

APPENDIX 4E
YEAR ENDED 30 JUNE 2014

The following information is provided under ASX listing rule 4.3A.

1. DETAILS OF THE REPORTING PERIODS COVERED

	Period Covered	From	To
Current reporting period	12 months	01-07-2013	30-06-2014
Corresponding previous reporting period	12 months	01-07-2012	30-06-2013

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET (KEY INFORMATION)

		Year Ended		Amount	Percentage	Change
		30-06-2014	30-06-2013	Changed	Change	Up /
		\$	\$	\$	%	Down
2.1	Revenue from ordinary activities	136,239	102,344	33,895	33.12%	Up
2.2	Profit/(Loss) from ordinary activities after income tax attributable to the equity holders of the parent	4,385,425	(3,302,439)	7,657,864	231.73%	Up
2.3	Net profit / (loss) after income tax attributable to the members of the parent entity	4,350,228	(3,313,312)	7,663,540	231.36%	Up
2.4	Dividends and	Year ended 30-06-2014			Year ended 30-06-2013	
2.5	Record date for entitlements	2.4	2.4	2.5 Record	2.4	2.5 Record
		Amount	Franked	Date for	Amount	Date for
		Paid per	Amount	Determining	Paid per	Determining
		Share	per	Entitlements	Share	Entitlements
		\$	Share		Share	
			\$		\$	
	Interim dividends paid	-	-	-	-	-
	Final dividends paid	-	-	-	-	-
2.6	Brief explanation of any of the figures in 2.1 to 2.4 above that is necessary to enable the figures to be understood.		The \$7,663,540 increase in the net profit for the Consolidated Group for the financial year after income tax attributable to equity holders of the Parent Entity was primarily attributable to the receipt of the Research and Development tax offset of \$7,104,744. (2013 Research and Development tax offset received: \$1,156,087).			

3. STATEMENT OF COMPREHENSIVE INCOME

3.0 A statement of comprehensive income together with notes to the statement, prepared in compliance with AASB 101 Presentation of Financial Statements or the equivalent foreign accounting standard.	Refer to the 2014 Financial Report attached.
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4. STATEMENT OF FINANCIAL POSITION

4.0 A statement of financial position together with notes to the statement. The statement of financial position may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals.	Refer to the 2014 Financial Report attached.
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5. STATEMENT OF CASH FLOWS

5.0	A statement of cash flows together with notes to the statement. The statement of cash flows may be condensed but must report as line items each significant form of cash flow and comply with the disclosure requirements of AASB 107 Statement of Cash Flows, or for foreign entities, the equivalent foreign accounting standard.	Refer to the 2014 Financial Report attached.
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6. STATEMENT OF CHANGES IN EQUITY

6.0	A statement of retained earnings, or a statement of changes in equity, showing movements.	Refer to the 2014 Financial Report attached.
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7. DIVIDENDS

7.0	Details of individual and total dividends or distributions and dividend or distribution payments.	None.
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8. DIVIDEND REINVESTMENT PLANS

8.0	Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.	None.
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9. NET TANGIBLE ASSETS PER SHARE

9.0	Net tangible assets per ordinary share	As at 30-06-2014	As at 30-06-2013
	Net tangible assets of \$5,681,667 (2013:\$965,504) excludes capitalised exploration expenditure of \$1,894,542 (2013 : \$1,563,600)	Cents	Cents
		0.31	0.03

10. CHANGE IN CONTROL OVER GROUP ENTITIES

10.0	Details of entities over which control has been gained or lost during the period, including the following.	Refer to Note 3 in the financial report attached. The Company continues to deregister its dormant subsidiaries.
10.1	Name of the entity.	Refer to item 10.0 above.
10.2	The date of the gain or loss of control.	Refer to item 10.0 above.
10.3	Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.	Refer to item 10.0 above.

MORETON RESOURCES LIMITED

ACN 060 111 784

APPENDIX 4E**FOR THE YEAR ENDED 30 JUNE 2014****11. ASSOCIATES AND JOINT VENTURE ENTITIES**

11.0	Details of associates and joint venture entities including the following.	None
11.1	Name of the associate or joint venture entity.	None
11.2	Details of the reporting entity's percentage holding in each of these entities.	None
11.3	Where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.	None

12. OTHER SIGNIFICANT INFORMATION

12.0	Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.	Refer to the 2014 Financial Report attached as well as the continuous disclosures made during the year to the ASX.
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13. ACCOUNTING STANDARDS USED BY FOREIGN ENTITIES

13.0	For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).	N/A
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14. COMMENTARY ON RESULTS OF THE PERIOD

14.0	A commentary on the results for the period.	<p>The Group made a \$4,385,425 profit after tax in the 2014 year. This result included a \$7,104,744 tax benefit for its Research and Development Concession Tax offset Claim. The Group result in the prior year was a loss of \$3,352,514.</p> <p>The Company continues to be a developer of projects and has no revenue earning operations in production at this time.</p> <p>The result for the year also includes \$352,314 for impairment of the UCG licence, \$381,472 for expensing of exploration expenditure, and \$115,103 for settlement of an environmental penalty from 2011.</p> <p>Following a refocus of the Group's activities and transforming its operating structure the costs of business have reduced and cash flow strengthened.</p> <p>At year end the Group's net assets totalled \$7,576,209 which included cash assets of \$7,636,779 Exploration tenements remain in place and the capitalised book value is \$1,894,542. The Group has retained the rehabilitation provision of \$1,226,511 on the Kingaroy UCG site.</p> <p>The directors believe the Company's financial position is stable and allows it to proceed with its coal projects. For further information please review the attached 2014 Financial Report.</p>
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15. PROGRESS OF AUDIT

15.0	A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed.	The accounts have been audited.
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16. AUDIT DISPUTE OR QUALIFICATION – UNAUDITED ACCOUNTS

16.0	If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.	N/A
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17. AUDIT DISPUTE OR QUALIFICATION – AUDITED ACCOUNTS

17.0	If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.	N/A
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Moreton Resources Ltd

ACN 060 111 784

Financial Report

**For the Year Ended
30 June 2014**

MORETON RESOURCES LTD CORPORATE DIRECTORY

Directors

Mr Arthur Hood	Chairman
Mr (Robert) James Canning-Ure	Non-Executive Director
Mr John Thomas	Non-Executive Director
Mr (Alexander) Jason Elks	Managing Director

Company Secretary (Acting)

Ms Caroline Edwards

Registered Office

Unit 3 / 269 Abbotsford Road
Bowen Hills, Queensland, 4006

Telephone: +(61 7) 3852 6969

Website

www.moretonresources.com.au

Principal Office

Same as registered office

Share Registry

Link Market Services
Level 15, ANZ Building
324 Queen Street
Brisbane, Queensland, 4000
Australia
Telephone: +(61 7) 3320 2235
Facsimile: + (61 7) 3228 4999

Auditors

Hayes Knight Audit (Qld) Pty Ltd
Level 23, 10 Eagle Street
Brisbane, Queensland, 4000
Australia

Solicitors

McMahon & Clarke
62 Charlotte Street
Brisbane, Queensland, 4000
Australia

Tax Advisors

PricewaterhouseCoopers
Level 15, 123 Eagle Street
Brisbane, Queensland, 4000

Moreton Resources Ltd changed its name from Cougar Energy Limited on 13 September 2013.

MORETON RESOURCES LTD
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**AUDITOR'S INDEPENDENCE DECLARATION
FOR THE YEAR ENDED 30 JUNE 2014**



Hayes Knight
Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd
ABN 49 115 261 722
Registered Audit Company 299289
Level 23, 10 Eagle Street, Brisbane Qld 4000
GPO Box 1189, Brisbane Qld 4001
T: +61 7 32292022 F: +61 7 32293277
E: email@hayesknichtqld.com.au
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**Lead Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

To the Directors of Moreton Resources Limited

I declare that, to the best of my knowledge and belief, for the year ended 30 June 2014 there have been no contraventions:

- (i) to the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) of any applicable code of professional conduct in relation to the audit.

This declaration is made in respect of Moreton Resources Limited and the entities it controlled during the year.

Hayes Knight Audit (Qld) Pty Ltd

Hayes Knight Audit (Qld) Pty Ltd

Nigel Bamford

N D Bamford
Director

Date: 6 August 2014

MORETON RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	30 June 2014 \$	30 June 2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	7,636,779	1,230,718
Trade and other receivables	11	73,255	123,400
Other financial assets	12	4,438	1,179,264
Total Current Assets		7,714,472	2,533,382
Non-Current Assets			
Exploration and evaluation assets	13	1,894,542	1,563,600
Property, plant and equipment	14	84,005	191,478
Intangible assets	15	-	433,359
Total Non-Current Assets		1,978,547	2,188,437
TOTAL ASSETS		9,693,019	4,721,819
LIABILITIES			
Current Liabilities			
Trade and other payables	17	881,583	895,300
Provisions	18	1,235,227	1,297,415
Total Current Liabilities		2,116,810	2,192,715
Non-Current Liabilities			
Total Non-Current Liabilities		-	-
TOTAL LIABILITIES		2,116,810	2,192,715
NET ASSETS		7,576,209	2,529,104
EQUITY			
Contributed equity	19	74,092,375	73,454,623
Reserves		-	(29,189)
Accumulated losses		(66,516,166)	(70,866,394)
Total Equity Attributable to Equity Holders of the Parent Entity		7,576,209	2,559,040
Add non-controlling interests in the net assets of controlled entities		-	(29,936)
TOTAL EQUITY		7,576,209	2,529,104

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

MORETON RESOURCES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Year Ended 30 June 2014 \$	Year Ended 30 June 2013 \$
REVENUE	5	136,239	102,344
EXPENSES			
Communication costs		104,157	171,588
Depreciation and amortisation	7	150,030	235,479
Employee benefits expense		1,103,451	1,759,223
Finance costs		36,357	-
Insurance expenses		75,083	116,533
Impairment of non-current assets	7	352,314	593,842
Professional fees and corporate costs		590,364	757,911
Environmental fines and penalties		115,103	-
Securities quotation fees		119,217	66,928
All other operating costs		152,818	26,601
Travel costs		56,664	200,229
Total Expenses	7	2,855,558	3,928,334
LOSS BEFORE INCOME TAX		(2,719,319)	(3,825,990)
Income Tax Benefit	8	7,104,744	473,476
TOTAL PROFIT/(LOSS) AFTER INCOME TAX FOR THE YEAR		4,385,425	(3,352,514)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX			
<i>Items that may be subsequently reclassified to profit & loss</i>			
Movement in exchange in the translation of foreign operations		(35,197)	(10,403)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(35,197)	(10,403)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,350,228	(3,362,917)
Profit/(Loss) for the year is attributable to:			
Non-Controlling interests		-	(50,075)
Owners of Moreton Resources Limited		4,385,425	(3,302,439)
		4,385,425	(3,352,514)
Total comprehensive income for the year is attributable to:			
Non-Controlling interests		-	(49,605)
Owners of Moreton Resources Limited		4,350,228	(3,313,312)
		4,350,228	(3,362,917)
		Cents	Cents
Basic earnings (loss) per share	23	0.2	(0.24)
Diluted earnings (loss) per share	23	0.2	(0.24)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

MORETON RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	Contributed Equity \$	Share Based Payments Reserve \$	Foreign Currency Translations Reserve ("FCTR") \$	Accumulated Losses \$	Equity Attributable to Equity Holders of the Parent \$	Non- Controlling Interests in Group Entities \$	Total Equity \$
Balance at 01-07-2013	73,454,623	6,008	(35,197)	(70,866,394)	2,559,040	(29,936)	2,529,104
<u>Comprehensive Income Transactions</u>							
Profit after tax for the period	-	-	-	4,385,425	4,385,425	-	4,385,425
Other comprehensive income							
Movement in the FCTR	-	-	35,197	(35,197)	-	-	-
Total Comprehensive Income	-	-	35,197	4,350,228	4,385,425	-	4,385,425
<u>Transactions with Owners in their Capacity as Owners</u>							
(a) Contributions by Owners							
New ordinary share issues	689,674	-	-	-	689,674	-	689,674
Ordinary share issue costs	(51,922)	-	-	-	(51,922)	-	(51,922)
Transfer of Reserves							
Share-based payments	-	(6,008)	-	-	(6,008)	-	(6,008)
(b) Distributions to Owners							
Dividends paid	-	-	-	-	-	-	-
(c) Changes in Ownership Interests in Group Entities							
Accumulated losses adjustment due to ownership interest change	-	-	-	-	-	29,936	29,936
Total Transactions with Owners	637,752	(6,008)	-	-	631,744	29,936	661,680
Balance at 30-06-2014	74,092,375	-	-	(66,516,166)	7,576,209	-	7,576,209

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

MORETON RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	Contributed Equity \$	Share Based Payments Reserve \$	Foreign Currency Translations Reserve ("FCTR") \$	Accumulated Losses \$	Equity Attributable to Equity Holders of the Parent \$	Non- Controlling Interests in Group Entities \$	Total Equity \$
Balance at 01-07-2012	71,771,316	-	(24,324)	(67,563,955)	4,183,037	19,669	4,202,706
<u>Comprehensive Income Transactions</u>							
Loss after tax for the period	-	-	-	(3,302,439)	(3,302,439)	(50,075)	(3,352,514)
Other comprehensive income							
Movement in the FCTR	-	-	(10,873)	-	(10,873)	470	(10,403)
Total Comprehensive Income	-	-	(10,873)	(3,302,439)	(3,313,312)	(49,605)	(3,362,917)
<u>Transactions with Owners in their Capacity as Owners</u>							
(a) Contributions by Owners							
New ordinary share issues	1,776,411	-	-	-	1,776,411	-	1,776,411
Ordinary share issue costs	(93,104)	-	-	-	(93,104)	-	(93,104)
Share-based payments	-	6,008	-	-	6,008	-	6,008
(b) Distributions to Owners							
Dividends paid	-	-	-	-	-	-	-
(c) Changes in Ownership Interests in Group Entities							
Accumulated losses adjustment due to ownership interest change	-	-	-	-	-	-	-
Total Transactions with Owners	1,683,307	6,008	-	-	1,689,315	-	1,689,315
Balance at 30-06-2013	73,454,623	6,008	(35,197)	(70,866,394)	2,559,040	(29,936)	2,529,104

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

MORETON RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

		Year Ended 30 June 2014 \$	Year Ended 30 June 2013 \$
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from rentals		-	-
Payments to suppliers and employees		(2,245,103)	(2,895,227)
Interest received		136,239	104,457
Finance costs		(36,357)	
Income tax – R&D tax offset received		7,104,744	1,156,087
Net cash inflow/(outflow) from operating activities	21	4,959,523	(1,634,683)
CASH FLOWS FROM INVESTING ACTIVITIES			
Refund of/(payments for) security deposits on long-term tenancies		1,147,500	(9,023)
Payments for property, plant and equipment		(7,772)	(26,317)
Payments for exploration and evaluation assets		(330,942)	(1,162,803)
Proceeds from financial assets		-	67,500
Proceeds from sales of property, plant and equipment		-	71,218
Net cash inflow/(outflow) from investing activities		808,786	(1,059,425)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from ordinary shares issued		689,674	1,543,000
Proceeds from shareholder loan		400,000	-
Repayments of shareholder loan		(400,000)	-
Payments for share issue transaction costs		(51,922)	(93,104)
Net cash inflow from financing activities		637,752	1,449,896
Net increase/(decrease) in cash and cash equivalents		6,406,061	(1,244,212)
Cash and cash equivalents at the beginning of the financial year		1,230,718	2,474,460
Effects of exchange rate changes on cash and cash equivalents		-	470
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	7,636,779	1,230,718

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: GENERAL INFORMATION

The financial report covers Moreton Resources Limited as a consolidated entity consisting of Moreton Resources Limited and the entities it controlled. The financial report, presented in Australian dollars, consists of financial statements, notes to the financial statements and the directors' declaration.

Moreton Resources Limited is a listed public company (ASX trading code of 'MRV') limited by shares incorporated and domiciled in Australia. Moreton Resources Limited changed its name from Cougar Energy Limited on 13 September 2013. Its registered office and principal place of business is:

Unit 3, 269 Abbotsford Road
Bowen Hills, Queensland, 4006, Australia

The Company's principal activities were identification and development of conventional coal projects in Australia.

The financial report of Moreton Resources Limited (the 'Company') for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors as per the date of signature on the Directors declaration.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001, as appropriate for profit oriented entities. These financial statements also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The financial statements have been prepared on an accruals basis and are based on the historical costs convention modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 9.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a high degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in Note 2 (x).

(b) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 3.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Impairment of Assets

At each reporting date, the Directors review the carrying values of tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit and loss. The policy as specifically applicable in relation to impairment for exploration assets is discussed at Note 2(o).

(d) Plant and Equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment.

(i) Depreciation

The depreciable value of all fixed assets are depreciated on a straight-line basis over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. The useful lives used for each class of depreciable assets are:

Asset Class	Useful Life (years)
Equipment	2 - 10
Office equipment and furniture	2 - 10
Plant	2 - 30

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

(e) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (cont)

(ii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(f) Foreign Currency Translation

Foreign currency transactions are translated to Australian dollars at the rates of exchange prevailing at the dates of the transactions. Amounts receivable and payable in foreign currencies are translated at the rate of exchange ruling at reporting date. All resulting foreign exchange differences are recognised in profit and loss. The foreign currency reserve records differences arising on translation of foreign operations, and is recognised in profit or loss when the foreign operation or net investment is disposed of.

(g) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that Moreton Resources will not be able to collect all amounts due according to the original terms of the receivable. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

(h) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days.

(i) Revenue Recognition

Interest revenue is recognised using the effective interest method.

(j) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Income Tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The Company is eligible to participate in the Research and Development (R&D) tax incentive scheme to potentially obtain a tax rebate or credits equivalent to the entitlements under the R & D Tax Concession operating at the time. These are only recognised when it is probable that it is to be available to be offset against future profits or actual cash payment is received.

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Issued Capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(n) Share-Based Payment Transactions

Equity-Settled Transactions

The Group provides remuneration benefits in the form of share-based payments to Directors and senior executives. These personnel render services in exchange for options over shares (equity-settled transactions).

Equity settled transactions are measured at the fair value of the instruments issued, the fair value of options is determined using the appropriate options pricing models. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant holders become fully entitled to the award (the vesting date). No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the calculation of earnings per share.

(o) Exploration and Evaluation Assets

Costs incurred during the exploration, evaluation and development stages of specific areas of interest are capitalised. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Expenditure is carried forward as an asset where ownership of the area is current, where it is expected to be fully recouped through the successful development of the area, or where activities to date have not yet reached a stage to allow adequate assessment regarding existence of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest the carrying amount exceeds recoverable amount. Such facts and circumstances which may lead to an impairment evaluation include: expiration of the rights of tenure; there are no future plans for further expenditure; sufficient data exists which indicates the project is not commercially viable; development is unlikely to recover the full carrying value of exploration and evaluation. Recoverable amount is calculated as the higher of fair value less cost to sell and value-in-use. Recoverable amount may be calculated with reference to the cashflows from successful development and commercial exploitation, or alternatively, sale of respective areas.

No amortisation is provided in respect of projects in the exploration, evaluation and development stages until they are reclassified as production properties.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Intangible assets other than goodwill

All intangible assets are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over its estimated life. Amortisation commences when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period. If the expected useful life of the asset is different from the previous estimates, the amortisation shall be changed accordingly. Such changes are accounted for as changes in accounting estimates.

(q) Rehabilitation and Restoration Costs

Costs of site restoration are provided for using best estimates of information available. Significant uncertainty exists as to the amount of rehabilitation obligations that will be incurred due to the impact of potential changes in environmental legislation and many other factors, including future developments on projects, changes in technology, price increases and changes in interest rates, which may impact the discounting of future cash flow.

The amount of the provision relating to rehabilitation of UCG infrastructure and dismantling obligations is recognised at the time of construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a current or non-current liability as appropriate.

At each reporting date, the rehabilitation liability is remeasured in line with changes in timing or amounts of the costs to be incurred. Rehabilitation and restoration provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence in light of the significant judgements and estimates involved.

(r) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(s) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less selling costs, except for those assets that are specifically exempted from this requirement.

(t) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(u) Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Employee Benefits (cont)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

(v) Segment Reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Board of Directors. The Board is responsible for the allocation of resources to operating segments and assessing their performance.

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the result attributable to the owners of Moreton Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. These estimates and associated assumptions are based on historical experience and other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgments and estimates will, by definition, seldom equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Share-Based Payment Transactions (note 25)

The Company measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using options pricing models taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(ii) Recovery of Deferred Tax Assets (note 8)

Deferred tax assets resulting from unused tax losses are only recognised to the extent that management considers it is probable that future tax profits will be available to utilise the unused tax losses.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Critical Accounting Estimates and Judgments (cont)

(iii) Impairment of Exploration and Evaluation Assets (note 13)

The previously responsible Queensland Government Department of Environment and Resource Management (DERM) suspended operations at the Kingaroy UCG pilot plant site in July 2010 by operation of an Environmental Protection Order (EPO). Due to the EPO imposed on the Kingaroy site and the serving of a Notice of Proposed Action by DERM on the Company on 28 January 2011, the Company took the decision to impair (write down) the value of the Kingaroy Assets in the 2011 financial year.

DERM has also issued to the Company an amended Environmental Authority dated 7 July 2011 and effective 19 July 2011 which does not allow any operations on the Kingaroy UCG site.

Exploration expenditure on other projects has been capitalised, and recovery is dependent on the successful development of the projects, and/or their sale.

(iv) Intangible Assets (note 15)

The Company has previously capitalised (recognised as an intangible asset) the licence fees paid to Ergo Exergy Technologies, Inc. which grants the Company access to the technology partnership arrangements. The Company is of the view that this is a general licence and not site specific. However as the Company has moved its focus from UCG projects it has impaired the book value of the licence.

(v) Useful lives of assets (note 14)

The Company has made estimates of the useful lives of the plant and equipment and other assets based on assumptions of ongoing projects or transferability to other projects. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated, or when technically obsolete or non-strategic assets are abandoned at which time they will be written down to recoverable value.

(vi) Provision for Restoration – Estimate and Classification (Kingaroy) (note 18)

The Company has in previous reporting periods provided for in the financial statements and classified as a long term liability provision its estimate of the rehabilitation of the surface at Kingaroy as part of the licence conditions at Kingaroy. The Company has assumed, based on current knowledge, that rehabilitation works at surface level at Kingaroy would commence no earlier than late 2013 or in early 2014.

The Company had received notice from the responsible Queensland Department (DERM) that it was to only decommission and rehabilitate the underground cavity at Kingaroy.

Since the discontinuation of the civil legal proceedings in Queensland, the Company is currently in discussions with the now responsible Queensland Department (Department of Environment and Heritage Protection [DEHP]) as to the requirements of rehabilitation of the entire Kingaroy site including the underground cavity as well as the timing thereof.

The Company has made a provision for the costs of these works. The final costs of these works will not be known until after the discussions with DEHP have concluded. The Company has a bond lodged in favour of the Queensland Government for the satisfactory completion of the works.

The amended Environmental Authority also requires a groundwater monitoring program to be developed and implemented for the site, which the Company has implemented. The Company increased the provision in 2011 taking into account the possible costs of rehabilitating the underground cavity (not previously included) as well as the increased cost for the surface works. It took advice and estimates from third parties but not DERM when calculating this estimate.

The Company lists all of the provision as a current liability, although at this time it is uncertain how much of the works will be required to be completed and the timing of such works as a result of the amended Environmental Authority issued by DERM.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(z) New and Amended Accounting Policies Adopted by the Group

Consolidated financial statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

- AASB 10: Consolidated Financial Statements;
- AASB 12: Disclosure of Interests in Other Entities; and
- AASB 127: Separate Financial Statements.

AASB 10 provides a revised definition of "control" and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

The Group has applied these Accounting Standards with retrospective effect in accordance with their transitional requirements and there was no change to the financial statements.

Employee benefits

The Group adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The Group has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119.

The adoption of these Standards did not result in any change to the financial statements.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(za) New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The directors anticipate that the adoption of AASB 9 will not have an impact on the Group's financial instruments.

- AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

- AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

- AASB 2013-4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-4 makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2013-5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-5 amends AASB 10: Consolidated Financial Statements to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to impact the Group's financial statements.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2. Moreton Resources Limited's direct and indirect ownership interests in each its subsidiaries are set out below. The company has previously consolidated Moreton Resources (UK) Limited as it held control by virtue of its dominant shareholding and director involvement. The Company relinquished its equity interest and directorships, and control is no longer held, thus the entity has been deconsolidated in the current year.

All other subsidiary companies are dormant or in various stages of liquidation/de-registration.

Name of Controlled Entity	Date of Incorporation	Country of Incorporation	Class of Equity held	Parent Entity's Equity Holdings (*)	
				in Controlled Entities as at:	
				30 June 2014	30 June 2013
				%	%
Moreton Resources UCG Pty Ltd	27-03-2003	Australia	Ord shares	100.00%	100.00%
Moreton Resources (UK) Ltd	01-06-2006	United Kingdom	Ord shares	-	47.80%
Moreton Resources Mongolia LLC	03-08-2011	Mongolia	Ord shares	100.00%	100.00%
Moreton Resources Asia Holdings Ltd	09-02-2012	Australia	Ord shares	100.00%	100.00%
Moreton Resources Asia Ltd	29-02-2012	Hong Kong	Ord shares	100.00%	100.00%
Moreton Resources Singapore Pte Ltd	16-07-2012	Singapore	Ord shares	100.00%	100.00%
Kandoman Resources Pty Ltd	05-10-2012	Australia	Ord Shares	100.00%	100.00%

(*)= The proportion of ownership interest is equal to the proportion of voting power held.

Parent Entity

Moreton Resources Limited ('MRV') is the parent entity for all of the entities listed above. It has no immediate or ultimate parent entity.

NOTE 4: FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and aging analysis for credit risk. The Board of the Parent Entity reviews and approves policies for managing each type of financial risk to which the Group is exposed. A summary of the Group's financial instruments is set out below.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: FINANCIAL RISK MANAGEMENT (CONT'D)

		Consolidated Group	
	Notes	2014	2013
		\$	\$
<u>Financial Assets</u>			
Cash and cash equivalents	10	7,636,779	1,230,718
Trade and other receivables	11	73,255	123,400
Other financial assets	12	4,438	1,179,264
Total Financial Assets		7,714,472	2,533,382
<u>Financial Liabilities</u>			
Trade and other payables	17	881,583	895,300
Total Financial Liabilities		881,583	895,300
Net Financial Assets		6,832,889	1,638,082

(a) Market Risk

(i) Foreign Currency Risk

Currency risk involves the risk that the fair value or future cash flows of a financial instrument (asset or liability) will fluctuate because of changes in foreign exchange rates. Currency risk is minimal to the Company as any overseas activities are discontinued. The Group's exposure to foreign currency risk at the reporting date, expressed in Australian dollars (AUD) is set out below.

	Primary Currency Exposure	Consolidated Group	
		2014	2013
		\$	\$
<u>Financial Assets</u>			
Cash and cash equivalents	GBP	-	1,729
Trade and other receivables	GBP	-	81
Total Financial Assets		-	1,810
<u>Financial Liabilities</u>			
Trade and other payables		-	-
Total Financial Liabilities		-	-
Net Financial Assets exposed to Foreign Currency Risk		-	1,810

Any movements in exchange rates are not material.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument (asset or liability) will fluctuate because of changes in market interest rates. The Group's main exposure to interest rate risk stems from its cash balances (including term deposits) and short-term borrowings. The Group's cash balances and short-term borrowings are subject to variable rates and expose the Group to cash flow interest rate risk. The Group's term deposits whilst subject to fixed rates have also been treated as though they are subject to variable rates, as each deposit is fixed typically for no more than three months. Given the relatively short period that these deposits are invested for, the Group's exposure to fair value interest rate risk is minimal. As at the reporting date, the Group therefore had the following variable rate cash balances and borrowings.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)

	Notes	Consolidated Group 2014 \$	2013 \$
Financial Assets			
Cash and cash equivalents	10	7,636,779	1,230,718
Other financial assets (term deposits)	12	-	1,179,264
Total Financial Assets		7,636,779	2,409,982
Financial Liabilities			
Total Financial Liabilities		-	-
Net Financial Assets Exposed to Cash Flow Interest Rate Risk		7,636,779	2,409,982
Sensitivity Analysis			
Effect on Loss after Income Tax – Higher/(Lower)			
1% increase in interest rates		76,368	23,782
1% decrease in interest rates		(76,368)	(23,782)
Effect on Equity – Higher/(Lower)			
1% increase in interest rates		76,368	23,782
1% decrease in interest rates		(76,368)	(23,782)

The equity account affected by the above movement in interest rates is accumulated losses.

The Group constantly analyses its interest rate opportunity and exposure, taking into account its existing positions and alternative deposit strategies using a combination of fixed and variable interests rates.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk therefore, arises from the financial assets of the Group, which comprise its cash and cash equivalents and its trade and other receivables. The Group's exposure to credit risk arises from the potential default of a counter party, with its maximum exposure being equal to the carrying amount of the respective financial assets identified at the start of this financial risk management note. The Group also faces credit risk in relation to the financial guarantees it has given to certain parties. All guarantees are secured by letters of set-off over term deposits pledged as security to potentially meet any of these guarantees. The guarantees will only become payable if the Group fails to fulfil its obligations to those third parties to whom they have been given.

The Parent Entity has previously made loans to certain controlled entities to fund project development and are considered not recoverable. No interest is charged on these loans. The Group does not hold any credit derivatives to offset its credit exposure. The Group's exposure to credit risk as at the reporting date, is identified in each applicable note to these financial statements. The Group does not have any significant concentrations of credit risk.

(c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. In relation to the Consolidated Group, liquidity risk is the risk that the Group, although balance sheet solvent, cannot meet or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so on materially disadvantageous terms.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has developed an appropriate framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and capital raising initiatives based on continuous monitoring of forecast and actual cash flows.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity Risk (cont)

(i) Financing Arrangements

The company does not have any undrawn borrowing facilities at the end of each financial year. In the prior year, the company had a credit card facility secured by a letter of set-off over a term deposit for an amount that corresponds with the facility limit.

(ii) Maturities of Financial Instruments

All of the Group's financial assets and liabilities have a maturity profile of less than 12 months. However, as set out in note 12 some cash assets secure bank guarantees.

(d) Fair Value of Financial Instruments

Fair value is the amount for which, an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying value of each class of financial asset and liability presented at the start of this financial risk management note, is assumed to approximate its fair value due to the short-term nature of all of those assets and liabilities.

	Consolidated Group	
	2014	2013
Notes	\$	\$
<u>NOTE 5: REVENUE</u>		
Revenue from Continuing Operations		
Interest received	58,714	102,344
Interest received - ATO	77,525	-
Revenue	136,239	102,344

NOTE 6: INVESTMENTS IN NON CONTROLLED ENTITIES

There are no such items in the 2014 and 2013 financial years.

NOTE 7: EXPENSES

(a) Result before Income Tax includes the following specific expenses:

Depreciation of property, plant and equipment	68,985	154,460
Amortisation of licence fee	81,045	81,019
	150,030	235,479
<u>Impairment of non current assets</u>		
Impairment of intangibles	352,314	-
Impairment of capitalised exploration expenditure	-	593,842
Employee expenses - Share-based Payments	(6,008)	6,008
<u>Rental expense relating to operating leases</u>		
Minimum lease payments	33,450	21,313
Plant and equipment disposal losses and write-offs	50,084	48,023
Net foreign exchange gain/loss	138	-
Exploration expenditure expensed	381,472	-

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated Group 2014 \$	2013 \$
<u>NOTE 8: INCOME TAX EXPENSE</u>			
<u>(a) Income Tax Benefit (Expense)</u>			
Current income tax		7,104,744	473,476
Deferred income tax expense		-	-
Income Tax Benefit		7,104,744	473,476
<u>(b) Numerical Reconciliation of Income Tax Benefit to Prima Facie Tax Payable</u>			
Loss from continuing operations		(2,719,319)	(3,825,990)
Total loss before income tax for the year		(2,719,319)	(3,825,990)
Tax at the Australian tax rate of 30% (2013: 30%)		(815,795)	(1,147,797)
Add/(less) the tax effect of amounts which are not deductible/(assessable) in calculating taxable income:			
Write downs on intangible assets		130,008	-
Other non-deductible costs (legals, fines etc)		76,966	-
Exploration expenditure capitalised		(99,283)	-
Share issue costs recognised directly in equity		(31,147)	(27,932)
Other deductible expenses		(22,429)	-
Impairment of exploration assets		-	170,000
Deferred tax assets not brought to account		761,680	994,484
		-	(6,614)
Differences in overseas corporate tax rates		-	6,614
R&D tax offset received		7,104,744	(473,476)
Total income tax benefit		7,104,744	(473,476)
<u>(c) Unused Tax Losses Not Recognised as a Deferred Tax Asset</u>			
Taxable value of unused tax losses for which no deferred tax asset has been recognised:			
Tax losses on capital account		516,863	516,863
Tax losses on revenue account		18,009,137	16,788,625
Total unrecognised tax losses carried forward		18,526,000	17,305,488
Potential tax benefit of losses @ 30% (2013: 30%)		5,557,801	5,191,646

The Group has substantial carry forward tax losses. The deferred tax benefit arising from these losses has not been brought to account as it is not yet probable that the Group will derive future assessable income of an amount sufficient to enable the benefit of the losses to be realised.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated Group	
		2014	2013
		\$	\$
NOTE 8: INCOME TAX EXPENSE (CONT'D)			
<u>(d) Unrecognised temporary differences in relation to investments in controlled entities</u>			
Taxable value of temporary differences relating to investments in controlled entities for which no deferred tax assets or liabilities have been recognised:			
Foreign currency translation reserve		-	(35,197)
Undistributed losses		-	(728,270)
Total unrecognised temporary differences (Deferred Tax assets)		-	(763,467)
Potential tax asset / (liability) relating to unrecognised temporary difference @ 30% (2013: 30%)		-	229,040

The Group's controlled entities have undistributed losses. As the Parent entity controls the distribution of these losses, no deferred tax asset has been recognised as it is not expected to distribute these losses in the foreseeable future.

(e) Australian tax consolidation legislation

The Parent Entity and its Australian controlled entities have been consolidated for income tax purposes. The entities involved in this consolidation have not entered into any tax funding arrangements. There were no tax-consolidated contributions by (or distributions to) equity participants within the tax consolidated group during the financial year.

NOTE 9: PARENT ENTITY INFORMATION

As at and throughout the financial year ended 30 June 2014 the parent company of the Group was Moreton Resources Limited. The financial position and result of the parent entity is detailed below.

	2014	2013
	\$	\$
Information relating to Moreton Resources Limited:		
Total current assets	7,714,472	2,531,709
Total assets	9,693,019	5,036,486
Total current liabilities	2,116,810	2,192,714
Total liabilities	2,116,810	2,135,307
Equity		
- Issued capital	74,092,375	73,454,619
- Reserves	-	13,761
- Accumulated losses	(66,516,166)	(70,321,359)
Total equity	7,576,209	3,147,021
Total comprehensive income	4,324,702	(3,078,994)

Parent Entity Contingencies and Commitments

The Parent Entity contingent liabilities are consistent with Note 28.

Expenditure Commitments

The Parent Entity expenditure commitments are consistent with the commitments disclosed in Note 27.

Parent Entity Guarantees in respect of Debt of its Subsidiaries

The Parent Entity has no guarantees in respect of its subsidiaries.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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		Consolidated Group	
		2014	2013
	Notes	\$	\$
NOTE 10: CASH AND CASH EQUIVALENTS			
Cash at bank and on hand		6,887,473	564,193
Term deposits securing bank guarantees given	(a)	749,306	666,525
Total cash and cash equivalents		7,636,779	1,230,718

(a) Term deposits securing Bank Guarantees

The Company has provided bank guarantees for various operating activities equal in value to the amount shown in term deposits and recorded as current assets above. These guarantees are secured by letters of set off over the term deposits shown in the statements as current assets. The term deposits have been split in order of liquidity (being defined as ease of convertibility to cash):

- (i) The term deposits totalling \$749,306 (2013: \$666,525) being included as part of cash and cash equivalents in the Statement of Cash Flows.
- (ii) In the previous year term deposits totalling \$1,147,500 whilst still a short-term deposit and classed a current asset was treated as less liquid and not included in the cash balance within the Statement of Cash Flows and classed as Other Financial Assets. This is done on the basis that the term deposit is securing a bank guarantee that could potentially require considerably longer (likely more than three months but less than 12 months) to unwind and negotiate alternate arrangements.

NOTE 11: TRADE AND OTHER RECEIVABLES

Other receivables	30,695	26,484
Interest receivable	239	1,771
Prepayments	22,163	37,737
Goods and Services Tax (GST) recoverable	20,158	57,408
Total trade and other receivables	73,255	123,400

Trade and other Receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. The above amounts are not past due date and therefore no amounts have been impaired. Security is not obtained.

NOTE 12: OTHER FINANCIAL ASSETS

Current Assets

Security/rental tenancy deposits		4,438	31,764
Term deposits securing bank guarantees given	10 (ii)	-	1,147,500
Total other financial assets		4,438	1,179,264

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Group	
	2014	2013
Notes	\$	\$
<u>NOTE 13: EXPLORATION AND EVALUATION ASSETS</u>		
<u>Kingaroy, Qld UCG Project</u>		
Balance at the start of the financial year	-	-
Reclassification of assets to Property Plant & Equipment	-	-
Additional expenditure	-	593,842
Impairment charge for the period	-	(593,842)
Balance at the end of the financial year	-	-
<u>Kingaroy, Qld Coal Project</u>		
Balance at the start of the financial year	-	-
Additional expenditure	58,291	-
Balance at the end of the financial year	58,291	-
<u>Wandoan, Qld Coal Project</u>		
Balance at the start of the financial year	948,498	893,563
Additional expenditure	101,354	54,935
Balance at the end of the financial year	1,049,852	948,498
<u>Mackenzie, Qld Coal Project</u>		
Balance at the start of the financial year	615,102	20,056
Additional expenditure	171,297	595,046
Balance at the end of the financial year	786,399	615,102
Total exploration and evaluation assets	1,894,542	1,563,600

Under the Accounting Standard AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Company is required to assess for impairment if facts and circumstances indicate that impairment may exist. Due to the Environmental Protection Order imposed on the Kingaroy UCG site in 2010 and the actions taken at the Kingaroy site by the then responsible Queensland Government Department of Environment and Resource Management (DERM), the Company had applied the provisions of this Standard from the 2011 financial year. All costs on the Kingaroy UCG project are written off and the project is on a care and maintenance basis while being closed out.

The Company's focus is now on its coal assets and expenditure incurred is targeted at progressing these projects.

Recovery of the carrying amount of exploration assets is dependent on the successful development of the projects, and/or their sale.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 13: EXPLORATION AND EVALUATION ASSETS (CONT'D)

Tenements Licence Holder	Licence Number	Projects Location	Grant Date	Equity Interest (%)	
				2014	2013
Moreton Resources Limited	MDL 385	Kingaroy	24-09-2009	100%	100%
Moreton Resources Limited	MDL 420	Wandoan	26-11-2012	99%	99%
Moreton Resources UCG Pty Ltd	MDL 420	Wandoan	26-11-2012	1%	1%
Moreton Resources Limited	EPC 1445/ MDLA 503	Mackenzie	29-06-2011	100%	100%

Legend:

EPC = Exploration Permit for Coal

MDL = Mineral Development Licence

MDLA = MDL Application

Kingaroy, Queensland, Australia

On 26 August 2009, the Queensland Government Department of Environment and Resource Management (DERM) granted the addition of mineral "f" to the Company's MDL 385. Mineral "f", is defined as "...a product that may be extracted or produced by an underground gasification process for coal or oil shale and any other product that may result from the carrying out of the process". The mineral "f" endorsement is required to permit the Company to carry out its pilot burn under MDL 385. Currently the plant operations have been suspended by DERM as noted elsewhere.

DERM has issued an amended Environmental Authority, which has the effect of closing down the site and placing it on care and maintenance. An application for the renewal of MDL385 has also been lodged and we await the approval of this renewal. DERM have advised that mineral "f" will be removed from MDL385 on renewal. This is consistent with the Company's intended future development of this asset.

Wandoan, Queensland, Australia

On 26 November 2012, the Company was granted MDL420 to cover the entire footprint of MDL1118.

Mackenzie, Queensland, Australia

On 29 June 2011, the Company was granted EPC 1445 over 7 standard sub-blocks with a total area of approximately 22 square kilometres near MacKenzie, Queensland. The tenancy term was three years and the land does not include any protected areas as defined under the Mineral Resources Act 1989. This EPC has now been renewed by the Department of Natural Resources and Mines until 29 June 2017.

On 6 June, 2013 the Department of Natural Resources and Mines, Queensland confirmed that it had accepted and commenced the processing of the Company's application for a Mineral Development Licence (MDLA 503 and MDLA 504). The application for MDLA 504 has since been withdrawn.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Office Equipment & Furniture \$	Plant & Equipment \$	Total Depreciable Assets \$
<u>2014 FINANCIAL YEAR</u>			
Balance at the start of the year	52,744	138,734	191,478
Additions	7,772	-	7,772
Disposals	-	-	-
Depreciation expense	(19,206)	(49,779)	(68,985)
Assets written off	(31,234)	(15,026)	(46,260)
Balance at the end of the year	10,076	73,929	84,005

2013 FINANCIAL YEAR

Balance at the start of the year	96,435	284,282	380,717
Additions	26,317	-	26,317
Disposals	(5,122)	(38,149)	(43,271)
Depreciation expense	(47,061)	(107,399)	(154,460)
Assets written off	(17,825)	-	(17,825)
Balance at the end of the year	52,744	138,734	191,478

Summary totals:

	Notes	Consolidated Group 2014 \$	2013 \$
Plant and equipment – at cost		579,945	647,541
Accumulated depreciation and impairment		(495,940)	(456,063)
		<u>84,005</u>	<u>191,478</u>

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Consolidated Group	
	2014	2013
Notes	\$	\$
NOTE 15: INTANGIBLE ASSETS		
<u>(a) UCG Technology General Licence</u>		
Cost at the start of the year	750,000	750,000
Additions	-	-
Cost at the end of the year	750,000	750,000
<u>Accumulated Amortisation</u>		
Amortisation at the start of the year	(316,641)	(235,622)
Charge for the year	(81,045)	(81,019)
Impairment charge for the period	(352,314)	-
Amortisation at the end of the year	(750,000)	(316,641)
Net book value at the end of the year	-	433,359
Total net book value of all intangible assets	-	433,359

UCG technology general licence fees represent the fees paid to Ergo Exergy Technologies, Inc (Ergo) for Moreton Resources Limited to use Ergo's UCG technology and know-how in Australia and other countries, following the signing of a General Licence Agreement on 3 November 2008 and which was further extended in June 2012. All general licence fees incurred have been amortised over the ten-year period commencing on 3 November 2008. As the Company has moved its focus from UCG the company has therefore fully impaired the current book value of the licence. The company will still hold the licence for strategic purposes.

NOTE 16: RELATED PARTY DISCLOSURE

(a) Loans to Controlled Entities

Balance at the start of the financial year	-	127,905
- Additions for the year	-	-
- Impairment for the year	-	(127,905)
Total loans to controlled entities	-	-

Loans to controlled entities are made in the ordinary course of business, are non-interest bearing and are for an indefinite period.

(b) Investments in Controlled Entities

Unlisted shares in controlled entities	(i)	-	-
Less provision for impairment	(ii)	-	-
		-	-

(i) Movement in Investment in controlled entities

Balance the start of the financial year	6,052,761	6,052,761
Deconsolidation of subsidiaries	(6,052,761)	-
	-	6,052,761

(ii) Movement in the Impairment Allowance

Balance at the start of the financial year	(6,052,761)	(6,052,761)
Deconsolidation of subsidiaries	6,052,761	-
Balance at the end of the financial year	-	(6,052,761)

(c) Other Transactions and Balances with Key Management Personnel

In the 2013 financial year, an entity associated with the former Chairman Malcolm McAully (resigned 8 March 2013) 'MJ McAully Management Consulting' provided management consulting services to the Company, terms of which were agreed by the Board. Payments to Mr McAully's related entity including fees charged for serving on the Funding Committee appointed by the Board during December 2012-March 2013, have been included as part of the Remuneration Report. An entity associated the former Director Sarah-Jane Christensen (resigned 8 March 2013), Sarjan Consulting Pty Limited was paid fees charged for Ms Christensen for legal advice and serving on the Funding Committee with Mr McAully referred to above. These have been included in the Remuneration Report.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated Group	
		2014	2013
	Notes	\$	\$

NOTE 16: RELATED PARTY DISCLOSURE (cont)

During the 2014 year, the Company entered into secured short term funding from its 2 largest shareholders, Mr Philip Feitelson and Mr Jason Elks.

Security for the loan was a charge over the Company's assets and an interest rate of 10% pa applied.

The loans were repaid in May.

Funding provided by:
Mr Feitelson \$250,000
Mr Elks \$150,000

Interest paid to:
Mr Feitelson \$10,493
Mr Elks \$7,973

See also note 24 for key management personnel disclosures of remuneration and equity interests.

NOTE 17: TRADE AND OTHER PAYABLES

Trade payables	325,073	613,978
Unmarketable parcel share sales*	347,211	-
Accrued expenses	193,007	218,589
Payroll-related creditors	16,292	62,733
Total Trade and Other Payables	881,583	895,300

*Represents amounts collected on sale of unmarketable parcels of shares, amounts are payable to the shareholders.

NOTE 18: PROVISIONS

(a) Current Liabilities

Provision for employee benefits (annual leave)	8,716	70,904
Provision for restoration Kingaroy Pilot Plant (*)	1,226,511	1,226,511
Total Current Provisions	1,235,227	1,297,415

(*) Provision for restoration Kingaroy Pilot Plant

Provision at the start of the year	1,226,511	1,226,511
Charge for the year	-	-
Total Kingaroy Pilot Plant Provisions	1,226,511	1,226,511

(*) The provision for restoration costs is in relation to the pilot plant at Kingaroy pursuant to s.190 of the Mineral Resources Act 1989 (Queensland) and the Environmental Protection Act 1994 (Queensland). The amount of \$589,306 is provided by a bank guarantee with the State of Queensland from the National Australia Bank. The Company previously increased the provision based on two factors; (i) the requirement to decommission and rehabilitate the underground cavity at Kingaroy pursuant to the amended Environmental Authority issued by DERM and effective 19 July 2011 and (ii) an assessment of the adequacy of the previous provision based on current knowledge and external third party advice. Refer to the Accounting Policies and critical accounting estimates and judgements section and Note 2 (x)(vi).

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Consolidated Group				
	Issue Price \$	Securities Issued 2014 Number	Gross Proceeds 2014 \$	Securities Issued 2013 Number	Gross Proceeds 2013 \$
NOTE 19: EQUITY- CONTRIBUTED					
<u>(a) Movements in Fully Paid Ordinary Shares</u>					
Contributed equity at the start of the financial year		1,559,275,714	73,454,623	1,207,759,047	71,771,316
Proceeds received from:					
New shares issued – share placement	0.005	-	-	20,000,000	100,000
New shares issued – convertible note conversion [1]	-	-	-	30,000,000	155,607
New shares issued – share placement	0.006	-	-	16,666,667	100,000
New shares issued – share placement	0.005	-	-	20,000,000	100,000
New shares issued – share placement	0.005	-	-	20,000,000	100,000
New shares issued – convertible note conversion	-	-	-	12,500,000	31,122
New shares issued – share placement	0.004	-	-	25,000,000	100,000
New shares issued – convertible note conversion	-	-	-	18,750,000	46,682
New shares issued – share placement	0.005	-	-	20,000,000	100,000
New shares issued – share placement	0.005	-	-	208,600,000	1,043,000
New shares issued – share placement	0.003	214,916,665	644,750	-	-
New shares issued – share placement	0.003	14,974,693	44,924	-	-
Less share issue transaction costs		-	(51,922)	-	(93,104)
Contributed equity from ordinary shares		1,789,167,072	74,092,375	1,599,275,714	73,554,623

[1] Including utilisation of 20,000,000 collateral shares issued in 2012 and released from escrow account

(b) Other equity securities

Unissued equity	-	-	-	(100,000)
Total Contributed equity	1,789,167,072	74,092,375	1,599,275,714	73,454,623

Fully and Partly Paid Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid up on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Call Options Over Unissued Shares

All listed and unlisted options issued by the Company entitle the holder to purchase one fully paid ordinary share in the capital of the Company at their respective exercise prices. None of the options has any dividend or voting entitlements, nor do they carry any participation rights in respect of any proceeds from the winding up of the Company.

Information relating to options issued, exercised and lapsed during the financial year and the options outstanding at the end of the financial year is set out in Note 25.

(c) Capital Management

Objectives

The Group's capital management objective is to ensure that it continues as a going concern in order to provide returns for shareholders and benefits for other stakeholders, whilst maintaining an optimal capital structure aimed at reducing the cost of capital. There has been no change in the capital management strategy adopted in each of the financial years presented. The Group is not subject to any externally imposed capital requirements.

The Group's capital management is primarily based on equity, given the resource exploration nature of its activities. Use of debt is minimal.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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		Consolidated Group	
		2014	2013
	Notes	\$	\$
<u>NOTE 20: EQUITY –OPTIONS</u>			
<u>Share-based payments reserves:</u>			
Unlisted options granted to management	20 (a)	-	6,008
Total share-based payment reserve		-	6,008

	Securities Issued 2014 Number	Fair Value 2014 \$	Securities Issued 2013 Number	Fair Value 2013 \$
<u>(a) Movements in the Unlisted Management Options Reserve</u>				
Reserve balance at the start of the financial year	3,000,000	6,008	-	-
Write-back for forfeited options	(3,000,000)	(6,008)	-	-
Issued in the year	-	-	3,000,000	6,008
Reserve balance at the end of the financial year	-	-	3,000,000	6,008

The share-based payment reserve above, records the fair value of equity benefits provided as part of agreements entered into by the Company. Notes 24, 25 and the remuneration section of the Director's Report provides further details about these options, including their respective exercise prices and expiry dates.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Consolidated Group	
	2014	2013
	\$	\$
<u>NOTE 21: RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES</u>		
Profit/(loss) after income tax for the year attributable to equity holders of the Parent Entity	4,385,425	(3,302,439)
Add minority interest in the loss after income tax from controlled entities	-	(50,075)
Total profit/(loss) after income tax for the year	4,385,425	(3,352,514)
<u>Non-cash expenditure</u>		
Amortisation and depreciation expense	150,030	144,338
Impairment of intangible assets	352,314	-
Write off of fixed assets	50,084	-
Share-based payments & reserves	(6,008)	(4,866)
Loans from related entities	-	(24,080)
Impairment of non-current assets	-	593,843
<u>Change in net operating assets and liabilities</u>		
Decrease/(Increase) in receivables and other assets	(77,471)	705,883
Increase/(Decrease) in trade and other payables	167,337	342,329
Increase/(Decrease) in provisions	(62,188)	(39,616)
Net Cash from operating activities	4,959,523	(1,634,683)

NOTE 22: SEGMENT INFORMATION

The principal business of the group has been the development of UCG as well as conventional coal projects in Australia. Management has determined the operating segment based upon reports reviewed by the Board and executive management that are used to make strategic decisions. Management and the Board consider the business only from single operational perspective and therefore only reviews reports based upon its current operations as disclosed within these financial statements.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Notes	Consolidated Group 2014 \$	2013 \$
NOTE 23: EARNINGS PER SHARE			
(a) <u>Reconciliations of the Earnings/(Loss) Used In Calculating Earnings/(Loss) Per Share</u>			
Basic and Diluted Earnings/(loss) Per Share			
Total profit/(loss) after income tax from continuing operations		4,385,425	(3,352,514)
Add back loss after income tax from continuing operations attributable to minority interests in controlled entities		-	50,075
Profit/(Loss) after income tax from continuing operations attributable to the ordinary equity holders of the Parent Entity	(i)	4,385,425	(3,302,439)
Net profit/(loss) after income tax attributable to the ordinary equity holders of the Parent Entity	(ii)	4,385,425	(3,302,439)

Items (i) to (ii) above are the respective numerators used in the earnings/(loss) per share calculations.

(b) Weighted Average Number of Ordinary Shares Used as the Denominator in the Earnings Per Share Calculations

Weighted average number of ordinary shares used as the denominator in calculating earnings per share	1,764,318,448	1,392,814,664
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding used in calculating dilutive earnings per share	1,764,318,448	1,392,814,664

(c) Information Regarding the Classification of Dilutive Potential Ordinary Shares

Options over unissued ordinary shares

All of the Group's options are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share, to the extent to which they are dilutive. These securities have not been included in the determination of basic earnings per share.

There are no options on issue at 30 June 2014. In 2013 the options are anti-dilutive, as their effect would be to decrease the loss per share. Options have not therefore, been used in the calculation of diluted loss per share.

NOTE 24: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel Compensation

Short-term employee benefits	727,372	1,496,557
Post-employment benefits	84,844	122,722
Other long-term benefits	-	-
Termination benefits	51,816	181,667
Share-based payments	(6,008)	6,008
Total compensation	858,024	1,806,954

Detailed remuneration disclosures are provided in the remuneration report, contained within the Directors' Report, which forms part of the Annual Report.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 24: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(b) Equity Instrument Disclosures Relating To Key Management Personnel

(i) Options Provided as Remuneration and Shares Issued Upon the Exercise of Such Options

These details, together with the terms and conditions of the options, can be found in section D of the remuneration report contained within the Directors' Report, and in note 25.

(ii) Option Holdings

The number of options over the ordinary shares in the parent entity, held during the financial year by each director of Moreton Resources Limited and other key management personnel of the Group, including their personally related parties, is set out below.

Name Of Personnel	Balance at the start of the year	Granted as Compensat- ion during the year	Exercised During the year	Lapsed/ Forfeited during the year	Balance at the end of year	Vested And Exercisable
2014						
Arthur Hood	-	-	-	-	-	-
James Canning-Ure	-	-	-	-	-	-
John Thomas	-	-	-	-	-	-
Jason Elks	-	-	-	-	-	-
Rob Neill	3,000,000	-	-	(3,000,000)	-	-
Total number	3,000,000	-	-	(3,000,000)	-	-
2013						
<u>Director</u>						
Rob Neill	-	3,000,000	-	-	3,000,000	-
Total number	-	3,000,000	-	-	3,000,000	-

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 24: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(b) Equity Instrument Disclosures Relating to Key Management Personnel (Cont'd)

(iii) Ordinary Share Holdings

The number of the Company's fully paid ordinary shares, held during the financial year by each director of Moreton Resources Limited and other key management personnel of the Group, including their personally related parties, is set out below. There were no shares granted during either financial year as remuneration.

Name of Personnel	Balance at the start of the year**	Acquired during the year	Options Exercised during the year	Received as Compensation during the year	Disposed during the year	Other Changes during the year	Balance at the end of the year*
2014							
<u>Current Directors</u>							
Arthur Hood	-	-	-	-	-	-	-
Robert James Canning-Ure	-	-	-	-	-	-	-
John Thomas**	10,310,000	-	-	-	-	-	10,310,000
Jason Elks**	102,455,823	55,400,000	-	-	-	-	157,855,823
<u>Previous Directors</u>							
Andrew Matheson*	2,000,000	14,974,693	-	-	-	-	16,974,693
Andrew Purcell*	1,000,000	-	-	-	-	-	1,000,000
Rob Neill*	1,000,000	-	-	-	-	-	1,000,000
<u>Previous Key Personnel</u>							
Rajeev Chandra*	206,000	-	-	-	-	-	206,000
Valeri Melik*	41,786	-	-	-	-	-	41,786
Total number	117,013,609	70,374,693	-	-	-	-	187,388,302
2013							
<u>Directors</u>							
Andrew Matheson	-	2,000,000	-	-	-	-	2,000,000
Andrew Purcell	-	1,000,000	-	-	-	-	1,000,000
Rob Neill	-	1,000,000	-	-	-	-	1,000,000
<u>Previous Directors</u>							
Malcolm McAully*	620,865	-	-	-	-	-	620,865
Len Walker*	108,836,948	-	-	-	-	-	108,836,948
<u>Key Personnel</u>							
Rajeev Chandra	6,000	-	-	-	-	-	6,000
Valeri Melik	41,786	-	-	-	-	-	41,786
Kevin Garner*	1,142,422	-	-	-	-	-	1,142,422
Total number	110,648,021	4,000,000	-	-	-	-	114,648,021

*Balances at resignation

** Balances at appointment

(c) Loans to Key Management Personnel

No loans were made to the Directors of Moreton Resources Limited, nor to any of the Company's other key management personnel during either of the 2014 or 2013 financial years. See note 16 for loans from Mr J Elks, a director, in the 2014 year.

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 25: SHARE-BASED PAYMENT PLANS

All of the following share-based payment disclosures relate to both the Consolidated Group and the Parent Entity. For each type of share-based payment disclosed in this note, the Group has measured the fair value of the goods and services received as consideration for the equity instruments granted indirectly, by reference to the fair value of those equity instruments.

(a) Employees', Officers' and Consultants Option Plan

The above mentioned option plan was approved by shareholders at the 2007 and 2010 annual general meetings and amended at the September 2013 extraordinary general meeting. The exercise price and vesting conditions are determined by the Company's Directors, in accordance with the plan. All options have staggered vesting periods. The total fair value of these options is recognised progressively on a pro-rata basis over each option's respective vesting period. Participation in the plan is at the Directors' discretion. Once vested, the options remain exercisable until their expiry. The options are granted for no consideration and carry no dividend or voting entitlements. When exercised, each option converts into one fully paid ordinary share in the capital of the Company. The maximum number of unexercised options that can be issued at any one time is 5% of the current number of issued shares.

Options on issue at the start of the year have forfeited, and no new options have been issued in the year.

(i) Number and Weighted Average Exercise Prices of Options

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted in the year *	Exercised in the year	Forfeited in the year	Balance at the end of the year	Vested and Exercisable at the end of the year
2014								
22-11-2012	06-08-2015	\$0.02	1,000,000	-	-	(1,000,000)	-	-
22-11-2012	06-08-2015	\$0.04	1,000,000	-	-	(1,000,000)	-	-
22-11-2012	06-08-2015	\$0.08	1,000,000	-	-	(1,000,000)	-	-
Total Number			3,000,000	-	-	(3,000,000)	-	-
Weighted average exercise price			\$0.05	-	-	-	-	-
2013								
22-11-2012	06-08-2015	\$0.02	-	1,000,000	-	-	1,000,000	1,000,000
22-11-2012	06-08-2015	\$0.04	-	1,000,000	-	-	1,000,000	-
22-11-2012	06-08-2015	\$0.08	-	1,000,000	-	-	1,000,000	-
Total Number			-	3,000,000	-	-	3,000,000	1,000,000
Weighted average exercise price			-	\$0.05	-	-	\$0.05	

	2014	2013
<u>(ii) Weighted average remaining contractual life of those options on issue at the end of each year</u>	-	2.10 years
<u>(iii) Weighted average fair value of options granted during the year</u>	-	\$10,198

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(b) Expenses Recognised for the Year Arising from Share-Based Payment Transactions

The total expense arising from share-based payment transactions recognised during the year and its various components is presented below.

	Notes	Consolidated Group	
		2014 \$	2013 \$
Options	20		
- Existing options		(6,008)	-
- New options granted during the year		-	6,008
Total share-based payment expense		(6,008)	6,008

NOTE 26: AUDITOR'S REMUNERATION

During the year, the following fees were paid or payable for services provided by the parent entity's auditor.

Audit of financial reports – current auditor	23,000	-
Audit and review of financial reports – previous auditor	12,000	53,500
Other non-audit services	-	-
Total auditor's remuneration	35,000	53,500

NOTE 27: COMMITMENTS

(a) Capital Expenditure Commitments

The Group's expenditure commitments at the end of each financial year are set out below.

(i) Exploration and Evaluation Expenditure

Within one year	57,329	471,700
Later than one year, but not later than five years	165,687	-
Later than five years	27,790	-
Total capital commitments	250,806	471,700

(b) Lease Commitments as Lessee

(i) Minimum lease payments for non-cancellable operating leases for office space not recognised as liabilities

Within one year	-	21,312
Later than one year, but not later than five years	-	-
Total non-cancellable operating lease commitments	-	21,312

MORETON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 28: CONTINGENT LIABILITIES

As at 30 June 2014, the Company including the Parent Entity had the following contingent liabilities:

(a) Amounts potentially payable Under the Complaint and Summons dated 30 June 2011

The Company was served with a Complaint and Summons issued by an officer of the Queensland Government's Department of Environment and Resource Management (DERM) as it was then called. A fine of \$115,103 was imposed in the current year and the matter is now settled.

(b) Amounts potentially payable under orders made by the Queensland Government for rehabilitation works at Kingaroy

On 19 July 2011, the previously responsible Queensland Government Department (DERM) issued to the Company an amended Environmental Authority stipulating the following requirements for the site:

- (a) limits all UCG activities on site to decommissioning, rehabilitation, and care and maintenance of the site;
- (b) requires an ongoing groundwater monitoring program across a range of quality characteristics to be implemented until results indicate that all contaminants (if any) are consistent with the "background level" for a period of six months;
- (c) provides for strict notification guidelines in the event that further contaminants are recorded in any of the monitoring bores; and
- (d) provides for a documented decommission and rehabilitations procedure to be prepared with regards to the underground cavity and (if any) affected groundwater.

The Company has lodged a bond with the Queensland Government to guarantee the completion of the rehabilitation works and has made a provision for the costs of this work based on internal assumptions and third party advice it has received. The scope of works is still to be confirmed by DEHP, the successor to DERM.

The Company has separately submitted a procedure for the decommissioning and rehabilitation of the underground cavity to DEHP for approval. The Company has made a provision for the costs of these works based on the procedure submitted to DEHP. Until the Company concludes discussions on the scope of the rehabilitation works with DEHP, the Company cannot determine with certainty the total costs of the rehabilitation.

(c) Employee Claim

The company has received a claim from a former employee for outstanding remuneration totalling \$31,000. The Company is contesting the matter.

NOTE 29: EVENTS OCCURRING AFTER BALANCE DATE

The following table sets out in chronological order the material events that have occurred since 30 June 2014, involving the Parent Entity and/or its controlled entities. Where possible, the financial impact of each event has also been quantified.

Effective Date	Transaction Details and Financial Impact:
24 July 2014	The Company announced an update of the Kingaroy JORC for MDL 385

NOTE 30: FAIR VALUE MEASUREMENTS

There are no assets or liabilities measured at fair value on a recurring basis, or non-recurring basis, after initial recognition.

As set out in note 4, for financial assets and liabilities their fair values approximate carrying values due to their short term nature (level 2 hierarchy, observable inputs, income approach).

NOTE 31: RESERVES

Share based payment reserve: records amounts recognised as expenses on valuation of employee options – no amounts of other comprehensive income apply to the reserve.

Foreign currency translation reserve: records exchange difference on translation of foreign controlled subsidiaries - \$35,197 credit (2013 \$10,873 debit) other comprehensive income amounts apply to the reserve.

**MORETON RESOURCES LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2014**

In accordance with a resolution of the directors Moreton Resources Limited, the directors of the company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

This declaration, is made in accordance with a resolution of the directors.



Alexander Jason Elks
Director

06 August 2014
Brisbane

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2014



Hayes Knight
Accountants, Advisors & Auditors

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORETON RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Moreton Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been provided to the directors of Moreton Resources Limited as attached to the directors' report, has not changed as at the date of this auditor's report.

An independent Member of the Hayes Knight Group and Morison International.
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Associated Offices: Sydney | Melbourne | Adelaide | Perth | Darwin | Auckland

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2014**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MORETON RESOURCES LIMITED (CONTINUED)**

Auditor's Opinion

In our opinion:

- a) the financial report of Moreton Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Moreton Resources Limited for the year ended 30 June 2014 complies with s 300A of the *Corporations Act 2001*.



Hayes Knight Audit (Qld) Pty Ltd



N D Bamford
Director

Level 23, 10 Eagle Street,
Brisbane, QLD, 4000

Date: 6 August 2014