

30 August 2019

ASX ANNOUNCEMENT

By Electronic Lodgement

MORETON RESOURCES COMPANY UPDATE

Moreton Resources Limited (**ASX:MRV**) (“the Company”) would like to update the market upon a number of material matters, that led to the Company requesting a suspension of trade upon the 23rd August 2019. Each of these matters has significant implication upon the forward direction of the Company and as such, the board thought it prudent to put the Company into suspension, until it could gain greater clarity upon the key matters surrounding each issue, and ensure the market was fully informed of those issues.

To that end, this announcement will further be supported by two additional announcements, that outline:

- The Granite Belt long term strategy
- The next 6-9 month plan for the Granite Belt Operations

However, those strategies and long-term outcomes, have been affected and continue to be affected by the matters outlined in this announcement.

Financial Assurance Legal Process

The Company has been in talks with and in legal proceedings against the Department of Environment and Science upon the required Financial Assurance for the Granite Belt Project. These matters have been ongoing since 2017 and continue to be ongoing, and as such have significantly hampered and impacted the ability for MRV Metals to effectively and efficiently operate the Granite Belt Project.

To that end, it is important that the background and circumstances to these issues are apparent to our investors, so that the market is fully informed of these issues. However as of yesterday, after notifying the Minister’s office, responsible for the Department of Environment and Science, their legal advisors have undertaken the following which we believe is material to the Company’s obligations to inform the market –

- 28th of August 2019 sent our legal representative a letter stating if we are going to release the information outlined, in our intended ASX release in an effort to inform the market, “*could result in contempt of Court*”
- Following this, and after our lodged release upon the ASX platform, the ASX has sort to advise us we are unable to release what the Company considers significant and material information that under our reading of our market disclosure obligations clearly fit within that obligation. However the ASX has stated they will not release and upon request weather their has been a complaint or approach from a third party, there was no direct answer to that query.
- Since that time the legal representatives either of the Department or Ministers Office have continued to follow up with statements threatening injunctions, contempt claims and a raft of other allegations.

It is the Company's view the material sort to be released in the main release, and that of two specific documents that are material to the issues at hand, need to be in the public forum to ensure an informed market, therefore the Company will seek to release these by –

- Direct email to all shareholders of Moreton Resources Limited who currently have registered emails with the Company
- We will seek to release the information upon our web site
- We are also currently seeking to release to media outlets over the weekend and into next week

However despite this, we are pleased to announce that the first phase of our action, being the determination of preliminary legal points, will be undertaken in October 2019, in which we believe our view of the rightful reading of the Act will be upheld and determined by the Land Court. At this time it will be up to the Department if they are then going to be bound by the letter of the law and review their decision and remake the Financial Assurance calculation or in fact continue to then move to argue additional matters and points, in an effort to frustrate MRV Metals rights.

The Company has already suffered considerable impact operationally and financially due to this situation and given the legal obligation of the Department to not hold or request more than for the restoration or rehabilitation of the harm caused by MRV Metals Pty Ltd, we are assessing our rights as to what action may be available for the significant harm caused, should the Department have breached that obligation given the considerable capital locked in a bond, which we believe is millions of dollars over estimated. The Company to date has spent \$595,000 on legal costs pertaining to this matter.

We are now however, in a situation operationally whereby we have proven our leaching capability, the commissioning of equipment and operational outcomes of the processing at the Granite Belt Operations, this should be an advancement decision point for the Company. However whilst we are ready to now move to mining operations, we are limited as we cannot step outside of the footprint we have in our present plan of operations (reduced to allow the legal action to proceed) as it will trigger a new assessment of our required Financial Assurance. In turn that would negate the legal action process to date, as the matter would have to be relisted and start again. This is now about to have operational impacts upon the Company and limit our ability to move into crushing and mining stages at the Granite Belt site, which again affect our regional employment commitment, our support of the regional community via our vendors, community supporters and the impact we make day to day, in the region through our existing families and support services residing locally.

We note the significant press in Queensland today in dealing with the New Hope decision and the relevant Department's, and again these issues of lack of due process and timely resolution, have material and real impacts upon our industry.

Our plans and activities moving forward, will be released in a subsequent strategy later today.

Federal Court Ruling

As the market is aware, the Federal Court ruled recently in favour of Moreton Resources Limited is significant in nature, and as such this update is prudent and important to keep the market fully informed. Upon the 22nd of August 2019, the following orders were made by the Federal Court, by consent of both parties:

1. The appeal be allowed;

2. The decision of the Administrative Appeals Tribunal dated 10 September 2018 be set aside;
3. The proceedings be remitted to the Administrative Appeals Tribunal, for determination of whether the Applicant's activities in the 2012, 2013 and 2014 income years were eligible supporting R&D activities in accordance with the law.
4. The Respondent pays 50% of the Applicant's costs of the appeal, to be taxed or agreed.
5. The proceedings be remitted to the Administrative Appeals Tribunal for rehearing before another member of the Tribunal.

In addition to these orders, the parties are in genuine settlement discussions and the company believes a reasonable and speedy resolution will be forthcoming however, this cannot be guaranteed. It is the company's view that based upon the full courts' decisions and prescriptive narrative and interpretation, which is consistent with Moreton Resource Limited application for registration, it is not in the interest of the courts or parties to rehear this matter, given the compelling Federal Courts decision. Whilst the company continues to focus on its operations and does not attempt to be litigious, as is displayed by our willingness to go to the Federal Court of Australia on appeal, we will not negate our legal rights and entitlements, irrelevant of it being a Federal or State jurisdiction.

For clarity to the market, the Company's views of the outstanding claims payable, should registration be successful via negotiation or at AAT process, the following is outlined:

2013 & 2014:	\$5,160,515
2015:	\$ 444,756
2016 approx:	\$ 400,000

Whilst there would also have been minor claims for the 2017 and 2018 years, the Company has determined the benefit would be so minor, it is not in our interest commercially to pursue additional claims beyond this point. Interest is accruing upon these amounts and we believe the total payable sum is above \$8 million dollars, however a settlement below this figure may be the most expedient and beneficial outcome for the company.

We hope this allows the market to understand the significance of this decision handed down by the Federal Court, and certainly given the comments and observations by the Federal Court. Since this appeal and litigation commenced in 2014, the state of the UCG Industry globally, AusIndustry acceptance of the Leigh Creek Trial and the proven failures of the industry generally in Australia, are a clear indication of the unproven nature of the trials Moreton Resources Limited was undertaking.

Of note also, is the Company accounts would materially change, should a settlement or successful AAT case be run, given the accounts currently acknowledge an almost \$11,000,000 liability outstanding to the ATO would be removed from the accounts. Of note, this matter to date since the dispute began, has expended well over \$1,000,000 in Company funds to date.

Board Structure



The above matters along with many others, over the last 5-6 years have expended considerable Company funds, time and expertise, and as such, the Company has suffered with multiple talented and skilled people joining the organisation but suffering from the continued and relentless litigation and impacts on our operational funding these matters. By nature Moreton Resources Limited is not litigious and we always have been reasonable and looking to offer all parties in dispute, a position where we can look forward to put historic matters behind us, however we are continually challenged by processes and legislative approaches, which are simply not consistent with our view upon the literal and common sense interpretation of matters.

There are very few people in a venerable Company, looking to on-take considerable step change who are capable or willing to continue to attempt to advance the Company and resolve these issues at the same time. Hence, we have suffered not only financially, but also in our human capital to keep our valuable workers on the ground focused and also ensure we have skilled and capable Executive's at Management and Board level, to keep the Company focused.

To this end the Company is pleased to announce that Mr Alexander Jason Elks has accepted the Acting Chairman position with the Company, and he will remain in that position until the AAT and the DES matters are resolved in total, whilst we look to recruit a suitable and skilled Chairman to take the operations forward, free from these historic matters that we are hoping to have finalised by the close of 2019. As the market is aware Mr Elks has been with the Company since 2013 and is well versed upon all of the issues outlined above.

The Company will make multiple announcements later today, about such appointments and also the operational advancements of the Company, taking into account the matters outlined in this release.

- END -