

30 April 2024

Quarterly Activities Report & 5B Cashflow March 2024

Tabba Tabba East lithium project RC drilling program to commence in the June quarter

Further campaigns planned for both Mallina and Mt Edon lithium projects in H2 2024

Impressive results from 2D seismic reflection survey at Fish Lake Valley project in Nevada

OVERVIEW

Morella Corporation Limited (**ASX: 1MC** “Morella” or “the Company”) is pleased to report on activities conducted during the March Quarter 2024.

The Company continued to advance its exploration and evaluation activities at its Tabba Tabba East, Mt Edon, and Mallina Projects located in Western Australia and Fish Lake Valley in the USA including the release of the completed 2D seismic reflection survey in the Southern Project area at the FLV Project.

Morella Managing Director James Brown said:

“During the March Quarter, we have invested significant resources into reviewing the data from previous exploration and planning new works for the rest of 2024. We continue to build our understanding of the Fish Lake Valley (FLV) lithium brine target within the untested sedimentary basin located within what is shaping as a key lithium mining province. The previous geophysical survey work¹ in combination with the recent 2D seismic reflection survey has given us a much greater understanding of the basin architecture and allowed us to generate high priority lithium brine targets for drill testing.”

“We also completed a drillhole in the northern area at FLV which marks a pivotal milestone for the Company and its key partner, Lithium Corporation. It is the first step towards understanding the subsurface geology of the playa, where high temperatures and key lithium bearing volcanic ash source rocks were encountered, indicating strong potential for lithium brines to accumulate in the central and southern part of the basin, similar to Albemarle’s Silver Peak Lithium Brine Project. This finding significantly enhances our understanding of the region, guiding our exploration efforts across the FLV Project area.”

“At home, we have been keenly reviewing the Tabba Tabba data which has convinced us to undertake a drill program in the June Quarter. Permitting and stakeholder consultation is well underway.

¹ Refer to the Company’s ASX release dated 1 September 2022 “Further drilling targets identified at Fish Lake Valley Lithium Project”

EXPLORATION AND PROJECT DEVELOPMENT

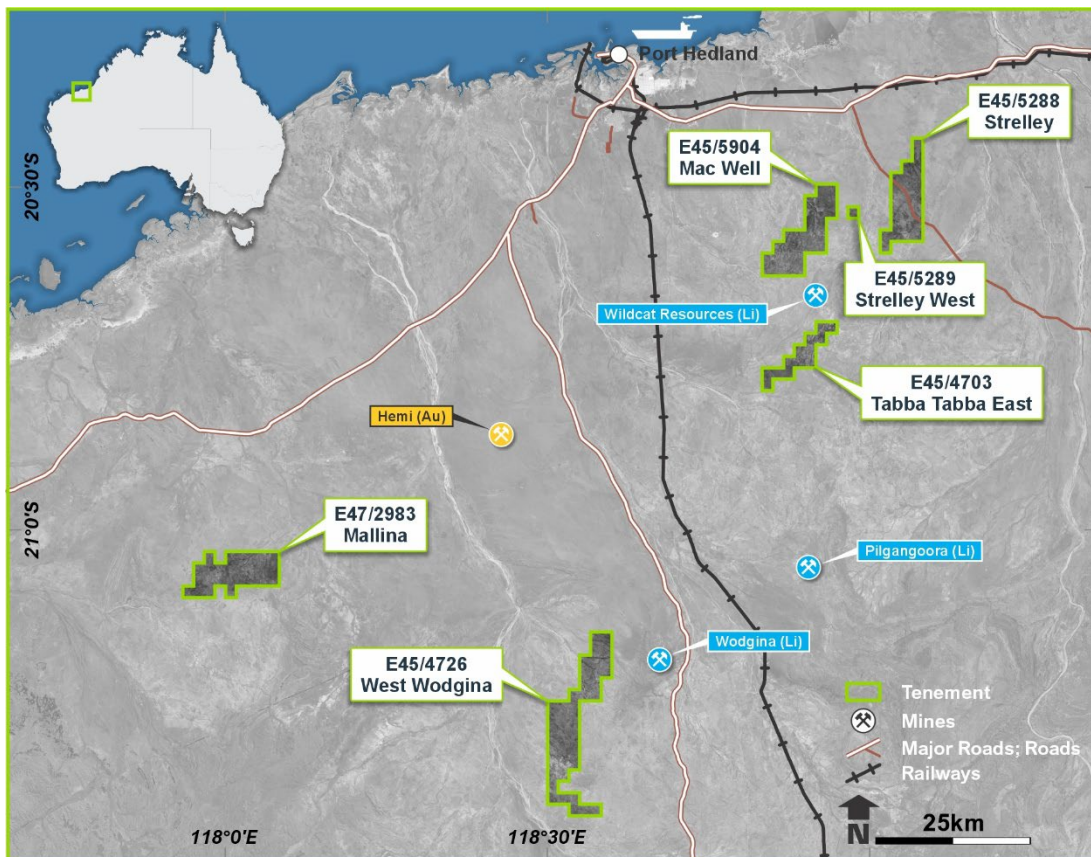


Figure 1: Morella Pilbara Tenement Holdings – 51% Morella / 49% Sayona JV

Tabba Tabba East Project - (51% Morella / 49% Sayona)

The Tabba Tabba East Project (E45/4703) (Tabba Tabba East) is located 58 km southeast of Port Hedland and 4 km south of the recent Wildcat Resources drillhole intersections at the historic Tabba Tabba Lithium-Tantalum Project² (Wildcat).

Works to date include remote surface mapping, geophysics programs flown in 2022, and surface geochemistry from 2016 – 2023. This exploration has identified significant soil anomalies coinciding with the fault structures defined by the geophysical work.

During the March Quarter 2024 the team performed a geological assessment of all the available data and as a result has proposed a preliminary reverse cycle (RC) drill program to test these targets of interest in Q2 2024. For the proposed drillhole details refer to Figure 2 below.

Preparation for the drilling program commenced during the March Quarter with initial consultation with the Traditional Owners of the claim area and government permitting undertaken.

² Refer to Wildcat Resources Ltd (WC8) ASX release – Wildcat Hits 180M @ 1.1% Li₂O at LEIA dated 6 November 2023.

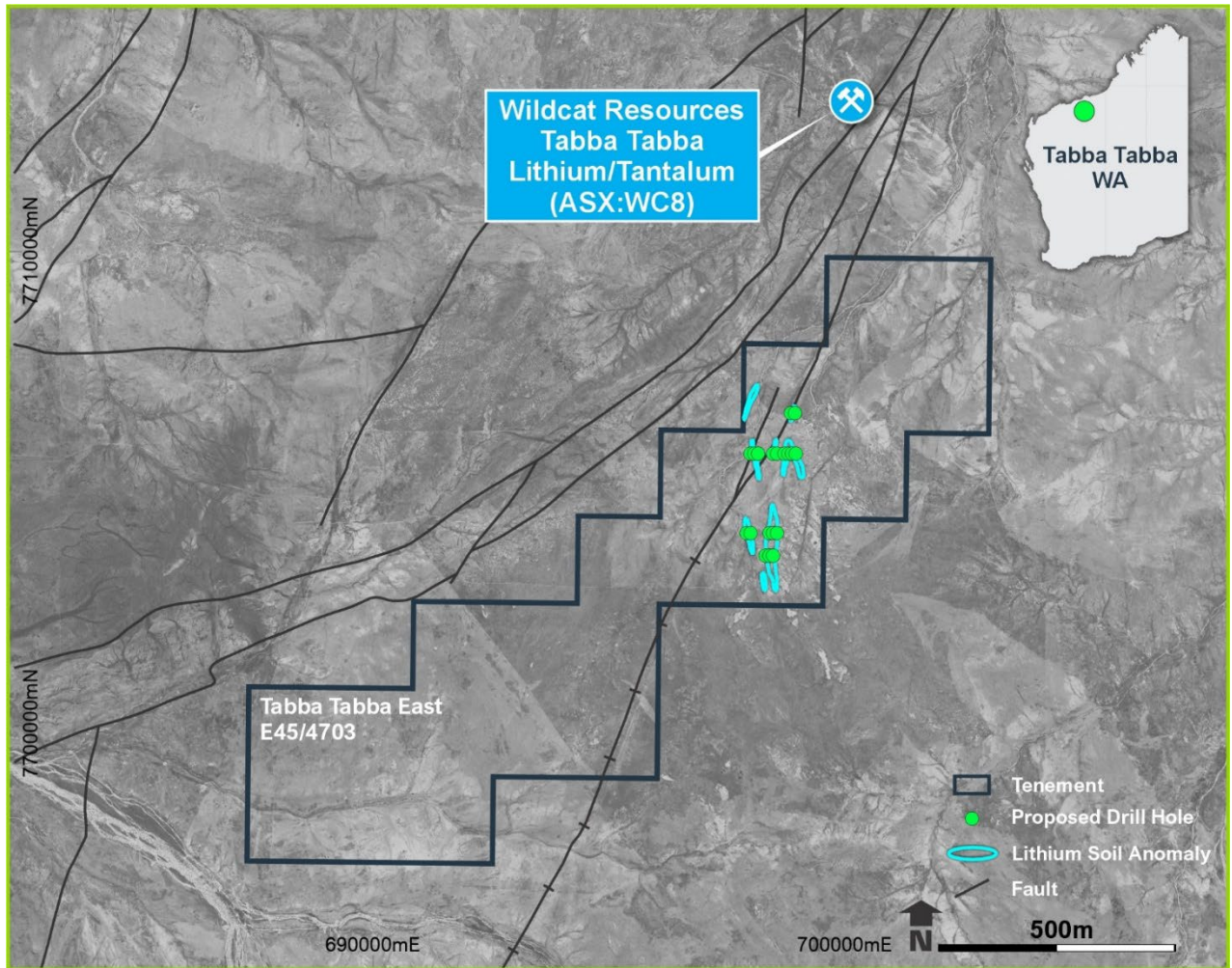


Figure 2 – Tabba Tabba East – Soil Anomalies Location

Mallina Project - (51% Morella / 49% Sayona)

The Mallina project (E47/2983) is located 110 kilometres southwest of Port Hedland and is accessible via the Northwest Coastal Highway in Western Australia. In 2021, Morella executed an earn-in agreement with ASX-listed Sayona Mining Limited (ASX:SYA) (Sayona), for the right to earn a 51% interest in the lithium rights of Sayona’s Pilbara and Gascoyne lithium portfolio. Morella satisfied the requirements of the earn-in December 2022 and is currently finalising the Joint Venture Agreement with Sayona.³

Works prior to Morella include geophysical interpretation, surface mapping, rock hip and soil sampling, and a RC drill program consisting of 48 drillholes and 3,574m.

Since 2021, three drill programs have been executed by Morella Corporation at the Mallina Project; a combined RC/Diamond program of 5 holes and 1,260m⁴, and 2 RC programs for 35 holes and 2,200m⁵ and 66 holes for 3,754m⁶ respectively. Mineralised pegmatites were intercepted in all programs up to 16.4m @ 1.24 % Li₂O⁷. The results of the most recent campaign were released on 5 December 2023 (*ASX Announcement – Drilling at Mallina identifies mineralisation*) and the team is actively reviewing the data with a view to further works at Mallina.

Next stages in the development of the Mallina project to include additional soil sampling over the currently unexplored southern hills area and/or deeper sampling techniques over interpreted extensions of identified surface mineralisation.

³ Refer ASX Announcement - *Morella completes earn-in requirements 20 December 2022*

⁴ Refer ASX Announcement – *Mallina drilling program completed 6 June 2022*

⁵ Refer ASX Announcement – *Mallina Strike increases new mineralised spodumene 6 July 2023*

⁶ Refer ASX Announcement - *Drilling at Mallina identifies mineralised spodumene 3 December 2023*

⁷ Refer ASX Announcement - *Drilling confirms high-grader lithium mineralisation at Mallina 7 December 2022*

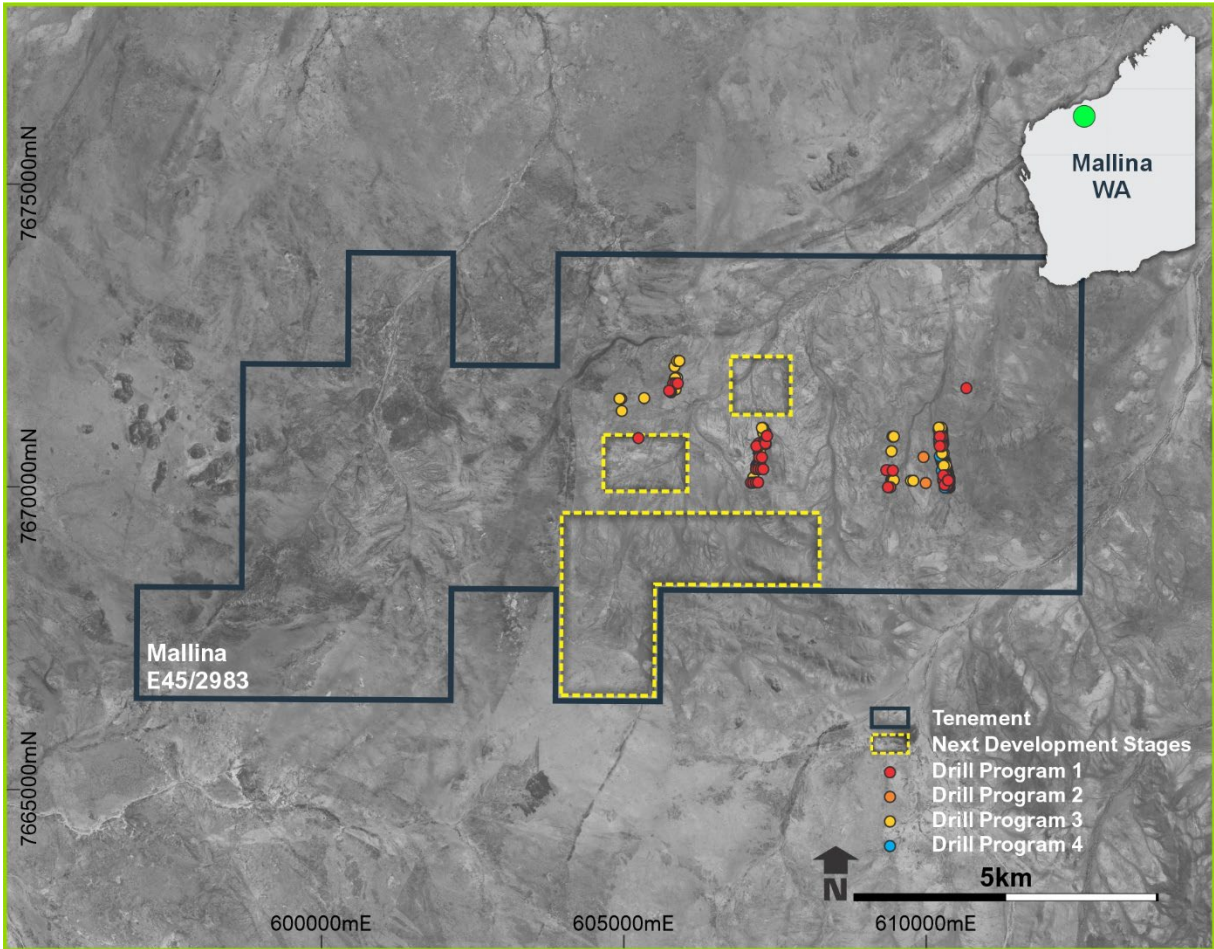


Figure 3 - Mallina Drill hole Location Map

Mt Edon Project - (51% Morella / 49% Sayona)

The Mt Edon Project (Mt Edon E59/2092, Mt Edon West E59/2055, Mt Edon South E59/2778) is located approximately 2km from Paynes Find and approximately 420km north of Perth via the Great Northern Highway. The Project overlies the southern greenstone sequences of the Paynes Find Belt, a 5km wide package of mafic, ultramafic and felsic volcanic rocks. A significant volume of pegmatite dykes/sills cut the greenstone stratigraphy and are the targets for Morella’s lithium-focused exploration activities.

Exploration activities to date have involved extensive surface mapping, a deep ground penetrating radar (DPGR) survey, and soil and rock chip geochemistry.

Making use of the surface mapping and DGPR to identify pegmatites both expressing on surface and under cover, and the geochemistry to identify areas of potential mineralisation, a RC drill program has been outlined with expected execution in Q2/Q3 of 2024.

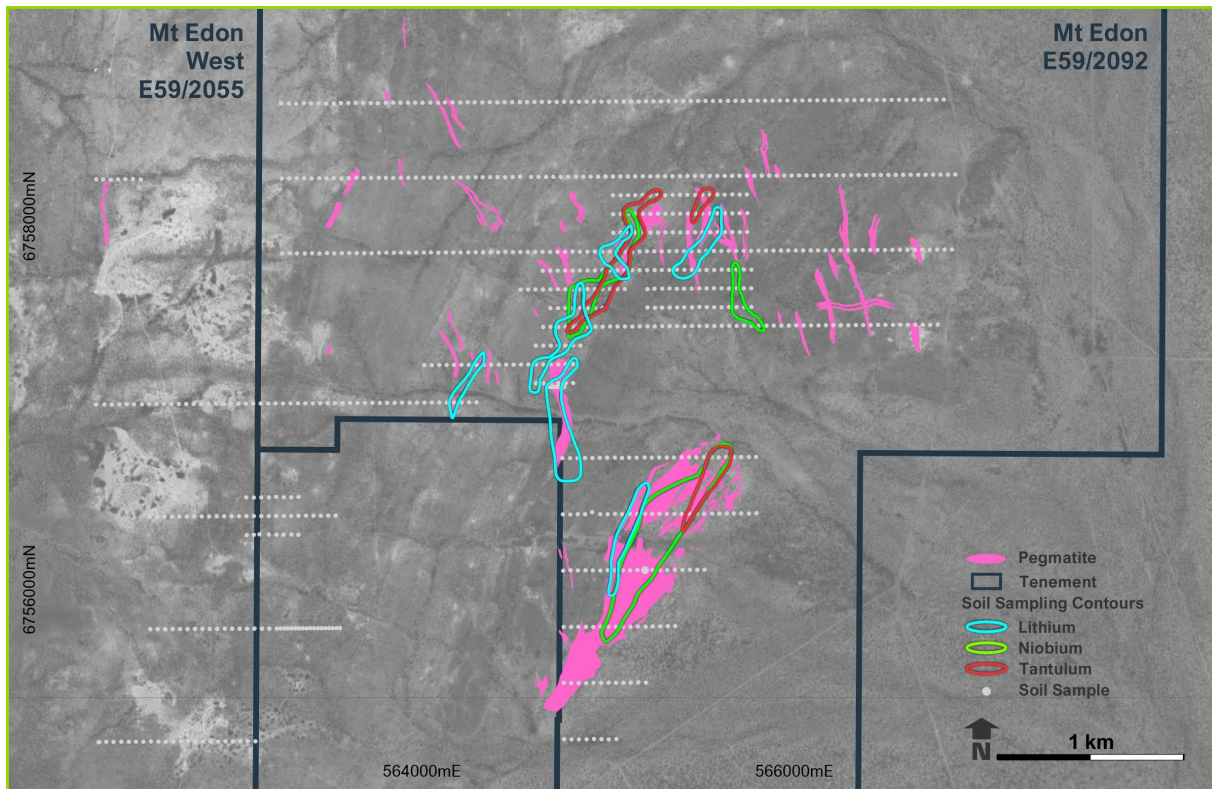


Figure 4 – Mt Edon exploration to date.

Fish Lake Valley Project

During the Quarter Morella released the results of the completed 2D seismic reflection survey in the Southern Project area at the Company’s Fish Lake Valley Lithium Brine Project in Nevada, USA (FLV Project)⁸. The seismic reflection survey had, for the first time, defined the deep rift basin geology sitting below the playa. A classical half-graben structure with over 2 kilometres of sediment fill has been defined with striking similarities to the structure hosting lithium brines at Albemarle’s Silver Peak Lithium Brine Mine in the Clayton Valley, located 35 kilometres to the east.

The first drillhole in the northern area of the FLV Project was also completed to test the geology in an area of easy drilling access. It encountered sediment and volcanic deposits which are a good source for lithium brine and a high geothermal gradient which bodes well for the occurrence of lithium brines below the playa.

Seismic Reflection in the Southern Project Area

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 (Figure 5). 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.

⁸ Refer ASX Announcement – Positive Results for Fish Lake Valley Project 12 January 2024.

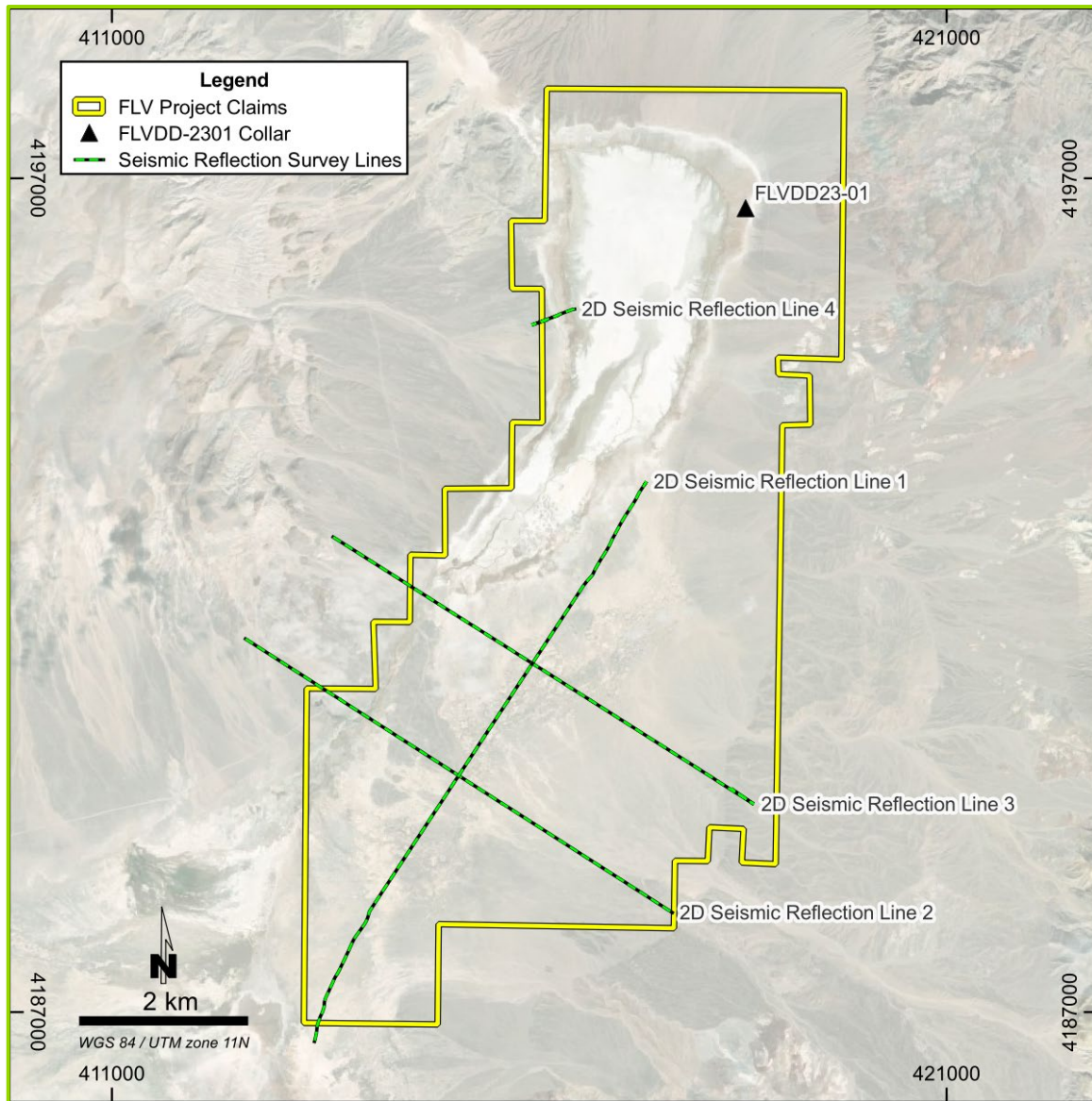


Figure 5: Location of 2D seismic reflection survey lines and Morella’s first drillhole completed in the FLV.

Seismic Reflection Survey Method

BSS carried out high-resolution 2D seismic reflection surveying using an accelerated weight-drop AF-450 hammer system mounted on an IH-50 rubber track crawler buggy as the seismic source and a Sercel Wing MEMS sensor based nodal recording system as the receiver array (Figure 6).

The AF-450 fires a gas-spring driven 204kg hammer over 36cm travel on to an aluminium plate to generate and distribute the seismic energy into the ground. The Sercel Wing nodes recorded seismic data for 3 seconds at 1 ms sampling rate, and with a 0 - 400 Hz bandpass filter and 0.15625 Hz low-cut filter which are the ground signal limits and limits of the recording instruments.

Receiver nodes and seismic source shot points were placed every 6 meters along the seismic reflection survey lines with source points being located in-between receiver stations.

A 600 channel spread was used to record the seismic data, with a minimum active channel count of 300 channels maintained along each of the 2D seismic survey lines.

Source and receiver locations were measured and recorded using Leica RTK grade GPS equipment having sub-meter accuracy, and wind speed was monitored during recording operations as part of data QA/QC.



Figure 6: Accelerated weight drop seismic survey source.

Seismic Reflection Data Processing

Preliminary and final seismic reflection data processing was completed by Columbia, who have extensive experience in seismic data processing in worldwide oil and gas projects, including more-recent lithium brine exploration within the Basin and Range environments. Columbia completed the seismic data processing using ProMax seismic data processing software, with Flat Irons Refraction Static software used for computation and correction of near surface weathering corrections.

Final data processing includes time to depth conversion required to integrate these seismic data sections into 3D workspaces for interpretation of this data in conjunction with other available drillhole, geochemical, geophysical (magnetotellurics and passive seismic) and geological datasets.

Seismic Reflection Results and Comments

The results of the 2D seismic reflection surveying were outstanding and showed strong reflective signals from geological layers down to 3 kilometres of depth. Figure 7 shows 2D seismic reflection survey Line 3 which crosses the central portion of the FLV playa (see Figure 5 for location).

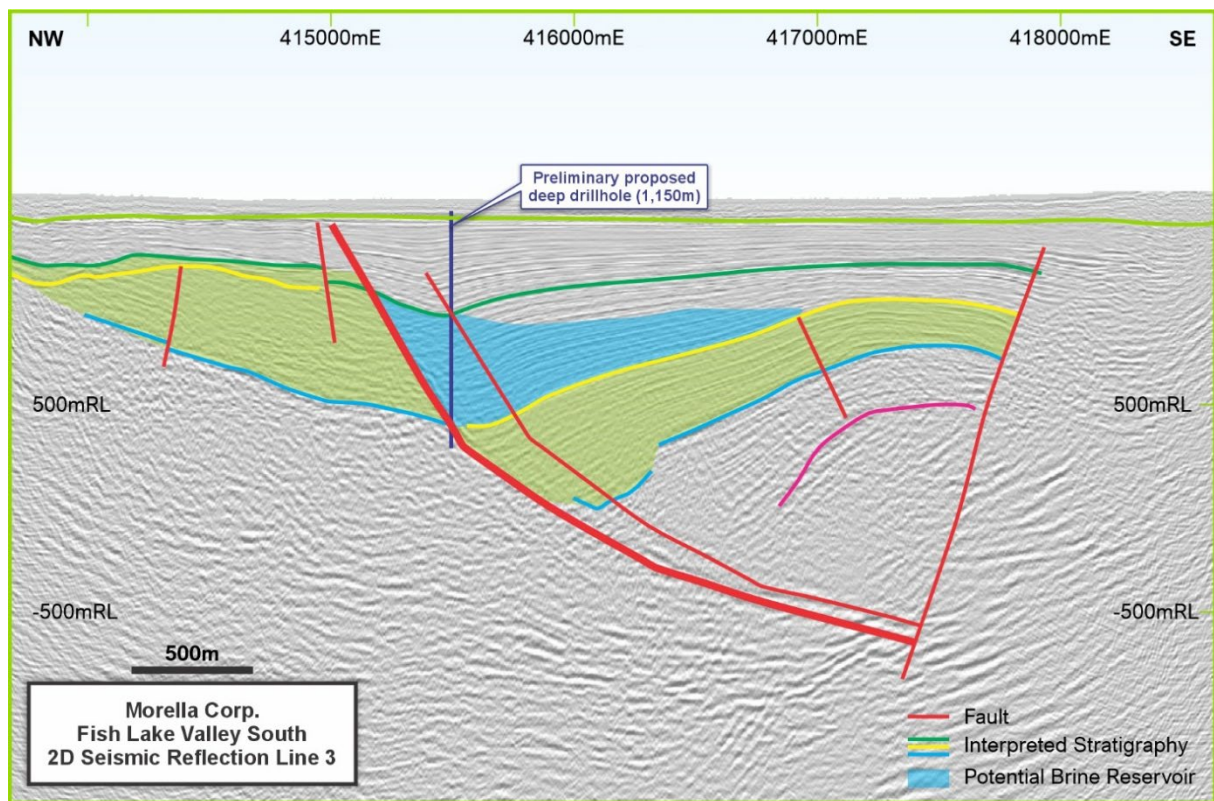


Figure 7: Depth converted seismic cross section for survey Line 3, with interpreted faults, key reflection horizons through the rift basin, lithium brine target zone (blue shading) and proposed drillhole.

The newly identified half-graben basin sediments as well as structures identified and interpreted by Morella at the FLV Project have generated high priority brine targets for drill testing, with a key drillhole already proposed to depth of 1,150 metres to test the highest priority target zone in the hanging wall of the newly identified major rift border fault, as shown in Figure 7, as a listric normal fault.

Drill Program Results

Between August and October 2023 a single 400m drill hole (FLVDD23-01) was executed with the goal of developing greater geological understanding of the basin structure and development, as well as testing a secondary magnetotelluric target identified in earlier work.

The completed hole was drilled with a Reverse Circulation pre-collar to 61m and then with a Diamond Drill tail to the final depth of 400m (Figure 8).



Figure 8: Drill site set up for drillhole FLVDD23-01.

Rock chip and core samples were submitted to Paragon Geochemical Nevada for industry standard ICP-MS assay analysis. Lithium assay results from the drilling are shown in Figure 9.

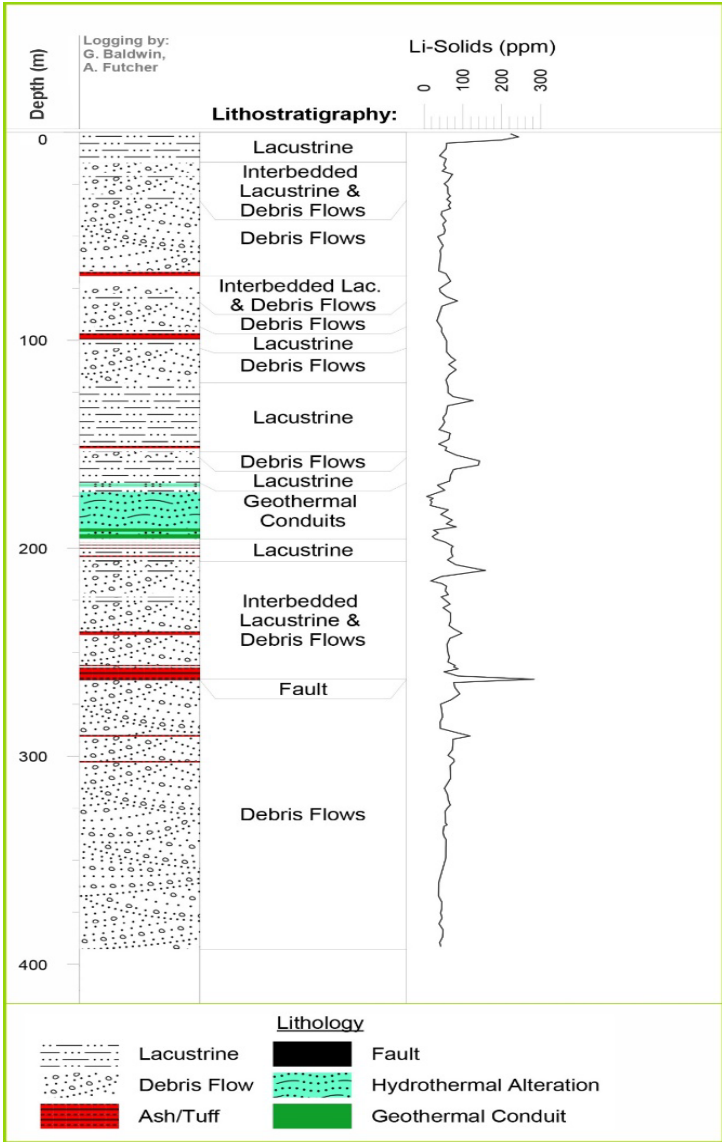


Figure 9: FLVDD23-01 stratigraphic log with Li assays

The analysis and interpretation of the 2023 FLV Project 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 Project sediments have the potential to support sustained pumping at an elevated rate.

Permitting

During the quarter permitting for the deep drillhole was commenced. The permits required include preparation of the following information:

- Collection of field data to support the permitting process
- Bureau of Land Management site visit
- Temporary discharge permit (NDEP)
- Notice amendment (BLM)
- County agreements (water and road maintenance)
- Dissolved mineral resource exploration (DMRE) well permit

Engagement at the Federal, state and county levels are required for these permits and Morella has engaged UES consultants to progress the permits on behalf of Morella. UES were responsible for the permitting of the drillhole and earthworks that was drilled during 2023 in the northern project area.

Next Steps

The next steps for advancing the FLV Project include:

- 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.
- Processing of the USGS newly released magnetic data 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 line(s) 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.
- Continue to progress the permits for the single deep drillhole
- 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 3, as shown in Figure 7.

Corporate

The Company finalised and released to the market its Half Yearly Financial Report during the March 2024 Quarter.

Other Disclosure

As disclosed under item 6 in the Appendix 5B, the Company made payments to related parties being for a total consideration of \$60,000. This consideration relates 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 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 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.

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	E59/2778	100%	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")

31 March 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	142	515
1.2	Payments for		
	(a) exploration & evaluation	(48)	(150)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(538)	(1,594)
	(e) administration and corporate costs	(166)	(787)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	(79)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
	• Sundry income	1	16
1.9	Net cash from / (used in) operating activities	(609)	(2,079)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(3)	(50)
	(d) exploration & evaluation	(112)	(5,310)
	(e) investments	-	-
	(f) other non-current assets	-	(33)

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 (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) reimbursement from tenement holder	1,204	1,204
	(c) property, plant and equipment	-	-
	(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	9	9
2.6	Net cash from / (used in) investing activities	1,098	(4,180)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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	(17)	(49)
3.10	Net cash from / (used in) financing activities	(17)	(49)
4.	Net increase / (decrease) in cash and cash equivalents for the period	472	(6,308)
4.1	Cash and cash equivalents at beginning of period	1,127	7,936
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(609)	(2,079)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,098	(4,180)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(17)	(49)
4.5	Effect of movement in exchange rates on cash held	33	4
4.6	Cash and cash equivalents at end of period	1,632	1,632

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	1,632	1,127
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)	1,632	1,127

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.	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities ⁽ⁱ⁾	3,032	3,032
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	3,032	3,032
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 2026 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)	(609)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(112)
8.3 Total relevant incoming / (outgoings) (item 8.1 + item 8.2)	(721)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,632
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	1,632
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.3

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: 30 April 2024

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.