

27 April 2023

Quarterly Activities Report and 5B Cashflow March 2023

DRILLING TARGETS DEFINED AND PERMITTING UNDERWAY AT FLV

NEW CLAIMS STAKED AT NBS TRIPLING THE SIZE OF THE PROJECT.

LITHIUM MINERALISATION CONFIRMED AT NORTH BIG SMOKY

OVERVIEW

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

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

EXPLORATION AND PROJECT DEVELOPMENT

Fish Lake Valley Lithium Project (FLV)

Morella commissioned a further Passive Seismic and Magnetotelluric (“MT”) Survey of the Project (“December MT Survey”) along an additional two (2) east-west transects and one (1) north-south transect in the south of the Project (see Figures 1 and 2), in order to identify sub-surface conductivity anomalies that could be caused by brine accumulations with potential to host lithium mineralisation. The analysis and interpretation of the December MT Survey was completed during the March Quarter.

The December MT Survey was commissioned following the geophysical exploration (“March MT Survey”), detailed in the ASX Announcement - *Key Drilling Targets identified at the Fish Lake Valley Lithium Project*, released on 28th April 2022.

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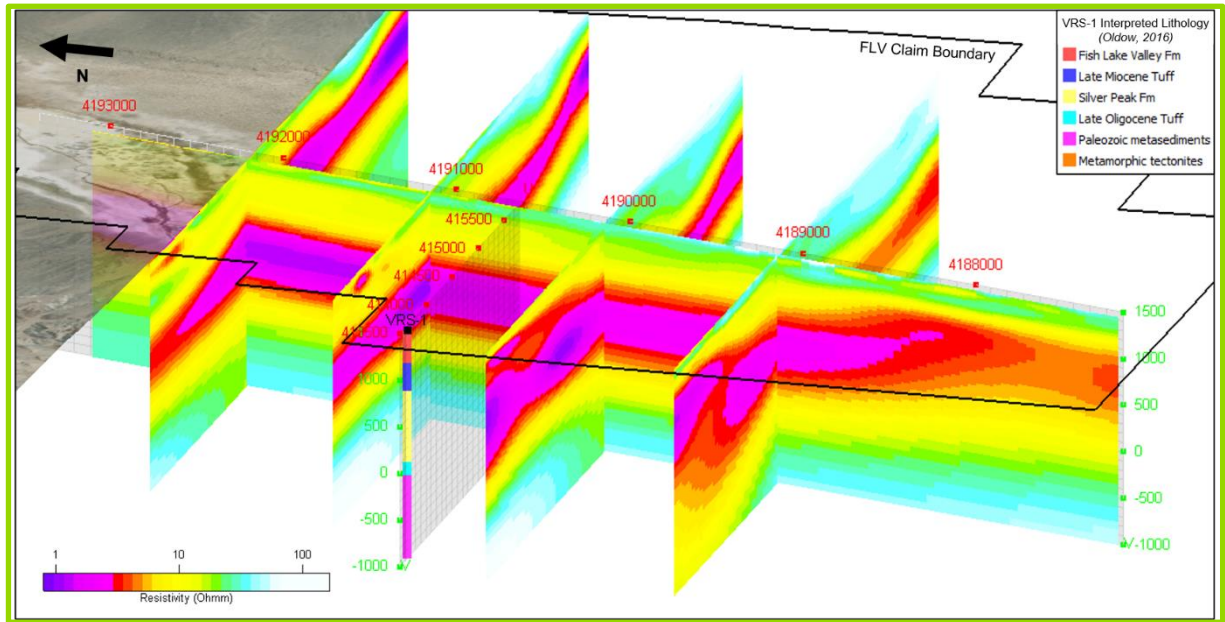


Figure 1: 3D view looking northeast and down on 2D resistivity inversion model cross sections for MT surveys

The MT survey work was undertaken by US-based Zonge International Inc (Zonge). Perth-based geophysical consultants, Resource Potentials, completed QA/QC and inversion modelling of the MT survey data. Interpretation and final reporting are ongoing.

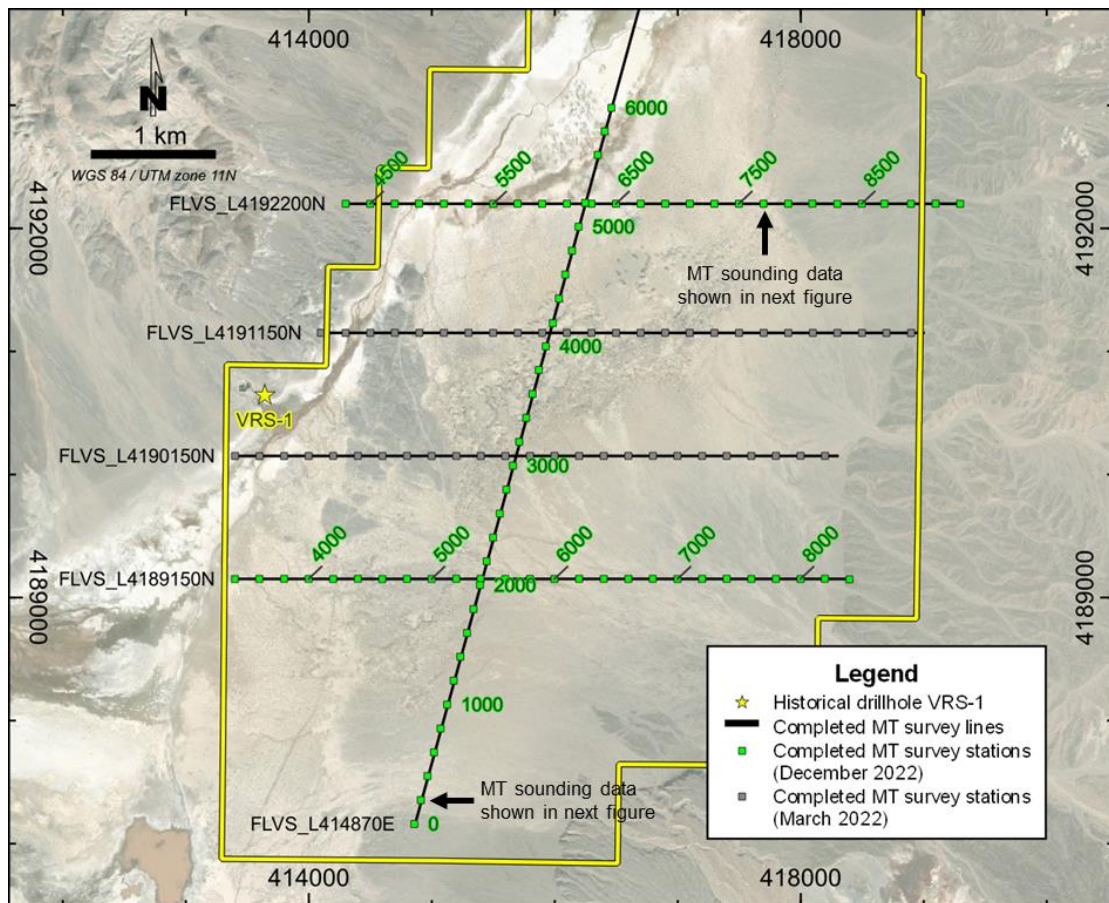


Figure 2 – FLV MT survey lines and data collection stations completed in March and December 2022

The modelled MT resistivity cross sections from the December MT Survey reinforced and expanded upon modelling results from the March MT Survey. In particular, a very high conductivity anomaly was present in the southernmost MT survey line resistivity model cross section and centred approximately 1,000 m depth below surface (see Figure 3).

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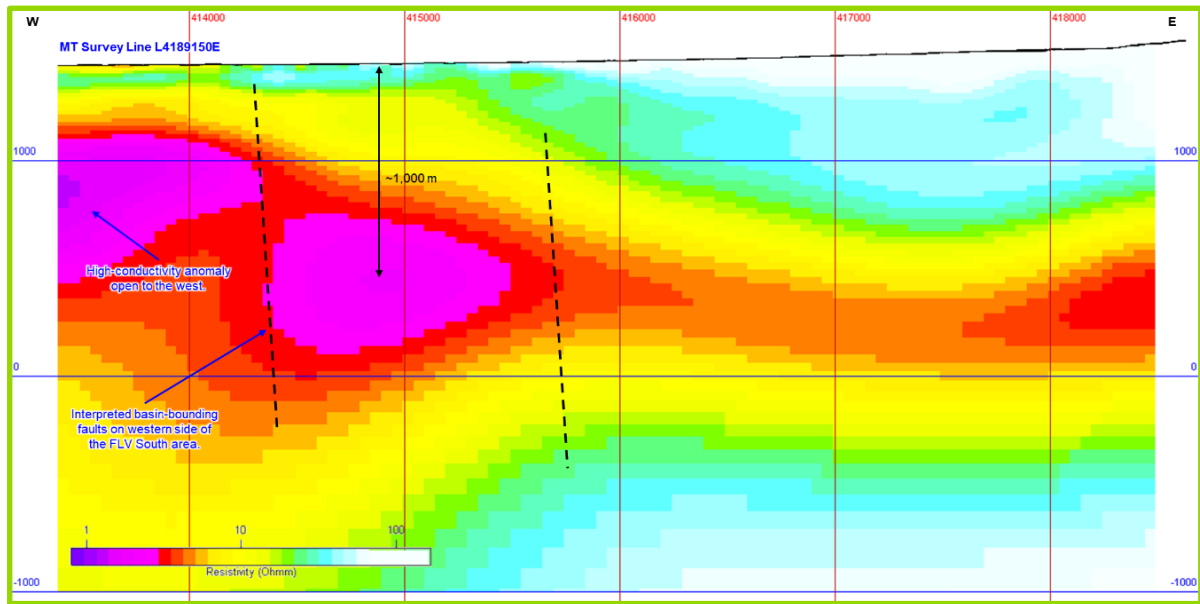


Figure 3 - 2D resistivity inversion model cross section for MT survey line L4189150N (southernmost E-W oriented MT survey line, line location shown in Figure 2) acquired during December 2022.

This anomaly is likely a continuation of an anomaly identified during the March MT Survey, which is interpreted to be fault bounded, and may be caused by lithium-brine, saline groundwater and clay-ash deposits. A strong MT conductivity anomaly continued to the west outside of the area covered by the MT survey lines. The overall basin structure appeared to be deeper within the central-to-eastern part of the MT survey area before shallowing on the easternmost side. The northernmost E-W oriented survey line (see Figure 4) showed a conductivity west-dipping layer at depth.

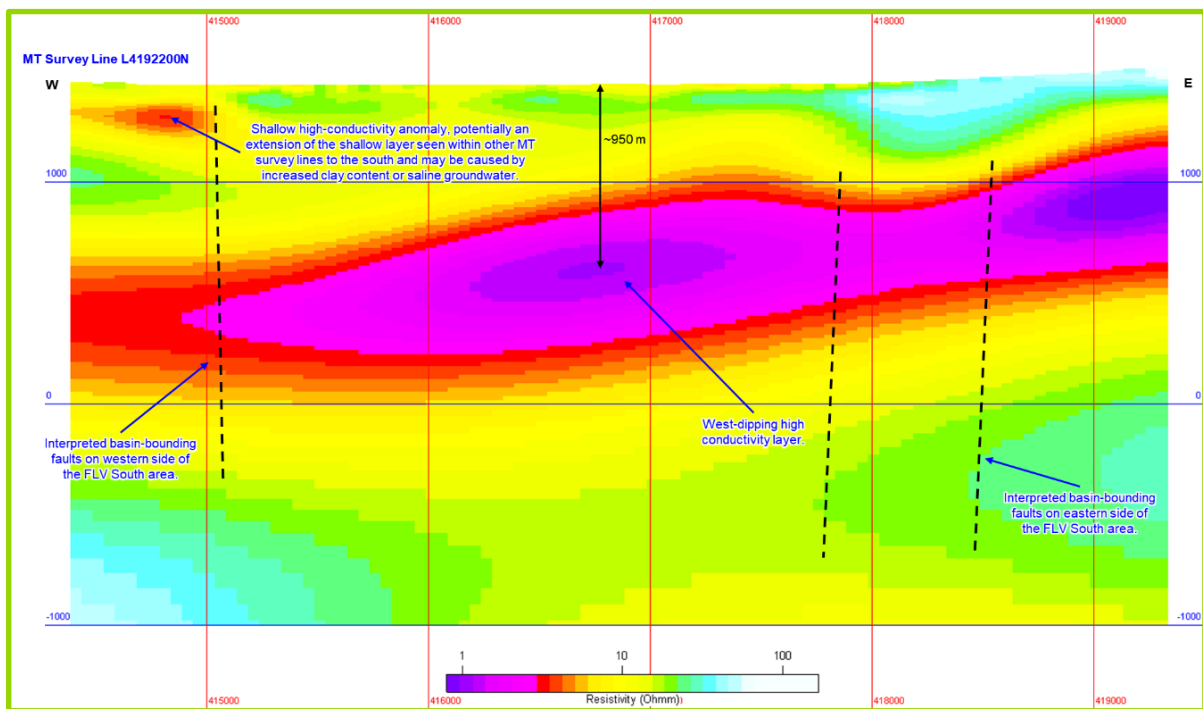


Figure 4 - 2D resistivity inversion model cross section for MT survey line L4192200N (northernmost E-W oriented MT survey line, shown in Figure 2).

The December MT Survey expanded on work completed within the Project. The 2D resistivity inversion model cross sections generated from these MT surveys indicated that the high-conductivity anomaly identified during the March MT Survey (Figures 3 and 4), which may be caused by brine hosting lithium in solution, appeared to be closed-off to the south and east, but potentially open to the north and west.

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The central N-S oriented survey line indicated that the deep high conductivity layer was continuous across all the E-W survey lines and may be closed-off to the south by an interpreted fault structure (Figure 5).

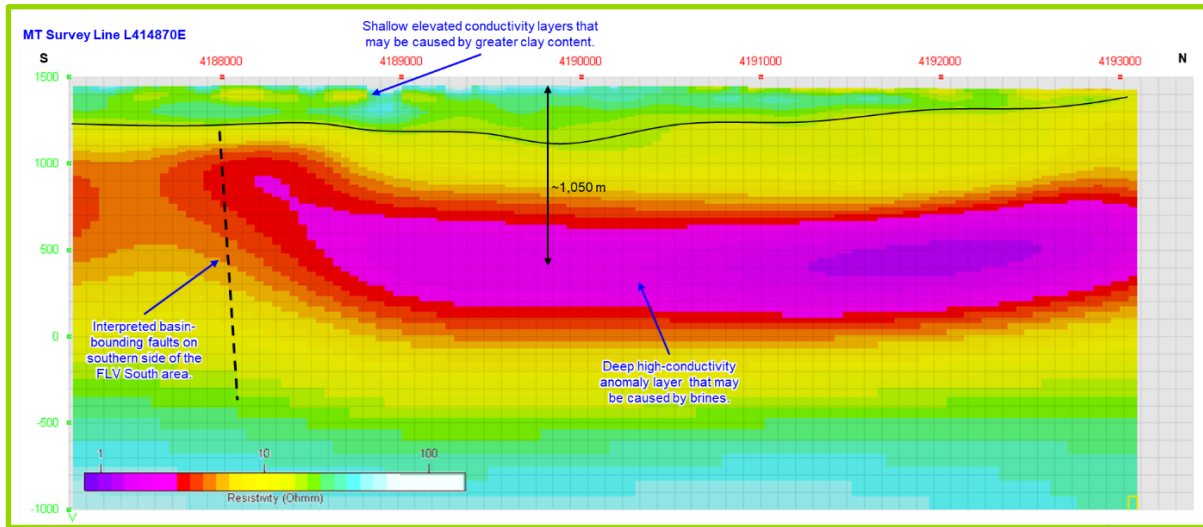


Figure 5 – 2D resistivity inversion model cross section for MT survey line L414870E (the central N-S oriented MT survey line location shown in Figure 2).

Drillhole targets originally defined from the March MT Survey have been expanded to facilitate development of a potential Mineral Resource estimate (see Figure 6).

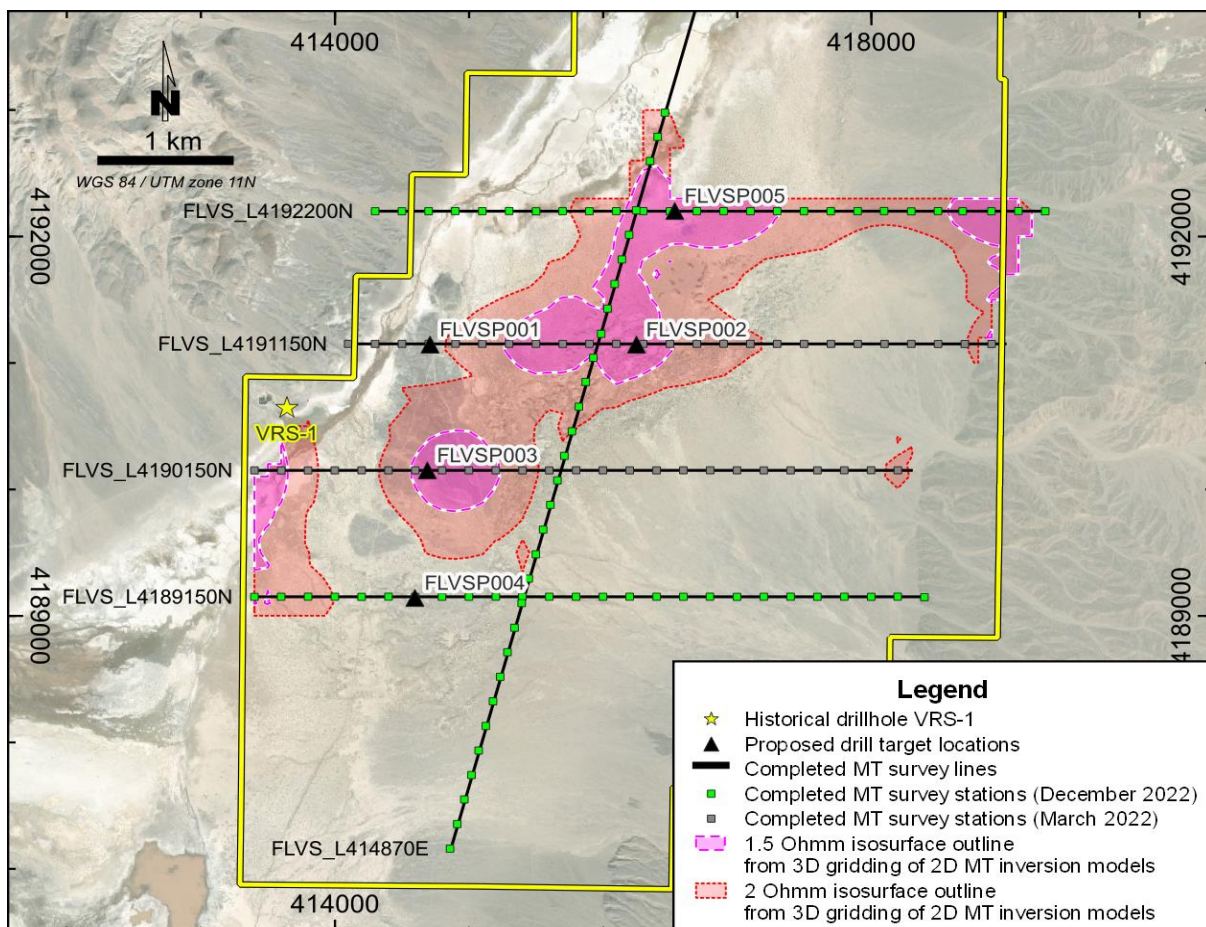


Figure 6 – Revised drill target locations following completion of the December 2022 MT survey, shown with MT conductivity isosurface outlines projected to surface.

Drill programs have been developed and permitting is currently underway. Morella has also submitted a notice to the Bureau of Land Management (BLM) in Nevada for the drilling program in the northern project area (see Figure 7 for the split between the north and south project areas). Upon the grant of the north permit a notice will be submitted for the drilling in the southern project area.

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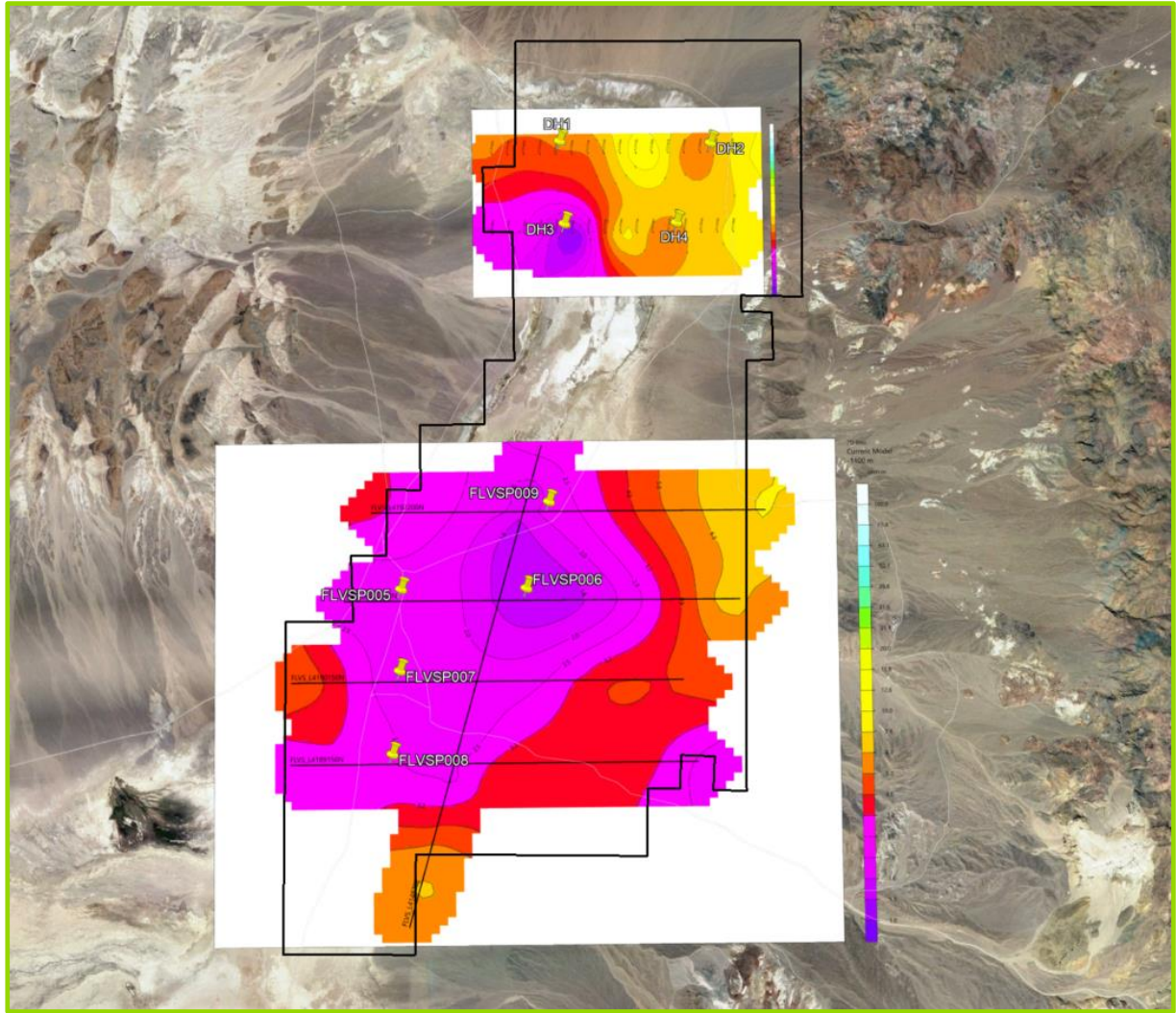


Figure 7: Magnetotelluric results overlay on proposed drilling.

Morella Managing Director, James Brown said:

“These MT results, along with the previous seismic work, gives us full confidence in the drill targets. The extra MT lines demonstrate continuity along strike and width across our claim area. We now have the framework in place to allow the next phase of drilling to potentially define a Mineral Resource which will be a significant step forward for Morella.”

The North Big Smoky Project (NBS)

NBS is located 135 kilometres from Tonopah in Nevada, USA, and is accessible via Highway 376 (see Figure 8). Morella entered into an earn-in agreement with Lithium Corporation in 2022, whereby Morella has the right to earn a 60% interest in NBS, with options to acquire 100% interest.

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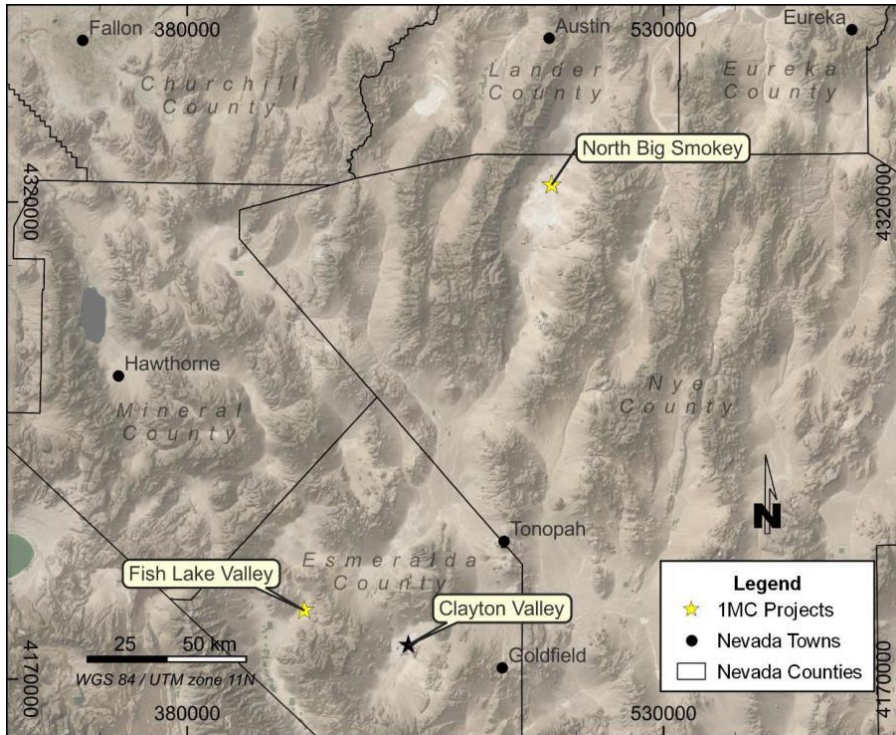


Figure 8: Location of North Big Smokey in relation to Fish Lake Valley

Morella and its United States partner Lithium Corporation, have materially increased the claim holding across the North Big Smoky Lithium Project in Nevada, USA. During February 2023, Morella staked two further areas in the North Big Smoky region. The first area is 210 contiguous claims, which has extended the existing North Big Smoky claim area to the west and increased the project area by approximately 15km². The claims were lodged with the County and the BLM with the latter confirming their registration.

In order to clearly identify the two projects, both located in the Big Smoky Valley but separated by several kilometres, the Company has given the name of Carvers, to the original claim area plus the newly acquired contiguous claims and Austin to the newly staked area located separately to the north. The increased footprint highlighting the two new commissioned claim areas can be seen in red outline in Figure 9 below.

The Austin claims are 11km to the north of Carvers and were identified from regional gravity data, as a potential deep basin which could be a suitable catchment for brines. 360 placer claims covering 29km² were staked to cover this area and are shown in Figure 9 which also includes a locality map showing the relationship between the two claim areas.

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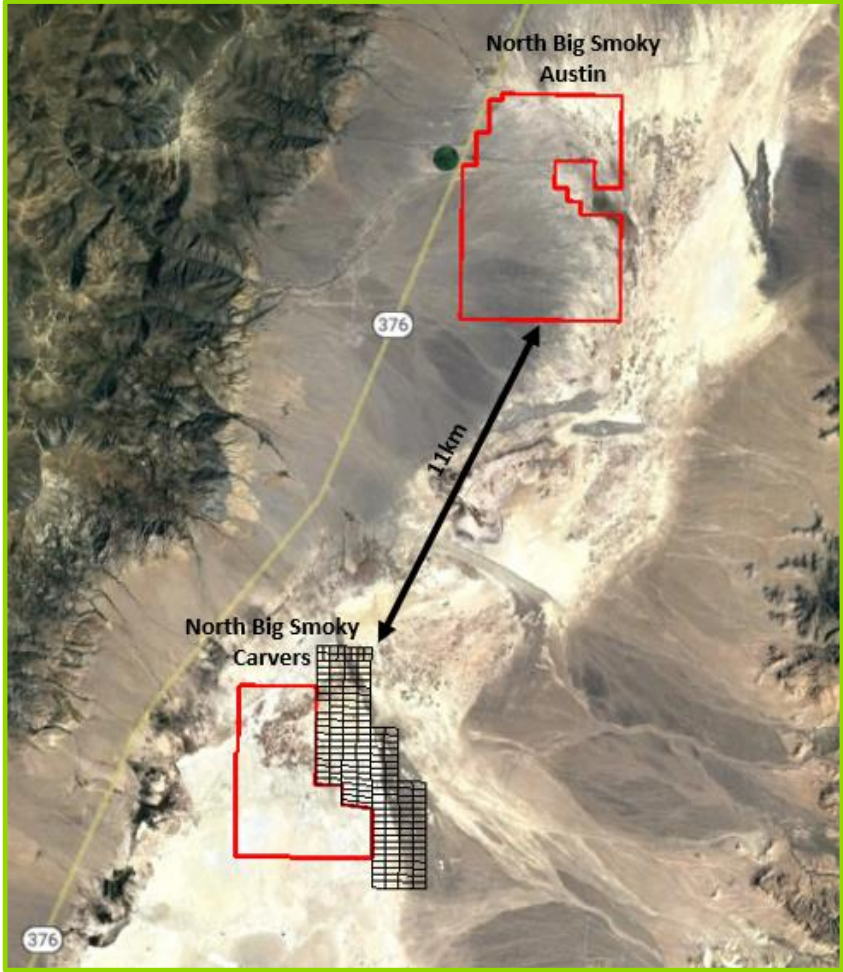


Figure 9: North Big Smoky – Carvers and Austin Claim Areas

In September 2022, a 259-auger-hole drilling program was executed with the goal of gaining a better understanding of the distribution of lithium in the soils across the NBS deposit. Holes (up to 1.37m total length) were completed and detailed information on the drill hole locations and depth can be found in Appendix 1 to ASX Announcement “Lithium Mineralisation confirmed in North Bog Smoky soil sampling results” released to the market on 17 January 2023. Mineralogical and geochemical samples were sent for assaying to ALS USA Inc in Twin Falls, Idaho, a certified laboratory.

Figure 10 outlines the results in the central part of the NBS deposit, showing elevated lithium assays up to 499 ppm with over 40% of the assays with grades of 200 ppm lithium or more. Nearly 90% of the deposit shows lithium grades greater than 100 ppm.

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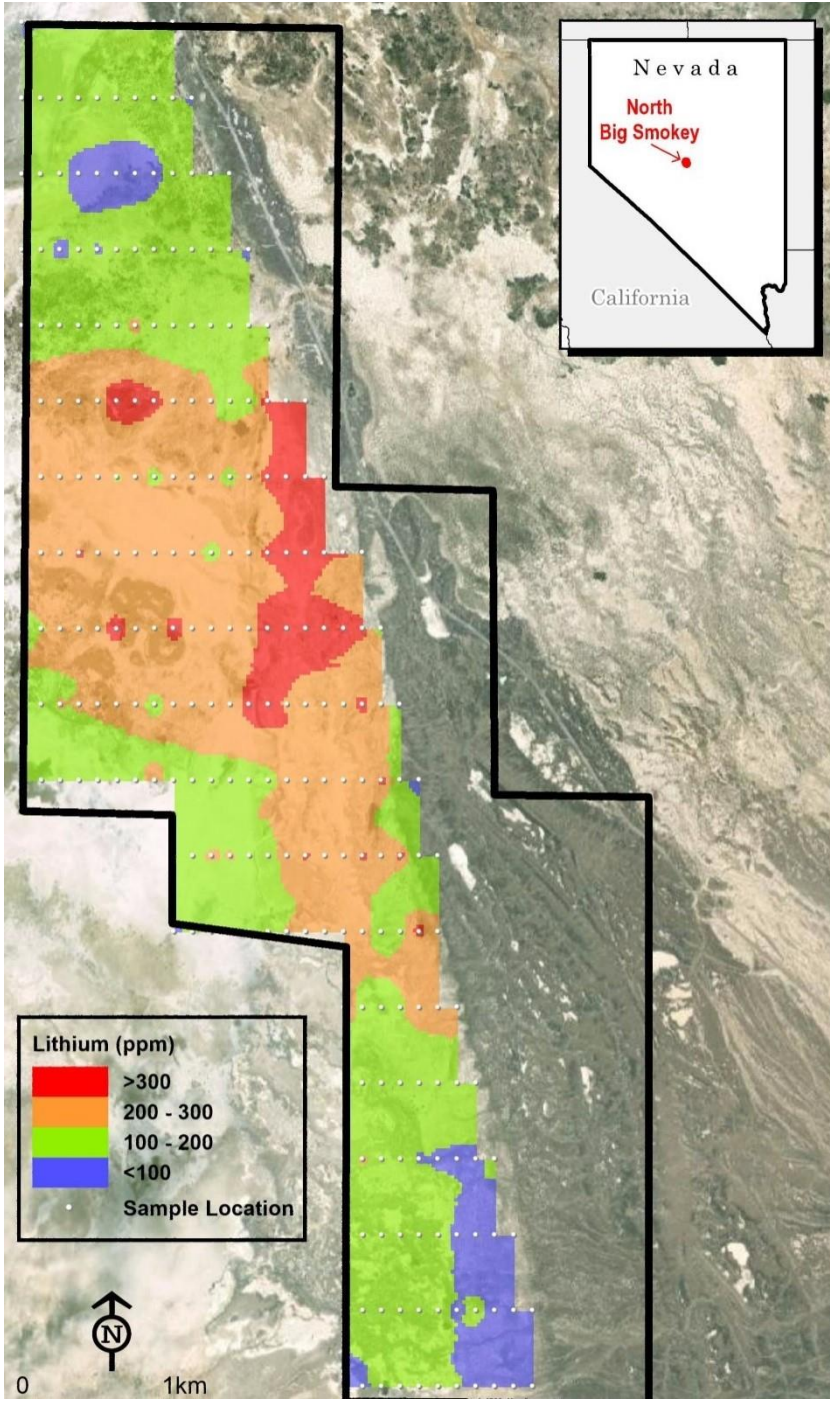


Figure 10 – NBS Project Plan View of results

The area to the east of the sampled area was not sampled as it has thick alluvial cover which sits over the playa and is not suitable for soil sampling.

During the Quarter, Morella completed passive seismic surveys at the Austin and Carvers claim areas. An MT survey was also carried out on all the Carvers and Austin project areas, including the new claim area at Carvers. The results are currently being processed by Morella’s geophysical consultants.

A shallow drilling program at Carvers will be developed based on the results of the soil sampling.

All the project claims are covered by an earn-in agreement between Morella and Lithium Corporation (OTCBB:LTUM). Morella has met all expenditure requirements and is on target to achieve the 60% ownership of these claims in late 2023 or early 2024.

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Morella Managing Director, James Brown said:

“We have designated significant resources to the Nevada projects in Fish Lake Valley and North Big Smoky over the last 12 months and have generated, very positive results. With additional support from our partner Lithium Corporation, I believe we now know enough about these projects to confirm them as strong prospects worthy of further exploration and evaluation resources. Furthermore, we have expanded our footprint significantly at both of our Nevada projects and now hold a large tract of prime brine and sediment hosted prospects.”

Mallina Project Western Australia Hardrock Lithium

Based upon the 2022 drill program which confirmed the presence of a high-grade lithium oxide intercept in Hole M22_004_D, with a highlight section of 16.4m @ 1.24% Li₂O from 4.6 metres (refer to ASX Release 2 December 2022), Morella has received approval for a Program of Works (PoW) for approximately 40 reverse circulation (RC) drillholes totalling around 3,000 metres (Figure 11). Drilling contractor tenders are in hand, with commencement of the program expected in April / May 2023.

Commenting on the upcoming drill program, Morella Managing Director, James Brown said:

“Our team has completed a thorough planning process and are looking positively toward the next drill program at Mallina. Having the benefit of several high-grade intercepts from previous programs, we are confident that proof of substantial lateral extensions can be delivered. The Company is also buoyed by the fact we are nearing completion of finalising the joint venture with our partners Sayona Mining Limited (ASX:SYA), who we have enjoyed a close relationship in the past and look forward to the future with Sayona, as it becomes the next global producer of lithium concentrates.”

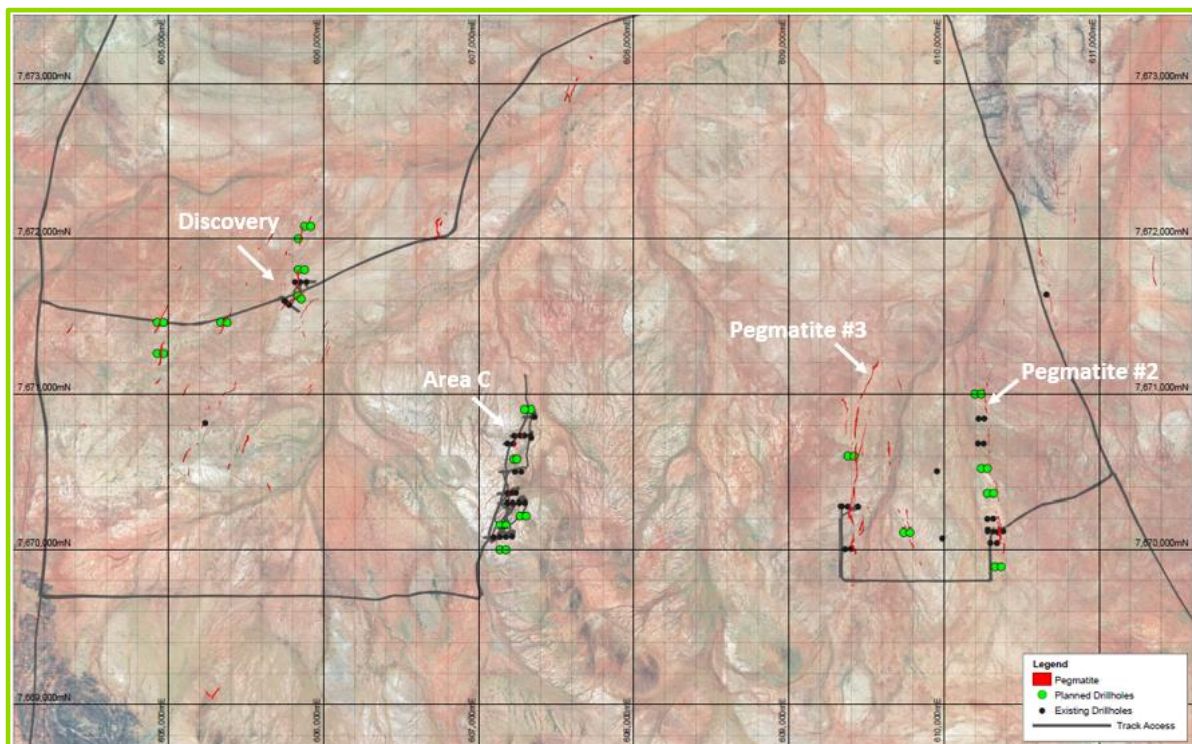


Figure 11: Mallina Lithium Project – Proposed Drilling Program

Tenement Updates

Morella has been granted two new tenements. One tenement E45/2778, which is south of Mt Edon and adjacent to Morella's tenements E59/2092 and E59/2055 and the second tenement E45/5904, which is located in the Tabba Tabba and Strelley region. Morella is also in a ballot for a tenement located to the south of Mallina.

Other Disclosure

As disclosed under item 6 in the Appendix 5B, the Company made payments to related parties being for a total consideration of \$124,000. This consideration relates to payments to a Company wholly owned by the Directors of Morella for interest payments against the loan facility used to support the deed of company arrangement and restructure of the Company as well as to the Directors' for normal monthly fees.

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

Contact for further information

Investors | Shareholders

James Brown

Managing Director

E: info@morellacorp.com

Media

Michael Weir

Citadel Magnus

M: 0402 347 032

Competent Persons Statement The information in this report that relates to Exploration Results for West Australian hard-rock projects is based on information compiled by Mr Chris Grove, who is a Member of the Australasian Institute of Mining and Metallurgy and is a Principal Geologist employed by Measured Group Pty Ltd. Mr Chris Grove has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Mineral Resources'. Mr Chris Grove consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results for Nevada brine projects is based on information compiled by Mr Duncan Storey, who is a Chartered Geologist with the Geological Society of London (an RPO defined by JORC 2012). Mr Storey is an independent consultant engaged by Morella Corporation and has sufficient experience with the exploration and development of mineralised brine deposits qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Storey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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

Schedule of Tenements

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

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

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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 2023

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	65	1,809
1.2	Payments for		
	(a) exploration & evaluation	(41)	(113)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(604)	(1,557)
	(e) administration and corporate costs	(357)	(1,162)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(64)	(199)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	132
1.8	Other (provide details if material)		
	• Sundry income	3	9
1.9	Net cash from / (used in) operating activities	(998)	(1,081)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(745)	(2,227)
	(e) investments	-	-
	(f) other non-current assets	-	(2)

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) tenements	-	-
	(c) property, plant and equipment	-	2
	(d) investments – Sale of shares on market	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Term deposit facility	-	-
2.6	Net cash from / (used in) investing activities	(745)	(2,227)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,550
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(413)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
	• Payments of lease liabilities	-	-
3.10	Net cash from / (used in) financing activities	-	8,137
4.	Net increase / (decrease) in cash and cash equivalents for the period	(1,743)	4,829
4.1	Cash and cash equivalents at beginning of period	10,926	4,262
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(998)	(1,081)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(745)	(2,227)

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
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	8,137
4.5	Effect of movement in exchange rates on cash held	(80)	12
4.6	Cash and cash equivalents at end of period	9,103	9,103

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	9,103	10,926
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)	9,103	10,926

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

64

-

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

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities ⁽ⁱ⁾	3,343	3,343
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	3,343	3,343

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)	(998)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(745)
8.3 Total relevant incoming / (outgoings) (item 8.1 + item 8.2)	(1,743)
8.4 Cash and cash equivalents at quarter end (item 4.6)	9,103
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	9,103
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	5.2

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.

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Compliance statement

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

Date: 27 April 2023

Authorised by: Morella Board of Directors

Notes

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