

05 March 2020

RESPONSE TO ASX QUERY

Mr Adrian Smythe
Manager, Listings Compliance (Sydney)

By email

Dear Mr Smythe

Thank you for your query letter dated 13 February 2020.

In response thereto, Moreton Resources Ltd (MRV or the Company) advises as follows (numbering as per your letter numbering of Questions and Requests for Information).

1.
 - a) No reason specified
 - b) No record of the resignation found
 - c) No reason specified
 - d) No reason specified
 - e) No record of the resignation found
 - f) No record of the resignation found
 - g) Unable to meet time commitment needed
 - h) Unable to meet time commitment needed.
 - i) No record of the CEO resignation found. Directorship resignation on 29 July was for personal reasons, whilst the 16 October resignation was to allow a new independent director to join the Board.
 - j) Change in personal circumstances
2. MRV confirms that Mr Kalman Salgo's position as CEO of MRV Metals Pty Ltd ceased shortly before Mr Phillip Bryant's appointment as managing director. The current MRV Board are not privy to the reason(s) for Mr Salgo's cessation.
3. The Company is presently relocating its office and is attempting to locate the older resignation notifications. The Company can provide 1 a), c), d) g), h) and j). MRV will advise and/or provide the older/remaining notifications as they are located.
4. MRV confirms it received \$700,000 from Mr Feitelson or his associates as per ASX Releases dated 28 November 2019 and 4 December 2019.
5. MRV received the 2nd tranche (\$300k) of funds in full in December 2019, as outlined in the ASX announcement dated 4/12/2019. The 3rd tranche (\$300k) of funds was received in partial payments from mid-December 2019 to early January 2020.

The Company announced the full details of the loan to the market on 28 November 2019, and in doing so it stated that the two tranches of \$300k were each to be received in December 2019, "subject to several conditions being satisfied." The timing of these tranches was anticipated to be in December 2019, but this was conditional. The market was made aware of the amounts and expected timings of the tranches, and these were complied with as announced, the timing of the loan drawdowns does not have a material effect on the market price of securities.

6. Please see attached executed Loan Agreement.
7. The \$1,575,000 includes the \$1,000,000 short term loan. The remaining \$575,000 was a loan of \$500,000 previously advanced by Mr. Feitelson or associates, plus accrued interest and agreed reimbursement of other costs.

8. Please see attached.
9. The undrawn amount at 31 December 2019 includes the \$300,000 in the undrawn amount.
10. Please refer response 5 above.
11. The negotiations in question are ongoing, and MRV has and will advise the market through an ASX Release immediately upon any agreements being executed. MRV considers that its securities can trade in an appropriately informed market.
12. Please refer to ASX announcement dated 6th March 2020.
13. MRV confirms it is in compliance with the ASX Listing Rules, including Listing Rule 3.1.
14. MRV confirms that the above responses have been authorised by all the Directors of MRV.

Yours sincerely

Tristan Garthe
Company Secretary
Moreton Resources Ltd

- END -



19 February 2020

Reference: ODIN13933

Tristan Garthe
Director & Company Secretary
Moreton Resources Limited

By email

Dear Mr Garthe

Moreton Resources Limited ('MRV'): Query Letter

ASX Limited ('ASX') refers to the following:

- A. On 2 July 2018, MRV released an announcement on the ASX market announcements platform ('MAP') titled "Resignation of CEO and Search Commenced for Replacement", announcing that MRV's chief executive officer ('CEO'), Alexander Jason Elks, had given notice that he would not seek to renew his contract as CEO when it expired on 23 November 2018, but would continue as chairperson.
- B. On 27 August 2018, MRV released an announcement on MAP titled "CEO – Company Secretary Appointment", disclosing the appointment of Terry Bourke as CEO of MRV.
- C. On 30 October 2018, MRV released an announcement on MAP entitled "Appointment of Chairman of Board" disclosing that Valeri Melik-Babakhanov had been appointed chairperson of MRV's board of directors.
- D. On 5 November 2018, MRV released an announcement titled "MRV Metals appoints Chief Executive Officer" disclosing the appointment of Kalman Salgo as CEO of MRV Metals Pty Ltd, a wholly-owned subsidiary of MRV.
- E. On 6 November 2018, MRV released an announcement on MAP titled "Appointment of CEO and Board changes" disclosing:
 - i. John Haley was appointed as a "non-executive" director for a fixed term "expiring no later than 1 March 2019" and as CEO for a fixed term until 31 March 2019.
 - ii. The "employment arrangements" of the previous CEO, Mr Bourke, concluded on 2 November 2019.
 - iii. Tony Feitelson had resigned as director. Mr Feitelson's appointment as a non-executive director was announced by MRV on 26 August 2016.
 - iv. Kalman Salgo had been appointed as a director of MRV. On 11 December 2018, MRV lodged an Appendix 3X Initial Director's Interest Notice with respect to Mr Salgo's appointment, which disclosed that the date of his appointment was 7 December 2018.
- F. On 17 December 2018, MRV released an announcement on MAP titled "Director Appointment / Resignation" disclosing the resignation of Mr Melik-Babakhanov as a director. Mr Melik-Babakhanov's appointment as an executive director had been announced by MRV on 26 August 2016.
- G. On 17 January 2019, MRV released a Quarterly Activities Report on MAP. On page 5 of the 5-page announcement, MRV disclosed that:

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- i. Mr Haley had stepped-down as CEO and was now “interim CFO and Co Sec”.¹
 - ii. Mr Elks was acting chairperson and had “taken on the day to day leadership” until a permanent chairperson and CEO is appointed.
 - H. On 6 February 2019, MRV released an announcement on MAP titled “Director Appointment / Resignation” disclosing that Mr Haley had resigned his directorship.
 - I. On 11 February 2019, MRV released an announcement on MAP titled “Directors Appointment” disclosing the appointment of Gary Harradine and Brent Van Staden as directors.
 - J. On 8 March 2019, MRV released on MAP:
 - i. an announcement titled “Half Yearly Report and Accounts” which, on page 1 (headed “Release of Half Year Financials and Management Changes”), disclosed that Phillip Bryant had been appointed as Chief Operating Officer, and that Mr Van Staden “whom supported the Company in recent weeks as a Casual Director will be ceasing his role as Director and Co Sec”; and
 - ii. an Appendix 3Z “Final Director's Interest Notice” disclosing Mr Van Staden’s notifiable interests in MRV securities following the cessation of his directorship.
 - K. On 10 April 2019, MRV released an announcement on MAP titled “Director Appointment/Resignation” disclosing that:
 - i. Mr Bryant had been appointed a director of MRV; and
 - ii. Mr Salgo had resigned as director of MRV, and stating that he had “operated as a casual Director, and given the reporting relationship now of the subsidiary Companies through to Mr Bryant, operationally it is appropriate that Mr Bryant is appointed to the Board and Mr Kalman Salgo steps aside.”
 - L. On 30 April 2019, MRV released an announcement on MAP entitled “Appointment of Managing Director” disclosing that Mr Bryant had been appointed managing director of MRV “and each of the groups subsidiary Company’s *[sic]*”.

The announcement included a brief summary of the remuneration and termination provisions of Mr Bryant’s employment agreement. It is not disclosed whether these arrangements apply in respect of MRV only or also with respect to the subsidiaries.

Further, as MRV Metals Pty Ltd is a subsidiary of MRV, it follows from this announcement that Mr Bryant had been made the chief executive of this entity as well. MRV would appear not to have made any announcement regarding whether Kalman Salgo’s position as CEO of MRV Metals Pty Ltd had ceased.
 - M. On 22 July 2019, MRV released an announcement on MAP titled “Director Appointment/Resignation” disclosing that:
 - i. Brett Garland and Robin Lonergan had been appointed as directors;² and
 - ii. Mr Elks had resigned his directorship, effective 29 July 2019.
 - N. On 20 August 2019, MRV released an announcement on MAP titled “Director Appointment/Resignation” disclosing that Mr Harradine had resigned as a director.³

¹ MRV does not appear to have released an Appendix 3Z Final Director’s Interest Notice in accordance with listing rule 3.19A.3 with respect to Mr Haley’s resignation.

² MRV does not appear to have released an Appendix 3X Initial Director’s Interest Notice in accordance with listing rule 3.19A.1 with respect either Mr Garland or Mr Lonergan.

³ MRV does not appear to have released an Appendix 3Z Final Director’s Interest Notice in accordance with listing rule 3.19A.3 with respect to Mr Harradine’s resignation.

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- O. On 30 August 2019, MRV released an announcement on MAP titled “Company Update”. On page 4 of the 4-page announcement, MRV announced that Mr Elks had been appointed “Acting Chairman ... until the AAT and the DES matters are resolved in total”.

The announcement also addressed the status of two significant legal matters to which MRV is a party and which had been referred to in previous MRV announcements, being:

- i. a dispute with the Queensland Government’s Department of Environment and Science (‘DES’) regarding the quantum of “Financial Assurance” payable by MRV Metals Pty Ltd in relation to its operation of the Granite Belt Project.

MRV has described the Granite Belt Project as its “primary focus during the period under review” in each Quarterly Activities Report it has released since 1 November 2018; and

- ii. a dispute with Innovation and Science Australia and the Australian Taxation Office, regarding MRV’s entitlement to an R&D-offset under the *Income Tax Assessment Act 1997* (Cth) and the *Industry Research and Development Act 1986* (Cth). This matter had been the subject of an adverse decision by the Administrative Appeals Tribunal (‘AAT’) which had been overturned on appeal by the Federal Court and remitted to the AAT for determination on the merits.

With respect to the first matter, MRV said 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.”

- P. On 30 August 2019, MRV also released an announcement titled “Progress Report” regarding the Granite Belt Project, which stated:

“[MRV] has made the decision to cease any advancement of production at the [Granite Belt] site, whilst it works its way through the Financial Assurance matters before the Queensland Courts The Company is very confident in its legal advice and views upon the matter being determined in favour of MRV Metals Pty Ltd and as such, the Company continues to work toward a production date for the commencement of mining operations in the first month of 2020. ...

“The Company will now within the area of footprint covered by our current plan of operations, seek to commence refurbishment of the plant and equipment ready for full scale production in first quarter 2020, following mining commencement earlier January 2020 [sic].”

- Q. On 9 September 2019, MRV released an announcement titled “Progress Report” which disclosed that:

- i. It would consolidate the board to three directors, being Mr Elks, Mr Bryant and Mr Garland.
- ii. Mr Lonergan had recently resigned his directorship.⁴
- iii. The board determined that “the best utilisation of funds moving forward ... is the finalisation of our pending legal issues in the Courts, which ... will release significant capital to allow advancement of operations into mining. However, this has now been hampered for some 24

⁴ It would appear that MRV did not make a dedicated announcement under listing rule 3.16.1 of the resignation of Mr Lonergan on 20 August 2019 or release an Appendix 3Z Final Directors Interest Notice with respect to it.

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.”

- iv. With respect to the R&D-offset dispute referred to in paragraph 0 ii above, MRV had sought to have the matter heard as soon as possible and would update the market “as soon as practical.”
- v. With respect to the disputed Financial Assurance liability referred to in paragraph 0 i above, MRV was:
 - a. “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”; and
 - b. “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.”
- R. On 10 October 2019, MRV released its Annual Report for the year ended June 2019 (‘FY 2019’) on MAP, which included a directors’ report noting (amongst other things) the appointment and resignation of directors over FY 2019 and reporting as to their attendance at board and committee meetings and their remuneration over the period. The announcement included the following summary:

Directors

The following persons were directors of Moreton Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Current:

Alexander Jason Elks (resigned 29 July 2019 and reappointed 27 August 2019)
Phillip Bryant (appointed 10 April 2019)
Brett Garland (appointed 22 July 2019)

Former:

Gary Harradine (appointed 11 February 2019 and resigned 20 August 2019)
Robin Lonergan (appointed 22 July 2019 and resigned 20 August 2019)
Kalman Salgo (appointed 10 December 2018 and resigned 10 April 2019)
Brent Van Staden (appointed 11 February 2019 and resigned 7 March 2019)
John Haley (appointed 5 November 2018 and resigned 6 February 2019)
Valeri Melik-Babakhanov (resigned on 14 December 2018)
Philip Anthony Feitelson (resigned 5 November 2018)

The Annual Report also disclosed that Mr Bourke’s appointment as CEO commenced on 27 August 2018 and was for a fixed three-year term.

- S. On 16 October 2019, MRV released an announcement on MAP titled “Director Appointment / Resignation” regarding:
 - i. the appointment of Tristan Garthe as director;
 - ii. the resignation of Mr Elks as director; and
 - iii. the appointment of Mr Garland as chairperson.
- T. On 5 November 2019, MRV released on MAP its response to ASX’s query regarding its Appendix 5B dated 31 October 2019, stating:

“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 ...” (emphasis added)

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- U. On 14 November 2019, MRV released an announcement on MAP titled “Progress Report” disclosing:
- i. A directions hearing had been held on 18 October 2019 in relation to the R&D claim and the matter would be heard on 12 February 2020.⁵
 - ii. A hearing had been held on 12 November 2019 in relation to the Financial Assurance dispute and had been adjourned, “leading to further delays.” MRV “now expects the conclusion of this matter before the end of 2019.”⁶
 - iii. *“The Board has maintained the view that the key priority is the utilisation of funds to ensure the finalisation of our pending legal issues. In line with this priority, the Company has taken the opportunity to temporarily scale back operations to review and improve some minor plant processes.”*
- V. On 28 November 2019, MRV released an announcement on MAP titled “Financing Update” disclosing that:
- i. Mr Feitelson “and associated parties” had agreed to provide funding “up to an amount of A\$1M” which will assist “finalisation of outstanding legal matters and assist with continued development work at the Granite Belt project.”
 - ii. MRV had received \$400,000 under this facility, with “two further tranches of \$300,000 each to be received in December 2019, subject to several conditions being satisfied.” (emphasis added).
- W. On 4 December 2019, MRV released an announcement on MAP titled “Financial Update – Tranche 2” disclosing that it had received a further tranche of \$300,000 under the facility provided by Mr Feitelson and his associates disclosed on 28 November 2019.
- X. On 23 December 2019, MRV released an announcement on MAP titled “Director Appointment” disclosing the appointment of Wayne Penning as a non-executive director.
- Y. On 3 February 2020, MRV released an announcement on MAP titled “Quarterly Activities Report” which included the following statements:
- i. *“The Company also continued to progress a favourable resolution of the dispute with Queensland Department of Environment & Science (“DES”) with the Land Court of Queensland hearings held during the December 2019 quarter. The Company expects a reduction of Financial Assurance deposits held by DES in the March 2019 quarter.”⁷*
 - ii. *“As a result of the focus on the resolution of the Court cases, the Company has temporarily suspended mining and processing operations at the Granite Belt Silver Project, having successfully continued extracting silver concentrate during the December 2019 quarter.”*
- Z. On 3 February 2020, MRV also released on MAP an Appendix 5B Quarterly Cashflow Report for the quarter ended 31 December 2019, disclosing:
- i. net cash used in operating activities = \$904,000;
 - ii. proceeds from borrowings = \$770,000;
 - iii. cash and cash equivalents at the end of the quarter = \$0;
 - iv. financing facilities totalling \$15,850,000, of which \$15,520,000 has been drawn; and

⁵ MRV would appear not to have previously disclosed the 18 October 2019 directions hearing.

⁶ MRV would appear not to have previously disclosed the 12 November 2019 hearing.

⁷ ASX infers that the reference to “March 2019 quarter” should read “March 2020 quarter”.

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- v. total estimated cash outflows of \$300,000, including \$250,000 for administration and corporate costs, but no expenditure on production, exploration and evaluation, or development.
- AA. On 7 February 2020, MRV released on MAP its response to ASX's query regarding its Appendix 5B released on 3 February 2020 (see paragraph Z above), which included the following statements:
- i. *"... the current focus of the Company is finalising current legal cases, in which the Company expects favourable outcomes. Completion of these matters will allow the company to restart operations at the Granite Belt Project."*
 - ii. *"MRV is currently in negotiations with existing lenders with a view to refinancing facilities and potential debt restructuring. The Company is also actively seeking capital investment and exploring divestment opportunities. Additionally, the Company expects financially favourable outcomes from settlement of legal matters."*
- BB. On 11 February 2020, MRV released an announcement on MAP titled "Director Appointment / Resignation" disclosing the resignation of Mr Penning as a director.
- CC. On 13 February 2020, MRV released an announcement on MAP titled "Company Update" which disclosed (under the heading "AAT Matter and DES Matter"):
- i. The AAT hearing regarding the dispute concerning R&D-offsets "concluded this week".
 - ii. "The Company is now awaiting finalisation of decisions in both matters." (emphasis added)

Questions and Requests for Information

Having regard to the above, ASX asks MRV to respond separately to each of the following questions and requests for information.

1. Please provide a full account of the circumstances of:
 - a) Tony Feitelson's resignation as director of MRV;
 - b) Terry Bourke's resignation as CEO, noting that he was appointed for a fixed term of three years commencing 27 August 2018 and served only until 2 November 2018;
 - c) Valeri Melik-Babakhanov's resignation as director of MRV, noting that he had been appointed chairperson on 30 October 2018 and resigned on 14 December 2018;
 - d) John Haley's resignation as director and CEO of MRV, noting that these both occurred well in advance of the term of those appointments as announced by MRV;
 - e) Kalman Salgo's resignation as director of MRV, noting that:
 - His term was between 7 December 2018 and 10 April 2019.
 - On notifying the market of the cessation of his directorship on 10 April 2019, MRV described his position as "casual", which was not disclosed previously.
 - f) Brent Van Staden's resignation as director of MRV, noting that:
 - His term as a director was between 11 February and 8 March 2019.
 - On notifying the market of the cessation of his directorship on 8 March 2019, MRV described his position as "casual", which was not disclosed previously.
 - g) Gary Harradine's resignation as director of MRV, noting that:
 - His term was between 11 February and 20 August 2019.

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- He was chairperson at the time of his resignation.
- h) Robin Lonergan's resignation as director of MRV, noting that:
- His term was between 22 July and 20 August 2019.
 - The cessation of his directorship was not announced by MRV under listing rule 3.16.1.
- i) Alexander Jason Elks' resignation as:
- CEO on 2 July 2018;
 - director on 29 July 2019; and
 - director on 16 October 2019; and
- j) Wayne Penning's resignation as a director on 11 February 2020.
2. Please also clarify whether Kalman Salgo's position as CEO of MRV Metals Pty Ltd ceased following the appointment of Phillip Bryant as managing director of MRV and all subsidiaries on 30 April 2019 and, if so, provide a full account of the cessation of that position, noting that:
- Mr Salgo's appointments as CEO of MRV Metals Pty Ltd and as director of MRV were announced on 5 and 6 November 2018, respectively.
 - Mr Salgo's resignation as a director MRV was described in the 10 April 2019 announcement as warranted by Mr Bryant's appointment as a director MRV being "appropriate" and allowing Mr Salgo to "focus solely upon the MRV Metals Pty Ltd business unit."
3. Please provide a copy of the resignation letters of each of the above persons listed at questions 1 a) to j) above and, if applicable, question 2 above (not for release to the market).⁸
4. Please confirm that, as per MRV's announcements on 28 November 2019 and 4 December 2019, MRV has received funding of \$700,000 from Mr Feitelson or his associates to assist finalisation of outstanding legal matters and assist with continued development work at the Granite Belt project.
5. Please advise whether MRV received the second tranche of funding of \$300,000 due from Mr Feitelson or his associates in December 2019, as per MRV's announcement on 28 November 2019. If not, why not.
6. Please provide a copy of any documentation evidencing the \$1,000,000 funding commitment of Mr Feitelson referred to in questions 4 and 5 above (not for release to the market).
7. MRV's Appendix 5B released on 3 February 2020 shows in item 8 short term loans from Mr Feitelson of \$1,575,000. Please explain how this figure is made up and specifically whether it includes Mr Feitelson's \$1,000,000 funding commitment referred to in MRV's announcement on 28 November 2019 and what the balance comprises.
8. Please provide a copy of any documentation evidencing the short term loans referred to in question 7 not already provided in your response to question 6 above (not for release to the market).
9. MRV's Appendix 5B released on 3 February 2020 shows in item 8 total facilities available to MRV of \$15,850,000 which have been drawn down by \$15,520,000, leaving an undrawn amount of \$330,000. If MRV did not receive the second tranche of \$300,000 due from Mr Feitelson, is this amount included in the undrawn amount?
10. If MRV has not received the second tranche of \$300,000 due from Mr Feitelson, and noting that:

⁸ ASX reserves the right to release information it receives from an entity under listing rule 18.7 to the market, regardless of the basis on which it was requested, where it contradicts information otherwise provided by the entity.

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- a) it reported having zero cash as at 31 December 2019;
- b) it has disclosed that the Granite Belt Project will not be in production in the first quarter of this calendar year, which would substantially affect sales and, therefore, receipts from customers;
- c) it has announced significant steps in the proceedings relating to its R&D claim in February 2020, which would involve significant expenses; and
- d) it stated to the market that the funding was required to assist with the finalisation of the legal proceedings and continued development of the Granite Belt Project (paragraph V above),
- does MRV require receipt of that further tranche to fund its operations for the quarter ending 31 March 2020?
11. On 5 November 2019 and 7 February 2020, MRV disclosed that it was in negotiations with lenders to refinance its existing facilities and potentially restructure its debts (paragraphs T and AA above, respectively). On what basis does MRV consider that its securities can trade in an appropriately-informed market given that:
- a) these negotiations have been ongoing for several months;
- b) its primary project is not in production; and
- c) as at 31 December 2019, it has reported zero cash and only \$330,000 of finance available.
12. With respect to the Financial Assurance dispute with the DES, given that:
- a) On 9 September 2019, MRV disclosed that it was urgently seeking to overcome “tactical” delays and have “preliminary points” determined by a court.
- b) On 14 November 2019, MRV disclosed that there had been a hearing on 12 November 2019 which had been adjourned “leading to further delays” but that “conclusion of this matter” was expected “before the end of 2019.”
- c) On 13 February 2020, MRV disclosed that it was “awaiting finalisation of decisions in both matters”, seemingly referring to both the R&D-offset claim and the Financial Assurance dispute,
- please confirm the status of Financial Assurance proceeding, including:
- whether a hearing on the merits has been held and, if so, when;
 - if a hearing on the merits has not been held, whether directions have been made providing for a timetable for the proceeding and, if so, what that is.
13. Please confirm that MRV is in compliance with the listing rules and, in particular, listing rule 3.1.
14. Please confirm that MRV’s responses to the questions above have been authorised and approved in accordance with 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 **9:00 am AEST on Wednesday, 19 February 2020**. ASX reserves the right to release a copy of this letter and your response on MAP under listing rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

ASX further reserves the right to terminate MRV’s listing on ASX without further notice to MRV, if MRV fails to provide an adequate response to this letter by the time and date above.

Your response should be sent to me by e-mail. 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 MAP.

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

Yours sincerely

Adrian Smythe
Manager, Listings Compliance (Sydney)