

31 July 2023

Quarterly Activities Report & 5B Cashflow June 2023

Mallina Drilling identifies new areas of lithium mineralisation and confirms extensions of strike of existing areas

NBS Carvers project evaluation delivers 54% of assays with grades in excess of 100 ppm and up to 271 ppm lithium in soils across the western extension of the area

Shallow drilling commenced at NBS - Carvers in June 2023 to test the stratigraphy and geology for design of future deep hole programs at Carvers

FLV at an advanced stage of drill planning, set to commence in the third Quarter 2023

OVERVIEW

Morella Corporation Limited (**ASX: 1MC** "Morella" or "the Company") is pleased to report on activities conducted during the June 2023 Quarter.

The Company continued to advance its exploration and evaluation activities at its Mallina Project located in Western Australia and the Fish Lake Valley and North Big Smoky Projects in the USA.

Morella Managing Director James Brown said:

"The March quarter was an extremely busy period of activity and has delivered very positive outcomes from Morella's suite of development projects. The completion of the drill program at Mallina has confirmed the Projects potential to deliver a significant hard rock lithium discovery and we plan to progress quickly with resource definition drilling at the project."

"Work on our USA projects of Fish Lake Valley and Carvers and Austin in the Big Smoky Valley has substantially increased our confidence in all 3 projects. We are now at the point whereby drilling has commenced in Carvers plus we are at the final stages of planning for drilling at Fish Lake Valley."

"Our immediate focus is the delineation of mineral resource estimates at both hard rock and lithium enriched brine projects."

EXPLORATION AND PROJECT DEVELOPMENT

MALLINA PROJECT WESTERN AUSTRALIA HARDROCK LITHIUM

During the Quarter, Morella commenced a RC drilling program at the Mallina Project in the Pilbara region of Western Australia. Topdrill Pty Ltd was awarded the contract following the completion of environmental, social and governance related workstreams in support of the program.

Program of Works

The campaigns primary focus was to determine the extension of the previously identified high grade pegmatite intercepts which confirmed the presence of high-grade lithium oxide including an intercept in Hole M22_004_D of 16.4m @ 1.24% Li₂O from 4.6 metres (refer to ASX Release 7 December 2022).

The completed drill program at Mallina resulted in 35 holes out of a planned 39 holes totalling 2,200 metres from a planned 2,800 metre program See ASX Release dated 25 May 2023 - *Mallina drilling*.

The drilling comprised both extensional/development drilling based on previous drilling campaigns, all directed towards testing thickness, direction and dip of previously identified high grade pegmatite intercepts as well as the testing of several new targets defined by mapping and surface sampling.

Heritage Survey

As part of the drilling process, Morella conducted a Heritage Survey with the Traditional Owners of select areas in the Mallina tenement on the 12th of April 2023. The Heritage Survey was coordinated by Terra Rosa Consulting. The final report stated no sites or artefacts of significance were identified. The areas surveyed are shown in Figure 1 below.

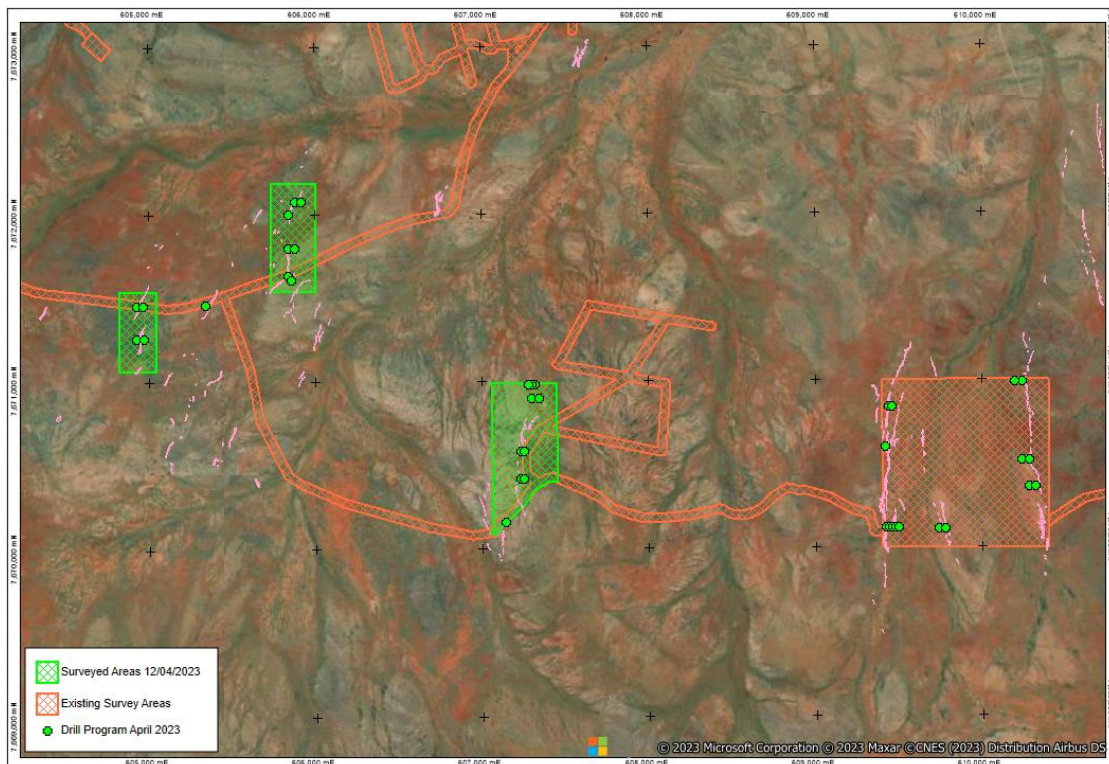


Figure 1 – Heritage Surveyed Areas

Drilling Program Results

The drilling program focused on 4 mineralised zones within the Project being Discovery, Area C, Pegmatite 2, and Pegmatite 3. (Figure 2)

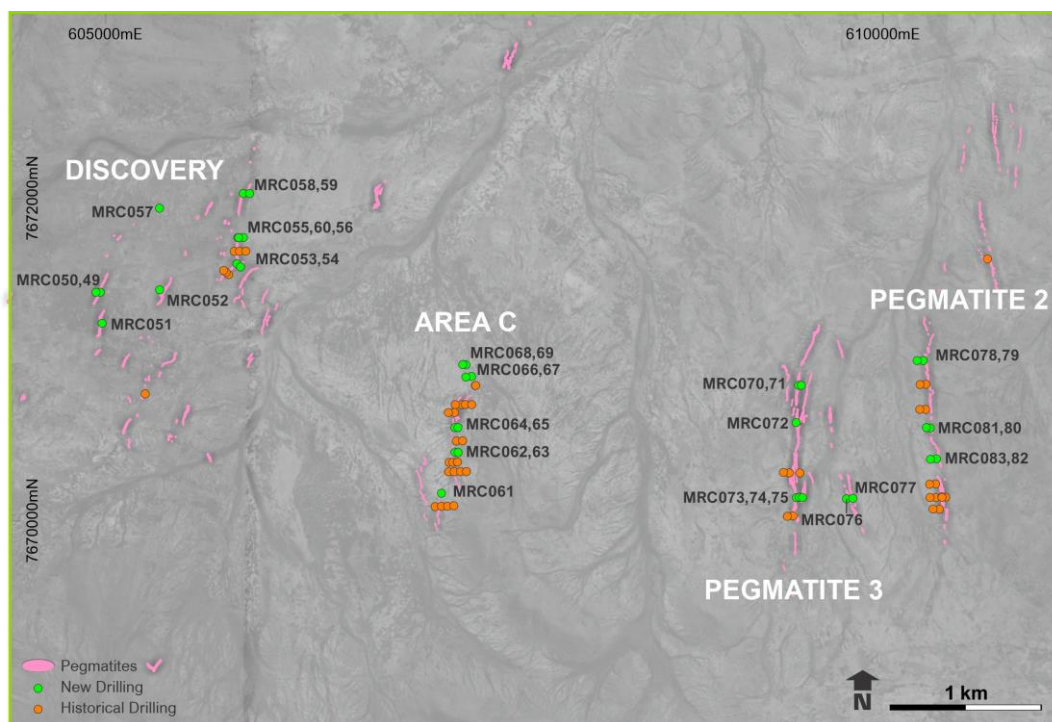


Figure 2 – Drillhole Locations

Pegmatites were found in 18 holes with visually demonstrated spodumene, the minimum pegmatite intercepts observed were 2 metres in thickness. All pegmatite samples were sent to the laboratory for assaying.

The assay results from the drilling program identified previously unknown areas of mineralisation, offering exciting new targets for further evaluation. In addition to the new targets, the assay results have provided extensions to existing mineralised zones.

All pegmatite intervals were submitted for assay to ALS Global Laboratories Perth for 4-acid digest followed by ICP-MS analysis. Significant lithium assay results from the drilling are shown in Table 1 below. The significant intercepts are also presented in Figures 3, 5 and 6 showing the drill collar locations.

Hole	Easting	Northing	From (m)	To (m)	Intercept
MRC049	604955	7671464	12	15	3m @ 1.07% Li₂O
MRC050	604927	7671464	54	57	3m @ 1.37% Li₂O
		inc.	54	55	1m @ 1.66% Li₂O
MRC050	604927	7671464	63	66	3m @ 0.84% Li ₂ O
MRC054	605858	7671620	15	19	4m @ 0.89% Li ₂ O
MRC057	605339	7671999	52	58	6m @ 0.77% Li ₂ O
MRC064	607229	7670584	17	20	3m @ 0.97% Li ₂ O
MRC065	607249	7670584	40	42	2m @ 0.88% Li ₂ O
MRC066	607339	7670910	54	60	6m @ 0.75% Li ₂ O
		inc.	59	60	1m @ 1.28% Li₂O
MRC078	610244	7670993	16	18	2m @ 0.79% Li ₂ O
MRC079	610205	7670993	48	50	2m @ 0.84% Li ₂ O
MRC081	610261	7670564	26	29	3m @ 1.32% Li₂O
MRC083	610286	7670362	54	59	5m @ 0.82% Li ₂ O
		Inc.	54	55	1m @ 1.87% Li₂O

Table 1: Significant Intercepts from the recent drilling campaign (>0.5 Li₂O%)

MINERALISED ZONES

The four (4) mineralised zones, Discovery, Area C, Pegmatite 2, and Pegmatite 3, identified to date cover a lateral extent in excess of five (5) kilometres and contain numerous stacked pegmatites with some of these currently delivering up to 950 metres in mineralised strike length.

Discovery

The Discovery area covers a 1km by 1.5km pegmatite swarm which shows strong potential for additional mineralisation (Figure 3). Eleven (11) drill holes were used to target both extensions of known intercepts and the development of new mineralised targets.

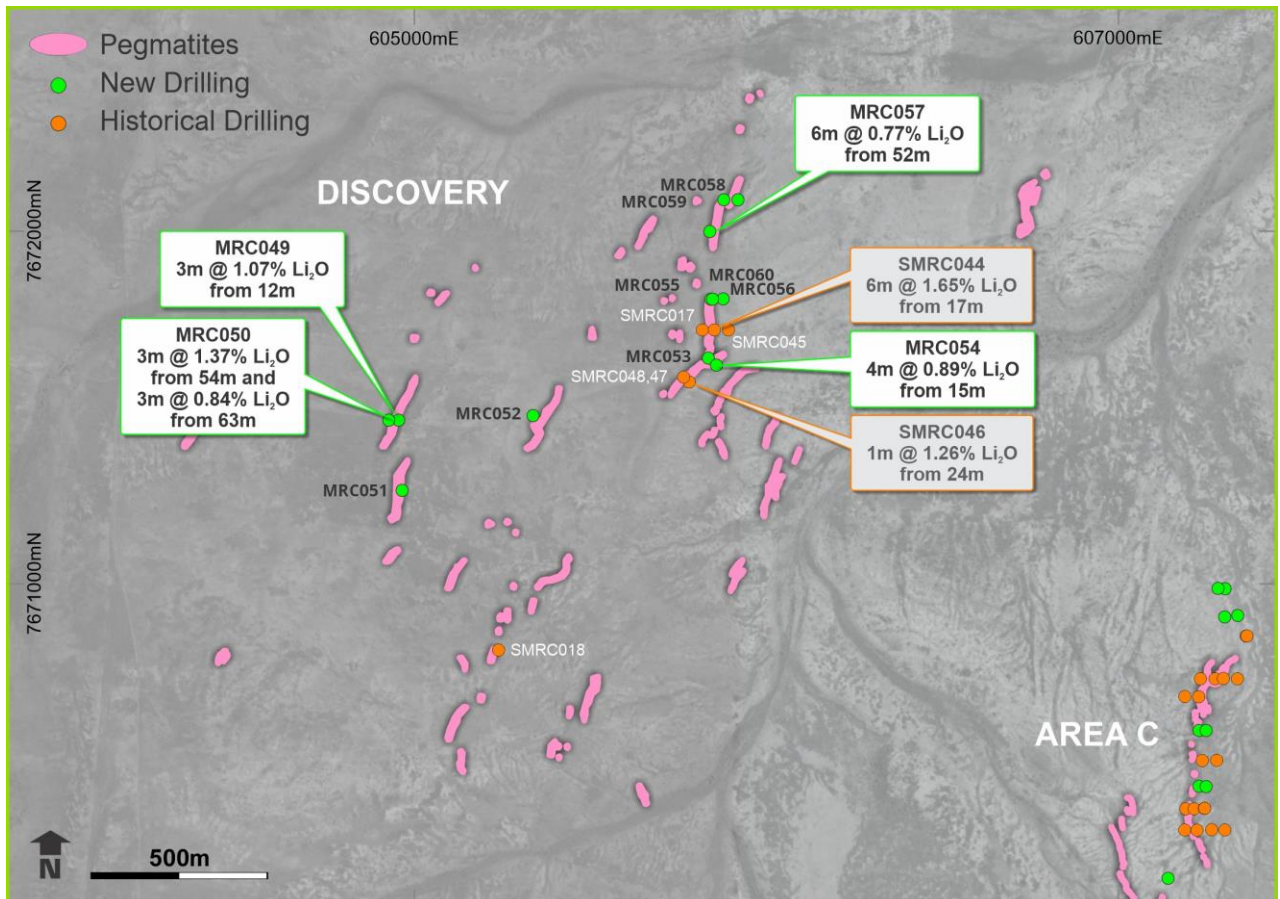


Figure 3: Discovery hole plan showing 300m northward strike extension.

The intercept in hole MRC057 has confirmed the extension of the mineralised strike length 300m northwards. The significant grade results in the previously undrilled pegmatite, shown in MRC049 and MRC050 (Figure 4), confirm the potential for additional extensions in the development of Discovery. Given these factors, the Discovery prospect bears merit for further assessment.

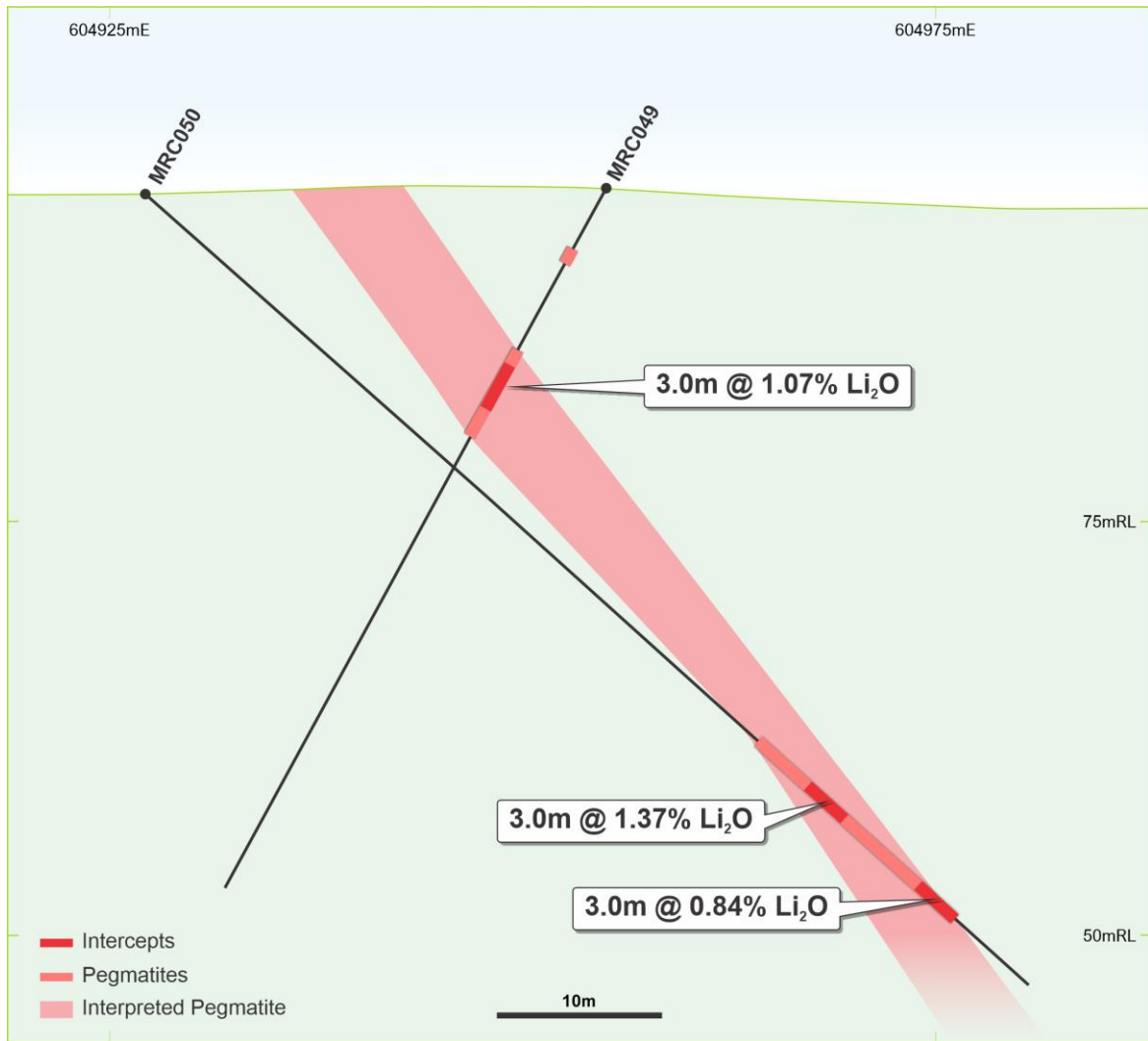


Figure 4: Discovery Section 7671460 showing new intercepts in MRC049 and MRC050

Area C

Area C consists of a 1km long series of pegmatites showing variable grades of mineralisation along strike with up to 2.18% Li_2O from surface in hole SMRC040 (Figure 5). Nine (9) drill holes were targeted to infill along strike, as well as exploring the northern strike extensions as the pegmatite drops below cover.

The results at MRC066 indicate the grade material continues below cover further along strike to the north and may indicate a more significant higher-grade pocket.

With the highest grades of the Mallina Project being in the northern sections of Area C, additional geophysics and drilling is required to test the boundaries of the high-grade pocket and to assess its continuity with the grades seen further to the south.

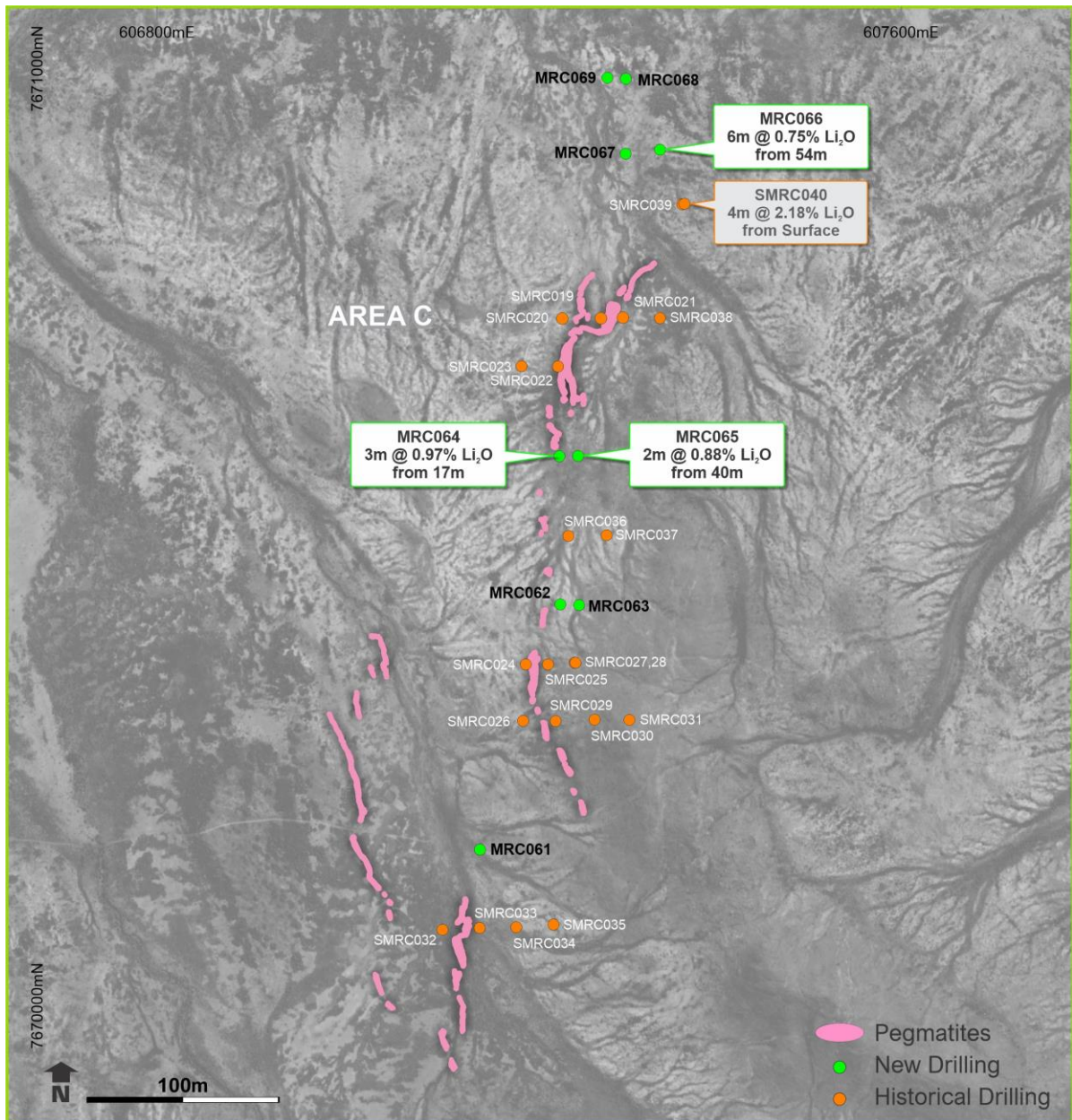


Figure 5: Area C hole plan

Pegmatite 2 and Pegmatite 3

Pegmatite 2 and Pegmatite 3 constitute two (2) separate 1.5km long pegmatite swarms with Pegmatite 2 representing the current highlight of the Mallina project (Figure 6).

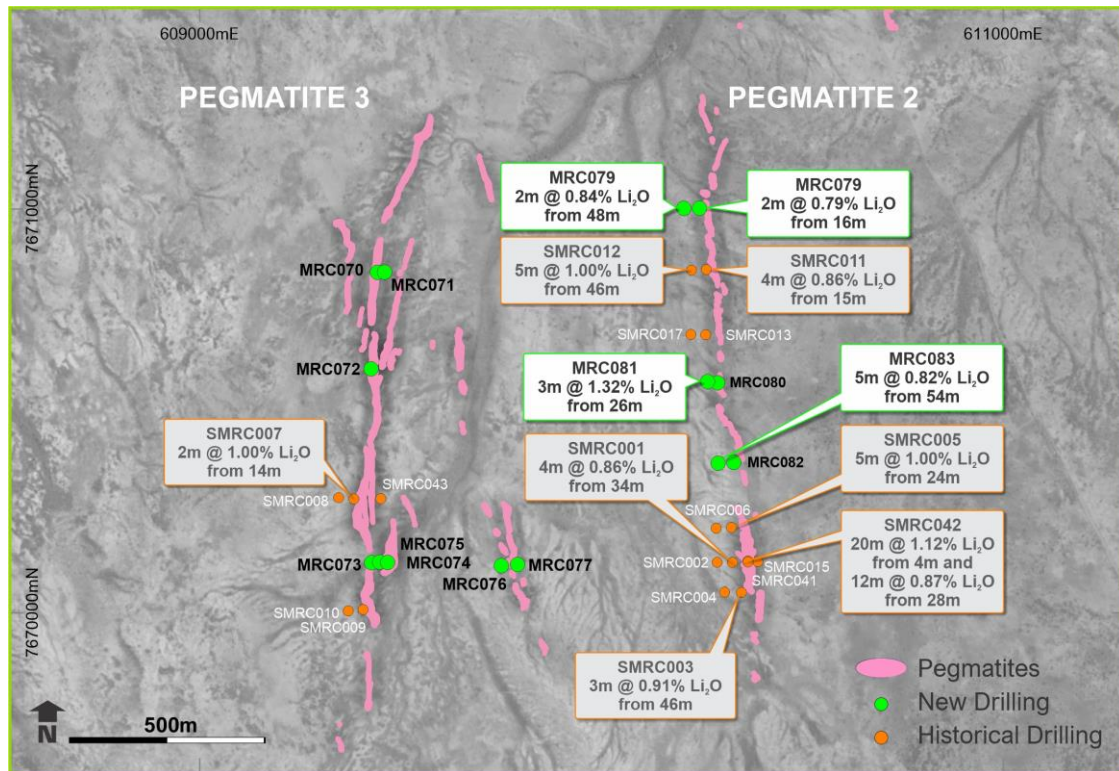


Figure 6: Pegmatite 2 and Pegmatite 3-hole plan showing northward strike extension of Pegmatite 2

With mineralisation confirmed along 1km of strike length and open at depth along a significant portion of the total strike, Pegmatite 2 is a prime target for further infill drilling to develop the understanding of the broadest segments, where the pegmatite is shown to be up to 20m in true thickness.

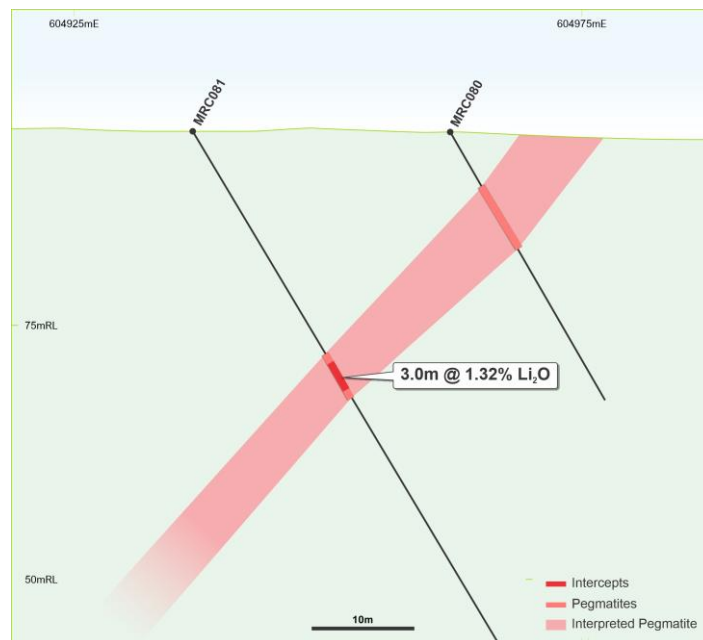


Figure 7: Pegmatite 2 Section 7670360 showing MRC080 and MRC081

Conclusions and next steps

The drill program at Mallina resulted in 35 holes totalling 2,200 metres, successfully identifying mineralisation in newly developed pegmatite targets as well as strike extensions to many of the known mineralised zones.

The nature of the numerous pegmatite bodies that comprise the deposit suggests the strong possibility of additional lithium discoveries beyond the currently explored area.

Morella’s exploration team are reviewing all the results generated from this program with a view to future work including additional drilling to further develop the identified mineralisation, as well as additional geochemical and geophysical surface techniques.

The North Big Smoky Project (NBS)

During the Quarter, the Company announced the results from geophysical exploration activities completed in March 2023 at both of the North Big Smoky project areas in Nevada, USA (“the Project”). The results are driving a drilling program to provide geological samples to test the shallow clays.

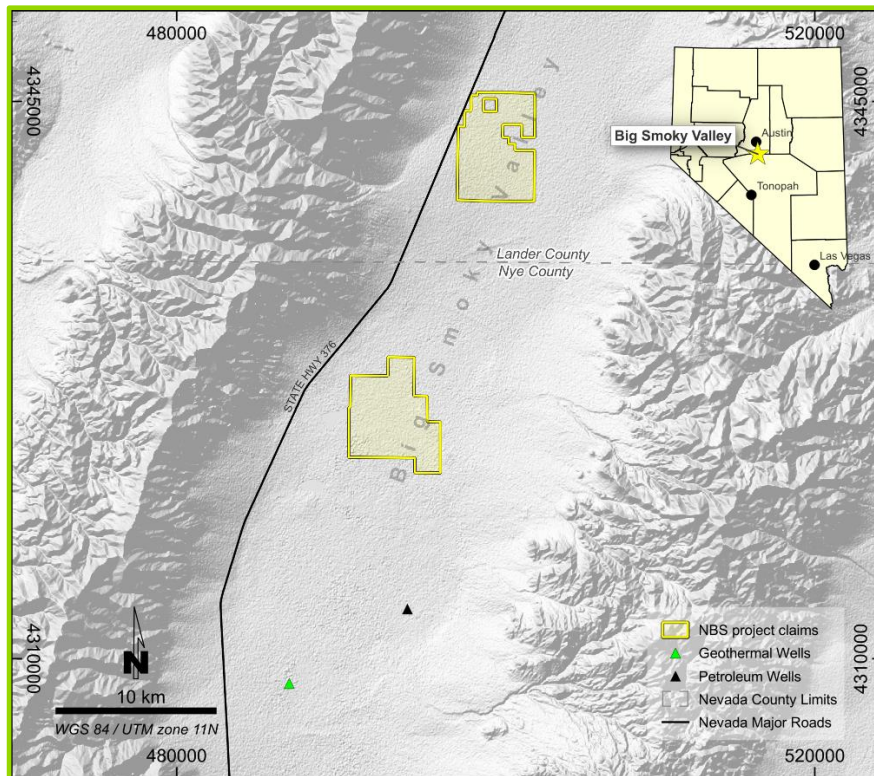


Figure 8: Location of the North Big Smoky Projects, Carvers and Austin.

Acquisition of magnetotelluric (MT) and passive seismic horizontal-to-vertical spectral ratio (PS-HVSR) survey data within the Carvers and Austin project areas was completed by US-based KLM Geoscience LLC (KLM), with quality assurance/quality control (QA/QC), data processing and modelling of the MT and PS-HVSR survey datasets completed by Perth-based geophysical consultants, Resource Potentials Pty Ltd (ResPot).

Geophysical Surveys - Carvers

The “Carvers” project is the name for the original project area within the greater NBS Project, where soil geochemical sampling was completed during January 2023 (see ASX announcement “*Lithium mineralisation confirmed in North Big Smoky soil sampling results*”, released 17th January 2023).

A controlled source audio magnetotelluric (CSAMT) survey was completed during December 2022 (see ASX announcement “*North Big Smoky – CSAMT Survey*”, released on 22nd December 2022, which identified a deep conductivity anomaly that may be caused by an accumulation of brine, which may host Li in solution).

Morella then commissioned a PS-HVSR and MT survey covering the wider Carvers Project area in order to map the extents of the conductivity anomaly identified from 2D inversion modelling of the CSAMT survey. Figure 9 shows the MT survey lines and station locations and the PS-HVSR survey station locations completed during January and February 2023.

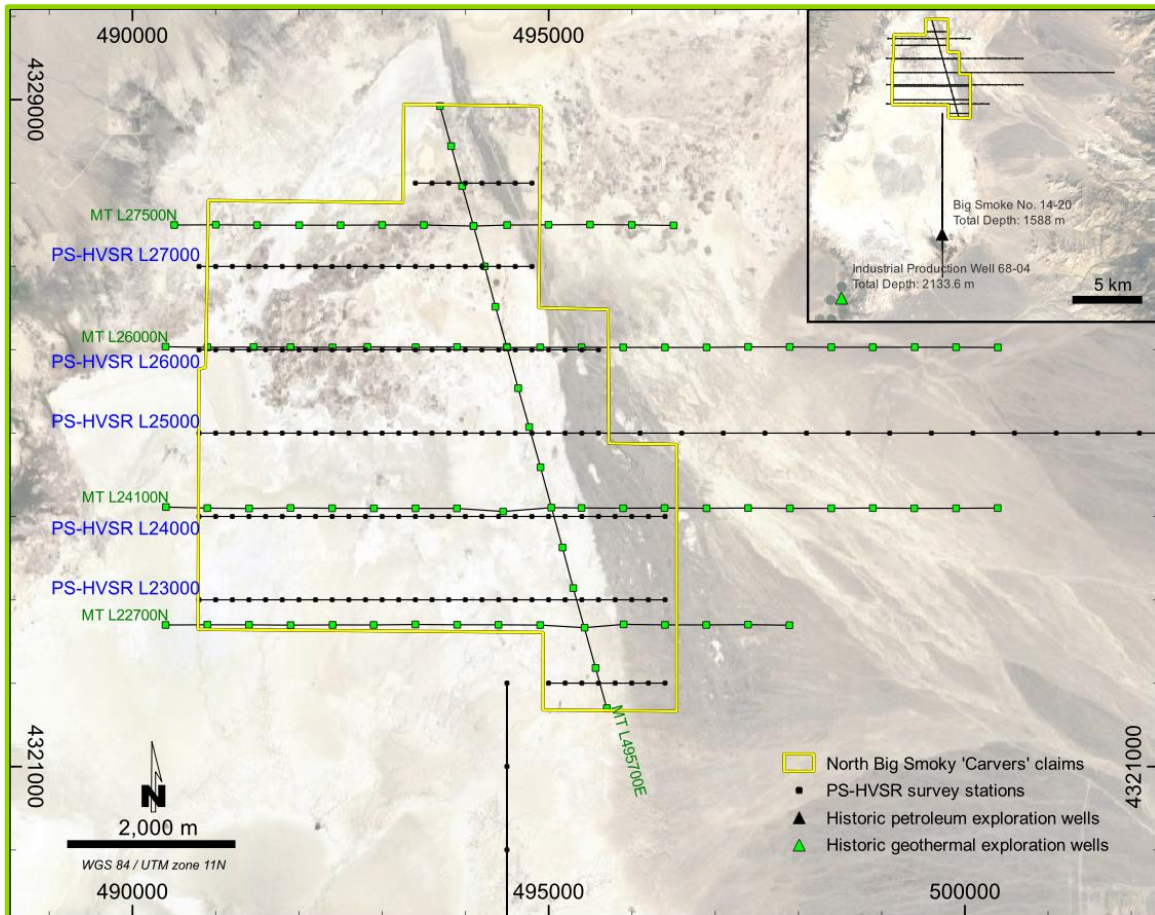


Figure 9 –MT and PS-HVSR survey stations within the Carvers project area during February 2023.

Following completion of the MT survey data acquisition and QA/QC, ResPot completed 2D resistivity inversion modelling of the MT survey data acquired along the MT survey lines and gridded those model data in 3D to generate a 3D block model, which was used to create 3D resistivity isosurfaces and model slices (see Figures 10 and 11).

The 2D MT resistivity inversion model cross sections from the February MT survey reinforce and expand upon the 2D resistivity inversion modelling results from the CSAMT survey completed during December 2022, where a very high MT conductivity anomaly is present within the central and west of the Carvers area, which is broadly co-located or above the PS-HVSR acoustic bedrock, and could be caused by an electrically conductive brine accumulation located approximately 1,000 m below ground level (see Figures 10 and 11). The PS-HVSR depth calibration was completed using digital downhole log data from the nearby petroleum exploration well ‘Big Smoky No 14-20’ (see inset map, Figure 9).

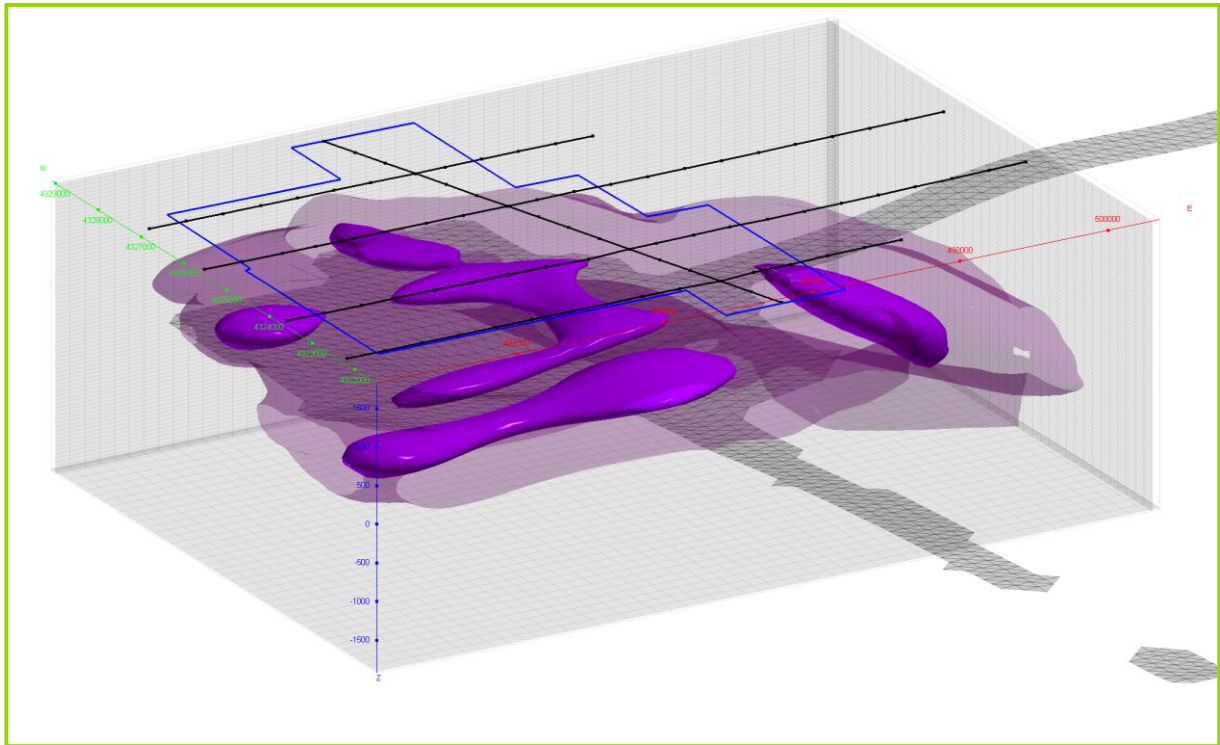


Figure 10: 3D view looking northeast and down on MT conductivity isosurfaces generated from 2D resistivity inversion modelling of the MT survey data (purple surfaces) and passive seismic HVSR acoustic bedrock (grey meshed surface) for the North Big Smoky 'Carvers'.

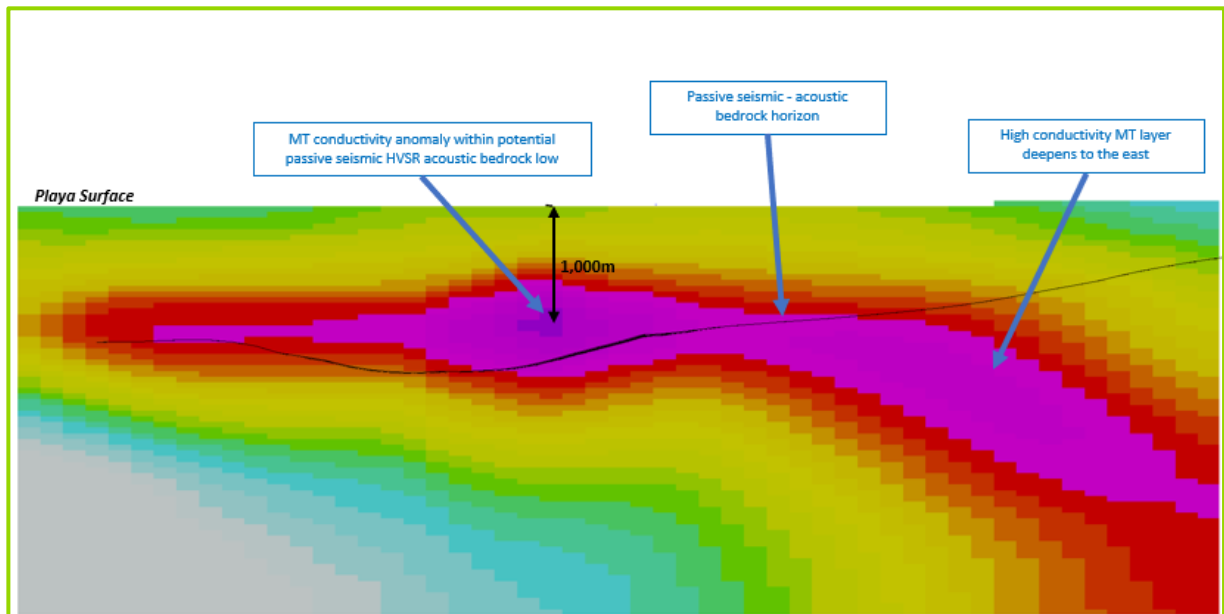


Figure 11 - Cross section (E-W) through the 3D gridded 2D MT resistivity inversion model results sliced along PS-HVSR line L25000N from the North Big Smoky 'Carvers', where conductivity is shown as hotter colours (red to pink) and resistivity shown as cooler colours (blue to white), with the passive seismic HVSR acoustic bedrock shown as a black line.

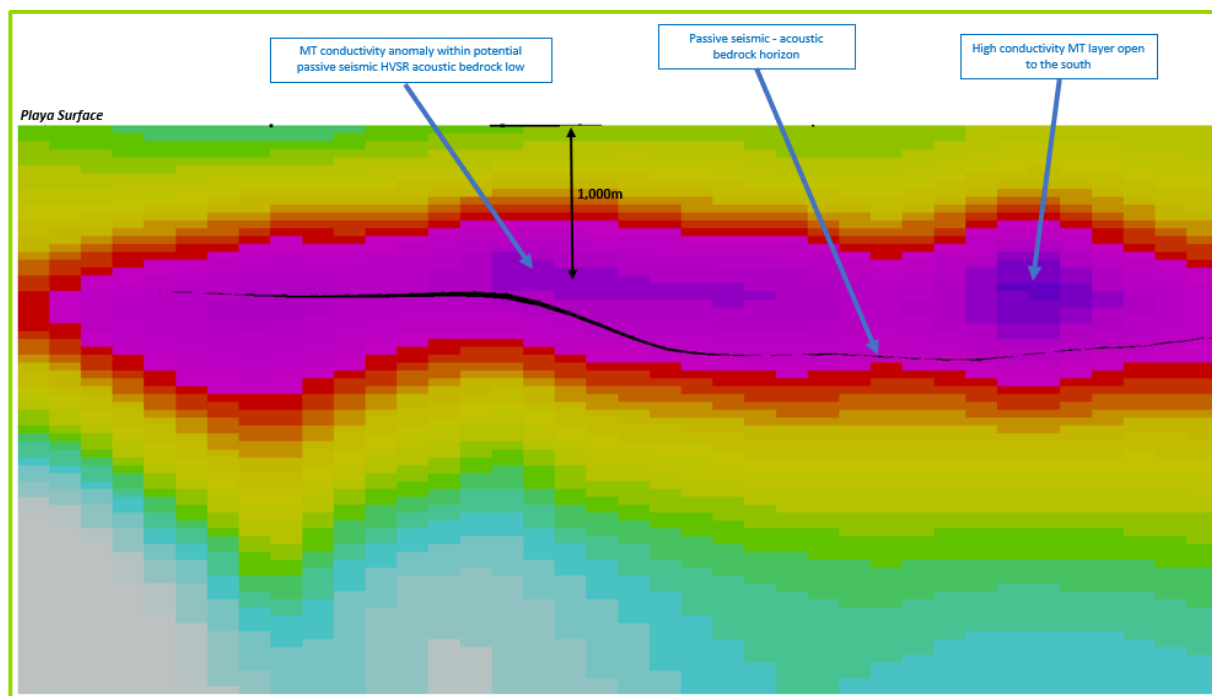


Figure 12 - Long section (N-S) through the 3D gridded 2D MT resistivity inversion model results from the North Big Smoky 'Carvers' prospect, where conductivity is shown as hotter colours (red to pink) and resistivity shown as cooler colours (blue to white), with the passive seismic HVSR acoustic bedrock shown as a black line.

Recent Sampling Program and Results

In May 2023, a 375-auger-hole program was executed with the goal of gaining a better understanding of the distribution of lithium in the soils across the western extension of the Carvers project area. Holes (up to 0.92m total depth) were completed and reported in (ASX announcement "*Lithium mineralisation from soil sampling confirmed at Carvers*", released on 13th June 2023).

Mineralogical and geochemical samples were sent for assaying to Paragon Geochemical in Sparks, Nevada, a certified laboratory. Figure 13 shows the auger sampling method.



Figure 13 – Auger Sampling

As seen in Figure 14 results in the central west part of Carvers show elevated lithium assays up to 271 ppm with over 54% of the assays with grades of 100 ppm lithium or more. This is an extension of the elevated results from the previous soil sampling program in the eastern part of the project area.

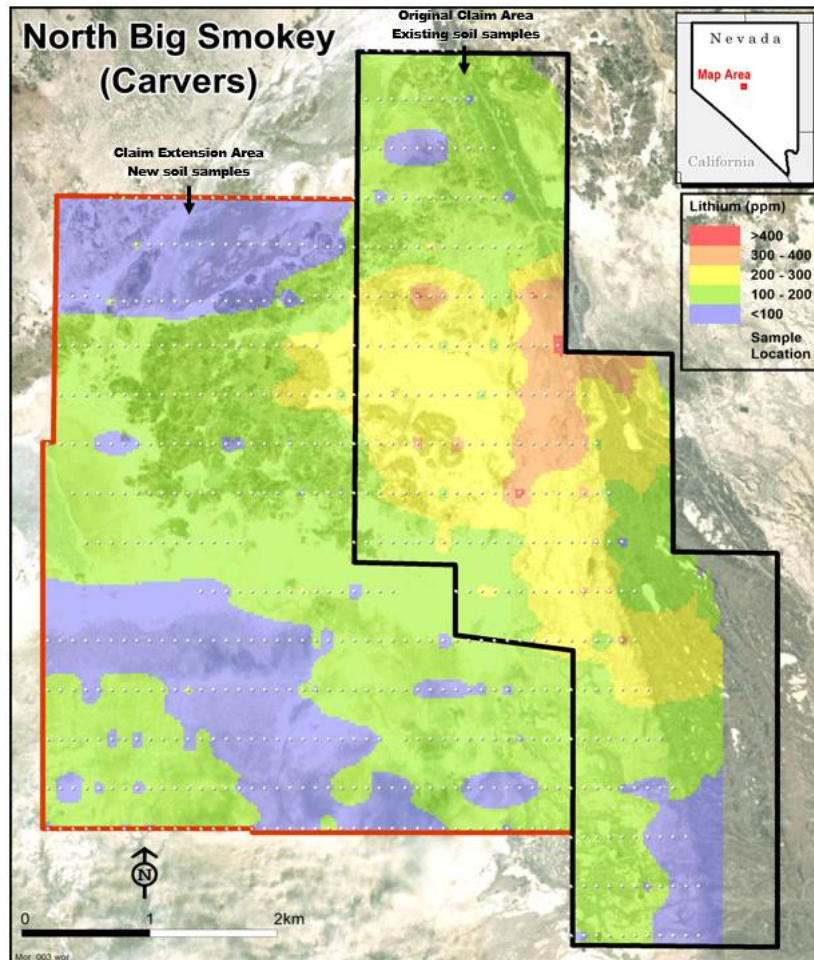


Figure 14: Plan View of results

Drilling to test shallow stratigraphy

On the back of the soil sampling results in January from the eastern part of the project area, a sonic core drill hole program was designed to test the stratigraphy and geology. These holes will assist in the assessment of the potential lithium mineralisation as well as the geology encountered so that the future deep hole programs at Carvers can be designed.

Permitting and contract award

During April and May permits were submitted to the BLM and pre-clearance surveys were undertaken to enable drilling to commence. Also during May Cascade Drilling LP was selected as the preferred drilling company to carry out the four (4) hole sonic drilling program with drilling commencing in June 2023 at the locations in Figure 16. Figure 15 below shows the sonic drill rig commencing drilling.



Figure 15: Sonic drilling at DH1

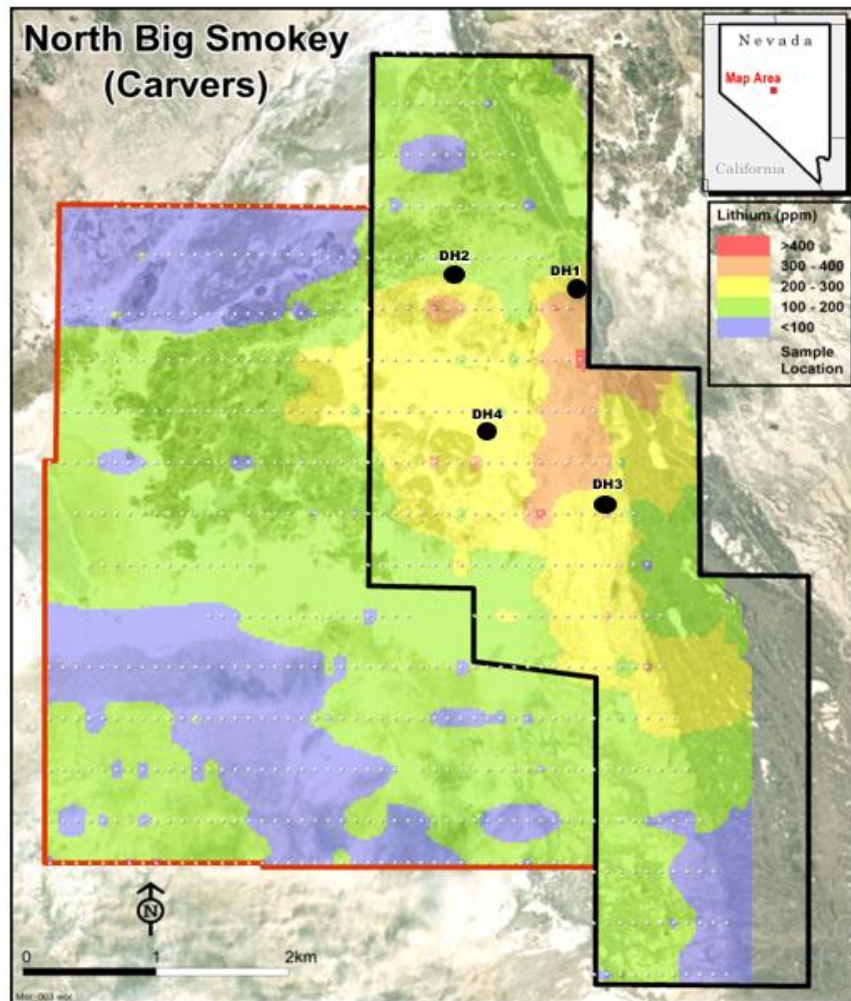


Figure 16: Plan View of drillhole layout

Future Work

The future work planned for Carvers is:

- Reflective seismic to determine the subsurface structure and any faulting which will assist with designing the deep hole program.
- Selecting drilling method, based on shallow hole results and reflective seismic work.
- Design and implement a deep hole program targeting the magnetotelluric anomalies.

Geophysical Surveys - Austin

The “Austin” project area is located 11 km to the north of “Carvers” project area and was identified following review of regional open-file gravity data to be another potential deep sedimentary basin, which could also be suitable for accumulation of brines in the subsurface containing Li in solution.

During the Quarter, Morella commissioned a PS-HVSR and MT survey covering the Austin Project area and surrounding areas to the south and east in order to help determine whether subsurface conductivity anomalies were present within the Austin Project area. Figure 17 shows the line locations for the PS-HVSR and MT surveys.

Following completion of the MT survey data acquisition and QA/QC, ResPot completed 2D resistivity inversion modelling of the MT survey data acquired along the MT survey lines and gridded those model data in 3D to generate a 3D block model, which was used to create 3D resistivity isosurfaces (see Figure 18) and model slices (see Figures 19 and 20).

The 2D MT resistivity inversion models generated from the MT data acquired at NBS-Austin shows a very high MT conductivity zone is present in the central-western Austin project area, which sits within or above the PS-HVSR acoustic bedrock and indicates that this high MT conductivity anomaly could be caused by an accumulation of brine located approximately 1,300 m below ground level (see Figures 18 to 20). A deeper MT conductivity anomaly is located within the eastern part of the NBS-Austin Project area, which is likely caused by a deeper electrically conductive shale unit rather than a brine accumulation.

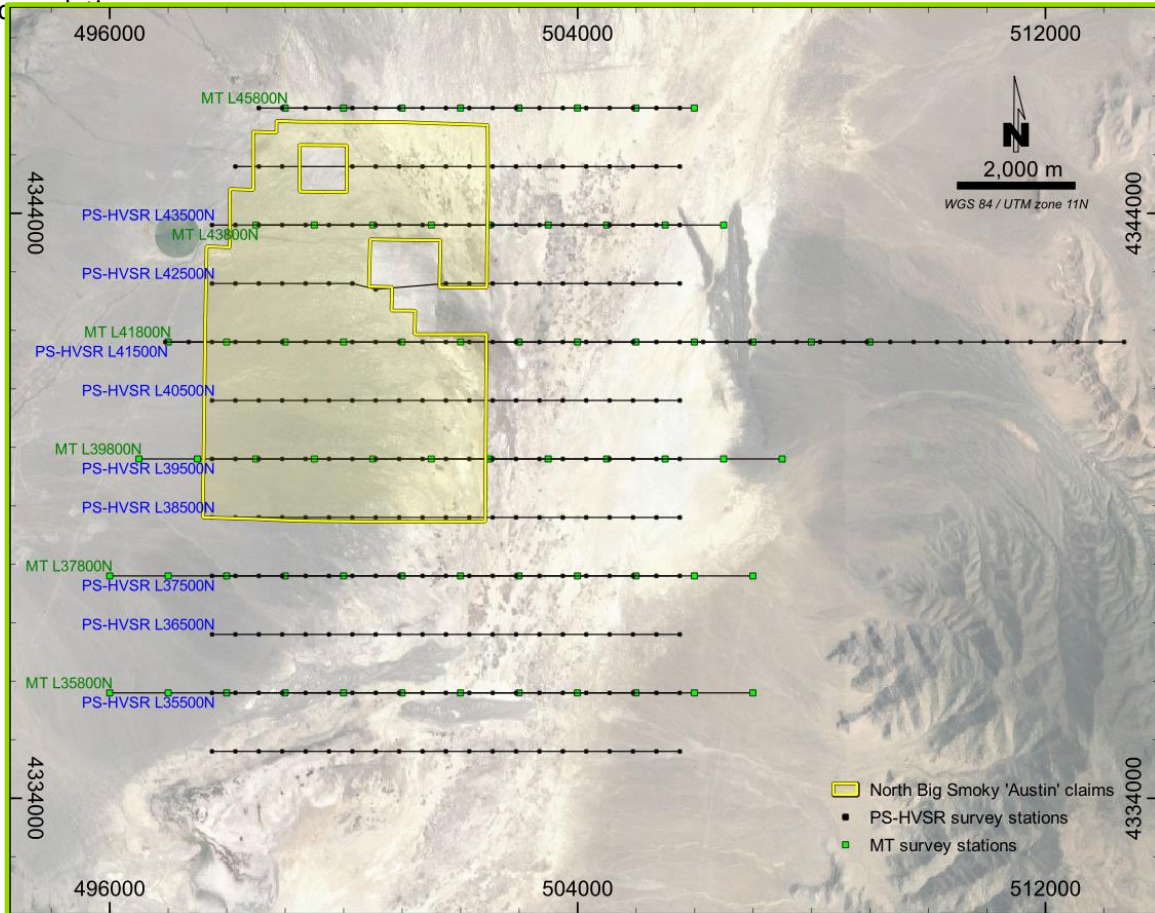


Figure 17 – Locations of the MT and PS-HVSR survey stations acquired within the Austin project area during February and March 2023.

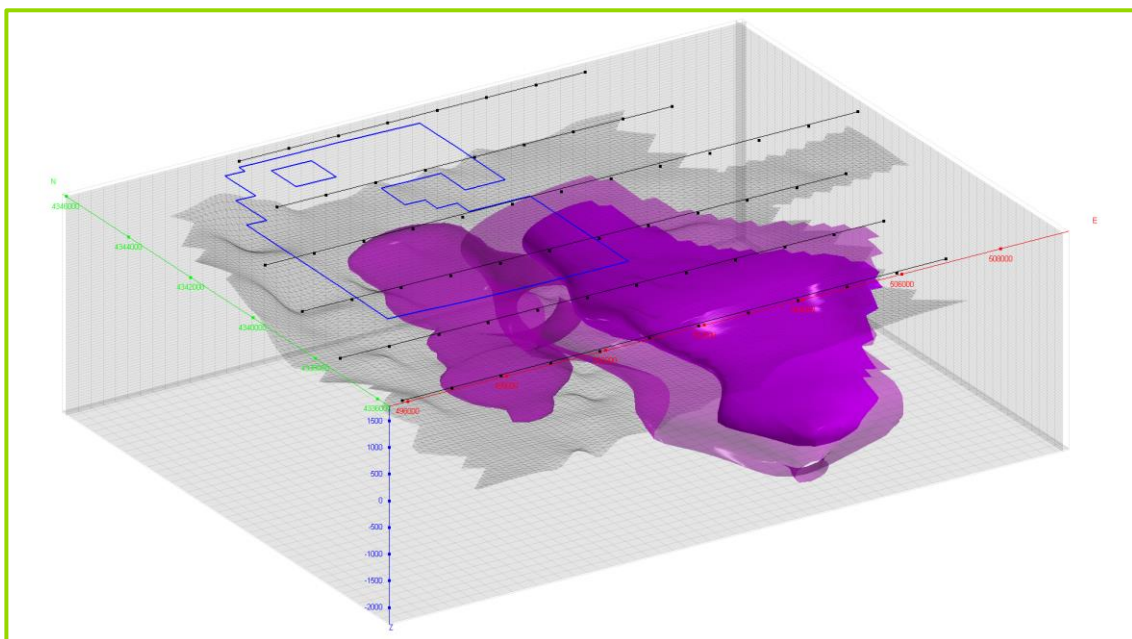


Figure 18: 3D view looking northeast and down on MT conductivity isosurfaces generated from 2D resistivity inversion modelling of the MT survey data (purple surfaces) and passive seismic HVSR acoustic bedrock (grey meshed surface) for the 'Austin' prospect area.

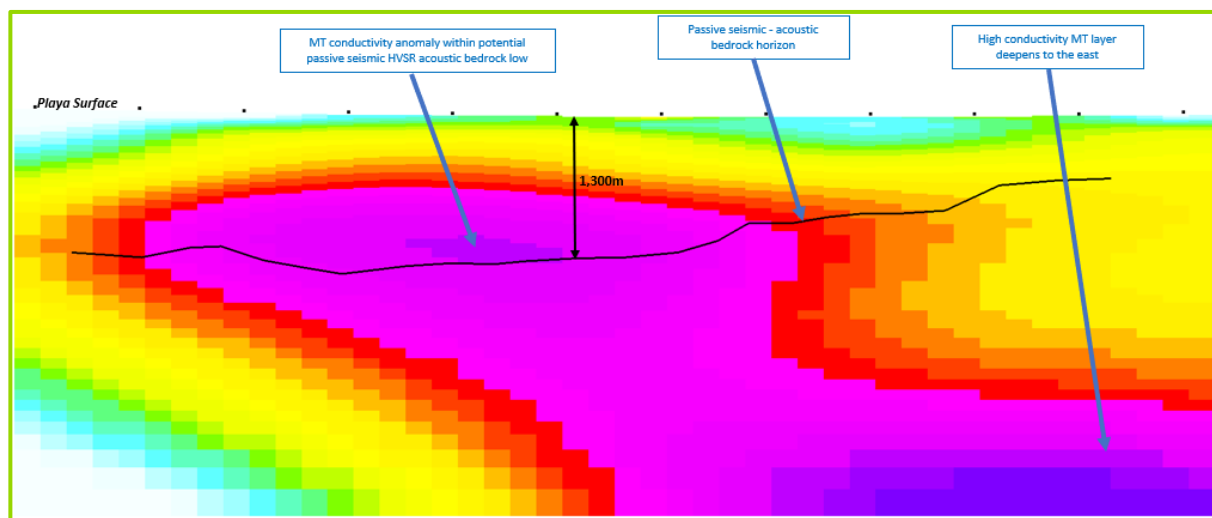


Figure 19 - Cross section (E-W) through the 3D gridded 2D MT resistivity inversion model results sliced along MT survey line L37800N from the 'Austin' prospect, where conductivity is shown as hotter colours (red to pink) and resistivity shown as cooler colours (blue to white), with the passive seismic HVSR acoustic bedrock shown as a black line.

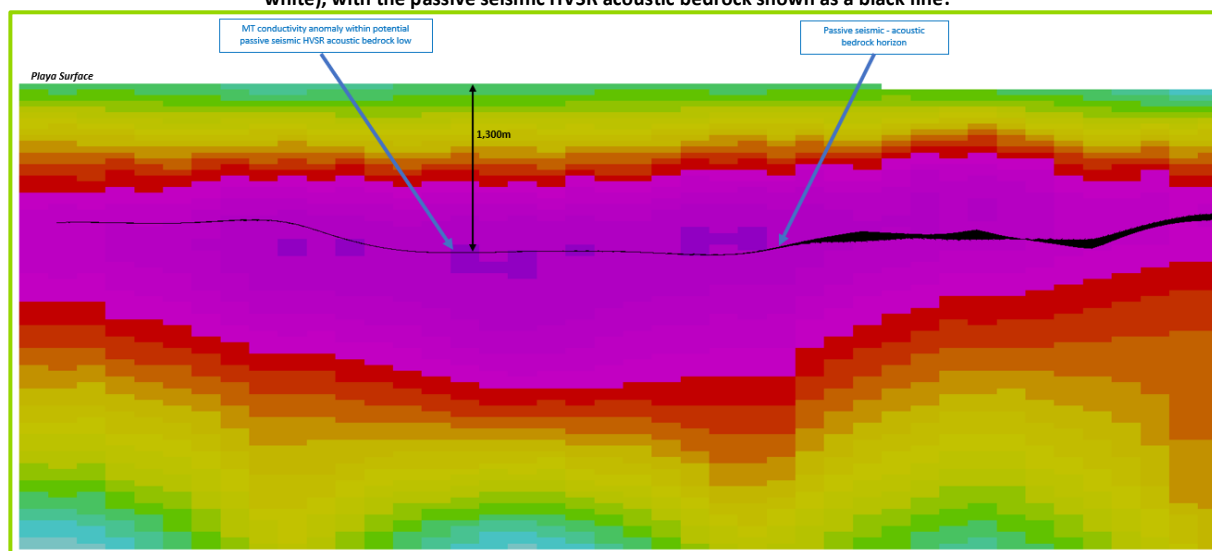


Figure 20 - Long section (N-S) through the 3D gridded 2D MT resistivity inversion model results from 'Austin', where conductivity is shown as hotter colours (red to pink) and resistivity shown as cooler colours (blue to white), with the passive seismic HVSR acoustic bedrock shown as a black line.

Conclusions and Next Steps

The MT and PS-HVSR surveys completed have expanded on previous work within the Carvers project area and have helped identify a new potential Li-brine target within the Austin project area. The 2D resistivity inversion model cross sections generated from the MT surveys completed at the Carvers and Austin projects show a high MT conductivity anomaly, which may be caused by an accumulation of brine with potential to host Li in solution. In addition, recent soil sampling within the Carvers project area shows a high concentration Li, which may indicate a shallow clay-style deposit as a secondary target for Li exploration within the NBS project area.

The next steps at Carvers are to consider 2D reflection seismic to further calibrate the PS-HVSR and MT results and identify key basin structures and layers to assist drill targeting, hydrogeological modelling and potential resource definition.

Fish Lake Valley Lithium Project (FLV)

The June Quarter has been spent analysing the data from the MT survey conducted in February 2023 (refer ASX release 8 February 2023 *Magnetotelluric Survey Completed at FLV.*) in order to develop a targeted drilling program. Permitting is currently underway with most permits granted post the end of the quarter, Morella has also submitted a notice to the Bureau of Land Management (BLM) in Nevada for the drilling program in the northern project area. The northern drilling permit was granted in late

June. A notice will be submitted for the drilling in the southern project area in due course.

Morella expects to commence drilling in the north of the FLV project area in the third quarter of 2023.

Corporate

On 8 March 2023 the Company published its Half Year Report and Accounts for the period ending 31 December 2022.

On 2 May 2023 the Company advised the market that 74,400,000 Options had expired without exercise. The options were issued to LDA Capital following shareholder approval at a general meeting held on 30 April 2020. They were exercisable at \$0.0586 each and expired on 1 May 2023. There are no voting rights attaching to the unlisted options.

Other Disclosure

As disclosed under item 6 in the Appendix 5B, the Company made payments to related parties being for a total consideration of \$150,000. This consideration relates to payments to a Company wholly owned by the Directors of Morella for interest payments against the loan facility used to support the deed of company arrangement and restructure of the Company as well as to the Directors' for normal monthly fees.

This announcement has been authorised for release by the Board of Morella Corporation Limited.

Contact for further information.

Investors | Shareholders

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Media

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Competent Persons 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 Drilling Results at the Mallina Project is based on information compiled by Mr Henry Thomas, who is a Member of the Australasian Institute of Mining and Metallurgy and is the Exploration Manager employed by Morella Corporation. Mr Henry Thomas 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 Henry Thomas 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 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 Storey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

About Morella Corporation Limited Morella is an ASX listed exploration and resource development company focused on lithium and battery minerals. Morella is currently engaged in exploration, resource definition and development activities with lithium projects strategically located, in Tier 1 mining jurisdictions in both Australia and the United States of America. Morella will secure and develop lithium raw materials to support the surging demand for battery minerals, critical in enabling the global transition to green energy.

Schedule of Tenements

The schedule below discloses the exploration tenements held by the Company at the end of the Quarter, no new licences were acquired nor were any sold or cancelled.

Location	Tenement Number	Interest beginning of Quarter	Interest end of Quarter
Mt Edon, Pilbara, Western Australia	E45/2778	Nil	100%
Tabalong, South Kalimantan	PT Suryaraya Permata Khatulistiwa	70%	70%
	PT Suryaraya Cahaya Cemerlang	70%	70%
	PT Suryaraya Pusaka	70%	70%
	PT Kodio Multicom	56%	56%
	PT Marangkayu Bara Makarti	56%	56%
Catanduanes, Philippines	COC 182 (Area 3) – Catanduanes	100%	100%
Albay Region, Philippines	COC 200 (Area 4) – Rapu-Rapu	100%	100%
Bislig Region, Philippines	COC 202 (Area 17) – Surigao del Sur	100%	100%

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Morella Corporation Limited

ABN

39 093 391 774

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	167	1,976
1.2 Payments for		
(a) exploration & evaluation	(42)	(155)
(b) development	-	-
(c) production	-	-
(d) staff costs	(513)	(2,070)
(e) administration and corporate costs	(372)	(1,534)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(90)	(289)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	132
1.8 Other (provide details if material)		
• Sundry income	2	11
1.9 Net cash from / (used in) operating activities	(848)	(1,929)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(368)	(2,595)
(e) investments	-	-
(f) other non-current assets	-	(2)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	2
	(d) investments – Sale of shares on market	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Term deposit facility	-	-
2.6	Net cash from / (used in) investing activities	(368)	(2,595)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,550
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(413)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	• Payments of lease liabilities	-	-
3.10	Net cash from / (used in) financing activities	-	8,137

4.	Net increase / (decrease) in cash and cash equivalents for the period	(1,216)	3,613
4.1	Cash and cash equivalents at beginning of period	9,103	4,262
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(848)	(1,929)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(368)	(2,595)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	8,137
4.5	Effect of movement in exchange rates on cash held	49	61
4.6	Cash and cash equivalents at end of period	7,936	7,936

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,936	9,103
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,936	9,103

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	
	- Directors Fees paid in the Qtr	60
	- Interest paid on funding facility in the Qtr.	90
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities ⁽ⁱ⁾	3,377	3,377
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	3,377	3,377
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
(i)	Morella has executed an unsecured facility with related entities to fund the Deed of Company Arrangement and initial working capital requirements. The facility maturity date is March 2023 with an interest rate of 8% pa. The facility can be converted into shares at the option of the lender whilst meeting the appropriate regulatory approvals.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(848)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(368)
8.3	Total relevant incoming / (outgoings) (item 8.1 + item 8.2)	(1,216)
8.4	Cash and cash equivalents at quarter end (item 4.6)	7,936
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	7,936
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	6.5

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8

If item 8.7 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 June 2023

Authorised by: Morella Board of Directors

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.