



# **Moreton Resources Ltd**

ACN 060 111 784

## **Annual Report**

**For the Year Ended  
30 June 2014**

## MORETON RESOURCES LTD CORPORATE DIRECTORY

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### Directors

Mr Arthur Hood	Chairman
Mr (Robert) James Canning-Ure	Non-Executive Director
Mr John Thomas	Non-Executive Director
Mr Wayne Penning	Non-Executive Director
Mr Bret Leisemann	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](http://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**  
**TABLE OF CONTENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**Table of Contents**

CORPORATE DIRECTORY.....	2
CHAIRMAN'S REPORT.....	4
MANAGING DIRECTOR'S REPORT.....	5
DIRECTORS' REPORT.....	7
AUDITOR'S INDEPENDENCE DECLARATION.....	17
CORPORATE GOVERNANCE STATEMENT .....	18
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	22
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	23
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	24
CONSOLIDATED STATEMENT OF CASH FLOWS .....	26
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .....	27
DIRECTORS' DECLARATION.....	58
INDEPENDENT AUDITOR'S REPORT.....	59
SHAREHOLDER INFORMATION.....	61

**MORETON RESOURCES LTD  
CHAIRMAN'S REPORT  
FOR THE YEAR ENDED 30 JUNE 2014**

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**Dear Shareholders**

It is with great pleasure I write my first annual review of Moreton Resources Limited, since being approached in late 2013 by a proactive group of Moreton Resources investors who were not only looking for change, but also looking to protect their investment in the Company. Since being successfully appointed as the Chairman of Moreton Resources Limited (MRV) on 28 November 2013 following the AGM, there has been a lot that has transpired for the Company.

From day one, we were facing administration following the effects of significant spending by the Company in the eight months prior and the aftermath of the failed attempt to sell the Company, which was clearly not in the best interest of shareholders. We reassessed the potential of our assets, engaged with key shareholders and developed a recovery plan that was very much a day-to-day proposition, which could have seen the Company cease operation and enter into asset sales and administration. We are now a truly genuine prospect of becoming a mid-term aspiring coal producer with a solid foundation to move forward. The last eight months have been a very trying but a rewarding journey.

The new Board and Management team have transformed the Company by reducing overheads, stabilising the finances, recovering the outstanding Research and Development refund from the Australian Tax Office and ensuring we are nett debt free. The Board initially worked with no remuneration until MRV could afford to make payment and we had a CEO (who initially replaced the entire former management team) who was remunerated for 3 days a week. This is truly a new start with a coalition of like-minded Board members, management and shareholders, who have rapidly transformed MRV.

We have much on which to base our current optimism; we now have over \$6.5 million in cash and a defined strategy to ensure we realise the full value of our coal assets. This has been reflected in our share price, which, as I write, is trading around 0.5 – 0.6 cents a share from our low of 0.2 cents a share in November 2013 and the failed funding/takeover effort at 0.1 of a cent. Therefore, we are trading around 500% above that funding price, and we have avoided an additional 40% dilution of the Company.

Whilst not within the financial year, but certainly still within our first eight months as a Board and Management team, we are advancing the drilling of Mackenzie with a \$1 million commitment within this financial year, and we have announced a significant 200% increase in our coal resource at Kingaroy. We also expect our efforts, at the appropriate time, have the potential to significantly increase the current resource of approximately 83 million tonnes at our Wandoan Asset, however, this will have to be confirmed by a drilling program in due course. Despite the depressed coal market, or perhaps because of it, the Board believes this is a good time to upgrade our assets and possibly seek other assets, to take advantage of the inevitable turnaround that will occur in both metallurgical and thermal coal markets. Both China and India continue to increase steel production and power generation from coal, which is inexorably consuming excess supply, and as a result, we are confident of a good future for the coal industry in the medium to long term.

Last, but certainly by no means least, I do need to mention the Board whom have worked hard to bring us to this point, the Management team of the Company and also our major shareholders who put forward personal loans to ensure the solvency of the Company. In particular, I would like to mention the support of our now major shareholder, Mr Philip Feitelson, and on behalf of the Board and Management Team, we thank him for his support. I would like to personally thank Mr John Thomas and Mr James Canning-Ure who will not be standing for re-election as Board members, rather John accepting a role to assist the Company advance the Kingaroy project, which has been greatly appreciated by the full Board. As such, he will be appointed as the Board's advisor on the Kingaroy Project, for Community and Communications. Whilst James is intent of pursuing other interests, we also seek to maintain a relationship with James and have appreciated his assistance to date in stabilising the Company.

As I review what has been achieved in the last eight months, I cannot help but be excited in looking forward to what the coming year will bring for your company, Moreton Resources Limited.



**Arthur Hood**  
Chairman of the Board  
06 August 2014

**MORETON RESOURCES LTD  
MANAGING DIRECTOR'S REPORT  
FOR THE YEAR ENDED 30 JUNE 2014**

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**Dear Fellow Shareholders**

I am pleased to report that the progress of the Company over the last year has been significant, despite the extremely counter-productive first two quarters of this reported financial year and to that end, I will focus upon the tremendous position we find ourselves in and comment on other matters further in the Corporate Summary. I personally am very proud to be a part of a Company, that despite all odds, has seen tremendous opportunities open up in the last eight months, and through strong and committed Shareholders, Board and Management, the Company has certainly turned the corner. Whilst it is hard to encapsulate that journey, the most compelling indication of the step change is the comparison between where we are now and the scenario we were faced with late last year. Late last year we were informed by our prior Board that the Company was on the brink of administration, and to gain some respite, we were compelled to enter into a highly dilutive funding agreement that looked to sell 40% of the Company at 0.1 cent per share.

Faced with that proposal, a rallying of the true owners of this Company, being the shareholders, resulted in the Company ending the financial year in the strongest position since 2008; debt-free, three potentially viable Assets being advanced, cash at bank of approximately \$6,500,000, \$750,000 in cash guarantees, and a share price that reflects 500% above the funding agreement suggested by the prior Board. Add to this our current endeavors to secure a further round of Research and Development funding for prior activities; the advancing of our MDL 503 application; the significant advancement with winding up UCG activities and reduction in our environmental requirements relating to the old UCG activities, it indicates we are not a Company seeking to stand still and ride out the depressed market we are in. I would suggest that this has to be one of the most successful resurrections of shareholders value on the ASX in the last year. However, we do acknowledge we have a long way to go, to truly realise shareholder value for those that have supported the Company for many years.

Despite a very tough coal market and environment for juniors in general, we have moved the organisation ahead based on some very strong base fundamentals. Corporate overheads have been reduced significantly; we are focusing spend upon value-add to our assets and are taking our time to ensure that our strategy will realise the vision to become an aspiring coal producer. Recent news upon our progress within the 2014-2015 financial year has been encouraging, as I am sure you are aware, and the advancement of the Kingaroy JORC-compliant resource estimate, and the Mackenzie funding are positive developments for Shareholders.

**Health, Safety, Environment and Community Engagement**

A key business fundamental for the Board and Management is our commitment to Health, Safety, Environment and Community Engagement, as our social license to operate is not underestimated. We have been working hard to continue to close-out the Cougar Energy legacy issues with full payment of all outstanding fines and associated costs, all adverse regulatory actions have been finalised and we have moved to put in place a decommissioning program for Kingaroy UCG assets and infrastructure, which we are hopeful will be completed by the end of 2014, if not early 2015.

Our commitment to safety is uncompromising and the Company continues to have a zero injury and illness frequency rate for the full year of 2013-2014. Our environmental issues continue to be minimised and since early 2010, there have been no additional breaches or exceedances at any of the Company's assets for over four years, and as stated to the market, the monitoring programs in place have been significantly reduced.

We will continue to engage with all stakeholders, including government, community groups and individuals, as our activities advance in the coming months across all of our assets. Whilst there are legacy issues, we are attempting to balance the procedural issues of advancing projects with that of the right timing and levels of engagement with local communities including traditional land owners, which as each project advances will increase to ensure factual and accurate awareness is well distributed, and that we have positive support at all levels from Government, Community, Interest Groups and Landholders, who maybe directly affected or indirectly by our activities.

**Corporate Overview**

Whilst our operating costs were high up until mid-financial year, costs during the last six months were dramatically reduced by well over 50%, including the use of contracted services to fulfil our advancement activities. The relocation of the office and the change of our auditor were all positive cost saving measures for the Company which have seen the reduction of its operating costs and a shift into value-add to our Assets.

**MORETON RESOURCES LTD**  
**MANAGING DIRECTOR'S REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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The 2014-2015 year is seeing the Company rapidly advance activities across all of its Assets and this has necessitated the addition of a General Manager - Finance and Corporate Services who will contribute to our cost control, investment strategies and our day-to-day running of the corporate affairs of the organization. I also would like to point out the contribution of the Board and give personal thanks to the shareholder group that supported these Company changes in late 2013, followed by the substantial financial support of our major shareholder to ensure the Company could position itself to the point it is today, which would be an envied position of many ASX listed juniors.

I am also pleased to have accepted the permanent role as CEO of the Company, which I think in conjunction with the stabilisation of the Board, through permanent appointments at this AGM, will position the Company well to achieve its full potential. The Board, as you are aware, took these roles on in interim capacity and through a mature and company-focused outlook, the Board had determined the new look Board with a broad range of skills to ensure the future. Therefore, a personal thanks to those Board members that allowed us to get this far and now, in the best interest of the Company, seek to support the alternate appointment of the new look Board into permanent roles subject, to Board rotation.

**Our Assets**

*EPC 1445 Mackenzie*

Mackenzie is our premier asset with a current JORC-compliant resource estimate of 201Mt of PCI coal. We are confident that the next phase of drilling and geophysical work to be carried out in 2014-2015 will continue to develop the prospect of Mackenzie towards becoming a large underground mining operation. Uniquely positioned in the renowned Bowen Basin, between three profitable and long-term mining operations with existing infrastructure and unsurpassed regional tolerance for mining, this project is well positioned for advancement.

*MDL 385 Kingaroy*

As previously advised to the market, the updated JORC-compliant resource estimate for this asset has shown remarkable potential; not only to have sufficient coal to potentially sustain a long life operation, but also its early indications are it will be extremely competitive in total costs to produce. Based on the results of the JORC-compliant resource estimate, and the initial Mine Concept Study, we will develop a strategy for potential further advancement, gaining community, government and stakeholder support, and to identify financing options available to develop a new mine, should current efforts continue to prove positive as we conceptually advance this project.

*MDL 420 Wandoan*

Our Wandoan Asset MDL 420, is certainly a long-term prospect for the Company and whilst we will not seek to advance our planning or conceptual work on Wandoan as a viable mine in the short term, we will possibly seek in 2014-2015 to bring this asset back in line with our belief that it is a significant deposit, far greater than the 83Mt indicated in the JORC-compliant resource estimate released in 2013, which was undertaken by the prior Board. We still struggle to understand the basis for this review and the interpretation undertaken for this resource, however, we must deal with this and the likely scenario is a drilling campaign in the 2015 calendar year.

**Outlook**

The outlook for 2014-2015 is extremely positive from a Company perspective, despite what is still expected to be a tough junior market and continued flat coal market. Our starting cash position for the year, despite Corporate and potential advancement of assets costs, should be relatively stable by years close, with what is expected to be a positive Research and Development claim and other ancillary income via investments and potential exercise of Board and Management options.

In the current subdued market, the Company will investigate any opportunistic growth opportunities that may arise, and progress these where it is prudent to do so. Should the Board take advantage of an opportunity to increase our asset and inventory base, then this may result in a reduction in our cash reserves but the base position of the Company will be advanced.



**Alexander Jason Elks**  
Chief Executive Officer  
06 August 2014

**MORETON RESOURCES LTD**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

The Directors of Moreton Resources Ltd submit this Annual Report, together with the financial statements of the Consolidated Group (consisting of the Parent Entity and its controlled entities) for the financial year ended 30 June 2014, made in accordance with a resolution of the Directors.

**DIRECTORS**

The names and particulars of the qualifications, experience, special responsibilities and equity interests (direct and indirect) of the Directors in office during the financial year ended 30 June 2014 and up until the date of this Annual Report are set out below. The Company Directors, in late 2013 at the AGM were replaced by, Chairman Arthur Hood, Non-Executive Directors Robert James Canning-Ure, John Charles Thomas and Chief Executive Officer Alexander Jason Elks. Wayne Penning and Bret Leisemann were appointed as Non-Executive Directors on 12 August 2014.

Name and Qualifications	Age	Experience	Listed Directorships in last 3 years	Special Responsibilities	Interests in Shares and Options
<b>Arthur Hood</b> BSc, Civil Engineering	61	<b>Appointed 28 November 2013.</b> Mr Hood has worked in civil engineering, coal and gold mining in the UK, Australia, PNG, South-East Asia and East & West Africa during his 40 year career. Mr Hood was CEO and Managing Director of Lihir Gold Limited (LGL) between 2005 and 2010. Prior to LGL, Mr Hood had an 18 year career with Placer Dome where he headed up Business Development for the Asia Pacific region which culminated in his appointments to Managing Director of Placer Nuigini and Managing Director of Placer Dome Tanzania.	Chairman of the Prospect Group.	Chairman of the Board  Chairman of the Remuneration Committee	Nil
<b>(Robert) James Canning-Ure</b> B Comm.	56	<b>Appointed 28 November 2013.</b> Mr Canning-Ure has over 30 years' experience in corporate advisory, specialising in the resources, e-commerce and property developing sectors. He spent many years as President and Executive Director / CFO of Macarthur Minerals, a TSX listed iron ore exploration company, as well as Managing Director of Global Approach, an ASX listed e-commerce company. Mr Canning-Ure provides strategic counsel to a number of companies and specialises in capital raising road shows, writing press releases and information memoranda. He is an Accountant and Banker by profession having worked with PWC and Barclays Bank.	ICS Global Ltd (ASX:ICS) from August 2010 to present.  Orion Metals Ltd (ASX: ORM) from March 2010 to April 2011.	Non-Executive Director  Chairman of the Audit Committee  Member of the Remuneration Committee	Nil
<b>John Charles Thomas</b>	72	<b>Appointed 28 November 2013.</b> Mr Thomas has over 45 years' international business experience. He has worked in Europe, West Indies, Middle East, China and Asia on various projects, which included industrial and commercial contracting in mechanical, electrical engineering and steel fabrication. Mr Thomas was the founding partner of a Middle East based company which executed projects employing a multi-national workforce with operational activities in three countries in the region.	None	Non-Executive Director  Member of the Audit Committee	10,310,000 ordinary shares (Todstead Superannuation Pty Ltd )
<b>Wayne Penning</b> BEc LLB.	43	<b>Appointed 12 August 2014.</b> Mr. Penning is a Partner of the Brisbane based law firm, McMahon Clarke. He leads the firm's Capital Markets and Energy & Resources groups. He has worked for leading international law firms in Sydney, Brisbane and Hong Kong. He was admitted to practice in 1998 and has been a partner since 2005. He advises on capital markets, corporate and commercial matters. Mr. Penning acts for various public listed resource and industrial companies and has significant experience in corporate and regulatory areas. He is Deputy Chairman of Bravehearts and also founding member and Director of The Liz Ellis Foundation.	Deputy Chairman of Bravehearts Inc. From July 2013 to present	Non-Executive Director	Nil

**MORETON RESOURCES LTD**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

Name and Qualifications	Age	Experience	Listed Directorships in last 3 years	Special Responsibilities	Interests in Shares and Options
<b>Bret Leisemann</b> B.App.Sc, MAusIMM, MGSA, GAICD	46	<b>Appointed 12 August 2014.</b> Mr. Leisemann has over 25 years of resources experience in exploration, mining and engineering geology, as well as mine planning, production scheduling, mining approvals and executive management. Mr. Leisemann has been an executive director and founding shareholder of several non-listed companies since 1995 and his business development and planning skills and hands-on mining experience have been instrumental in the development of those private companies. Mr. Leisemann has first-hand experience in coal project exploration and evaluation, feasibility studies, environmental and planning approvals, stakeholder consultation and government liaison, and mine expansion and development.	None	Non-Executive Director	Nil
<b>(Alexander) Jason Elks</b> Mast. Management and Human Resources	40	<b>Appointed 28 November 2013.</b> Mr Elks' most recent role was with Rio Tinto, based in Montreal, managing the People and Organisation support areas throughout North and South America, Australia and New Zealand. Prior to this Jason held senior roles with LGL, Zinifex, OneSteel and Kodak Australasia. Mr Elks has extensive operational and corporate experience within large global companies as well as smaller national enterprises. His commodity experience includes coal, iron ore, zinc, lead and gold, along with a history in oil and gas exploration and heavy industry manufacturing.	None	Executive Director  Chief Executive Officer	161,855,823 ordinary shares
<b>Andrew Matheson</b> B. Eng. (Geological Engineering)	52	Appointed 8 March 2013. <b>Resigned 28 November 2013.</b> Mr Matheson has over 25 years professional experience within the resources, mining and engineering sectors covering a wide range of commodities across Australia, Indonesia, Africa and PNG. His previous leadership roles include Managing Director of Realm Resources Ltd, CEO-Carbon Materials for the Talbot Group, General Manager of Coal with Aquila Resources Ltd and Non-Executive Director of Goldminex Resources Ltd.	Realm Resources Ltd (June 2011-July 2012)  Goldminex Ltd (June 2009-June 2012)	Chairman of the Board  Chairman of the Remuneration  Member of the Audit & Risk Committee.	16,974,693 Ordinary shares
<b>Rob Neill</b> MBA, MPA	52	Appointed 06 August 2012. <b>Resigned 10 December 2013.</b> Mr Neill has over 20 years management experience in the resources sector, and holds an MBA and Masters in Professional Accounting (MPA), both from the University of Southern Queensland. He held positions of Executive General Manager for Bucyrus Australia Pty Ltd, and COO of Industree Limited, an ASX listed company. He has also held executive management roles with Repco, Hagemeyer and Hitachi, and was Commercial Manager for 2 years with Linc Energy Ltd.	None	Managing Director	1,000,000 Ordinary shares
<b>Andrew Purcell</b> B. Eng., MBA	49	Appointed 8 March 2013. <b>Resigned 28 November 2013.</b> Mr Purcell has over 20 years' experience across the finance, oil & gas and coal sectors. Previously he was Director of Credit Suisse in Australia and China and held an executive role with Macquarie Bank. He has ASX listed company board experience as well as having sat on the boards of several public companies listed outside of Australia.	Realm Resources Ltd (Oct 2011- Dec 2012)	Chairman of the Audit & Risk Committee  Member of the Remuneration Committee	1,000,000 Ordinary shares (related party)
<b>Eva Armila Djauhari</b> B. Law, LL.M, MBA	49	Appointed 25 September 2013. <b>Resigned 28 November 2013.</b> Ms Djauhari has had extensive experience in the Indonesian resources sector and her knowledge of the regulatory and commercial landscape. She hold a Bachelor of Law from the University of Padjadjaran in Indonesia, both a Master of Law and Master of Business Administration from the Queensland University of Technology, Australia.	None	Non-Executive Director	None



**MORETON RESOURCES LTD**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**COMPANY SECRETARY**

Mr Rajeev Chandra (B.Com, MBA, CA, CPA, ACMA, CSA (Cert), MAICD) a Chartered Accountant, was Company Secretary from November 2011 to 13 December 2013.

Mr Charles Furness (B. Bus, CPA, CSA (Cert)) was appointed to the role of Company Secretary from 13 December 2013 to 30 April 2014

Ms Caroline Edwards (CSA (Cert), Adv Dip. Bus.) was appointed to the role of Acting Company Secretary on 30 April 2014.

**PRINCIPAL ACTIVITIES**

The Company's principal activities were advancing its existing coal assets within Queensland, Australia. As outlined in the Managing Director's Report section of this Annual Report, the Company refocussed its activities in the year and transformed its operating structure.

**DIVIDENDS**

No dividends or distributions were declared, recommended or paid to members during the financial year.

**SHARES UNDER OPTION**

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period. Options on issue at the start of the year have been forfeited.

No shares have been issued during the year or since year-end in respect of options, and no options were exercised. No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issues of any other body corporate.

**REVIEW OF OPERATIONS**

**A. Operating Results and Financial position**

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.

The Company continues to be a developer of projects and has no revenue earning operations in production at this time.

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.

Following a refocus of the Group's activities and transforming its operating structure, the costs of business have reduced and cash flow strengthened.

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.

The Directors believe the Company's financial position is stable and allows it to proceed with its coal projects.

**B. Operations**

The Company has determined, through its existing Board, that the organisation is solely focused upon coal assets and, as such, the below Asset brief refers to this strategy.

**MORETON RESOURCES LTD**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**(i) Company Assets**

EPC 1445 Mackenzie

The Company holds asset EPC 1445, which is located within the world renowned Bowen Basin in central Queensland. The Company has a JORC-compliant resource estimate of 201Mt and is continuing to advance this project with further commitments within the 2014-2015 year. Surrounded by several significant and profitable PCI options, this potential underground asset is seen as a highly desirable asset that the Company intends to pursue as a significant future operation for the Company.

MDL 420 Wandoan

The Companies MDL 420, situated in the Surat Basin in southern Queensland is seen as a long-term strategic Asset that allows the Company to show a complete pipe line of potential development from near, mid through to long term. This asset has an existing rail line in place across the tenement and the current JORC-compliant resource estimate of 83Mt is seen as significantly understated. The Company will seek to advance its understanding of the total potential of this asset in 2015.

MDL 385 Kingaroy

The Company's MDL 385, strategically located in the Tarong Basin in south-eastern Queensland is seen as a commercially viable Asset that could significantly complement power generation activities. Having a JORC-compliant resource estimate of 221.2Mt, this asset is seen as a genuine mid-term prospect for the Company, and activities to advance this project are underway.

**(ii) Business strategies and prospects**

The strategy for 2014-2015, having just recovered from a very trying year, will be to maximise the Assets we currently have under our control, and look to opportunistically increase our prospects, through either organic growth, or strategic alliances or acquisitions.

The Company will continue to look to close-out all historical UCG issues, including further potential recoveries against the UCG activities and incident, however, there will be no advancement or interest in UCG from Moreton Resources Limited, as it closes out this chapter of the Company's history. The Company does not foresee any major business risks for 2014-2015, other than the risks inherent in the coal exploration industry.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Equity

Contributed equity increased during the financial year by \$689,674 (gross of transaction costs) as a result of:

- (1) The placement of 229,891,358 (at 0.3 of a cent) new, fully-paid ordinary shares to Sophisticated and Professional Investors in Australia, under the Company's 15% issuance capacity in accordance with Listing Rule 7.1, was announced to the market on 26 July 2013.
- (2) All Directors of the Company (at the time) participated in the placement, which was subject to shareholder approval being received at an Extraordinary General Meeting.
- (3) The placement was lead-managed and arranged by BW Equities Pty Limited (Melbourne). A select number of BW Equities' institutional and sophisticated investors, along with a number of top 10 shareholders, subscribed to Cougar energy's shares on this occasion. The settlement and placement took place on 31 July 2013.

The Company also borrowed and repaid loans totalling \$400,000 in the year.

Options on issue at the start of the year were forfeited and the Company continued to deregister its dormant subsidiaries.

Board changes

The Company Directors in November 2013 tendered their resignations as a result of the voting outcomes prepared for the AGM, and were replaced by Arthur Hood, Robert James Canning-Ure, John Charles Thomas and Alexander Jason Elks.

**MORETON RESOURCES LTD**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

The announcement of the update Kingaroy JORC-compliant resource estimate for MDL 385 for which is seen as significant, was announced on 24 July 2014.

The Board announced the permanent appointment of (Alexander) Jason Elks to the position of Chief Executive Officer. The appointment became effective on 01 July 2014.

The Board announced the appointments of Wayne Penning and Bret Leisemann as Non-Executive Directors on 12 August 2014.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Comments on the plans of the Company are made in the Managing Director's Report section of this Annual Report.

**ENVIRONMENTAL REGULATION**

The Company has no additional matters to report other than the details provided in the Managing Director's Report mainly in relation to its Kingaroy site.

**MEETINGS OF DIRECTORS**

Directors' and Board Committee meetings were held during the financial year ended 30 June 2014 as detailed.

	<b>Full Board</b> (17 meetings held in total)		<b>Audit &amp; Risk Committee</b> (2 meetings held in total)		<b>Remuneration Committee</b> (2 meetings held in total)	
<b>Director's Name</b>	<b>Eligible</b>	<b>Attended</b>	<b>Eligible</b>	<b>Attended</b>	<b>Eligible</b>	<b>Attended</b>
Arthur Hood <sup>(1)</sup>	8	8			1	1
Robert James Canning-Ure <sup>(1)</sup>	9	9	1	1	1	1
John Thomas <sup>(1)</sup>	8	8	1	1		
Alexander Jason Elks <sup>(1)</sup>	8	8			-	1
<b>Former Board</b>						
Andrew Matheson <sup>[2]</sup>	8	8	1	1	1	1
Andrew Purcell <sup>[2]</sup>	8	8	1	1	1	1
Eva Djauhari <sup>[2]</sup>	3	3				
Rob Neill <sup>[3]</sup>	4	4				

[1] Appointed 28 November 2013

[2] Resigned 28 November 2013

[3] Resigned 10 September 2013. Contract terminated on 10 December 2013.

**MORETON RESOURCES LTD  
DIRECTORS' REPORT (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2014**

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**REMUNERATION REPORT (AUDITED)**

This Remuneration Report, which forms part of the Directors' report, sets out information about the remuneration of the Company's Directors and key management personnel for the financial year ended 30 June 2014. The information provided within this report has been audited, as required by section 308(3C) of the Corporations Act 2001. The Report is set out under the following main headings:

- (A) Principles Used to Determine the Nature and Amount of Remuneration
- (B) Details of Remuneration
- (C) Service Agreements
- (D) Share-Based Compensation
- (E) Additional Information

At the AGM on 28 November 2013, the Remuneration report submitted by the Board for shareholder approval was not passed.

**(A) Principles Used to Determine the Nature and Amount of Remuneration**

The objectives of the Company's executive reward framework is designed to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice. The framework provides for a mix of fixed and other incentives in the form of options over unissued ordinary shares in the capital of the Company. As executives gain seniority within the Company, the balance of this mix shifts to a higher proportion of "at risk" long-term rewards. Long-term incentives are provided via the Company's Employees', Officers' and Consultants Option Plan 2007, which is currently under review. The Company, during the period, formed a Remuneration Committee comprising of the Non-Executive Board of Directors.

Fees and payments are set to reflect the demands that are made upon Non-Executive Directors, and the responsibilities of each Director. The Board reviews Non-Executive Directors' fees and payments annually. ASX listing rules require that the aggregate Non-Executive Directors' remuneration shall be determined periodically by a general meeting. The most recent determination was made at the Annual General Meeting held on 26 November 2010, where the shareholders approved an aggregate remuneration of \$250,000, which will also be put before the AGM of 2014, seeking to increase this to \$300,000.

The Company engaged a remuneration consultant, McDonald-Aon Hewitt, in 2014 to undertake an independent market review. The current Board has reassessed the remuneration structure of the Company and modified it to increase the goal congruence of shareholders, directors and executives. A fee of \$10,000 was paid to McDonald-Aon Hewitt for the review.

Directors and key management personnel are prohibited from entering hedge arrangements to limit risk exposure of remuneration, and from using equity interest as collateral for a financial transaction.

**(B) Details of Remuneration**

The key management personnel of the Group are the Directors and the following personnel, who reported directly to the Managing Director for the period of 01 July 2013– 31 March 2014 (excluding the CEO/Managing Director) were:

**Rajeev Chandra, Chief Financial Officer and Company Secretary <sup>(1)</sup>**

Mr Chandra was appointed Chief Financial Officer in September 2010 and Company Secretary in November 2011.

**Brad Glynne, General Manager – Corporate Finance & Investor Relations <sup>(1)</sup>**

Mr Glynne was appointed as General Manager, Corporate Finance and Investor Services in May 2009.

**Valeri Melik, General Manager - Project Services <sup>(2)</sup>**

Mr Melik commenced at Cougar Energy as Corporate Engineering Manager in 2008 and was appointed to General Manager, Project Services in early 2010.

**NOTES:**

(1) Terminated on 03 January 2014

(2) Ceased employment on 31 March 2014

**MORETON RESOURCES LTD**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**REMUNERATION REPORT (AUDITED) (CONT'D)**

<b>Name</b>	<b>Position held</b>
<b>Current Directors</b>	
Arthur Hood <sup>(1)</sup>	Non-Executive Director, Chairman of the Board and Remuneration Committee
Robert James Canning-Ure <sup>(1)</sup>	Non-Executive Director, Chairman of the Audit Committee and Member of the Remuneration Committee
John Thomas <sup>(1)</sup>	Non-Executive Director and Member of the Audit Committee
Alexander Jason Elks <sup>(1)</sup>	Executive Director and Chief Executive Officer
<b>Former Directors</b>	
Andrew Matheson <sup>(2)</sup>	Non-Executive Director, Chairman of the Board and Remuneration Committee
Andrew Purcell <sup>(2)</sup>	Non-Executive Director, Chairman of the Audit and Risk Committee
Eva Armilia Djauhari <sup>(6)</sup>	Non- Executive Director
<b>Former Executive Directors</b>	
Rob Neill <sup>(3)</sup>	Managing Director
<b>Former Executive Management</b>	
Rajeev Chandra <sup>(4)</sup>	Chief Financial Officer & Company Secretary
Brad Glynn <sup>(4)</sup>	General Manager - Corporate Finance and Investor Relations
Valeri Melik <sup>(5)</sup>	General Manager - Project Services

NOTES:

(1) Appointed 28 November 2013

(2) Resigned 28 November 2013

(3) Resigned 10 September. Contract terminated 10 December 2013

(4) Contract terminated on 03 January 2014

(5) Ceased employment on 31 March 2014

(6) Appointed 25 September 2013, resigned 28 November 2013.

Details concerning the remuneration of the Directors of the Company and the other key management personnel of the Group during the financial year ended 30 June 2014 are set out in the next section.

**(B) Details of Remuneration**

<b>Name</b>	<b>Short-Term Employee Benefits</b>	<b>Termination Payments</b>	<b>Non Monetary Benefits</b>	<b>Post- Employment Benefits</b>	<b>Share-Based Remuneration</b>	<b>Relative Proportion of:</b>		
	<b>Cash Salary and Fees</b>	<b>Cash</b>	<b>Parking/ Vehicle/Other</b>	<b>Superannuation (#)</b>	<b>Management Options</b>	<b>Total Remuneration</b>	<b>Fixed Remuneration</b>	<b>Performance Related Remuneration</b>
<b>Current Directors</b>								
Arthur Hood	24,584	-	-	20,801	-	45,385	100%	-
James Canning-Ure	25,666	-	-	-	-	25,666	100%	-
John Thomas	25,666	-	-	-	-	25,666	100%	-
Alexander Jason Elks	112,294	-	-	10,386	-	122,680	100%	-
<b>Former Directors</b>								
R Neill <sup>(1)</sup>	133,448	22,878	-	14,460	(6,008)	164,778	96%	4%
A Matheson <sup>(2)</sup>	31,250	-	-	2,890	-	34,140	100%	-
A Purcell <sup>(2)</sup>	22,916	-	-	2,119	-	25,035	100%	-
E Armila Djauhari <sup>(2)</sup>	11,453	-	-	-	-	11,453	100%	-
<b>Former Executive</b>								
R Chandra <sup>(3)</sup>	95,507	5,619	-	9,354	-	110,480	100%	-
B Glynn <sup>(3)</sup>	106,776	6,113	-	10,495	-	123,384	100%	-
V Melik <sup>(4)</sup>	137,812	17,206	-	14,339	-	169,357	100%	-
<b>Remuneration totals</b>	<b>727,372</b>	<b>51,816</b>	<b>-</b>	<b>84,844</b>	<b>(6,008)</b>	<b>858,024</b>		

NOTES

(#) The Company pays superannuation at the specified rate. Amounts shown are inclusive of salary sacrifice arrangements by the employee.

(1) Mr Neill resigned on 10 September 2013 with a termination date of 10 December 2013.

(2) Resigned on 28 November 2013 with immediate effect.

(3) Employment contract was terminated on 03 January 2014

(4) Ceased employment on 31 March 2014.

**MORETON RESOURCES LTD  
DIRECTORS' REPORT (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2014**

**REMUNERATION REPORT (AUDITED) (CONT'D)**

	Short-Term Employee Benefits	Termination Payments	Non Monetary Benefits	Post- Employment Benefits	Share-Based Remuneration			
							Relative Proportion of:	
	Cash Salary and Fees	Cash	Parking/ Vehicle/Other	Superannuation (#)	Management Options	Total Remuneration	Fixed Remuneration	Performance Related Remuneration
Name	\$	\$	\$	\$	\$	\$	%	%
<b>2013</b>								
<b>Directors</b>								
R Neill	274,344	-	14,073	15,097	6,008	309,522	98%	2%
A Matheson	22,981	-	-	2,068	-	25,049	100%	-
A Purcell	16,853	-	-	1,517	-	18,370	100%	-
<b>Former Directors</b>								
M McAully (1)	75,304	-	-	12,013	-	87,317	100%	-
L Walker (2)	216,750	141,667	29,669	25,000	-	413,086	100%	-
S Christensen (3)	56,599	-	-	3,087	-	59,686	100%	-
<b>Executives</b>								
R Chandra	188,041	-	-	22,470	-	210,511	100%	-
B Glynne	207,286	-	-	25,000	-	232,286	100%	-
V Melik	183,750	-	-	16,470	-	200,220	100%	-
<b>Former Executives</b>								
K Garner (4)	164,205	40,000	46,702	-	-	250,907	100%	-
<b>Remuneration Totals</b>	<b>1,406,113</b>	<b>181,667</b>	<b>90,444</b>	<b>122,722</b>	<b>6,008</b>	<b>1,806,954</b>	<b>100%</b>	<b>&lt;1%</b>

(#) The Company pays superannuation at the specified 9%. Amounts shown are inclusive of salary sacrifice arrangements by the employee.

- (1) Payments to Mr McAully include consulting fees totalling \$38,721 (2012: \$35,194) through MJ McAully Management Consulting and for serving on the Funding Committee.
- (2) Includes payments for termination (equivalent to 6 months salary) and annual leave as per Dr Walker's employment contract.
- (3) Payments to Ms Christensen include fees totalling \$22,304 (2012: \$37,250) for serving on the Funding Committee and commercial legal advice through Sarjan Consulting Pty Limited, a company of which Ms. Christensen is a Director.
- (4) Mr Garner's services were terminated on 15 March 2013. His payments are translated to Australian Dollars during the year. Post balance date it was agreed that he will be paid an additional sum included in this table for remuneration and legal costs in relation to his employment.

**(C) Service Agreements**

The remuneration and other terms of employment for the Managing Director, and other key management personnel are formalised in service agreements. Each agreement sets out the components of each person's total remuneration package. Typically, these components may include a base salary, superannuation, salary sacrificed superannuation, reimbursement of professional fees, provision of a motor vehicle and eligibility for participation in the Company's Share Options plans. All contracts with executives may be terminated early by either party with notice periods set out in the table below, subject to termination payments based on no misconduct. Other major provisions are set out below.

	Agreement Term	Start date	End Date	Base Salary including superannuation \$	Other Benefits	Notice period (months)
<b>Directors</b>						
Jason Elks <sup>(1)</sup>	7 months	01-12-2013	30-06-2014	\$210,306	n/a	2 weeks
Rob Neill <sup>(2)</sup>	n/s	06-08-2012	n/s	\$320,000	Options	6 months
<b>Executives</b>						
Rajeev Chandra <sup>(3)</sup>	n/s	03-09-2010	n/s	\$211,988	Professional Fees	3 months
Brad Glynne <sup>(4)</sup>	n/s	04-05-2009	n/s	\$235,779	n/s	No less than 3 months
Valeri Melik	n/s	18-08-2008	n/s	\$200,747	n/s	3 months

n/s Not specified in the respective agreement.

- (1) Actual base salary and statutory superannuation guarantee contribution for the period of 12 months, however this should be prorated for the 7 month period. Of note also is the contract was for a Part Time capacity of 3 days per week. Mr Elks employment has been renewed commencing 1 July 2014 on revised terms and conditions.

**MORETON RESOURCES LTD  
DIRECTORS' REPORT (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2014**

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**REMUNERATION REPORT (AUDITED) (CONT'D)**

- (2) Under Mr Neill's employment contract, he had been granted three tranches of share based compensation. Each tranche consists of 1,000,000 options with exercise prices of \$0.02, \$0.04, and \$0.08 per share for each respective tranche and full vesting to occur over two years from the commencement of his employment. These options were approved by shareholders at the Company's 2012 Annual General Meeting. Mr Neill was also eligible to participate in short and long-term incentive schemes as determined by the Company from time to time. This contract has been terminated and all options have been forfeited.
- (3) Mr Chandra is required to give minimum one month's notice of resignation. This contract has been terminated.
- (4) If the Company undergoes a change of control through a shareholder owning more than 50% of the Company's share capital, the required notice of termination by the Company will be extended to twelve months. This contract has been terminated.

Non-Executive Directors have contractual service agreements stipulating board services to Moreton Resources on usual commercial terms and conditions. The maximum amount of fees paid to Directors is set by shareholders.

**(D) Share-Based Remuneration**

Employee Share Scheme

The Company does not have an employee share scheme.

Management Share Options

The current Board has determined that the existing Options Plan of American call options over unissued fully paid ordinary shares in the capital of the Company (which are proposed to be granted under the Company's *Employees', Officers' and Consultants 2007 Option Plan*), that was approved by shareholders at the 2007, 2010 and 2013 Annual General Meetings, is no longer appropriate. The Options Plan will be updated and presented to Shareholders at the AGM in 2015. Options issued in the 2013 financial year have been forfeited in the current year.

The fair value of options granted as remuneration is determined in accordance with Australian Accounting Standards and is recognised as an expense over the relevant vesting period where vesting conditions are satisfied. Option holdings are also set out in note 25 in the Financial Report. Key management personnel shareholdings are set out in an earlier section of the Directors' Report, and in note 25 in the financial report. Ordinary shares are not granted as remuneration, but key management personnel may hold shares in a shareholder capacity (see note 25).

**(E) Additional Information**

There were no loans to Directors or key management personnel of the Company during the year. The Company did receive a loan during the year from Mr Elks in his capacity as a major shareholder – see below. There were no other transactions with key management personnel in the year.

**This is the end of the remuneration report, which has been audited.**

**MORETON RESOURCES LTD  
DIRECTORS' REPORT (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2014**

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**LOANS TO DIRECTORS AND EXECUTIVES**

There were no loans to Directors of the Company or key management personnel of the Company during the financial year.

**LOANS FROM SUBSTANTIAL SHAREHOLDERS TO THE COMPANY**

The Company entered into a secured loan funding agreement with the Company's two largest shareholders, Mr Philip Feitelson and Mr Alexander Jason Elks (Lenders). Mr Elks is also a Director of the Company. The funding facility was for A\$500,000. Only \$400,000 of the structure secured loan was drawn upon and this was repaid in full on 20 May 2014. Funding provided by Mr Elks was \$150,000 and interest incurred was \$7,972 (10% per annum) – refer to note 16 in the financial statements for details. The new Board identified the need for this short-term interim funding arrangement and was pleased to have obtained this loan without diluting the shareholders' investment in Moreton Resources.

**INDEMNIFICATION OF OFFICERS**

The Company has agreed to indemnify the officers of the Company and its controlled entities to the maximum extent permitted by law, for all liabilities incurred by the officers and all legal and other costs and expenses arising from any proceedings or investigations, incurred by them, as a consequence of them having been an officer of the Company. The Company has paid premiums to insure the Directors for costs and expenses incurred in defending proceedings arising from their conduct as Directors, other than conduct involving unlawful breach of duty.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

**NON-AUDIT SERVICES**

Apart from auditing services, the Company's auditors did not provide any other services to the Company, either during or since the end of the financial year. No amounts were therefore paid or payable to the Company's auditor for any non-audit services.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 follows this report.

**AUDITOR**

Hayes Knight Audit (QLD) Pty Ltd was appointed as the Company's auditor on 8 July 2014 and continues in office in accordance with section 327 of the Corporations Act 2001.

**RESOLUTION OF THE DIRECTORS**

This report is made and signed in accordance with a resolution of the Directors pursuant to section 298(2) of the Corporations Act 2001.



**Alexander Jason Elks**  
Chief Executive Officer

06 August 2014  
Brisbane





**Hayes Knight**  
Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd  
ABN 49 115 261 722  
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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 LTD**  
**CORPORATE GOVERNANCE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

The Board of Directors of Moreton Resources Ltd is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders, by whom they are elected and to whom they are accountable.

**COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE COUNCILS PRINCIPLES AND RECOMMENDATIONS**

The following table summarises the Company's compliance with the second edition of the ASX Corporate Governance Council's Principles and Recommendations ('ASX Governance Principles').

Principles and Recommendations		Adoption Yes/No	If not, Explanation Provided
<b>Principle 1 – Lay solid foundations for management and oversight</b>			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	
<b>Principle 2: Structure the Board to add value</b>			
2.1	A majority of the board should be independent directors.	Yes	
2.2	The chair should be an independent director.	Yes	
2.3	The roles of chair & managing director should not be exercised by the same individual.	Yes	
2.4	The board should establish a nomination committee.	No	Yes
2.5	Companies should disclose the process for evaluating the performance of the board its committees and individual directors.	Yes	
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	
<b>Principle 3: Promote ethical and responsible decision-making</b>			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the Company's integrity</li> <li>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and</li> <li>the responsibility and accountability of individual for reporting and investigating reports of unethical practices.</li> </ul>	Yes	
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of the policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Yes	
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes	
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	

**MORETON RESOURCES LTD**  
**CORPORATE GOVERNANCE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

<b>Principle 4 – Safeguard integrity in financial reporting</b>			
4.1	The board should establish an audit committee.	Yes	
4.2	The audit committee should be structured so that it consists of only Non-Executive Directors, a majority of independent directors, is chaired by an independent chair, who is not the chair of the board and have at least three members.	Yes	
4.3	The audit committee should have a formal charter.	Yes	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	
<b>Principle 5 – Make timely and balanced disclosure</b>			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	
<b>Principle 6 – Respect the Rights of Shareholders</b>			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	
<b>Principle 7 – Recognise and manage risk</b>			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of these policies.	Yes	
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	
7.3	The board should disclose whether it has received assurance from the managing director (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	
<b>Principle 8 – Remunerate fairly and responsibly</b>			
8.1	The board should establish a remuneration committee.	Yes	
8.2	The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members.	No	Yes
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of executive directors and senior executives.	Yes	
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	

**MORETON RESOURCES LTD**  
**CORPORATE GOVERNANCE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**Principle 1: Lay solid foundations for management and oversight**

The Board of Directors of Moreton Resources Ltd (Board) is responsible for the overall corporate governance of the Company. The Board has adopted a board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. A copy of the Board Charter is available on the Company's website.

The Company has established a formal process for evaluating the performance of senior executives which involves a performance and development review cycle where responsibilities and performance objectives are defined and regular feedback is provided through structured performance review meetings held annually. The performance of all senior executives has been reviewed in accordance with this process. The Company has formed a Remuneration Committee of the Board to further formally evaluate this process.

**Principle 2: Structure the Board to add value**

The majority of the Board's Directors are Non-Executive Directors. The Company's Chairman joined as an independent, Non-Executive Director of the Board, however, has since become eligible for unlisted options dependent upon performance.

The offices of the Company's Chairman and Managing Director are not held by the same individual.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their period in office are detailed in the Directors' Report. Given the relative size of the Company, the interests of the shareholders and the stage of its development, the Directors consider the current Board composition as appropriate. The situation will be monitored and changed in line with best practice as and when the Directors feel the company is of sufficient size.

A nomination committee has not been formed under recommendation 2.4. The Board executes the functions of a nominations committee. The Board has not established a nomination committee. Given its size, the Board has determined that it will execute the functions of a nomination committee and that a separate committee is unnecessary.

The Board as a whole considers the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise. A Director is considered independent when he or she substantially satisfies the test for independence as set out in the ASX Corporate Governance Principles. Members of the Board are able to seek independent professional advice at the expense of the Company when required. Full details of the Directors are disclosed in the Directors' Report contained in this Annual Report.

**Principle 3: Promote ethical and responsible decision making**

The Board has adopted a code of conduct reflecting the guidelines in Principle 3.1. The Company has adopted a diversity policy reflecting the guidelines in Principle 3.2. The Company has a diversity policy but its current staff size and nature of operations precludes it from setting or reporting any meaningful objective. The number of women employees in the organisation numbered one (representing 50%) with no women on the Board or in executive positions. Copies of the code of conduct and diversity policy are available on the Company's website.

**Principle 4: Safeguard integrity in financial reporting**

The Board has established an audit and risk committee to focus on issues relevant to the integrity of the Company's financial reporting. The committee consists of two Non-Executive Directors. The Board has adopted an audit and risk committee charter, a copy of which is available on the Company's website. The audit and risk committee meets at least every six months. The names and qualifications of the members of the audit and risk committee are disclosed in the Directors' Report contained within this Annual Report.

The external audit firm partner or an appropriate delegate responsible for the Company audit attends meetings of the Board and Audit Committee by invitation.

**Principle 5: Make timely and balanced disclosure**

The Company has adopted a continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. The Company's continuous disclosure policy is available on the Company's website.

**MORETON RESOURCES LTD**  
**CORPORATE GOVERNANCE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**Principle 6: Respect the rights of Shareholders**

The Company has adopted a shareholder communications policy. The Company uses its website, Annual Report and periodic announcements and letters to communicate with its shareholders. It also encourages shareholder participation at its general meetings. The Company has adopted a Shareholder Communications Policy, which is available on the Company's website.

**Principle 7: Recognise and manage risk**

The Company has adopted a Risk Management Policy. The audit and risk committee is responsible for managing risk, however, ultimate responsibility for risk oversight and risk management rests with the full Board. The Company has identified key risks within the business. In the ordinary course of business, Management monitors and manages these risks on a regular basis.

The Company has a risk register that records the likelihood and consequence of risks within the business and which management uses to monitor material business risks as and when they arise. Management has reported to the Board on the effectiveness of the Company's management of its material risks. The Board and Management have adopted a risk Management framework.

**Principle 8: Remunerate fairly and responsibly**

The Board has established a Remuneration Committee and the Committee consists of two Non-Executive Directors. The Remuneration Committee oversees all matters relating to remuneration and distinguishes the structure required by Principle 8.3.

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

	Notes	30 June 2014 \$	30 June 2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
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
<b>Total Current Assets</b>		<b>7,714,472</b>	<b>2,533,382</b>
<b>Non-Current Assets</b>			
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
<b>Total Non-Current Assets</b>		<b>1,978,547</b>	<b>2,188,437</b>
<b>TOTAL ASSETS</b>		<b>9,693,019</b>	<b>4,721,819</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	17	881,583	895,300
Provisions	18	1,235,227	1,297,415
<b>Total Current Liabilities</b>		<b>2,116,810</b>	<b>2,192,715</b>
<b>Non-Current Liabilities</b>			
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>2,116,810</b>	<b>2,192,715</b>
<b>NET ASSETS</b>		<b>7,576,209</b>	<b>2,529,104</b>
<b>EQUITY</b>			
Contributed equity	19	74,092,375	73,454,623
Reserves		-	(29,189)
Accumulated losses		(66,516,166)	(70,866,394)
<b>Total Equity Attributable to Equity Holders of the Parent Entity</b>		<b>7,576,209</b>	<b>2,559,040</b>
Add non-controlling interests in the net assets of controlled entities		-	(29,936)
<b>TOTAL EQUITY</b>		<b>7,576,209</b>	<b>2,529,104</b>

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

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

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

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		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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
<b>Net cash inflow/(outflow) from operating activities</b>	<b>21</b>	<b>4,959,523</b>	<b>(1,634,683)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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
<b>Net cash inflow/(outflow) from investing activities</b>		<b>808,786</b>	<b>(1,059,425)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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)
<b>Net cash inflow from financing activities</b>		<b>637,752</b>	<b>1,449,896</b>
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
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>10</b>	<b>7,636,779</b>	<b>1,230,718</b>

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**

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**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**

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**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:

<b>Asset Class</b>	<b>Useful Life (years)</b>
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**

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**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 Australian 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**

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**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**

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**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**

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**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**

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**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 re-measurements 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**

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**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**

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**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**

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**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 ageing 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)**

		<b>Consolidated Group</b>	
	<b>Notes</b>	<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>			
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
<b>Total Financial Assets</b>		<b>7,714,472</b>	<b>2,533,382</b>
<b>Financial Liabilities</b>			
Trade and other payables	17	881,583	895,300
<b>Total Financial Liabilities</b>		<b>881,583</b>	<b>895,300</b>
<b>Net Financial Assets</b>		<b>6,832,889</b>	<b>1,638,082</b>

**(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.

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

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)**

		<b>Consolidated Group</b>	
	<b>Notes</b>	<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b><u>Financial Assets</u></b>			
Cash and cash equivalents	10	<b>7,636,779</b>	1,230,718
Other financial assets (term deposits)	12	-	1,179,264
<b>Total Financial Assets</b>		<b>7,636,779</b>	<b>2,409,982</b>
<b><u>Financial Liabilities</u></b>			
<b>Total Financial Liabilities</b>		-	-
<b>Net Financial Assets Exposed to Cash Flow Interest Rate Risk</b>		<b>7,636,779</b>	<b>2,409,982</b>
<b><u>Sensitivity Analysis</u></b>			
<b><u>Effect on Loss after Income Tax – Higher/(Lower)</u></b>			
1% increase in interest rates		<b>76,368</b>	23,782
1% decrease in interest rates		<b>(76,368)</b>	(23,782)
<b><u>Effect on Equity – Higher/(Lower)</u></b>			
1% increase in interest rates		<b>76,368</b>	23,782
1% decrease in interest rates		<b>(76,368)</b>	(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	\$	\$
<b>NOTE 5: REVENUE</b>		
<b>Revenue from Continuing Operations</b>		
Interest received	58,714	102,344
Interest received - ATO	77,525	-
<b>Revenue</b>	<b>136,239</b>	<b>102,344</b>

**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
	<b>150,030</b>	<b>235,479</b>
<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**

	<b>Consolidated Group</b>	
	<b>2014</b>	<b>2013</b>
<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b><u>NOTE 8: INCOME TAX EXPENSE</u></b>		
<b><u>(a) Income Tax Benefit (Expense)</u></b>		
Current income tax	<b>7,104,744</b>	473,476
Deferred income tax expense	-	-
<b>Income Tax Benefit</b>	<b>7,104,744</b>	473,476
<b><u>(b) Numerical Reconciliation of Income Tax Benefit to Prima Facie Tax Payable</u></b>		
Loss from continuing operations	<b>(2,719,319)</b>	(3,825,990)
Total loss before income tax for the year	<b>(2,719,319)</b>	(3,825,990)
Tax at the Australian tax rate of 30% (2013: 30%)	<b>(815,795)</b>	(1,147,797)
Add/(less) the tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Write downs on intangible assets	<b>130,008</b>	-
Other non-deductible costs (legals, fines etc)	<b>76,966</b>	-
Exploration expenditure capitalised	<b>(99,283)</b>	-
Share issue costs recognised directly in equity	<b>(31,147)</b>	(27,932)
Other deductible expenses	<b>(22,429)</b>	-
Impairment of exploration assets	-	170,000
Deferred tax assets not brought to account	<b>761,680</b>	994,484
Differences in overseas corporate tax rates	-	(6,614)
R&D tax offset received	<b>7,104,744</b>	(473,476)
<b>Total income tax benefit</b>	<b>7,104,744</b>	(473,476)
<b><u>(c) Unused Tax Losses Not Recognised as a Deferred Tax Asset</u></b>		
Taxable value of unused tax losses for which no deferred tax asset has been recognised:		
Tax losses on capital account	<b>516,863</b>	516,863
Tax losses on revenue account	<b>18,009,137</b>	16,788,625
<b>Total unrecognised tax losses carried forward</b>	<b>18,526,000</b>	17,305,488
<b>Potential tax benefit of losses @ 30% (2013: 30%)</b>	<b>5,557,801</b>	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
		\$	\$
<b>NOTE 8: INCOME TAX EXPENSE (CONT'D)</b>			
<b><u>(d) Unrecognised temporary differences in relation to investments in controlled entities</u></b>			
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)
<b>Total unrecognised temporary differences (Deferred Tax assets)</b>		<b>-</b>	<b>(763,467)</b>
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
	\$	\$
<b>Information relating to Moreton Resources Limited:</b>		
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**  
**FOR THE YEAR ENDED 30 JUNE 2014**

		Consolidated Group 2014	2013
	Notes	\$	\$
<b>NOTE 10: CASH AND CASH EQUIVALENTS</b>			
Cash at bank and on hand		<b>6,887,473</b>	564,193
Term deposits securing bank guarantees given	(a)	<b>749,306</b>	666,525
<b>Total cash and cash equivalents</b>		<b>7,636,779</b>	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	<b>30,695</b>	26,484
Interest receivable	<b>239</b>	1,771
Prepayments	<b>22,163</b>	37,737
Goods and Services Tax (GST) recoverable	<b>20,158</b>	57,408
<b>Total trade and other receivables</b>	<b>73,255</b>	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		<b>4,438</b>	31,764
Term deposits securing bank guarantees given	10 (ii)	-	1,147,500
<b>Total other financial assets</b>		<b>4,438</b>	1,179,264

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

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

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)**

<b>(e) Tenements</b> <b>Licence Holder</b>	<b>Licence</b> <b>Number</b>	<b>Projects</b> <b>Location</b>	<b>Grant</b> <b>Date</b>	<b>Equity Interest (%)</b>	
				<b>2014</b>	<b>2013</b>
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 in care and maintenance. An application for the renewal of MDL 385 has also been lodged and we await the approval of this renewal. DERM have advised that mineral "f" will be removed from MDL 385 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 MDL 420 to cover the entire footprint of MDL 1118.

**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 \$
<b><u>2014 FINANCIAL YEAR</u></b>			
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)
<b>Balance at the end of the year</b>	<b>10,076</b>	<b>73,929</b>	<b>84,005</b>

**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)
<b>Balance at the end of the year</b>	<b>52,744</b>	<b>138,734</b>	<b>191,478</b>

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**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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

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	<b>6,052,761</b>	6,052,761
Deconsolidation of subsidiaries	<b>(6,052,761)</b>	-
	-	6,052,761

**(ii) Movement in the Impairment Allowance**

Balance at the start of the financial year	<b>(6,052,761)</b>	(6,052,761)
Deconsolidation of subsidiaries	<b>6,052,761</b>	-
<b>Balance at the end of the financial year</b>	-	(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**

		<b>Consolidated Group</b>	
		<b>2014</b>	<b>2013</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>

**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	<b>325,073</b>	613,978
Unmarketable parcel share sales*	<b>347,211</b>	-
Accrued expenses	<b>193,007</b>	218,589
Payroll-related creditors	<b>16,292</b>	62,733
<b>Total Trade and Other Payables</b>	<b>881,583</b>	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)	<b>8,716</b>	70,904
Provision for restoration Kingaroy Pilot Plant (*)	<b>1,226,511</b>	1,226,511
<b>Total Current Provisions</b>	<b>1,235,227</b>	1,297,415

**(\*) Provision for restoration Kingaroy Pilot Plant**

Provision at the start of the year	<b>1,226,511</b>	1,226,511
Charge for the year	-	-
<b>Total Kingaroy Pilot Plant Provisions</b>	<b>1,226,511</b>	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**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	Consolidated Group				
	Issue Price \$	Securities Issued 2014 Number	Gross Proceeds 2014 \$	Securities Issued 2013 Number	Gross Proceeds 2013 \$
<b>NOTE 19: EQUITY- CONTRIBUTED</b>					
<b>(a) Movements in Fully Paid Ordinary Shares</b>					
Contributed equity at the start of the financial year		<b>1,559,275,714</b>	<b>73,454,623</b>	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	<b>214,916,665</b>	<b>644,750</b>	-	-
New shares issued – share placement	0.003	<b>14,974,693</b>	<b>44,924</b>	-	-
Less share issue transaction costs		-	<b>(51,922)</b>	-	<b>(93,104)</b>
<b>Contributed equity from ordinary shares</b>		<b>1,789,167,072</b>	<b>74,092,375</b>	<b>1,599,275,714</b>	<b>73,554,623</b>

[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)
<b>Total Contributed equity</b>	<b>1,789,167,072</b>	<b>74,092,375</b>	<b>1,599,275,714</b>	<b>73,454,623</b>

**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**  
**FOR THE YEAR ENDED 30 JUNE 2014**

		Consolidated Group	
	Notes	2014	2013
		\$	\$
<b>NOTE 20: EQUITY –OPTIONS</b>			
<u>Share-based payments reserves:</u>			
Unlisted options granted to management	20 (a)	-	6,008
<b>Total share-based payment reserve</b>		<b>-</b>	<b>6,008</b>

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

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 Directors' Report provides further details about these options, including their respective exercise prices and expiry dates.

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

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

**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**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	Consolidated Group 2014 \$	2013 \$
<b>NOTE 23: EARNINGS PER SHARE</b>			
<b>(a) <u>Reconciliations of the Earnings/(Loss) Used In Calculating Earnings/(Loss) Per Share</u></b>			
<b>Basic and Diluted Earnings/(loss) Per Share</b>			
Total profit/(loss) after income tax from continuing operations		<b>4,385,425</b>	(3,352,514)
Add back loss after income tax from continuing operations attributable to minority interests in controlled entities		-	50,075
<b>Profit/(Loss) after income tax from continuing operations attributable to the ordinary equity holders of the Parent Entity</b>	(i)	<b>4,385,425</b>	(3,302,439)
<b>Net profit/(loss) after income tax attributable to the ordinary equity holders of the Parent Entity</b>	(ii)	<b>4,385,425</b>	(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	<b>1,764,318,448</b>	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	<b>1,764,318,448</b>	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	<b>727,372</b>	1,496,557
Post-employment benefits	<b>84,844</b>	122,722
Other long-term benefits	-	-
Termination benefits	<b>51,816</b>	181,667
Share-based payments	<b>(6,008)</b>	6,008
<b>Total compensation</b>	<b>858,024</b>	1,806,954

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

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

**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
<b>2014</b>						
Arthur Hood	-	-	-	-	-	-
James Canning-Ure	-	-	-	-	-	-
John Thomas	-	-	-	-	-	-
Jason Elks	-	-	-	-	-	-
Rob Neill	3,000,000	-	-	(3,000,000)	-	-
<b>Total number</b>	<b>3,000,000</b>	<b>-</b>	<b>-</b>	<b>(3,000,000)</b>	<b>-</b>	<b>-</b>
<b>2013</b>						
<b>Director</b>						
Rob Neill	-	3,000,000	-	-	3,000,000	-
<b>Total number</b>	<b>-</b>	<b>3,000,000</b>	<b>-</b>	<b>-</b>	<b>3,000,000</b>	<b>-</b>

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

**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*
<b>2014</b>							
<b><u>Current Directors</u></b>							
Arthur Hood	-	-	-	-	-	-	-
Robert James Canning-Ure	-	-	-	-	-	-	-
John Thomas**	10,310,000	-	-	-	-	-	10,310,000
Jason Elks**	102,455,823	59,400,000	-	-	-	-	161,855,823
<b><u>Previous Directors</u></b>							
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
<b><u>Previous Key Personnel</u></b>							
Rajeev Chandra*	206,000	-	-	-	-	-	206,000
Valeri Melik*	41,786	-	-	-	-	-	41,786
<b>Total number</b>	<b>117,013,609</b>	<b>74,374,693</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>191,388,302</b>
<b>2013</b>							
<b><u>Directors</u></b>							
Andrew Matheson	-	2,000,000	-	-	-	-	2,000,000
Andrew Purcell	-	1,000,000	-	-	-	-	1,000,000
Rob Neill	-	1,000,000	-	-	-	-	1,000,000
<b><u>Previous Directors</u></b>							
Malcolm McAully*	620,865	-	-	-	-	-	620,865
Len Walker*	108,836,948	-	-	-	-	-	108,836,948
<b><u>Key Personnel</u></b>							
Rajeev Chandra	6,000	-	-	-	-	-	6,000
Valeri Melik	41,786	-	-	-	-	-	41,786
Kevin Garner*	1,142,422	-	-	-	-	-	1,142,422
<b>Total number</b>	<b>110,648,021</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114,648,021</b>

\*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 Jason 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
<b>2014</b>								
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)	-	-
<b>Total Number</b>			<b>3,000,000</b>	-	-	<b>(3,000,000)</b>	-	-
<b>Weighted average exercise price</b>			<b>\$0.05</b>	-	-	-	-	-
<b>2013</b>								
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	-
<b>Total Number</b>			-	<b>3,000,000</b>	-	-	<b>3,000,000</b>	<b>1,000,000</b>
<b>Weighted average exercise price</b>			-	<b>\$0.05</b>	-	-	<b>\$0.05</b>	-

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

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

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

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

**(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	-	-
<b>Total non-cancellable operating lease commitments</b>	<b>-</b>	<b>21,312</b>



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

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**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.

<b>Effective Date</b>	<b>Transaction Details and Financial Impact:</b>
08 July 2014	Removal / Appointment of Auditor
24 July 2014	The Company announced an update of the Kingaroy JORC-compliant resource estimate 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**

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

1. the financial statements and notes to the financial statements, set out on pages 22-57, and the remuneration disclosures that are contained within the remuneration report within the Directors' Report, set out on pages 7-16 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. gives 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



**Hayes Knight**

Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd

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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.

**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

## MORETON RESOURCES LTD

### SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange (ASX) listing rules. Information is as at 05 August 2014.

#### **(a) DISTRIBUTION OF EQUITY SECURITIES**

An analysis of the numbers of each class of equity security holders by the size of their holdings follows.

Security Holding Range:		Listed Fully paid Ordinary Shares	Unlisted Management Options	Unlisted Project Financier Options
1	- 1,000	87	-	-
1,001	- 5,000	76	-	-
5,001	- 10,000	165	-	-
10,001	- 100,000	756	-	-
100,001	and over	1,703	-	-
<b>Totals</b>		<b>2,787</b>	-	-
<b>Number of securities in a marketable parcel of \$500</b>		<b>100,000</b>	-	-
<b>Number of security holders with less than a marketable parcel</b>		<b>980</b>	-	-

#### **(b) EQUITY SECURITY HOLDERS**

(i) Twenty largest quoted equity security holders.

The names of the twenty largest holders of quoted equity securities are set out below.

Name of Equity Holder		Listed Fully Paid Ordinary Shares	
		Number Held	Percentage of Issued Capital (#)
1	MR PHILIP ANTHONY FEITELSON	247,266,667	13.52
2	MR ALEXANDER JASON ELKS	161,855,823	8.85
3	THE PROMENADE COFFS HARBOUR PTY LTD	47,400,000	2.59
4	MR PHILIP ANTHONY FEITELSON	33,333,333	1.82
5	LIMITLESS INTERNATIONAL HOLDINGS PTY LTD	28,571,429	1.56
6	BELROSE CONSULTING PTY LTD	19,750,000	1.08
7	MR ALISTER DESMOND COLLINGS & MRS SHIRLEY MARGARET JANE COLLINGS	16,966,666	0.93
8	MR JASON WORLEY	13,025,000	0.71
9	MR COLIN GEOFFREY ANDREWS	13,000,000	0.71
10	MR HOWARD SCOTT SCHMIDT & MRS KATHRYN ALISON SCHMIDT	12,910,690	0.71
11	NEWBETT PTY LTD	12,500,000	0.68
12	MR AARON ORYA	12,365,600	0.68
13	MR DONALD LANSBURY DILLON & MS KATHRYN MARY LAMBERT <DILLON SUPER FUND A/C>	11,001,215	0.60
14	AARAN GROUP (WA) PTY LTD <HARKRISH SUPERFUND A/C>	10,500,000	0.57
15	TODSTEAD SUPERANNUATION PTY LTD <THE THOMAS FAMILY S/F A/C>	10,310,000	0.56
16	MR ALEXANDER CAMPBELL SMITH	10,008,698	0.55
17	MR NEIL CAGANOFF	10,000,000	0.55
18	CJK HOLDINGS PTY LTD <CONOR KERSH SUPER FUND A/C>	10,000,000	0.55
19	MR LINDSAY GEORGE DUDFIELD & MRS YVONNE SHEILA DOLING DUDFIELD	10,000,000	0.55
20	MR HARSH MAKADIA & MRS KRISHNA MAKADIA <HARKRISH FAMILY A/C>	10,000,000	0.55

# Individual percentages vary due to rounding.

## MORETON RESOURCES LTD SHAREHOLDER INFORMATION (CON'T)

### **(b) EQUITY SECURITY HOLDERS (CONT'D)**

#### **(ii) Unquoted Equity Securities**

All previously issued options have been forfeited.

### **(c) SUBSTANTIAL EQUITY HOLDERS**

The Parent Entity's substantial equity holders are set out below.

Name of Equity Holder	Listed Fully Paid Ordinary Shares		Unlisted Options *	
	Number Held	Percentage of Issued Capital	Number Held	Percentage of Issued Capital
Feitelson Group (Mr PA Feitelson, The Promenade Coffs Harbour Pty Ltd)	328,000,000	17.93%		
Mr Alexander Jason Elks	161,855,823	8.85%		

\* = Options over unissued ordinary shares do not form part of substantial holder calculations.

### **(d) VOTING RIGHTS**

The voting rights attaching to each class of equity securities of the Parent Entity is set out below.

#### **(i) Listed Fully Paid Ordinary Shares**

On a show of hands every member present at a meeting in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.

#### **(ii) Unlisted Fully Paid Options**

All classes of the Company's unlisted options have no voting rights.

### **(e) 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

An application for the renewal of MDL 385 has also been lodged and we await the approval of this renewal.

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