



Morella Corporation Limited

ABN 39 093 391 774

HALF YEAR FINANCIAL REPORT

For the six months ended 31 December 2023

This half year financial report is for the six months ended 31 December 2023 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 2023 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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AUDITORS

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SHARE REGISTRY

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AUSTRALIAN SECURITIES EXCHANGE

Code: 1MC, 1MCOB

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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 2023. The previous corresponding period of financial performance is the half year ended 31 December 2022 and of financial position is as at 30 June 2023. 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 2023 was \$3,675,761 (2022: loss \$2,982,391). The loss in the current period was principally related to increased corporate administration supporting the groups exploration activities and a non-cash foreign exchange loss.

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 2023, the Group continued with management of the funds on hand to continue exploration on its various tenements.

Exploration

Nevada USA Lithium Projects

▪ Fish Lake Valley Lithium Project

During July 2023, Morella commissioned Bird Seismic Services (BSS) of Globe Arizona to carry out a high-resolution 2D seismic reflection surveying within the southern half of the FLV Project in Nevada, USA. BSS subcontracted Columbia Geophysical LLC (Columbia) to complete preliminary and final processing of the high-resolution 2D seismic reflection survey data. Perth-based geophysical consultancy, Resource Potentials Pty Ltd ("ResPot"), assisted Morella with survey planning, contracting, additional data processing and interpretation of the final processed survey data.

The results of the 2D seismic reflection surveying were outstanding and showed strong reflective signals from geological layers down to 3 kilometres of depth.

Between August and October 2023, a single 400m drill hole was executed with the goal of developing greater geological understanding of the basin structure, as well as testing a secondary magnetotelluric target identified in earlier work.

The analysis and interpretation of the 2023 FLV drilling program data produced several findings that advance Morella's understanding of lithium occurrences at the site.

Drilling intersected extensive intervals of anomalously elevated lithium bearing sediments, though not of economic grade. Notably, certain volcanic ash and tuff beds containing highly elevated lithium concentrations were identified. Current and historic geothermal features intersect the lithium bearing sediments. The assay results strongly indicate that geothermal waters have mobilised lithium from the sediments into groundwaters.

Assay results of sediments showed highly elevated lithium concentrations in shallow sediments and in proximity to fractures and faults. This aligns with the conceptual model that lithium is accumulating in shallow groundwater due to evapo-concentration and migrating into the deep basin through fractures and faults and along porous sedimentary beds.

Downhole geophysical surveys conducted in FLVDD23-01 indicate a high geothermal gradient and moderate hydraulic conductivity of much of the formation. Additionally, water airlifting was conducted at elevated rates for an extended period of several days, indicating that the FLV sediments have the potential to support sustained pumping at an elevated rate.

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

Future work includes:

- Infill MT survey lines in between existing survey lines to provide closer spacing around the seismic reflection survey lines to highlight the most electrically conductive lithium brine target zones for drill testing.
- Drone based magnetic surveying to provide more definition and detail on buried rift fault structures and volcanic features between 2D seismic lines and across the entire FLV Project area.
- Infill 2D seismic reflection survey lines between the recent survey lines to define the geometry and size of lithium brine targets for exploration drill targeting, assist in potential resource volume estimation, and help to map out the hydrogeology in more detail for planning long-term brine extraction.
- Drilling of a single deep hole to 1,150m in the southern project area based on results from above, in a similar position to the preliminary deep drillhole planned along seismic survey Line.

▪ The North Big Smoky Project (NBS)

Morella completed a sonic drilling campaign at the North Big Smoky Carvers Lithium Project (Carvers), during the period. The assay results reveal notable lithium concentrations, reaching up to 230ppm within the claystone and sediments. Given these promising drilling results alongside prior surface sampling and Magnetotelluric work, the Company is eagerly anticipating the assessment of the deeper brine target.

On the back of the soil sampling results in January from the eastern part of the project area, a sonic core drill hole program of four (4) holes was designed to test stratigraphy and geology. These holes will assist in the assessment of the potential lithium mineralisation as well as the geology encountered so that future deep hole programs at Carvers can be designed.

Drilling commenced on 7 June 2023 with Cascade Drilling engaged to carry out the four (4) hole Sonic Core Program which was completed on 26 July 2023.

Future work planned for Carvers:

- Reflective seismic testing to determine the subsurface structure and any faulting which will assist with designing the deep hole program.
- Design and implementation of the deep hole program targeting magnetotelluric anomalies.

Western Australia Lithium Projects

▪ Mallina Project

During September 2023 a 66-hole 3,754m drilling program was executed with the goal of developing an understanding of the Pegmatite 2 area at the Mallina Lithium Project.

The drilling results have confirmed and improved the Company's understanding of the mineralisation previously identified within the Pegmatite 2 area. These results will be integral in advancing the development schedule of the project.

Forty-two (42) holes intercepted significant mineralisation (>0.5% Li₂O) pushing the Mallina project forward and expanding the value of Morella's Pilbara assets.

Future work includes:

- Planning and executing additional drilling to test extensions to the identified mineralisation.
- Locate and develop new targets within the Mallina Project area.

▪ Tabba Tabba East Project

During the period Morella released highly encouraging assay results from the successful soil sampling program completed at the Tabba Tabba East Project (E45/4703) (Tabba Tabba East), located 58km southeast of Port Hedland and 4km south of the recent Wildcat Resources drillhole intersections at the historic Tabba Tabba Lithium-Tantalum Project.

The objective of the sampling program was to assess potential mineralisation and gather crucial data for the ongoing exploration efforts. This was achieved by sampling several areas within the tenement package, targeting key development zones identified through remote geological mapping and geophysical surveys.

A total of 974 soil samples were taken across the most prospective areas of the tenement. Each sample was taken from a small, 30cm pit with the soil material passed through a <2mm sieve and submitted as a total assay.

The minus 2mm samples were submitted to ALS Global in Perth for assay in full on 23 September 2023. Samples were assayed for a standard multi element lithium suite including rare earth elements using the process of a 4-acid digest followed by ICP-MS for detection.

Using these results in conjunction with existing surface sampling work, significant development targets within Tabba Tabba East have been identified. These targets give strong indications of potential mineralisation within the underlying pegmatites, warranting further exploration.

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

Future works include:

- Additional surface sampling to expand the identified target anomaly.
- Design and execute a maiden drilling program to target the most significant geochemical anomalies to establish the presence of lithium bearing pegmatite potential in these areas.

- West Wodgina Project

During the period Morella also announced highly encouraging assay results from the soil sampling program completed at the West Wodgina Project (E45/4726) (West Wodgina) located 100km south of Port Hedland and 8km west of the world class Wodgina Lithium Operation.

A total of 1,171 soil samples were collected over one of the broadly prospective areas of the tenement. Each sample was taken from a small, 30cm pit with the soil material passed through a <2mm sieve and submitted as a total assay. The minus 2mm samples were sent to ALS Global in Perth for assay in full on 23 September 2023. Samples were assayed for a standard multi element lithium suite including rare earth elements using the process of a 4-acid digest followed by ICP-MS for detection.

Using these results in conjunction with existing surface sampling work, promising development targets within the West Wodgina area have been identified. These targets give strong indications of potential mineralisation within the underlying pegmatites, warranting further exploration.

Future works include:

- Additional surface sampling and mapping to expand the identified target anomalies.
- Design and execute a maiden drilling program to target the most significant geochemical anomalies to establish the presence of lithium bearing pegmatites in these areas.

- Mt Edon Project

During the period Morella undertook a soil sampling program at the Mt Edon license which is part of the Company's stable of licenses in Western Australia.

The areas chosen for testing were based upon the results of previous field work including a mapping exercise which defined 53 individual pegmatites, followed by a series of deep ground penetrating radar (DGPR) surveys which increased the known individual pegmatites on the license to 180.

A total of 762 soil samples were taken across the most prospective areas of the tenement package as determined from the above field work.

The minus 2mm samples were sent to ALS Global in Perth for assay in full on 3 April 2023. Samples were assayed for a standard multi element lithium suite including rare earth elements using the process of a 4-acid digest followed by ICP-MS for detection.

Future works include:

- Additional surface sampling over the newly identified southern target to further refine the size of the anomaly.
- Design a maiden drilling program to target the large northern anomalous zone to test beneath the weathered zone, allowing determination of lithium bearing potential in these 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 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 several options for sale of the coal assets and information has been made available to a number of parties under confidentiality deed arrangements.

Directors' Report (continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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 2023

MATTERS SUBSEQUENT TO THE END OF THE PERIOD

No Subsequent events have occurred after the end of the reporting period.

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 Drilling Results at the Mallina and Fish Lake Valley Projects 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 announcement that relates to Geophysical Results at FLV complies with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) and has been compiled and assessed under the supervision of Dr Jayson Meyers, a consultant to Morella and a Director of Resource Potentials Pty Ltd. Dr Meyers is a Fellow of the Australasian Institute of Geoscientists. He 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 JORC Code. Dr Meyers consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears. Dr Meyers does not hold securities in the Company.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half year ended 31 December 2023 has been received and is included on page 7 of the report.

Signed in accordance with a resolution of the directors.

On behalf of the Directors,



James Brown

Director

Perth, 11 March 2024



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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 2023, 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.

A handwritten signature in black ink that reads 'PKF Perth'.

PKF PERTH

A handwritten signature in black ink that reads 'Alexandra Carvalho'.

ALEXANDRA CARVALHO
PARTNER

11 March 2024
WEST PERTH,
WESTERN AUSTRALIA

Consolidated Statement of Profit and Loss

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Note	31 December 2023 \$'000	31 December 2022 \$'000
Continuing operations			
Revenue	3(a)	282	213
Cost of sales	3(c)	(208)	(195)
Operating profit / (loss)		74	18
Other income			
Sundry income	3(b)	47	1,544
Expenses			
Administration costs		(162)	(340)
Share based payments		-	(259)
Employee benefits expense	3(f)	(1,095)	(1,005)
Employee benefits expense -share based payments	3(f)	(243)	(3,873)
Other expenses	3(d)	(62)	(27)
(Loss) before foreign exchange and finance costs		(1,441)	(3,942)
Net foreign exchange gain/(loss)	3(e)	(2,365)	1,187
(Loss) before finance costs		(3,806)	(2,755)
Finance costs			
Interest on funding facility		(119)	(122)
Amortisation of transaction costs		-	-
(Loss) before income tax		(3,925)	(2,877)
Income tax expense		-	-
Net (Loss) after income tax for the period from continuing operations		(3,925)	(2,877)
Discontinued operations			
Profit / (loss) of discontinued operations after tax	7(b)	249	(104)
Net profit / (loss) for the period		(3,676)	(2,981)
Net profit / (loss) attributable to:			
Owners of Morella Corporation Limited from continuing operations		(3,969)	(2,895)
Owners of Morella Corporation Limited from discontinued operations		249	(104)
Non-controlling interest		44	18
		(3,676)	(2,981)
(Loss) per share from continuing and discontinued operations attributable to the ordinary equity holders of the company:			
Basic and diluted (loss) per share from continuing and discontinued operations		Cents	Cents
		(0.06)	(0.05)
Basic and diluted (loss) per share from continuing operations		(0.06)	(0.05)
Basic and diluted (loss) per share from discontinued operations		(0.00)	(0.00)

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 2023

	31 December 2023 \$'000	31 December 2022 \$'000
Net profit / (loss) after income tax	<u>(3,676)</u>	<u>(2,981)</u>
Other comprehensive income / (loss)		
Items that will not be reclassified subsequently to profit or loss:		
Changes in the fair value of financial assets	(572)	(1,603)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign controlled entities	<u>1,772</u>	<u>(891)</u>
Other comprehensive (loss) for the period, net of tax	<u>(1,200)</u>	<u>(2,494)</u>
Total comprehensive (loss) for the period	<u>(2,476)</u>	<u>(5,475)</u>
Total comprehensive (loss) attributable to:		
Members of the parent entity	(2,507)	(5,509)
Non-controlling interest	<u>31</u>	<u>34</u>
	<u>(2,476)</u>	<u>(5,475)</u>
Total comprehensive (loss) attributable to members:		
Continuing operations	(2,756)	(5,405)
Discontinued operations	<u>249</u>	<u>(104)</u>
	<u>(2,507)</u>	<u>(5,509)</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 2023

	Note	31 December 2023 \$'000	30 June 2023 \$'000
Current assets			
Cash and cash equivalents		1,117	7,927
Trade and other receivables	5	218	254
Held to maturity investments		63	29
Current tax prepaid		88	85
Other current assets		127	215
Derivative financial instruments	17	351	443
Financial assets	8	935	1,507
Total current assets		2,899	10,460
Non-current assets			
Property, plant, equipment and mine properties	10	117	72
Exploration and evaluation	9	10,959	6,285
Right-of-use assets	11	67	10
Total non-current assets		11,143	6,367
Total assets		14,042	16,827
Current liabilities			
Trade and other payables	6	329	1,145
Short term provisions		708	752
Lease liabilities	11	71	12
Total current liabilities		1,108	1,909
Non-current liabilities			
Borrowings	4	3,323	3,377
Total non-current liabilities		3,323	3,377
Total liabilities		4,431	5,286
Net assets		9,611	11,541
Equity			
Contributed equity	15	316,267	315,721
Reserves		(4,733)	(5,946)
Accumulated losses		(302,317)	(298,597)
Capital and reserves attributable to owners of Morella Corporation Limited		9,217	11,178
Non-controlling interest		394	363
Total equity		9,611	11,541

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 2023

	Contributed Equity	Accumulated losses	Performance rights reserve	Change in fair value financial assets	Foreign currency translation reserve	Non- controlling interests	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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
Balance as at 1 July 2023	315,721	(298,597)	-	1,413	(7,359)	363	11,541
Comprehensive income for the period							
Net Loss	-	(3,720)	-	-	-	44	(3,676)
Other Comprehensive Income Fair Value	-	-	-	(572)	-	-	(572)
Other Comprehensive Income Foreign Exchange	-	-	-	-	1,785	(13)	1,772
Total comprehensive income for the period	-	(3,720)	-	(572)	1,785	31	(2,476)
Transactions with owners in their capacity as owners:							
Shares Issued – Placement net of fees	-	-	-	-	-	-	-
Employee share schemes – value of employee services	243	-	-	-	-	-	243
Shares Issued – in Lieu of fees	303	-	-	-	-	-	303
Shares issued Options exercised	-	-	-	-	-	-	-
Sub-total	546	-	-	-	-	-	546
Balance as at 31 December 2023	316,267	(302,317)	-	841	(5,574)	394	9,611

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 2023

	31 December 2023 \$'000	31 December 2022 \$'000
Cash flows from operating activities		
Receipts from customers	372	1,744
Payments to suppliers and employees	(1,778)	(1,830)
Sundry income	15	6
Government grants and incentives	-	132
Interest paid	(79)	(134)
Net cash provided by / (used in) operating activities	(1,470)	(82)
Cash flows from investing activities		
Purchase of property, plant and equipment and mine properties	(47)	(2)
Payments for held to maturity investments	(33)	-
Expenditure on exploration and evaluation	(5,198)	(1,482)
Proceeds from sale of property, plant and equipment	-	2
Net cash provided by / (used in) investing activities	(5,278)	(1,482)
Cash flows from financing activities		
Proceeds from the issue of shares	-	8,138
Payments of lease liabilities	(32)	-
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Borrowing costs	-	-
Net cash provided by / (used in) financing activities	(32)	8,138
Net increase / (decrease) in cash and cash equivalents held	(6,780)	6,574
Cash and cash equivalents at the beginning of year	7,936	4,262
Effect of exchange rates on cash holdings in foreign currencies	(30)	88
Cash and cash equivalents at the end of period	1,126	10,924
Reconciliation of cash and cash equivalents at the end of period		
Cash and cash equivalents per balance sheet	1,117	10,915
Cash in assets classified as held for sale	9	9
Cash balance as per statement of cash flows above	1,126	10,924
Non-Cash investing and financing activities		
Transaction fees – Consideration earn in option agreement	303	-

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 2023

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 Group 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 2023 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 2024 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 2023, 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 2023

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 incurred a loss of \$3,675,761 (2022: \$2,981,391), had cash outflows from operating activities of \$1,470,725 (2022: \$82,531), concluded the half year end with cash and cash equivalents of \$1,117,550 (2022: \$7,927,083), and had loans outstanding at year-end of \$3,322,979 (2022: \$3,376,860).

The Group requires further funding within the next twelve to progress the project's development and drilling programmes, to meet its ongoing administrative expenses, and for any new business opportunities that the Group may pursue.

The Directors believe that the Group will be able to secure sufficient funding to meet the requirements to continue as a going concern, due to its history of previous capital raisings, acknowledging that the structure and timing of any capital raising is dependent upon investor support, prevailing capital markets, shareholder participation, lithium prices and the outcome of planned exploration and evaluation activities, which creates uncertainty.

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.

If further funds are not able to be raised or realised, then it may be necessary for the Group to sell or farmout its exploration and development assets and to reduce discretionary administrative expenditure, this represents a material uncertainty that may cast significant doubt about whether the Group can continue as a going concern.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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 2023				
Revenue				
External sales	282	-	-	282
Other income	47	-	-	47
Other segments	-	-	-	-
Total segment revenue	329	-	-	329
Unallocated revenue				-
Total consolidated revenue				329
Segment result	62	(1,503)	-	(1,441)
Unallocated segments net of unallocated revenue				-
Profit before income tax, foreign exchange, and finance costs				(1,441)
Net Foreign exchange gain/(loss)				(2,365)
Finance costs				(119)
Income tax expense				-
Net loss for the period from continuing operations				(3,925)
Loss from discontinued operations				249
Net profit / (loss) for the period				(3,676)
Assets and liabilities				
Segment assets	543	13,499	-	14,402
Unallocated assets	-	-	-	-
Total assets				14,402
Segment liabilities	655	3,776	-	4,431
Unallocated liabilities	-	-	-	-
Total liabilities				4,431

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

2. SEGMENT INFORMATION (continued)

	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 2023

	31 December 2023 \$'000	31 December 2022 \$'000
3. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES		
(a) Revenue from continuing operations		
Revenue from exploration services	282	213
Total revenues from continuing operations	<u>282</u>	<u>213</u>
(b) Sundry income		
Revenue from royalty right	-	1,544
Proceeds on equipment	47	-
Total sundry income	<u>47</u>	<u>1,544</u>
(c) Cost of sales		
Depreciation and amortisation	3	4
Mining services drilling costs	205	191
Total cost of sales	<u>208</u>	<u>195</u>
(d) Other expenses		
Depreciation & Amortisation – plant & equipment	62	27
Total depreciation	<u>62</u>	<u>27</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	1,095	1,005
Bonus paid by way of issue of shares to directors and staff	243	3,873
Total employee benefits expense	<u>1,338</u>	<u>4,878</u>

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	31 December 2023 \$'000	30 June 2023 \$'000
4. BORROWINGS		
Non-Current borrowings		
Director related facility ##	3,323	3,377
Total non-current borrowings	<u>3,323</u>	<u>3,377</u>
Reconciliation borrowings – Director related facility		
Opening balance	3,377	3,314
Loan funds received	-	-
Transfer to trade and other payables	-	-
Funds repaid	-	-
Interest	119	10
Exchange rate differences	(173)	53
Total borrowings – Director related facility ##	<u>3,323</u>	<u>3,377</u>
## 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 2026 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	597	854
Provision for doubtful debts	(379)	(600)
Total trade and other receivables	<u>218</u>	<u>254</u>
6. TRADE AND OTHER PAYABLES		
Trade payables and accruals	329	1,145
Total trade and other payables	<u>329</u>	<u>1,145</u>

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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 2023.

	31 December 2023 \$'000 Tabalong	31 December 2022 \$'000 Tabalong
Revenue		
Sale of Product	-	-
Cost of sales		
Operating expenses	-	-
Total cost of sales	-	-
Profit / (Loss)	-	-
Other Income	-	-
Expenses		
Administration	-	-
Impairment (loss)	(229)	(142)
Expenses	-	-
(Loss) before foreign exchange and finance costs	(229)	(142)
Foreign exchange gain	(20)	38
Profit / (Loss) before foreign exchange	(249)	(104)
Net (Loss) before income tax	(249)	(104)
Income Tax expense	-	-
(Loss) from discontinued operations after income tax	(249)	(104)
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 2023

7. DISCONTINUED OPERATIONS (continued)

(c) Carrying amounts of assets and liabilities

	31 December 2023 \$'000 Tabalong	30 June 2023 \$'000 Tabalong
Cash and cash equivalents	9	9
Exploration and evaluation	4,198	3,567
Total assets of disposal group held for sale	<u>4,207</u>	<u>3,576</u>
Trade and other payables	2,465	1,780
Borrowings	1,742	1,796
Total liabilities of disposal group held for sale	<u>4,207</u>	<u>3,576</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	935	1,507
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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	1,507	2,900
Disposal	-	-
Changes in fair value	(572)	(1,393)
Closing fair value	<u>935</u>	<u>1,507</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	6,285	2,193
Incurred during the year	4,674	4,184
	<u>10,959</u>	<u>6,377</u>
Written off during the year	-	(92)
Total exploration and evaluation expenditure	<u>10,959</u>	<u>6,285</u>

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

10. PROPERTY, PLANT, EQUIPMENT AND MINE PROPERTIES

	Property plant and equipment \$'000	Total \$'000
December 2023		
Gross carrying amount		
Balance at 30 June 2023	932	932
Additions	73	73
Exchange difference	(27)	(27)
Disposals	(12)	(12)
Balance at 31 December 2023	<u>966</u>	<u>966</u>
Accumulated depreciation		
Balance at 30 June 2023	860	860
Depreciation expense	27	27
Exchange difference	(26)	(26)
Disposals	(12)	(12)
Balance at 31 December 2023	<u>849</u>	<u>849</u>
Net book value as at 31 December 2023	<u>117</u>	<u>117</u>

	Property plant and equipment \$'000	Total \$'000
June 2023		
Gross carrying amount		
Balance at 30 June 2022	854	854
Additions	67	67
Exchange difference	33	33
Disposals	(22)	(22)
Balance at 30 June 2023	<u>932</u>	<u>932</u>
Accumulated depreciation		
Balance at 30 June 2022	818	818
Depreciation expense	33	33
Exchange difference	32	32
Disposals	(23)	(23)
Balance at 30 June 2023	<u>860</u>	<u>860</u>
Net book value as at 30 June 2023	<u>72</u>	<u>72</u>

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	31 December 2023 \$'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	71	12
	<hr/>	<hr/>
	71	12
Right of use assets		
Properties	67	10
	<hr/> <hr/>	<hr/> <hr/>

12. DIVIDENDS

The Company has not paid a dividend during the period and no interim dividend is recommended.
(2023: \$0)

13. SUBSEQUENT EVENTS

No Subsequent events have occurred after the end of the reporting period.

14. CONTINGENT LIABILITIES AND COMMITMENTS

There have been no material changes to the contingent liabilities and commitments as reported at 30 June 2023.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

15. CONTRIBUTED EQUITY

Issued capital

	31 December 2023		30 June 2023	
	Number	\$'000	Number	\$'000
Fully paid ordinary shares issued	6,178,799,426	316,267	6,098,580,444	315,721
Balance at the beginning of the financial year	6,098,580,444	315,721	5,176,213,968	302,776
Share placement - Sophisticated Investors	-	-	500,000,000	7,212
Share Issue – EIO Consideration	40,075,260	303	14,100,000	1,410
Share Issue – Options exercised	-	-	150,000,000	282
Share issue Employee incentive scheme	40,143,722	243	258,266,458	4,132
Balance at the end of the financial period	6,178,799,426	316,267	6,098,580,444	315,721

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 2023.

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 \$3,322,979 contains a US\$2,000,000 component and is provided at 8%pa repayable in March 2026. Interest of \$119,416 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 \$350,587 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\$2,004,202 was incurred in accordance with the earn in option agreement.
- Consideration commitments of US\$125,000 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 8 to 23 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 2023 and of the performance for the six-month period ended on that date of the Group.
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 11 March 2024

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 2023, 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, and notes to the financial statements, including material policy information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2020, 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 2023 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.

Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw attention to Note- 1.(i) in the financial report in which indicates that the consolidated entity incurred a loss of \$3,675,761 during the half year ended 31 December 2023 and operating cash outflows of \$1,470,725. These conditions, along with other matters as set forth in Note 1.(i), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial 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.

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.

Directors' Responsibility for the Interim 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 2023 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

PKF PERTH



ALEXANDRA CARVALHO
PARTNER

11 MARCH 2024
WEST PERTH,
WESTERN AUSTRALIA