

31 January 2022

Quarterly Activities Report and 5B Cashflow December 2021

Access to lithium raw materials secured through execution of earn-in agreements for Fish Lake Valley Lithium Project in Nevada and Mallina Lithium Project in Western Australia

Successful recapitalisation and re-quotation on the ASX, setting Morella on course for its next stage of growth

Passive seismic survey commenced at Fish Lake Valley Lithium Project

Focussed ESG thematic with Traditional Owner engagement and consultation ongoing at Mallina ahead of planned drilling activities

Well-funded for ongoing exploration with \$6.9 million cash as at 31 December 2021

Overview

Morella Corporation Limited (**ASX: 1MC**) (**Morella** or **the Company**) is pleased to report on activities conducted during the December 2021 Quarter.

The Company's primary focus for the quarter was the conclusion of all matters required to enable the Company's securities to be re-quoted on the ASX. This milestone was achieved on 14 December 2021, shortly after the Company's name and ASX code were changed, representing the successful completion of all corporate actions and processes undertaken by the Board and management team over the 2021 calendar year.

Exploration and Project Development

Fish Lake Valley Lithium Project (Morella Earn-in Option for 60% with rights to acquire 100%)

With the formal Earn-in Option Agreement being executed on 12 October 2021 (refer to ASX Announcement *A\$6.5M equity raising to fund project development and ASX re-quotation*, released 14 October 2021), the Company commenced planning activities required to commence exploration to develop an understanding of the true subsurface geological and hydrogeological nature of the project. Following an extensive review of all available historical information and drilling results (which were relatively shallow or surface focussed), the Company has formed the opinion that Fish Lake Valley is prospective as a potential project with economic scale.

To understand the subsurface structure of the Fish Lake Valley basin, Morella has commissioned a passive seismic survey to be completed by two contracting parties. One contractor will undertake technical investigations from Western Australia, whilst the other contractor will conduct field work and capture data on the ground in Nevada, USA. The first phase of data collection was completed in

late December, with the second phase scheduled for completion in January/February 2022, weather dependant. Imagery from the December 2021 data collection activities can be seen below in Figure 1.

Results from the passive seismic survey will be released to the market when available whilst adhering to appropriate quality assurance and quality control protocols.



Figure 1: Fish Lake Valley salt playa – December 2021

During the quarter, the Company also commissioned a study into direct lithium extraction from the Fish Lake Valley brine. Adverse weather conditions temporarily delayed the initial collection of sample material, and further work is scheduled for January and February 2022.

Upon completion of the current work program at Fish Lake Valley, Morella will progress plans for additional geophysical techniques to support the formation of a follow-up drilling and sampling program. The drill program will primarily focus on delineating the scale (or depth) of mineralisation and development of a hydrogeological model.

Mallina Lithium Project (Morella Earn-in Option for 51%)

Morella formalised the earn-in agreement with Sayona Mining Limited in November 2021 which provides a clear pathway forward for the exploration and development of the Mallina Project (refer to ASX Announcement *Corporate Update* released 11 November 2021).

During the quarter, Morella's Competent Person (CP) for Mallina (Mr Stephen Barber) completed a detailed review of the historical exploration work that has been conducted at the Mallina tenement (E47/2983) which supported the release of historical exploration results under Morella's CP authority (refer to ASX Announcement *Mallina Lithium Project Update* released 28 October 2021). Historical exploration confirms lithium mineralisation at Mallina and a three-hole drill program has been planned to commence in March/April 2022 focussing on the Eastern Group Pegmatites (see Figure 2).

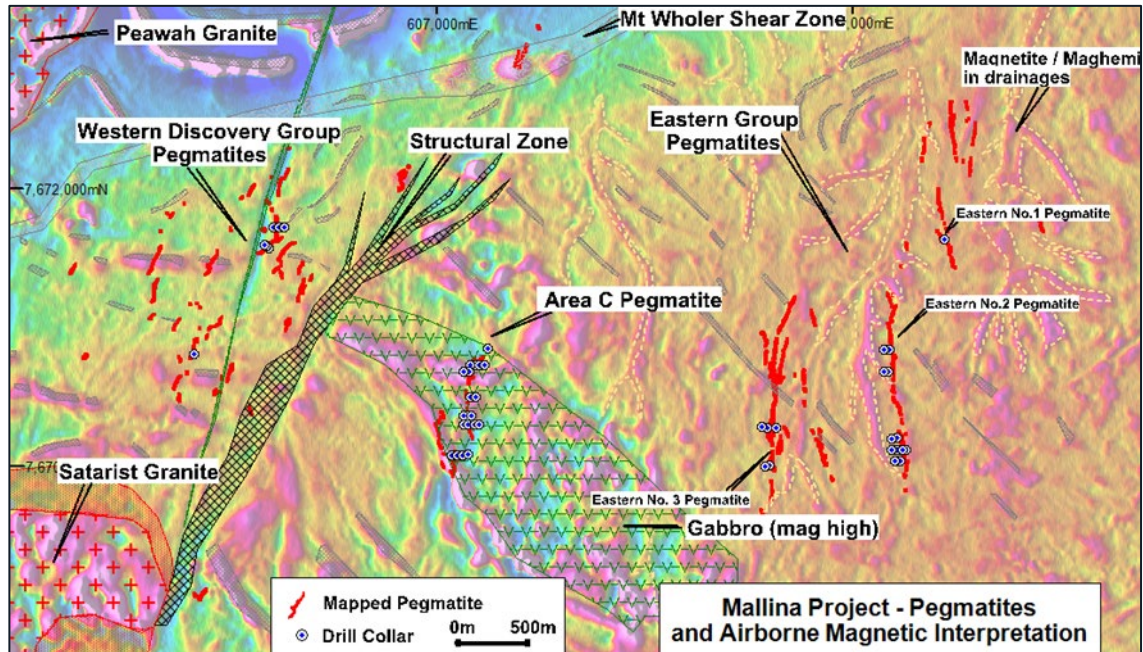


Figure 2: Geological data overlay on airborne magnetic survey

Two holes will target approximately 500m down dip of the mapped surface outcrop at the Eastern No.2 Pegmatite prospect. If the same geometric relationship observed in the nearby Pilgangoora district is present in the Mallina project area, the drill holes could potentially uncover large primary pegmatites at depth which are inclined in the opposite direction to the mapped local dip of foliation.

A third hole at the Area C prospect using the same azimuth, dip and target depth has also been planned. The hole will seek to intersect the primary ore structures, based upon mineralogical data from SEM scan work. Exploration success would signify that much of the fine spodumene quartz intergrowth was likely to have been formed by the replacement of petalite, that was originally quite coarse grained.

In parallel with corporate and technical development, Morella has begun engaging with both the Traditional Owners and Pastoralists at Mallina Station. Further information can be found in the Sustainability Section of this report.

On 20 October 2021, DMIRS formally notified the Company of its successful Round 24 submission as part of the WA Government's Exploration Incentive Scheme (EIS). Morella will be co-funded up to a maximum offer of \$150,000 against direct drilling costs for the Mallina exploration program planned for H1 2022. The EIS funding will support continued exploration and lithium resource development in the Pilbara and the Company welcomes this State Government initiative.

Lithium Market

Prices for all lithium chemical/commodity types (technical grade, battery grade and pre-cursor materials) have been reported by multiple price reporting agencies (including Benchmark Mineral Intelligence, S&P Platts Global and Fastmarkets) as reaching record highs, with continued upward pressure due to an under-supplied market. Morella's analysis of market data has reaffirmed a significant disparity between long-term contract pricing and reported spot pricing. The majority of current sales are tending to be under long term contracts, such is the nature of the lithium battery/EV supply chain. Benchmark Minerals intelligence has reported a number of lithium chemical suppliers seeking to renegotiate supply contracts to capitalise on the sharp price rise observed in the later stages of 2020.

Public reporting and disclosure by current producers, combined with market commentary from multiple analysts (including S&P Platts and Benchmark Minerals Intelligence) have shown that through 2020 and into the end of the calendar year, the physical market (particularly lithium spodumene supply) has not reacted/increased in response to the significant price increases that have been reported. More specifically, Western Australia, is experiencing well-reported labour shortages which is impacting companies looking to increase production or recommence mothballed operations. It is assessed that this will further delay the physical market's ability to meet the strong and growing demand and will support a continued supply deficit for the foreseeable future keeping upward pressure on pricing.

Sustainability

Health and Safety

There were no injuries or safety incidents during the quarter.

Environment

There were no environmental issues or breaches during the quarter.

Community

During the reporting period, the Company commenced engagement with the Traditional Owners and Knowledge Holders of the lands that are covered, in part, by the Mallina tenement. Initial meetings and briefings of proposed exploration activity were held in Port Hedland. A follow-up site visit was conducted in December with representatives of the Traditional Owners (figure 3), where they were shown Morella's planned exploration locations. The site visit allowed the Traditional Owners and the Company to plan the conduct of a heritage survey in Q1 2022 which, once completed, will be another step forward towards the conduct of exploration activities in a considered manner, paying due regard and respect to the Traditional Owners. Morella also commenced negotiations with the Pastoralists that operate at Mallina Station. Both the Pastoralists and Morella are engaging openly and seeking practical solutions for utilities and infrastructure usage that will benefit both parties.



Figure 3: Morella staff on site at Mallina with Traditional Owner representatives

Corporate

Recapitalisation

One of the key elements to underpin the re-quotation with the ASX was the completion of a \$6.5M equity raise from a targeted group of institutional and sophisticated investors from North America, Asia and Australia. This equity raise was also supplemented by a \$2.0M Entitlement Offer, via Rights Issue, to existing shareholders. A strong take up of entitlements, plus top-up applications saw the total offer heavily oversubscribed.

Updated Company Details

Throughout the quarter, the Company relocated its registered office to West Perth and along with the change of Company name, had a commensurate change in contact details info@morellacorp.com.

The Company also launched its new corporate website www.morellacorp.com and encourages shareholders and interested stakeholders to visit the website and register for updates.

Financial Commentary

At 31 December 2021, Morella had available cash of \$6.9 million. Net cash position increased from the previous quarter due to receipt of funds from equity raising activities. The majority of expenditure for the reporting period related to administration and corporate costs associated with compliance, recapitalisation and re-quotation.

Full details and disclosure for the quarter can be found in the attached Appendix 5B.

During the quarter, Morella began expenditure against its two earn in projects and expects that the majority of expenditure for the coming months will focus on the two projects, with outgoings weighted heavily towards site-related works, exploration and development activities.

Other Disclosure

As disclosed under item 6 in the Appendix 5B, the Company made payments to Directors and related parties for a total consideration of \$59,000.

Outlook

The March 2022 quarter sees the transition from the corporate focus of 2021 into a project development focus.

Primary efforts for the Mallina Lithium Project will centre on approvals, regulatory requirements and commercial engagements to support the drilling program scheduled to commence in late Q1 early Q2 (CY) 2022.

The focus at the Fish Lake Valley Lithium Project will be the completion of the passive seismic survey and commencing direct lithium extraction studies. Additional geophysical and hydrogeological work may also be conducted in the quarter, subject to the timing and outcomes of the current passive seismic program.

This announcement has been authorised for release by the Board of Altura Mining Limited.

Contact for further information

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Competent Persons Statement The information in this report that relates to Exploration Results at Mallina is based on information compiled by Mr Stephen Barber. Mr Barber is a Member of the Australasian Institute of Mining and Metallurgy. Mr Barber is the Exploration Manager at Morella Corporation Limited and has sufficient experience that is relevant to the style of mineralisation under consideration and to the activity of mineral resource estimation to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Barber consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

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

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 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	695	758
1.2	Payments for		
	(a) exploration & evaluation	(23)	(23)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(617)	(1,039)
	(e) administration and corporate costs	(1,338)	(1,876)
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)		
	• Refund of prepayments	120	620
	• Sundry income	3	3
1.9	Net cash from / (used in) operating activities	(1,160)	(1,557)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(14)	(14)
	(d) exploration & evaluation	(384)	(473)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments – Sale of shares on market	116	437
	(e) other non-current assets	65	87
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	(226)	28

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,485	8,525
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	-	200
3.6	Repayment of borrowings	(700)	(700)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	• Payments of lease liabilities	-	-
3.10	Net cash from / (used in) financing activities	7,785	8,025

4.	Net increase / (decrease) in cash and cash equivalents for the period	6,339	6,496
4.1	Cash and cash equivalents at beginning of period	485	381
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,160)	(1,557)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(226)	28

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,785	8,025
4.5	Effect of movement in exchange rates on cash held	22	29
4.6	Cash and cash equivalents at end of period	6,906	6,906

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	6,906	485
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)	6,906	485

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

Current quarter \$A'000
59
-

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⁾	3,308	3,308
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	3,308	3,308
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
(i)	Morella has executed an unsecured facility with related entities to fund the Deed of Company Arrangement and initial working capital requirements. The facility maturity date is March 2023 with an interest rate of 8% pa. The facility can be converted into shares at the option of the lender whilst meeting the appropriate regulatory approvals.		

8. Estimated cash available for future operating activities		\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,160)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(384)
8.3	Total relevant incoming / (outgoings) (item 8.1 + item 8.2)	(1,544)
8.4	Cash and cash equivalents at quarter end (item 4.6)	6,906
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	6,906
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.5

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

8.8

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

1. 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

2. 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

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: 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: 31 January 2022

Authorised by: Altura 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.