



2016 ANNUAL REPORT

For the Year ended 30 June 2016

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CORPORATE DIRECTORY

Directors

Mr. Brett Fletcher
Chairman

Mr. Wayne Penning
Non-Executive Director

Mr. Alexander Jason Elks
Managing Director & CEO

Company Secretary

Ms. Kate O'Donohue
Company Matters
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Same as registered office

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Share Registry

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Brisbane, Queensland, 4000
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Telephone: 1300 554 474

Auditors

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(Formerly Hayes Knight Audit (QLD) Pty Ltd)
Level 28, 10 Eagle Street
Brisbane, Queensland, 4000
Australia

Tax Advisors

Deloitte Tax Services Pty Ltd
225 George Street
Sydney, New South Wales, 2000
Australia

Solicitors

Sparke Helmore Lawyers
Level 25, 240 Queen Street
Brisbane, Queensland, 4000
Australia

Tax Lawyers

KPMG Law
147 Collins Street
Melbourne, Victoria, 3000
Australia

Moreton Resources Limited is an Australian company seeking to enter the operating resources sector, and as such, through its Board and Management structures, offers well over 120 years of combined mining experience.

We respect the traditions and cultures of Indigenous People including the unique relationship that they have with the land. Our focus is to work with the Indigenous People of the region and recognise this is an essential part of successful operations.

At Moreton Resources we believe our people, our business associates, our communities, and the environment are all critical and must be afforded the safest and healthiest conditions.

Safety is uncompromised in everything we do.

CORE VALUES & BELIEFS

- Commitment to safety, environment and communities
- Our people are our competitive advantage
- Continuing to create shareholder value
- Australian focused

Through our subsidiaries, Moreton Resources believes in our commitment to the community through open, transparent and honest communication, with the intent to build trust and respect with all

As a company, Moreton Resources seeks to promote local employment, utilise local businesses and services, and support regional and rural infrastructure at a local, state and federal level, through contribution of taxes and royalties.

The Board and Management clearly take full responsibility for the Company's history, and since the new direction via strong and proven leadership entering the Company in late 2013, our current and future commitment to operating within proven industries is unwavering and we commit to not only own but resolve the historical issues.

Past, present and potential future environmental issues are all taken extremely seriously by Moreton Resources, and as such we actively promote sustainable mining through contemporary, highly legislated frameworks, in proven and safe mineral extraction technologies.

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MORETON RESOURCES LIMITED

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The previous 12 months have been truly transformational for Moreton Resources Limited, and it has been a pleasure to oversee this transformation in the role as Chairman, a role which I accepted at the last AGM in October of 2015. It was at this time that Mr Arthur Hood stood down as Chairman, stating he had fulfilled his commitments of stabilising the Company and putting forward a robust strategy. In line with that strategy, we have certainly achieved a lot in the 2016FY, and it has set the platform for what should be an exciting advancement into the next 3 – 5 years for Moreton Resources Limited and its now, four subsidiary Companies.

All major milestones set by the Board in a strategy session in mid-2015, have either been achieved or significantly advanced. As such, matters like the AusIndustry Dispute and close-out of the Company's historical issues are nearing finalisation; however, we continue to work on these on a daily basis. Furthermore, we continue to deliver on other key milestones and commitments, and have in fact advanced many past our targeted outcomes. I will touch on those shortly. Another key deliverable that has not been overtly stated by the Company, is that we continue to be cash positive, are debt free, have increased our asset base, and are in control of our own future. Additionally, we have significant opportunities for shareholder value potentially being realised, despite the current state of the resources sector. This has all been achieved in another year where nil shareholder dilution has occurred, marking three years since the Company last raised capital. For a junior company within the larger resources sector, I think this is a remarkable achievement by Moreton Resources Limited.

In saying all of that, the focus is on the last 12 months, and we have a lot to be proud of, including:

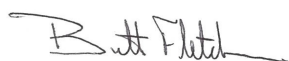
- An Increase in Coal quality of our Mackenzie asset, which is now housed within the fully owned subsidiary of MRV Bowen Basin Coal Pty Ltd. We have been able to move this asset from a Thermal Coal prospect to that of potential PCI and Thermal Coals, and we are currently determining the best way to advance this asset, as it is still a significant asset with exceptional upside, provided the right advancement is undertaken.
- We were able to create MRV Surat Basin Coal Pty Ltd, which covers our expansive Wandoan MDL 420. We continue to review our opportunities in relation to this asset, taking into account the continued global demand for coal, along with the potential of the Galilee Basin to advance or not. Should it not advance as quickly as first anticipated, the opportunity remains for the Surat Basin as the next major advancement potential for the industry.
- Without a doubt, our substantial acquisition of EPC882 from Cockatoo Coal, our update of JORC estimates across our combined assets of EPC882 and MDL385, our completion of a detailed PFS, and the creation of MRV Taron Basin Coal Pty Ltd, has been the primary focus of the Company for the last 12 months. This has given Moreton Resources Limited a significant focus for the next 3-5 years, concentrating on the potential to operate a low cost coal producing asset within the South Burnett.

All of these outcomes are a result of the clear foundational strategies, set by the Board. We will further implement longer term strategies as we look to grow and expand the Company. As was announced by the Board at the 2014 Annual General Meeting, we have spent a significant amount of time exploring the market in order to find a potentially near cash producing asset, which in turn, can support our larger and more significant advancement agenda, across our Coal portfolio.

In saying this, the Company undertook extensive Due Diligence in the last 2 years, and although we advanced one to offer stage before withdrawing, which certainly was the right decision, we have recently announced the creation of MRV Metals Pty Ltd, followed by the announcement of significant Mineral Tenements, including the former Twin Hills Mine region in Southern Queensland. This has been a major focus for the company in the last several months, finalising a journey that began in late 2016 when advanced Due Diligence was carried out, before a formal offer was lodged for the former Texas Silver Mines in early 2015. However, it wasn't until early 2016 that we were able to finalise a deal to acquire majority of the asset portfolio, owned by the former Texas Silver Mines.

All of this positions us for a very exciting and challenging time across the next 3 – 5 years. Now that we have what we believe is the correct asset mix, we are able to look more strategically at the realisation of value from within. This asset portfolio coupled with what we hope will be a positive outcome from our AusIndustry dispute, certainly defines the Company as a progressive and advancing resource junior, one which is looking to capitalise upon the expected upturn in the resources sector when it arrives.

There is no doubt in saying all this, the matters before the AAT are the most trying, time consuming and critical issues facing the company today, and on this basis we seek a quick and positive outcome.



Brett Fletcher
Chairman of the Board
18 August 2016

MANAGING DIRECTOR'S REPORT

In the past few years we have continued to talk about setting up the foundations of the company and looking to build from that, in what are extremely trying times across the resources sector, but also more broadly in FY2016. I am extremely proud of the fact that we have now stepped well past that line in the sand, are advancing rapidly upon multiple fronts, and have a record of commitment, which has been followed by achievement time and time again. This is a credit to the staff and the significant partnerships we have forged in the last several years that now continue to support us as we progress through this advancement phase. In particular, the South Burnett Coal Project and the Granite Belt Metals Project.

Our key ethos and operational parameters have been mirrored by our ability to advance the Company so rapidly, putting into place the deals we have made, and the plans we have forged for further advancement. As a Company, we strive to:

- Focus on safety, the environment, and work well beyond what we are required to do, delivering upon what we promise and expect as a value driven organization.
- Engage with our stakeholder base and communities in which we seek to operate, taking the time to consult, listen, consider and advance, seeking a genuine positive outcome for each broader community.
- Look to minimize our expenditure, taking the time to determine the best possible optimal use of funds and effort, thereby ensuring when we act, we have the best possible chance of success and sustainability for the Company's future.

Personally, I sought to step into Moreton Resources Limited as a short term measure to stabilise the ship, and at the least, to give investors some potential hope that there was opportunity before us. In saying that, I think we have certainly unlocked a large part of that potential, and whilst the market might not reflect our asset base through market capitalization, it certainly will in my view, respond to the advancement of key assets that seek to take full benefit of the cyclic nature of the resources sector. Although many others in what are genuinely tough times, have sought to consolidate, ride out the storm or have sought to divest, we have used this time to review, strategize, and inquire, so that when the time is right, major acquisitions such as that of EPC 882 can take

place. Acquired under the banner of MRV Tarong Basin Coal Pty Ltd, this acquisition which is the key enabler for the South Burnett Coal Project, was almost 18 months in the making and has proven to be a significant addition to the asset portfolio.

However, in fulfilling our strategic intent of seeking out a near term cash producing prospect, we recently acquired multiple highly perspective Minerals Exploration Leases from the receivers of the former Texas Silver Mines. One of the tenements was previously in production, meanwhile others have undergone drilling, some more significantly than others, while technical analysis and advancement has also been carried out. Moreton Resources Limited's subsidiary, MRV Metals Pty Ltd now holds these assets, and as such, we are rapidly seeking to determine the best next steps in an effort to move to a cash producing asset. Ironically, this was almost another 18 month long process to the day, and given the opportunities before us and the investment made, we are certainly well positioned to potentially realise significant returns against the investment made in these assets in the last 12 months. Hence our advancement of two major projects concurrently.

However, like all Companies, what we release to the market and what you might see in publications is only a small part of the story in regards to compliance, historic issues, government integration and strategic negotiations about our future. These things take place on a daily basis and are fundamental to any ASX listed organization, forming the core of what we do. Equally we understand it is hard to quantify the tangible benefits against an asset or outcome, other than to say, without doing those things, the company would certainly not be in existence today.

At an operational level key outcomes for the Company in the last 12 months have been:

- Nil injuries, accidents, incidents on a Safety and Environmental front across the organisation.
- The development of a parent company with multiple operating subsidiaries, set up to house discreet assets that will enable a more dynamic company in the future.
- The continuation of significant community and stakeholder engagement to advance our social licence to operate through transparent and open dialogue and dealings.

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MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2016

- Return of the Wandoan JORC to a genuine and defensible position in tonnes and prospectively, given the commitment we had to review legacy issues and determine the appropriateness of prior decisions.
- The increase in coal qualities at the Mackenzie asset, and whilst the program was problematic, the Coal Quality outcomes have established this asset as a key asset, not only to the Company, but potentially a major part of the future Coal supply in the regional geographic context to where it sits.
- The acquisition of EPC 882 from Cockatoo coal to enable advancement of MDL 385 as a project which sought the release of a substantial JORC increase, a PFS, Bench mark surveys and a PFS seeking transportation options.
- The acquisition of multiple EPM's from the former Texas Silver Mines that potentially offer a clear path to early cash flow and advancement.
- Continued negotiations which led to referral to arbitration of the historic Research and Development claims and activities which is ongoing.
- Protection of our current share register without dilution or revolving capital raising or funding options, being over 3 years now since the Company has sort to raise any capital, leaving us in a debt free position with a significant asset base.

As per last year, we remain focused on our coal assets at a time when there is without a doubt, a considerable and concerted effort afoot to undermine the coal industry, along with the value and critical contribution it makes both nationally and internationally. However, we have also now delivered on our acquisition strategy, which seeks to diversify the company and make for a more robust and de-risked position, which will see us reliant upon multiple commodities, should we be able to realize the potential of our recent acquisitions.

As a result of all of this, we have witnessed a significant step change away from the establishment of corporate stability and compliance, away from regulatory and historic concerns, and away from seeking key assets to enable a future. Nowadays, we are seeking to move into development of those assets which if successful, will move Moreton Resources Limited, through its numerous subsidiaries, into operating key assets, which is now a genuine potential future for the Company. That in turn, is well beyond the brief that I sought to take on with Moreton Resources Limited; however within a short time, and with

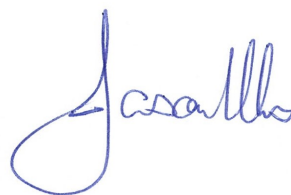
the establishment of a culture of ethics and values, we have established a potential future for the Company, and that is something I am particularly proud of.

As shareholders, I hope this overview has allowed each of you to realise we are not an overtly optimistic company that over promises and under delivers. On the contrary, we work hard, we seek to advance, we negotiate and work with stakeholders on a win/win basis, we commit and we deliver, then we seek to promote and celebrate those things we have done, rather than what we intend to do. Taking into account the deals we have done, the constraints we have worked within, and the cash at hand, I personally believe, there would be very few in the resources sector who could mirror our achievements.

However, it is the next few key steps we will take, that will provide a catalyst for the potential of Moreton Resources Limited, and I and the full board, look forward to your support as shareholders on those next critical steps forward.

Additional Note:

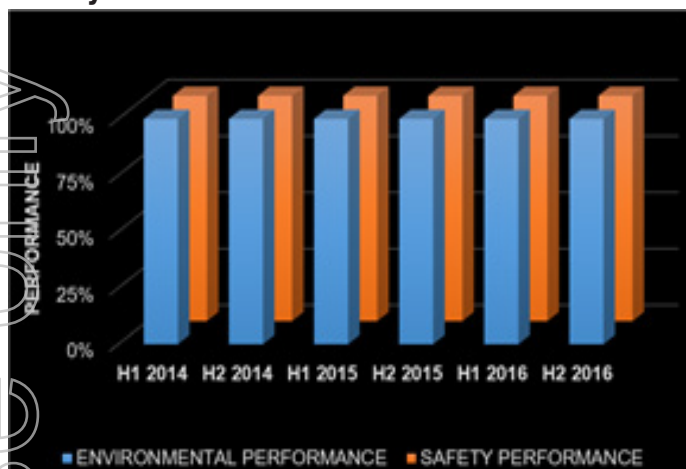
The issues before us are extremely disappointing whereby in our view a clear R&D project within the former Kingaroy UCG Project is now being challenged by AusIndustry, and this is putting immense pressure on the company at this critical time of advancement. However the company will continue to pursue its rights and natural justice to have these claims paid in full for the benefit of shareholders of MRV, and to allow for our planned advancement.



Jason Elks
Managing Director & CEO
18 August 2016

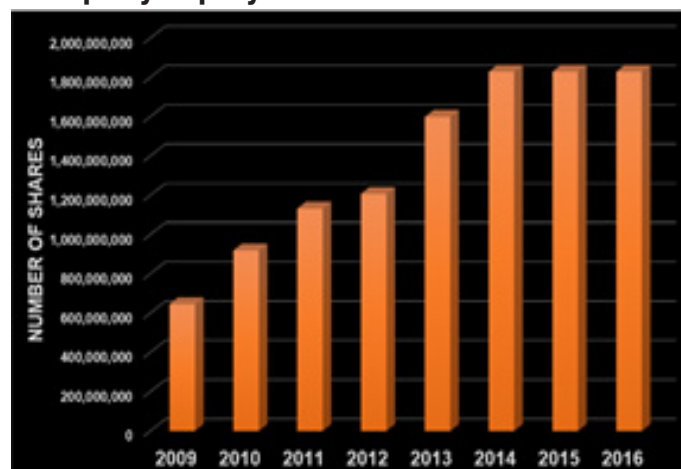
KEY PERFORMANCE INDICATORS

Safety and Environment Performance



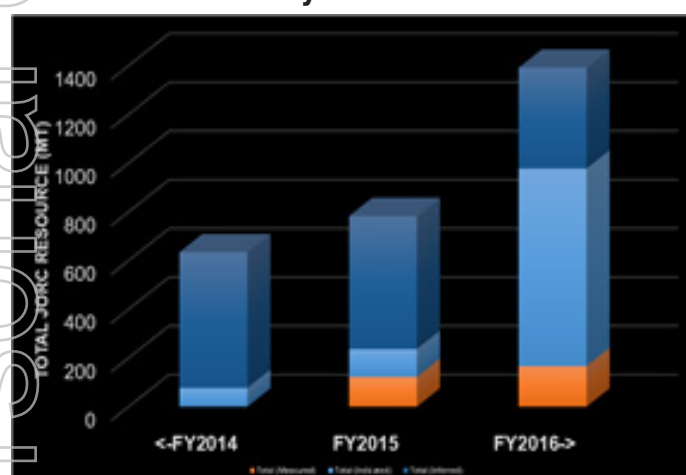
MRV has consistently had a nil Injury Frequency Rate and nil reportable Environmental Exceedances, and continues to focus on our environment and safety beliefs and obligations.

Company Equity



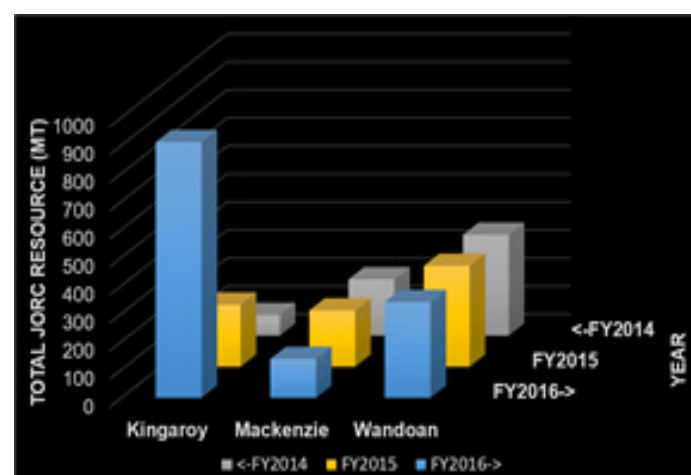
MRV has for the third year in a row, in a very tough market conditions, undertaken significant value add activities with nil dilution to the share base from August 2013 to August 2016.

JORC Resources by Asset



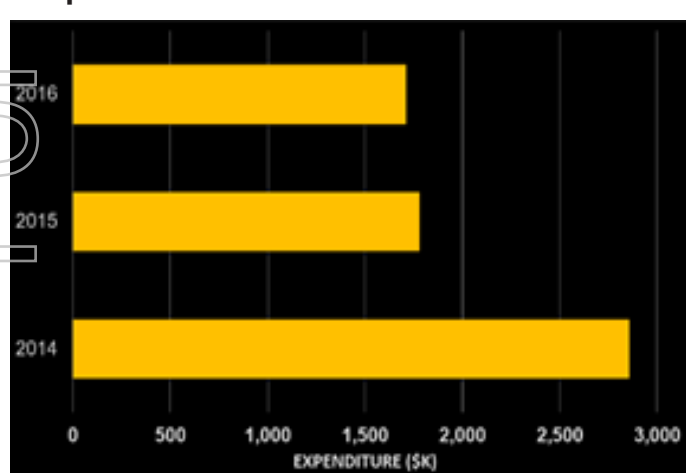
MRV total Resources for all Assets are outlined above. Whilst the overall tonnes identified has increased, the critical outcome and prime focus of MRV has been to increase the Resource classification confidence. This does not include our significant Metals resources that have been recently acquired.

Total JORC Resources all Assets



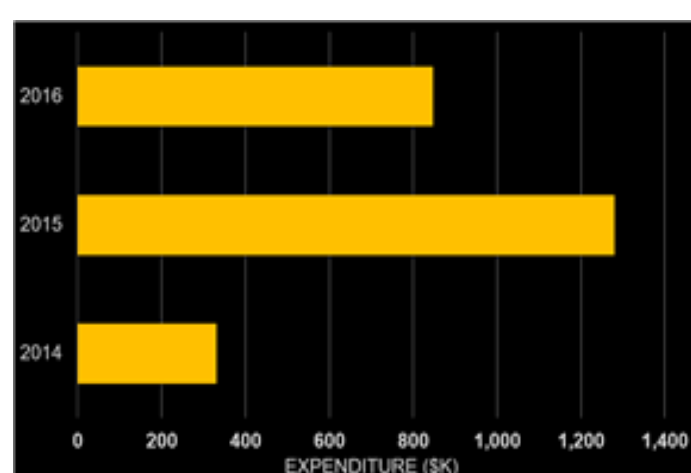
MRV's prime objective is to advance the levels of confidence in our Resources with the ultimate outcome of establishing Reserves that are suitable for mining purposes. We are progressing rapidly along that program. Note: refer to the Overview of Operations section of this report for a breakdown of total Resources in JORC confidence categories.

Corporate Costs



MRV has consistently reduced Corporate costs in the last two years with a key focus on carrying absolute minimum overheads to ensure the funds we have, are invested into the Assets.

Investment in our Assets

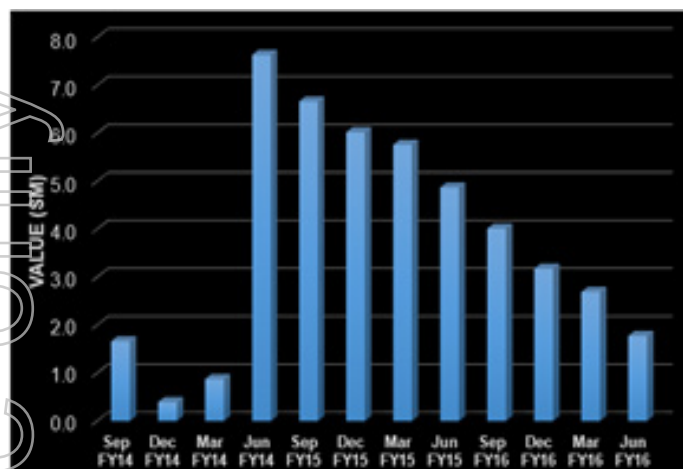


MRV has increased the Company's investment in value add activities, being focused on the resources we have and putting available funds into those assets, seeking to increase shareholder returns and attempting to limit overheads.

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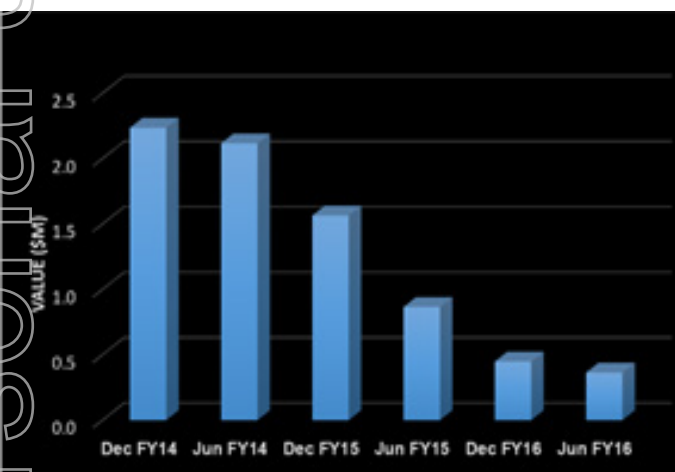
MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2016

Cash Position for MRV



Since late 2013, the Company has worked hard to ensure we move from a potential insolvency situation to a strong balance sheet that allows the Company options to grow and survive through tough economic times.

Current Liabilities for MRV



MRV has worked hard since late 2013 to clear all outstanding liabilities and debt from the balance sheet. We operate in a tough economic climate with nil debt and minimal operating liabilities. (We continue to work through AI and ATO issues at the time of this report).

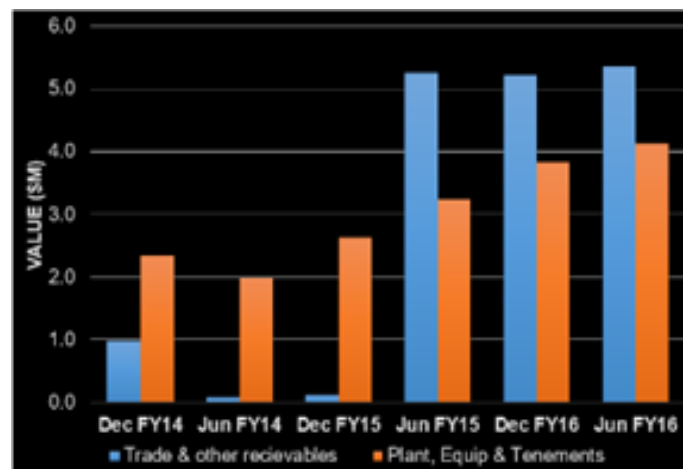
SUMMARY

What is evident through these and other KPI's set by the Company, is that even in the most adverse of conditions the base fundamentals of the Company continue to strengthen which is encouraging. The clearance of adverse debt and the stability of our financial position was and is paramount, as all shareholders would appreciate. The ability now for the Company to move ahead unencumbered and with results such as having fully funded plans for 2016; Net Assets increasing 65% in 2015; our liabilities diminishing and a defined increase in the last 12 months in the level of confidence of two of our key assets is a clear sign the Company is advancing.

These key technical and corporate outcomes are what will allow Moreton Resources to progress in 2016 with a level of confidence in its dealings, and allow any business associates or investors to have a strong belief in the fundamentals that are in place.

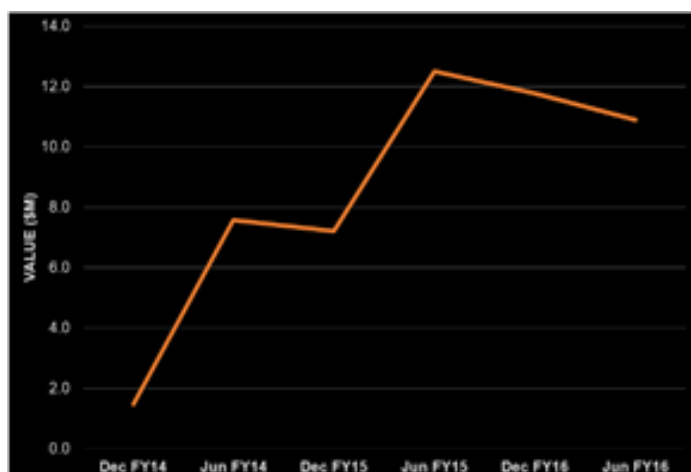
These are very strong achievements for a junior explorer in such trying economic times.

Other Asset Value of MRV



Increased spend on exploration is reflected in increased asset values of our tenements. Receivables reflects the outstanding Research and Development tax incentive payment due from the ATO.

Net Asset Value of MRV



The Company has continued to increase our asset worth through investment in our assets and ensuring that historical claims and issues are resolved to the benefit of MRV. Our Asset position is a strong outcome for the shareholders of MRV.

COMPANY PORTFOLIO



Our subsidiary companies:



OVERVIEW OF OPERATIONS



MACKENZIE COAL PROJECTS

MRV Bowen Basin Coal Pty Ltd which is a 100% fully owned subsidiary of Moreton Resources Limited, manages the Mackenzie Coal Project, which is comprised of MDL 503 and EPC 1445. The tenements are located in the Bowen Basin (central Queensland) near the town of Blackwater, 120 km to the east of the regional centre Emerald, and 340 km from the port of Gladstone. The total area under tenure is approximately 2,200 ha. Access to the tenements is via the Yarrabee – Jellinbah haul road which intersects the Capricorn Highway at the Boonal coal loading facility. In addition to this, the railway line to Gladstone is located 30 km to the south.

The tenements are surrounded by several operating mines, namely: the BMA Blackwater mine, Wesfarmers Curragh North mine, Xstrata Cook colliery and the Yancoal Yarrabee operation.

Exploration work had previously been carried out near to the tenements by Bow Energy Ltd in 2010. Following this, a further exploration program was undertaken which included in Phase 1, 6 holes which were drilled within the tenements in 2013. Moreton Resources Limited commenced Phase 2 drilling in mid-2014, completing this problematic drilling program in May 2015 with results being released to the market in September of 2015.

The Mackenzie Coal Project boasts coal intersects which include four coal seams, from the late Permian Rangal Coal Measures to the early Permian Freitag Formation. The shallowest coal seam in the project area is the Aries seam and it occurs at depths of approximately 250m, while the deepest coal seam intersected in the recent exploration is the Pisces seam at a depth range of around 360 m.

MACKENZIE COAL PROJECT		
Tenement	EPM 1445	MDL 503
Type	Exploration Permit Coal	Mineral Development Licence
Ownership	Moreton Resources Limited. (100%)	
Expiry Date	28 June 2017	31 October 2019
Status	Granted	
Location	27km NNE of Blackwater township	
Area (Ha)	314.7,	1 872.5
Mines in Region	Jellinbah, Curragh and Yarrabee mines	
Market Potential	Power generation and steel manufacturing	
Basin	Bowen Basin	
Age	Late Permian	
Coal Measures	Rangal Coal Measures	
Coal Type	Thermal, PCI and Semi-soft coking	
Target Seam(s)	Aries, Pollux and Pisces	
Proposed Mining Method	Underground	
JORC Resource*	65.1 Mt Indicated and 73.0 Mt Inferred insitu Coal Resource	

*Reported under the JORC Code (2012 Edition) by Mr Craig Williams (HDR Salva)





GRANITE BELT PROJECTS



In January of 2016, Moreton Resources Limited announced to the ASX that it had created the 100% fully-owned subsidiary, MRV Metals. This subsidiary company has been created to facilitate any future potential acquisition prospects of Moreton Resources Limited, aimed primarily at the metals resources sector, focusing on base and precious metals.

In February of 2016, MRV Metals entered into a binding agreement to acquire a range of tenements in the Granite Belt region, close to the township of Texas in Southern Queensland. These tenements EPM 8854, EPM 11455, EPM 12858, and EPM 18950 were last held by Texas Silver Mines Pty Ltd, and have been the subject of early stage and advanced exploration, all the way through to productive mining activities. As such, over 20 areas of interest have been identified as containing indications of high grade Silver and Copper, with additional early indications of Gold, Lead and Zinc.

Through this acquisition, MRV Metals has also acquired extensive historical drill data and associated analysis which have been collected over multiple exploration programs. This data and associated analysis will be modelled in line with the best potential future exploration prospects. The Company is also seeking to investigate the prospects of working through the historical environmental issues pertaining to the old mining operations, and determining if there is potential to move into a mining operation, having taken into account the legislative concerns and processes to advance such a prospect.

This acquisition has been branded as the "Granite Belt Project". Subject to government approvals and meeting advancement criteria both technically and commercially, a core Silver asset could be operational in the near term, that then seeks to support an operational hub and spoke effect, looking to exploit the considerable copper, silver, zinc, lead and minor gold targets of which we are aware and working through at the moment. The strategic decisions of how and when to advance each of these unique opportunities is critical, and as such is a major focus of the operations and management of the Company at the moment. However, the 2017FY will largely focus upon this significant potential before us, as we look to rapidly advance to a cash producing prospect in the near future.

The Granite Belt Project Key Areas of Interest (overview table)

Target	Prospectively	Stage	Location
Twin Hills Mine	Silver	Potential for Mining, post permitting and approvals	EPM 8854
Mt Gunyan	Silver, Zinc, Gold	Potential for permitting and then advancement into mine development in the near term	EPM 8854
Harrier	Copper, Silver	Advanced Exploration Target with resource potential	EPM 8854
Hornet	Copper	Advanced Exploration Target with resource potential	EPM 8854
Hawker	Copper, Silver	Advanced Exploration Target with resource potential	EPM 11455
12 plus additional Targets	Copper, Silver, Lead, Zinc, Gold	Early Stage Exploration Targets	EPM 11455, EPM8854, EPM18950, EPM12858

MORETON RESOURCES LIMITED

MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2016



MRV Metals Pty Ltd is a fully owned subsidiary of Moreton Resources Limited, and as such, has 100% ownership of the Granite Belt Project. This project is operated through a management and financing agreement between the two entities, with the parent Company providing the technical, financial and human resources capabilities to the subsidiary. However in recent months, a review team has been mobilised, and dependent upon the next steps taken, the organisation may seek to increase its capabilities and stand alone as a project advancement prospect, under the banner of MRV Metals Pty Ltd. This would be a significant achievement for the Company and the prospects currently being reviewed, and the Board and Management are extremely encouraged by the rapid advancement of these prospects to date.

Past exploration within the 'Granite Belt Project' has been successful in defining a mineral resource of silver mineralisation at the Twin Hills Deposit, and silver/gold mineralisation at the Mt Gunyan Deposit. The area has a long history of mining, with records going back almost 100 years clearly indicating high grade Silver and high grade copper working throughout the area, and in particular, within the tenement package which is 100% owned by MRV Metals Pty Ltd.

Whilst the Twin Hills Mine operated up until mid-2014, the associated Mining permits and Environmental permits have been relinquished and as such, any potential advancement will require full approvals and permitting at multiple levels to advance these prospects.

MRV Metals plans to further delineate the Copper, Zinc and Lead prospects at the 'Granite Belt Project' with ongoing exploration and field work. These projects consist of Harrier, Hawker, Hornet and Tornado.

Through engagement with the community of Texas and neighbouring stakeholders, MRV Metals plans to work with the government to deliver positive environmental results that will benefit all stakeholders, given the historic issues within the region. Through this, we believe the prospective operation will be seen as a positive contribution not only to the Company but to the community as a whole, alleviating the perceived environmental and social concerns about the historic site.



Photo: 'Granite Belt Project' tenements owned by MRV Metals

KINGARROY

Photo: Kingarroy station

TARONG BASIN COAL PROJECTS



MRV Tarong Basin Coal Pty Ltd, is a 100% fully owned subsidiary Company of Moreton Resources Limited. It is operated through a management and financing agreement between the two entities, and as such, the parent Company provides the total technical, financial and human resources capabilities to the subsidiary. This arrangement however, will cease when the project advances into detailed studies and design, as the future of MRV Tarong Basin Coal Pty Ltd has been established to operate as a standalone, 100% fully owned entity of Moreton Resources Limited. The Company was specifically created to advance the prospects of the South Burnett Coal project, which is seeking to develop an 8-10Mt Thermal Export Coal project in the South Burnett.

In saying this, the company manages two tenements which are MDL 385 and EPC 882, and in turn, these form the basis of our South Burnett Coal Project. The area under tenure, which is of specific interests to MRV Tarong Basin Coal's advancement plans, is approximately 6-12km from Kingarroy and 12 km from the township of Nanango. The site is 180 km north-west of Brisbane and well serviced by major roads and regional infrastructure that supports the South Burnett region.

The area is located in close proximity of power generation assets within the Tarong Coal Basin. This region is well known for supplying power generation, and these activities have been well supported for over 30 years with mining and power generation operations contributing significantly to the economic growth and sustainability of the South Burnett region.

One of the most significant advancements within the past financial year was the successful acquisition of EPM 882 which was formally held by Cockatoo Coal, through one of its fully owned subsidiaries. This acquisition was the major enabler for the Company to advance through the significant work that has been undertaken on these assets in the 2016FY, which has seen a significant JORC increase, a PFS delivered and other technical advancements made within the project.

In saying that however, a key commitment to the South Burnett has been the cleanup and close out of the former Research and Development trials which had been undertaken on MDL385. This commitment was further enhanced in 2016, with the Department of Environment and Heritage Protection recognising the work done, thereby releasing the majority of the Environmental Assurance held against the project. That along with the ground works of rectification, remediation and restoration of the natural land form was a key outcome for the Company, and one which was met with a great deal of appreciation by the local community and key stakeholders.

The next major focus for the Company is the forward looking Communication and stakeholder management which also is a key priority. This combined with a Galaxy Poll undertaken by the Company, revealed that 24% are opposed to this significant economic enabler within the South Burnett. This is highly encouraging for our advancement of the project and as such, we continue to work with the Community and look to keep a close association with all stakeholders through the approvals processes, which in return we anticipate will start to generate local opportunities and the economic growth that the region seeks.

The Company also significantly advanced its prospects through successful negotiations with Initiative Capital, Beyond Billabong, Wave International and MacMahon, all of whom have committed to a strategic partner alliance in working toward realization of this project. Having the ability to attract such reputable and substantial partners is a testament to the quality of the asset and prospectively that MRV Tarong Basin Coal Pty Ltd, continue to pursue and advance.

MORETON RESOURCES LIMITED

MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2016



Also within the past Financial Year, the Company commenced its permitting and approvals processes starting with Commonwealth and State Government Environmental considerations. In addition to this, the Company has successfully agreed on a Cultural Heritage Management Plan with the Wakka Wakka People #5 under the Aboriginal Cultural Heritage Management Act 2003.

This agreement has now been registered with the Department of Aboriginal and Torres Strait Islander Partnerships.

Key Outcomes in FY2016

- Updated JORC estimates across both EPC882 and MDL385
- Benchmark studies and Transport PFS Complete
- Release of detailed Pre-Feasibility Study for the South Burnett Coal Project
- Declaration of controlled action from the Commonwealth
- Registration of Cultural Heritage Management Plan
- Confirmation of significant regional support for the project
- Acquisition of EPC 882

This coupled with the increased resources as outlined below, makes for a very productive year for MRV Tarong Basin Coal Pty Ltd, and as such the project continues to advance, through the appropriate approvals.

Tenement	Seam	JCAT	Mt	ST (m)	RAW (average)				F2.00 (average)				
					RD(is)	AS(ad)	CV(ad)	TS(ad)	YLD	AS (ad)	CV (ad)	TS (ad)	MO (ad)
EPC882	GD	I	8.42	5.10	1.83	54.5	2910	0.69	46.5	26.4	5407	0.28	4.6
EPC882	GD	F	1.43	4.36	1.65	44.1	3809	0.69	44.5	26.6	5372	0.28	4.5
EPC882	KN	M	33.29	13.13	1.61	37.4	4383	0.32	78.2	22.2	5731	0.27	5.1
EPC882	KN	I	98.33	10.91	1.63	40.0	4172	0.28	71.8	23.5	5541	0.31	5.0
EPC882	KN	F	2.95	6.70	1.60	38.2	4305	0.27	70.5	24.5	5422	0.35	5.1
EPC882	SW	M	1.59	2.84	1.78	51.6	3007	0.62	69.8	24.3	5632	0.25	3.7
EPC882	SW	I	26.40	3.92	1.74	49.2	3355	0.39	65.0	25.7	5495	0.25	3.7
EPC882	SW	F	6.93	4.44	1.74	48.6	3417	0.41	63.3	25.9	5471	0.25	3.7
EPC882	GG	M	14.88	13.84	1.63	37.9	4712	0.23	78.9	25.3	5558	0.17	4.4
EPC882	GG	I	182.18	12.70	1.60	37.9	4610	0.25	72.9	22.9	5770	0.18	4.4
EPC882	GG	F	1.43	8.79	1.62	38.4	4759	0.24	74.6	24.2	5655	0.17	4.4
MDL385	GD	I	50.23	9.44	1.92	60.4	2393	0.69	38.5	27.3	5269	0.28	4.4
MDL385	GD	F	17.33	11.83	1.87	57.3	2668	0.69	40.4	27.1	5302	0.28	4.4
MDL385	KN	M	46.20	14.76	1.68	41.6	4109	0.26	76.1	21.4	5888	0.24	4.9
MDL385	KN	I	124.88	14.44	1.67	41.2	4136	0.26	77.4	21.9	5834	0.24	4.9
MDL385	SW	M	4.85	6.09	1.62	38.2	4414	0.21	67.1	18.5	6160	0.25	3.7
MDL385	SW	I	48.26	4.74	1.68	42.6	4020	0.23	75.9	21.8	5866	0.25	3.7
MDL385	SW	F	3.10	3.75	1.67	41.8	4095	0.26	76.4	21.1	5934	0.25	3.7
MDL385	GG	M	65.40	21.70	1.71	44.7	3885	0.23	62.9	22.4	5824	0.16	4.8
MDL385	GG	I	173.95	16.84	1.70	44.0	3963	0.23	65.1	21.8	5870	0.16	4.7
Subtotal EPC882			377.83		1.63	39.8	4321	0.29	71.9	23.4	5661	0.23	4.6
Subtotal MDL385			534.19		1.72	45.0	3827	0.30	66.4	22.5	5785	0.21	4.6
Total			912.02		1.68	42.9	4032	0.30	68.7	22.9	5734	0.22	4.6
GD – Glyder Seam KN – Kunion Seam SW – Swain Seam GG – Goodger Seam													
AS – Ash Content (%) CV – Calorific Value (GJ) TS – Total Sulphur (%) YLD – Yield (%)													
MO – Moisture (%) M – Measured I – Indicated F – Inferred													

@Reported under the JORC Code (2012 Edition) by David Arnott – 10 Dec 2015 MRV Announces Coal Resources of 912Mt



WANDOAN COAL PROJECTS

The Wandoan Coal Project (MDL 420) is located approximately 25 km south of Wandoan in southern Queensland's Surat Basin. MDL 420 straddles the Wandoan Branch Rail Line, which would provide a direct rail link to the Port of Gladstone coal export facilities via the proposed Surat Basin Rail Line and existing Moura Line, provided a major upgrade took place.

THE WANDOAN COAL PROJECT	
Tenement	MDL 420
Type	Mineral Development Licence
Ownership	Moreton Resources Limited. (100%)
Expiry Date	30 November 2017
Status	Granted
Location	33 km NNW of Miles township
Area (Ha)	7,384
Mines in Region	
Market Potential	Power generation
Basin	Surat
Age	Middle Jurassic
Coal Measures	Walloon Coal Measures
Coal Type	Thermal
Target Seam(s)	Macalister seams
Proposed Mining Method	Open cut
JORC Resource [#]	32.3 Mt Indicated and 328.3 Mt Inferred insitu Coal Resource

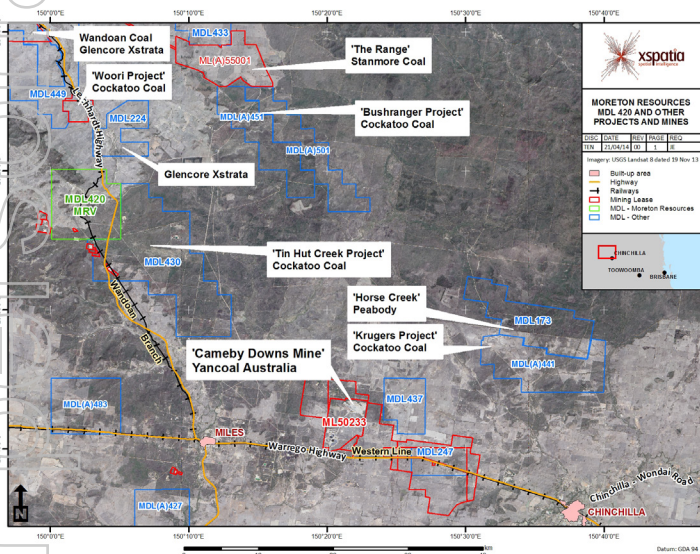
[#]Reported under the JORC Code (2004 Edition) by Mr Garry Leblang (Coalsearch Consultants)

Overview

The Wandoan Coal Project is located approximately 30 km north/north-west of the township of Miles, straddling the Leichardt Highway in central Queensland's Surat Basin. Comprising 24 sub-blocks over an area of approximately 7,380 ha, MRV aims to develop thermal coal within the middle Jurassic aged Walloon Coal Measures (Macalister 1, 2 and 3 seams).

Strategy and development

Over the next 12 months, MRV plans to further consolidate and review presently collated data over the tenement area and surrounding region with the view of presenting a more robust and defensible Resource statement that clearly demonstrates the guiding principles of the JORC Code (2012 edition). Additional collection of data through drilling may be required during this period.



JORC coal resource estimate

In March 2012 under the minimum standards set for public reporting by the JORC Code (2004 edition), the Company reported a total in-situ Coal Resource of 360.6 Mt (32.3 Mt Indicated and 328.3 Mt Inferred).

JORC Resource Classification	Average Area (Mm ²)	Average Thickness (m)	Average in-situ density (g/cc)	Tonnes (Mt)	Raw Ash (%ad)		
					Min	Max	
Indicated Subtotal	2.62	2.91	1.51	32.3	19.2	38	29.9
Inferred Subtotal	25.95	3.17	1.50	328.3	19	38	29.6
TOTAL		2.94	1.50	360.6			29.7

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Moreton Resources Limited 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.

Moreton Resources Limited is committed to operating its business ethically and with high standards of corporate governance. The Board has taken the opportunity to disclose its 2016 Corporate Governance Statement in the Corporate Governance section of the Company's website (moretonresources.com.au)

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DIRECTORS' REPORT

Photo: 2014 drill campaign at Mackenzie

MORETON RESOURCES LIMITED

MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2016



Brett Fletcher | Chairman

Mr Fletcher holds qualifications in Mining Engineering from the University of NSW and has 28 years' experience in mining and metals, predominantly along the east coast of Australia as well as PNG, Indonesia and Laos. He has held the senior executive management positions of Executive General Manager with Newcrest Mining Ltd, Chief Operating Officer with Minerals and Metals Group (MMG) and also Chief Operating Officer with OZ Minerals / Zinifex. Mr Fletcher is Melbourne based and has a strong network of industry contacts and associations, along with a proven history of development and delivery of significant projects. Mr Fletcher is also the Chairman and non-executive Director of Red River Resources Ltd.



Alexander Jason Elks | Managing Director and CEO

Mr Elks has been the Managing Director of Moreton Resources Limited and its subsidiaries since Nov 2013. Prior to this he held the role of Vice President with Rio Tinto, based in Montreal, managing the People and Organisation support areas throughout North and South America, Australia and New Zealand.

Mr Elks has held senior roles with LGL, Zinifex, OneSteel and Kodak Australasia and 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. Qualifications: Masters of Management and Human Resources.



Wayne Penning | Non-Executive Director

Mr Penning is the Managing Principal of Delphi Partners, Brisbane and leads the firm's Energy and Resource 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. Mr Penning advises on capital markets, mergers & acquisitions, corporate and commercial matters. He acts for various publicly-listed resource and industrial companies and has significant experience in corporate and regulatory areas. Mr. Penning is a founding member and Director of the Liz Ellis Foundation and until recently was the Deputy Chairman of Bravehearts.

Key leadership personnel



Chris Santagiuliana | General Manager, Finance and Corporate Services

Mr Santagiuliana is a Chartered Accountant with qualifications in accountancy from Queensland University of Technology including a Master of Commerce in Business Law & Taxation which has been his predominant field for over 20 years. His most recent roles were working with Monash University and as Financial Controller with an engineering consultancy spanning the East Coast of Australia. Mr Santagiuliana has a strong background in Risk Management, Corporate Governance, ISO standards and certified systems.

The Directors of Moreton Resources Limited submit herewith the 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 2016, made in accordance with a resolution of the Directors. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

General Information

INFORMATION RELATING TO 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 2016 and up until the date of this Annual Report are set out below.

Name and Qualifications	Age	Experience	Listed Directorships in last 3 years	Special Responsibilities	Interests in shares and Options
Brett Fletcher Mining Engineer	52	Appointed 28 April 2015 by resolution and Elected at the 2015 AGM. Mr Fletcher holds qualifications in Mining Engineering from the University of NSW and has 27 years' experience in mining and metals, predominantly along the east coast of Australia as well as PNG, Indonesia and Laos. He has held the senior executive management positions of Executive General Manager with Newcrest Mining Ltd, Chief Operating Officer with Minerals and Metals Group (MMG) and also Chief Operating Officer with OZ Minerals / Zinifex. Mr Fletcher is Melbourne based and has a strong network of industry contacts and associations, along with a proven history of development and delivery of significant projects. Mr Fletcher is also the Chairman and non-executive Director of Red River Resources Ltd.	Chairman of Red River Resources Ltd	Chairman of the Board Non-Executive Director Chairman of the Audit Committee	5,000,000 ordinary shares (Held by Julie Fletcher) 1,380,000 options
Wayne Penning BEC LLB.	45	Appointed 12 August 2014 and Elected at the 2014 AGM. Mr. Penning is Managing Director of Delphi Partners. 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. Mr Penning advises on capital markets, corporate and commercial matters. He acts for various public listed resource and industrial companies and has significant experience in corporate and regulatory areas. Mr Penning is Deputy Chairman of Bravehearts and founding member and Director of The Liz Ellis Foundation.	Deputy Chairman of Bravehearts Inc.	Non-Executive Director Member of the Remuneration Committee Member of the Audit Committee	1,380,000 options
(Alexander) Jason Elks Mast. Management and Human Resources	42	Appointed 28 November 2013 and Elected at the 2014 AGM. 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	188,466,687 ordinary shares 16,114,500 options
Arthur Hood BSc, Civil Engineering (Resigned 22 October 2015)	62	Appointed 28 November 2013, Elected at the 2014 AGM, resigned at 2015 AGM. 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 Prospect Group.	Former Chairman of the Board Former Chairman of the Remuneration Committee	8,000,000 ordinary shares

COMPANY SECRETARY

Ms Kate O'Donohue (Fellow GIA, Fellow ICSA) was appointed to the role of Company Secretary on 6 November 2014.

DIVIDENDS PAID OR RECOMMENDED

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

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.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or audit

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.

OPTIONS

At the date of this report, the unissued ordinary shares of Moreton Resources under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
27 November 2015	30 December 2016	\$0.004	9,437,250
27 November 2015	31 December 2017	\$0.006	9,437,250
27 November 2015	31 December 2017	\$0.000	666,666
			<u>19,541,166</u>

Option holders do not have any rights to participate in any issues of shares or other interests of the Company or any other entity.

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.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

At the date of this report, other than the unlisted options issued as remuneration to key management personnel, there were no other unissued ordinary shares of the Company under option.

MEETINGS OF DIRECTORS

Directors' and Board Committee meetings were held during the financial year ended 30 June 2016 as detailed:

	Full Board (7 meetings held in total)		Audit & Risk Committee¹ (1 meetings held in total)		Remuneration Committee (2 meetings held in total)	
Director's Name	Eligible	Attended	Eligible	Attended	Eligible	Attended
Brett Fletcher ²	7	7	1	1	2	2
Wayne Penning	7	7	1	1	2	2
Alexander Jason Elks	7	7	-	-	-	-
Former Board						
Arthur Hood ³	2	2	-	-	1	1

[1] From 1 January 2016 the duties of the Audit and Risk Committee were taken on by the full Board

[2] Mr Fletcher was appointed a member of the Remuneration and Nomination Committee on 22 October 2015

[3] Mr Hood ceased being a Director on 22 October 2015

PRINCIPAL ACTIVITIES

The Company's principal activities were advancing its existing coal assets within Queensland, Australia, and seeking to expand the Company through acquisition. During the year the company also acquired metals assets within Queensland. These activities are expanded upon in the Managing Director's Report section of this Annual Report.

REVIEW OF OPERATIONS

A. Operating Results and Financial position

The Group made a \$1,626,332 loss after tax in the 2016 year. The Group result in the prior year was a profit of \$4,897,002. The prior year result included a \$498,248 tax benefit received for the 2012 (amended) Research and Development Tax Incentive Offset claim and \$5,160,515 tax benefit booked for the 2013 (amended) and 2014 Research and Development Tax Incentive Offset claims.

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

Following a refocus of the Group's activities and transforming its operating structure, the overhead costs of the business have continued to be reduced.

At year-end, the Group's net assets totalled \$10,887,356 (2015: \$12,506,932) which included cash assets of \$1,776,710 and tax benefit receivable of \$5,160,515. Exploration tenements remain in place and the capitalised book value is \$4,020,951. Following ongoing rehabilitation works carried out during 2016 the rehabilitation provision for the previous operations at the Kingaroy site has reduced to \$74,089 (2015: \$100,000).

The tax benefit receivable of \$5,160,515 is currently the subject of proceedings in the Administrative Appeals Tribunal. The ultimate outcome of these proceedings cannot be predicted with any certainty, however, based on external advice received on the likelihood of success in this matter, the amount receivable continues to be carried at full value as the Company's best estimate of the likely amount recoverable. Based on the finding made by Innovation Australia in relation to the activities related to the R&D Offset, the Australian Taxation Office has advised it is seeking repayment of \$8,185,724 previously paid to the Company in respect of the R&D Offsets claimed. The Company would need to raise further funding if it was required to settle this matter.

B. Operations

The Company has determined, through its existing Board, that the organisation is focused upon continuing to realise its coal assets and develop its metals assets, as such, the following Asset brief refers to this strategy.

(i) Group Assets

EPC 1445 – Mackenzie Coal Project

The Company holds asset EPC 1445, which is located within the world renowned Bowen Basin in central Queensland. Following the granting of MDL 503, the blocks constituting MDL 503 were relinquished from the EPC 1445 holding. EPC 1445 now consists of one block that adjoins MDL 503 (refer below).

MDL 503 – Mackenzie Coal Project

The Company was granted MDL 503 in 2015. A further exploration program was carried out on this MDL during 2015 with an updated Coal Resource estimate released in August 2015. The updated estimate (reported in accordance with the JORC Code 2012 edition) totals 138.1 Mt (65.1 Mt Indicated and 73.0 Mt Inferred) on an in-situ basis. Surrounded by several significant and profitable PCI operations, this potential underground asset is seen as highly desirable that the Company intends to pursue as a significant future operation.

MDL 420 Wandoan Coal Project

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 with a Coal Resource estimate of 341.3 Mt (33.7 Mt Indicated and 307.6 Mt inferred) reported in accordance with the JORC Code (2004 edition).

MDL 385 Tarong Basin Thermal Coal Project

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 Coal Resource estimate of 534.2Mt, (116.45 Mt Measured, 397.32 Mt Indicated and 20.43 Mt inferred) reported in accordance with the JORC Code (2012 edition), this asset is seen as a genuine mid-term prospect for the Company, and activities to advance this project are underway.

EPC 882 Tarong Basin Thermal Coal Project

The Company purchased EPC 882 during 2016. EPC 882 is strategically located in the Tarong Basin in south-eastern Queensland, abutting MDL 385. Having a Coal Resource estimate of 377.82Mt, (49.76 Mt Measured, 315.32 Mt Indicated and 12.74 Mt inferred) reported in accordance with the JORC Code (2012 edition), this asset is seen as a complimentary prospect for MDL 385 for the Company.

EPM 8854 Granite Belt Metals Project

The Company purchased EPM 8854 during 2016. EPM 8854 is located within the Silver Spur Basin near Texas, Queensland. This asset has been extensively explored in the past and contains a number of promising exploration targets for silver and copper, which the Company is currently investigating.

EPM 11455 Granite Belt Metals Project

The Company purchased EPM 11455 during 2016. EPM 11455 is located within the Silver Spur Basin near Texas, Queensland and is adjacent to EPM 8854. As a result, this asset is seen as being complimentary to EPM 8854 and the Company is currently investigating its potential.

EPM 12858 Granite Belt Metals Project

The Company purchased EPM 12858 during 2016. EPM 12858 is located within the Silver Spur Basin near Texas, Queensland and is adjacent to EPM 8854 and EPM 11455. As a result, this asset is seen as being complimentary to EPM 8854 and EPM 11455, and the Company is currently investigating its potential.

EPM 18950 Granite Belt Metals Project

The Company purchased EPM 18950 during 2016. EPM 18950 is located within the Silver Spur Basin near Texas, Queensland and is adjacent to EPM 8854, EPM 11455 and EPM 12858. As a result, this asset is seen as being complimentary to EPM 8854, EPM 11455 and EPM 12858, and the Company is currently investigating its potential.

(ii) **Business strategies and prospects**

The strategy for 2017 and beyond will be to maximise the Assets we currently have under our control, and look to opportunistically increase our prospects, through either strategic alliances or joint ventures.

The Company does not foresee any major business risks for 2016-2017, other than the risks inherent in the coal exploration industry, the metals exploration industry and in connection with the current AAT proceedings and ATO matters.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

A total of 21,247,166 options were issued in the year, of which 1,706,000 have lapsed and 19,541,166 remain on issue. Of the 36,181,500 options remaining on issue from the previous year, these have all lapsed during the current year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

As set out in Note 11, the Company's proceedings in the Administrative Appeals Tribunal regarding the Research and Development Tax Incentive Offset claims continues. The Company has been advised that the Australian Taxation Office will seek repayment of these amounts previously paid to the Company as a result of the finding made by Innovation Australia which is the subject of the proceedings in the Administrative Appeals Tribunal.

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 environmental matters to report other than the details provided in the Managing Director's Report mainly in relation to its Kingaroy site.

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 2016. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

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) Short-Term Incentive Plan
- (E) Share-Based Compensation
- (F) Additional Information

(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 short-term monetary incentives and long-term 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.

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 19 September 2014, where the shareholders approved an aggregate remuneration of \$300,000. From time to time, Directors are offered short, medium or long term incentives via the Company's Employees', Officers' and Consultants Option Plan 2007 (as revised and approved by Shareholders in 2010 and 2013).

The Company previously engaged a remuneration consultant, McDonald-Aon Hewitt, in 2014 to undertake an independent market review. The Remuneration Committee continues to use this report as guidance in reassessing and setting the remuneration structure of the Company. In 2014, a fee of \$10,000 was paid to McDonald-Aon Hewitt for the review. The Board is satisfied that the remuneration report recommendations were free from undue influence by members of the key management personnel to whom the recommendations apply.

The Company has a Remuneration Committee comprising of two Non-Executive Directors.

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:

Mr. Rod Lovelady, General Manager - Finance and Corporate Services

Mr. Lovelady was employed with the company until 18 December 2015.

Mr. Chris Santagiuliana, Financial Controller

Mr. Santagiuliana commenced with the company 12 October 2015.

There have been no changes to key management personnel subsequent to year's end.

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of the key management personnel of the Group. Such amounts have been calculated in accordance with Australian Accounting Standards.

REMUNERATION REPORT (AUDITED) (CONT'D)

(B) Details of Remuneration (Cont'd)

Table of Benefits and Payments for the Year Ended 30 June 2016

Name	Short-Term Employee Benefits ⁽⁴⁾	Non Monetary Benefits	Post- Employment Benefits	Share-Based Remuneration	Relative Proportion of:		
	Cash Salary and Fees	Parking/ Vehicle/Other	Superannuation (#)	Management Options ⁽⁵⁾	Total Remuneration	Fixed Remuneration	Performance Related Remuneration
	\$	\$	\$	\$	\$	%	%
Current Directors							
2016							
Brett Fletcher	63,402	-	2,711	138	66,251	100%	-
Wayne Penning	46,000	-	-	639	46,639	99%	1%
Alexander Jason Elks	340,000	-	28,025	4,638	372,663	99%	1%
Key Management Personnel							
Chris Santagiuliana ⁽³⁾	84,824	-	7,627	-	92,451	100%	-
Former Directors							
Arthur Hood ⁽¹⁾	8,833	-	18,500	1,320	28,653	95%	5%
Former Executives							
Rod Lovelady ⁽²⁾	107,361	-	14,336	21	121,718	100%	-
Remuneration totals	650,420	-	71,199	6,756	728,375		

NOTES

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

(1) Mr Hood resigned effective 22 October 2015.

(2) Mr Lovelady left the company effective 18 December 2015.

(3) Mr Santagiuliana commenced employment on 12 October 2015.

(4) Included in short term benefits are amounts under the Short Term Incentive programme: Alexander Jason Elks \$45,000, Chris Santagiuliana \$4,540, Rod Lovelady \$6,900. The incentives for Mr Elks and Mr Santagiuliana are payable in the next financial year.

(5) The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using a binomial pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

Name	Short-Term Employee Benefits	Non Monetary Benefits	Post- Employment Benefits	Share-Based Remuneration	Relative Proportion of:		
	Cash Salary and Fees	Parking/ Vehicle/Other	Superannuation (#)	Management Options ⁽⁴⁾	Total Remuneration	Fixed Remuneration	Performance Related Remuneration
	\$	\$	\$	\$	\$	%	%
Current Directors							
2015							
Arthur Hood	52,784	-	32,411	13,580	98,775	86%	14%
Wayne Penning	33,333	-	-	788	34,121	98%	2%
Brett Fletcher	6,667	-	-	-	6,667	100%	-
Alexander Jason Elks	280,089	-	31,327	19,353	330,769	94%	6%
Former Directors							
Bret Liesemann ⁽¹⁾	20,151	-	-	-	20,151	100%	-
James Canning-Ure ⁽²⁾	8,766	-	-	-	8,766	100%	-
John Thomas ⁽²⁾	8,766	-	-	-	8,766	100%	-
Executives							
Rod Lovelady ⁽³⁾	185,984	-	29,166	-	215,150	100%	-
Remuneration totals	596,540	-	92,904	33,721	723,165		

NOTES

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

(1) Mr Liesemann resigned effective 13 March 2015.

(2) Mr Canning-Ure and Mr Thomas did not stand for election to continue as Directors at the AGM on 19 September 2014.

(3) Mr Lovelady commenced employment on 7 July 2014.

(4) The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using a binomial pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

REMUNERATION REPORT (AUDITED) (CONT'D)

(B) Details of Remuneration (Cont'd)

No members of key management personnel are entitled to receive securities that are not performance-based as part of their remuneration package.

The terms and conditions relating to options granted as remuneration during the year to key management personnel are as follows:

Share-based Payments

Name of Personnel	Remuneration Type	Grant Date	Grant Value \$	Reason for Grant (Note 1)	Percentage Vested/Paid during Year %	Percentage Forfeited during Year %	Percentage Remaining as Unvested %	Expiry Date for Vesting or Payment	Range of Possible Values Relating to Future Payments
Jason Elks	Option	27-11-2015	1,674	Incentive	0	0	100	30-12-2016	n/a
	Option	27-11-2015	1,352	Incentive	0	0	100	31-12-2017	n/a
Wayne Penning	Option	27-11-2015	143	Incentive	0	0	100	30-12-2016	n/a
	Option	27-11-2015	116	Incentive	0	0	100	31-12-2017	n/a
Brett Fletcher	Option	27-11-2015	5	Incentive	0	100	0	30-12-2015	n/a
	Option	27-11-2015	143	Incentive	0	0	100	30-12-2016	n/a
	Option	27-11-2015	116	Incentive	0	0	100	31-12-2017	n/a
Rod Lovelady	Option	27-11-2015	75	Incentive	0	0	100	31-12-2017	n/a

Note 1 The options have been granted subject to the completion of continued employment with the Moreton Resources Limited and subject to the individual meeting predetermined performance criteria. Should the performance criteria not be met for a particular year, the portion of the options which were available for vesting for that year shall be considered forfeited.

Options and Rights Granted as Remuneration – Summary

	Balance at Beginning of Year No.	Grant Details			Exercised		Lapsed		
		Issue Date	No.	Value	No.	Value	No.	Value	Balance at End of Year (all unvested)
				\$ (Note 1)		\$		\$ (Note 2)	No.
Group KMP									
Arthur Hood	13,600,000	-	-	-	-	-	13,600,000	4,758	-
Jason Elks	19,381,500	27-11-2015	16,114,500	3,026	-	-	19,381,500	7,850	16,114,500
Wayne Penning	3,200,000	27-11-2015	1,380,000	259	-	-	3,200,000	1,296	1,380,000
Brett Fletcher	-	27-11-2015	3,086,000	264	-	-	1,706,000	5	1,380,000
Rod Lovelady	-	27-11-2015	666,666	75	-	-	-	-	666,666
	36,181,500		21,247,166	3,624	-	-	37,887,500	13,909	19,541,166

NOTES

- (1) The fair value of options granted as remuneration and as shown in the above table has been determined in accordance with the Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied.
- (2) The value of options that have lapsed during the year due to vesting conditions not being satisfied has been determined at the time of their lapsing as if vesting conditions had been satisfied.
- (3) The options have been granted subject to certain performance criteria being met before the options vest. Should the performance criteria (in particular a target share price) not be met for a particular year, the portion of the options which were available for vesting for that year shall be considered forfeited.
- (4) The options have been granted subject to continued employment until the vesting period for Directors only.
- (5) All options issued entitle the holder to one ordinary share in Moreton Resources Limited for each option exercised.
- (6) There have not been any alterations to the terms or conditions of any grants since grant date.

REMUNERATION REPORT (AUDITED) (CONT'D)

(B) Details of Remuneration (Cont'd)

Description of Options Issued as Remuneration

Details of the options granted as remuneration to those KMP listed in the previous table are as follows:

Grant Date	Issuer	Entitlement on Exercise	Dates Exercisable	Exercise Price (\$)	Value per Option at Grant Date (\$)	Amount Paid/ Payable by Recipient (\$)
19-09-2014	Moreton Resources Limited	1:1 Ordinary Shares in Moreton	30-12-2015	0.002	0.0004	0.00
27-11-2015	Moreton Resources Limited	1:1 Ordinary Shares in Moreton	30-12-2015	0.002	0.000003	0.00
27-11-2015	Moreton Resources Limited	1:1 Ordinary Shares in Moreton	30-12-2016	0.004	0.0002	0.00
27-11-2015	Moreton Resources Limited	1:1 Ordinary Shares in Moreton	31-12-2017	0.006	0.0002	0.00
27-11-2015	Moreton Resources Limited	1:1 Ordinary Shares in Moreton	31-12-2017	0.000	0.0002	0.00

Option values at grant date were determined using the Binomial method.

Key Management Personnel Shareholdings

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 on during the year	Disposed during the year	Other Changes during the year	Balance at the end of the year*
Current Directors							
Brett Fletcher	5,000,000	-	-	-	-	-	5,000,000
Wayne Penning	-	-	-	-	-	-	-
Jason Elks	173,556,687	14,910,000	-	-	-	-	188,466,687
Current Executives							
Chris Santagiuliana	-	-	-	-	-	-	-
Previous Directors							
Arthur Hood*	8,000,000	-	-	-	-	-	8,000,000
Previous Executives							
Rod Lovelady*	16,889,669	-	-	-	-	-	16,889,669
Total number	203,446,356	14,910,000	-	-	-	-	218,356,356

2015							
Current Directors							
Arthur Hood	-	8,000,000	-	-	-	-	8,000,000
Brett Fletcher	-	5,000,000	-	-	-	-	5,000,000
Wayne Penning	-	-	-	-	-	-	-
Jason Elks	161,855,823	11,700,864	-	-	-	-	173,556,687
Previous Directors							
Robert James Canning-Ure*	-	-	-	-	-	-	-
John Thomas*	10,310,000	-	-	-	-	-	10,310,000
Bret Leisemann*	-	3,300,000	-	-	-	-	3,300,000
Current Executives							
Rod Lovelady**	3,400,000	13,489,669	-	-	-	-	16,889,669
Total number	175,565,823	41,490,533	-	-	-	-	217,056,356

* Balance at end of year or at resignation

** Balance at commencement of employment

REMUNERATION REPORT (AUDITED) (CONT'D)

(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.

Employment Details of Members of Key Management Personnel (KMP)

The following table provides employment details of persons who were, during the financial year, members of KMP of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

	Position Held as at 30 June 2016	Contract Details (Duration and Termination)	Annual Base Salary including superannuation \$	Other Benefits
Group KMP - Current				
Brett Fletcher	Non-Executive Director and Chairman of the Board Chair Audit and Risk Committee	Refer to Note (4) for duration and term.	75,000	30% STI ⁽³⁾ 30% MTI ⁽³⁾
Wayne Penning	Non-Executive Director Chair Remuneration Committee Audit and Risk Committee	Refer to Note (4) for duration and term.	46,000	15% STI ⁽³⁾ 15% MTI ⁽³⁾
Alexander Jason Elks	Managing Director and Chief Executive Officer	Permanent contract. Started 1 July 2014. 3 months' notice to terminate.	323,025	15% STI ⁽¹⁾ 15% MTI ⁽¹⁾
Chris Santagiuliana	Financial Controller	Permanent contract. Started 12 October 2015. 3 months' notice to terminate.	125,925	10% STI ⁽⁵⁾
Group KMP - Former				
Arthur Hood	Non-Executive Director and Chairman of the Board Remuneration Committee	Refer to Note (4) for duration and term. (Resigned 22 October 2015)	85,000	STI ⁽³⁾ MTI ⁽³⁾
Rodney Lovelady	General Manager - Finance and Corporate Services	Ceased employment 18 December 2015	219,000	15% STI ⁽²⁾ 10% LTI ⁽²⁾

- (1) Under Mr Elks employment contract, he is eligible to participate in short and long-term incentive schemes as determined by the Company from time to time. Separate to his employment contract, Mr Elks was granted two tranches of share based compensation. Each tranche consists of 19,381,500 options with exercise prices of \$0.002 per share for each tranche and vesting for tranche one to occur between 1 October 2014 and 30 December 2014 and vesting for tranche two to occur between 1 October 2015 and 30 December 2015 subject to the Company's share price meeting certain market price hurdles. This hurdle share price was not met for tranche 1 and the full number of options for tranche 1 (19,381,500) lapsed on 30 December 2014. The hurdle for share price was not met for tranche 2 and the full number of options for tranche 2 (19,381,500) lapsed on 30 December 2015. These options were approved by shareholders at the Company's 2014 Annual General Meeting. In addition, Mr Elks was eligible to participate in the short term and mid-term incentive schemes (unlisted options) as approved by the shareholders at the Annual General Meeting on 20 October 2015. The details of these unlisted options granted are contained in the table titled "Cash Bonuses, Performance-related Bonuses and Share-based Payments" in Section B of this Directors Report.
- (2) Under Mr Lovelady's employment contract, he is eligible to participate in short and long-term incentive schemes as determined by the Company from time to time.
- (3) Mr Arthur Hood and Mr Wayne Penning were eligible to participate in the short term and mid-term incentive schemes (unlisted options) as approved by the shareholders at the Annual General Meeting on 20 October 2015. The details of these unlisted options granted are contained in the table titled "Cash Bonuses, Performance-related Bonuses and Share-based Payments" in Section B of this Directors Report.
- (4) Directors are appointed upon the terms for Directors as outlined within the Corporations Act, and as such there are no termination provisions or notice period. Each Director however is subject to rotation at a maximum of 3 years for shareholder re election.
- (5) Under Mr Santagiuliana's employment contract, he is eligible to participate in the short-term incentive scheme as determined by the Company from time to time.

REMUNERATION REPORT (AUDITED) (CONT'D)

(C) Service Agreements (Cont'd)

The employment terms and conditions of all KMP are formalised in contracts of employment. Terms of employment require that the relevant group entity provide an executive contracted person with a minimum of 3 months' notice prior to termination of contract. Termination payments equivalent to three month's salary is only payable when this notice period is not provided. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least 3 months' notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance. Non-Executive Directors have contractual service agreements stipulating Board services to Moreton Resources on usual commercial terms and conditions. The maximum total amount of fees paid to Directors is set by shareholders.

(D) Short Term Incentive Program

A Short Term Incentive Plan (STIP) was approved and introduced by the Board in the 2015 financial year. The STIP is an integral part of the Company's overall approach to competitive performance based remuneration. The Plan aims to reward eligible Employees for meeting their goals and aligning their activities to the Company's values. Employees will be assessed through the normal performance enhancement system to measure their achievement of goals and alignment with the values. Poor alignment with the values and/or poor achievement of goals will result in a reduction to or non-payment of an incentive award. The incentive is for over and above day-to-day performance and role outcomes, which have already been remunerated for.

The STIP is discretionary and will only be maintained and awards given, provided the Company has achieved an overall positive result, as determined by the CEO and/or Board.

This Plan applies to all permanent full-time or part-time MRV Corporate Employees employed in Australia. Eligibility of other Employees will depend on their contract of employment.

This Plan will not extend to anyone where to do so would result in an overlap or doubling up of reward potential for specified performance over the same period.

(E) Share-Based Remuneration

Employee Share Scheme

The Company does not have an employee share scheme.

Management Share Options

During the year the Board reviewed the Company's existing Employees', Officers' and Consultants 2007 Option Plan, which was most recently voted on by shareholders in 2013, that provides for the issue of Unlisted Options over fully paid ordinary shares in the Company. Following the review, and due to the minor nature of the changes, the revised Option Plan was approved by the Remuneration and Nomination Board Committee in August 2015. The revised Option Plan is now called the Employees, Officers, Consultants and Partners 2015 Option Plan and is available on the Company's website (www.moretonresources.com.au).

Ordinary shares are not granted as remuneration, but key management personnel may hold shares in a shareholder capacity (see table in Section (B) of this Remuneration Report for a summary of such holdings).

(F) Additional Information

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

There were no other transactions conducted between the Group and key management personnel or their related parties, other than those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

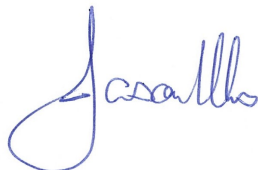
This is the end of the remuneration report, which has been audited.

AUDITOR

Nexia Brisbane Audit Pty Ltd (formerly Hayes Knight Audit (QLD) Pty Ltd) continues in office in accordance with section 327 of the Corporations Act 2001.

RESOLUTION OF THE DIRECTORS

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



Alexander Jason Elks
Chief Executive Officer

18 August 2016
Brisbane

**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 2016 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.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Nigel Bamford

N D Bamford
Director

Date: 18 August 2016

	Notes	30 June 2016 \$	30 June 2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	1,776,710	4,869,433
Trade and other receivables	11	5,254,030	5,253,056
Other financial assets	12	103,239	2,500
Total Current Assets		7,133,979	10,124,989
Non-Current Assets			
Exploration and evaluation assets	13	4,020,951	3,173,974
Property, plant and equipment	14	96,159	73,505
Intangible assets	15	-	-
Total Non-Current Assets		4,117,110	3,247,479
TOTAL ASSETS		11,251,089	13,372,468
LIABILITIES			
Current Liabilities			
Trade and other payables	17	206,398	730,615
Provisions	18	157,335	134,921
Total Current Liabilities		363,733	865,536
Non-Current Liabilities			
Total Non-Current Liabilities		-	-
TOTAL LIABILITIES		363,733	865,536
NET ASSETS		10,887,356	12,506,932
EQUITY			
Contributed equity	19	74,092,375	74,092,375
Reserves		1,758	8,911
Accumulated losses		(63,206,777)	(61,594,354)
TOTAL EQUITY		10,887,356	12,506,932

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2016

		Year Ended 30 June 2016 \$	Year Ended 30 June 2015 \$
	Notes		
REVENUE	5	85,069	240,404
EXPENSES			
Communication costs		63,877	57,704
Depreciation and amortisation	7	50,523	51,747
Employee benefits expense		849,414	916,434
Insurance expenses		53,271	51,565
Kingaroy Rehabilitation Provision Write Back	18	-	(778,231)
Business Development Costs		28,698	155,389
Professional fees and Contractors		406,504	315,308
Securities quotation fees		42,262	50,117
Other Corporate Costs		168,368	161,995
Travel costs		48,484	20,137
Total Expenses	7	1,711,401	1,002,165
LOSS BEFORE INCOME TAX		(1,626,332)	(761,761)
Income Tax Benefit	8	-	5,658,763
TOTAL PROFIT AFTER INCOME TAX FOR THE YEAR		(1,626,332)	4,897,002
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(1,626,332)	4,897,002
Profit for the year is attributable to:			
Owners of Moreton Resources Limited		(1,626,332)	4,897,002
		(1,626,332)	4,897,002
Total comprehensive income for the year is attributable to:			
Owners of Moreton Resources Limited		(1,626,332)	4,897,002
		(1,626,332)	4,897,002
		Cents	Cents
Basic earnings per share	23	(0.1)	0.3
Diluted earnings per share	23	(0.1)	0.3

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 2016

Consolidated	Contributed Equity \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 01-07-2015	74,092,375	8,911	(61,594,354)	12,506,932
<u>Comprehensive Income Transactions</u>				
Profit after tax for the period	-	-	(1,626,332)	(1,626,332)
Other comprehensive income	-	-	-	-
Total Comprehensive Income	-	-	(1,626,332)	(1,626,332)
<u>Transactions with Owners in their Capacity as Owners</u>				
Transfer of Reserves to retained earnings	-	(13,909)	13,909	-
Share-based payments	-	6,756	-	6,756
Total Transactions with Owners	-	(7,153)	13,909	6,756
Balance at 30-06-2016	74,092,375	1,758	(63,206,777)	10,887,356

Consolidated	Contributed Equity \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 01-07-2014	74,092,375	-	(66,516,166)	7,576,209
<u>Comprehensive Income Transactions</u>				
Profit after tax for the period	-	-	4,897,002	4,897,002
Other comprehensive income	-	-	-	-
Total Comprehensive Income	-	-	4,897,002	4,897,002
<u>Transactions with Owners in their Capacity as Owners</u>				
Transfer of Reserves to retained earnings	-	(24,810)	24,810	-
Share-based payments	-	33,721	-	33,721
Total Transactions with Owners	-	8,911	24,810	33,721
Balance at 30-06-2015	74,092,375	8,911	(61,594,354)	12,506,932

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

	Notes	Year Ended 30 June 2016 \$	Year Ended 30 June 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,156,899)	(2,461,743)
Interest received		85,069	207,314
Income tax – R&D tax offset received		-	498,248
Net cash inflow/(outflow) from operating activities	21	(2,071,830)	(1,756,181)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security deposits lodged / refunded		(100,739)	1,936
Payments for property, plant and equipment		(73,177)	(75,466)
Payments for exploration and evaluation assets		(846,977)	(984,788)
Proceeds from sales of property, plant and equipment		-	47,153
Net cash inflow/(outflow) from investing activities		(1,020,893)	(1,011,165)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash inflow/(outflow) from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(3,092,723)	(2,767,346)
Cash and cash equivalents at the beginning of the financial year		4,869,433	7,636,779
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	1,776,710	4,869,433

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

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 "Group"). 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. Its registered office and principal place of business is:

Suite 8, Level 2, 113 Wickham Terrace
Spring Hill, Queensland, 4000, Australia

The Company's principal activities were identification and development of conventional coal projects in Australia and also to seek to expand the Company through acquisition.

The financial report of Moreton Resources Limited (the 'Company') for the year ended 30 June 2016 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. The Group is a for-profit entity for financial reporting purposes. 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 (t).

(b) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Moreton Resources) and all of the subsidiaries. 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.

(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.

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

(d) Plant and Equipment

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

Depreciation

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

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

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

(e) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

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

(i) Loans and receivables

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

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

(e) Financial Instruments (cont'd)

(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

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. 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) 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.

(g) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(h) Revenue Recognition

Interest revenue is recognised using the effective interest method.

(i) 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.

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

(i) Income Tax (Cont'd)

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 Offset 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 considered receivable.

(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (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.

(k) 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 by a suitably qualified independent third party in accordance with AASB 2 – Share Based Payments and the Professional Standards of the Institute of Chartered Accountants. 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.

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

(l) 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.

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

(m) Intangible assets

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.

(n) Rehabilitation and Restoration Costs

Costs of site restoration are provided for using best estimates of information available. 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 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 re-measured in line with changes in timing or amounts of the costs to be incurred. Rehabilitation and restoration provisions are adjusted for changes in estimates and taking into account the rehabilitation works carried out during the financial year. 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.

(o) 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.

(p) 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.

(q) 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.

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

(q) Employee Benefits (Cont'd)

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.

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. Upon the re-measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

For all employees of the Group the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice.

(r) 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.

(s) Earnings per share

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.

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.

(t) 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:

Financial Status

The financial report has been prepared on a going concern basis that contemplates the continuity of normal operating activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 June 2016, the consolidated total assets was \$11,251,089 including cash of \$1,776,710 and receivables of \$5,254,030. Consolidated net assets totalled \$10,887,356.

As set out in Note 11, included in receivables is \$5,160,515 relating to Research and Development Tax Incentive Offset claims, with this amount currently subject of proceedings in the Administrative Appeals Tribunal.

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

(t) Critical Accounting Estimates and Judgments (Cont'd)

The ultimate outcome of these proceedings cannot be predicted with certainty, however the amount receivable continues to be carried at full value as the Company's best estimate of the likely amount recoverable.

As set out in Note 11, the Australian Taxation Office has advised it will seek repayment of \$8,185,724 previously paid to the Company in respect of prior year Research and Development Tax Incentive Offset claims. On the basis of professional advice obtained, the Company considers its claim to the incentive payments is justified and valid and notes that the amounts received relate to Research and Development Tax Incentive Offset claims lodged on the same basis as the \$5,160,515 tax benefit receivable mentioned above which is currently the subject of proceedings. The ultimate outcome of this matter against the Company also cannot be predicted with any certainty, however the Company would need to raise further funding if it was required to settle the matter.

On the basis of the present status of these matters, the Directors have formed the view that it is appropriate to prepare the financial report on a going concern basis.

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.

Exploration and Evaluation Assets (note 13)

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

Provision for Restoration – Estimate and Classification (Kingaroy Site) (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. These works progressed during the 2016 financial year with all underground infrastructure (with the exception of 3 monitoring wells still in use) and all surface infrastructure related to prior operating activities now removed from site and the area where this plant was has been rehabilitated.

(u) 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.

(v) Application of new and revised Accounting Standards

(i) *Amendments to AASBs and new Interpretations that are mandatorily effective for the current year*

There are no amendments to AASBs or any new Interpretation with material application to the Group.

(ii) *Standards and Interpretations in issue not yet adopted*

Accounting Standards and Interpretations issued by the AASB that are relevant but 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 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019). When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. AASB is not expected to significantly impact the Group's Financial Statements.

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.

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 2016 %	30 June 2015 %
MRV Surat Basin Coal Pty Ltd	27-03-2003	Australia	Ord shares	100.00%	100.00%
MRV Bowen Basin Coal Pty Ltd	09-02-2012	Australia	Ord shares	100.00%	100.00%
MRV Tarong Basin Coal Pty Ltd	05-10-2012	Australia	Ord Shares	100.00%	100.00%
MRV Metals Pty Ltd **	08-01-2016	Australia	Ord Shares	100.00%	0%

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

** MRV Metals Pty Ltd was incorporated for \$10. There are no significant restrictions over the Group's ability to access or use the assets and settle liabilities of the Group.

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 Group's activities expose it to a variety of financial risks: market risk (including 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, cash flow forecasting, 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. The Group's financial instruments consists mainly of deposits with banks, short term investments, accounts receivable, accounts payable and leases.

A summary of the Group's financial instruments is set out below.

	Notes	Consolidated Group	
		2016 \$	2015 \$
<u>Financial Assets</u>			
Cash and cash equivalents	10	1,776,710	4,869,433
Trade and other receivables	11	5,254,030	5,253,056
Other financial assets	12	103,239	2,500
Total Financial Assets		7,133,979	10,124,989
<u>Financial Liabilities</u>			
Trade and other payables	17	206,398	730,615
Total Financial Liabilities		206,398	730,615
Net Financial Assets		6,927,581	9,394,374

NOTE 4: FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk

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) which are subject to variable rates. 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 interest rate risk is minimal.

	Consolidated Group	
	2016	2015
Notes	\$	\$
<u>Sensitivity Analysis</u>		
<u>Effect on Profit after Income Tax – Higher/(Lower)</u>		
1% increase in interest rates	17,767	48,694
1% decrease in interest rates	(17,767)	(48,694)
<u>Effect on Equity – Higher/(Lower)</u>		
1% increase in interest rates	17,767	48,694
1% decrease in interest rates	(17,767)	(48,694)

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 controlled entities to fund project development. 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 other than as set out in Notes 10 and 11.

(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.

(i) Financing Arrangements

The Company does not have any undrawn borrowing facilities at the end of each financial year.

(ii) Maturities of Financial Instruments

All of the Group's financial assets and liabilities have a maturity profile of less than 12 months.

NOTE 4: FINANCIAL RISK MANAGEMENT (CONT'D)

(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.

NOTE 5: REVENUE

Revenue from Continuing Operations

	Notes	Consolidated Group	
		2016	2015
		\$	\$
Interest received		85,069	206,272
Interest received - ATO		-	13,426
Profit on Sale of Plant and Equipment		-	20,706
Revenue		85,069	240,404

NOTE 6: INVESTMENTS IN NON CONTROLLED ENTITIES

There are no such items in the 2016 and 2015 financial years.

NOTE 7: EXPENSES

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

Depreciation of property, plant and equipment	50,523	51,747
Employee expenses - Share-based Payments	6,756	33,721
<u>Rental expense relating to operating leases</u>		
Minimum lease payments	38,167	44,958

	Notes	Consolidated Group	
		2016	2015
		\$	\$

NOTE 8: INCOME TAX EXPENSE

(a) Income Tax Benefit (Expense)

Current income tax **	-	5,658,763
Deferred income tax expense	-	-
Income Tax Benefit	-	5,658,763

(b) Numerical Reconciliation of Income Tax Benefit to Prima Facie Tax Payable

Loss from continuing operations	(1,626,332)	(761,761)
Total loss before income tax for the year	(1,626,332)	(761,761)
Tax at the Australian tax rate of 30% (2015: 30%)	(487,900)	(228,528)

Add/(less) the tax effect of amounts which are not deductible/(assessable) in calculating taxable income:

Other non-deductible costs (legals, fines etc)	1,388	13,652
Exploration expenditure capitalised	(150,692)	(383,829)
Other deductible expenses	(111,985)	(327,911)
Deferred tax assets not brought to account	749,189	926,616
R&D tax offset received / receivable **	-	-
Total income tax benefit	-	5,658,763

The weighted average effective tax rates (before R&D tax offset) are nil due to tax losses.

0% 0%

(c) Unused Tax Losses Not Recognised as a Deferred Tax Asset

Taxable value of unused tax losses for which no deferred tax asset has been recognised:

Tax losses on capital account	516,865	496,157
Tax losses on revenue account *	21,784,378	19,357,739
Total unrecognised tax losses carried forward	22,301,243	19,853,896
Potential tax benefit of losses @ 30% (2015: 30%)	6,690,373	5,956,169

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.

* Unused tax losses on revenue account reflect the impact of the amended Research and Development Tax Incentive Offset claims lodged in 2015 that related to prior financial years.

** Current Income Tax for 2015 includes \$498,248 received for Research and Development Tax Incentive Offset claims plus an amount receivable for Research and Development Tax Incentive Offset claims of \$5,160,515 (Refer Note 11 for more information)

(d) 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 2016 the Parent Company of the Group was Moreton Resources Limited. The financial position and result of the Parent Entity is detailed below.

	2016 \$	2015 \$
Information relating to Moreton Resources Limited:		
Total current assets	7,133,979	10,124,989
Total assets	11,251,089	13,372,468
Total current liabilities	363,733	865,536
Total liabilities	363,733	865,536
Equity		
- Issued capital	74,092,375	74,092,375
- Reserves	1,758	8,911
- Accumulated losses	(63,206,777)	(61,594,354)
Total equity	10,887,356	12,506,932
Total comprehensive income	(1,626,332)	4,897,002

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 agreed to fund the exploration commitments for each of its subsidiaries for each respective tenement for the period the respective tenement is held.

	Notes	Consolidated Group	
		2016	2015
		\$	\$

NOTE 10: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,776,710	4,120,127
Term deposits securing bank guarantees given	-	749,306
Total cash and cash equivalents	1,776,710	4,869,433

NOTE 11: TRADE AND OTHER RECEIVABLES

Other receivables *	5,160,515	5,160,515
Sundry receivables	93,515	92,541
Total trade and other receivables	5,254,030	5,253,056

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.

* The Company has previously made claims in relation to the Research and Development Tax Incentive Offset in accordance with Division 355 of the *Income Tax Assessment Act 1997 (Cth)*. Recently, these claims have been reviewed.

The Company originally claimed the following amounts:

- \$473,476 of Research & Development Tax Incentive Offsets in its 2012 income tax return,
- \$7,104,744 of Research & Development Tax Incentive Offsets in its 2013 income tax return,
- \$465,515 of Research & Development Tax Incentive Offsets in its 2014 income tax return, and
- \$444,756 of Research & Development Tax Incentive Offsets in its 2015 income tax return.

In 2014 and 2015, the Company lodged an amendment request in relation to its 2012 income tax return and received a further \$498,248 in Research & Development Tax Incentive Offset claims from the Australian Taxation Office. The Company also lodged an objection to the 2013 and 2014 income tax returns which entitled the Company to an additional \$5,160,515 in Research & Development Tax Incentive Offset claims.

Based on a finding made by Innovation Australia in relation to the activities related to the Research & Development Tax Incentive Offsets, the Australian Taxation Office has amended the Research & Development Tax Incentive Offsets for the 2012, 2013 and 2014 income years to \$0. The Australian Taxation Office has also amended the Research & Development Tax Incentive Offset claim for the 2015 income year to \$0. In relation to the 2012 and 2013 income years, the Australia Taxation Office has advised it will seek repayment of \$8,185,724 previously paid to the Company in respect of the Research and Development Tax Incentive Offsets claimed. Although the ultimate outcome of this matter against the Company also cannot be predicted with certainty, the Company rejects this position and is of the view that the Research and Development Tax Incentive Offsets have been correctly claimed.

In order to defend its position, the Company has initiated proceedings in the Administrative Appeals Tribunal to dispute the finding made by Innovation Australia in the 2012 to 2014 income years. The ultimate outcome of these proceedings cannot be predicted with certainty.

On the basis of professional advice obtained, the Company considers it arguable that its claim to the Research and Development Tax Incentive Offsets is justified and valid. The amount of the receivable for the Research and Development Tax Incentive Offsets continues to be carried at the full value of the claim as the Company's best estimate of the likely amount recoverable. The Company has at all times kept the market fully informed as to the status of this matter.

The Company has not recognised in the Financial Statements the R&D Tax Incentive Claim pertaining to 2015 income tax return, totalling \$444,756, on the basis that the Registration Certificate (required to enable the claim to move forward) has been held in abeyance by Innovation Australia, pending the outcome of the current action before the Administrative Appeals Tribunal.

	Notes	Consolidated Group	
		2016	2015
		\$	\$
NOTE 12: OTHER FINANCIAL ASSETS			
Current Assets			
Security/rental tenancy deposits		1,130	2,500
Cash Security Bonds lodged for tenements		102,109	-
Total other financial assets		103,239	2,500

NOTE 13: EXPLORATION AND EVALUATION ASSETS

Tarong Basin Thermal Coal Project (Qld)

Balance at the start of the financial year	290,928	58,291
Additional expenditure	785,323	232,637
Balance at the end of the financial year	1,076,251	290,928

Wandoan Coal Project (Qld)

Balance at the start of the financial year	1,097,092	1,049,852
Additional expenditure	56,951	47,240
Balance at the end of the financial year	1,154,043	1,097,092

Mackenzie Coal Project (Qld)

Balance at the start of the financial year	1,785,954	786,399
Additional expenditure (net of contractor costs written back)	-109,885	999,555
Balance at the end of the financial year	1,676,069	1,785,954

Granite Belt Metals Project (Qld)

Balance at the start of the financial year	-	-
Additional expenditure	114,588	-
Balance at the end of the financial year	114,588	-
Total exploration and evaluation assets	4,020,951	3,173,974

The Company's focus is now on advancing both its coal assets and minerals assets and expenditure incurred is targeted at progressing these projects. All projects are in exploration and evaluation phase. Recovery of the carrying amount of exploration assets is dependent on the successful development of the projects, and/or their sale.

Tenements

Licence Holder	Licence Number	Projects Location	Acquisition / Grant Date	Equity Interest (%)	
				2016	2015
Moreton Resources Limited	MDL 385	South Burnett	24-09-2009	-	100%
MRV Tarong Basin Coal Pty Ltd	MDL 385	South Burnett	18-12-2015	100%	-
MRV Tarong Basin Coal Pty Ltd	EPC 882	South Burnett	26-10-2015	100%	-
Moreton Resources Limited	MDL 420	Wandoan	26-11-2012	-	99%
MRV Surat Basin Coal Pty Ltd	MDL 420	Wandoan	22-12-2015	100%	1%
Moreton Resources Limited	EPC 1445	Mackenzie	29-06-2011	-	100%
MRV Bowen Basin Coal Pty Ltd	EPC 1445	Mackenzie	22-12-2015	100%	-
Moreton Resources Limited	MDL 503	Mackenzie	30-10-2014	-	100%
MRV Bowen Basin Coal Pty Ltd	MDL 503	Mackenzie	22-12-2015	100%	-
MRV Metals Pty Ltd	EPM 8854	Granite Belt	23-05-2016	100%	-
MRV Metals Pty Ltd	EPM 11455	Granite Belt	23-05-2016	100%	-
MRV Metals Pty Ltd	EPM 12858	Granite Belt	23-05-2016	100%	-
MRV Metals Pty Ltd	EPM 18950	Granite Belt	23-05-2016	100%	-

Legend:

EPC = Exploration Permit for Coal MDL = Mineral Development Licence EPM = Exploration Permit for Minerals

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

Tarong Basin Thermal Coal Project, Queensland, Australia

MDL 385 was transferred to the wholly-owned subsidiary company MRV Tarong Basin Coal on 18 December 2015. There were no changes to the terms of MDL 385 as a result of this transfer.

On 26 October 2015 EPC 882 was purchased by the wholly-owned subsidiary MRV Tarong Basin Coal Pty Ltd. Holding of both MDL 385 and EPC 882 is consistent with the Company's intended future development of this asset as a coal asset.

Wandoan Coal Project, Queensland, Australia

On 26 November 2012, the Company was granted MDL 420 to cover the entire footprint of EPC 1118. MDL 420 was transferred to the wholly-owned subsidiary company MRV Surat Basin Coal Pty Ltd on 22 December 2015. There were no changes to the terms of MDL 420 as a result of this transfer.

Mackenzie Coal Project, 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. On 5 November 2014, the Department of Natural Resources and Mines, Queensland advised that the Company's application for a Mineral Development Licence (MDLA 503) had been processed and that MDL 503 had been granted until 31 October 2019. MDL 503 comprises 6 standard sub – blocks with a total area of 18.7 square kilometres that had previously been included under EPC 1445. EPC 1445 was effectively reduced to 1 standard sub-block following the granting of MDL 503 over the other 6 standard sub-blocks. EPC 1445 and MDL 503 were transferred to the wholly-owned subsidiary company MRV Bowen Coal Pty Ltd on 7 December 2015 and 22 December 2015 respectively. There were no changes to the terms of either MDL 385 or EPC 1445 as a result of the transfer.

Granite Belt Metals Project, Queensland, Australia

On 23 May 2016, tenements EPM 8854, EPM 11455, EPM 12858 and EPM 18950 were purchased by the wholly-owned subsidiary MRV Metals Pty Ltd. These tenements cover a combined 67 sub-blocks with a total area of approx. 197 square kilometres. The acquisition of these assets is consistent with the Company's objective of seeking to expand the company through acquisitions.

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Office Equipment & Furniture \$	Plant & Equipment \$	Total Depreciable Assets \$
2016 FINANCIAL YEAR			
Balance at the start of the year	33,004	40,501	73,505
Additions	73,177	-	73,177
Disposals	-	-	-
Depreciation expense	(32,792)	(17,731)	(50,523)
Balance at the end of the year	73,389	22,770	96,159
2015 FINANCIAL YEAR			
Balance at the start of the year	10,076	73,929	84,005
Additions	32,996	34,698	67,694
Disposals	-	(26,447)	(26,447)
Depreciation expense	(10,068)	(41,679)	(51,747)
Balance at the end of the year	33,004	40,501	73,505
Summary totals:			
	Notes	Consolidated Group 2016 \$	2015 \$
Plant and equipment – at cost		272,306	199,105
Accumulated depreciation		(176,147)	(125,600)
		96,159	73,505

	Notes	Consolidated Group	
		2016	2015
		\$	\$
NOTE 15: INTANGIBLE ASSETS			
(a) UCG Technology General Licence			
Cost at the start of the year		750,000	750,000
Additions		-	-
Cost at the end of the year		750,000	750,000
Accumulated Amortisation			
Amortisation at the start of the year		(750,000)	(397,686)
Charge for the year		-	-
Impairment charge at the start of the year		-	(352,314)
Impairment charge for the period		-	-
Amortisation at the end of the year		(750,000)	(750,000)
Net book value at the end of the year		-	-
Total net book value of all intangible assets		-	-

UCG technology general licence fees represent the fees paid to Ergo Exergy Technologies, Inc (Ergo) by Moreton Resources Limited to have an agreed partnership to advance 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. As the Company has moved its focus from UCG, the Company has therefore fully impaired the current book value of the licence.

NOTE 16: RELATED PARTY DISCLOSURE

During the year the Parent Company undertook a group restructure and transferred its exploration interests in its tenements to each of its wholly-owned subsidiaries, giving rise to an amount receivable to the Parent Company of \$4,713,666 at 30 June 2016.

b) Other Transactions and Balances with Key Management Personnel

Other than disclosed in Note 24, there were no other related party transactions with Key Management Personnel in 2016. See also note 24 for key management personnel disclosures of remuneration and equity interests.

NOTE 17: TRADE AND OTHER PAYABLES

Trade payables and accruals	206,398	681,278
Unmarketable parcel share sales*	-	49,337
Total Trade and Other Payables	206,398	730,615

*Represents amounts collected in 2014 on sale of unmarketable parcels of shares, amounts are payable to the shareholders.

Notes	Consolidated Group	
	2016	2015
	\$	\$

NOTE 18: PROVISIONS

(a) Current Liabilities

Provision for employee benefits (annual leave)	32,917	34,921
Provision for employee benefits (short term incentive)	50,329	-
Provision for restoration Kingaroy UCG site (*)	74,089	100,000
Total Current Provisions	157,335	134,921

(*) Provision for restoration Kingaroy UCG Site

Provision at the start of the year	100,000	1,226,511
Write – back of excess provision	-	(778,231)
Rehabilitation costs incurred	(25,911)	(348,280)
Total Kingaroy UCG Site Restoration Provision	74,089	100,000

(*) The provision for restoration costs is in relation to the former Underground Coal Gasification (UCG) site near Kingaroy pursuant to s.190 of the Mineral Resources Act 1989 (Queensland) and the Environmental Protection Act 1994 (Queensland). The amount of \$52,109 has been provided as a cash security bond lodged directly with the State of Queensland.

The assessment of the provision was 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).

NOTE 19: EQUITY- CONTRIBUTED

Consolidated Group					
	Issue Price \$	Securities Issued 2016 Number	Gross Proceeds 2016 \$	Securities Issued 2015 Number	Gross Proceeds 2015 \$
<u>(a) Movements in Fully Paid Ordinary Shares</u>					
Contributed equity at the start of the financial year		1,829,167,072	74,092,375	1,829,167,072	74,092,375
Contributed equity from ordinary shares		1,829,167,072	74,092,375	1,829,167,072	74,092,375
Total contributed equity		1,829,167,072	74,092,375	1,829,167,072	74,092,375

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 (see Note 20)

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.

(b) 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.

NOTE 20: EQUITY – OPTIONS

	Securities Issued 2016 Number	Fair Value 2016 \$	Securities Issued 2015 Number	Fair Value 2015 \$
<u>Movements in the Unlisted Management Options Reserve</u>				
Reserve balance at the start of the financial year	36,181,500	8,911	-	-
Write-back for forfeited options	(37,887,500)	(13,909)	(42,581,500)	(24,810)
Issued in the year and expensed	21,247,166	6,756	78,763,000	33,721
Reserve balance at the end of the financial year	19,541,166	1,758	36,181,500	8,911

* 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.

NOTE 21: RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Consolidated Group	
	2016	2015
	\$	\$
Profit/(loss) after income tax for the year attributable to equity holders of the Parent Entity	(1,626,332)	4,897,002
<u>Non-cash revenue</u>		
Profit on sale of fixed assets	-	(20,706)
<u>Non-cash expenditure</u>		
Amortisation and depreciation expense	50,523	51,747
Share-based payments & reserves	6,756	33,721
Kingaroy rehabilitation provision write back	-	(778,231)
<u>Change in net operating assets and liabilities</u>		
Decrease/(Increase) in receivables and other assets	(974)	(5,179,801)
Increase/(Decrease) in trade and other payables	(524,216)	(437,838)
Increase/(Decrease) in provisions	22,413	(322,075)
Net Cash from operating activities	(2,071,830)	(1,756,181)

NOTE 22: SEGMENT INFORMATION

The principal business of the group has been the development of 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. As set out in Note 13 though, in May 2016 the company acquired a metals project.

NOTE 23: EARNINGS PER SHARE

	Notes	Consolidated Group 2016 \$	2015 \$
(a) Reconciliations of the Earnings/(Loss) Used In Calculating Earnings/(Loss) Per Share			
Basic and Diluted Earnings/(loss) Per Share			
Total profit/(loss) after income tax from continuing operations		(1,626,332)	4,897,002
Earnings used in calculation of earnings per share		(1,626,332)	4,897,002
(b) Weighted Average Number of Ordinary Shares Used as the Denominator in the Earnings Per Share Calculations			
Weighted average number of ordinary shares used as the denominator in calculating earnings per share		1,829,167,072	1,829,167,072
Weighted average number of dilutive options outstanding		-	-
Weighted average number of ordinary shares outstanding used in calculating dilutive earnings per share		1,829,167,072	1,829,167,072

(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.

21,247,166 unlisted options were granted in November 2015. 1,706,000 of these unlisted options subsequently lapsed in December 2015. The remaining options are not considered to be dilutive as the vesting of these options is conditional on meeting performance conditions that have not yet been met. These options have therefore not been included in the calculation of diluted earnings per share.

The options on issue at 30 June 2015 was 36,181,500. These options lapsed in December 2015.

NOTE 24: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel Compensation

Short-term employee benefits	650,420	596,540
Post-employment benefits	71,199	92,904
Termination benefits	-	-
Share-based payments	6,756	33,721
Total compensation	728,375	723,165

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

(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 B, D and E 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 part B (Details of Remuneration) of the Remuneration Report.

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 in part F (Additional Information) of the Remuneration Report. There were no shares granted during either financial year as remuneration.

(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 2016 or 2015 financial years.

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. There has been no material change to the current approved option plan. 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 issued in the 2016 financial year were approved by shareholders at the Annual General Meeting in October 2015 :

(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
2016								
19-09-2014	30-12-2015	\$0.002	36,181,500	-	-	(36,181,500)	-	-
27-11-2015	30-12-2015	\$0.002	-	1,706,000	-	(1,706,000)	-	-
27-11-2015	30-12-2016	\$0.004	-	9,437,250	-	-	9,437,250	-
27-11-2015	31-12-2017	\$0.006	-	9,437,250	-	-	9,437,250	-
27-11-2015	31-12-2017	\$0.000	-	666,666	-	-	666,666	-
Total Number			36,181,500	21,247,166	-	(37,887,500)	19,541,166	-
Weighted average exercise price				\$0.005	-	\$0.002	\$0.005	-
2015								
19-09-2014	30-12-2014	\$0.002	-	39,381,500	-	(39,381,500)	-	-
19-09-2014	30-12-2015	\$0.002	-	39,381,500	-	(3,200,000)	36,181,500	-
Total Number			-	78,763,000	-	(42,581,500)	36,181,500	-
Weighted average exercise price			-	\$0.002	-	\$0.002	\$0.002	-

NOTE 25: SHARE-BASED PAYMENT PLANS (CONT'D)

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

The fair value of options granted during the year was calculated using an option valuation model applying the following inputs:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Weighted average exercise price	\$0.002	\$0.004	\$0.006	\$0.000
Weighted average life of the option	0.09 years	1.09 years	2.10 years	2.10 years
Expected share price volatility	99.783%	99.783%	99.783%	99.783%
Risk-free interest rate	2.03%	2.03%	2.03%	2.03%
Fair value of option	\$0.000003	\$0.0002	\$0.0002	\$0.0002
			2016	2015
(ii) <u>Weighted average remaining contractual life of those options on issue at the end of each year</u>			12 months	6 months
(iii) <u>Weighted average fair value of options granted during the year</u>			\$0.00018	\$0.00058

(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.

		Consolidated Group	
	Notes	2016 \$	2015 \$
Options	20		
- Existing options		4,992	-
- New options granted during the year		1,764	33,721
Total share-based payment expense		6,756	33,721

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	29,700	25,500
Other non-audit services	-	-
Total auditor's remuneration	29,700	25,500

NOTE 27: COMMITMENTS

(a) Capital Expenditure Commitments

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

(i) Exploration and Evaluation Expenditure

The Group must meet minimum expenditure commitments in relation to granted exploration and mining development tenements to maintain those tenements in good standing. If the relevant tenement is relinquished the expenditure commitment also ceases

Within one year	420,175	612,883
Later than one year, but not later than five years	635,809	104,904
Later than five years	-	-
Total exploration and evaluation expenditure commitments	1,055,984	717,787
Total capital commitments	1,055,984	717,787

Consolidated Group		
	2016	2015
Notes	\$	\$
<u>NOTE 27: COMMITMENTS (CONT'D)</u>		
<u>(b) Lease Commitments as Lessee</u>		
The lease commitments relate to a premise lease with a three year term, with the ability to extend at the Company's option. Rent is payable monthly in advance.		
<u>(i) Minimum lease payments for non-cancellable operating leases for office space not recognised as liabilities</u>		
Within one year	54,043	40,000
Later than one year, but not later than five years	17,247	50,000
Total non-cancellable operating lease commitments	71,290	90,000

NOTE 28: CONTINGENT LIABILITIES

As at 30 June 2016, the Company, including the Parent Entity, had the following contingent liabilities:

(a) PricewaterhouseCoopers Claim

The Company had received a claim from a former company advisor claiming outstanding professional fees in the amount of \$97,000. The Company has determined to contest this matter. Further details pertaining to this matter, including the basis of contention, are not able to be disclosed as any disclosure of these details may prejudice the outcome of this matter.

(b) HDR Salva Exploration Claim

The Company had received a claim from a former company advisor claiming outstanding professional fees in the amount of \$168,110. The Company has determined to contest this matter and has also lodged a counterclaim substantially larger than the amount claimed by the former advisor. Further details pertaining to this matter, including the basis of contention, are not able to be disclosed as any disclosure of these details may prejudice the outcome of this matter.

NOTE 29: EVENTS OCCURRING AFTER BALANCE DATE

As set out in Note 11, the Company's proceedings in the Administrative Appeals Tribunal regarding the Research and Development Tax Incentive Offset claims continues. The Company has been advised that the Australian Taxation Office will seek repayment of these amounts previously paid to the Company as a result of the finding made by Innovation Australia which is the subject of the proceedings in the Administrative Appeals Tribunal.

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.

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 32-57, 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 2016 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 Financial Controller.



Alexander Jason Elks
Director

18 August 2016
Brisbane

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 2016, 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 2 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.

Auditor's Independence Declaration

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 2016 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 2.

Emphasis Of Matter

Without qualifying our opinion, we draw attention to Note 2(t) in the financial statements which indicates the uncertainty over the \$5,160,515 amount receivable by the Company, and the \$8,185,724 repayment claim against the Company, both relating to Research and Development Tax Incentive Offsets. As indicated in the Note the ultimate outcome of these matters cannot be predicted with any certainty. The Directors have prepared the financial statements on the basis of best estimates of the likely outcome of these matters, on the basis of professional advice obtained.

The financial report does not include any adjustments relating to the recognition and classification of recorded assets and liabilities that might be necessary, should these matters be resolved on a basis different to that estimated in the financial statements.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. 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 2016 complies with s 300A of the *Corporations Act 2001*.



Nexia Brisbane Audit Pty Ltd



N D Bamford
Director

Date: 18 August 2016

Level 28, 10 Eagle Street, Brisbane

Additional information required by the Australian Securities Exchange (ASX) listing rules.

Information is as at 1 August 2016.

(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:		Number of Shareholders	Unlisted Management Options	Unlisted Project Financier Options
1	- 1,000	90	-	-
1,001	- 5,000	74	-	-
5,001	- 10,000	159	-	-
10,001	- 50,000	438	-	-
50,001	100,000	259	-	-
100,001	Over	1,421	-	-
Totals		2,441	-	-
Number of securities in a marketable parcel of \$500		125,000	-	-
Number of security holders with less than a marketable parcel		1,073	-	-

(b) EQUITY SECURITY HOLDERS

(i) Twenty largest quoted equity security holders.

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

Rank	Name of Equity Holder	Number Held	% Issued Capital*
1	MR PHILIP ANTHONY FEITELSON	388,100,000	21.22
2	MR ALEXANDER JASON ELKS	188,466,687	10.30
3	THE PROMENADE COFFS HARBOUR PTY LTD	71,000,000	3.88
4	LIMITLESS INTERNATIONAL HOLDINGS PTY LTD	28,571,429	1.56
5	BELROSE CONSULTING PTY LTD	27,700,000	1.51
6	COMSEC NOMINEES PTY LIMITED	21,236,551	1.16
7	SUPERFOS PTY LTD	18,000,000	0.98
8	MR ALISTER DESMOND COLLINGS & MRS SHIRLEY MARGARET JANE COLLINGS	16,966,666	0.93
9	AARAN GROUP (WA) PTY LTD	15,125,000	0.83
10	MR JOHN NIELSEN	15,092,448	0.83
11	MR JASON WORLEY	13,225,000	0.72
12	NEWBETT PTY LTD	12,500,000	0.68
13	MR AARON ORYA	12,365,600	0.68
14	MR ALEXANDER CAMPBELL SMITH	12,008,698	0.66
15	HENADOME PTY LTD	11,900,000	0.65
16	MR DONALD LANSBURY DILLON & MS KATHRYN MARY LAMBERT	11,001,215	0.60
17	MR GIUSEPPE TRUGLIO	11,000,000	0.60
18	MR HOWARD SCOTT SCHMIDT & MRS KATHRYN ALISON SCHMIDT	10,250,000	0.56
19	MR NEIL CAGANOFF	10,000,000	0.55
19	CJK HOLDINGS PTY LTD	10,000,000	0.55
19	MR LINDSAY GEORGE DUDFIELD & MRS YVONNE SHEILA DOLING DUDFIELD	10,000,000	0.55
19	MR HARSH MAKADIA & MRS KRISHNA MAKADIA	10,000,000	0.55
20	MS RACHEL ANN MUNRO	8,578,833	0.47
Total		933,088,127	51.01
Balance of register		896,078,945	48.99
Grand total		1,829,167,072	100.00

* Individual percentages vary due to rounding

(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	% Issued Capital	Number Held	% Issued Capital
Feitelson Group (Mr PA Feitelson, The Promenade Coffs Harbour Pty Ltd)	471,000,000	25.75%		
Mr Alexander Jason Elks	188,466,687	10.30%		

* 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

License Holder	License Number	Project Location	Acquisition/ Grant Date	Equity Interest (%)	
				2016	2015
Moreton Resources Limited	MDL 385	South Burnett	24-09-2009	-	100%
MRV Tarong Basin Coal Pty Ltd	MDL 385	South Burnett	18-12-2015	100%	-
MRV Tarong Basin Coal Pty Ltd	EPC 882	South Burnett	26-10-2015	100%	-
Moreton Resources Limited	MDL 420	Wandoan	26-11-2012	-	99%
MRV Surat Basin Coal Pty Ltd	MDL 420	Wandoan	22-12-2015	100%	1%
Moreton Resources Limited	EPC 1445	Mackenzie	29-06-2011	-	100%
MRV Bowen Basin Coal Pty Ltd	EPC 1445	Mackenzie	22-12-2015	100%	-
Moreton Resources Limited	MDL 503	Mackenzie	30-10-2014	-	100%
MRV Bowen Basin Coal Pty Ltd	MDL 503	Mackenzie	22-12-2015	100%	-
MRV Metals Pty Ltd	EPM 8854	Granite Belt	23-05-2016	100%	-
MRV Metals Pty Ltd	EPM 11455	Granite Belt	23-05-2016	100%	-
MRV Metals Pty Ltd	EPM 12858	Granite Belt	23-05-2016	100%	-
MRV Metals Pty Ltd	EPM 18950	Granite Belt	23-05-2016	100%	-

Legend:

MDL = Mineral Development Licence
 EPC = Exploration Permit for Coal

EPMA = Exploration Permit for Mineral Application
 MDLA = MDL Application

The information in this report that relates to MDL 385, MDL503 & MDL 420 is extracted from ASX announcements titled: *MRV Announces South Burnett Coal Resources of 912m tonnes* issued on 10 December 2015, ASX announcement titled *Mackenzie Campaign Identifies Coking Coal* issued on 2 September 2015 and *Wandoan Coal JORC Resource Exceeds Expectations* issued on 18 August 2009 respectively. These announcements contain a separate Competent Person Statement and are available to view on the Company's website: www.moretonresources.com.au.

The Company confirms that it is not aware of any new information or data that materially affect the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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