



Quarterly Report

30 June 2014

MORETON RESOURCES

Creating Value from Carbon Materials and Energy

QUARTERLY SUMMARY

I am pleased to say that the last quarter of Moreton Resources truly has been transformational and the Company is advancing from strength to strength. To put that in perspective, we are now debt free; we have, at the end of the quarter, \$6.5 million in the bank; have in place security bonds of almost \$750,000, three Assets and a Board and Management Team that is focused on adding value to the shareholders of Moreton Resources. A long way from being told we are almost in administration in the third quarter of last calendar year.

This enviable position however, was not achieved without a lot of support and assistance. I would like to thank our major shareholder who contributed largely to our survival by assisting the company with what was essentially a bridging loan until the Research and Development payments were received. This loan has now been repaid in full.

We have also had a lot of support from several professional firms by way of Legal, Audit and Taxation advice which was offered in good will and support of our Company, when we were in no position to take on significant fees and service charges to navigate our way through the challenges we were left with. Add to this our overall view on the prospectively of the Assets in hand, and our desire to strategically grow when and where it makes sense to do so, we believe that shareholders will certainly be in a far different place at the end of the 2014-2015 financial year.

As shareholders would be aware, the market continues to be tough and the Coal sector is certainly not a favourite of the market in these trying times, however we think once the Boards strategy begins to evolve, and the market sees our positive story, that there is potential to see a continued improvement in the Companies value in the mid-term.

1.0 CORPORATE

As our Company wide review continued, the following agreements have been put in place as a priority to ensure we have cost effective and competent support services, and as such the following consultancies have been engaged to support the Company moving forward:

- Price Waters Coopers (PWC), as our Taxation advisors
- Hayes Knight (Qld), as our Audit Partners

Now that the 2012-2013 Research and Development claim has been finalised, focus has moved to the 2013-2014 program and a review of the total program since 2008.

We anticipate that our annual Audit will be completed ahead of schedule. This will assist us in completing and submitting this year's Research and Development claim and to finalise the Annual Report for distribution to Shareholder in mid-August. We then expect the AGM to be held in late September 2014 and encourage shareholders to attend where possible.

The Board continues to play an active role within the company. The key outcomes from the Board in the last quarter have been from a more positive and progressive agenda, and are:

- Appointed the incumbent interim CEO to the permanent role to maintain the complementary skill sets required, to meet the upcoming challenges and to provide stability for the Company.
- Approved the operational plan and budget for 2014-2015 that will see all Assets advanced within the financial year.

- Engaged in a strategic review of the appropriate skills set required at Board level to rapidly advance the Company and having due consideration to the Corporate Governance Guidelines around Boards and Company Governance. More will be outlined within the AGM explanatory notes and resolutions to this effect.
- Following receipt of the \$ 7.1 million the Board agreed to close out the debts/loans (\$500,000 plus interest) from the two major shareholders of the Company.
- Determined that it was prudent and the right intent to close out all liabilities regarding the 2010 Kingaroy incidents and therefore made advanced payment upon the fines that were due in late 2014 and 2015.
- Reviewed the Assets, the Geological Data and prospects of each Asset and were satisfied that within our current situation, each Asset has potential and by virtue of their location and potential, they lend naturally to a short, mid and long term agenda.
- Agreed that provided we are in a financial position to do so, that opportunistic growth is a focus, however always ensuring we have sufficient funds to keep the company forecasted out beyond two to three years from a financial position.
- Also due to our associations with our new Taxation Partners PWC, the board directed Management to bring forward our Audit and AGM activities, in an effort to expedite the 2013-2014 R&D claims, but also allow for a total review since 2008 of the program and the claims to date.

An EGM to replace the auditor was also undertaken. Whilst this transaction was not finalised until 8 July 2014, I will note that the level of interest and participation by shareholders in the meeting was significant with over 170 holders or 30% of the share base voting. It is pleasing to see this level of shareholder engagement.

Over and above these activities the company continues to review its prior financial commitments and service provision, which has seen several more disputed transactions finalised during the quarter with settlements of two minor debts at 20% and 60% respectively of the claims against the company. The Company now only has two outstanding matters it is aware of, one is a contractual issue with a prior employee who was terminated for Serious Misconduct, and the other is an outstanding invoice claim. Whilst only one of these matters is progressing to date, both will be fully defended by the Company.

Also in the Quarterly Review of the second quarter, the company made reference to recent events pertaining to contracts of service, expenditures and actions by certain individuals in the 2013 year. These have been referred to the appropriate authorities for investigation and this is ongoing, with Moreton Resources Limited giving full assistance where it can.

2.0 FINANCE and COMMERCIAL

It is pleasing to refer back to our earlier statements about the Companies position. The debt free position and positive cash balances at an aggregate in the bank are very pleasing given we closed the year well north of \$6.5 million. The best cash at bank position at a financial year end since 2008. Of note also is we have closed out the following:

- Shareholder loans
- Liabilities with the Queensland Government
- All non-contested creditors as at end of the financial year.

Our focus now is the review of the Research and Development program and opportunities with our newly appointed taxation advisors, PWC.

3.0 OPERATIONS

Kingaroy Asset MDL385 (Currently under application for renewal)

The Kingaroy Asset has seen a lot of progress in the last quarter, particularly with the State Government allowing the reduction in water monitoring and the issuing of a new Environmental Authority that is far more practical and representative of the achievements MRV has made.

Also as the market is aware we await within the next week, the release of the updated JORC that has an additional 45 holes of data included for this Asset. The Company has early indications that this will represent a significant increase which has allowed us to make the early decision to advance this project through to a high level mining concept study.

As this project advances we can assess the total quality and economics of this Asset, which at that stage will allow us to consider engaging in commercial negotiations should the project offer a commercially viable outcome. A key component of any decision making process will also be community engagement and environmental considerations, however this is a highly contemplative project at this stage. We certainly have staff regularly attending the Kingaroy region and talking with stakeholders about our activities around community and environment.

It is on this basis the Board will continue to advance this prospect and we look forward to updating the market on the outcomes of the JORC review and the mining concept work that is being undertaken.

Wandoan Asset

There has been nil activity on this Asset other than determining the current Geological Data and planning of a future campaign.

MacKenzie Asset

As with the Kingaroy Asset, a significant amount of work has gone into this Asset and whilst we have received the renewal of EPC1445 within this quarterly, we still await the approval of our MDL503 application.

As shareholders are aware, the board has determined that a campaign to bring the resource up to 50% indicated and also seek to increase out tonnage is underway at a cost of 1 million dollars. This investment reaffirms the Boards view that this is our premier Asset and could potentially be a corner stone Asset for the company in moving forward.

4.0 COMPANY OUTLOOK

The Company, as outlined, is in a very proactive and positive position, not seen for many years. We feel the shareholder base, and the investment community should see this as a success story in an otherwise subdued market.

We will continue to rapidly advance our prospects including seeking organic and opportunistic growth, and look forward to the AGM where we can appraise our shareholders and the market alike, of the strong progress made by MRV.

Jason Elks
Chief Executive Officer