

31 October 2024

Quarterly Activities Report & 5B Cashflow September 2024

- Planned and commenced a 15 hole, 1,240metre drill program at Mt Edon
- Non-renounceable Rights issue and Shortfall facility raised \$1.7m
- Share Consolidation on a 25 to 1 basis completed

OVERVIEW

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

The primary focus of the Company during the quarter was to advance its exploration and evaluation activities via drilling at the Mt Edon Project Joint Venture Project and a soil program at Wodgina, both of which form part of the 51% (Morella) / 49% Joint Venture with Sayona Mining Limited (Sayona Joint Venture). Exploration also continued at Fish Lake Valley in the USA.

EXPLORATION AND PROJECT DEVELOPMENT

Mt Edon Drilling Program (Sayona Joint Venture)

The Mt Edon Project lies 5km to the south of Paynes find, 400km NNE of Perth city (Figure 1).

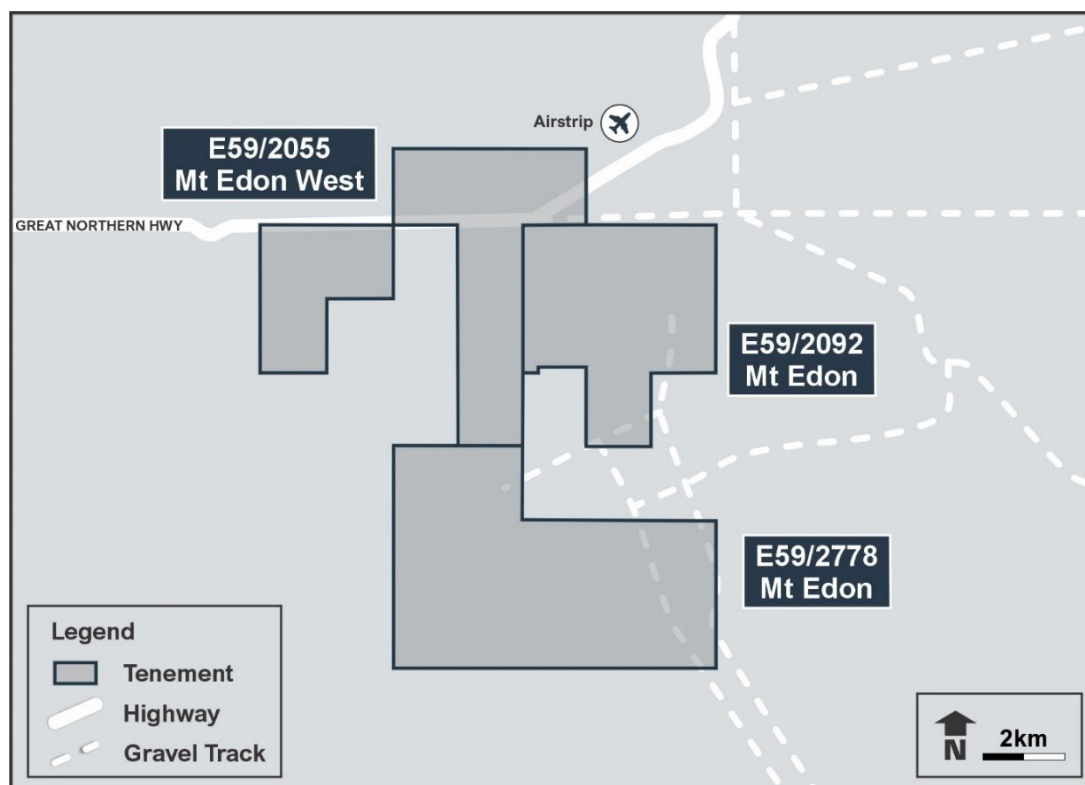


Figure 1: Mt Edon Project location

During the quarter the team at Morella undertook a range of preparations for the commencement of the drilling, including heritage surveys and earthworks. As a result, the drilling commenced in the final week of the quarter.

The program completed 17 drillholes for a total of 1,464 m designed to test pegmatite targets that have been identified through mapping¹ and surface geochemistry as likely to be lithium bearing².

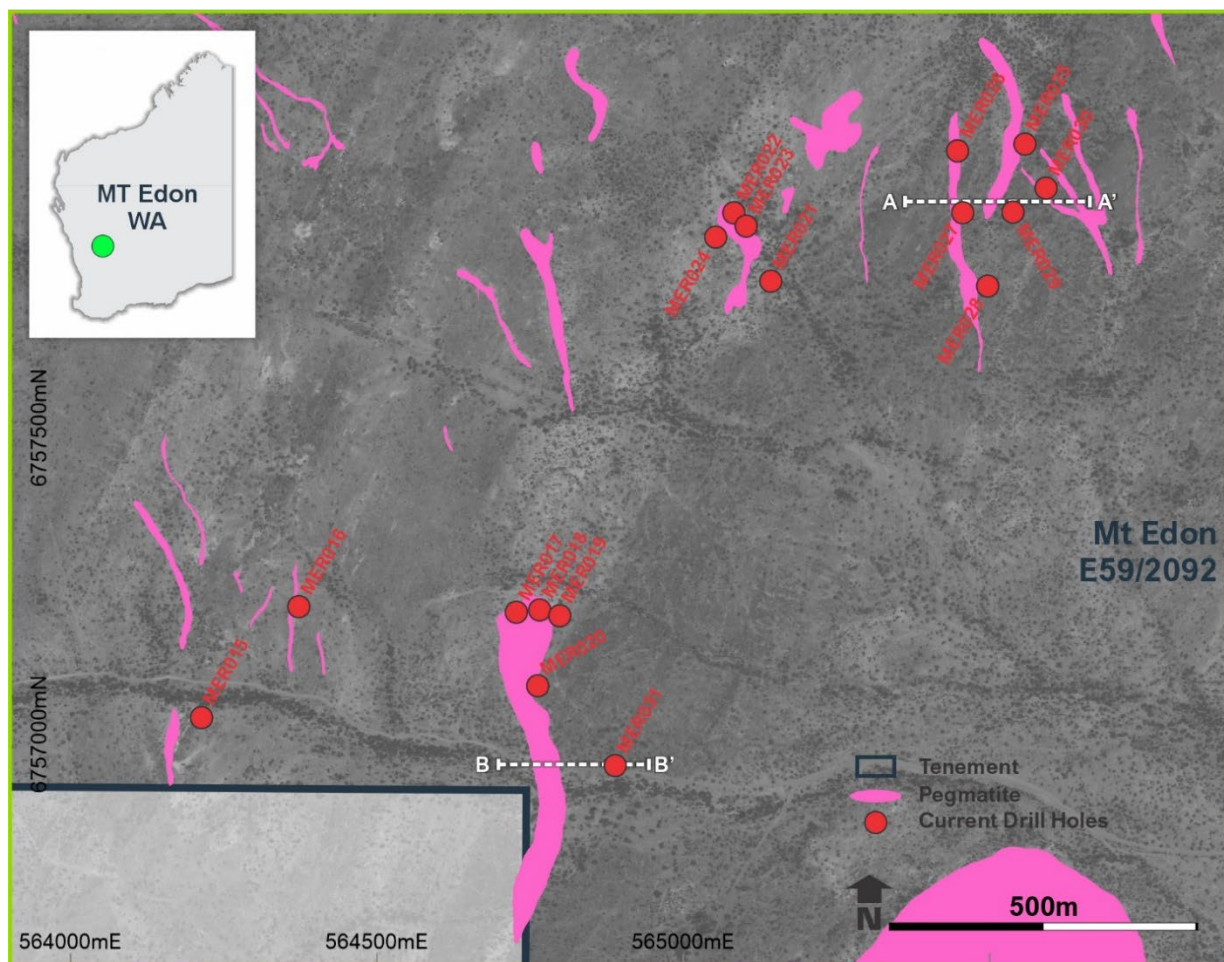


Figure 2: Drill Hole Location Plan

Within the program five (5) holes had pegmatite intercepts of greater than 20 metres including MER031 with 112 metres from 20 metres (Figure 4) & nine (9) holes intercepted pegmatites with widths of between 10 and 20 metres. A number of holes had multiple intercepts indicating a stacked system of pegmatites (Figure 3).³

¹ Refer to ASX Announcement – Lithium targets identified at Mt Edon project in Western Australia dated 23 June 2022

² Refer to ASX Announcement – Successful soil program at Mt Edon dated 10 July 2023

³ Refer to ASX announcement - Drilling at Mt Edon shows broad pegmatite intercepts dated 30 October 2024

Significant pegmatite drillhole intercepts (>10 metres) are detailed below:

MER018	10m pegmatite intercept from 0m
MER019	25m pegmatite intercept from 11m
MER021	105m pegmatite intercept from 15m (down dip hole)
MER024	14m pegmatite intercept from 8m
MER025	11m pegmatite intercept from 0m
and	18m pegmatite intercept from 23m
MER026	15m pegmatite intercept from 3m
MER027	21m pegmatite intercept from 6m
MER028	13m pegmatite intercept from 17m
MER029	14m pegmatite intercept from 13m
and	22m pegmatite intercept from 60m
MER030	10m pegmatite intercept from 29m
and	16m pegmatite intercept from 82m
MER031	112m pegmatite intercept from 20m

Morella Managing Director James Brown said:

"We are very pleased with these initial drilling results at Mount Edon – it is early days regarding the evaluation of the lithium prospectivity, however the consistent intersection of pegmatites across the majority of drillholes is a great foundation to move forward. The preparation and safe execution of this program has been a credit to the Morella exploration team and drilling service providers."

The Company dispatched all pegmatite samples from the drill program for assay and expects to receive the results in mid-November 2024.

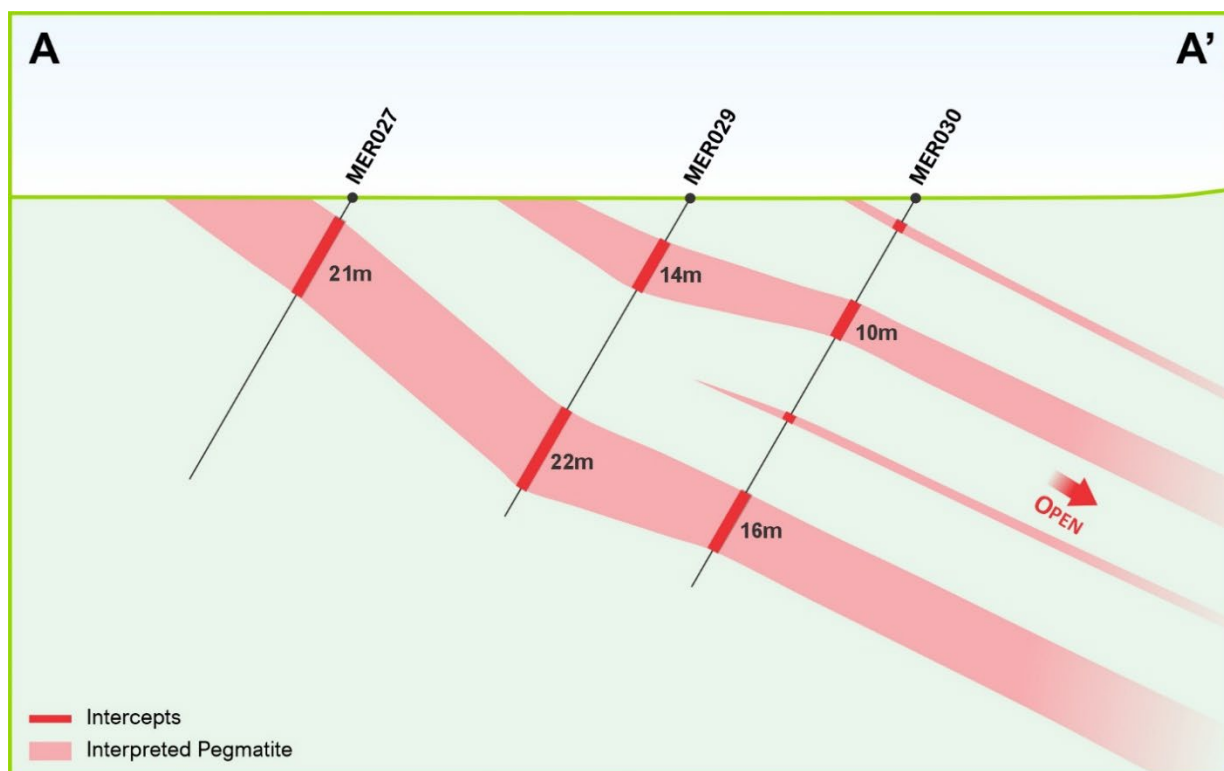


Figure 3: Section A-A' 6757870mN

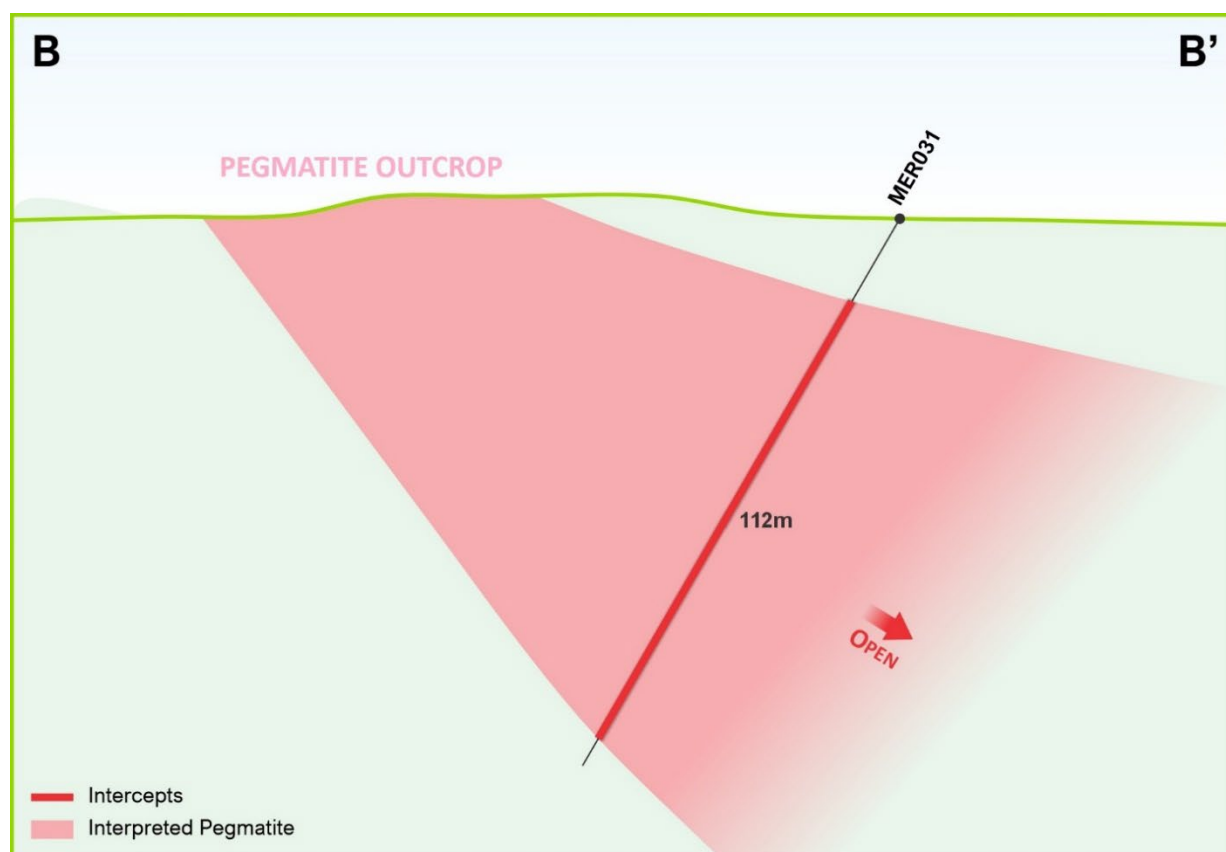


Figure 4: Section B-B' 6756950mN

West Wodgina (Sayona Joint Venture) - Soil Program

A second soil program was commenced during the quarter with completion expected in October 2024.

The objective of the sampling program was to infill target anomalies that were identified by the previous soil program⁴ as well as test additional areas which have shown prospectivity in previous mapping and sampling programs.

Fish Lake Valley Project (FLV)

During the Quarter Morella undertook planning for FLV using the high resolution magnetic and radiometric survey data ("GeoDAWN") from the US Geological Survey (USGS) and US Department of Energy (DOE) which the Company released on 27 June 2024.⁵

Also, during the Quarter Morella reached the 3rd Anniversary Milestone under the FLV Earn-In Agreement (FLV Agreement) with Lithium Corporation. Pursuant to the terms of the FLV Agreement Morella upon reaching this milestone Morella was required to issued US\$100,000 in shares to Lithium Corporation. These shares were issued on 4 October 2024.

North Big Smoky Project (NBS)

During the Quarter Morella reached the 2nd Anniversary Milestone under the NBS Earn-In Agreement (NBS Agreement) with Lithium Corporation. Pursuant to the terms of the NBS Agreement Morella upon reaching this milestone Morella was required to issued US\$100,000 in shares to Lithium Corporation. These shares were issued on 4 October 2024.

⁴ Refer ASX announcement Successful soil sampling program at the West Wodgina Lithium Project dated 22 November 2023

⁵ Refer ASX announcement Updated Interpretation for Fish Lake Valley dated 27 June 2024

CORPORATE

Non-Renounceable Rights Issue

On 5 August 2024, Morella announced a non-renounceable rights issue to raise up to approximately \$4.45 million to fund further mineral exploration including at the Company's Mallina, Tabba Tabba and Mt Edon Joint Venture Lithium Projects in Western Australia and the Fish Lake Valley and North Big Smoky Projects in Nevada, USA ("**Rights Issue**")

Eligible shareholders were given the opportunity to subscribe for one (1) fully paid ordinary share in the Company at an issue price of \$0.036 per share ("**New Share**") for every two (2) existing Morella Shares held as at 8 August 2024 ("**Record Date**") with one (1) free-attaching unlisted option, exercisable at 7.2 cents and expiring 2 years from issue, for every two (2) New Shares subscribed for ("**Offer**").

The Rights Issue closed on 22 August 2024 with the Company receiving applications for 23,621,178 New Shares (raising a total of \$850,363) which includes commitments by the Company's Board in excess of \$275,000.

Pursuant to the terms of the Prospectus issued on 5 August 2024, the Company will also issue 11,810,589 free-attaching New Options convertible into Shares in the Company expiring on or before 31 August 2026 at an exercise price of \$0.072 per New Option.

Pursuant to the terms of the Rights Issue Prospectus the Directors reserved the right to place the Rights Issue Shortfall (Shortfall Offer). The Shortfall Offer is a separate offer made pursuant to the Prospectus and will remain open for up to 3 months from the Closing Date (22 August 2024). The issue price of the New Shares and the attaching New Options under the Shortfall Offer will have the same price and terms as those offered under the Rights Issue.

On 17 October 2024 Morella accepted an application for 24,258,333 Shares, for a total value of \$873,300 under the Shortfall Offer from Interra Resources Limited (Interra), a Singapore-incorporated company listed on the Singapore Exchange mainboard.

Interra, is engaged in the business of petroleum exploration and production (E&P). Since the appointment of the new Chairman in August 2023, Interra has been actively exploring a variety of new businesses and collaboration opportunities in order to identify suitable new ventures and strategic alliances to meet a new investment profile. These include moving into the areas of renewable energy. Interra views this opportunity as a long-term investment and partnership with Morella whose goals are compatible and synergistic with the Company's venture into the renewable energy sector.

The Company is seeking to place the balance of the Shortfall Facility prior to its expiry on 23 November 2024.

Unmarketable Parcel Facility

On 13 May 2024 the Company announced an Unmarketable Parcel Facility which applied to Shareholders who held a parcel of fully paid ordinary shares in the Company ("Shares") with a marketable value of less than \$500 as at 5.00pm on Friday 10 May 2024 (Record Date) ("Unmarketable Parcel").

Shareholders who did not wish to have their Unmarketable Parcel of Shares sold could have elected to do so by completing a Share Retention Form prior to Friday 28 June 2024.

Morella offered the Facility to enable Shareholders who held an Unmarketable Parcel to sell their shares without having to act through a broker or pay brokerage or handling fees. The Company is meeting all costs associated with the sale of and transfer of Shares through the Facility ("Share Sale") (excluding any bank charges and tax obligations associated with shareholders receiving the proceeds, which are the responsibility of the relevant holders).

Shareholders holding a total of 411,182,976 (pre-consolidation) shares were offered the opportunity to participate in the Facility and approximately 80% of those holders have chosen to participate in the facility.

The Company has appointed Canaccord Genuity (Australia) Limited to facilitate the sale of the Unmarketable Parcels. The Shares sold under the Facility will be sold at market prices, subject to prevailing market conditions and available liquidity. Shareholders whose shares are sold under the Facility will receive a proportionate share of the total proceeds of all the Shares sold under the Facility. Payment for Shares will be remitted by Link Market Services as soon as practicable following the settlement of the sale of all the Shares sold through the Facility.

The Company is monitoring the sale of the facility shares. However, recent price and volumes of Morella share sales have meant that not all of the shares have been sold. The Company is monitoring the situation and it is working towards finalising the sale of the large number of shares that have been realised under the Facility. The Company will continue to act to get the best possible result for the participants in the Unmarketable Parcel Facility

Consolidation

The Company sort, Shareholder approval at an extra-ordinary general meeting of the Company held on Monday 17 June 2024, to consolidate the issued capital of the Company through the conversion of every twenty-five (25) existing shares into one (1) new share. This Consolidation reduces the shares on issue to a level that better reflects the Company's position and provides a share price that is more appealing to a wider range of shareholders.

The Consolidation applies equally to all shareholders and, as such, all shareholders proportional interests in the Company's issued capital will remain unchanged (other than minor variations resulting from rounding of fractional shareholdings).

At the meeting Shareholders approved the Consolidation via a Poll where 89% of the shareholders voting approved the resolution.

The Consolidation was completed as at 10 July 2024 following which the Company's issue capital consolidated as follows:

CAPITAL STRUCTURE	SHARES
Pre-Consolidation	6,178,799,426
Post-Consolidation	247,153,103

Other Disclosure

As disclosed under item 6 in the Appendix 5B, the Company made payments to related parties as follows:

- \$60,000 relating to the Directors fees for the Quarter.

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

Contact for further information.

Investors | Shareholders

James Brown

Managing Director

E: info@morellacorp.com

Competent Persons Statement

The information in this report that relates to Exploration Results 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, one new licence was acquired (E59/2904) – none were sold or cancelled.

Location	Tenement Number	Interest beginning of Quarter	Interest end of Quarter
Mt Edon, Mid-West, Western Australia	E59/2778	100%	100%
Mt Edon, Mid-West, Western Australia	E59/2904	0%	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 September 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	140	140
1.2	Payments for		
	(a) exploration & evaluation	(59)	(59)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(469)	(469)
	(e) administration and corporate costs	(387)	(387)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
	• Sundry income	26	26
1.9	Net cash from / (used in) operating activities	(749)	(749)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(22)	(22)
	(d) exploration & evaluation	(647)	(647)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) reimbursement from tenement holder of its share of exploration expenses.	215	215
	(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	-	-
2.6	Net cash from / (used in) investing activities	(454)	(454)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	869	869
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	504	504
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	(12)	(12)
3.10	Net cash from / (used in) financing activities	1,361	1,361

4.	Net increase / (decrease) in cash and cash equivalents for the period	158	158
4.1	Cash and cash equivalents at beginning of period	430	430
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(749)	(749)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(454)	(454)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,361	1,361
4.5	Effect of movement in exchange rates on cash held	(13)	(13)
4.6	Cash and cash equivalents at end of period	575	575

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	575	575
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)	575	575

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

**Current quarter
\$A'000**

60

-

-

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 <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>		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities ⁽ⁱ⁾	3,347	3,347
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	3,347	3,347
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)	(749)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(647)
8.3	Total relevant incoming / (outgoings) (item 8.1 + item 8.2)	(1,396)
8.4	Cash and cash equivalents at quarter end (item 4.6)	575
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	575
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.4

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: Yes,

- 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: The Company has completed a public offer during the quarter and is in negotiations to complete the shortfall by placement, as an exploration entity with multiple active exploration programs the Company's requirement for additional capital is constantly under review. Subsequent to the end of the quarter the Company received an additional funding commitment of \$873,300 under the shortfall placement, depending on the level of exploration activity the Company may require additional capital in FY 2025 and is confident of raising such capital when required, based on previous funding outcomes the Board expects a high probability of success.

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

Answer: Yes, the Company has been successful and well supported for funding previously and the Board expects sufficient funds can be raised to meet the Group's operational objectives

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: 31 October 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.