



09 September 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 continue to impact the Company’s operations. Each has considerable impacts upon our day to day operations at the subsidiary level, however the Company also believes a number of these matters will be brought to a head in the coming months.

Board Structure

As outlined in an earlier announcement, due to the considerable legal and legislative issues afoot across the group, the board structure has resolved to consolidate to a total of three board members with Mr Alexander Jason Elks as of today, taking on the Acting Chairman role. This is in a temporary capacity to navigate the impending issues and challenges facing the organisation, in the next 2-4 months.

This means the current board of Mr Elks, Mr Bryant and Mr Garland will continue to operate moving forward whilst considering the optimal board make up and total Company structures, pending the outcome of the issue outlined below. This is driven by the issues at hand and the recent resignations of Mr Gary Harradine and Mr Robin Lonergan.

Cost Reduction Strategies

As part of Mr Elks taking on the role as Acting Chairman, the board has also reviewed our current operations and are seeking to reduce total spend across the Group as a matter of priority. The Company is of the view, that significant Capital by way of the Financial Assurance Bond in the case of MRV Metals Pty Ltd and also the Research & Development matter at the Moreton level of operations, are both significantly hindering our ability to advance and achieve the required day to day operations.

The Company must determine the best utilisation of funds moving forward, and has determined the key priority is the finalisation of our pending legal issues in the Courts, which in the Boards view, and the Executive of MRV Metals Pty Ltd, will release significant capital to allow advancement of operations into mining. However, this has now been hampered for some 24 months with capital being restricted by the Financial Assurance, which is required to be returned to allow the Company to move to next stage development.

Also, the referral back to the Administrative Appeals Tribunal, after a highly successful Federal Court Appeal outcome, is a key focus for the broader group, as the ability to advance the Company more broadly, also rests upon the resolution of the AAT matter.

This strategy has an operational impact upon the Granite Belt Project and staffing at the MRV Metals Pty Ltd level, along with the parent Company being Moreton Resources Limited. Therefore, impacts across the Company are being felt and reduction in manning levels commenced last week and will continue, primarily until we are able to gain clarity of the Land Court preliminary point outcomes. This will allow the operations to expand beyond the current constraints and also allow for a return of Capital, assuming we are successful in our views.

AAT Matter

The matters pertaining to the Administrative Appeals Tribunal are being referred back for a hearing should the parties not reach agreement. The Company has requested the matter to be listed at the first available date for hearing and we expect to update the Market as soon as practical. This matter has been ongoing since 2014, and it is critical this come to a final resolution in the coming months.

The Company is extremely comfortable with its position and prospects of bringing this matter before the courts, for ultimate resolution.

DES Matter

This matter has been ongoing since late 2017 and has been through the appeals, via due process of internal review and referral to the land Court since approx. March 2018. The Company is extremely frustrated by the lack of ability to bring this matter to a head via the Court process, in again what seems to be a frustrated and tactically delayed process.

We are seeking to raise these issues with the Court as a matter of urgency, for the listing of the preliminary points and determination of those matters. The Company is extremely comfortable with its position and the prospects of bringing this matter before the courts, for ultimate resolution.

Again, we will update the market as soon as practical upon these outcomes.

Capital Raise

To support the above matters and attempt to advance key projects, the Company is announcing this morning a Non-Renounceable Rights Issue. The Company due to the ongoing issues around the legal processes and our views on the highly prospective nature of the outcomes, believes the value in Moreton Resources Limited is significant underpinned by the Granite Belt Operations and the significant Coal Assets.

Therefore, we will be seeking to demand a premium on our recent market trading, due to the depressed nature of the overhang of the DES and AAT matters, both which we expect to be resolved in the coming months. This in turn in our mind will for the first time, allow the Company to trade unencumbered without significant litigation and having considerable ability through our potential capital position, to advance into mining operations, and seek further advancement of the Coal assets.

Hence, we will be seeking to raise at \$0.01 an approx. sum of \$5,000,000 from this raise. In doing so, First Samuel Limited through an existing Convertible Note Facility, will be converting \$1,000,000 of existing debt with Moreton Resources Limited into equity through an allocation of a share placement triggered by this Capital Raise. This in turn reduces the Company's overall debt position which is a positive for the Company and the conversation is at a price which we believe is a reasonable representation of what the placement price should be.

Take Over Provisions

The Company is aware that based upon the above conversion of \$1,000,000 of debt into equity, and the prior equity options in interest bearing outcomes from the loan facilities, this will trigger an ownership level of and/or secured control of, over 20% shareholding in Moreton Resources Limited.

This is an issue to which we will seek advice from First Samuel Limited and update the market in the coming days.

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