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ASX ANNOUNCEMENT

By Electronic Lodgement

MRV METALS PTY LTD OPERATIONAL UPDATE

Moreton Resources Limited (**ASX:MRV**) ("the Company") would like to update the market on its progress at the Granite Belt Project, under the management of its fully owned subsidiary MRV Metals Pty Ltd. The Board is pleased to advise that we are expecting to enter Silver production in the month of February, despite the issues and concerns that have been experienced to date.

As the market is aware, the Company over the last 12 months has struggled to advance to Silver leaching operations, despite a number of management teams and consultants being engaged and undertaking reviews and making recommendations, upon appropriate action to advance the site. Under the new leadership of Mr Kalman Salgo who joined the organisation in November 2018 as CEO of the Metals subsidiary, a strategy that was put forward in mid-August of 2018 to Moreton Resources board and Management, was subsequently adopted by the new board in late November of 2018.

Whilst the process is a drastic step in the operations, which entails the removal of ore from heap leach 4 and restacking, it was determined it was the only way Operations could access the entire heap, to understand the issues pertaining to the raising of Alkalinity (positive pH) in the heaps. Technically the leaching process for Silver/Gold is a positive Alkalinity and the processes upon site pre-stacking, as confirmed in the Due Diligence undertaken from 2006 to 2014, identified natural ore was dug from the pit at a benign level of acidity, agglomerated by way of adding cement and quick lime, which took the natural ore to approx pH 8-9 when stacked.

The process from there was then to add pH 10-11 water over the heaps, which also contained Cyanide as the process for leaching of Silver and Gold requires positive Alkalinity. Copper however relies upon an acid based irrigation, which is a low pH. This would not be normal practice or foreseeable in a Silver/Gold leaching operation.

The following photo's are the result of our investigations into the issues in the Heap Leach 4:



The market will note, the blue green Copper Sulphate clearly identifiable in the sub-base of the heaps, which in recent time it is now apparent have essentially acted as a copper strip. Whilst the Company has highlighted in prior announcements our desire to investigate the Copper as a by-product to our operations, as a secondary leach or dual recovery processes, the issues faced are somewhat premature and problematic.

It is now apparent that post mining activities (2015 onward), movement upon site of Acid Mine Drainage from the Waste Rock dump, to uncontaminated areas has occurred which has led to significant volumes of acid mine drainage across the site. This bulk movement of acid mine drainage was not anticipated or expected through our Due Diligence process, as it is apparent that the heaps were irrigated with the significant volumes of AMD for a prolonged period, in an attempt to evaporate the water.

These actions in an attempt to reduce the water balance in the 2015-2016 period has essentially striped areas that were high pH of agglomerated lime, cement and natural pH levels, and generated in sections of HL4, highly acidic areas which were in essence undertaking a Copper stripping process. Hence in the subbase of the heaps which forms the irrigation and filtration channels for the heap leach process, is bound by high levels of Copper Sulphate and highly acidic areas of AMD. Until these areas are dealt with, the heaps in certain areas will continue to produce significant acidic AMD, which is a direct result from irrigating with AMD from the waste rock dump, and exponentially increasing the problem across the site, which occurred from early 2015 through to late 2016.

The Company has taken the opportunity whilst stripping back Heap Leach 4, to inspect the sub base and the liner integrity and we are satisfied the heap structurally is in good order and repair for leaching, however the need to undertake a flush of the under base is underway and we are expected to recommence stacking in the next week. Whilst these actions have been highly detrimental to our operations and left the site with significant inventories of AMD, we are confident that whilst we have been removing ore and correcting it, when replaced, it will be of an alkaline nature and thereby be immediately amenable to leaching.

This activity will add time and cost to our restart of HL4, and whilst this was not anticipated, a large quantity of the prior harm caused has been pH corrected in the upper levels of the heap by MRV Metals Pty Ltd over the last 9 months, and now it becomes a bulk earth movement process to remove, remediate and replace, so as to move into leaching as quickly as possible.

This also has flow on effects to our Financial Assurance issues, whereby the Company has always maintained that heap leaching of silver is a positive pH process and that the viable ore is of a neutral characterisation when dug and then pH correct to a alkaline nature. A significant amount of the FA dispute rests around if the heaps, when abandoned or rehabilitated are a positive or acidic nature, and clearly without the direct irrigation of AMD, the heaps are of a positive Alkaline nature as per any Silver or Gold operation. Whilst under the legislative approach any prior disturbance is not considered for FA calculation, this issue which has clearly been generated over the period of abandonment, is imposing significant financial imposts upon MRV Metals Pty Ltd however we are confident that we have now isolated the problem and are able to manage it into production.

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