



Morella Corporation Limited

ABN 39 093 391 774

ANNUAL FINANCIAL REPORT

30 JUNE 2023

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CONTENTS

	PAGE
Corporate Directory.....	3
Directors' Report.....	4
Auditors' Independence Declaration.....	19
Consolidated Statement of Profit and Loss.....	20
Consolidated Statement of Other Comprehensive Income	21
Consolidated Balance Sheet.....	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Notes to the Financial Statements	25
Directors' Declaration.....	72
Independent Auditor's Report to the Members.....	73

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Morella Corporation Limited and Controlled Entities

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023

Corporate Directory

DIRECTORS

James Brown – Managing Director
Allan Buckler – Non-Executive Director
Dan O'Neill – Non-Executive Director
Beng Teik Kuan – Non-Executive Director

COMPANY SECRETARY

John Lewis

REGISTERED OFFICE

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Perth WA 6005

SHARE REGISTRY

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Perth WA 6000

AUSTRALIAN SECURITIES EXCHANGE

Code: 1MC

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Morella Corporation Limited and Controlled Entities



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

Your directors have pleasure in presenting the annual financial report of Morella Corporation Limited ("Morella" or "the Company") and its controlled entities ("the Group") for the financial year ended 30 June 2023.

DIRECTORS

The names of the directors in office during the financial year and up to the date of this report are as follows:

Mr James Brown
Mr Allan Buckler
Mr Dan O'Neill
Mr Beng Teik Kuan

COMPANY SECRETARY

The name of the secretary in office during the financial year and up to the date of this report is as follows:

Mr John Lewis

PRINCIPAL ACTIVITIES

The principal activity have been centered around the Groups exploration tenements and conducting exploration programs on these tenements.

OPERATING AND FINANCIAL REVIEW

Overview

Morella Corporation Limited ("1MC" or "the Company") is an ASX listed entity. During the year Morella focussed operational efforts on exploration and development activities across Morella's suite of lithium projects both in the Pilbara region of Western Australia, and Nevada in the USA.

Review of Operations

Corporate

During the year the Group raised \$7.5 million in cash, the proceeds were used to fund medium-term exploration and operational activities.

Project Development

Fish Lake Valley Lithium Project

During the first quarter of the Financial Year, Morella increased the Fish Lake Valley Lithium Project (FLV) area by roughly 60%, forming an undisrupted total claim area for the Project encompassing approximately 44.4 sq. km. The increased project footprint secures the entire Fish Lake Valley playa with a strike length of 11.5km, supporting the Company's focus on developing size and scale at the Project. In addition to exploration efforts, Morella also took its first steps to assess the suitability of brine material from Fish Lake Valley for a direct lithium extraction (DLE) processing flowsheet. A DLE study was commissioned to provide a preliminary economic assessment of lithium extraction with a proprietary technology solution from Recion Technologies ("Recion"). Recion has leveraged several years of DLE study work to establish a bench top processing system to test the FLV material and have presented staged development options for pilot scale and commercial scale.

During the second quarter Morella met the first-year expenditure requirement for the Fish Lake Valley Lithium Project ahead of schedule. Under the terms of the Earn-in Agreement, Morella was required to undertake exploration and development work to a total value of US\$200,000 by no later than 17 August 2022. Morella notified LTUM that the Company had met its first-year expenditure requirement with effect 13 July 2022. A second phase of magnetotelluric ("MT") surveys over the northern part of the Project area was undertaken, to complement the previous MT survey conducted in the southern portion of the Project completed between December 2021 and April 2022. The MT survey was completed along two east-west trending survey transects of the Project. The survey was undertaken to identify electrically conductive anomalies at depth, which are assessed as having potential to be caused by brine accumulations which may host lithium solution. The MT survey lines in relation to the Project along with a composite cross section of the four MT survey lines completed to date. Results from geophysical survey work in the northern section of the Project confirmed additional shallow and at depth target zones for future drilling programs. MT survey data was acquired by US-based Zonge

Morella Corporation Limited and Controlled Entities



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

International, Inc. ("Zonge") using the 'Zen' EMAP system, with 2D resistivity inversion modelling of the MT survey data using CGG Geotools, completed by Perth-based Resource Potentials in August 2022. 2D resistivity inversion modelling of the MT survey data produced a distinct, very high conductivity (<20 Ohmm) anomaly in the west, within a broader high conductivity (<4 Ohmm) anomaly zone, which may be caused by lithium bearing brines at 300m depth and near a vertical fault (it is also possible the high conductivities are in part, associated with increased clay content). The MT inversion modelling results also showed a shallow, very high conductivity (<1 Ohmm) layer is present from surface and extending to approximately 30m below surface, which may be caused by a shallow layer of lithium sediments with saline groundwater at or just beneath the ground surface.

During the third quarter Morella received the results from the direct lithium extraction (DLE) study conducted by Recion Technologies. The Recion test work on the FLV brine determined the following conclusions:

- 2 hours was sufficient timeframe to extract lithium from the provided brine sample with an extraction efficiency up to 95% using an absorption column configuration.
- Processing of the brine in the column results in a high lithium recovery and lithium can be concentrated by a factor of 7-9 up to ~400-500 ppm depending on recovery.
- Desorption can be completed in 1-2 hours; however, 2 hours is recommended to ensure full recovery of lithium from the sorbent.
- The absorption column configuration is a well-known modular configuration which has been used in water treatment for decades and can be scaled up using standard equipment.
- Preliminary economics have been determined and will be refined following the provision of more representative deeper reservoir samples from the upcoming drill program.

The DLE study will continue with Morella recently providing additional brine material to Recion. A primary objective of the next phase of testing is to generate enough concentrated lithium in solution to allow for continued processing at benchtop scale and production of lithium chemicals from the FLV brine.

The June Quarter has been spent analysing the data from the MT survey conducted in February 2023 in order to develop a targeted drilling program. Permitting is currently underway with most permits granted post the end of the financial year, Morella has also submitted a notice to the Bureau of Land Management (BLM) in Nevada for the drilling program in the northern project area. The northern drilling permit was granted in late June 2023. A notice will be submitted for the drilling in the southern project area in due course. Morella expects to commence drilling in the north of the FLV project area in the next quarter of 2023.

North Big Smoky Lithium Project

In August 2023, Morella completed negotiations for an Earn-In Agreement for a 60% interest in the North Big Smoky project (NBS). The earn-in agreement is with US-based Lithium Corporation to earn-in to the North Big Smoky Project in central-west Nevada, USA. Initially the project consisted of 178 claims covering approximately 3,400 acres (1,376 hectares) in a well-known, highly prospective lithium region (Carvers). Subsequently in March 2023 the Carvers Project was expanded by adding 210 contiguous claims to the existing area increasing the project area by approximately 15 sq kms. The second extension area known as Austin is 11 kms north of Carvers is 360 placer claims and covers 29sq km's.

Carvers project area

Morella commenced its exploration by undertaking a detailed soils program supervised by a Certified Professional Geologist. With prospective areas identified from the soils program a controlled source audio magnetotelluric (CSAMT) survey was completed in December 2022 and the analysis identified a deep conductivity anomaly that may be caused by an accumulation of brine, which may host Li in solution.

Morella then commissioned a more comprehensive Magnetotelluric (MT) and passive seismic horizontal-to-vertical spectral ratio (PS-HVSR) survey covering the wider Carvers Project area in order to map the extents of the conductivity anomaly identified from 2D inversion modelling of the CSAMT survey completed during January and February 2023.

Following completion of the MT survey data acquisition and quality assurance/quality control QA/QC completed by US-based KLM Geoscience LLC, Perth based Resource Potentials Pty Ltd completed 2D resistivity inversion modelling of the MT survey data acquired along the MT survey lines and gridded those data in 3D to generate a 3D block model, which was used to create 3D resistivity isosurfaces and model slices. The 2D MT resistivity inversion model cross sections from the February MT survey reinforce and expand upon the 2D resistivity inversion modelling results from the CSAMT survey completed during December 2022, where a very high MT conductivity anomaly is present within the central and west of the Carvers area, which is broadly co-located or above the PS-HVSR acoustic bedrock, and could be caused by an electrically conductive brine accumulation located approximately 1,000 m below ground level. The PS-HVSR depth calibration was completed using digital downhole log data from the nearby petroleum exploration well.

Morella Corporation Limited and Controlled Entities



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

In May 2023 a 375-auger-hole program was executed with the goal of gaining a better understanding the distribution of lithium in the soils across the western extension of the Carvers project area. Holes (up to 0.92m total depth) were completed. Mineralogical and geochemical samples were sent for assaying to Paragon Geochemical in Sparks, Nevada, a certified laboratory.

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

During April and May permits were submitted to the BLM and pre-clearance surveys were undertaken to enable drilling to commence. Cascade Drilling LP was selected as the preferred drilling company to carry out the four (4) hole sonic drilling program with drilling commencing in June 2023.

The next period of work planned for Carvers consists of a reflective seismic program to determine the subsurface structure and any faulting which will assist with designing the deep hole program, selecting drilling method based on the shallow hole results and reflective seismic work, then design and implement a deep hole program targeting the magnetotelluric anomalies. The next steps at Carvers are to consider 2D reflection seismic to further calibrate the PS-HVSR and MT results and identify key basin structures and layers to assist drill targeting, hydrogeological modelling and potential resource definition.

Austin project area

Morella commenced its exploration by undertaking a detailed soils program supervised by a Certified Professional Geologist. With prospective areas identified from the soils program a controlled source audio magnetotelluric (CSAMT) survey was completed in December 2022 and the analysis identified a deep conductivity anomaly that may be caused by an accumulation of brine, which may host Li in solution.

Following completion of the MT survey data acquisition and QA/QC, Resource Potentials Pty Ltd completed 2D resistivity inversion modelling of the MT survey data acquired along the MT survey lines and gridded those model data in 3D to generate a 3D block model, which was used to create 3D resistivity isosurfaces and model slices. The 2D MT resistivity inversion models generated from the MT data acquired at NBS-Austin shows a very high MT conductivity zone is present in the central-western Austin project area, which sits within or above the PS-HVSR acoustic bedrock and indicates that this high MT conductivity anomaly could be caused by an accumulation of brine located approximately 1,300 m below ground level. A deeper MT conductivity anomaly is located within the eastern part of the NBS-Austin Project area, which is likely caused by a deeper electrically conductive shale unit rather than a brine accumulation.

The MT and PS-HVSR surveys completed have expanded on previous work within the Carvers project area and have helped identify a new potential Li-brine target within the Austin project area. The 2D resistivity inversion model cross sections generated from the MT surveys completed at Carvers and Austin projects show a high MT conductivity anomaly, which may be caused by an accumulation of brine with potential to host Li in solution. In addition, recent soil sampling within the Austin project area shows a high concentration of Li, which may indicate a shallow clay-style deposit as a secondary target for Li exploration within the NBS project area.

The next steps at Austin are to consider 2D reflection seismic to further calibrate the PS-HVSR and MT results and identify key basin structures and layers to assist drill targeting, hydrogeological modelling and potential resource definition.

Western Australia Lithium Exploration

During the first quarter significant progress was made at the Mallina Lithium Project, in Western Australia's Pilbara region, with the completion of a targeted deep drilling program. The results identified fine grained spodumene quartz intergrowths within aplite intrusive intervals were observed in the drill core. RC chips and drill core were logged on site and samples were prepared for mineralogical studies and geochemical assay work being completed at an independent laboratory in Perth results are expected in the period.

During the third Quarter the Company announced the results of the Deep Ground Penetrating Radar (DGPR) work at the Mt Edon (E59/2092) and Mt Edon West (E59/2055) exploration tenements near Paynes Find, in the Mid-West region of Western Australia. The survey, conducted by Ultramag Geophysics Pty Ltd (Ultramag), in October and included 23-line km covering four (4) areas of known pegmatites. Results demonstrated that the DGPR was not only able to identify the known pegmatites but also pinpointed a significant number of additional pegmatites not previously mapped. The DPGR work has identified four (4) main target areas for further exploration. These targets are based on the density of pegmatite occurrences from the DGPR survey and the previously completed mapping work. The next stages of exploration at Mt Edon will be based around these identified target areas in preparation for testing via a planned drill program.

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Morella Corporation Limited and Controlled Entities



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

During the fourth Quarter, Morella commenced a RC drilling program at the Mallina Project in the Pilbara region of Western Australia. Topdrill Pty Ltd was awarded the contract following the completion of environmental, social and governance related workstreams in support of the program. The campaigns primary focus was to determine the extension of the previously identified high grade pegmatite intercepts which confirmed the presence of high-grade lithium oxide including an intercept in Hole M22_004_D of 16.4m @ 1.24% Li₂O from 4.6 metres. The completed drill program at Mallina resulted in 35 holes out of a planned 39 holes totalling 2,200 metres from a planned 2,800 metre program. The drilling comprised both extensional/development drilling based on previous drilling campaigns, all directed towards testing thickness, direction and dip of previously identified high grade pegmatite intercepts as well as the testing of several new targets defined by mapping and surface sampling. Morella's exploration team are reviewing all the results generated from this program with a view to future work including additional drilling to further develop the identified mineralisation, as well as additional geochemical and geophysical surface techniques.

Operating results

The Group's operating loss after providing for income tax and non-controlling interests for the year ended 30 June 2023 was \$2,909,333 (2022: loss \$682,994). The Group's operating loss after providing for income tax from continuing operations for the year ended 30 June 2023 was \$2,606,927 (2022: loss \$99,846). The loss in 2023 includes non-cash costs as follows:

- Depreciation and amortisation of \$60,012

and includes further financial costs as follows:

- Interest on funding facility of \$241,438
- Net foreign exchange gain of \$2,675,840

Excluding the above items, the Group loss after tax was due to the Groups ongoing exploration activities and corporate administration.

The Groups revenue from continuing operations for the year ended 30 June 2023 was \$479,730 (2022: \$788,937). The revenue in 2023 was derived from its exploration services.

Financial position

The Group cash and cash equivalents balance as at 30 June 2023 was \$7,927,083 (2022: \$4,253,365). The Group's cash flow from operating activities was negative \$1,928,941 (2022: \$2,958,237) predominantly due to costs of administration. The Group's cash flow from investing activities was negative \$2,594,104 (2022: positive \$1,276,491) predominantly due to the exploration expenditure on its tenements. The Group's net cash flow from financing activities provided was \$8,137,500 (2022: provided \$8,018,205) predominantly due the capital raised to meet the medium-term expenditure commitments.

The net assets of the Group increased by \$6,167,445 from \$5,374,502 to \$11,541,947 due predominantly to the investment in its exploration projects. For further information on the capitalised exploration expenditure please refer to Note 15.

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Morella Corporation Limited and Controlled Entities



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

Other Assets

Lithium Assets - Lithium Corporation

Morella acquired an interest in US-based, OTC listed Lithium Corporation in November 2012. Lithium Corporation is a junior exploration and mining company focused on creating shareholder value through the discovery and development of lithium and other energy related mineral resources. At the end of the reporting period Morella held 9.21% of the issued capital of Lithium Corporation.

Coal Assets -Tabalong Coal

The Tabalong Coal Project is a premium grade thermal coal deposit located in South Kalimantan, Indonesia. The project consists of five (5) Mining Licences (IUPs), with all five (5) IUPs granted for Operation Production. Morella holds 70% of three IUPs and 56% of the remaining two. The Company has previously stated its intention to divest its interests in Tabalong coal assets. It is pursuing a number of options for sale of the coal assets and information has been made available to a number of parties under confidentiality deed arrangements. The Board has considered the current climate and the ability to complete the sale of the project in the near term and determined it prudent to make an impairment to present a value of Nil in the financial statements whilst continuing to actively seek an appropriate sale counterparty.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the financial year the following events occurred:

On 1 September 2023 the Company issued 40,075,260 fully paid ordinary shares (Shares) in satisfaction of obligations under the two Earn-In Agreements the Company has with Lithium Corporation.

The shares were issued upon the Company achieving the First Year Anniversary Milestones for the North Big Smoky Earn-In (19,741,685 Shares) and the Second Anniversary Milestones for the Fish Lake Valley Earn-In (20,333,575 Shares) which were achieved on 17 July 2023 and 18 August 2023, respectively.

No other significant events have occurred since 30 June 2023, which would require disclosure in the financial report.

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Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group's objective is to create shareholder value through acquisition and development of lithium-based exploration tenements and other supplementary mining activities that deliver positive cash flows for the Group, and resultant value for shareholders.

Key Business Strategies

Morella's strategic focus comprises:

- Exploration and resource development across the suite of tenements and claims with which Morella has a right to lithium raw materials.
- Acquisition and exploration of additional tenements and project opportunities focussed on lithium and battery raw materials.
- Conducting its exploration operations sustainably and in consideration of the environment, health and safety, people and community relations.
- Divestment of the Tabalong coal project.

Future Prospects and Material Business Risks

The Company's future financial performance and financial outcomes are dependent upon a range of risk factors typically encountered by lithium exploration and mining companies. These include:

- Identify and successfully explore tenements suitable for resource development.
- Cost and access to funds for working capital, refinancing or project expansion purposes.
- Movements in the Australian Dollar / US Dollar exchange rate can impact on revenue and debt.

DIVIDENDS

There were no dividends paid or declared during the year ended 30 June 2023 (2022: Nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than this and matters outlined in the Review of Operations, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations or results of the Group in subsequent financial years.

ENVIRONMENTAL PERFORMANCE

The Group is committed to achieving a high standard of environmental performance and is subject to significant environmental regulation from both Commonwealth and State legislation in Australia to its mining, development and exploration activities. The Board of Directors is responsible for regular monitoring of environmental exposures and compliance with these environmental regulations. The Group complied with its environmental performance obligations during the year.

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Morella Corporation Limited and Controlled Entities



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

INFORMATION ON DIRECTORS

Mr James Brown (Managing Director)

Qualifications

Graduate Diploma in Mining from University of Ballarat

Experience

Mr Brown is an experienced mining company executive with over 40 years' experience in the mining industry in Australia, United States, Africa and Indonesia, including the last 14 years in the Managing Director role at Morella. Mr Brown has successfully sourced, developed and operated numerous key global projects with a focus on lithium and battery materials. He has an extensive global network which has delivered key projects to Morella such as Fish Lake Valley, Mallina and more recently North Big Smoky project. Aside from securing key projects Mr Brown led the successful re-establishment of Morella via delivery of capital from his established network of global institutions and high net worth investors.

Other current directorships in listed entities

Sayona Mining Limited
Greenwing Resources Limited

Former directorships in last 3 years

None

Special responsibilities

None

Interests in shares and options

144,633,245 ordinary shares in Morella Corporation Limited

Mr Allan Buckler (Non-Executive Director)

Qualifications

Certificates in Mine Surveying and Mining, First Class Mine Managers Certificate and a Mine Surveyor Certificate issued by the Queensland Government's Department of Mines.

Experience

Mr Buckler has over 45 years' experience in the mining industry and has taken lead roles in the establishment of several leading mining and port operations in both Australia and Indonesia. Mr Buckler was appointed a director in December 2008.

Other current directorships in listed entities

Sayona Mining Limited

Former directorships in last 3 years

None

Special responsibilities

Member of the Audit & Risk Committee
Member of the Remuneration & Nomination Committee

Interests in shares and options

784,533,512 ordinary shares in Morella Corporation Limited

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Morella Corporation Limited and Controlled Entities



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

Mr Dennis O'Neill (Independent Non-Executive Director)

Qualifications

Bachelor of Science in geology from the University of Western Australia

Experience

Mr O'Neill was appointed a director in December 2008. He has held positions with a number of Australian and multinational exploration companies and has managed exploration programs in a diverse range of environments and locations including Botswana, North America, Southeast Asia, North Africa and Australasia. During his 36 years' experience, he has held executive management positions with ASX listed companies and has worked on a range of commodities including diamonds, gold, base metals, coal, oil and gas.

Other current directorships in listed entities

None

Former directorships in last 3 years

Sayona Mining Limited

Special responsibilities

Chairman of the Remuneration & Nomination Committee

Member of the Audit & Risk Committee

Interests in shares

48,391,931 ordinary shares in Morella Corporation Limited

Mr Beng Teik Kuan (Independent Non-Executive Director)

Qualifications

Bachelor of Engineering (University of Malaya)

Experience

Mr Kuan is an engineer with considerable experience in bulk handling and terminal operations, including responsibility for the development and management of the Pulau Laut Coal Terminal in South Kalimantan, Indonesia. He also has experience in Indonesia, Malaysia and Singapore with tin dredging operations, managing rubber, palm oil and cocoa processing factories, and managing palm oil bulk terminals. He was appointed a director in November 2007.

Other current directorships in listed entities

None

Former directorships in last 3 years

None

Special responsibilities

Chairman of the Audit & Risk Committee

Member of the Remuneration & Nomination Committee

Interests in shares and options

57,085,854 ordinary shares in Morella Corporation Limited

COMPANY SECRETARY

Mr John Lewis - Mr Lewis has a Bachelor of Business Degree and is a Chartered Accountant with more than 30 years post qualification experience. Mr Lewis has extensive corporate governance and company reorganisation experience. Since 2007, Mr Lewis has worked predominantly in the resource development and mining sector in Australia and overseas as a Company Director, CFO and Company Secretary.

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Morella Corporation Limited and Controlled Entities



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for directors and other key management personnel. It does not detail information on the remuneration of key management post this date.

Remuneration Policy and link to performance

The Company's policy is to remunerate fairly and in line with companies of similar size, operations and in the same industry. Individual remuneration decisions are made by the Remuneration & Nomination Committee taking into account the following factors:

- The responsibility of the role;
- Experience of the employee;
- Past performance and future expectations; and
- Industry conditions and trends.

In order to retain and attract key management personnel of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Remuneration & Nomination Committee may seek the advice of external advisors in connection with the structure of remuneration packages.

Remuneration packages may contain the following key elements:

- a) Primary benefits - salary/fees, bonuses and non-monetary benefits;
- b) Post-employment benefits - including superannuation and prescribed retirement benefits; and
- c) Equity - performance rights granted under the Long-Term Incentive Plan as disclosed in Note 23 to the financial statements.

None of the Company's personnel remuneration packages are linked directly to the Company's profitability or other measure of performance. The Company maintains a Long-term Incentive Plan under which employees may be granted performance rights and share options which vest subject to service conditions being met. Directors may also be allocated performance rights and/or options as an incentive. During the 2023 year, no executive directors were issued with shares on the vesting of previously issued performance rights.

Performance-based remuneration

The Company currently has performance-based remuneration in place as disclosed in Note 23.

Group performance, shareholder wealth and director and executive remuneration

The Group has recorded the following earnings from continuing operations over the last five years:

	2023	2022	2021	2020	2019
Revenue and sundry income	2,023,841	1,529,313	142,203	107,023,428	39,571,130
EBITDA *	(2,252,293)	219,080	(13,088,123)	(16,047,598)	(3,967,691)
NPBT *	(2,660,108)	(99,846)	(13,232,440)	(89,615,963)	(26,283,568)
NPAT *	(2,606,927)	(99,846)	(13,232,440)	(89,637,031)	(26,571,019)
Dividends paid	-	-	-	-	-

* Definitions: EBITDA = Earnings before interest, tax, depreciation, and amortisation
NPBT = Net profit before tax
NPAT = Net profit after tax & minority interest

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Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

REMUNERATION REPORT (Audited) (continued)

Key Management Personnel Remuneration Policy

The Remuneration & Nomination Committee reviews the remuneration packages of all directors and key management personnel on an annual basis. Remuneration packages are reviewed and determined with due regard to relevant market conditions and individual's experience and qualification and are benchmarked against comparable industry salaries.

Payment of bonuses and share based compensation benefits is discretionary.

Employment Contracts of Key Management Personnel

Contracts of employment are given to key management personnel at time of employment. Details are as follows:

James Brown, Managing Director - the agreement is of no fixed term and allows for payment of a monthly cash salary in US dollars, reviewed each year, plus allowances. Three months' notice of termination by either party is required, with a separation allowance equivalent to one year's salary and entitlements to be paid if employment is terminated by the Company.

Alex Cheeseman, Chief Executive Officer the agreement is of no fixed term and allows for payment of an annual cash salary, reviewed each year, and superannuation. Six months' notice of termination by either party is required, with a separation allowance equivalent to six month's gross salary to be paid if employment was terminated by the Company. Mr Cheeseman resigned 7 October 2022.

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Morella Corporation Limited and Controlled Entities



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

REMUNERATION REPORT (Audited) (continued)

Key Management Personnel Remuneration

Name	Short-term benefits				Post employment		Share based payments	Total	Share based payments as a percentage of total
	Cash salary and fees	Cash bonus	Bonus Shares	Non-monetary benefits	Super-Annuation	Termination payments	EIP and Performance rights \$		
	\$	\$	\$	\$	\$	\$	\$	\$	%
2023									
<i>Non-executive directors</i>									
A Buckler	72,000	-	-	-	-	-	328,241	400,241	82.01%
D O'Neill	72,000	-	-	-	7,560	-	328,241	407,801	80.49%
B Kuan	72,000	-	-	-	7,560	-	328,241	407,801	80.49%
Sub total non-executive directors	216,000	-	-	-	15,120	-	984,723	1,215,843	
<i>Executive directors</i>									
J Brown	631,146	-	-	35,660	-	-	1,367,671	2,034,477	67.22%
<i>Other key management personnel</i>									
A Cheeseman *	103,777	-	-	-	7,669	-	946,109	1,057,555	89.46%
Total for key management personnel compensation	734,923	-	-	35,660	7,669	-	2,313,780	3,092,032	
Total compensation	950,923	-	-	35,660	22,789	-	3,298,503	4,307,875	
2022									
<i>Non-executive directors</i>									
A Buckler	72,000	-	-	-	-	-	-	72,000	-
D O'Neill	72,000	-	-	-	7,200	-	-	79,200	-
B Kuan	72,000	-	-	-	7,200	-	-	79,200	-
Sub total non-executive directors	216,000	-	-	-	14,400	-	-	230,400	
<i>Executive directors</i>									
J Brown	357,558	-	-	-	-	-	-	357,558	-
<i>Other key management personnel</i>									
A Cheeseman *	270,000	-	-	-	27,000	-	56,000	353,000	15.9%
Total for key management personnel compensation	627,558	-	-	-	27,000	-	56,000	710,558	
Total compensation	843,558	-	-	-	41,400	-	56,000	940,958	

* Mr A Cheeseman has resigned effective 7 October 2022

No long service leave payments were made during the year (2022: nil)

Morella Corporation Limited and Controlled Entities



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

REMUNERATION REPORT (Audited) (continued)

a) Performance Rights

Number of performance rights held by key management personnel

The number of performance rights in the Company held during the financial year by each director of Morella Corporation Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2023	Balance at the start of the year	Granted as compensation	Shares issued/ rights lapsed	Balance at the end of the year	Vesting
J Brown	-	85,479,454	(85,479,454)	-	-
A Buckler	-	20,515,068	(20,515,068)	-	-
D O'Neill	-	20,515,068	(20,515,068)	-	-
B Kuan	-	20,515,068	(20,515,068)	-	-
A Cheeseman *	-	59,131,800	(59,131,800)	-	-

2022	Balance at the start of the year	Granted as compensation	Shares issued/ rights lapsed	Balance at the end of the year	Vesting
J Brown	-	-	-	-	-
A Buckler	-	-	-	-	-
D O'Neill	-	-	-	-	-
B Kuan	-	-	-	-	-
A Cheeseman *	-	-	-	-	-

* Mr A Cheeseman has resigned effective 7 October 2022.

b) Share holdings

Number of shares held by key management personnel

The number of shares in the Company held during the financial year by each director of Morella Corporation Limited and other key management personnel (KMP) of the Group, including their personally related parties, are set out below.

	Balance at start of the year	Purchased / (sold)	Vesting of performance rights	Placement & Securities Purchase Plan	Other	Balance at the end of the year
2023						
J Brown	59,153,791	-	85,479,454	-	-	144,633,245
A Buckler	807,533,512	43,515,068	20,515,068	-	-	784,533,512
D O'Neill	27,876,863	1,043,141	20,515,068	-	-	49,435,072
B Kuan	36,570,786	-	20,515,068	-	-	57,085,854
A Cheeseman *	3,599,931	-	59,131,800	-	8,349,931	54,381,800

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Morella Corporation Limited and Controlled Entities



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

REMUNERATION REPORT (Audited) (continued)

b) Share holdings (continued)

	Balance at start of the year	Purchased / (sold)	Vesting of performance rights	Placement & Securities Purchase Plan	Other	Balance at the end of the year
2022						
J Brown	31,788,301	-	-	27,365,490	-	59,153,791
A Buckler	459,738,506	-	-	352,110,391	(4,315,385)	807,533,512
D O'Neill	13,633,336	-	-	14,243,527	-	27,876,863
B Kuan	26,600,000	-	-	9,970,786	-	36,570,786
A Cheeseman *	100,000	(500,000)	-	3,999,931	-	3,599,931

* Mr A Cheeseman has resigned effective 7 October 2022.

c) Option holdings

Number of listed options held by key management personnel

The number of listed options in the Company held during the financial year by each director of Morella Corporation Limited and other key management personnel (KMP) of the Group, including their personally related parties, are set out below.

	Balance at start of the year	Purchased / (sold)	Placement & Securities Purchase Plan	Other	Balance at the end of the year
2023					
J Brown	-	-	-	-	-
A Buckler	-	-	-	-	-
D O'Neill	-	-	-	-	-
B Kuan	-	-	-	-	-
A Cheeseman *	-	-	-	-	-
2022					
J Brown	385,000	-	-	(385,000)	-
A Buckler	58,466,808	-	-	(58,466,808)	-
D O'Neill	-	-	-	-	-
B Kuan	1,000,000	-	-	(1,000,000)	-
A Cheeseman *	-	-	-	-	-

* Mr A Cheeseman has resigned effective 7 October 2022

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Morella Corporation Limited and Controlled Entities



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

REMUNERATION REPORT (Audited) (continued)

Performance Rights

In 2021 the Company established a new Long-Term Incentive Plan (LTIP) to assist in the reward and retention of directors and employees. There were no performance rights on issue as at 30 June 2023.

A total of 258,266,458 performance rights were granted in August 2022 to key management personnel and other senior staff. For each recipient, the performance rights comprised the following vesting conditions: Exercised by 31 December 2023

The rights awarded were granted for no consideration. No amount is payable on the vesting of the rights. The rights will vest and automatically convert to ordinary shares in the Company following the satisfaction of the performance and service conditions.

Loan from Directors

The company has a total balance of loans from various directors totalling \$3,376,860 (2022: \$3,313,550) as at reporting date. Details relating to these loans are in Note 17 to the financial report.

End of remuneration report.

MEETINGS OF DIRECTORS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year there were 3 Directors' meetings, 2 Audit & Risk Committee meetings and no Remuneration & Nomination Committee meetings held.

	Directors' Meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
J Brown	3	3	2	2	-	-
A Buckler	3	3	2	2	-	-
D O'Neill	3	3	2	2	-	-
B Kuan	3	3	2	2	-	-

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into Deeds of Indemnity with all of its directors in accordance with the Company's Constitution. During the financial year the Company paid a premium to insure the directors, officers and managers of the Company and its controlled entities. The insurance contract requires that the amount of the premium paid is kept confidential.

OPTIONS

LDA Options

74,400,000 unlisted options over ordinary shares of Morella Corporation Limited lapsed on 1 May 2023.

Canaccord Options

150,000,000 unlisted options over ordinary shares of Morella Corporation Limited were exercised during December 2022. These unlisted options were issued to Canaccord Genuity (Australia) Limited on 25 January 2022. The options have an expiry of 3 years from the date of issue and are exercisable in the following manner.

- 50,000,000 with an exercise price of price of \$0.006 cents per option.
- 50,000,000 with an exercise price of price of \$0.007 cents per option.
- 50,000,000 with an exercise price of price of \$0.008 cents per option.

At 30 June 2023, there were no unlisted options over ordinary shares of Morella Corporation Limited outstanding.

WARRANTS

As at 30 June 2023, no warrants were outstanding.

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Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

NON-AUDIT SERVICES

The Company's auditor PKF Perth, did not provide any non-audit services to the Company during the year ended 30 June 2023.

Details of the amounts paid or payable to the auditor for services provided during the financial year by the auditor are outlined in Note 30 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 30 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and reward.

ROUNDING OF AMOUNTS

The company is of a kind referred in Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest dollar, unless otherwise stated.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2023 has been received and is included on page 73 of the annual report.

Signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors,



James Brown
Director
Perth, 11 September 2023

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AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF MORELLA CORPORATION LIMITED

In relation to our audit of the financial report of Morella Corporation Limited for the year ended 30 June 2023, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF PERTH



ALEXANDRA CARVALHO
PARTNER

11 SEPTEMBER 2023
WEST PERTH,
WESTERN AUSTRALIA

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Morella Corporation Limited and Controlled Entities



Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
Continuing operations			
Revenue	5(a)	479,730	788,937
Cost of sales	5(c)	(409,657)	(496,886)
Gross profit / (loss)		70,073	292,051
Other income			
Sundry income	5(b)	1,544,111	740,376
Expenses			
Administration costs		(775,577)	(4,444,414)
Employee benefits expense	5(f)	(5,786,708)	(1,632,335)
Exploration expenditure written off		(92,356)	(46,281)
Other expenses	5(d)	(54,053)	(30,208)
Profit / (loss) before foreign exchange and finance costs		(5,094,511)	(5,120,810)
Net foreign exchange gain/(loss)	5(e)	2,675,840	5,295,823
Profit / (loss) before finance costs		(2,418,672)	175,013
Finance costs			
Interest on funding facility		(241,438)	(274,859)
Profit / (loss) before income tax		(2,660,110)	(99,846)
Income tax (expense) / benefit	7(a)	53,183	-
Profit / (loss) after income tax from continuing operations		(2,606,927)	(99,846)
Discontinued operations			
Loss from discontinued operations after tax	3	(302,406)	(583,148)
Net profit / (loss) for the year		(2,909,333)	(682,994)
Profit / (loss) attributable to:			
Owners of Morella Corporation Limited – Continuing Operations		(2,671,077)	(97,886)
Owners of Morella Corporation Limited – Discontinued Operations		(302,406)	(583,148)
Non-controlling interest		(64,150)	(1,980)
		(2,909,333)	(682,994)
(Loss) per share from continuing and discontinued operations attributable to the ordinary equity holders of the Company:			
Basic and diluted (loss) per share from continuing and discontinued operations	6	(0.05)	(0.02)
Basic and diluted (loss) per share from continuing operations	6	(0.04)	(0.00)
Basic and diluted (loss) per share from discontinued operations	6	(0.01)	(0.02)

The above Consolidated Statement of Profit and Loss should be read in conjunction with the accompanying Notes.



Morella Corporation Limited and Controlled Entities

Consolidated Statement of Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
Profit / (loss) for the year		(2,909,333)	(682,994)
Other comprehensive income / (loss) for the year			
Items that may be reclassified to profit and loss			
Changes in the fair value of financial assets	12	(1,393,360)	(2,354,653)
Exchange differences on translation of foreign controlled entities		(2,115,126)	(4,601,015)
Other comprehensive income / (loss) for the year, net of tax		(3,508,486)	(6,955,668)
Total comprehensive income / (loss) for the year		(6,417,819)	(7,638,662)
Total comprehensive income / (loss) attributable to:			
Members of the parent entity		(6,506,256)	(7,667,442)
Non-controlling interest		88,437	28,780
		(6,417,819)	(7,638,662)
Total comprehensive income / (loss) attributable to members of the parent entity arises from:			
Continuing operations		(6,040,636)	(6,829,485)
Discontinued operations		(377,183)	(809,177)
		(6,417,819)	(7,638,662)

The above Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying Notes.

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Morella Corporation Limited and Controlled Entities



Consolidated Balance Sheet

AS AT 30 JUNE 2023

	Note	2023 \$	2022 \$
Current assets			
Cash and cash equivalents	8	7,927,083	4,253,365
Trade and other receivables	9	253,681	251,613
Held to maturity investments	10	29,345	29,295
Current tax prepaid		85,419	74,816
Other current assets	11	215,258	86,490
Derivative financial instruments	13	443,201	329,789
Financial assets	12	1,506,648	2,900,008
Total current assets		10,460,635	7,925,379
Non-current assets			
Property, plant, equipment and mine properties	14	72,239	36,519
Exploration and evaluation	15	6,284,940	2,192,888
Right-of-use assets	20	9,919	37,196
Total non-current assets		6,367,098	2,266,603
Total assets		16,827,733	10,191,982
Current liabilities			
Trade and other payables	16	1,145,036	747,947
Borrowings	17	-	3,313,550
Short term provisions	18	752,115	716,587
Lease liabilities	20	11,775	27,621
Liabilities classified as held for sale	3c	-	-
Total current liabilities		1,908,926	4,805,705
Non-current liabilities			
Borrowings	17	3,376,860	-
Lease liabilities	20	-	11,775
Total non-current liabilities		3,376,860	11,775
Total liabilities		5,285,786	4,817,480
Net assets		11,541,947	5,374,502
Equity			
Contributed equity	21	315,721,410	302,776,147
Reserves	21	(5,945,578)	(451,487)
Accumulated losses		(298,597,046)	(297,224,882)
Capital and reserves attributable to owners of Morella Corporation Limited		11,178,786	5,099,778
Non-controlling interest		363,161	274,724
Total equity		11,541,947	5,374,502

The above Consolidated Balance Sheet should be read in conjunction with the accompanying Notes.

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Morella Corporation Limited and Controlled Entities



Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2023

	Contributed equity	Accumulated losses	Option & performance rights reserve	Change in fair value - market valuation	Foreign currency translation reserve	Non-controlling interests	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at 30 June 2021	290,860,299	(296,543,867)	1,601,318	5,161,501	(587,879)	245,944	737,316
Net Loss	-	(681,014)	-	-	-	(1,980)	(682,994)
Other Comprehensive income Fair Value	-	-	-	(2,354,653)	-	-	(2,354,653)
Other Comprehensive income Foreign Exchange	-	-	-	-	(4,631,774)	30,760	(4,601,015)
Total comprehensive income for the year	-	(681,014)	-	(2,354,653)	(4,631,774)	28,780	(7,638,662)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	8,598,963	-	-	-	-	-	8,598,963
Share based payments transactions – Security Shares	2,000,000	-	-	-	-	-	2,000,000
Employee share schemes – value of employee services	56,000	-	-	-	-	-	56,000
Option based payments transactions	-	-	360,000	-	-	-	360,000
Share based payments transactions	1,260,885	-	-	-	-	-	1,260,885
Sub-total	11,915,848	-	360,000	-	-	-	12,275,848
Balance as at 30 June 2022	302,776,147	(297,224,882)	1,961,318	2,806,848	(5,219,653)	274,724	5,374,502
Balance as at 30 June 2022	302,776,147	(297,224,882)	1,961,318	2,806,848	(5,219,653)	274,724	5,374,502
Net Loss	-	(2,973,483)	-	-	-	64,150	(2,909,333)
Other Comprehensive income Fair Value	-	-	-	(1,393,360)	-	-	(1,393,360)
Other Comprehensive income Foreign Exchange	-	-	-	-	(2,139,413)	24,287	(2,115,126)
Total comprehensive income for the year	-	(2,973,483)	-	(1,393,360)	(2,139,413)	88,437	(6,417,818)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	7,121,000	-	-	-	-	-	7,121,000
Employee share schemes – value of employee services	4,132,263	-	-	-	-	-	4,132,263
Listed options lapsed	-	1,601,318	(1,601,318)	-	-	-	-
Option exercised	1,410,000	-	(360,000)	-	-	-	1,050,000
Share based payments transactions	282,000	-	-	-	-	-	282,000
Sub-total	12,945,263	1,601,318	(1,961,318)	-	-	-	12,585,263
Balance as at 30 June 2023	315,721,410	(298,597,046)	-	1,413,488	(7,359,066)	363,161	11,541,947

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

Morella Corporation Limited and Controlled Entities



Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		1,976,447	1,539,163
Payments to suppliers and employees		(3,660,920)	(4,241,907)
Sundry income		10,554	6,549
Interest received		-	-
Interest paid		(288,811)	(262,042)
Proceeds from Government		132,000	-
Net cash provided by / (used in) in operating activities	29(b)	<u>(1,830,730)</u>	<u>(2,958,237)</u>
Cash flows from investing activities			
Expenditure on exploration and evaluation activities		(2,594,687)	(1,741,827)
Purchase of property, plant, equipment and mine properties		(67,090)	(29,561)
Purchase of held to maturity investments		-	(29,295)
Proceeds from available for sale investments		-	437,380
Proceeds from sale of property, plant and equipment		2,393	86,812
Net cash (used in) / provided by investing activities		<u>(2,659,384)</u>	<u>(1,276,491)</u>
Cash flows from financing activities			
Proceeds from the issue of shares		8,550,000	8,524,747
Transaction costs on issue of shares		(412,500)	-
Proceeds from borrowings	28/29(c)	-	200,000
Repayment of borrowings	28/29 (c)	-	(700,000)
Payment of lease liabilities		(32,931)	(6,542)
Net cash provided by / (used in) financing activities		<u>8,104,569</u>	<u>8,018,205</u>
Net increase / (decrease) in cash and cash equivalents held		3,614,455	3,783,477
Cash and cash equivalents at the beginning of year	29(a)	4,262,328	380,845
Effect of exchange rate changes on cash holdings in foreign currencies		59,677	98,006
Cash and cash equivalents at the end of year	29(a)	<u><u>7,936,460</u></u>	<u><u>4,262,328</u></u>
Non-cash investing and financing activities			
Share based payments	24	(4,414,263)	(3,676,885)

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

This financial report includes the consolidated financial statements and notes of Morella Corporation Limited (the Company) and controlled entities ('Consolidated Group' or 'Group'). Morella Corporation Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The separate financial statements of the parent entity, Morella Corporation Limited, have not been presented within this financial report as permitted by amendments made to the *Corporations Act 2001*.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements were authorised for issue on 11 September 2023 by the directors of the Company.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The following is a summary of the material accounting policies adopted by the Consolidated Group in the preparation of the financial report. The financial report has been prepared on an accrual's basis. The accounting policies have been consistently applied, unless otherwise stated.

i) Going concern principle of accounting

The Directors believe it is appropriate to prepare the consolidated financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred a loss of \$2,909,333 (2022: \$682,994), had cash outflows from operating activities of \$1,830,730 (2022: \$2,958,237), concluded the year with cash and cash equivalents of \$7,927,083 (2022: \$4,253,365) and loans outstanding at year-end of \$ 3,376,860 (2022: \$3,313,550).

The Group has raised capital of \$8,550,000 during the current period. The Directors believe that the Group has sufficient cash and will be able to meet its requirements to continue as a going concern.

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) **New accounting standards for application in the current period**

New Accounting Standards and Interpretations not yet mandatory or early adopted Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

iii) **Historical cost convention**

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

iv) **Critical accounting estimates**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas including a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(m).

b) **Carrying value of exploration and evaluation expenditure**

The Group has capitalised exploration and evaluation expenditure of \$6,284,940 as at 30 June 2023 (2022: \$2,192,888). This amount includes additions of \$4,184,443 for administration and exploration costs and tenement costs written off of \$92,356 (2022: \$46,281) for the lithium project areas during the year. Exploration and evaluation expenditure is capitalised until the Company has completed its assessment of the existence or otherwise of recoverable resources. The ultimate recovery of the carrying value of exploration expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interest in the tenements.

Until exploration and evaluation activities have reached a stage where the assessment is complete, including the forecasting of cash flows to assess the fair value of the expenditure, there is an uncertainty as to the carrying value of the expenditure.

The Directors are of the opinion that the exploration expenditure is recoverable for the amount stated in the financial report.

c) **Principles of consolidation**

i) **Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Morella Corporation Limited ('Company' or 'Parent Entity') as at 30 June 2023 and the results of the subsidiaries for the year then ended. Morella Corporation Limited and its subsidiaries together are referred to in this financial report as the Group or Consolidated Entity.

The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A list of controlled entities is contained in Note 25 to the financial statements. All Australian controlled entities have a June financial year-end and all other controlled entities have a December financial year end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Group.

Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Non-controlling interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the equity section of the Consolidated Balance Sheet and in the Consolidated Statement of Profit and Loss. Losses applicable to the non-controlling interest in a consolidated subsidiary are allocated against the controlling interest except to the extent that the non-controlling interest has a binding obligation and is able to make additional investment to cover the losses. If in future years the subsidiary reports profits, such profits are allocated to the controlling interest until the non-controlling interest's share of losses previously absorbed by the controlling interest have been recovered.

The acquisition method of accounting is used to account for business combinations by the Group.

ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investments in associates includes goodwill identified on acquisition.

The Group's share of its associates post-acquisition profit or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of Morella Corporation Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Income tax

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates (and laws) that have been enacted, or substantially enacted by the end of the reporting period and are expected to apply to the period when the asset is realised, or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and unused tax losses can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Morella Corporation Limited and some of its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the Group recognises its own current and deferred tax amounts, except for any deferred tax liabilities (or assets) resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each Group entity is then subsequently assumed by the parent entity. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2005. The tax consolidated group has entered a tax sharing agreement under which the wholly-owned entities fully compensate Morella Corporation Limited for any current tax payable assumed and are compensated by Morella Corporation Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Morella Corporation Limited under the tax consolidated legislation.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements within the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors.

f) Property, plant, equipment and mine properties

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are measured on the cost basis.

The carrying amount of land and buildings is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Plant and equipment

Plant and equipment are measured on the cost basis. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets.

Mine Properties

Mine properties consist of two categories being mine properties in production and mine development.

Mine development expenditure relates to costs incurred to access a mineral resource. It represents those costs incurred after the technical and commercial viability of extracting the mineral resource has been demonstrated and an identified mineral reserve is being prepared for production (but is not yet in production). Development expenditure is capitalised as either a tangible or intangible asset depending on the nature of the costs incurred. Capitalisation of development expenditure ceases once the mining property is capable of commercial production, at which point it is transferred into the relevant category of property, plant, equipment and mine properties depending on the nature of the asset and depreciated over the useful life of the asset. Development expenditure includes the direct costs of construction, pre-production costs, borrowing costs incurred during the construction phase, reclassified exploration and evaluation assets (acquisition costs) and subsequent development expenditure on the reclassified areas of interest. These costs are not amortised, the carrying value is assessed for impairment whenever the facts and circumstances suggest that the carrying amount of the asset may exceed the recoverable amount.

Mine properties in production includes all development expenditure incurred once a mine property is in commercial production and is immediately expensed to the Statement of Profit and Loss except where it is probable that future economic benefits will flow to the Group, in which case it is capitalised as mine properties in production. Amortisation is provided on a unit of production basis which results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable mineral reserves). A regular review is undertaken to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. An impairment exists when the carrying value of mine properties exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount and the impairment losses are recognised in profit or loss. These assets include all operating mine related assets that are not included under land, buildings and plant and equipment.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Property, plant, equipment and mine properties

Depreciation

The depreciable amount of all property plant and equipment assets excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Assets classified as mine properties in production are depreciated using the units of production method for the life of the mine. Leased assets are depreciated over the asset's useful life or over the shorter of the assets useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and equipment	10% - 50%
Leased plant and equipment	25%
Mine properties	units of production

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

g) Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each separately identifiable area of interest. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through the successful development and commercial exploitation of the area, or alternatively sale of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Exploration and evaluation expenditure assets acquired in a business combination are recognised at their fair value at the acquisition date.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, the exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining development.

Accumulated costs in relation to an abandoned area are written off in full against the result in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Leases

The Group lease various offices and a warehouse. Rental contracts are typically made for fixed terms but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentive received from the lessor) were charged to the profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments.

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate.
- Amounts expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessees would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs, and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised immediately in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units, "CGUs"). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

j) Financial assets Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets and amortised over the life of the asset, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

l) Employee benefits

i) Wages and salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and accumulating sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on wage and salary rates that the Group expects to pay as at reporting date including related on costs, such as superannuation, workers compensation, insurance and payroll tax and are included in trade and other payables. Non-accumulating, non-monetary benefits such as housing and cars are expensed by the Group as the benefits are used by the employee.

Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee salary and wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

ii) Long service leave

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service to the reporting date. The obligation is calculated using expected future increases in wages and salary rates including related on costs and expected settlement dates and is discounted using an appropriate discount rate.

The current liability for long service leave represents all unconditional obligations where employees have fulfilled the required criteria and also those where employees are entitled to a pro rata payment in certain circumstances and is included in the current provisions. The non-current provision for long service leave includes the remaining long service leave obligations.

iii) Superannuation

Contributions made by the Group to defined contribution superannuation funds are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**iv) Equity-settled compensation**

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

m) Significant accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The resulting accounting estimates, will, by definition, seldom equal the related actual results. Management has identified the following significant accounting policies for which significant judgements, estimates and assumptions are made.

i) Significant accounting estimates and assumptions*Critical accounting estimates and judgements*

Following is a summary of the key assumptions concerning the future, and other key sources of estimation and accounting judgements at reporting date that have not be disclosed elsewhere in these financial statements.

a. Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely in that area of interest, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If after expenditure is capitalised information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the Consolidated Statement of Profit and Loss in the period when the new information becomes available.

b. Impairment of non-financial assets

The Group assesses at each reporting date, whether there are indications that an asset may be impaired. If impairment indicators or triggers exist, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash generating unit's (CGU's) fair value less costs of disposal and its value in use. It is not always necessary to determine both an asset's fair value less costs to sell and its value in use. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired, and it is not necessary to estimate the other amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Significant accounting estimates and judgements (continued)

c. Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and unused tax losses can be utilised.

d. Share-based payment transactions

From time to time the Company has issued options to directors and employees. The Company measures fair value of share-based payments using the Black-Scholes Pricing Model, using the assumptions detailed in Note 22. This formula takes into account the terms and conditions under which the instruments were granted.

e. Coronavirus (COVID-19)

Judgement has been exercised in considering the impacts of the COVID-19 has had or may have on the consolidated entity based on known information. This consideration extends to the nature of product sold, customers, supply chains, staffing and geographical regions in which the consolidated entity operates. COVID-19 has impacted in the financial statements mainly in the ability to progress and complete the sale of the Tabalong Group.

f. Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

g. Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) **Non-current assets (or disposal groups) held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

o) **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

p) **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Revenue

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

The following is a summary of the revenue recognition for each revenue stream:

- (a) Mining services revenue – revenue from mining services provided by the Group is recognised at a point in time upon delivery of the service to the customer, in accordance with the terms of the contract to provide services.
- (b) Royalty revenue – revenue from royalties are recognised at a point in time when entitlement to a royalty is established in accordance with the terms of the agreement.

r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant taxation authorities. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Foreign operations

The financial performance and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at balance sheet date; and
- income and expenses are translated at monthly average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve as a separate component of equity. These differences are recognised in the income statement upon disposal of the foreign operation.

t) Foreign currency transactions and balances

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

u) Goodwill and intangibles

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised; it is tested for impairment at each reporting date or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

w) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

y) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

z) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

bb) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

cc) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Morella Corporation Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

dd) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

2. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, loans, finance leases, financial asset at fair value through other comprehensive income, cash and short-term deposits. These activities expose the Group to a variety of financial risks: market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group manages these risks in accordance with the Group's financial risk management policy. The Group uses different methods and assumptions to measure and manage different types of risks to which it is exposed at each balance date.

The Board reviews and approves policies for managing each of the Group's financial risk areas. The Group holds the following financial instruments:

	2023	2022
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	7,927,083	4,253,365
Trade and other receivables	253,681	251,613
Held to maturity investments	29,345	29,295
Derivative financial instruments	443,201	329,789
Other financial assets	1,506,648	2,900,008
	<u>10,159,958</u>	<u>7,764,070</u>
FINANCIAL LIABILITIES		
Trade and other payables (Note 17)	1,145,036	747,947
Lease liabilities	11,775	39,396
Borrowings	3,376,860	3,313,550
	<u>4,533,671</u>	<u>4,100,893</u>

a) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, securities prices and coal prices will affect the Group's income or the value of its holdings of financial investments.

i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in respect to the US dollar. The Group has a number of US dollar denominated bank accounts. Liabilities for some loans are denominated in currencies other than the Australian dollar and a weakening of the Australian dollar against other currencies has an adverse impact on earnings and cash flow settlement.

The Group's overseas subsidiaries have a US dollar functional currency. This exposes the Group to foreign exchange fluctuations upon conversion to AUD which is reflected within the foreign currency translation reserve.

At 30 June 2023, the Group held funds in foreign currency amounting to US\$933,187 (2022: US\$369,072).

The Group does not currently enter into any hedging arrangements.

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

2. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk sensitivity analysis

At 30 June 2023, the effect on profit and equity as a result of changes in the value of the Australian dollar to the US dollar that management considers to be reasonably possible, with all other variables remaining constant is as follows:

	2023	2022
	\$	\$
Change in profit		
— Improvement in AUD to USD by 11%	74,534	104,744
— Decline in AUD to USD by 11%	(74,534)	(104,744)
Change in equity		
— Improvement in AUD to USD by 11%	74,534	104,744
— Decline in AUD to USD by 11%	(74,534)	(104,744)

ii) Price risk

The Group is exposed to equity securities price risk. The Group currently does not have any hedges in place against the movements in the spot price.

The Group's equity investments of \$1,506,648 (2022: \$2,900,008) are publicly traded on the United States of America OTCBB and are not quoted on any market Index. The table below summarises the impact of increases/decreases in the value on the Group's equity investments as at balance date. The analysis is based on the assumption that the equity pricing had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

	2023	2022
	\$	\$
Change in profit		
— Increase in equity value by 10%	-	-
— Decrease in equity value by 10%	-	-
Change in equity		
— Increase in equity value by 10%	150,665	290,001
— Decrease in equity value by 10%	(150,665)	(290,001)

iii) Interest rate risk

At balance date the Group's debt was held at a fixed rate. For further details on interest rate risk refer to Note 17.

Interest rate sensitivity analysis

At 30 June 2023, the effect on profit and equity as a result of changes in the interest rate that management considers to be reasonably possible, with all other variables remaining constant would be as follows:

	2023	2022
	\$	\$
Change in profit		
— Increase in interest rate by 1%	(34,238)	(33,596)
— Decrease in interest rate by 1%	34,238	33,596
Change in equity		
— Increase in interest rate by 1%	(34,238)	(33,596)
— Decrease in interest rate by 1%	34,238	33,596

Term deposits have been treated as a floating rate due to the short-term nature of the deposits.

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

2. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk

Credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

c) Liquidity risk

Liquidity risk includes the risk that the Group will not be able to meet its financial obligations as they fall due. The Group will be impacted in the following ways:

- i) Will not have sufficient funds to settle transactions on the due date;
- ii) Will be forced to sell financial assets at a value which is less than what they are worth; or
- iii) May be unable to settle or recover a financial asset at all.

The Group manages liquidity risk by monitoring forecast cash flows.

d) Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations for the settlement period for all other financial instruments. As such the amounts may not reconcile to the balance sheet.

The Group	Weighted average effective interest rate		Floating interest rate		Fixed interest rate maturing								Total		
					Within 1 year		1 to 5 years		Over 5 years		Non-interest bearing				
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	
	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Financial assets:															
Cash & cash equivalents	-	-	7,927,083	4,253,365	-	-	-	-	-	-	-	-	7,927,083	4,253,365	
Trade and other receivables	-	-	-	-	-	-	-	-	-	-	-	253,681	251,613	253,681	251,613
Financial assets	-	-	-	-	-	-	-	-	-	-	-	1,506,648	2,900,008	1,506,648	2,900,008
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	443,201	329,789	443,201	329,789
Term deposit	3.25%	.25%	-	-	29,345	29,295	-	-	-	-	-	-	-	29,345	29,295
Total financial assets			7,927,083	4,253,365	29,345	29,295	-	-	-	-	-	2,203,530	3,481,410	10,159,958	7,764,070
Financial liabilities:															
Trade & other payables	-	-	-	-	-	-	-	-	-	-	-	1,145,036	747,947	1,145,036	747,947
Lease liabilities	-	-	-	-	11,775	27,621	-	11,775	-	-	-	-	-	11,775	39,396
Borrowings	8%	8%	-	-	-	3,313,550	3,376,860	-	-	-	-	-	-	3,376,860	3,313,550
Total financial liabilities			-	-	11,775	3,341,171	3,376,860	11,775	-	-	-	1,145,036	747,947	4,533,671	4,100,893

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

2. FINANCIAL RISK MANAGEMENT (continued)

	2023 \$	2022 \$
Trade and other payables are expected to be paid as follows:		
Less than 6 months (note 16)	1,145,036	747,947
More than 6 months (note 16)	-	-
	<u>1,145,036</u>	<u>747,947</u>

e) Fair value measurements

i) Fair value hierarchy

The Group uses various methods in estimating the fair value of financial instruments. AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in accordance with the following fair value measurement hierarchy:

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2023 and 30 June 2022.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2023				
Assets				
Listed investments	1,506,648	-	-	1,506,648
Total assets	<u>1,506,648</u>	<u>-</u>	<u>-</u>	<u>1,506,648</u>
2022				
Assets				
Listed investments	2,900,008	-	-	2,900,008
Total assets	<u>2,900,008</u>	<u>-</u>	<u>-</u>	<u>2,900,008</u>

ii) Valuation techniques

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets and liabilities held by the Group is the closing price. These instruments are included in level 1.

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

3. DISCONTINUED OPERATIONS

a) Description

During the reporting period the board has made several information packages available to various groups for the purpose of attracting offers for the sale of the Tabalong tenements in Kalimantan, Indonesia. The board considers that the presentation of the Tabalong Group as held for sale confirms its intent to dispose of these assets.

The Group obtained an independent expert valuation of the Tabalong Group which included a range of valuation cases. The Group adopted a middle range (preferred) valuation of US\$2,750,000 a 100% equity basis.

At the end of the reporting period the Board considered the valuation of the Tabalong Group and the ability to progress and complete the sale in the current transactional climate and attract a suitable counterparty in the near term. To present a conservative position, the Board has impaired the value of the Tabalong Group to Nil whilst continuing to actively market the project.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

b) Financial performance and cash flow information of discontinued operations

The financial performance and cash flow information presented are for the year ending 30 June 2023.

	2023 \$ Tabalong	2022 \$ Tabalong
Revenue		
Sale of Product	-	-
Cost of sales	-	-
Impairment Expense	(310,707)	(601,530)
Product inventory movement	-	-
Total cost of sales	<u>(310,707)</u>	<u>(601,530)</u>
Profit / (Loss)	-	-
Other Income	-	-
Expenses		
Administration Expenses	-	-
	<u>8,301</u>	<u>18,382</u>
(Loss) before foreign exchange and finance costs	<u>(302,406)</u>	<u>(583,148)</u>
Foreign exchange gain	-	-
Profit / (Loss) before Finance costs	<u>(302,406)</u>	<u>(583,148)</u>
Income Tax expense	-	-
(Loss) from discontinued operations after income tax	<u>(302,406)</u>	<u>(583,148)</u>
Net cash (outflow) from financing activities	<u>414</u>	<u>537</u>
Net decrease in cash generated by the division	<u>414</u>	<u>537</u>

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

3. DISCONTINUED OPERATIONS (continued)**c) Carrying amounts of assets and liabilities**

	2023	2022
	\$	\$
	Tabalong	Tabalong
Cash and cash equivalents	9,377	8,963
Exploration and evaluation	3,566,909	3,404,508
Total assets of disposal group held for sale	<u>3,576,286</u>	<u>3,413,471</u>
Trade and other payables	1,779,548	1,684,282
Borrowings	1,769,738	1,729,189
Total liabilities	<u>3,576,286</u>	<u>3,413,471</u>
Net Assets	<u>-</u>	<u>-</u>

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

4. SEGMENT INFORMATION

The Group reports the following operating segments to the chief operating decision maker, being the Board of Directors of Morella Corporation Limited, in assessing performance and determining the allocation of resources. Unless otherwise stated, all amounts reported to the Board are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

The exploration services segment provides a range of drilling services to its customers, predominately mining and exploration companies. The mineral exploration segment revenue comprises royalties received, and interest earned on funds raised to carry out the exploration activities.

An internally determined service rate is set for all intersegment transactions. All such transactions are eliminated on consolidation of the Group's financial statements.

	Exploration services \$	Mineral exploration \$	Eliminations \$	Total \$
2023				
Revenue				
External sales	479,730	-	-	479,730
Other income	-	1,544,111	-	1,544,111
Other segments	-	-	-	-
Total segment revenue	<u>479,730</u>	<u>1,544,111</u>	-	<u>2,023,841</u>
Unallocated revenue				-
Total consolidated revenue				<u>2,023,841</u>
Segment result	(25,186)	(5,069,325)	-	(5,094,511)
Other segments				
Unallocated expenses net of unallocated revenue				-
Profit / (loss) before income tax and finance costs				<u>(5,094,511)</u>
Finance costs				
Finance costs				(241,438)
Net foreign exchange gain/(loss)				2,675,841
Income tax revenue/(expense)				53,183
Profit / (loss) after income tax				<u>(2,606,926)</u>
Profit / (loss) from discontinued operations				(302,406)
Net profit / (loss) for the year				<u>(2,909,332)</u>
Assets and liabilities				
Segment assets	444,477	16,383,256	-	16,827,733
Unallocated assets				-
Total assets				<u>16,827,733</u>
Segment liabilities	664,593	4,621,193	-	5,285,786
Unallocated liabilities				-
Total liabilities				<u>5,285,786</u>
Other segment information				
Capital Expenditure	925	66,165	-	67,090
Exploration expenditure	-	4,092,052	-	4,092,052
Depreciation and amortisation	7,857	52,155	-	60,012

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	Exploration services \$	Mineral exploration \$	Eliminations \$	Total \$
2022				
Revenue				
External sales	288,937	-	-	288,937
Other income	74,726	1,165,650	-	1,240,376
Other segments	-	-	-	-
Total segment revenue	<u>363,663</u>	<u>1,165,650</u>	-	<u>1,529,313</u>
Unallocated revenue				<u>-</u>
Total consolidated revenue				<u><u>1,529,313</u></u>
Segment result	(29,501)	(5,091,309)	-	(5,120,810)
Other segments				
Unallocated expenses net of unallocated revenue				<u>-</u>
Profit / (loss) before income tax and finance costs				(5,120,810)
Finance costs				
Finance costs				(274,859)
Net foreign exchange gain/(loss)				5,295,823
Income tax revenue/(expense)				<u>-</u>
Profit / (loss) after income tax				(99,846)
Profit / (loss) from discontinued operations				(583,148)
Net profit / (loss) for the year				<u><u>(682,994)</u></u>
Assets and liabilities				
Segment assets	276,694	9,915,288	-	10,191,982
Unallocated assets				<u>-</u>
Total assets				<u><u>10,191,982</u></u>
Segment liabilities	897,122	3,920,358	-	4,817,480
Unallocated liabilities				<u>-</u>
Total liabilities				<u><u>4,817,480</u></u>
Other segment information				
Capital Expenditure	-	29,651	-	29,651
Exploration expenditure	-	2,112,888	-	2,112,888
Depreciation and amortisation	16,818	27,249	-	44,067

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

4. SEGMENT INFORMATION (continued)

Geographical segments

The Group's geographical segments are determined based on the location of the Group's assets.

2023	Australia \$	Indonesia \$	USA \$	Other \$	Eliminations \$	Total \$
Revenue						
External sales						
Other income		- 479,732				479,732
Other segments	1,544,111	-				1,544,111
Total segment revenue	1,544,111	479,732	-	-	-	2,023,843
Unallocated revenue						-
Total revenue						2,023,843
Segment assets	12,342,745	473,925	3,948,706	62,357		16,827,733
Unallocated assets						-
Total assets						16,827,733
Segment liabilities	4,429,542	688,812		167,432		5,285,786
Unallocated liabilities						-
Total liabilities						5,285,786
Capital Expenditure	16,837	925	49,328			67,090
Exploration expenditure	1,243,495		2,848,557			4,092,052
Depreciation and amortisation	40,910	7,857	11,245			60,012
2022	Australia \$	Indonesia \$	USA \$	Other \$	Eliminations \$	Total \$
Revenue						
External sales		- 288,937				288,937
Other income	1,165,650	74,729				1,240,376
Other segments						-
Total segment revenue	1,165,650	363,663	-	-	-	1,529,313
Unallocated revenue						-
Total revenue						1,529,313
Segment assets	8,804,882	309,778	1,015,990	61,332		10,191,982
Unallocated assets						-
Total assets						10,191,982
Segment liabilities	3,735,241	958,552		123,687		4,817,480
Unallocated liabilities						-
Total liabilities						4,817,480
Capital Expenditure	29,651					29,651
Exploration expenditure	1,096,898		1,015,990			2,112,888
Depreciation and amortisation	27,249	16,818				44,067

The Group has a number of customers to whom it provides exploration services. The exploration services group supplies one external customer who accounts for 88% (US\$284,400) of external revenue (2022: 75%).

Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$	2022 \$
5. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES		
(a) Revenue		
Revenue from exploration services	479,730	288,937
Revenue from royalties	-	500,000
Total revenue from ordinary activities	<u>479,730</u>	<u>788,937</u>
(b) Other income		
Sale of royalty right	1,544,038	665,640
Profit on sale of assets	-	74,726
Other income	73	10
Total other revenues from ordinary activities	<u>1,544,111</u>	<u>740,376</u>
(c) Cost of sales		
Mining and processing costs	-	-
Royalty expenses	-	-
Depreciation and amortisation	5,959	13,860
Mining services drilling costs	403,668	483,026
Total cost of sales	<u>409,657</u>	<u>496,886</u>
(d) Other expenses		
Depreciation of plant & equipment	54,053	30,208
Total other expenses from ordinary activities	<u>54,053</u>	<u>30,208</u>
(e) Net foreign exchange gain/(loss)		
The net foreign exchange loss is unrealised and relates to the revaluation of the US\$ funding facility and other US\$ denominated funds held by the Group.		
(f) Employee benefits expense		
Employee share scheme expense	3,873,063	56,000
Salaries and on-costs expense	1,913,645	1,576,335
Total employee benefits expense	<u>5,786,708</u>	<u>1,632,335</u>

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

6. EARNINGS / (LOSS) PER SHARE

	2023 cents per share	2022 cents per share
(a) Basic earnings / (loss) per share		
From continuing operations, attributable to the ordinary equity holders of the Company	(0.04)	0.00
From discontinued operations	(0.01)	(0.02)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.05)	(0.02)
(b) Diluted earnings / (loss) per share		
From continuing operations, attributable to the ordinary equity holders of the Company	(0.04)	0.00
From discontinued operations	(0.01)	(0.02)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.05)	(0.02)
(c) Weighted average number of ordinary shares used as the denominator in calculating the basic and diluted earnings per share.	5,892,744,577	4,265,017,616
(d) Earnings used in the calculation of basic earnings per share reconciles to net profit in the income statement as follows:		
Net profit / (loss)	(2,606,927)	(99,846)
Less - profit / (loss) from discontinued operations	(302,406)	(583,148)
Earnings / (loss) used in the calculation of basic EPS	(2,909,333)	(682,994)

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$	2022 \$
7. INCOME TAX EXPENSE		
(a) The components of tax expense comprise:		
<i>Current Tax</i>		
Current year	-	-
Adjustments in respect of prior periods	(53,183)	-
<i>Deferred Tax</i>		
Current year deferred tax	-	-
Total income tax expense / (benefit) per income statement	<u>(53,183)</u>	<u>-</u>
(b) Income tax expense / (benefit) is attributable to:		
Profit / (loss) from continuing operations	(53,183)	-
Profit / (loss) from discontinued operations	-	-
	<u>(53,183)</u>	<u>-</u>
(c) The prima facie tax on profit / (loss) before income tax is reconciled to the income tax as follows:		
Profit / (loss) from continuing operations	(2,660,110)	(99,846)
Profit / (loss) from discontinued operations	(302,406)	(583,148)
Profit / (loss) before tax	<u>(2,962,516)</u>	<u>(682,994)</u>
Income tax calculated at the Australian rate of 25% (2022 - 25%)	(740,629)	(170,749)
The applicable Australian tax rate has reduced to 25% on account of the Company being considered a base rate entity for the current year for Australian income tax purposes.		
Increase in income tax due to:		
Non-deductible expenses	222,762	373,067
Share compensation costs	1,033,066	884,000
Change in tax rate	-	(9,225,353)
Movement in deferred tax balances not recognised	(516,121)	8,139,035
Difference in foreign tax rates	922	-
Under / (over) provision in prior year	(53,183)	-
Income tax expense / (benefit)	<u>(53,183)</u>	<u>-</u>
Deferred tax assets arising from tax losses are only recognised to the extent that there are equivalent deferred tax liabilities. The remaining tax losses have not been recognised as an asset because recovery of the losses is not regarded as probable:		
Tax losses not recognised - at 25% (2022 - 25%)	<u>44,542,327</u>	<u>45,040,448</u>

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

7. INCOME TAX EXPENSE (continued)

(d) Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

Morella Corporation Limited and certain of its wholly-owned Australian subsidiaries are eligible to consolidate for tax purposes and have elected to form an income tax group under the Tax Consolidation Regime effective 1 July 2005. The implementation of the tax consolidation group was formally recognised by the ATO on 22 July 2005 with start date for income tax consolidation 1 July 2005 and Morella Corporation Limited as the head entity of the group.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Morella Corporation Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on standalone taxpayer basis. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

	2023 \$	2022 \$
8. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	7,927,083	4,253,365
9. TRADE AND OTHER RECEIVABLES		
Current		
Trade and other receivables	853,350	827,069
Provision for expected credit losses	(599,669)	(575,456)
	253,681	251,613

Refer to Note 1 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

	0-30 days \$0	31-60 days \$0	61-90 days \$0	90+ days \$0	Total \$0
2023 Consolidated	129,005	-	98,120	26,556	253,681
2022 Consolidated	-	-	214,168	37,445	251,613

As at 30 June 2023, \$26,000 (2022 \$37,000) trade receivables were past due but not impaired.

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$	2022 \$
10. HELD TO MATURITY INVESTMENTS		
Term deposits	29,345	29,295
	29,345	29,295

The term deposits are held to their maturity of less than one year and carry a weighted average fixed interest rate of 3.25% (2022: 0.25%). Due to their short-term nature their carrying value is assumed to approximate their fair value. Information about the Group's exposure to credit risk is disclosed in Note 2.

	2023 \$	2022 \$
11. OTHER CURRENT ASSETS		
Financial assets (security deposits)	86,301	37,306
Prepayments	128,957	49,184
	215,258	86,490

12. FINANCIAL ASSETS		
Listed investments at fair value		
Carried forward from previous year	2,900,008	5,691,673
Disposal	-	(437,012)
Changes in fair value	(1,393,360)	(2,354,653)
Total listed investments at fair value	1,506,648	2,900,008

In November 2012 the Group acquired a 14.7% interest in Lithium Corporation, Nevada USA by way of a non-brokered private placement. Lithium Corporation is quoted on the US OTCBB (Over The Counter Bulletin Board).

The Board of Directors has placed instructions with a US brokerage to divest its investment in Lithium Corporation and determining this to be a current asset.

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

13. DERIVATIVE FINANCIAL INSTRUMENTS

Financial risk management objectives

The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e., not as trading or other speculative instruments.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2023	%	\$	\$	\$	\$	\$
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable	8.00%	-	-	3,376,860	-	3,376,860
Total non-derivatives		-	-	3,376,860	-	3,376,860
Derivatives						
Forward foreign exchange contracts net settled	-	-	-	443,201	-	443,201
Total derivatives		-	-	443,201	-	443,201

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2022	%	\$	\$	\$	\$	\$
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable	8.00%	3,313,550	-	-	-	3,313,550
Total non-derivatives		3,313,550	-	-	-	3,313,550
Derivatives						
Forward foreign exchange contracts net settled	-	329,789	-	-	-	329,789
Total derivatives		329,789	-	-	-	329,789

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

14. PROPERTY, PLANT, EQUIPMENT AND MINE PROPERTIES

	Property plant and equipment \$	Mine properties in production \$	Total \$
2023			
Gross carrying amount			
Balance at 30 June 2022	854,428	-	854,428
Additions	67,090	-	67,909
Exchange difference	32,214	-	32,214
Disposals	(21,700)	-	(21,700)
Balance at 30 June 2023	932,032	-	932,032
Accumulated depreciation			
Balance at 30 June 2022	817,909	-	817,909
Depreciation expense	32,630	-	32,630
Exchange difference	31,878	-	31,878
Disposals	(22,624)	-	(22,624)
Balance at 30 June 2023	859,793	-	859,793
Net book value as at 30 June 2023	72,239	-	72,239

	Property plant and equipment \$	Mine properties in production \$	Total \$
2022			
Gross carrying amount			
Balance at 30 June 2021	864,222	-	864,222
Additions	30,693	-	30,693
Exchange difference	78,909	-	78,909
Disposals	(119,396)	-	(119,396)
Balance at 30 June 2022	854,428	-	854,428
Accumulated depreciation			
Balance at 30 June 2021	835,149	-	835,149
Depreciation expense	21,750	-	21,750
Exchange difference	77,216	-	77,216
Disposals	(116,206)	-	(116,206)
Balance at 30 June 2022	817,909	-	817,909
Net book value as at 30 June 2022	36,519	-	36,519

Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$	2022 \$
15. EXPLORATION AND EVALUATION		
Exploration and evaluation expenditure at cost:		
Carried forward from previous year	2,192,888	79,946
Incurred during the year	4,184,443	2,159,223
	<u>6,377,331</u>	<u>2,239,169</u>
Less: Written off during the year	(92,391)	(46,281)
Total exploration and evaluation expenditure	<u>6,284,940</u>	<u>2,192,888</u>

The recovery of expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits, their development and exploitation, or alternatively their sale.

The Company's title to certain mining tenements is subject to Ministerial approval and may be subject to successful outcomes of native title issues.

16. TRADE AND OTHER PAYABLES

Trade payables and accruals	1,145,036	747,947
Accrued interest on loan note facility	-	-
	<u>1,145,036</u>	<u>747,947</u>

17. BORROWINGS

Current borrowings

Director related facility ##	-	3,313,550
Total current borrowings	-	<u>3,313,550</u>

Non-current borrowings

Director related facility ##	3,376,860	-
Total non-current borrowings	<u>3,376,860</u>	-

Total borrowings	<u>3,376,860</u>	<u>3,313,550</u>
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Reconciliation borrowings – Director related facility

Opening balance	3,313,550	3,539,458
Loan funds received	-	200,000
Loan funds repaid	-	(700,000)
Interest Accrued	10,269	-
Exchange rate differences	53,041	274,092
Total borrowings – Director related facility ##	<u>3,376,860</u>	<u>3,313,550</u>

In February 2021 the Directors via ACN 647 358 987 Pty Ltd, a Director related entity provided the funds for a deed of company arrangements to be entered into with the Group's external manager. The facility comprises a US\$2,000,000 component and the balance is denominated in Australian dollars. The facility attracts interest @ 8% pa and is due for repayment in March 2026.

The parties entered into a sub loan agreement giving the facility's term an effective fixed conversion rate from US dollars to Australian dollars of \$0.777185. This resulted in an embedded derivative asset as of 30 June 2023 of \$443,201 (2022: \$329,789). Refer to Note 13 for further details.

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$	2022 \$
18. CURRENT SHORT TERM PROVISIONS		
Employee benefit	466,295	421,907
Post- employee benefits	285,820	294,792
	<u>752,115</u>	<u>716,587</u>
Movements in provisions		
Short term employee benefits		
Opening balance	716,587	489,533
Provision increase / (decrease)	91,605	361,385
Expense incurred	(56,077)	(134,331)
Balance at year end	<u>752,115</u>	<u>716,587</u>
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:		
Provision for employee entitlements:		
Current	<u>752,115</u>	<u>716,587</u>
Total	<u>752,115</u>	<u>716,587</u>

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service. The entire amount of the provision of \$752,115 (2022: - \$716,587) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations.

The Group has a defined benefit post-employment plan for an Indonesian subsidiary, the Group provides certain post-employment benefits to employees (unfunded). The Group's defined benefit plan is a final salary plan for Indonesian employees providing for the liability estimation of severance pay, service pay, and compensation.

This plan is governed by the employment laws of Indonesia, it's a defined benefit arrangement providing retirement benefit, death, disability, voluntary resignation and other payments of severance due to change of ownership, redundancy and receivership, using lump sum formula expressed in terms of a multiple of final wages depending on the number years of service completed.

Annually the valuation is performed by an Indonesian independent registered Actuary valuing the benefits covering death, disability, voluntary resignation, and retirement benefit.

Post-employment benefits liabilities as at 30 June 2023 and 2022 are calculated by KKA Marcel Pryadarshi Soepeno, independent actuaries, in actuarial reports issued in December 2022.

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

18. CURRENT SHORT TERM PROVISIONS (continued)

The principal assumptions used in determining the Group's post-employment benefits liabilities using the projected unit credit method are as follows:

	<u>2022</u>	<u>2023</u>
Discount rate	7.40%	7.30%
Salary growth rate	8%	6%
Normal retirement age Mortality rate from the Indonesian	56	56
Mortality Table	Indonesian Mortality Table IV	Indonesian Mortality Table IV
Disability Rate	5% from Indonesian Mortality Table IV	5% from Indonesian Mortality Table IV
Voluntary resignation rate	<i>2.5% up to age 40, then linearly decrease down by 0.5% up to age 50, and assuming no voluntary resignation occur beyond age 51</i>	<i>2.5% up to age 40, then linearly decrease down by 0.5% upto age 50, and assuming no voluntary resignation occur beyond age 51</i>

Through its defined benefit pension plans, the Group is exposed to a number of significant risks which are detailed below:

- 1) Changes in discount rate
A decrease in the discount rate will increase plan liabilities.
- 2) Salary growth rate
The Group's pension obligations are linked to salary growth rate, and higher salary growth rate will lead to higher liabilities.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as at 30 June 2023 is as follows:

Impact on defined benefits obligation

	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	1%	268,445	305,597
Salary growth rate	1%	307,818	266,260

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

18. CURRENT SHORT TERM PROVISIONS (continued)

Post-employment benefits liabilities recognised in the consolidated balance sheet as at 30 June 2023 and 2022 are computed as follows:

	2023 \$	2022 \$
Present value of obligation	310,015	304,588
Fair value of plan assets	310,015	304,588
Actuarial Gains or Losses for the period	(24,195)	(9,796)
Total liability	285,820	294,792

The movement in the Group's post-employment benefits liabilities is as follows:

At the beginning of the year	294,792	258,549
Current service cost	29,521	26,421
Past service cost Remeasurements: Gain from change in – actuarial assumptions	(24,195)	(9,796)
Benefits paid	-	(14,883)
Foreign exchange difference	(14,298)	34,501
At the end of the year	285,820	294,792

19. CURRENT TAXATION & DEFERRED TAX LIABILITIES & ASSETS

(a) Liabilities

Current

Income tax paid / payable	-	-
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Non-Current

Deferred tax liability comprises:

Lease ROU asset	2,480	9,849
Tax allowances relating to exploration	605,098	294,258
Prepayments	23,119	-
Unrealised foreign exchange gains	3,871,003	3,213,435
	4,501,700	3,517,542

(b) Assets

Non-Current

Deferred assets comprise:

Provisions	175,008	162,577
Revenue losses	48,807,988	48,327,778
Revenue losses not recognised	(44,524,327)	(45,040,448)
Lease liabilities	2,944	9,299
Other	20,089	58,336
	4,501,700	3,517,542

Net deferred tax balance recognised in the Consolidated Balance Sheet	-	-
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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$	2022 \$
20. LEASES		
Set out below is a summary of the amounts disclosed in the Consolidated Balance Sheet:		
Lease liability		
Current	11,775	27,621
Non-current	-	11,775
	11,175	39,396
Right of use assets		
Properties		
Opening Balance	-	-
Additions	59,514	59,514
Depreciation	(49,595)	(22,318)
Closing Balance	9,919	37,196

21. CONTRIBUTED EQUITY

Issued capital

6,098,580,444 (2022: 5,176,213,986) ordinary shares issued and fully paid	315,721,410	302,776,147
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	2023		2022	
	Number	\$	Number	\$
Fully paid ordinary shares				
Balance at the beginning of the financial year	5,176,213,986	302,776,147	2,986,243,275	290,860,299
Share issue - Rights Offer	-	-	400,095,130	2,000,470
Share Issue – Security Shares	-	-	400,000,000	2,000,000
Share placement - Sophisticated Investors (a)	500,000,000	7,121,000	1,319,698,630	6,598,493
Shares issued in lieu of corporate fees	-	-	40,000,000	1,120,000
Share Issue – Options exercised (b)	150,000,000	1,410,000	-	-
Share Issue – EIO Consideration (c)	14,100,000	282,000	28,176,951	140,885
Share issue Employee incentive scheme	258,266,458	4,132,263	2,000,000	56,000
Balance at the end of the financial year	6,098,580,444 4	315,721,410	5,176,213,986	302,776,147

(a) - Placement of 500,000,000 shares on 11 August 2022 to sophisticated investors at an issue price of \$0.015 cents per share. The cost incurred for the share placement was \$379,000.

(b) – 150,000,000 Options issued to Canaccord exercised and converted to shares on 9 December 2022.

(c) - On 24 August 2022 14,100,000@ \$.02 cents per share were issued as part of the Earn-In Option consideration.

Fully paid ordinary shares carry one vote per share and carry the rights to dividends. Ordinary shares have no par value.

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

21. CONTRIBUTED EQUITY (continued)**Option and performance rights reserve****Movements in option and performance rights reserve**

	2023	2022
	\$	\$
Opening balance	1,961,318	1,601,318
Share based options exercised	(360,000)	-
Other share based options	-	360,000
Performance rights issued	4,132,263	-
Performance rights converted to shares	(4,132,263)	-
Share based options lapsed	(1,601,318)	-
Balance at year end	-	1,961,318

Foreign currency translation reserve**Movements in foreign currency translation reserve**

Opening balance	(5,219,653)	(587,879)
Foreign currency translation differences	(2,139,413)	(4,631,774)
Balance at year end	(7,359,066)	(5,219,653)

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Fair value reserve**Movements in fair value reserve**

Opening balance	2,806,848	5,161,501
Change in fair value of financial assets	(1,393,360)	(2,354,653)
Balance at year end	1,413,488	2,806,848

The change in fair value reserve records valuation differences arising on the market valuation of financial assets at fair value through other comprehensive income. Refer to Note 12 for reconciliation of movements in the year.

Capital management

Capital consists of ordinary share capital, retained earnings, reserves and net debt. The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. With the repayment of the loan facility and the removal of consent from the loan note holders there were no other changes to the consolidated entity's approach to capital management during the year. The Board effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and by share issues.

Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

22. SHARE BASED PAYMENTS

During the year, the Company had the following share-based payments expenses:

	2023 \$	2022 \$
Performance rights	4,132,263	-
Share options issued in leu of payment	-	360,000
DOCA loan facility security shares (refer Note 26)	-	2,000,000
Shares issued in leu of payment (refer Note 23)	282,000	1,260,885
Employee Bonus shares (refer Note 23)	-	56,000
	4,414,263	3,676,885

a) **Performance Rights**

In 2021 the Company approved a Long-Term Incentive Plan (LTIP) under which employees and directors of the Group may be issued on a discretionary basis with performance rights over ordinary shares of Morella Corporation Limited. The purpose of this plan is to:

- assist in the reward, retention and motivation of employees and directors;
- align the interests of employees and directors more closely with the interests of shareholders by providing an opportunity for employees and directors to receive an equity interest in the form of rewards; and
- provide employees and directors with the opportunity to share in any future growth in value of the Company.

The Performance Rights lapse when employment ceases with Morella Corporation Limited. The Performance Rights have been granted for no consideration, and no amount is payable on the vesting or exercising of the Performance Rights. All rights subject to the LTIP carry no rights to dividends and no voting rights, until converted into ordinary shares.

The following table shows performance rights issued during the year ended 30 June 2023 and the value attributed:

Number of performance rights	Expiry Date	Fair Value (\$/right)	Total Value \$
258,266,458	31/12/2022	4,132,263	4,132,263

There are no Performance Rights outstanding under the LTIP as at 30 June 2023.

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

22. SHARE BASED PAYMENTS (continued)**b) Share Options**

There are no options granted and outstanding as at 30 June 2023.

23. KEY MANAGEMENT PERSONNEL COMPENSATION**a) Names and positions held of key management personnel in office at any time during the financial year are:**Directors

James Brown	Managing Director
Allan Buckler	Non-Executive Director
Dan O'Neill	Non-Executive Director
BT Kuan	Non-Executive Director

Key Management Personnel

Alex Cheeseman	Chief Executive Officer (resigned 7 October 2022)
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b) Key management personnel remuneration

	2023	2022
	\$	\$
Short-term employee benefits	986,583	843,558
Post-employment benefits	22,789	41,400
Termination benefits	-	-
Share based payments	3,298,503	56,000
	<u>4,307,875</u>	<u>940,958</u>

24. INVESTMENTS IN OTHER ENTITIES**a) Joint operations**

For the year ending 30 June 2023 Morella Corporation Limited holds no interests in any joint operations or ventures.

Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

25. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

Name of entity	Country of incorporation	Ownership interest	
		2023	2022
		%	%
Altura Drilling Pty Ltd ***	Australia	-	100
Altura Minerals Pty Ltd ***	Australia	100	100
Minvest Australia Pty Ltd	Australia	-	100
Morella Minerals (US) Corp **	United States of America	100	100
Minvest International Corporation	Mauritius	100	100
Altura Asia Pte Ltd	Singapore	100	100
Altura Mining Philippines Inc. *	Philippines	40	40
PT Altura Indonesia	Indonesia	100	100
PT Minvest Mitra Pembangunan	Indonesia	100	100
PT Cakrawala Jasa Pratama	Indonesia	100	100
PT Minvest Jasatama Teknik	Indonesia	100	100
PT Cybertek Global Utama	Indonesia	100	100

* Morella Corporation Limited through its wholly owned subsidiary, Altura Asia Pte Ltd holds 40% direct equity in Altura Mining Philippines Inc. This entity is considered a subsidiary as the Group has full economic and management rights.

** Morella Minerals (US) Corp was incorporated in Nevada USA on 23 September 2021.

*** Altura Drilling Pty Ltd and Minvest Australia Pty Ltd were deregistered 27 March 2023.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in Note 1:

Name of entity	Country of incorporation	Principal activities	Parent ownership interest		Non-controlling interest	
			2023	2022	2023	2022
			%	%	%	%
PT Velseis Indonesia *	Indonesia	Mining services	50	50	50	50
PT Jasa Tambang Pratama #	Indonesia	Mining and exploration	70	70	30	30
PT Cahaya Permata Khatulistiwa #	Indonesia	Mining and exploration	70	70	30	30
PT Suryaraya Permata Cemerlang #	Indonesia	Mining and exploration	70	70	30	30
PT Suryaraya Cahaya Khatulistiwa #	Indonesia	Mining and exploration	70	70	30	30
PT Suryaraya Cahaya Cemerlang #	Indonesia	Mining and exploration	70	70	30	30
PT Suryaraya Permata Khatulistiwa #	Indonesia	Mining and exploration	70	70	30	30
PT Suryaraya Pusaka #	Indonesia	Mining and exploration	70	70	30	30
PT Kodio Multicom	Indonesia	Mining and exploration	56	56	44	44
PT Marangkayu Bara Makarti	Indonesia	Mining and exploration	56	56	44	44

Morella Corporation Limited and Altura Minerals Pty Ltd are included within the tax consolidation group.

Morella Corporation Limited through its wholly owned subsidiary, Altura Asia Pte Ltd holds 70% direct equity in these seven entities.

* Morella Corporation Limited through its wholly owned subsidiary, Minvest International Corporation holds 50% direct equity in PT Velseis Indonesia. This entity is considered a subsidiary as the Group has full management rights.

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

25. INTERESTS IN SUBSIDIARIES (continued)**Summarised financial information**

Summarised financial information of the subsidiaries with non-controlling interests that are material to the consolidated entity are set out below:

	PT Velseis Indonesia \$ 2023	PT Velseis Indonesia \$ 2022
Summarised statement of financial position		
Current assets	504,932	354,432
Non-current assets	516,217	502,670
Total assets	1,021,149	857,102
Current liabilities	293,270	306,099
Non-current liabilities	-	-
Total liabilities	293,270	306,099
Net assets	727,879	551,003
Summarised statement of profit or loss and other comprehensive income		
Revenue	479,730	363,663
Expenses	351,430	367,622
Profit / (loss) before income tax expense	128,299	(3,959)
Income tax expense / (benefit)	-	-
Profit / (loss) after income tax expense	128,299	(3,959)
Other comprehensive income	40,011	(179,197)
Total comprehensive income	168,311	(183,156)
Statement of cash flows		
Net cash from operating activities	71,051	45,346
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	71,051	45,346
Other financial information		
Profit attributable to non-controlling interests	84,155	(91,578)
Accumulated non-controlling interest at the end of reporting period	363,161	274,724

The subsidiaries summarised financial information (PT Suryaraya Pusaka, PT Kodio Multicom, & PT Marangkayu Bara Makarti) have not been disclosed for the current reporting period as these companies are part of the Tabalong Group. The Tabalong Group has been fully impaired as at 30 June 2023. Refer to Note 3 for details of discontinued operations.

Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

26. RELATED PARTIES

Transactions within the wholly-owned Group

The wholly-owned Group includes the ultimate parent entity in the wholly-owned Group, and wholly-owned controlled entities. The ultimate parent entity in the wholly-owned Group is Morella Corporation Limited.

During the year the parent entity provided financial assistance to its wholly owned and controlled entities by way of intercompany loans. The loans are unsecured, interest free and have no fixed term of repayment. Sales and purchases between related parties within the Group have been eliminated upon consolidation. There were no further sales or purchases from wholly-owned related parties during the financial year.

Transactions other related parties

- a) Lithium Corporation is a related party due a common director. Under the earn-in agreements for Fish Lake valley and North Big Smokey project areas Morella will spend a minimum of US\$4,490,000 on exploration and tenure retention during the five year earn in period.
- b) In February 2021, The Directors via a director related entity ACN 647 358 987 Pty Ltd provided an un-secured loan facility to fund the DOCA and the short-term working capital requirements of the Group. The facility of \$3,376,860 contains a US\$2,000,000 component and is provided at 8%pa repayable in March 2026. Interest of \$241,438 has been incurred during the period. The US\$ component of the facility uses a fixed translation rate of \$0.777185 this gives rise to a derivative asset of \$443,201 when translated at period end.
- c) During the period Mr Allan Buckler, a director of the Group provided corporate services via his controlled entity Shazo Pty Ltd. These services are provided under a service agreement for director's fees.

27. NOTES TO STATEMENT OF CASH FLOWS

- a) For the purpose of the statement of cash flows, cash includes cash on hand and in banks, and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

	2023 \$	2022 \$
Cash at bank and on hand (Note 8)	7,927,083	4,253,365
Cash in assets classified as held for sale (Note 3c))	9,377	8,963
Cash per statement of cash flows	<u>7,936,460</u>	<u>4,262,328</u>

Reconciliation to Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June 2023:

Cash at bank and on hand	7,936,460	4,262,328
Short-term deposits	-	-
Cash at bank and on hand	<u>7,936,460</u>	<u>4,262,328</u>

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

27. NOTES TO STATEMENT OF CASH FLOWS (continued)

b) Reconciliation of operating profit / (loss) after income tax to net cash used in operating activities

	2023 \$	2022 \$
Operating loss after income tax	2,909,333	(682,994)
Adjustments for non-cash income and expense items:		
Share based payments	4,132,263	3,536,000
Depreciation of property, plant and equipment	60,012	44,068
Interest on funding facility	10,269	-
Foreign currency exchange rate movement	(3,221,326)	(5,336,795)
Transfer to exploration	(591,648)	(360,224)
Exploration expenditure written off	92,391	46,281
Impairment on assets held for sale	310,707	601,530
Changes in assets and liabilities:		
(Increase) / decrease in receivables	(2,068)	547,745
(Decrease) / increase in other creditors and accruals	397,089	(1,724,527)
(Increase) / decrease in deposits and prepayments	(128,768)	116,003
Increase / (decrease) in current lease liabilities	(15,846)	27,621
Increase / (decrease) in current provisions	35,528	227,054
Net cash used in operating activities	(1,830,730)	(2,958,237)

c) Net debt reconciliation

Net debt

Cash and cash equivalents	7,936,460	4,262,328
Borrowings – repayable within one year	-	(3,313,550)
Borrowings – repayable after one year	(3,376,860)	-
Net debt	4,559,600	948,778
Cash and liquid investments	7,936,460	4,262,328
Gross debt - fixed interest rate	(3,376,860)	(3,313,550)
Gross debt - variable interest rate	-	-
Net debt	4,559,600	948,778

Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

28. NOTES TO STATEMENT OF CASH FLOWS (continued)

	Cash and cash equivalents	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at 30 June 2022	4,262,328	(3,313,550)	-	948,778
Cash flows	3,674,132	-	-	3,674,132
Foreign exchange adjustments	-	-	(53,041)	(53,041)
Other non-cash movements	-	3,313,550	(3,323,819)	(10,269)
Net debt as at 30 June 2023	7,936,460	-	(3,376,860)	4,559,600

d) Acquisition of entities

The Group did not acquire any interest in entities during the year.

29. PARENT ENTITY DISCLOSURE

(a) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Balance sheet

Current assets	7,931,730	3,867,469
Total assets	23,218,158	8,486,262
Current liabilities	1,018,806	3,745,508
Total liabilities	8,243,451	7,593,293
Net assets	14,974,707	892,969

Equity

Contributed equity	315,721,410	302,776,147
Reserves	-	1,961,318
Retained profits / (accumulated losses)	(300,746,703)	(303,844,496)
Total shareholder equity	14,974,707	892,969

Profit / (Loss) for the year	3,097,793	(8,468,769)
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Total comprehensive loss for the year	3,097,793	(8,468,769)
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(b) Contingent liabilities

Contingent liabilities are disclosed in Note 32.

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Morella Corporation Limited and Controlled Entities



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	\$	\$
30. AUDITORS' REMUNERATION		
a) Auditors of the Group – PKF and related network firms		
Audit of financial report		
- Group (PKF Perth)	78,000	114,000
Total audit of financial reports	<u>78,000</u>	<u>114,000</u>
Other non-audit services (PKF Brisbane)	-	-
Total services provided by PKF	<u>78,000</u>	<u>114,000</u>
b) Other auditors and their related network firms		
Audit of financial report		
- Foreign Subsidiaries	12,066	11,768
Total audit of financial reports	<u>12,066</u>	<u>11,768</u>
Other non-audit services	-	-
Total services provided by other auditors	<u>12,066</u>	<u>11,768</u>

31. SUBSEQUENT EVENTS

Subsequent to the end of the financial year the following events occurred:

On 1 September 2023 the Company issued 40,075,260 fully paid ordinary shares (Shares) in satisfaction of obligations under the two Earn-In Agreements the Company has with Lithium Corporation.

The shares were issued upon the Company achieving the First Year Anniversary Milestones for the North Big Smoky Earn-In (19,741,685 Shares) and the Second Anniversary Milestones for the Fish Lake Valley Earn-In (20,333,575 Shares) which were achieved on 17 July 2023 and 18 August 2023, respectively.

No other significant events have occurred since 30 June 2023, which would require disclosure in the financial report.

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

32. CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2023 or 30 June 2022

33. COMMITMENTS

In order to maintain an interest in the mining and exploration tenements in which the Group is involved, the Group is committed to meeting the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration expenditure commitments and obligations of the Group are subject to the minimum expenditure commitments required by the relevant State Departments of Minerals and Energy and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.

Subsidiaries of the Group have contracted commitments to achieve minimum expenditure within the term of the tenement earn in option agreements.

One of the Group's subsidiaries has contracted to provide up to a US\$4 million facility to a minority party in the Tabalong coal project. The provision of the facility is contingent on project milestones being achieved. The facility will be repaid in accordance with the loan agreement between the parties. The likelihood of this proceeding is highly probable.

a) Exploration work

The Company has certain obligations to perform minimum exploration work and expend minimum amounts on exploration tenements to meet minimum expenditure requirements. This expenditure will only be incurred should the Group retain its existing level of interest in its various exploration areas and provided access to mining tenements is not restricted. These obligations will be fulfilled in the normal course of operations, which may include exploration and evaluation activities.

b) Exploration

The Group has the following estimated exploration expenditure commitments at 30 June 2023.

	2023	2022
	\$	\$
No later than one year	2,091,328	1,517,405
Later than one year and not later than five years	2,988,584	6,165,264
Later than five years	-	-
	<u>5,079,912</u>	<u>7,682,669</u>

Directors' Declaration

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 19 to 71 and the remunerations report designated as audited in the Directors Report are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and its performance for the financial year ended on that date;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as set out in Note 1;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debt as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required under section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



James Brown
Director

Perth, 11 September 2023

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MORELLA CORPORATION LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Morella Corporation Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the accompanying financial report of Morella Corporation Limited is in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

Key audit matters are matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matters is provided in that context.

Carrying value of capitalised exploration expenditure

Why significant

As at 30 June 2023, the carrying value of exploration and evaluation assets was \$6,284,940 (2022: \$ 2,192,888), as disclosed in Notes 1 and 15.

The consolidated entity's accounting policy in respect of exploration and evaluation expenditure is outlined in Notes 1 and 15.

Significant judgement is required:

- in determining whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources ("AASB 6"); and
- in determining the treatment of exploration and evaluation expenditure in accordance with AASB 6, and the consolidated entity's accounting policy. In particular:
 - whether the particular areas of interest meet the recognition conditions for an asset; and
 - which elements of exploration and evaluation expenditures qualify for capitalisation for each area of interest.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Conducting a detailed review of management's assessment of impairment trigger events prepared in accordance with AASB 6 including:
 - assessing whether the rights to the tenure of the areas of interest remained current at reporting date as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future;
 - holding discussions with the Directors and management as to the status of ongoing exploration programmes for the areas of interest, as well as assessing if there was evidence that a decision had been made to discontinue activities in any specific areas of interest; and
 - obtaining and assessing evidence of the consolidated entity's future intention for the areas of interest, including reviewing future budgeted expenditure and related work programmes;
- considering whether exploration activities for the areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;
- testing, on a sample basis, exploration and evaluation expenditure incurred during the year for compliance with *AASB 6 – Exploration for and Evaluation of Mineral Resources* and the consolidated entity's accounting policy; and
- assessing the appropriateness of the related disclosures in Notes 1 and 15.

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Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly, we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Morella Corporation Limited for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF PERTH



ALEXANDRA CARVALHO
PARTNER

11 September 2023
WEST PERTH,
WESTERN AUSTRALIA

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Morella Corporation Limited and Controlled Entities

ADDITIONAL ASX INFORMATION

CORPORATE GOVERNANCE

Pursuant to the ASX Listing Rules, the Company's Corporate Governance Statement will be released in conjunction with this report. The Company's Corporate Governance Statement is available on the Company's website.

SCHEDULE OF MINERAL PROPERTIES

Location	Tenement Number	Interest
Tabalong, South Kalimantan	PT Suryaraya Permata Khatulistiwa	70%
	PT Suryaraya Cahaya Cemerlang	70%
	PT Suryaraya Pusaka	70%
	PT Kodio Multicom	56%
	PT Marangkayu Bara Makarti	56%
Catanduanes, Philippines	COC 182 (Area 3) – Catanduanes	100%
Albay Region, Philippines	COC 200 (Area 4) – Rapu-Rapu	100%
Bislig Region, Philippines	COC 202 (Area 17) – Surigao del Sur	100%

ISSUED CAPITAL

The issued capital of the company as at 7 September 2023 consists of the following:

6,138,655,704 fully paid ordinary shares,

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders and the number of equity securities as disclosed in their most recent substantial shareholder notices received by the Company are:

Holder name	Shares
AC Buckler (Calida Holdings Pty Ltd)	784,533,512
MT Smith	459,906,592
Shanshan Forever International Co., Ltd	451,361,249

Morella Corporation Limited and Controlled Entities

ADDITIONAL ASX INFORMATION continued

20 LARGEST SHAREHOLDERS – FULLY PAID ORDINARY SHARES 7 SEPTEMBER 2023

Rank	Holder name	Units	% of issued
1	CALIDA HOLDING PTY LTD	749,364,976	12.21
2	SHANSHAN FOREVER INTERNATIONAL CO LIMITED	451,361,249	7.35
3	MR MAXWELL TERRY SMITH	313,239,925	5.10
4	BNP PARIBAS NOMINEES PTY LTD	230,703,280	3.76
5	BNP PARIBAS NOMS PTY LTD UOBKH A/C R'MIERS	220,089,190	3.59
6	TERRYJOY PTY LTD	146,666,667	2.39
7	MR JAMES STUART BROWN & MRS MICHELE LILLIAN BROWN	140,543,858	2.29
8	CITICORP NOMINEES PTY LIMITED	114,526,005	1.87
9	LITHIUM CORPORATION	82,352,211	1.34
10	KANIMBLA SOLUTIONS PTY LTD	52,631,800	0.86
11	CG NOMINEES (AUSTRALIA) PTY LTD	50,000,000	0.81
12	MR BENG TEIK KUAN	45,221,601	0.74
13	SEOK YIN CHUA	44,589,309	0.73
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	43,329,152	0.71
15	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	42,045,721	0.68
16	SUPERHERO SECURITIES LIMITED	36,480,894	0.59
17	MR ALLAN CHARLES BUCKLER	35,168,536	0.57
18	N YOUNG INVESTMENTS PTY LTD	34,647,898	0.56
19	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	32,270,234	0.53
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	31,870,687	0.52
Total		2,897,181,948	47.20

DISTRIBUTION OF SHAREHOLDERS AS AT 7 SEPTEMBER 2023

Number of shareholders in the following distribution categories:

Fully paid ordinary shares	Holders	Shares	% of issued
1–1,000	407	61,893	0.00
1,001–5,000	2,334	6,699,426	0.11
5,001–10,000	1,455	11,620,804	0.19
10,001–100,000	6,462	276,334,142	4.50
100,001 and over	4,148	5,843,939,439	95.20
Total	14,806	6,138,655,704	100.00
Holders of less than a marketable parcel	9,499		

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Morella Corporation Limited and Controlled Entities

ADDITIONAL ASX INFORMATION

VOTING RIGHTS

ORDINARY SHARES

On a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote. On a poll, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder has one vote for each fully paid share held.

ON MARKET BUY BACK

There is no current on market buy back of Morella shares.

PERFORMANCE RIGHTS

There is no current Performance Rights related to Morella shares on issue.

UNLISTED OPTIONS

There is no current Options for Morella shares on issue.

COMPETENT PERSONS STATEMENTS

The information in this statement is based on, and fairly represents, information and supporting documentation prepared by the competent persons listed below.

The information in this report that relates to Exploration Results at the Company's 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 report that relates to Geophysical Exploration Results at the Company's Fish Lake Valley and North Big Smoky 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.

The information in this report that relates to Geological Exploration Results at the Company's Fish Lake Valley and North Big Smoky 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.