mineral Resources Act or supporting legislative processes for such infrastructure, the Company has a clear route and access to main line coastal rail transport, subject to legislative approvals processes. This was announced on the ASX via "South Burnett Coal Project Advancement on Schedule."

**2017 March**, the Company engaged and **awarded to GHD the Surface Water Quality and Wet Season Ecology Assessment** that was undertaken and completed in May of 2017, which was a subject also referred to in the prior paragraph and subsequent ASX announcements as being undertake and completed to the satisfaction of the Company that is was able to comply with its legislative obligation given the findings within the relevant report.

**2017, 24 July** MRV Tarong Basin Coal Pty Ltd announced it had undertaken a significant review of its transport options for Coal supply to the Coast for potential rail to northern ports through the **refining of its studies to 15% order of magnitude** and hence GHD have undertaken those studies and completed each of those studies which were for potential Rail, Slurry Pipe and Conveyor options which combined in a finalised report in late 2017 to the Company.

The Company would like to notify the market the outcome of that study, identified the **preferred outcome as a slurry pipe line**, for advancement into final feasibility and the formal EIS process yet to be commenced. However continued technical evaluation of all options will carry through to greater certainty for a fully informed decision. This was announced via ASX announcement "Progress report on MRV Tarong Basin Coal Pty Ltd."

**2017, July Assured Measuring Group** was also notified to the market as being awarded the scope to undertake **base line air quality and noise monitoring studies** which were undertaken at a number of locations within the South Burnett and that report is currently awaiting finalisation dependent upon the final product mix and pit design of the proposed South Burnett Coal Project.

**2017, September** the Company awarded the tender to **GHD to undertake the projects Dry Season Ecology, surface water quality and environmental off set assessment**.

**2017, October** the company through a due process also awarded the contract to **AECOM Pty Ltd** to undertake the **traffic impact assessment**.

**2017, November** the company through a competitive tender process also awarded the contract to **SLR Consulting Australia Pty Ltd for water management studies**.

**2017, November** through formal competitive tender process the Company awarded to **AEC Group Pty Ltd for economic impact assessment** of the Mining and transport infrastructure build and ongoing development and maintenance.

**2017, 15 December** MRV Tarong Basin Coal announces significant Coal Resources under an updated **JORC that now defines the MLA700015** area. Announcement declared a total of **517Mt (Measured 134Mt; Indicated 383.5Mt; and 6.6Mt Inferred)**. This was announced via ASX announcement "Significant JORC underpins MLA700015."

**2017, December** the **Company appointed GHD** to deliver to the Company the **finalised options analysis** of multiple concepts within the overland Conveyor, Rail and Slurry Pipe options, with a determination by MRV Tarong Basin Coal Pty Ltd that the slurry pipe option present superior upside in cost, environmental impact and project enhancement for an offshore international product. Multiple grind sizes and options were reviewed as to reference to historic Coal Slurry lines in the USA and elsewhere in the world as to current and existing iron ore and other resource product slurry pipe concepts that are proven and reliable globally.

## **2018 Period**

**2018, 22 January** MRV Tarong Basin Coal Pty Ltd announced it had undertaken additional considerations as to product specification and opportunity, and hence determined additional Coal quality drilling would assist with **validation of the FGX technology** which promoted a superior dry separation process that reduced considerable water use (up to 95% less than conventional CHPP) through to lower capex and opex considerations in the overall design and costing of the potential project, and potential product yields and specifications. This was announced via ASX announcement "MRV Tarong Basin Coal Progress Report."

**2018, 2 March** MRV Tarong Basin Coal Pty Ltd announces **infill drilling exceeded expectations** with results being referred to ALS for further analysis given depths and consistency of Coal within the identified area which supports advancement of the project. This was announced in ASX announcement "South Burnett Coal Project Take Significant Steps Forward."

**2018, 12 April** MRV Tarong Basin Coal Pty Ltd formally announced to market that it had **identified a high energy, low Sulphur, low Iron and low impurity** Thermal Coal from the 3 cored hole program that were consistent to, but in some areas significantly out performed the expected Coal quality outcomes of the potential resource which further indicated the potential for a significant increase of potential product Coal to market; that may be of a highly marketable product in the international market.

This more recently has been significantly enhanced with several Asian countries seeking to impose an average sulphur content of 0.5 to assist with lowering emissions and enhancing environmental outcomes through the Thermal Coal Energy Industry, to which at this early stage, it is identified **MRV Tarong Basin Coal's results** from a later announcement, identify an average of **0.17 and 0.22 Sulphur** which is well under this Asian countries benchmark discussion point and would assist in blending of products such as multiple Hunter Valley Coal products which are closer to 0.8 in Sulphur content. These initial results were announced in ASX release "South Burnett Coal Project Exceeds Expectation".

**2018, May** MRV Tarong Basin Coal Pty Ltd forwarded ALS lab data and field exploration results to the Tangshan Shenzhou Manufacturing Co Ltd whom are the owners of the FGX technology and a simulation was undertaken through the analysis of performance of the existing 1,000 world-wide plants to **confirm that the new targeted specification for MRV Tarong Basin Coal export specifications for an 18% (ad) ash specification was achievable** upon a comparable yield to conventional CHPP options.

**2018, May** MRV Tarong Basin Coal through a scope of work awarded to **GHD finalise and confirm its Pit to Port Study, which highlighted viability of export options** from the South Burnett site. GHD, whom undertook detailed analysis of multiple transport options, and multiple port options, developed an overall indicative costings outcome, for each operational option, at a pit to port level.

**2018, 20 June** declared a **definitive transport path** forward and highlighted that majority of the EIS process has been completed as we progress through the potential development as announced in ASX announcement "Company and Operational Update."

**2018, 20 August** MRV Tarong Basin Coal Pty Ltd announced its outcomes of the **full suite of ALS Laboratory Testing which declared low sulphur and impurities and high calorific values** which further enhances the significant perspective of the asset and potential to move this project into approval states. This was announced via ASX announcement "Updated Coal Quality Data South Burnett Project"

**2018, August** MRV Tarong Basin Coal Pty Ltd engaged mine planning expertise to develop and undertake a scoping study level review, to **redefine its pit and mining schedule** to support a **potential 18% export product, at a targeted 20 year plus, 10Mtpa capacity** which was completed in recent weeks with a positive outcome and recommendation.

## Next Steps

Whilst the Company in recent months has announced the Strategic Review, this project has continued to be advanced albeit with several delays, via management changes and subsequent delivery issues, the Company is now advancing to the next level of resource estimation and mine planning, with an updated options analysis via a definitive Resources and Reserve Statement due for completion early in 2019 for market release and data room access.

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