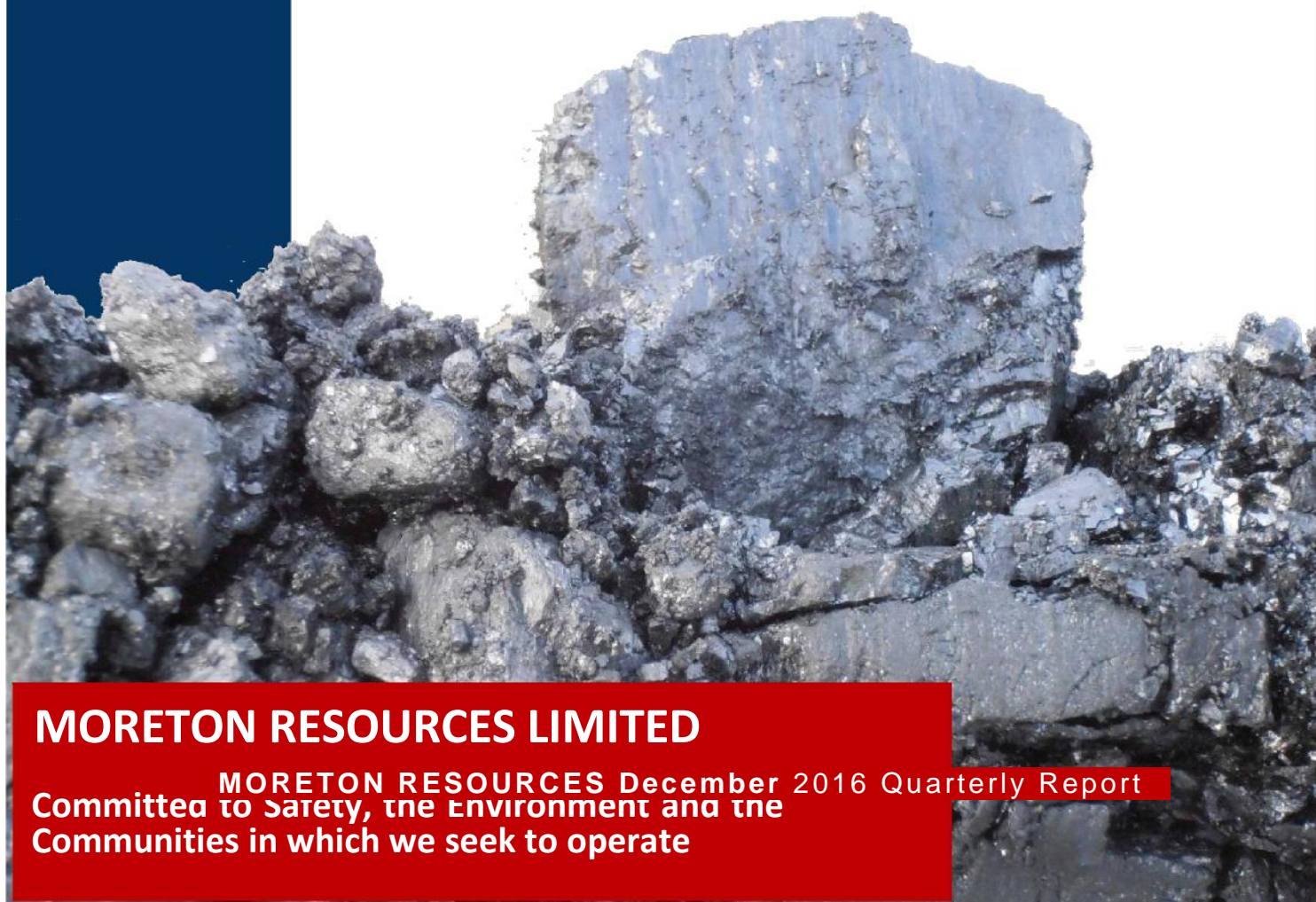




Quarterly Report

31 January 2017



MORETON RESOURCES LIMITED

MORETON RESOURCES December 2016 Quarterly Report
Committed to Safety, the Environment and the
Communities in which we seek to operate

Over the last quarter the Company has been able to achieve significant advancement through its projects and its progress related to the AAT and Company Structure moving forward, which has also run in to the Month of January 2017. Key highlights for the Company have been:

- Appointment of CEO to MRV Metals
- Appointment of Project Manager to MRV Tarong Basin Coal
- Confirmation of AAT case to commence 13 Feb 2017
- Issuing of Terms of Reference by the Office of the Coordinator General to South Burnett Coal Project managed by MRV Tarong Basin Coal.
- Successful Capital Raise for project advancement
- Announcement regarding Executive Chairman Transition
- Renewal of considerable Exploration areas for the Granite Belt Project under MRV Metals

It is with this backdrop that the next two quarters through to June 2017, are seen as the most critical for the Company as we await the progress of our applications through the Mining Lease, Environmental Authority and Native Title approvals process for the Granite Belt project.

I also note from the calls and correspondence to the Company, the concern related to the AAT issues and what that might mean for the organization moving forward. The most encouraging thing is that the date of the 13th of February 2017 seems now an absolute and hence due to an application brought about by Moreton Resources Limited, we have a chance to put our case to the Administrative Appeals Tribunal about the qualifying merits of the historical and current outstanding claims regarding the past ventures in UCG of the Company. We note several key aspects of this case:

- Evidence is being put forward by both local and international experts on behalf of Moreton Resources Limited
- We have engaged KPMG Law, whom are running the case along with a highly qualified barrister from Melbourne.
- The claims put forward, are substantively the same claims which were advised by PWC, Moore Stephens, Deloitte and KPMG, in the respective years, as being legitimate claims meeting the legislation pertaining to the R&D grant schemes
- That upon recent review by the ATO upon potential penalties to be imposed for a reckless, or dishonest claim, the decision is that no penalties would be applied given the diligence and rigour that Moreton Resources Limited took, that therefore met our obligations against the Tax Legislation.
- That the board of Moreton Resources Limited continues to pursue its rights as we fundamentally believe every and each aspect of our claims meet the legislative guidelines and therefore are fully claimable under this scheme.

It is also worthy of note, that the Company since transition from Panicle Resources Limited, has focused and continues to focus upon resource sector activities, that pertain to the extraction of resources through mining or other extractive options, however all activities have and remain substantially focused on the same core purpose and business activities. This is important as should the AAT matter not be a favourable outcome for the Company, those claims will then re-appear upon the taxation loss position for the Company moving forward.

This is a key item to note, as should we move into a cash producing asset within the next 12 months as forecast through the Granite Belt, those losses will be critical in offsetting our tax position, which will significantly assist our cash position in a fledgling operation. In any event we are now only weeks away from the hearing and the company welcomes the opportunity to put our case forward.

Of considerable interest also has been the Granite Belt Project and our advancement activities. In the month of January 2017, we were fortunate enough to have Mr Nigel Slonker join us as CEO of the MRV Metals Pty Ltd subsidiary. This along with significant advancement in the progression of our Environmental Authority, Mining Lease and also Native Title notifications has seen the board of Moreton Resources Limited, now move to increase our resources and capacity to deliver a restart strategy with fully forecasted financials by late March 2017. This restart plan will be the underpinning basis for our overall strategy with the project over the 18-36 month period, whereby we believe significant potential exists to move toward a poly metallic operation.

As always we will seek to notify the market as and when further information is forthcoming on this project and it is expected the next most significant announcements will be closing of Native Title and Mining Lease Application processes, once the applications have progressed that far.

Equally important to the business was the acceptance and issuance of the Terms of Reference by the Office of the Coordinator General, and subsequent appointment of Mr Pete Jones, to the role of Project Manager for our South Burnett Coal Project EIS. In addition to this, Pete will oversee the continuation of technical and financial evaluation of the project, as we look to advance discussion and potential partnerships on off take and funding agreements. The next 18 months will be extremely telling for this project.

A significant enabler of this advancement was our successful Capital raise which was limited only to existing shareholders and as such we were seeking approx. 1.2-1.5 Million to take us to the next significant stages of our advancement which is the issuing of the Terms of Reference for the South Burnett Coal Project and the issuing of Native Title, Environmental and Mining Lease application outcomes for the Granite Belt Project. We attained approx. \$840,000 from shareholders with a loan facility offered by Mr Tony Feitelson of approx. \$321,000 in addition. Since that time we also have had offers for an additional \$319,000 through the short fall facility which the board has agreed to accept and will issue the relevant equity in the month of February. Hence the total achieved through this offer is approx. \$1,150,000 which will certainly advance the Company to the next stage of achievement, to which the first milestone of the issuance of the TOR which occurred in late December 2016.

And finally in conjunction with the Board, I have been able as CEO to transition to a part time role, as the board and myself are in agreement, that the resources and capabilities within the Group need to fit within the subsidiary structures where the advancement activities are taking place, and where each and every dollar spent is a direct effort at advancing our interests. This should see significant reduction in Corporate Costs and a true reflection of the focus upon our subsidiary Companies.

1.0 TENEMENTS and PROJECTS

| Tenement | Status | Region | Name | Equity Interest (%) * | | Sub Company |
|----------|---------------------------|--------------|-----------------------|-----------------------|-------------|-----------------------|
| | | | | 1 Oct 2016 | 31 Dec 2016 | |
| EPC 1445 | Granted | Bowen Basin | Mackenzie Project | 100 | 100 | MRV Bowen Basin Coal |
| MDL 503 | Granted | Bowen Basin | Mackenzie Project | 100 | 100 | MRV Bowen Basin Coal |
| MDL 420 | Granted | Surat Basin | Wandoan Project | 100 | 100 | MRV Surat Basin Coal |
| MDL 385 | Granted | Tarong Basin | South Burnett Project | 100 | 100 | MRV Tarong Basin Coal |
| EPC 882 | Granted | Tarong Basin | South Burnett Project | 100 | 100 | MRV Tarong Basin Coal |
| EPM8854 | Under Renewal Application | Texas Region | Granite Belt Project | 100 | 100 | MRV Metals |
| EPM11455 | Granted | Texas Region | Granite Belt Project | 100 | 100 | MRV Metals |
| EPM12858 | Granted | Texas Region | Granite Belt Project | 100 | 100 | MRV Metals |
| EPM18950 | Granted | Texas Region | Granite Belt Project | 100 | 100 | MRV Metals |
| EPM | Under Application | Texas Region | Granite Belt Project | 0 | 0 | MRV Metals |
| MDL | Under Application | Texas Region | Granite Belt Project | 0 | 0 | MRV Metals |
| MLA | Under Application | Texas Region | Granite Belt Project | 0 | 0 | MRV Metals |

Statement of Tenement Status (As at 31 December)* All assets or assets under transfer application are fully owned by subsidiary Companies; however, each is 100% wholly owned by the parent Company of Moreton Resources Ltd.

South Burnett Project (Tarong Basin, MDL 385-EPC 882)

As outlined above, the Terms of Reference has now been agreed with the Office of the Coordinator General and the next payment has been made by the Company to continue through the process. As outlined this is a significant advancement for the Company.

Mackenzie Project (Bowen Basin, EPC 1445, MDL 503)

The Mackenzie Project is still a key focus for the Company and whilst we do not envisage any substantial progress in the coming quarter.

Wandoan Project (Surat Basin, MDL 420)

We continue to hold this strategic Asset.

Granite Belt Project (EPM8854, EPM11455, EPM12858, EPM18950)

This project continues to be a focus for MRV Metals and Moreton Resources Limited, and as such we expect considerable advancement in the coming months pertaining to these assets and additional application that are currently under way.

2.0 BUSINESS DEVELOPMENT

The Company continues to focus internally and work toward optimization of its own assets for advancement. Moving the “Granite Belt Project” forward and the “South Burnett Coal Project” in parallel is a significant drain on the resources of Moreton Resources Limited and hence the sole focus of the Company outside of AAT resolution attempts.

A number of opportunities have been brought to the Company’s attention and we will continue to assess them, however will maintain focus also upon the key objectives we have set, of moving into a producing mining operation within the next 12 months, approvals permitting.

3.0 FINANCE AND COMMERCIAL

Moreton Resources continues to operate with now only a minor debt due to the approx. \$321,000 loan facility provided by Director Mr Tony Feitelson and therefore we have an available operating cash at bank of \$1,220,000 at the end of the quarter. However the board has agreed to on take approx. \$319,000 in short fall offers in additional funds, and hence this will cure the loan facility the company currently has in the coming weeks.

A significant spend has been outgoing in the last quarter upon legal and consultancy fees related to the AAT matter and advancement legal of our assets. With approx. \$200,000 fitting this category, this quarter will also be a high spend with all legal and advancement payments for licensing this quarter however post that, it is anticipated to fall away, until such time as approvals are granted.

4.0 COMPANY OUTLOOK

Whilst the Company continues to advance its assets, and we are cognizant of the AAT matter. The advancement plans and ability to deal with any adverse finding from the AAT in our view, are able to be managed through our operation planning forecasts and we would hope, through logical negotiation that a positive outcome is attained. However we equally are confident of our prospects at the AAT, hence our desire to refer this matter and progress it through the due process.

Jason Elks
Chief Executive Officer
Moreton Resources Limited