



Morella Corporation Limited

ABN 39 093 391 774

HALF YEAR FINANCIAL REPORT

For the six months ended 31 December 2022

This half year financial report is for the six months ended 31 December 2022 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 2022 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

COMPANY SECRETARY

John Lewis

REGISTERED OFFICE

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West Perth, 6005

Email: info@morellacorp.com

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AUDITORS

PKF Perth
Level 5, 35 Havelock Street
Perth WA 6005

SHARE REGISTRY

Link Market Services Limited
Level 12, QV1 Building
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Perth WA 6000

AUSTRALIAN SECURITIES EXCHANGE

Code: 1MC, 1MCOB

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

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 2022. The previous corresponding period of financial performance is the half year ended 31 December 2021 and of financial position is as at 30 June 2022. 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 2022 was \$2,982,391 (2021: loss \$1,588,795). The loss in the current period was principally related to increased corporate administration supporting the groups exploration activities and offset by the sale of royalty rights over selected Pilbara tenements and a non-cash foreign exchange gain.

REVIEW OF OPERATIONS

The Company's primary focus for the six months was the continued exploration across the Group's tenement portfolio.

Corporate

During the six months to 31 December 2022, the Group raised \$8,137,500 net after costs in cash to support the Group's medium term exploration program and operational activities.

ExplorationNevada USA Lithium Projects▪ Fish Lake Valley Lithium Project

In the course of meeting the earn in option conditions Morella has completed a program of magnetotelluric and passive seismic surveys and the results have identified further drilling targets in the southern area of the project. The tenement holding has been expanded at the project as a result of the completed, on ground assessment programs. The Company will progress the required permitting whilst assessing a suitable drilling contractor(s) to complete the planned program.

▪ Direct Extraction Study (DLE)

Exploration activities has provided DLE partners Recion Technologies with sufficient material to commence test work on the DLE extraction process.

Recion has conducted a series of tests to assess the performance of the brine material from Fish Lake Valley for extended cycles of lithium absorption and desorption. Observations identified that the extraction process performed consistently achieving 80-95% lithium extraction over more than 2 months of operation.

Recion tested the brines which had been used for more than 8 months and achieved a high lithium extraction rate. The performance of the process over repeat cycles is a key area of interest to support developing an economic model around the use of DLE technology to underpin the FLV Project. Testing of the brines is ongoing with a view to moving to pilot scale testing one a larger representative sample is obtained from FLV.

Directors' Report (continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2022▪ Progress Report Conclusion

The Recion test work on the FLV brine delivered the following outcomes:

- 2 hours was sufficient timeframe to extract lithium from the provided brine sample with an extraction efficiency up to 95% using an absorption column configuration;
- Processing of the brine in the column results in a high lithium recovery and lithium can be concentrated by a factor of 7-9 up to ~400-500 ppm depending on recovery;
- Desorption can be completed in 1-2 hours; however, 2 hours is recommended to ensure full recovery of lithium from the sorbent;
- The absorption column configuration is a well-known modular configuration which has been used in water treatment for decades and can be scaled up using standard equipment; and
- Preliminary economics have been determined and will be refined following the provision of more representative deeper reservoir samples from the upcoming drill program. Future Works The DLE study will continue with Morella recently providing additional brine material to Recion. A primary objective of the next phase of testing is to generate enough concentrated lithium in solution to allow for continued processing at benchtop scale and production of lithium chemicals from the FLV brine.

▪ North Big Smokey

On the 11 August 2022 Morella completed negotiations for a 60% earn-in interest in the North Big Smokey project. The earn-in agreement is with US-based OTC listed Lithium Corporation ("Lithium Corp.") to immediately commence an earn-in for the North Big Smoky ("NBS") Project in central-west Nevada, USA. Following the completion of the soil sampling at North Big Smoky (NBS) Morella engaged a geophysics consultant KLM Geophysics Inc (KLM) to carry out a single Controlled Source Audio-frequency Magnetotellurics (CSAMT) survey line at NBS.

▪ CSAMT Results

KLM 2D resistivity models of the CSAMT data indicated a deep and high conductivity anomaly starting from approximately 700 m below the eastern part of the CSAMT survey line, which may be caused by brines at depth or conductive lithology. Further analysis will identify potential further exploration targets.

Western Australia Lithium Projects▪ Mt Edon Lithium Project Deep Ground Penetrating Radar (DGPR)

The focus of the DGPR work was aimed at identification of any subsurface pegmatites and their relationship to those that had been previously mapped at surface. The survey conducted by Ultramag Geophysics Pty Ltd (Ultramag) included the four (4) areas of known pegmatites and was able to several other zones of interest.

Conclusions and Next Steps - the DPGR work has identified four (4) main target areas for further exploration. These targets are based on the density of pegmatite occurrences from the DGPR survey and the previously completed mapping work. The next stages of exploration at Mt Edon will be based around these identified target areas in preparation for a future drill program.

▪ Mallina project Update

With the completion of the Exploration Incentive Scheme (EIS) co-funded drill program in June 2022 samples were sent for analysis. The program generated some significant results requiring further field work including additional drilling to refine the potential of the area.

Future Exploration Program

- A detailed surface grid soil sampling accompanied by geological mapping and rock chips to follow up highly anomalous Lithium and Rubidium from soil and rock chip geochemistry
- Review and refine existing aeromagnetic and radiometric data to support surface geochemical anomalies
- Additional RC and diamond drilling to test thicker intercepts of spodumene to test thickness, direction and dip of the pegmatites.

Directors' Report (continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2022LRC Payments

Lithium Royalty Corporation (LRC), Morella and Sayona Mining Limited have agreed to binding terms for a royalty on lithium products produced from both the Mt Edon lithium project, tenements E59/2092 and E59/2055 ("Mt Edon") and the Tabba Tabba lithium project, tenement E45/4703 ("Tabba Tabba"). The consideration of US\$ 1,100,000 consists of the grant of a 1.25% Gross Overriding Revenue royalty both project areas.

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 AssetsTabalong 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 several 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 and North Big Smokey Projects.
- 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.

Directors' Report (continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**MATTERS SUBSEQUENT TO THE END OF THE PERIOD**

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

17 January 2023 – North Big Smokey Project, Initial soil sampling results have identified a large target zone across the central part of the project area. The elevated lithium grades identified will require further seismic survey to assess the areas potential.

8 February 2023 – Fish Lake Valley Project, the completion of magnetotelluric surveys has identified drilling targets in the southern area of the project. Permitting and assessing suitable drilling contractors is currently in progress.

The impact of the Coronavirus (COVID-19) pandemic is ongoing for the consolidated entity up to 31 December 2022, 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.

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 for West Australian hard-rock projects is based on information compiled by Mr Chris Grove, who is a Member of the Australasian Institute of Mining and Metallurgy and is a Principal Geologist employed by Measured Group Pty Ltd. Mr Chris Grove has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Mineral Resources'. Mr Chris Grove consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results for Nevada brine projects is based on information compiled by Mr Duncan Storey, who is a Chartered Geologist with the Geological Society of London (an RPO defined by JORC 2012). Mr Storey is an independent consultant engaged by Morella Corporation and has sufficient experience with the exploration and development of mineralised brine deposits 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 Storey 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 2022 has been received and is included on page 6 of the report.

Signed in accordance with a resolution of the directors.

On behalf of the Directors,



James Brown

Director

Perth, 7 March 2023

**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 2022, 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



SHANE CROSS
PARTNER

7TH MARCH 2023,
WEST PERTH,
WESTERN AUSTRALIA

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Consolidated Statement of Profit and Loss

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
Continuing operations			
Revenue	3(a)	213	124
Cost of sales	3(c)	(195)	(181)
Operating profit / (loss)		18	(57)
Other income			
Sundry income	3(b)	1,544	740
Expenses			
Administration costs		(340)	(3078)
Share based payments		(259)	-
Employee benefits expense	3(f)	(1,005)	(731)
Employee benefits expense -share based payments	3(f)	(3,873)	-
Other expenses	3(d)	(27)	(9)
(Loss) before foreign exchange and finance costs		(3,942)	(3,135)
Net foreign exchange gain/(loss)	3(e)	1,187	1,947
(Loss) before finance costs		(2,755)	(1,188)
Finance costs			
Interest on funding facility		(122)	(153)
Amortisation of transaction costs		-	-
(Loss) before income tax		(2,877)	(1,341)
Income tax expense		-	-
Net (Loss) after income tax for the period from continuing operations		(2,877)	(1,341)
Discontinued operations			
Profit / (loss) of discontinued operations after tax	7(b)	(104)	(247)
Net profit / (loss) for the period		(2,981)	(1,588)
Net profit / (loss) attributable to:			
Owners of Morella Corporation Limited from continuing operations		(2,895)	(1,355)
Owners of Morella Corporation Limited from discontinued operations		(104)	(247)
Non-controlling interest		18	14
		(2,981)	(1,588)
(Loss) per share from continuing and discontinued operations attributable to the ordinary equity holders of the company:			
		Cents	Cents
Basic and diluted (loss) per share from continuing and discontinued operations		(0.05)	(0.05)
Basic and diluted (loss) per share from continuing operations		(0.05)	(0.04)
Basic and diluted (loss) per share from discontinued operations		(0.00)	(0.01)

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 2022

	31 December 2022 \$'000	31 December 2021 \$'000
Net profit / (loss) after income tax	<u>(2,981)</u>	<u>(1,588)</u>
Other comprehensive income / (loss)		
Items that will not be reclassified subsequently to profit or loss:		
Changes in the fair value of financial assets	(1,603)	(2,034)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign controlled entities	<u>(891)</u>	<u>(1,771)</u>
Other comprehensive (loss) for the period, net of tax	<u>(2,494)</u>	<u>(3,805)</u>
Total comprehensive (loss) for the period	<u>(5,475)</u>	<u>(5,393)</u>
Total comprehensive (loss) attributable to:		
Members of the parent entity	(5,509)	(5,415)
Non-controlling interest	<u>34</u>	<u>23</u>
	<u>(5,475)</u>	<u>(5,393)</u>
Total comprehensive (loss) attributable to members:		
Continuing operations	(5,405)	(5,169)
Discontinued operations	<u>(104)</u>	<u>(247)</u>
	<u>(5,509)</u>	<u>(5,416)</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 2022

	Note	31 December 2022 \$'000	30 June 2022 \$'000
Current assets			
Cash and cash equivalents		10,915	4,253
Trade and other receivables	5	151	252
Held to maturity investments		29	29
Current tax prepaid		79	75
Other current assets	12	111	86
Derivative financial instruments	14	379	330
Financial assets	8	1,297	2,900
Total current assets		12,961	7,925
Non-current assets			
Property, plant, equipment and mine properties	10	67	37
Exploration and evaluation	9	3,987	2,193
Right-of-use assets	11	22	37
Total non-current assets		4,076	2,267
Total assets		17,037	10,192
Current liabilities			
Trade and other payables	6	471	747
Borrowings	4	-	3,314
Short term provisions		710	717
Lease liabilities	11	25	28
Total current liabilities		1,206	4,806
Non-current liabilities			
Borrowings	4	3,348	-
Lease liabilities	11	-	12
Total non-current liabilities		3,348	12
Total liabilities		4,554	4,818
Net assets		12,483	5,374
Equity			
Contributed equity	15	315,721	302,776
Reserves		(3,322)	(452)
Accumulated losses		(300,225)	(297,225)
Capital and reserves attributable to owners of Morella Corporation Limited		12,174	5,099
Non-controlling interest		309	275
Total equity		12,483	5,374

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 2022

	Contributed Equity	Accumul- ated losses	Perform- ance rights reserve	Change in fair value - financial assets	Foreig n curren cy transla tion reserv e	Non- controll -ing interest s	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2021	290,860	(296,544)	1,601	5,162	(588)	246	737
Comprehensive income for the period							
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)
Total comprehensive income for the period	-	(1,602)	-	(2,034)	(1,780)	23	(5,393)
Transactions with owners in their capacity as owners:							
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
Sub-total	10,740	-	360	-	-	-	11,100
Balance as at 31 December 2021	301,600	(298,148)	1,961	3,128	(2,368)	269	6,442
Balance as at 1 July 2022	302,776	(297,225)	1,961	2,807	(5,220)	275	5,374
Comprehensive income for the period							
Net Loss	-	(2,999)	-	-	-	18	(2,981)
Other Comprehensive Income Fair Value	-	-	-	(1,603)	-	-	(1,603)
Other Comprehensive Income Foreign Exchange	-	-	-	-	(907)	16	(891)
Total comprehensive income for the period	-	(2,999)	-	(1,603)	(907)	34	(5,475)
Transactions with owners in their capacity as owners:							
Shares Issued – Placement net of fees	7,121	-	-	-	-	-	7,121
Employee share schemes – value of employee services	4,132	-	-	-	-	-	4,132
Shares Issued – in Lieu of fees	282	-	-	-	-	-	282
Shares issued Options exercised	1,410	-	(360)	-	-	-	1,050
Sub-total	12,945	-	(360)	-	-	-	12,585
Balance as at 31 December 2022	315,721	(300,225)	1,601	1,204	(6,127)	309	12,483

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 2022

	31 December 2022 \$'000	31 December 2021 \$'000
Cash flows from operating activities		
Receipts from customers	1,744	758
Payments to suppliers and employees	(1,830)	(2,126)
Sundry income	6	3
Government grants and incentives	132	-
Interest paid	(134)	-
Net cash provided by / (used in) operating activities	(82)	(1,365)
Cash flows from investing activities		
Purchase of property, plant and equipment and mine properties	(2)	(14)
Payments for held to maturity investments	-	(9)
Expenditure on exploration and evaluation	(1,482)	(658)
Proceeds from disposal of Available for sale investments	-	437
Proceeds from sale of property, plant and equipment	2	87
Net cash provided by / (used in) investing activities	(1,482)	(157)
Cash flows from financing activities		
Proceeds from the issue of shares	8,138	8,525
Payments of lease liabilities	-	(7)
Proceeds from borrowings	-	200
Repayment of borrowings	-	(700)
Borrowing costs	-	-
Net cash provided by / (used in) financing activities	8,138	8,018
Net increase / (decrease) in cash and cash equivalents held	6,574	6,496
Cash and cash equivalents at the beginning of year	4,262	381
Effect of exchange rates on cash holdings in foreign currencies	88	30
Cash and cash equivalents at the end of period	10,924	6,907
Reconciliation of cash and cash equivalents at the end of period		
Cash and cash equivalents per balance sheet	10,915	6,898
Cash in assets classified as held for sale	9	9
Cash balance as per statement of cash flows above	10,924	6,907
Noncash investing and financing activities		
Share based payments	4,132	2,360
Transaction fees – Consideration earn in option agreement	-	141

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 2022

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 2022 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 7 March 2023 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 2022, 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 2022

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 \$2,982,391 (2021: \$1,588,795), had cash outflows from operating activities of \$82,531 (2021: \$1,365,822), concluded the year with cash and cash equivalents of \$10,915,320 (2021: \$6,898,469) and loans outstanding at year-end of \$3,348,377 (2021: \$3,308,193).

The Group has raised capital of \$8,137,500 during the current period (2021: \$8,598,969). 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 2022

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
Half-year 2022				
Revenue				
External sales	213	-	-	213
Other income	-	1,544	-	1,544
Other segments	-	-	-	-
Total segment revenue	213	1,544	-	1,757
Unallocated revenue				-
Total consolidated revenue				1,757
Segment result	(20)	(3,922)	-	(3,942)
Unallocated segments net of unallocated revenue				-
Profit before income tax, foreign exchange, and finance costs				3,942
Net Foreign exchange gain/(loss)				1,187
Finance costs				(122)
Income tax expense				-
Net loss for the period from continuing operations				(2,877)
Loss from discontinued operations				(104)
Net profit / (loss) for the period				(2,981)
Assets and liabilities				
Segment assets	350	16,687	-	17,037
Unallocated assets	-	-	-	-
Total assets				17,037
Segment liabilities	705	3,849	-	4,554
Unallocated liabilities				-
Total liabilities				4,554

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

2. SEGMENT INFORMATION (continued)

	Exploration services \$'000	Mineral exploration \$'000	Eliminations \$'000	Total \$'000
Half-year 2021				
Revenue				
External sales	124	665	-	789
Other income	75	-	-	75
Other segments	-	-	-	-
Total segment revenue	199	665	-	864
Unallocated revenue				-
Total consolidated revenue				864
Segment result	(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)
Assets and liabilities				
Segment assets	276	9,916	-	10,192
Unallocated assets	-	-	-	-
Total assets				10,912
Segment liabilities	897	3,920	-	4,817
Unallocated liabilities	-	-	-	-
Total liabilities				4,817

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	31 December 2022 \$'000	31 December 2021 \$'000
3. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES		
(a) Revenue from continuing operations		
Revenue from exploration services	213	124
Total revenues from continuing operations	<u>213</u>	<u>124</u>
(b) Sundry income		
Revenue from royalty right	1,544	665
Profit on sale of assets	-	75
Total sundry income	<u>1,544</u>	<u>740</u>
(c) Cost of sales		
Depreciation and amortisation	4	10
Mining services drilling costs	191	171
Total cost of sales	<u>195</u>	<u>181</u>
(d) Other expenses		
Depreciation & Amortisation – plant & equipment	27	9
Total depreciation	<u>27</u>	<u>9</u>
(e) Net foreign exchange Gain		
The net foreign exchange gain relates to the revaluation of the US\$ denominated funds held by the Group.		
(f) Employee benefits expense		
Salaries and on-costs expense	1,005	731
Bonus paid by way of issue of shares to directors and staff	3,873	-
Total employee benefits expense	<u>4,878</u>	<u>731</u>

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	31 December 2022 \$'000	30 June 2022 \$'000
4. BORROWINGS		
Current borrowings		
Director related facility ##	-	3,314
Total current borrowings	-	3,314
Non-Current borrowings		
Director related facility ##	3,348	-
Total non-current borrowings	3,348	-
Reconciliation borrowings – Director related facility		
Opening balance	3,314	3,539
Loan funds received	-	-
Transfer to trade and other payables	-	200
Funds repaid	(134)	(700)
Interest	122	-
Exchange rate differences	46	275
Total borrowings – Director related facility ##	3,348	3,314
## 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 \$3,348,377 is provided at 8%pa and contains a US\$2,000,000 component. The term of the facility has been extended to 8 March 2024 and is convertible to shares at the option of the lenders whilst meeting the appropriate regulatory approvals.		
5. TRADE AND OTHER RECEIVABLES		
Trade and other receivables	730	827
Provision for doubtful debts	(579)	(575)
Total trade and other receivables	151	252
6. TRADE AND OTHER PAYABLES		
Trade payables and accruals	471	747
Total trade and other payables	471	747

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

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 2022.

	31 December 2022 \$'000 Tabalong	31 December 2021 \$'000 Tabalong
Revenue		
Sale of Product	-	-
Cost of sales		
Operating expenses	-	-
Total cost of sales	-	-
Profit / (Loss)	-	-
Other Income	-	-
Expenses		
Administration	-	(14)
Impairment (loss)	(142)	(233)
Expenses	-	-
(Loss) before foreign exchange and finance costs	(142)	(247)
Foreign exchange gain	38	-
Profit / (Loss) before foreign exchange	(104)	(247)
Net (Loss) before income tax	(104)	(247)
Income Tax expense	-	-
(Loss) from discontinued operations after income tax	(104)	(247)
Net cash (outflow) from financing activities	-	-
Net decrease in cash generated by the division	-	-

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

7. DISCONTINUED OPERATIONS (continued)

(c) Carrying amounts of assets and liabilities

	31 December 2022 \$'000 Tabalong	30 June 2022 \$'000 Tabalong
Cash and cash equivalents	9	8
Exploration and evaluation	3,491	3,405
Total assets of disposal group held for sale	<u>3,500</u>	<u>3,413</u>
Trade and other payables	1,742	1,684
Borrowings	1,758	1,729
Total liabilities of disposal group held for sale	<u>3,500</u>	<u>3,413</u>
Net Assets of disposal group held for sale	<u>-</u>	<u>-</u>

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	1,297	2,900
Reconciliation of the fair values at the beginning and end of the current and previous period are set out below		
Opening fair value	2,900	5,692
Disposal	-	(437)
Changes in fair value	(1,603)	(2,355)
Closing fair value	<u>1,297</u>	<u>2,900</u>

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	2,193	80
Incurred during the year	1,794	2,159
	<u>3,987</u>	<u>2,239</u>
Written off during the year	-	(46)
Total exploration and evaluation expenditure	<u>3,987</u>	<u>2,193</u>

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

10. PROPERTY, PLANT, EQUIPMENT AND MINE PROPERTIES

	Property plant and equipment \$'000	Total \$'000
December 2022		
Gross carrying amount		
Balance at 30 June 2022	854	854
Additions	46	46
Exchange difference	14	14
Disposals	(22)	(22)
Balance at 31 December 2022	<u>892</u>	<u>892</u>
Accumulated depreciation		
Balance at 30 June 2022	817	817
Depreciation expense	12	12
Exchange difference	18	18
Disposals	(22)	(22)
Balance at 31 December 2022	<u>825</u>	<u>825</u>
Net book value as at 31 December 2022	<u>67</u>	<u>67</u>

	Property plant and equipment \$'000	Total \$'000
June 2022		
Gross carrying amount		
Balance at 30 June 2021	864	864
Additions	31	31
Exchange difference	79	79
Disposals	(120)	(120)
Balance at 30 June 2022	<u>854</u>	<u>854</u>
Accumulated depreciation		
Balance at 30 June 2021	835	835
Depreciation expense	22	22
Exchange difference	77	77
Disposals	(117)	(117)
Balance at 30 June 2022	<u>817</u>	<u>817</u>
Net book value as at 30 June 2022	<u>37</u>	<u>37</u>

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	31 December 2022 \$'000	30 June 2022 \$'000
11. LEASES		
Set out below is a summary of the amounts disclosed in the Consolidated Balance Sheet:		
Lease liability		
Current	25	28
Non-current	-	12
	25	40
Right of use assets		
Properties	22	37

12. DIVIDENDS

The Company has not paid a dividend during the period and no interim dividend is recommended. (2022: \$0)

13. SUBSEQUENT EVENTS

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

17 January 2023 – North Big Smokey Project, Initial soil sampling results have identified a large target zone across the central part of the project area. The elevated lithium grades identified will require further seismic survey to assess the areas potential.

8 February 2023 – Fish Lake Valley Project, the completion of magnetotelluric surveys has identified drilling targets in the southern area of the project. Permitting and assessing suitable drilling contractors is currently in progress.

The impact of the Coronavirus (COVID-19) pandemic is ongoing for the consolidated entity up to 31 December 2022, 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 2022.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

15. CONTRIBUTED EQUITY

Issued capital

	31 December 2022		30 June 2022	
	Number	\$'000	Number	\$'000
Fully paid ordinary shares issued	6,098,580,444	315,721	5,176,213,986	302,776
Balance at the beginning of the financial year	5,176,213,986	302,776	2,986,243,275	290,860
Share issue - Rights Offer	-	-	400,095,130	2,000
Share Issue – Security Shares	-	-	400,000,000	2,000
Share placement - Sophisticated Investors	500,000,000	7,121	1,319,698,630	6,599
Shares issued in lieu of corporate fees	-	-	40,000,000	1,120
Share Issue – EIO Consideration	14,100,000	282	28,176,951	141
Share Issue – Options exercised	150,000,000	1,410	-	-
Share issue Employee incentive scheme	258,266,458	4,132	2,000,000	56
Balance at the end of the financial period	6,098,580,444	315,721	5,176,213,986	302,776

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 2022.

17. RELATED PARTIES

- a) In February 2021, 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 \$3,348,377 contains a US\$2,000,000 component and is provided at 8%pa repayable in March 2024. Interest of \$120,467 has been incurred during the period. The US\$ component of the facility uses a fixed translation rate of \$0.777185 this gives rise to a derivative asset of \$378,640 when translated at period end.
- (a) 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. Morella has completed the earn in component across the project portfolio and is progressing to establish a joint operation to cover the next phase of exploration activity. Sayona will retain the right to contribute to project evaluation and development in the future to participate in the upside potential.
- (b) 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 and North Big Smokey Lithium project areas, 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.

Transactions during the reporting period

- Exploration expenditure of US\$773,212 was incurred in accordance with the earn in option agreement.
- Consideration commitments of US\$100,000 were paid and the equivalent of US\$200,000 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 22 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 2022 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

Perth 7 March 2023

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 2022, 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 2022, 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 2022 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 2022 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



SHANE CROSS
PARTNER

7TH MARCH 2023
WEST PERTH,
WESTERN AUSTRALIA