



# Quarterly Report

31 December 2018



**MORETON RESOURCES LIMITED**

*Work Safe, Home Safe, MRV **SAFE***

The Board of Moreton Resources Limited (“Moreton” or “the Company”) releases this quarterly report which details the progress of its Strategic Review and the advances made in the Granite Belt and South Burnett Coal projects; both of which are the priorities to advance the Company forward.

## HIGHLIGHTS

### Corporate

- The Company received Expressions of Interest in two of the Company’s coal projects.
- Additional approaches have been made and the Company continues to have discussions, albeit at early stages and highly contemplative.
- Key board and management changes which will facilitate an enhanced board and management structure to advance the business.

### Projects

- Granite Belt pre-production activities commenced to reconstitute Heap Leach 4. An update on these initiatives will be released prior to the end of January and the Company is expecting to move into Silver Production by late February 2019.
- The South Burnett Coal project had limited work undertaken in the quarter, however the Company is looking to add resources in the coming quarter due to the significant potential of this project.
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### Financial

- Extension of short-term debt facility achieved, with an additional \$1,500,000 of loan funding raised.
- Adverse Administrative Appeals Tribunal decision on the Company’s R & D tax claim appealed to the Federal Court in the September quarter and the Company has engaged with KPMG Law and a Snr Counsel to review the decision.
- The Company is working with potential funders to restructure total debt and gain additional support to advance its South Burnett Coal Project EIS and Feasibility, and the Surat Basin Coal EIS process.
- Corporate expenses have decreased significantly in the final months of the year and this trend is expected to run throughout the first quarter of 2019.
- We are looking forward to potential Silver sales in the month of February for a revenue stream and as outlined, also working toward a restructure of debt.

## 1.0 TENEMENTS and PROJECTS

### Statement of Tenement Status (As at 31 December 2018)

Tenement	Status	Region	Name	Equity Interest (%) *		Sub Company
				1 Oct 2018	30 Dec 2018	
Exploration Tenements						
EPC 1445	Granted	Bowen Basin	Mackenzie Project	100	100	MRV Bowen Basin Coal
EPC 882	Granted	Tarong Basin	South Burnett Project	100	100	MRV Tarong Basin Coal
EPM8854	Granted	Texas Region	Granite Belt Project	100	100	MRV Metals
EPM11455	Granted	Texas Region	Granite Belt Project	100	100	MRV Metals
EPM12858	Granted	Texas Region	Granite Belt Project	100	100	MRV Metals
EPM18950	Granted	Texas Region	Granite Belt Project	100	100	MRV Metals
EPM26275	Granted	Texas Region	Granite Belt Project	100	100	MRV Metals
Mining Development Leases						
MDL 503	Granted	Bowen Basin	Mackenzie Project	100	100	MRV Bowen Basin Coal
MDL 420	Granted	Surat Basin	Wandoan Project	100	100	MRV Surat Basin Coal
MDL 385	Granted	Tarong Basin	South Burnett Project	100	100	MRV Tarong Basin Coal
Mining Lease Applications						
MLA700015	Under Application	South Burnett	South Burnett Coal Project	0	0	MRV Tarong Basin Coal
MLA100106	Granted	Texas Region	Granite Belt Project	100	100	MRV Metals

**Statement of Tenement Status (As at 31 December 2018)\*** All assets are fully owned by subsidiary Companies; however, each is 100% wholly owned by the parent Company of Moreton Resources Limited.

## 1.2 OPERATIONAL COMMENTS

**Granite Belt Project** (MRV Metals: EPM8854, EPM11455, EPM12858, EPM18950, EPM26275, ML100106)

This Project continued to be the Company's primary focus during the period under review.

During the quarter, the Company's wholly owned subsidiary, MRV Metals Pty. Ltd ("MRV Metals"), continued to focus on achieving the required pH levels for heap leaching activities. This has also required considerable remediation of onsite Acid Mine Drainage (AMD) issues.

MRV Metals is currently restacking Heap leach pad 4 in which previous assays had identified economic grades of silver. MRV Metals believes the restacking of the Heap will allow it to successfully recover silver by normal heap leaching processes. The leaching operations are expected to begin in late February 2019 and an announcement pertaining to this specific issue is due to market before the end of January 2019.

Should the Heap 4 leaching be successful, MRV Metals proposes to apply the same techniques to the other existing heap leaches on the Project tenements, although the AMD issue are believed to be isolated to HL4 and part of HL2.

The Company continues discussions with Queensland's Department of Environment and Science ("DES") regarding the required Financial Assurance (FA) (ie cash bond) relating to the Project, as the Company considers the FA determined by the DES to be higher than is reasonable. This has been scheduled for a directions hearing in early February 2019.

Environmental Authority compliance activities are continuing across the site. Significant poor water quality inventories have been reduced by evaporative cannons being installed in the pit area, and this process has proven to be highly successful in the over all net reduction in water balances on site.

#### **South Burnett Project** (Tarong Basin Coal: MDL 385, EPC 882)

A review of all previous reports and studies has now been carried out with the objective of then progressing an updated Resource Study for the Project and the continuation of the EIS and Feasibility Study. Two consultancies completed mine planning work in the last quarter which has led to a fundamental decision point for the Company upon next steps and final scale and product make up. This optimisation work's conclusions should be put before the board in early February 2019.

#### **Mackenzie Project** (Bowen Basin Coal: EPC 1445, MDL 503)

During the Quarter the advisors appointed on behalf of the Company received non-binding indicative Expressions of Interests to purchase the Company's Bowen Basin (Mackenzie) coal project.

Data reviews and due diligence rooms had been set up for this asset, along with some early stage planning of next steps for the advancement into the ML application process, via an additional drilling program to finalise resource estimates and enable a final mine plan and design to be developed for this asset. The Company continues to consider divestment, JV and farm in opportunities.

#### **Wandoan Project** (Surat Basin Coal: MDL 420)

During the Quarter the advisors appointed on behalf of the Company received non-binding indicative Expressions of Interests to purchase the Company's Surat Basin coal project.

The Company is also progressing the application process for a Mining Lease over the Project which will feature not only Coal but also incidental Gas extraction for commercial sale. This will fundamentally change the economics and mine plan design for this asset, whilst an EIS process continues in the early stages and the Company continues to increase its resources allocated to the project for next steps.

## **2.0 BUSINESS DEVELOPMENT**

### **Strategic Review**

The Company announced a strategic review during the previous Quarter, with advisors appointed to assist the Company in considering and implementing the strategic alternatives. These advisors received non-binding indicative Expressions of Interests to purchase the Company's Bowen Basin (Mackenzie) coal project and its Surat Basin coal project.

### **3.0 FINANCE AND COMMERCIAL**

An extension was negotiated with First Samuel for its short term debt facility of \$1.2 million with an additional line of funding of \$1.5 million added to the facility. The maturity date of the existing and new loan is now 1 April 2019. However with potential silver sales and renegotiation of terms, this will see the Company start to move into a position whereby it can pay down its existing debts.

As previously advised, the Company has appealed to the Federal Court against an adverse Administrative Appeals Tribunal decision on the Company's R & D tax claim and is working its way through next steps on this process, which has lead to an appeal being lodged in the Federal Court.

Moreton finished the December 2018 Quarter with approximately \$758,000 in cash.

We are currently in talks to attempt to consolidation of our debt position and potential restructuring, to allow us to rapidly advance our South Burnett Coal and Surat Basin Coal outcomes.

### **4.0 SNR MANAGEMENT**

Mr Kalman Salgo has been appointed CEO of MRV Metals Pty Ltd and is making an immediate impact upon the business. We

Mr John Haley has stepped down as interim CEO and is now fulfilling the role of interim CFO and Co Sec for the Company as we seek to restructure the board and management.

Mr Alexander Jason Elks is currently acting Chair and has taken on the day to day leadership of the Company whilst we seek to appoint a permanent Chair, followed by the appointment of a CEO to the Group, who can move the company forward focused upon the advancement of our Coal assets.

### **5.0 COMPANY OUTLOOK**

Moreton's focus for the March 2019 quarter is to:

- Commence silver production at the Granite Belt Metals Project
- Continue to progress the possible sale or joint venture of at least one of the Company's other projects
- Progress the Surat Basin and Tarong Basin Coal Projects.
- Continue discussions as to the make up and structure of the organisation, given the multiple opportunities that exist in the junior sector for consolidation or asset transfer.
- Refinance the Company's existing short-term debt as needed

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