



Quarterly Report

31 March 2014

MORETON RESOURCES

CREATING VALUE FROM CARBON MATERIALS AND ENERGY

Quarterly Summary

The last quarter for Moreton Resources has been a highly productive but also challenging period. A significant amount of Corporate Governance has been undertaken by the new Board and Management.

Overall, the future prospects and outlook for the remainder of 2014 and into 2015 are encouraging based upon a first pass geological data review of our three coal assets as we follow our strategy to become a coal explorer and producer. As we continue to review this data, further information will be provided to the market as it becomes available.

The review of our corporate governance and support services has been very beneficial in reducing costs for the Company. All areas of the Company have been reviewed, assessed and where appropriate action taken to either bring costs into order or activities to a standard, that an ASX Company should have as a minimum.

The market has seen our share price fluctuating by 0.001 and a 0.002 uplift, which is a 50-100% increase on our all-time lows just prior to the new Board stepping in and the focus of the board is to continue to consider strategies and options, that will maximise the return to our shareholders.

1.0 Corporate

As an outcome of a total review, the following agreements have been a priority for our new Management team throughout this quarter, to ensure we have cost effective and competent support services, and as such the following consultancies have been engaged to support the Company moving forward:

- Geological Data Design (GDD)
- McMahon Clarke, as our legal advisor
- Link Market Services
- Chalk Communications
- Novoss IT Support

This has allowed the company to advance significant corporate governance activities throughout the quarter, and in addition deliver a considerable reduction in the cost associated with the day to day administration of the Company. Our corporate overheads in total are well below 50% of the prior costs, since the new Board took charge in late November 2013.

Since the inception of the new Board, they have met seven times in an effort to ensure the Company is developing a strategy and recovery plan, to move forward from the issues of 2013. The key outcomes from the Board to date have been:

- The new Board in December immediately requested the CEO to review and present the Environmental Commitments, Health and Safety Commitments and Community Engagement Commitments of the Company back to the Board for review and alternation where required. This has led to all the above commitments being updated and the Board reviewing and having reports against each policy presented where appropriate, in the course of the CEO update at each Board meeting.

- In addition to this and following good practice, the Board appointed members to the Audit Committee and the Remuneration Committee to ensure we are following an appropriate Corporate Governance approach.
- The Board (since December 2013) continues to have deferred their remuneration until such time as the Company is in a better financial position. This resolution was passed unanimously by the Board.
- The Board in January 2014, determined an at risk remuneration scheme for the Board and CEO. The basis of the scheme is that a short term incentive has been put in place for vesting in late 2014, that requires a 3 times uplift in share price to 0.006c from the closing price of 0.002c, the price on the day prior the new Board taking office.
- The second mid-term requirement is that the Board and Company will see a 5 times uplift from that point (0.002) to a share price of 0.01 or better. The Board considers a stretch target (for at risk remuneration) of three and five times market value is an appropriate target at this time. The full particulars of that program will be listed in the Annual Report and be open to shareholder vote on the Company's Remuneration strategy at the AGM.
- The Board appointed Mr Jason Elks as Interim CEO (on a part time basis given the costs associated with a full time appointment) and are currently reviewing this arrangement.
- The Board also requested that the CEO present an operational review to the Board by mid-March 2014. The assessment and review of our geological data, by GDD provided integrity and understanding of the data and highlighted opportunities for advancing our current assets. This was seen as highly prospective for the Company, based on potential optimisation of current assets and assuming suitable funding is available for advancement.

Other corporate activities such as the "Unmarketable Parcels" (UMP) process was undertaken. Whilst the finalisation of the entire transaction is ongoing during April, this allowed the Company to facilitate the transfer of some 3,872 shareholders (with \$500 or less in holdings) off the register. It is expected that this transaction along with a move from our current share registry to LINK Market Services, will reduce our costs in this area by over 70%. This was a very successful transaction for the Company.

Over and above those activities the company continues to review its prior financial commitments and service provision, which has seen several disputed transactions during the quarter with several small claims proceedings taking place, which favoured Moreton Resources in the outcome. Moreton was self-represented in an effort to keep cost contained and there are several other transaction that will be pursued pending company funding.

2.0 FINANCE and COMMERCIAL

We closed the month having only drawn down the first tranche of funding from our loan agreement of \$500,000. In negotiating an extension of this facility, the Company can now draw down the final instalment of \$200,000 when it requires the funds throughout the April-June quarter. Our total un-disputed commitments and liabilities are limited to less than \$500,000 as at the end of March and our monthly outgoings, including prior commitment and clean-up activities, are approximately \$40-55k moving forward, excluding any project expenditure.

We are still awaiting a decision from AusIndustry and the ATO regarding our refund claim of \$7.1 million, and have in recent weeks sent additional supporting information to clarify the claim under consideration. We expect a final decision within the next 6-8 weeks.

3.0 OPERATIONS

Kingaroy Asset MDL 385 (Currently under application for renewal)

We have been in discussions with the Department of Environment and Heritage, regarding the relaxation of our EPA requirements given the stable and steady; or declining results from our extensive water monitoring program. Whilst a final decision is still pending, including further information to be presented via our consultants GHD, the Department has by consent allowed relaxation upon the frequency of our testing, with monthly requirements moving to three monthly and our six monthly obligations moving to yearly.

We have also requested a geological data review to be undertaken by Geological Data Design (GDD), an experienced exploration and mining consulting group.

This exercise has seen the dispersed and fragmented data being brought together and placed in an appropriate format for the Company to undertake further review and analysis, and provided a competent and complete database for all future work.

Upon early evaluation, without instigating a formal review, the feedback upon the Kingaroy site is that geologically, the asset may well be under-stated; significant additional drilling data, gathered subsequent to the existing resource estimation report, is available for further assessment and determination.

The Board are still considering the next steps for this asset.

Wandoan Asset MDL 420

We have advanced our investigations of this asset and whilst it is not a fully unrestricted rail line, we have been able to establish there is a viable rail line that runs through the lease that may or may-not require some under track work, to sustain a coal rail operation. This is very positive news for our Wandoan Asset.

As per the Kingaroy asset, we have requested a geological data review to be undertaken by GDD. The dispersed and fragmented data has been brought together to create a competent database that will allow a complete and comprehensive data review of the Asset.

An early indication, without instigating a formal review for the Wandoan site, is that there have been some potential anomalies identified with the down grading of the resource in 2013, the reasons for which are not documented. It would seem that some of the data used for consideration of the initial JORC, was subsequently omitted in late 2013.

We will begin investigations into these anomalies, and review the basis and process instigated for the 2013 JORC resource estimate.

The Company, on initial review of this asset (again without yet instigating a formal review), feels it too may be well under-represented given the collation of available data and initial evaluation. This might provide an opportunity through optimisation of the information at hand, to give a better and more consistent view of the resource as it currently stands.

MacKenzie Asset EPC 1445 – MDL 503 Under Application

As with the Kingaroy asset, we have requested a geological data review organisation to be undertaken by GDD.

On early review, with some advancement upon our proposed costing and drilling program for the Mackenzie asset, the Company is confident regarding the opportunity to advance our next phase of drilling, and the potential to upgrade the resource to at least 50% indicated, along with a potential increase in total tonnes across the lease.

The extension of our EPC was a significant step forward with security of this asset and as stated in March's announcement, we still await a decision from the Department upon our MDL application that is going through the review process.

In summary, the Company sees real potential upside in each asset and significant additional value in continuing the advancement of each project, pending appropriate levels of funding and appropriate drilling conditions. It is anticipated that considerable upgrades are possible for the reserve estimates through assessment and optimisation work programs that will be performed by Mr Tony Shellshear of GDD.

A high level view and outlook on these assets will be released via an Investor Update during this Month.

4.0 Company Outlook

The Company has considerable belief that, funds permitting, the drilling and associated review programs that are being considered, will see material increases in reserves and conversion of Inferred to Indicated. Assuming this to be the case and given our review of our market peers and recent transactions in the market, we feel the Company is significantly undervalued on a like for like basis.

Funding permitting we envisage a strong program of optimisation and assessment of opportunities for our assets through 2014 and into 2015. To this end the R&D refund is important to initiating that process. However despite the poor equity market conditions for smaller resource companies, additional and/or alternative funding may be required and any options considered will be done so, on the basis of minimising existing shareholder dilution.

Jason Elks
Chief Executive Officer