

13 December 2018

ASX ANNOUNCEMENT

By Electronic Lodgement

MARKET CLARIFICATION – STRATEGIC REVIEW SURAT BASIN COAL PROJECT

Moreton Resources Limited (ASX:MRV) ("Moreton", "the Company") would like to clarify to the market and potential bidders, that whilst the Strategic Review has been announced and is underway, the Surat Basin Coal Project continues to progress through the current process, in agreeing a Terms Of Reference (TOR) for the anticipated Environmental Impact Assessment (EIS) process and Mining Lease Application (MLA).

We have had a number of enquiries upon the granting of ATP2031, which is an authority to prospect for Coal Seam Gas and the company is aware of that grant. The Company was notified by the relevant Department prior to taking this to tender and awarding this ATP. This ATP does not curtail the rights of Surat Basin Coal Pty Ltd to continue advancing its activities through the EIS and MLA processes, which the company announced in late 2017, and has been advancing throughout late 2018.

For clarity we make note of MRV Surat Basin Coal Pty Ltd current position:

Surat Basin Coal Pty Ltd has been in talks with potential JV partners, with a focus upon the gas opportunities within this lease as early as 2014, having progressed to a form whereby we had determined a mechanism to advance the Mineral Development Lease (MDL) to Mining Lease Application (MLA) and how that might be subsequently lead to a potential application for a petroleum lease, to assist a potential JV partner access the Coal Seam Gas opportunities.

Since that time, we have been keeping fully informed of the recent amendments in the resources sector legislation in Queensland and advise of the following, in our view upon our current position:

- The current legislative changes have in our view made the application process more streamlined and the overlapping ATP issues are more favourable to Mining Lease holders.
- The holder of an ML now has greater rights in relation to Incidental Coal Seam Gas (ICSG), including the right to use it beneficially and to sell it, when the holder of an overlapping petroleum authority does not require it. (That is the ML holder must give a "right of first refusal" to the ICSG to any overlapping ATP holder on reasonable terms, which in our view is commercially competitive pricing).
- This right is prescribed within the current Legislative amendments and hence does not require an additional PL application
- If the ATP holder does not accept the offer, the ML holder can use it for other purposes including selling to a third party upon commercial arrangements.

Whilst these new additions in our view favour the ML holder, to which we are currently progressing to a MLA, and what would be hoped to be a subsequent grant of a ML, it also under the new amendments does not curtail our rights, as per our 2014 and 2015 negotiations which were focused upon moving the MLA to a PL, and hence we believe these avenues still exist.

Under the new Legislative changes, the economics of the potential Coal advancement in our view are deemed to be considerably enhanced, with the new prescribed rights to ICSG.

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