

5 November 2019



ASX ANNOUNCEMENT

By Electronic Lodgement

RESPONSE TO ASX QUERY

Moreton Resources Limited (**ASX:MRV**) would like to respond to the queries received from the ASX in response to the market release of the appendix 5B.

1. Does MRV expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

MRV Response - As noted in the recently released September quarterly report, MRV's revenue has increased significantly whilst costs have also decreased, primarily due to continued growth in silver production and sales. Subject to obtaining sufficient financing or investing cashflow (outlined below), MRV will be in a position to further increase production and move to an operating cash surplus position inline the with Granite Belt Project Re-start Strategy outlined to the market 30/08/2019.

2. Has MRV taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

MRV response - MRV is currently in negotiations with existing lenders with a view to refinancing facilities and potential debt re-structuring. Discussions are active with parties around equity, investment and divestment opportunities as they arise. Additionally, there is a high probability of settlement with Innovation and Science Australia, based on the earlier favourable decision in the Federal Court as per the market announcement 29/07/2019.

3. Does MRV expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

MRV response - The company has a feasible strategy to bring the Granite Belt Project to nameplate capacity, deliver substantial operating cashflow to shareholders over a potential 7 - 8 year mine life and facilitate development of coal assets for future growth. Short-term, these plans to expand operations are contingent on the timing of probable cashflow to be received from the above mentioned activities.

4. Please confirm that MRV is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.

MRV response – MRV confirms that it complies with Listing Rule 3.1 and that there is no information about its financial condition that has not been released to market. As outlined to the market on the 9/9/2019 the Company will continue to undertake cost reduction strategies as the key priority is the finalisation of our pending legal issues in the Courts. 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 Ltd. The market will be notified of any developments accordingly.

5. Please confirm that MRV's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of MRV with delegated authority from the board to respond to ASX on disclosure matters.

MRV response - These responses have been approved by a majority of the board.

- END -



1 November 2019

Mr Tristan Garth
Company Secretary
Moreton Resources Ltd
29 High Street
Texas QLD 4385

By email:

Dear Mr Garth

Moreton Resources Ltd ('MRV'): Appendix 5B Query

ASX refers to MRV's Appendix 5B quarterly report for the period ended 30 September 2019 lodged with ASX Market Announcements Platform on 31 October 2019 (the 'Appendix 5B').

ASX notes that MRV has reported:

- negative net operating cash flows for the quarter of \$1,036,000;
- cash at the end of the quarter of \$43,000; and
- estimated cash outflows for the next quarter of \$1,660,000.

It is possible to conclude, based on the information in the Appendix 5B that if MRV were to continue to expend cash at the rate indicated by the Appendix 5B, MRV may not have sufficient cash to continue funding its operations.

In view of that, ASX asks MRV to respond separately to each of the following questions and requests for information:

1. Does MRV expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has MRV taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does MRV expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that MRV is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. Please confirm that MRV's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of MRV with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **09:00 AM AEDT Wednesday, 6 November 2019**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in MRV's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, MRV's

obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to MRV’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that MRV’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in MRV’s securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Kind regards



Alex Sutton
Compliance Adviser, Geology, Listings Compliance (Sydney)