



# Morella Corporation Limited

ABN 39 093 391 774

## HALF YEAR FINANCIAL REPORT

**For the six months ended 31 December 2021**

This half year financial report is for the six months ended 31 December 2021 and does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Company's Annual Report for the year ended 30 June 2021 and any public announcements made by Morella Corporation Limited ABN 39 093 371 774 during the period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.



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## Corporate Directory

### DIRECTORS

James Brown – Managing Director  
Allan Buckler – Non-Executive Director  
Dan O’Neill – Non-Executive Director  
Beng Teik Kuan – Non-Executive Director

### CHIEF EXECUTIVE OFFICER

Alex Cheeseman

### COMPANY SECRETARY

John Lewis

### REGISTERED OFFICE

*During the reporting period and up to 9 November 2021*  
Level 9, 863 Hay Street  
Perth WA 6000

Telephone: +61 8 9488 5100  
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Email: [cosec@morellacorp.com](mailto:cosec@morellacorp.com)

*Since 10 November 2021*  
Suite 5, 680 Murray Street  
West Perth, 6005

Email: [info@morellacorp.com](mailto:info@morellacorp.com)

Website: [morellacorp.com](http://morellacorp.com)

### AUDITORS

PKF Perth  
Level 5, 35 Havelock Street  
Perth WA 6005

### SHARE REGISTRY

Link Market Services Limited  
Level 12, QV1 Building  
250 St George’s Terrace  
Perth WA 6000

### AUSTRALIAN SECURITIES EXCHANGE

Code: 1MC, 1MCOB

## Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Your directors have pleasure in presenting the interim financial statements of Morella Corporation Limited ("Morella" or "the Company") and its controlled entities ("the Group") for the half year ended 31 December 2021. The previous corresponding period of financial performance is the half year ended 31 December 2020 and of financial position is as at 30 June 2021. The directors report as follows:

### DIRECTORS

The names of the directors in office during the financial year and up to the date of this report are as follows:

Mr James Brown  
Mr Allan Buckler  
Mr Dan O'Neill  
Mr Beng Teik Kuan

### OPERATING AND FINANCIAL REVIEW

#### Operating Results

The Group's operating loss after providing for income tax for the half-year ended 31 December 2021 was \$1,588,795 (2020: loss \$113,486,913). The loss in the current period was principally related to restructuring and administration expenditure during the ASX re-quotation process and offset by a net non-cash foreign exchange gain.

#### REVIEW OF OPERATIONS

The Company's primary focus for the six months was the conclusion of all matters to enable the Company's securities to be re-quoted on the ASX. This milestone was achieved on 14 December 2021.

#### Corporate

During the six months to 31 December 2021, The Group achieved re-quotation on the ASX raising \$8.599 million in cash as part of the process to fund its medium-term exploration and operational activities. Subsequent to shareholder consent the Group was renamed to Morella Corporation Limited (ASX code: 1MC).

#### Exploration

##### Fish Lake Valley Lithium Project

On 12 October 2021 Morella executed the formal Earn-in Option Agreement for 60% of the project with rights to acquire 100% of the Fish Lake Valley Project. Morella commenced planning activities to conduct an exploration program in order to develop an understanding of the true subsurface geological and hydrogeological nature of the project. Following an extensive review of all available historical information and drilling results (which were relatively shallow or surface focussed), the Company has formed the opinion that Fish Lake Valley is prospective as a potential project with economic size and scale.

In Order to understand the subsurface structure of the Fish Lake Valley basin, Morella has commissioned a passive seismic survey to be completed by two contracting parties. One contractor will undertake technical investigations from Western Australia, whilst the other contractor will conduct field work and capture data on the ground in Nevada, USA. The first phase of data collection was completed in late December, with the second phase scheduled for completion in January/February 2022, weather dependant.

##### Mallina Lithium Project

Morella formalised the earn-in agreement for 51% of the project with Sayona Mining Limited in November 2021 which provides a clear pathway forward for the exploration and development of the Mallina Project.

A detailed review of the historical exploration work that has been conducted for the Mallina tenement (E47/2983) and confirms lithium mineralisation at Mallina. A three-hole drill program has been planned to commence in March/April 2022 focussing on the Eastern Group Pegmatites.

On 20 October 2021, DMIRS formally notified the Morella of its successful Round 24 submission as part of the WA Government's Exploration Incentive Scheme (EIS). Morella will be co-funded up to a maximum offer of \$150,000 against direct drilling costs for the Mallina exploration program planned for early 2022. The EIS funding will support continued exploration and lithium resource development in the Pilbara and the Company welcomes this State Government initiative.

**Directors' Report (continued)**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

Environment

There were no environmental breaches or incidents recorded during the reporting period

Other Assets - Lithium Corporation

Morella holds a strategic equity position with US based Lithium Corporation (OTCQB: LTUM) which is an early-stage exploration company with claims and land holding in the United States of America.

**Divestment of Assets**

Tabalong Coal Asset

The Tabalong Coal Project is a premium grade thermal coal deposit located in South Kalimantan, Indonesia. The project consists of five (5) Mining Licences (IUPs), with all five (5) IUPs granted for Operation Production. Morella holds 70% of three IUPs and 56% of the remaining two. The Company has previously stated its intention to divest its interests in Tabalong coal assets. It is pursuing a number of options for sale of the coal assets and information has been made available to a number of parties under confidentiality deed arrangements.

**FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

The Groups' objective is to create shareholder value through the development and operation of profitable mining businesses and other supplementary activities that deliver strong cash flows for the Group, and resultant regular dividends for shareholders.

Key Business Strategies

Morella's strategic focus comprises:

- The targeted exploration of prospective lithium tenements in Tier 1 operating jurisdictions.
- Transitioning a passive investment in Lithium Corporation into an active Project interest through the development of the strategically located, US-based, Fish Lake Valley Project.
- Partner and collaborate with other groups and entities, focused on delivering lithium and battery materials into the market, thus enabling the new energy/green revolution.
- Design future operations and lithium production processes that align and contribute to the global need to decarbonise the economy, with the transparent and regulatory compliance that emerging sophisticated markets like (the EU) will demand.
- Conducting its exploration and development activities in a sustainable manner across environment, health and safety, people and community considerations.
- Divestment of the Tabalong coal project.

**MATTERS SUBSEQUENT TO THE END OF THE PERIOD**

Subsequent to the end of the reporting period, the Company undertook the following:

21 January 2022 40,000,000 shares issued to Holcombe Ventures LLC and its principal Mr Mark Holcombe (Holcombe). The focus of the agreement is the provision of strategic market and management advisory services including project generation. Holcombe has an extensive global network, with a particular focus on the battery materials sector.

21 January 2022 2,000,000 shares issued to Mr Alex Cheeseman or his nominee pursuant to the Morella Executive Incentive Plan approved by Shareholders at the Company's AGM held on 30 November 2021.

28 February 2022 The company advises option holders of its 148,797,979 listed options exercisable at \$0.20 each (ASX:1MCOB) (Listed Options) of their upcoming expiry on 28 February 2022. The Company notes that the Listed Options are substantially "out of the money" and does not anticipate holders exercising and converting the options. The Company intends to rely on item 5.3 of Appendix 6A of the Listing Rules and will not send out a personalised notice to the holders of these Listed Options.

The impact of the Coronavirus (COVID-19) pandemic is ongoing for the consolidated entity up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to develop and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

**Directors' Report (continued)**  
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

**ROUNDING OF AMOUNTS**

The Company is an entity to which ASIC Corporations Instrument 2016/191 applies and, accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars.

**COMPETENT PERSON'S STATEMENT**

The information in this report that relates to Exploration Results is based on information compiled by Mr Stephen Barber, who is a Member of the Australasian Institute of Mining and Metallurgists and Exploration Manager of Morella Corporation Limited. Mr Barber has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Barber consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the half year ended 31 December 2021 has been received and is included on page 5 of the report.

Signed in accordance with a resolution of the directors.

On behalf of the Directors,



**James Brown**

Director

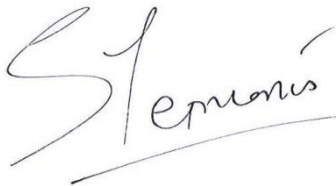
Brisbane, 11 March 2022

**AUDITOR'S INDEPENDENCE DECLARATION**  
**TO THE DIRECTORS OF MORELLA CORPORATION LIMITED**

In relation to our review of the financial report of Morella Corporation Limited for the half year ended 31 December 2021, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



PKF PERTH



SIMON FERMANIS  
PARTNER

11 MARCH 2022,  
WEST PERTH,  
WESTERN AUSTRALIA

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Liability limited by a scheme approved under Professional Standards Legislation.

**Consolidated Statement of Profit and Loss**

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	<b>Note</b>	<b>31 December 2021 \$'000</b>	<b>31 December 2020 \$'000</b>
<b>Continuing operations</b>			
Revenue	3(a)	124	68
Cost of sales	3(c)	(181)	(357)
<b>Operating profit / (loss)</b>		(57)	(289)
<b>Other income</b>			
Sundry income	3(b)	740	-
<b>Expenses</b>			
Administration costs		(3078)	(2,197)
Employee benefits expense	3(f)	(731)	(2,042)
Other expenses	3(d)	(9)	(32)
<b>(Loss) before foreign exchange and finance costs</b>		(3,135)	(4,560)
Net foreign exchange gain/(loss)	3(e)	1,947	(7,311)
<b>(Loss) before finance costs</b>		(1,188)	(11,871)
<b>Finance costs</b>			
Interest on funding facility		(153)	-
Amortisation of transaction costs		-	(2,601)
<b>(Loss) before income tax</b>		(1,341)	(14,472)
Income tax expense		-	-
<b>Net (Loss) after income tax for the period from continuing operations</b>		(1,341)	(14,472)
<b>Discontinued operations</b>			
Profit / (loss) of discontinued operations after tax	7(b)	(247)	(99,014)
<b>Net profit / (loss) for the period</b>		(1,588)	(113,486)
<b>Net profit / (loss) attributable to:</b>			
Owners of Morella Corporation Limited from continuing operations		(1,355)	(14,410)
Owners of Morella Corporation Limited from discontinued operations		(247)	(99,014)
Non-controlling interest		14	(62)
		(1,588)	(113,486)
<b>(Loss) per share from continuing and discontinued operations attributable to the ordinary equity holders of the company:</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted (loss) per share from continuing and discontinued operations		(0.05)	(3.80)
Basic and diluted (loss) per share from continuing operations		(0.04)	(0.48)
Basic and diluted (loss) per share from discontinued operations		(0.01)	(3.32)

The above Consolidated Statement of Profit and Loss should be read in conjunction with the accompanying Notes.

## Consolidated Statement of Other Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	31 December 2021 \$'000	31 December 2020 \$'000
<b>Net profit / (loss) after income tax</b>	<u>(1,588)</u>	<u>(113,486)</u>
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss:		
Changes in the fair value of financial assets	(2,034)	1,733
Exchange differences on translation of foreign controlled entities	<u>(1,771)</u>	<u>6,523</u>
<b>Other comprehensive (loss) for the period, net of tax</b>	<u>(3,805)</u>	<u>8,256</u>
<b>Total comprehensive (loss) for the period</b>	<u>(5,393)</u>	<u>(105,230)</u>
Total comprehensive (loss) attributable to:		
Members of the parent entity	(5,4156)	(106,259)
Non-controlling interest	23	1,029
	<u>(5,393)</u>	<u>(105,230)</u>
Total comprehensive (loss) attributable to members:		
Continuing operations	(5,169)	(7,318)
Discontinued operations	<u>(247)</u>	<u>(97,933)</u>
	<u>(5,416)</u>	<u>(105,251)</u>

The above Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying Notes.

## Consolidated Balance Sheet

AS AT 31 DECEMBER 2021

	Note	31 December 2021 \$'000	30 June 2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents		6,898	372
Trade and other receivables	5	204	799
Held to maturity investments		9	-
Current tax prepaid		68	64
Other current assets		207	202
Financial assets	8	3,221	5,692
Total current assets		10,607	7,129
<b>Non-current assets</b>			
Property, plant, equipment and mine properties	10	29	29
Exploration and evaluation	9	879	80
Right-of-use assets	11	52	-
Total non-current assets		960	109
<b>Total assets</b>		<b>11,567</b>	<b>7,238</b>
<b>Current liabilities</b>			
Trade and other payables	6	1,221	2,472
Borrowings	4	-	3,539
Short term provisions		542	490
Lease liabilities	11	29	-
Total current liabilities		1,792	6,501
<b>Non-current liabilities</b>			
Borrowings	4	3,308	-
Lease liabilities	11	25	-
Total non-current liabilities		3,333	-
<b>Total liabilities</b>		<b>5,125</b>	<b>6,501</b>
<b>Net assets</b>		<b>6,442</b>	<b>737</b>
<b>Equity</b>			
Contributed equity	15	301,600	290,860
Reserves		2,721	6,175
Accumulated losses		(298,148)	(296,544)
Capital and reserves attributable to owners of Morella Corporation Limited		6,173	491
Non-controlling interest		269	246
<b>Total equity</b>		<b>6,442</b>	<b>737</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying Notes.

## Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Contributed Equity	Accumul- ated losses	Perform- ance rights reserve	Change in fair value - financial assets	Foreign currency translat- ion reserve	Non- controll- ing interests	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2020</b>	<b>290,860</b>	<b>(223,741)</b>	<b>1,802</b>	<b>1,393</b>	<b>(5,554)</b>	<b>226</b>	<b>64,986</b>
<b>Comprehensive income for the period</b>							
Net Loss	-	(113,425)	-	-	-	(61)	(113,486)
Other Comprehensive Income Fair Value	-	-	-	1,733	-	-	1,733
Other Comprehensive Income Foreign Exchange	-	-	-	-	5,433	1,090	6,523
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(113,425)</b>	<b>-</b>	<b>1,733</b>	<b>5,433</b>	<b>1,029</b>	<b>(105,230)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Employee Share Schemes - value of employee services	-	-	(201)	-	-	-	(201)
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>(201)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(201)</b>
<b>Balance as at 31 December 2020</b>	<b>290,860</b>	<b>(337,166)</b>	<b>1,601</b>	<b>3,126</b>	<b>(121)</b>	<b>1,255</b>	<b>(40,445)</b>
<b>Balance as at 1 July 2021</b>	<b>290,860</b>	<b>(296,544)</b>	<b>1,601</b>	<b>5,162</b>	<b>(588)</b>	<b>246</b>	<b>737</b>
<b>Comprehensive income for the period</b>							
Net Loss	-	(1,602)	-	-	-	14	(1,588)
Other Comprehensive Income Fair Value	-	-	-	(2,034)	-	-	(2,034)
Other Comprehensive Income Foreign Exchange	-	-	-	-	(1,780)	9	(1,771)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(1,602)</b>	<b>-</b>	<b>(2,034)</b>	<b>(1,780)</b>	<b>23</b>	<b>(5,393)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Shares Issued – Placement	6,599	-	-	-	-	-	6,599
Shares Issued – Rights offer	2,000	-	-	-	-	-	2,000
Shares Issued – in Lieu of fees	141	-	-	-	-	-	141
Options Issued – in Lieu of fees	-	-	360	-	-	-	360
Shares Issued – Security shares	2,000	-	-	-	-	-	2,000
<b>Sub-total</b>	<b>10,740</b>	<b>-</b>	<b>360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,100</b>
<b>Balance as at 31 December 2021</b>	<b>301,600</b>	<b>(298,148)</b>	<b>1,961</b>	<b>3,128</b>	<b>(2,368)</b>	<b>269</b>	<b>6,442</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

**Consolidated Statement of Cash Flows**

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	<b>31 December 2021 \$'000</b>	<b>31 December 2020 \$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	758	37,576
Payments to suppliers and employees	(2,126)	(40,260)
Sundry income	3	-
Government grants and incentives	-	723
<b>Net cash provided by / (used in) operating activities</b>	<b>(1,365)</b>	<b>(1,961)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and mine properties	(14)	(696)
Payments for held to maturity investments	(9)	-
Expenditure on exploration and evaluation	(658)	(220)
Proceeds from disposal of Available for sale investments	437	-
Proceeds from sale of property, plant and equipment	87	18
<b>Net cash provided by / (used in) investing activities</b>	<b>(157)</b>	<b>(898)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares	8,525	-
Payments of lease liabilities	(7)	(133)
Proceeds from borrowings	200	3,711
Repayment of borrowings	(700)	(1,211)
Borrowing costs	-	(739)
<b>Net cash provided by / (used in) financing activities</b>	<b>8,018</b>	<b>1,628</b>
<b>Net increase / (decrease) in cash and cash equivalents held</b>	<b>6,496</b>	<b>(1,231)</b>
Cash and cash equivalents at the beginning of year	381	2,308
Effect of exchange rates on cash holdings in foreign currencies	30	36
<b>Cash and cash equivalents at the end of period</b>	<b>6,907</b>	<b>1,113</b>
<b>Reconciliation of cash and cash equivalents at the end of period</b>		
Cash and cash equivalents per balance sheet	6,898	82
Cash in assets classified as held for sale	9	1,031
<b>Cash balance as per statement of cash flows above</b>	<b>6,907</b>	<b>1,113</b>
<b>Noncash investing and financing activities</b>		
Share based payments	2,360	201
Transaction fees – Consideration earn in option agreement	141	-
Borrowing costs – capitalised interest	-	18,484

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### **Statement of compliance**

The half year financial report is a general-purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

The half year report covers the consolidated financial statements of the consolidated entity comprising Morella Corporation Limited (the Company) and its controlled entities (the Group). The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report for the year ended 30 June 2021 of the Company and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The interim financial statements were authorised for issue on 11 March 2022 by the directors of the Company.

#### **Basis of preparation**

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, and in accordance with that Instrument amounts in the directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

#### **Accounting policies**

The same accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2021, except for those described below.

#### **New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

It has determined by the Group that there are no new Accounting Standards or Interpretations that have a material or otherwise impact on its business.

No other accounting policies are required for the half-year financial report.

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *(i) Going Concern Principle of Accounting*

The Directors believe it is appropriate to prepare the consolidated financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred a loss of \$1,404,737 (2020: \$113,486,913), had cash outflows from operating activities of \$1,365,822 (2020: \$1,961,913), concluded the year with cash and cash equivalents of \$6,898,469 (2020: \$372,419) and loans outstanding at year-end of \$3,308,193 (2020: nil).

The Group has raised capital of \$8,598,969 during the current period. The Directors believe that the Group has sufficient cash and will be able to meet its requirements to continue as a going concern.

The Directors consider the going concern basis of preparation to be appropriate based on its forecast cash flows for the next twelve months and that the Group will be in a position to continue to meet its minimum administrative, evaluation and development expenditures and commitments for at least twelve months from the date of this report.

**Notes to the Financial Statements (continued)**

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

**2. SEGMENT INFORMATION**

The Group's primary segment reporting format is business segments as the Group's risks and returns are affected predominantly in the products and services produced.

	Exploration services \$'000	Mineral exploration \$'000	Eliminations \$'000	Total \$'000
<b>Half-year 2021</b>				
<b>Revenue</b>				
External sales	124	665	-	789
Other income	75	-	-	75
Other segments	-	-	-	-
Total segment revenue	199	665	-	864
Unallocated revenue				-
Total consolidated revenue				864
<b>Segment result</b>				
	(181)	(2,954)	-	(3,135)
Unallocated segments net of unallocated revenue				-
Profit before income tax, foreign exchange, and finance costs				(3,135)
Net Foreign exchange gain/(loss)				1,947
Finance costs				(153)
Income tax expense				-
Net loss for the period from continuing operations				(1,341)
Loss from discontinued operations				(247)
Net profit / (loss) for the period				(1,588)
<b>Assets and liabilities</b>				
Segment assets	247	11,320	-	11,567
Unallocated assets	-	-	-	-
Total assets				11,567
Segment liabilities	750	4,374	-	5,124
Unallocated liabilities	-	-	-	-
Total liabilities				5,124

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

**2. SEGMENT INFORMATION (continued)**

	Lithium mining \$'000	Exploration services \$'000	Mineral exploration \$'000	Eliminations \$'000	Total \$'000
<b>Half-year 2020</b>					
<b>Revenue</b>					
External sales	-	68	-	-	68
Other income	-	-	-	-	-
Other segments	-	-	-	-	-
Total segment revenue	-	68	-	-	68
Unallocated revenue					-
Total consolidated revenue					68
<b>Segment result</b>	-	(355)	(4,205)	-	(4,560)
Unallocated segments net of unallocated revenue					-
Profit before income tax, foreign exchange, and finance costs					(4,560)
Net Foreign exchange (loss)					(7,311)
Finance costs					(2,601)
Income tax expense					-
Net loss for the period from continuing operations					(14,472)
Loss from discontinued operations					(99,014)
Net profit / (loss) for the period					(113,486)
<b>Assets and liabilities</b>					
Segment assets	-	416	3,971	-	4,387
Unallocated assets	-	-	-	-	248,664
Total assets					253,051
Segment liabilities	-	714	248,077	-	248,791
Unallocated liabilities	-	-	-	-	44,705
Total liabilities					293,496

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	31 December 2021 \$'000	31 December 2020 \$'000
<b>3. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES</b>		
(a) <b>Revenue from continuing operations</b>		
Revenue from exploration services	124	68
Total revenues from continuing operations	124	68
(b) <b>Sundry income</b>		
Revenue from royalty right	665	-
Profit on sale of assets	75	-
Total sundry income	740	-
(c) <b>Cost of sales</b>		
Depreciation and amortisation	10	-
Mining services drilling costs	171	357
Total cost of sales	181	357
(d) <b>Other expenses</b>		
Depreciation & Amortisation – plant & equipment	9	32
Total depreciation	9	32
(e) <b>Net foreign exchange loss</b>		
The net foreign exchange loss relates to the revaluation of the US\$ denominated funds held by the Group.		
(f) <b>Employee benefits expense</b>		
Salaries and on-costs expense	731	2,042
Total employee benefits expense	731	2,042

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	31 December 2021 \$'000	30 June 2021 \$'000
<b>4. BORROWINGS</b>		
<b>Current borrowings</b>		
Director related facility ##	-	3,539
Total current borrowings	-	3,539
<b>Non-Current borrowings</b>		
Director related facility ##	3,308	-
Total non-current borrowings	3,308	-
<b>Reconciliation borrowings - loan note facility</b>		
Opening balance	-	207,742
Interest and fees capitalised	-	15,926
Exchange rate differences	-	(8,908)
Amortisation of transaction costs	-	27,582
Adjustment on completion of facility	-	(41,617)
Repayment	-	(200,725)
Total borrowings – loan note facility	-	-
<b>Reconciliation borrowings – Director related facility</b>		
Opening balance	3,539	-
Loan funds received	-	3,452
Transfer to trade and other payables	(29)	-
Funds repaid	(500)	-
Interest	202	-
Exchange rate differences	96	87
Total borrowings – Director related facility ##	3,308	3,539
<p>## The Directors via a director related entity ACN 647 358 987 Pty Ltd provided an un-secured loan facility to fund the DOCA and the short-term working capital requirements of the Group. The facility of \$3,308,193 is provided at 8%pa and contains a US\$2,000,000 component. The term of the facility has been extended to 8 March 2023 and is convertible to shares at the option of the lenders whilst meeting the appropriate regulatory approvals.</p>		
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Trade and other receivables	567	1,156
Provision for doubtful debts	(363)	(357)
<b>Total trade and other receivables</b>	204	799
<b>6. TRADE AND OTHER PAYABLES</b>		
Trade payables and accruals	1,221	2,395
Accrued interest on loan note facility	-	77
<b>Total trade and other payables</b>	1,221	2,472

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

**7. DISCONTINUED OPERATIONS**
**(a) Description**
**Tabalong Group**

To date the board has made several information packages available to various groups for the purpose of attracting offers for the sale of the Tabalong tenements in Kalimantan, Indonesia. The board considers that the presentation of the Tabalong Group as held for sale confirms its intent to dispose of these assets.

The Group obtained an independent expert valuation of the Tabalong Group which included a range of valuation cases. The Group adopted a middle range (preferred) valuation of US\$2,750,000 a 100% equity basis.

At the end of the reporting period the Board considered the valuation of the Tabalong Group and the ability to progress and complete the sale in the current transactional climate and attract a suitable counterparty in the near term. To present a conservative position, the Board has impaired the value of the Tabalong Group to Nil whilst continuing to actively market the project.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

**(b) Financial performance and cash flow information of discontinued operations**

The financial performance and cash flow information presented are for the half year ended 31 December 2021.

	31 December 2021 \$'000 ALO	31 December 2021 \$'000 Tabalong	31 December 2020 \$'000 ALO	31 December 2020 \$'000 Tabalong
Revenue				
Sale of Product	-	-	36,199	-
Cost of sales				
Mining and processing costs	-	-	(23,016)	-
Royalty expenses	-	-	(2,311)	-
Depreciation and amortisation	-	-	(4,426)	-
Impairment Expense	-	-	(68,436)	-
Product inventory movement	-	-	(16,163)	-
Total cost of sales	-	-	(114,352)	-
Profit / (Loss)	-	-	(78,153)	-
Other Income	-	-	513	-
Expenses				
Administration	-	(14)	(3,017)	(6)
Impairment (loss)	-	(233)	-	-
Expenses	-	-	-	(4)
(Loss) before foreign exchange and finance costs	-	(247)	(80,657)	(10)
Foreign exchange gain	-	-	28,071	-
Profit / (Loss) before foreign exchange	-	(247)	(52,586)	(10)
Finance costs				
Interest on funding facility	-	-	(18,484)	-
Amortisation of transaction costs	-	-	(27,934)	-
Net (Loss) before income tax	-	(247)	(99,004)	(10)
Income Tax expense	-	-	-	-
<b>(Loss) from discontinued operations after income tax</b>	-	(247)	(99,004)	(10)
Net cash (outflow) from financing activities	-	-	(489)	-
<b>Net decrease in cash generated by the division</b>	-	-	(1092)	(3)

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

**7. DISCONTINUED OPERATIONS (continued)**
**(c) Carrying amounts of assets and liabilities**

	31 December 2021 \$'000 Tabalong	30 June 2021 \$'000 Tabalong
Total assets of disposal group held for sale	-	-
Total liabilities of disposal group held for sale	-	-

The carrying amount of the assets and liabilities for the Tabalong disposal group held for sale have been fully impaired to value of nil.

**8. FINANCIAL ASSETS**
**Non-current financial assets**

Financial assets	3,221	5,692
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Reconciliation of the fair values at the beginning and end of the current and previous period are set out below

Opening fair value	5,692	1,923
Changes in fair value	(2,471)	3,769
Closing fair value	3,221	5,692

In November 2012 the Group acquired a 14.7% interest in Lithium Corporation, Nevada USA by way of a non-brokered private placement. Lithium Corporation is quoted on the US OTCBB (Over The Counter Bulletin Board).

**9. EXPLORATION AND EVALUATION**
**Exploration and evaluation expenditure at cost:**

Carried forward from previous year	80	3,312
Transfer to mine development costs	-	(1,428)
Incurred during the year	799	80
Transfer to held for sale	-	(1,882)
	879	80
Written off during the year	-	-
Total exploration and evaluation expenditure	879	80

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

**10. PROPERTY, PLANT, EQUIPMENT AND MINE PROPERTIES**

	Property plant and equipment \$'000	Total \$'000
<b>December 2021</b>		
<b>Gross carrying amount</b>		
Balance at 30 June 2021	864	864
Additions	14	14
Exchange difference	31	31
Disposals	(113)	(113)
Balance at 31 December 2021	796	796
<b>Accumulated depreciation</b>		
Balance at 30 June 2021	835	835
Depreciation expense	12	12
Exchange difference	30	30
Disposals	(110)	(110)
Balance at 31 December 2021	767	767
Net book value as at 31 December 2021	29	29

	Property plant and equipment \$'000	Mine properties in production \$'000	Total \$'000
<b>June 2021</b>			
<b>Gross carrying amount</b>			
Balance at 30 June 2020	7,671	300,093	307,764
Additions	-	3,856	3,856
Impairment	(1,385)	(62,618)	(64,003)
Transfer to held for sale	(5,339)	(236,051)	(241,390)
Exchange difference	(83)	-	(83)
Disposals	-	(5,280)	(5,280)
Balance at 30 June 2021	864	-	864
<b>Accumulated depreciation</b>			
Balance at 30 June 2020	3,551	15,721	19,272
Depreciation expense	67	4,426	4,493
Impairment	(561)	(3,872)	(4,433)
Exchange difference	(43)	-	(43)
Transfer to held for sale	(2179)	(16,275)	(18,454)
Balance at 30 June 2021	835	-	835
Net book value as at 30 June 2021	29	-	29

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	31 December 2021 \$'000	30 June 2021 \$'000
<b>11. LEASES</b>		
Set out below is a summary of the amounts disclosed in the Consolidated Balance Sheet:		
<b>Lease liability</b>		
Current	29	-
Non-current	25	-
	<hr/> 54	<hr/> -
<b>Right of use assets</b>		
Properties	<hr/> 52	<hr/> -

## 12. DIVIDENDS

The Company has not paid a dividend during the period and no interim dividend is recommended.  
(2021: \$0)

## 13. SUBSEQUENT EVENTS

Subsequent to the end of the reporting period, the Company undertook the following:

21 January 2022 40,000,000 shares issued to Holcombe Ventures LLC and its principal Mr Mark Holcombe (Holcombe). The focus of the agreement is the provision of strategic market and management advisory services including project generation. Holcombe has an extensive global network, with a particular focus on the battery materials sector.

21 January 2022 2,000,000 shares issued to Mr Alex Cheeseman or his nominee pursuant to the Morella Executive Incentive Plan approved by Shareholders at the Company's AGM held on 30 November 2021.

28 February 2022 The company advises option holders of its 148,797,979 listed options exercisable at \$0.20 each (ASX:1MCOB) (Listed Options) of their upcoming expiry on 28 February 2022. The Company notes that the Listed Options are substantially "out of the money" and does not anticipate holders exercising and converting the options. The Company intends to rely on item 5.3 of Appendix 6A of the Listing Rules and will not send out a personalised notice to the holders of these Listed Options.

The impact of the Coronavirus (COVID-19) pandemic is ongoing for the consolidated entity up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to develop and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

## 14. CONTINGENT LIABILITIES AND COMMITMENTS

There have been no material changes to the contingent liabilities and commitments as reported at 30 June 2021.

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

### 15. CONTRIBUTED EQUITY

#### Issued capital

	31 December 2021		30 June 2021	
	Number	\$'000	Number	\$'000
<b>Fully paid ordinary shares issued</b>	<b>2,986,243,275</b>	<b>290,860</b>	<b>2,986,243,275</b>	<b>290,860</b>
Balance at the beginning of the financial year	2,986,243,275	290,860	2,986,243,275	290,860
Shares issued in lieu consideration	28,176,951	141	-	-
Share placement – Director security shares	400,000,000	2,000	-	-
Share issue - Rights Offer	400,095,130	2,000	-	-
Share placement - Sophisticated Investors	1,319,698,630	6,599	-	-
Balance at the end of the financial period	5,134,213,986	301,600	2,986,243,275	290,860

Fully paid ordinary shares carry one vote per share and carry the rights to dividends. Ordinary shares have no par value.

### 16. KEY MANAGEMENT PERSONNEL

Details of the Group's Key Management Personnel Compensation arrangements are provided in the Remuneration Report and the Notes to the Financial Statements contained in the Group's Annual Report for the year ended 30 June 2021.

### 17. RELATED PARTIES

- (a) During the period, Mr Allan Buckler a director of the Group provided an unsecured loan via his controlled entity Shazo Holdings Pty Ltd. The facility provided totalled \$700,000, interest free and was repaid on 15 October 2021.
- (b) The Directors via a director related entity ACN 647 358 987 Pty Ltd provided an un-secured loan facility to fund the DOCA and the short-term working capital requirements of the Group. The facility of \$3,308,193 is provided at 8%pa and contains a US\$2,000,000 component. The term of the facility has been extended to 8 March 2023 and the facility is convertible to shares at the option of the lenders whilst meeting the appropriate regulatory approvals.
- (c) Morella signed an Earn-in Agreement with lithium project developer Sayona Mining Limited over its Pilbara lithium tenements. Sayona Mining Limited is a related party due to common directors. Under the Agreement, Morella will spend \$1,500,000 on exploration across the project portfolio over a three-year period to earn a 51% interest, with Sayona retaining the remaining project interest. Sayona will retain the right to contribute to project evaluation and development in the future to participate in the upside potential.
- (d) Morella's wholly owned subsidiary, Morella Minerals (US) Corp signed an Earn-in option agreement to acquire 60% of the project with Lithium Corporation (LTUM) for exclusive exploration and development rights to the Fish Lake Valley Lithium Project, Nevada USA. Lithium Corporation is a related party due a common director. The agreement provides Morella with an option to form a joint venture with LTUM or acquire 100% of the Fish Lake Valley Project in the future.

The agreement provides for expenditure over a four-year period satisfied by:

- US\$2,000,000 exploration expenditure
- US\$625,000 cash consideration
- US\$400,000 non-cash consideration paid in Morella Corporation shares

Transactions during the reporting period

- A total of US\$100,000 was paid and the equivalent of US\$100,000 of Morella Corporation Limited shares have been issued.


### Directors' Declaration

In the Directors' opinion:

1. The financial statements and notes as set out on pages 6 to 21 are in accordance with the *Corporations Act 2001* and:
  - (a) comply with the Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 31 December 2021 and of the performance for the six-month period ended on that date of the consolidated entity.
2. In the director's 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.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the directors,

  
\_\_\_\_\_  
**James Brown**  
Director

Brisbane 11 March 2022

# INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MORELLA CORPORATION LIMITED

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of Morella Corporation Limited (the company) and controlled entities (consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, 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 31 December 2021, or during the half year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Morella Corporation Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report.

### Independence

We are independent of the company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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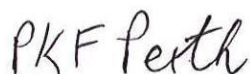
## Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

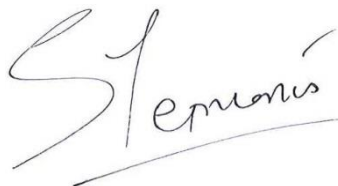
## Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PKF PERTH



SIMON FERMANIS  
PARTNER

11 MARCH 2022  
WEST PERTH,  
WESTERN AUSTRALIA