



# **Morella Corporation Limited**

**ABN 39 093 391 774**

## **ANNUAL FINANCIAL REPORT**

**30 JUNE 2022**

## Morella Corporation Limited and Controlled Entities

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## Morella Corporation Limited and Controlled Entities

### Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022

## 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

*During the reporting period and up to 9 November 2021*  
Level 9, 863 Hay Street  
Perth WA 6000

Telephone: +61 8 9488 5100  
Facsimile: +61 8 9488 5199

Email: [cosec@morellacorp.com](mailto:cosec@morellacorp.com)

*Since 10 November 2021*  
Suite 5, 68 Murray Street  
West Perth WA 6005

Email: [info@morellacorp.com](mailto:info@morellacorp.com)

Website: [www.morellacorp.com](http://www.morellacorp.com)

### AUDITORS

PKF Perth  
Level 5, 35 Havelock Street  
Perth WA 6005

### SHARE REGISTRY

Link Market Services Limited  
Level 12, QV1 Building  
250 St George's Terrace  
Perth WA 6000

### AUSTRALIAN SECURITIES EXCHANGE

Code: 1MC 1MCOB



## Morella Corporation Limited and Controlled Entities

### Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (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 2022.

#### **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 of the Group during the year was conclusion of all matters to enable the Company's securities to be re-quoted on the ASX. This milestone was achieved on 14 December 2021. Subsequent activities have been centered around the Groups acquisition of 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 completed a range of corporate matters to enable the Company's securities to be re-quoted on the ASX. Subsequent to re-quotations, 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 achieved re-quotations on the ASX, in part by raising \$8.599 million in cash, the proceeds to fund medium-term exploration and operational activities. Following shareholder consent at the Annual General Meeting in November 2021, the Group was renamed to Morella Corporation Limited (ASX code: 1MC).

###### Project Development

###### Fish Lake Valley Lithium Project

On 12 October 2021 Morella executed the formal Earn-in Option Agreement with US-based Lithium Corporation for a 60% interest of the Fish Lake Valley project, with rights to acquire 100% of the project. Morella's immediate efforts were centred on geophysics in order to develop an understanding of the subsurface geological and hydrogeological nature of the project. Following an extensive review of all available historical information and drilling results (which were relatively shallow or surface focussed), the Company formed the opinion that Fish Lake Valley is highly prospective with economic size and scale.

Morella has undertaken passive seismic and magnetotelluric surveys, with field work completed by US-based contractors. Field data collection began in December 2021 and continued through to early April 2022. In late April 2022 the Company released confirmed drilling targets in Fish Lake Valley, at the end of the year, the Company was continuing efforts to secure drilling contractors to conduct its maiden drill program at Fish Lake Valley, additional geophysics efforts to support resource modelling were also being advanced.



## Morella Corporation Limited and Controlled Entities

### Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

#### Western Australia Lithium Exploration

Morella formalised an earn-in agreement for 51% of the lithium rights across a suite of Western Australian tenements with Sayona Mining Limited on 11 November 2021. The immediate focus was tenement E47/2983 ("Mallina"), a detailed review of historical exploration work conducted at Mallina was completed. On 20 October 2021, the Western Australian Department of Mines, Industry Regulation and Safety formally notified the Morella of its successful Round 24 submission as part of the WA Government's Exploration Incentive Scheme (EIS). Morella was granted co-funding up to a maximum offer of \$150,000 against the direct drilling costs for the Mallina exploration program. A targeted, three-hole stratigraphic drill program was planned and undertaken between March-May 2022. At the end of the year, all site works (including ground rehabilitation) had been completed, core and chips samples from the drilling program had been delivered to an independent laboratory and the Company was awaiting assay results.

Towards the end of the year, Morella also undertook initial exploration and site reconnaissance activities on a number of additional tenements subject to the Sayona earn-in agreement. Morella has identified the Mt Edon tenement (including Mt Edon West) and Tabba Tabba East tenement (and adjacent/nearby tenements) as priorities for early-stage exploration efforts.

#### **Operating results**

The Group's operating loss after providing for income tax and non-controlling interests for the year ended 30 June 2022 was \$682,994 (2021: loss \$73,000,216). The Group's operating loss after providing for income tax from continuing operations for the year ended 30 June 2022 was \$99,846 (2021: loss \$13,233,440). The loss in 2022 includes non-cash costs as follows:

- Depreciation and amortisation of \$44,068

and includes further financial costs as follows:

- Interest on funding facility of \$245,405
- Net foreign exchange gain of \$5,295,823

Excluding the above items, the Group loss after tax was due to the Groups restructure post the disposal of its lithium operation.

The Groups revenue from continuing operations for the year ended 30 June 2022 was \$788,937 (2021: \$133,382). The revenue in 2022 was derived from its exploration services and royalty.

#### **Financial position**

The Group cash and cash equivalents balance as at 30 June 2022 was \$4,253,365 (2021: \$372,419). The Group's cash flow from operating activities was negative \$2,958,237 (2021: \$5,262,935) predominantly due to costs of administration and restructuring the Group. The Group's cash flow from investing activities was negative \$1,276,491 (2021: positive \$201,423,333) predominantly due to the exploration expenditure on its tenements. The Group's net cash flow from financing activities provided was \$8,018,205 (2021: used in \$198,144,728) predominantly due the capital raised during the relisting process and the repayment of a short-term facility.

The net assets of the Group increased by \$4,637,187 from \$737,316 to \$5,374,503 due predominantly to the investment in its exploration projects and retirement of liabilities from the deed of company arrangements.

Please refer to Note 16.

#### **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.



## Morella Corporation Limited and Controlled Entities

### Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

#### 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:

15 July 2022 – Morella meets the first-year expenditure requirements for the Fish Lake Valley earn in option agreement

11 August 2022 - Morella completes negotiations for a 60% interest in the North Big Smokey project. The earn-in agreement is with US-based, OTC listed Lithium Corporation (“Lithium Corp.”) to immediately commence an earn-in for the North Big Smoky (“NBS”) Project in central-west Nevada, USA.

18 August 2022 - Morella completes a \$7.5 million placement to new and existing institutional and sophisticated investors in Australia and internationally at an issue price of \$0.015. The Placement process was managed by Canaccord Genuity (Australia) Limited and Jett Capital Advisors acting as Joint Lead Managers.

18 August 2022 - Lithium Royalty Corporation (LRC), Morella and Sayona Mining Limited have agreed to binding terms for a royalty on lithium products produced from both the Mt Edon lithium project, tenements E59/2092 and E59/2055 (“Mt Edon”) and the Tabba Tabba lithium project, tenement E45/4703 (“Tabba Tabba”). The consideration of US\$ 1,100,000 consists of the grant of a 1.25% Gross Overriding Revenue royalty both project areas.

18 August 2022 – Morella issues 258,266,458 performance rights under its executive incentive programme to its executive management team. The performance rights will immediately vest for non-directors with the Directors requiring shareholder approval. To accommodate AGM approval the performance rights will expire on 31 December 2022.

10 September 2022 – Mr Alex Cheeseman has resigned effective 7 October 2022

16 September 2022 - 19,812,140 warrants at an exercise price of \$0.1260 per warrant with an expiry date 4 August 2022 have expired and were cancelled on 16 September 2022.

The impact of the Coronavirus (COVID-19) is ongoing and while it has not been financially positive for the consolidated entity up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The impact on the Group is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No further events have occurred since 23 September 2022, which would require disclosure in the financial report.



## Morella Corporation Limited and Controlled Entities

### Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (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 2022 (2021: 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 consolidated entity 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.



## Morella Corporation Limited and Controlled Entities

### Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (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

59,153,791 ordinary shares in Morella Corporation Limited

#### INFORMATION ON DIRECTORS (continued)

##### 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

807,533,512 ordinary shares in Morella Corporation Limited



## Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (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**

27,876,863 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**

36,570,786 ordinary shares in Morella Corporation Limited

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

**COMPANY SECRETARY**

**Mr John Lewis** - Mr Lewis has a Bachelor of Business Degree and is a Chartered Accountant with more than 25 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.

**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 24 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 2022 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 24.

**Group performance, shareholder wealth and director and executive remuneration**

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

	2022	2021	2020	2019	2018
Revenue and sundry income	1,529,313	142,203	107,023,428	39,571,130	1,675,168
EBITDA *	219,080	(13,088,123)	(16,047,598)	(3,967,691)	(13,279,929)
NPBT *	(99,846)	(13,232,440)	(89,615,963)	(26,283,568)	(13,120,803)
NPAT *	(99,846)	(13,232,440)	(89,637,031)	(26,571,019)	(12,712,487)
Dividends paid	-	-	-	-	-

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



## Morella Corporation Limited and Controlled Entities

### Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (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.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (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 \$	\$	
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>2022</b>									
<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	-	-	-	-	-	-	357,588	-
<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	
<b>Total compensation</b>	<b>843,558</b>	-	-	-	<b>41,400</b>	-	<b>56,000</b>	<b>940,958</b>	

<b>2021</b>									
<i>Non-executive directors</i>									
A Buckler	18,000	-	-	-	1,710	-	-	19,710	-
D O'Neill	21,000	-	-	-	1,995	-	-	22,995	-
B Kuan	21,000	-	-	-	1,995	-	-	22,995	-
X Dai	18,000	-	-	-	-	-	-	18,000	-
Sub total non-executive directors	78,000	-	-	-	5,700	-	-	83,700	
<i>Executive directors</i>									
J Brown	213,032	-	-	34,774	-	-	-	247,806	-
P Mantell	108,342	-	-	3,689	9,342	153,543	-	274,916	-
<i>Other key management personnel</i>									
R Wheatley	134,053	-	-	-	11,524	270,000	-	415,577	-
D Cox	135,459	-	-	-	5,684	100,000	-	241,143	-
A Cheeseman	63,749	-	-	-	6,056	-	-	69,805	-
Total for key management personnel compensation	654,635	-	-	38,463	32,606	523,543	-	1,249,247	
<b>Total compensation</b>	<b>732,635</b>	-	-	<b>38,463</b>	<b>38,306</b>	<b>523,543</b>	-	<b>1,332,947</b>	

\* Mr A Cheeseman has resigned effective 7 October 2022

No long service leave payments were made during the year (2021: 26,091)

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (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.

<b>2022</b>	<b>Balance at the start of the year</b>	<b>Granted as compensation</b>	<b>Shares issued/ rights lapsed</b>	<b>Balance at the end of the year</b>	<b>Vesting 31 Jan 2022</b>
J Brown	-	-	-	-	-
A Buckler	-	-	-	-	-
D O'Neill	-	-	-	-	-
B Kuan	-	-	-	-	-
A Cheeseman *	-	-	-	-	-

<b>2021</b>	<b>Balance at the start of the year</b>	<b>Granted as compensation</b>	<b>Shares issued/ rights lapsed</b>	<b>Balance at the end of the year</b>	<b>Vesting 31 Jan 2021</b>
J Brown	-	-	-	-	-
P Mantell	-	-	-	-	-
A Buckler	-	-	-	-	-
D O'Neill	-	-	-	-	-
B Kuan	-	-	-	-	-
X Dai	-	-	-	-	-
A Cheeseman	-	-	-	-	-
R Wheatley	1,000,000	-	(1,000,000)	-	-
D Cox	-	-	-	-	-

\* 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.

	<b>Balance at start of the year</b>	<b>Purchased / (sold)</b>	<b>Vesting of performance rights</b>	<b>Placement &amp; Securities Purchase Plan</b>	<b>Other</b>	<b>Balance at the end of the year</b>
<b>2022</b>						
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

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (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
<b>2021</b>						
J Brown	31,788,301	-	-	-	-	31,788,301
P Mantell	36,899,238	-	-	-	(36,899,238)	-
A Buckler	459,738,506	-	-	-	-	459,738,506
D O'Neill	13,633,336	-	-	-	-	13,633,336
B Kuan	26,600,000	-	-	-	-	26,600,000
X Dai	-	-	-	-	-	-
A Cheeseman	-	-	-	-	100,000	100,000
R Wheatley	-	-	-	-	-	-
D Cox	1,875,000	-	-	-	(1,875,000)	-

\* 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
<b>2022</b>					
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 *	-	-	-	-	-
<b>2021</b>					
J Brown	385,000	-	-	-	385,000
P Mantell	385,000	-	-	(385,000)	-
A Buckler	58,466,808	-	-	-	58,466,808
D O'Neill	-	-	-	-	-
B Kuan	1,000,000	-	-	-	1,000,000
X Dai	-	-	-	-	-
R Wheatley	-	-	-	-	-
D Cox	-	-	-	-	-

\* Mr A Cheeseman has resigned effective 7 October 2022



Morella Corporation Limited and Controlled Entities

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (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 2022.

No shares were issued to directors and key management personnel on the vesting of performance rights during the year ended 30 June 2022.

**Loan from Directors**

The company has a total balance of loans from various directors totalling \$3,313,550 (2021: \$3,539,458) as at reporting date. Details relating to these loans are in Note 18 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 4 Directors' meetings, 2 Audit & Risk Committee meetings and 3 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	4	4	2	2	-	-
A Buckler	4	4	2	2	3	3
D O'Neill	4	4	2	2	3	3
B Kuan	4	4	2	2	3	3

**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.



## Morella Corporation Limited and Controlled Entities

### Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

#### OPTIONS

##### LDA Options

74,400,000 unlisted options over ordinary shares of Morella Corporation Limited outstanding. These unlisted options were issued to LDA Capital on 1 May 2020 (following approval at a general meeting held on 30 April 2020) under the terms of an equity standby facility provided by LDA Capital. The options have an exercise price of \$0.0586 cents per option and have an expiry date of 1 May 2023.

##### Canaccord Options

150,000,000 unlisted options over ordinary shares of Morella Corporation Limited outstanding. 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 2022, there were also 224,400,000 unlisted options over ordinary shares of Morella Corporation Limited outstanding. These unlisted options expire on conditions stated.

#### WARRANTS

Under the terms of the US\$110,000,000 debt facility announced on 28 July 2017, the lenders received a total of 72,644,513 warrants. These were approved on 22 November 2017 at the Company's annual general meeting and issued on 27 November 2017 at an exercise price of \$0.1260 per warrant with an expiry date 4 August 2022. These Warrants have expired and were cancelled on 16 September 2022.

#### 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 2022.

Details of the amounts paid or payable to the auditor for services provided during the financial year by the auditor are outlined in Note 31 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 31 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.





## Morella Corporation Limited and Controlled Entities

### Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

#### **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 2022 has been received and is included on page 18 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,

A handwritten signature in black ink, appearing to read "James Brown", written over a horizontal line.

**James Brown**

Director

Brisbane, 23 September 2022

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 2022, 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

  
SHANE CROSS  
PARTNER

23 SEPTEMBER 2022  
WEST PERTH,  
WESTERN AUSTRALIA

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PKF Perth is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.



Morella Corporation Limited and Controlled Entities

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$	2021 \$
<b>Continuing operations</b>			
Revenue	5(a)	788,937	133,382
Cost of sales	5(c)	(496,886)	(457,565)
<b>Gross profit / (loss)</b>		292,051	(324,183)
<b>Other income</b>			
Sundry income	5(b)	740,376	8,821
<b>Expenses</b>			
Administration costs		(4,444,414)	(4,427,189)
Employee benefits expense	5(f)	(1,632,335)	(2,456,126)
Exploration expenditure written off		(46,281)	-
Other expenses	5(d)	(30,208)	(33,835)
<b>Profit / (loss) before foreign exchange and finance costs</b>		(5,120,810)	(7,232,512)
Net foreign exchange gain/(loss)	5(e)	5,295,823	(5,922,920)
<b>Profit / (loss) before finance costs</b>		175,013	(13,155,432)
<b>Finance costs</b>			
Interest on funding facility		(274,859)	(77,008)
<b>Profit / (loss) before income tax</b>		(99,846)	(13,232,440)
Income tax (expense) / benefit	7(a)	-	-
<b>Profit / (loss) after income tax from continuing operations</b>		<b>(99,846)</b>	<b>(13,232,440)</b>
<b>Discontinued operations</b>			
Loss from discontinued operations after tax	3	(583,148)	(59,767,776)
<b>Net profit / (loss) for the year</b>		<b>(682,994)</b>	<b>(73,000,216)</b>
Profit / (loss) attributable to:			
Owners of Morella Corporation Limited – Continuing Operations		(97,886)	(13,034,710)
Owners of Morella Corporation Limited – Discontinued Operations		(583,148)	(59,767,776)
Non-controlling interest		(1,980)	(197,730)
		<b>(682,994)</b>	<b>(73,000,216)</b>
<b>(Loss) per share from continuing and discontinued operations attributable to the ordinary equity holders of the Company:</b>			
Basic and diluted (loss) per share from continuing and discontinuing operations	6	(0.02)	(2.44)
Basic and diluted (loss) per share from continuing operations	6	(0.00)	(0.44)
Basic and diluted (loss) per share from discontinued operations	6	(0.02)	(2.00)

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 2022

	Note	2022 \$	2021 \$
<b>Profit / (loss) for the year</b>		<b>(682,994)</b>	<b>(73,000,216)</b>
Other comprehensive income / (loss) for the year			
Items that may be reclassified to profit and loss			
Changes in the fair value of financial assets	13	(2,354,653)	3,768,316
Exchange differences on translation of foreign controlled entities		(4,601,015)	5,183,696
		<hr/>	<hr/>
<b>Other comprehensive income / (loss) for the year, net of tax</b>		<b>(6,955,668)</b>	<b>8,952,012</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>(7,638,662)</b>	<b>(64,048,204)</b>
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income / (loss) attributable to:			
Members of the parent entity		(7,667,442)	(64,068,267)
Non-controlling interest		28,780	20,063
		<hr/>	<hr/>
		<b>(7,638,662)</b>	<b>(64,048,204)</b>
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income / (loss) attributable to members of the parent entity arises from:			
Continuing operations		(6,829,485)	(64,944,846)
Discontinued operations		(809,177)	876,642
		<hr/>	<hr/>
		<b>(7,638,662)</b>	<b>(64,048,204)</b>
		<hr/> <hr/>	<hr/> <hr/>

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



Morella Corporation Limited and Controlled Entities

Consolidated Balance Sheet

AS AT 30 JUNE 2022

	Note	2022 \$	2021 \$
<b>Current assets</b>			
Cash and cash equivalents	8	4,253,365	372,419
Trade and other receivables	9	251,613	799,358
Held to maturity investments	11	29,295	-
Inventories	10	-	-
Current tax prepaid		74,816	63,817
Other current assets	12	86,490	202,493
Derivative financial instruments	14	329,789	-
Financial assets	13	2,900,008	5,691,673
<b>Total current assets</b>		<b>7,925,379</b>	<b>7,129,760</b>
<b>Non-current assets</b>			
Property, plant, equipment and mine properties	15	36,519	29,074
Exploration and evaluation	16	2,192,888	79,946
Right-of-use assets	22	37,196	-
<b>Total non-current assets</b>		<b>2,266,603</b>	<b>109,020</b>
<b>Total assets</b>		<b>10,191,982</b>	<b>7,238,780</b>
<b>Current liabilities</b>			
Trade and other payables	17	747,947	2,472,473
Borrowings	18	3,313,550	3,539,458
Short term provisions	19	716,587	489,533
Lease liabilities	22	27,621	-
Liabilities classified as held for sale	3c	-	-
<b>Total current liabilities</b>		<b>4,805,705</b>	<b>6,501,464</b>
<b>Non-current liabilities</b>			
Borrowings	18	-	-
Lease liabilities	22	11,775	-
Rehabilitation provision	21	-	-
<b>Total non-current liabilities</b>		<b>11,775</b>	<b>-</b>
<b>Total liabilities</b>		<b>4,817,480</b>	<b>6,501,464</b>
<b>Net assets</b>		<b>5,374,502</b>	<b>737,316</b>
<b>Equity</b>			
Contributed equity	23	302,776,147	290,860,299
Reserves	23	(451,487)	6,174,940
Accumulated losses		(297,224,882)	(296,543,867)
Capital and reserves attributable to owners of Morella Corporation Limited		5,099,778	491,372
Non-controlling interest		274,724	245,944
<b>Total equity</b>		<b>5,374,502</b>	<b>737,316</b>

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

	Contributed equity	Accumulated losses	Option & performance rights reserve	Change in fair value - market valuation	Foreign currency translation reserve	Non-controlling interests	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at 30 June 2020</b>	<b>290,860,299</b>	<b>(223,741,381)</b>	<b>1,802,346</b>	<b>1,393,186</b>	<b>(5,553,782)</b>	<b>225,881</b>	<b>64,986,549</b>
<b>Net Loss</b>	-	<b>(72,802,486)</b>	-	-	-	<b>(197,730)</b>	<b>(73,000,216)</b>
<b>Other Comprehensive income Fair Value</b>	-	-	-	<b>3,768,316</b>	-	-	<b>3,768,316</b>
<b>Other Comprehensive income Foreign Exchange</b>	-	-	-	-	<b>4,965,903</b>	<b>217,793</b>	<b>5,183,696</b>
<b>Total comprehensive income for the year</b>	-	<b>(72,802,486)</b>	-	<b>3,768,316</b>	<b>4,965,903</b>	<b>20,063</b>	<b>(64,048,204)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Contributions of equity, net of transaction costs	-	-	-	-	-	-	-
Share based payments transactions	-	-	<b>(201,028)</b>	-	-	-	<b>(201,028)</b>
Sub-total	-	-	<b>(201,028)</b>	-	-	-	<b>(201,028)</b>
<b>Balance as at 30 June 2021</b>	<b>290,860,299</b>	<b>(296,543,867)</b>	<b>1,601,318</b>	<b>5,161,501</b>	<b>(587,879)</b>	<b>245,944</b>	<b>737,316</b>
<b>Balance as at 30 June 2021</b>	<b>290,860,299</b>	<b>(296,543,867)</b>	<b>1,601,318</b>	<b>5,161,501</b>	<b>(587,879)</b>	<b>245,944</b>	<b>737,316</b>
<b>Net Loss</b>	-	<b>(681,014)</b>	-	-	-	<b>(1,980)</b>	<b>(682,994)</b>
<b>Other Comprehensive income Fair Value</b>	-	-	-	<b>(2,354,653)</b>	-	-	<b>(2,354,653)</b>
<b>Other Comprehensive income Foreign Exchange</b>	-	-	-	-	<b>(4,631,774)</b>	<b>30,760</b>	<b>(4,601,015)</b>
<b>Total comprehensive income for the year</b>	-	<b>(681,014)</b>	-	<b>(2,354,653)</b>	<b>(4,631,774)</b>	<b>28,780</b>	<b>(7,638,662)</b>
<b>Transactions with owners in their capacity as owners:</b>							
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	<b>11,915,848</b>	-	<b>360,000</b>	-	-	-	<b>12,275,848</b>
<b>Balance as at 30 June 2022</b>	<b>302,776,147</b>	<b>(297,224,882)</b>	<b>1,961,318</b>	<b>2,806,848</b>	<b>(5,219,653)</b>	<b>274,724</b>	<b>5,374,502</b>

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,539,163	49,004,866
Payments to suppliers and employees		(4,241,907)	(54,993,396)
Sundry income		6,549	2,403
Interest received		-	192
Interest paid		(262,042)	-
Proceeds from jobkeeper		-	723,000
<b>Net cash provided by / (used in) in operating activities</b>	29(b)	<b>(2,958,237)</b>	<b>(5,262,935)</b>
<b>Cash flows from investing activities</b>			
Expenditure on exploration and evaluation activities		(1,741,827)	(299,784)
Purchase of property, plant, equipment and mine properties		(29,561)	(696,271)
Proceeds from disposal of subsidiaries		-	202,419,388
Purchase of held to maturity investments		(29,295)	-
Proceeds from available for sale investments		437,380	-
Proceeds from sale of property, plant and equipment		86,812	-
<b>Net cash (used in) / provided by investing activities</b>		<b>(1,276,491)</b>	<b>201,423,333</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		8,524,747	-
Proceeds from borrowings	28/29(c)	200,000	7,163,881
Repayment of borrowings	28/29 (c)	(700,000)	(204,436,487)
Payment of lease liabilities		(6,542)	(132,760)
Transaction costs related to borrowing		-	(739,362)
<b>Net cash provided by / (used in) financing activities</b>		<b>8,018,205</b>	<b>(198,144,728)</b>
<b>Net increase / (decrease) in cash and cash equivalents held</b>		<b>3,783,477</b>	<b>(1,984,330)</b>
Cash and cash equivalents at the beginning of year	29(a)	380,845	2,308,386
Effect of exchange rate changes on cash holdings in foreign currencies		98,006	56,789
<b>Cash and cash equivalents at the end of year</b>	29(a)	<b>4,262,328</b>	<b>380,845</b>
<b>Non-cash investing and financing activities</b>			
Share based payments	24	(3,676,885)	201,028
Interest on loan facility capitalised		-	(10,952,587)
Transaction fees - borrowings		-	(7,690,621)

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



## Morella Corporation Limited and Controlled Entities

### Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

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 23 September 2022 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 accruals 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 \$682,994 (2021: \$73,000,216), had cash outflows from operating activities of \$ 2,958,237 (2021: \$ 5,262,935), concluded the year with cash and cash equivalents of \$ 4,253,365 (2021: \$372,419) and loans outstanding at year-end of \$ 3,313,550 (2021: 3,539,458).

The Group has raised capital of \$8,598,963 during the current period and \$7,500,000 subsequently to the reporting date. The Directors believe that the Group has sufficient cash and will be able to meet its requirements to continue as a going concern.



## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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 2022. 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 \$2,192,888 as at 30 June 2022 (2021: \$79,946). This amount includes additions of \$2,159,223 for administration and exploration costs and tenement costs written off of \$46,281 (2021: \$nil) 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 2022 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 27 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.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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 2022

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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 2022

### 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.

# Morella Corporation Limited and Controlled Entities



## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

### 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 2022

**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 2022

**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 23. 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 2022

**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 2022

**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.
- (c) Sales of product – revenue from the sale of product is recognised at a point in time, being when the Group delivers the product to the buyer. In accordance with the contract, delivery is deemed to occur when the product passes the ship's rail in the port of shipment. At this point, the performance obligation per the off-take agreement (contract) is satisfied relating to the delivery of product. A variable consideration of 5% of the total invoice is recognised as revenue to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

**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.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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:

	<b>2022</b>	<b>2021</b>
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	4,253,365	372,419
Trade and other receivables	251,613	799,358
Held to maturity investments	29,295	-
Derivative financial instruments	329,789	-
Other financial assets	2,900,008	5,691,673
	<u>7,764,070</u>	<u>6,863,450</u>
<b>FINANCIAL LIABILITIES</b>		
Trade and other payables (Note 17)	747,947	2,472,473
Lease liabilities	39,396	-
Borrowings	3,313,550	3,539,458
	<u>4,100,893</u>	<u>6,011,931</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 2022, the Group held funds in foreign currency amounting to US\$369,072 (2021: US\$27,700).

The Group does not currently enter into any hedging arrangements.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**2. FINANCIAL RISK MANAGEMENT (continued)**

*Foreign currency risk sensitivity analysis*

At 30 June 2022, 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:

	2022 \$	2021 \$
Change in profit		
— Improvement in AUD to USD by 11%	104,744	52,162
— Decline in AUD to USD by 11%	(104,744)	(52,162)
Change in equity		
— Improvement in AUD to USD by 11%	104,744	52,162
— Decline in AUD to USD by 11%	(104,744)	(51,162)

**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 \$2,900,008 (2021: \$5,691,673) 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.

	2022 \$	2021 \$
Change in profit		
— Increase in equity value by 10%	-	-
— Decrease in equity value by 10%	-	-
Change in equity		
— Increase in equity value by 10%	290,001	569,167
— Decrease in equity value by 10%	(290,001)	(569,167)

**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 18.

*Interest rate sensitivity analysis*

At 30 June 2022, 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:

	2022 \$	2021 \$
Change in profit		
— Increase in interest rate by 1%	(33,596)	(30,395)
— Decrease in interest rate by 1%	33,596	30,395
Change in equity		
— Increase in interest rate by 1%	(33,596)	(30,395)
— Decrease in interest rate by 1%	33,596	30,395

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets:</b>														
Cash & cash equivalents	-	-	4,253,365	372,419	-	-	-	-	-	-	-	-	4,253,365	372,419
Trade and other receivables	-	-	-	-	-	-	-	-	-	-	251,613	799,358	251,613	799,358
Financial assets	-	-	-	-	-	-	-	-	-	-	2,900,008	5,691,673	2,900,008	5,691,673
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	329,789	-	329,789	-
Term deposit	.25%	.25%	-	-	29,295	-	-	-	-	-	-	-	29,295	-
<b>Total financial assets</b>			<b>4,253,365</b>	<b>372,419</b>	<b>29,295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,481,410</b>	<b>6,491,031</b>	<b>7,764,070</b>	<b>6,863,450</b>
<b>Financial liabilities:</b>														
Trade & other payables	-	-	-	-	-	-	-	-	-	-	747,947	2,472,473	747,947	2,472,473
Lease liabilities	-	-	-	-	27,621	-	11,775	-	-	-	-	-	39,396	-
Borrowings	8%	8%	-	-	3,313,550	3,539,458	-	-	-	-	-	-	3,313,550	3,539,458
<b>Total financial liabilities</b>			<b>-</b>	<b>-</b>	<b>3,341,171</b>	<b>3,539,458</b>	<b>11,775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>747,947</b>	<b>2,472,473</b>	<b>4,100,893</b>	<b>6,011,931</b>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**2. FINANCIAL RISK MANAGEMENT (continued)**

	<b>2022</b>	<b>2021</b>
	\$	\$
Trade and other payables are expected to be paid as follows:		
Less than 6 months (note 17)	747,947	2,472,473
More than 6 months (note 17)	-	-
	<u>747,947</u>	<u>2,472,473</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 2022 and 30 June 2021.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>2022</b>				
<b>Assets</b>				
Listed investments	2,900,008	-	-	2,900,008
<b>Total assets</b>	<u>2,900,008</u>	<u>-</u>	<u>-</u>	<u>2,900,008</u>
<b>2021</b>				
<b>Assets</b>				
Listed investments	5,691,673	-	-	5,691,673
<b>Total assets</b>	<u>5,691,673</u>	<u>-</u>	<u>-</u>	<u>5,691,673</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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

3. DISCONTINUED OPERATIONS (continued)

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 2022.

	2022 \$	2022 \$	2021 \$	2021 \$
	ALO	Tabalong	ALO	Tabalong
Revenue				
Sale of Product	-	-	47,168,575	-
Cost of sales				
Mining and processing costs	-	-	(33,985,923)	-
Royalty expenses	-	-	(2,310,755)	-
Depreciation and amortisation	-	-	(4,426,124)	-
Impairment Expense	-	(601,530)	-	(3,393,905)
Product inventory movement	-	-	(16,163,391)	-
Total cost of sales	-	(601,530)	(56,886,193)	(3,393,905)
Profit / (Loss)	-	-	(9,717,618)	-
Other Income	-	-	513,000	-
Expenses				
Administration Expenses	-	-	(3,395,205)	-
	-	18,382	-	12,649
(Loss) before foreign exchange and finance costs	-	(583,148)	(12,599,823)	(3,381,256)
Foreign exchange gain	-	-	28,696,549	-
Profit / (Loss) before Finance costs	-	(583,148)	16,096,726	(3,381,256)
Finance costs				
Interest on funding facility	-	-	(20,404,164)	-
Amortisation of transaction costs	-	-	(28,859,442)	(32)
Net (Loss) before income tax	-	(583,148)	(33,166,880)	(3,381,224)
Loss on disposal before income tax				
Debt forgiveness	-	-	41,617,240	-
Impairment expense	-	-	(64,836,912)	-
Loss on disposal before income tax	-	-	(23,219,672)	-
Income Tax expense	-	-	-	-
<b>(Loss) from discontinued operations after income tax</b>	-	(583,148)	(56,386,552)	(3,381,224)
Net cash (outflow) from financing activities	-	537	-	(1,000)
<b>Net decrease in cash generated by the division</b>	-	537	-	(1,000)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

3. DISCONTINUED OPERATIONS (continued)

c) Carrying amounts of assets and liabilities

	2022 \$	2022 \$	2021 \$	2021 \$
	ALO	Tabalong	ALO	Tabalong
Cash and cash equivalents	-	8,963	-	8,426
Exploration and evaluation	-	3,404,508	-	2,148,432
Total assets of disposal group held for sale	-	3,413,471	-	2,156,858
Trade and other payables	-	1,684,282	-	572,344
Borrowings	-	1,729,189	-	1,584,514
Total liabilities	-	3,413,471	-	2,156,858
Net Assets	-	-	-	-

	2022 \$	2021 \$
Details of the disposal – ALO		
Total sale consideration		- 200,725,201
Carrying amount of net assets disposed		- (265,562,113)
Debt forgiven		- 41,617,240
		- (23,219,672)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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 \$
<b>2022</b>				
<b>Revenue</b>				
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>	-	1,529,313
Unallocated revenue				-
Total consolidated revenue				<u>1,529,313</u>
<b>Segment result</b>	(29,501)	(5,091,309)	-	(5,120,810)
Other segments				
Unallocated expenses net of unallocated revenue				-
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)				-
Profit / (loss) after income tax				(99,846)
Profit / (loss) from discontinued operations				(583,148)
Net profit / (loss) for the year				<u>(682,994)</u>
<b>Assets and liabilities</b>				
Segment assets	276,694	9,915,288	-	10,191,982
Unallocated assets				-
Total assets				<u>10,191,982</u>
Segment liabilities	897,122	3,920,358	-	4,817,480
Unallocated liabilities				-
Total liabilities				<u>4,817,480</u>
<b>Other segment information</b>				
Capital Expenditure	-	29,651	-	29,651
Exploration expenditure	-	2,112,888	-	2,112,888
Depreciation and amortisation	16,818	27,249	-	44,067

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

4. SEGMENT INFORMATION (continued)

	Exploration services	Mineral exploration	Eliminations	Total
	\$	\$	\$	\$
<b>2021</b>				
<b>Revenue</b>				
External sales	133,382	-	-	133,382
Other income	7,851	970	-	8,821
Other segments	-	-	-	-
Total segment revenue	141,233	970	-	142,203
Unallocated revenue				-
Total consolidated revenue				142,203
<b>Segment result</b>	(235,626)	(4,226,833)	-	(4,462,459)
Other segments				
Unallocated expenses net of unallocated revenue				-
Profit / (loss) before income tax and finance costs				(4,462,459)
Finance costs				(8,769,981)
Income tax revenue/(expense)				-
Profit / (loss) after income tax				(13,232,440)
Profit / (loss) from discontinued operations				(59,767,776)
Net profit / (loss) for the year				(73,000,216)
<b>Assets and liabilities</b>				
Segment assets	369,080	6,869,699	-	7,238,779
Unallocated assets				-
Total assets				7,238,779
Segment liabilities	721,131	5,780,332	-	6,501,463
Unallocated liabilities				-
Total liabilities				6,501,463
<b>Other segment information</b>				
Exploration expenditure	-	79,946	-	79,946
Depreciation and amortisation	36,296	31,014	-	67,309



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

4. SEGMENT INFORMATION (continued)

**Geographical segments**

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

2022	Australia \$	Indonesia \$	USA \$	Other \$	Eliminations \$	Total \$
<b>Revenue</b>						
External sales	-	288,937	-	-	-	288,937
Other income	1,165,650	74,729	-	-	-	1,240,376
Other segments	-	-	-	-	-	-
<b>Total segment revenue</b>	<b>1,165,650</b>	<b>363,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,529,313</b>
Unallocated revenue						-
<b>Total revenue</b>						<b>1,529,313</b>
Segment assets	8,804,882	309,778	1,015,990	61,332	-	10,191,982
Unallocated assets						-
<b>Total assets</b>						<b>10,191,982</b>
Segment liabilities	3,735,241	958,552	-	123,687	-	4,817,480
Unallocated liabilities						-
<b>Total liabilities</b>						<b>4,817,480</b>
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
<b>2021</b>	<b>Australia \$</b>	<b>Indonesia \$</b>	<b>USA \$</b>	<b>Other \$</b>	<b>Eliminations \$</b>	<b>Total \$</b>
<b>Revenue</b>						
External sales	-	133,382	-	-	-	133,382
Other income	970	7,851	-	-	-	8,821
Other segments	-	-	-	-	-	-
<b>Total segment revenue</b>	<b>970</b>	<b>141,233</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142,203</b>
Unallocated revenue						-
<b>Total revenue</b>						<b>142,203</b>
Segment assets	6,145,217	927,679	-	165,829	-	7,238,779
Unallocated assets						-
<b>Total assets</b>						<b>7,238,779</b>
Segment liabilities	5,087,510	1,272,405	-	141,548	-	6,501,463
Unallocated liabilities						-
<b>Total liabilities</b>						<b>6,501,463</b>
Exploration expenditure	79,946	-	-	-	-	79,946
Depreciation and amortisation	31,014	36,296	-	-	-	67,309

The Group has a number of customers to whom it provides exploration services. The exploration services group supplies three external customers who account for 75% (US\$157,000), 8% (US\$16,000) and 6% (US\$12,000) of external revenue (2021: 52%).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

	2022 \$	2021 \$
<b>5. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES</b>		
<b>(a) Revenue</b>		
Revenue from exploration services	288,937	133,382
Revenue from royalties	500,000	-
Total revenue from ordinary activities	<u>788,937</u>	<u>133,382</u>
<b>(b) Other income</b>		
Sale of royalty right	665,640	-
Profit on sale of assets	74,726	-
Other income	10	8,821
Total other revenues from ordinary activities	<u>740,376</u>	<u>8,821</u>
<b>(c) Cost of sales</b>		
Mining and processing costs	-	-
Royalty expenses	-	-
Depreciation and amortisation	13,860	33,474
Mining services drilling costs	483,026	424,091
Total cost of sales	<u>496,886</u>	<u>457,565</u>
<b>(d) Other expenses</b>		
Depreciation of plant & equipment	30,208	33,835
Total other expenses from ordinary activities	<u>30,208</u>	<u>33,835</u>
<b>(e) Net foreign exchange gain/(loss)</b>		
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.		
<b>(f) Employee benefits expense</b>		
Employee share scheme expense	56,000	(201,028)
Bonus paid by way of issue of shares to directors and staff	-	-
Salaries and on-costs expense	1,576,335	2,657,154
Total employee benefits expense	<u>1,632,335</u>	<u>2,456,126</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**6. EARNINGS / (LOSS) PER SHARE**

	<b>2022</b>	<b>2021</b>
	<b>cents per share</b>	<b>cents per share</b>
(a) Basic earnings / (loss) per share		
From continuing operations, attributable to the ordinary equity holders of the Company	0.00	(0.44)
From discontinued operations	(0.02)	(2.00)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.02)	(2.44)
(b) Diluted earnings / (loss) per share		
From continuing operations, attributable to the ordinary equity holders of the Company	0.00	(0.44)
From discontinued operations	(0.02)	(2.00)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.02)	(2.44)
(c) Weighted average number of ordinary shares used as the denominator in calculating the basic and diluted earnings per share.		
	4,265,017,616	2,986,243,275
(d) Earnings used in the calculation of basic earnings per share reconciles to net profit in the income statement as follows:		
Net profit / (loss)	(99,846)	(13,232,440)
Less - profit / (loss) from discontinued operations	(583,148)	(59,767,776)
Earnings / (loss) used in the calculation of basic EPS	(682,994)	(73,000,216)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

	2022 \$	2021 \$
<b>7. INCOME TAX EXPENSE</b>		
(a) The components of tax expense comprise:		
<i>Current Tax</i>		
Current year	-	-
Adjustments in respect of prior periods	-	-
<i>Deferred Tax</i>		
Current year deferred tax	-	-
Total income tax expense / (benefit) per income statement	<u>-</u>	<u>-</u>
(b) Income tax expense / (benefit) is attributable to:		
Profit / (loss) from continuing operations	-	-
Profit / (loss) from discontinued operations	-	-
	<u>-</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	(99,846)	(13,232,440)
Profit / (loss) from discontinued operations	(583,148)	(59,767,776)
Profit / (loss) before tax	<u>(682,994)</u>	<u>(73,000,216)</u>
Income tax calculated at the Australian rate of 25% (2021 - 30%)	(170,749)	(21,900,065)
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	373,067	6,100,298
Share compensation costs	884,000	(60,308)
Change in tax rate	(9,225,353)	-
Movement in deferred tax balances not recognised	8,139,035	-
Effect of current year tax losses not recognised	-	25,235,909
Under / (over) provision in prior year	-	(9,375,834)
Income tax expense / (benefit)	<u>-</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% (2021 - 30%)	<u>45,040,448</u>	<u>55,352,119</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**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 tax payer basis. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

	2022 \$	2021 \$
<b>8. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	4,253,365	372,419

**9. TRADE AND OTHER RECEIVABLES**

Current

Trade and other receivables	827,069	1,156,713
Provision for expected credit losses	(575,456)	(357,355)
	251,613	799,358

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. Management have considered the impact of COVID-19 on trade and other receivables and do not anticipate a significant deterioration of recoverability beyond the level of current provisioning.

	0-30 days \$0	31-60 days \$0	61-90 days \$0	90+ days \$0	Total \$0
2022 Consolidated	-	-	214,168	37,445	251,613
2021 Consolidated	-	-	796,576	2,782	799,358

As at 30 June 2022, \$37,000 (2021 \$233,000) trade receivables were past due but not impaired.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

	2022 \$	2021 \$
<b>10. INVENTORIES</b>		
Consumables stores – at cost	-	6,910,299
Transfer to held for sale	-	(6,910,299)
Product and processing stock – at lower of cost and net realisable value	-	-
	<u>-</u>	<u>-</u>

**11. HELD TO MATURITY INVESTMENTS**

Term deposits	29,295	-
	<u>29,295</u>	<u>-</u>

The term deposits are held to their maturity of less than one year and carry a weighted average fixed interest rate of 0.25% (2021: 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.

	2022 \$	2021 \$
<b>12. OTHER CURRENT ASSETS</b>		
Financial assets (security deposits)	37,306	34,185
Prepayments	49,184	168,308
	<u>86,490</u>	<u>202,493</u>

**13. FINANCIAL ASSETS**

Listed investments at fair value		
Carried forward from previous year	5,691,673	1,923,357
Disposal	(437,012)	-
Changes in fair value	<u>(2,354,653)</u>	<u>3,768,316</u>
Total listed investments at fair value	<u>2,900,008</u>	<u>5,691,673</u>

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**14. 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
<b>Consolidated - 2022</b>	%	\$	\$	\$	\$	\$
<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
<b>Derivatives</b>						
Forward foreign exchange contracts net settled	-	329,789	-	-	-	329,789
Total derivatives		329,789	-	-	-	329,789

There were no derivative financial instruments in 2021

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

15. PROPERTY, PLANT, EQUIPMENT AND MINE PROPERTIES

	Property plant and equipment \$	Mine properties in production \$	Total \$
<b>2022</b>			
<b>Gross carrying amount</b>			
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
<b>Accumulated depreciation</b>			
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

	Property plant and equipment \$	Mine properties in production \$	Total \$
<b>2021</b>			
<b>Gross carrying amount</b>			
Balance at 30 June 2020	7,670,398	300,093,917	307,764,315
Additions	-	3,856,343	3,856,343
Impairment	(1,385,250)	(62,618,285)	(64,003,535)
Transfer to held for sale **	(5,337,969)	(236,051,419)	(241,389,388)
Exchange difference	(82,957)	-	(82,957)
Disposals	-	(5,280,556)	(5,280,556)
Balance at 30 June 2021	864,222	-	864,222
<b>Accumulated depreciation</b>			
Balance at 30 June 2020	3,551,072	15,720,925	19,271,997
Depreciation expense	67,309	4,426,124	4,493,433
Impairment	(561,187)	(3,871,654)	(4,432,841)
Exchange difference	(42,715)	-	(42,715)
Transfer to held for sale **	(2,179,331)	(16,275,395)	(18,454,726)
Balance at 30 June 2021	835,149	-	835,149
Net book value as at 30 June 2021	29,074	-	29,074

\*\* Property, Plant, Equipment and Mine Properties were transferred to Assets classified as held for sale. Refer to Note 3 for further details on discontinued operations.





## Morella Corporation Limited and Controlled Entities

### Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>16. EXPLORATION AND EVALUATION</b>		
<b>Exploration and evaluation expenditure at cost:</b>		
Carried forward from previous year	79,946	3,311,790
Incurred during the year	2,159,223	79,946
Transferred to property, plant and equipment and mine properties	-	(1,428,800)
Transferred to assets classified as held for sale	-	(1,882,990)
	<hr/>	<hr/>
	2,239,169	79,946
Less : Written off during the year	(46,281)	-
	<hr/>	<hr/>
Total exploration and evaluation expenditure	2,192,888	79,946
	<hr/>	<hr/>

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.

#### 17. TRADE AND OTHER PAYABLES

Trade payables and accruals	747,947	2,395,465
Accrued interest on loan note facility	-	77,008
	<hr/>	<hr/>
	747,947	2,472,473
	<hr/>	<hr/>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

	2022 \$	2021 \$
<b>18. BORROWINGS</b>		
<b>Current borrowings</b>		
Loan note facility	-	-
Director related facility ##	3,313,550	3,539,458
Other	-	-
Total current borrowings	<u>3,313,550</u>	<u>3,539,458</u>
<b>Non-current borrowings</b>		
Loan note facility	-	-
Total non-current borrowings	<u>-</u>	<u>-</u>
<b>Total borrowings</b>	<u>3,313,550</u>	<u>3,539,458</u>
<b>Reconciliation borrowings - loan note facility</b>		
Opening balance	-	207,742,486
Interest and fees capitalised	-	15,926,109
Exchange rate differences	-	(8,907,936)
Amortisation of transaction costs	-	27,581,782
Adjustment on completion of facility	-	(41,617,240)
Repayment	-	(200,725,201)
Total borrowings – loan note facility	<u>-</u>	<u>-</u>
<b>Reconciliation borrowings – Director related facility</b>		
Opening balance	3,539,458	-
Loan funds received	200,000	3,452,551
Loan funds repaid	(700,000)	-
Exchange rate differences	274,092	86,907
Total borrowings – Director related facility ##	<u>3,313,550</u>	<u>3,539,458</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 2023.

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 derivate asset as of 30 June 2022 of \$329,789. Refer to note 14 for further details.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

	<b>2022</b>	<b>2021</b>
	\$	\$
<b>19. CURRENT SHORT TERM PROVISIONS</b>		
Employee benefit	421,907	230,985
Post- employee benefits	294,792	258,548
	<u>716,587</u>	<u>489,533</u>
<b>Movements in provisions</b>		
Short term employee benefits		
Opening balance	489,533	1,900,591
Provision increase / (decrease)	361,385	16,469
Expense incurred	<u>(134,331)</u>	<u>(1,427,527)</u>
Balance at year end	<u>716,587</u>	<u>489,533</u>
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:		
Provision for employee entitlements:		
Current	<u>716,587</u>	<u>489,533</u>
Total	<u>716,587</u>	<u>489,533</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 \$716,587 (2021 - \$489,533) 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 2022 and 2021 are calculated by KKA Marcel Pryadarshi Soepeno, independent actuaries, in actuarial reports issued in 2022.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**19. 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>2021</u>
Discount rate	7.40%	7.00%
Salary growth rate	8%	8%
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 2022 is as follows:

Impact on defined benefits obligation

	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	1%	273,955	318,798
Salary growth rate	1%	324,083	272,073

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**19. CURRENT SHORT TERM PROVISIONS (continued)**

Post-employment benefits liabilities recognised in the consolidated balance sheet as at 30 June 2022 and 2021 are computed as follows:

	2022 \$	2021 \$
Present value of obligation	304,588	266,487
Fair value of plan assets	304,588	266,487
Actuarial Gains or Losses for the period	(9,796)	(7,938)
Total liability	<u>294,792</u>	<u>258,548</u>

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

At the beginning of the year	258,549	242,363
Current service cost	26,421	25,918
Past service cost Remeasurements: Gain from change in – actuarial assumptions	(9,796)	(7,938)
Benefits paid	(14,883)	(1,794)
Foreign exchange difference	34,501	-
At the end of the year	<u>294,792</u>	<u>258,549</u>

**20. 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	9,849	-
Tax allowances relating to exploration	294,258	23,984
Unrealised foreign exchange gains	3,213,435	2,261,091
	<u>3,517,542</u>	<u>2,285,075</u>

**(b) Assets**

Non-Current

Deferred assets comprise:

Provisions	162,577	205,853
Revenue losses	48,327,778	57,268,382
Revenue losses not recognised	(45,040,448)	(55,352,119)
Lease liabilities	9,299	-
Other	58,336	162,959
	<u>3,517,542</u>	<u>2,285,075</u>

Net deferred tax balance recognised in the Consolidated Balance Sheet	<u>-</u>	<u>-</u>
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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

	2022 \$	2021 \$
<b>21. REHABILITATION PROVISION</b>		
<b>Non-current provision</b>		
Rehabilitation and demobilisation	-	-
	-	-
<b>Movements in provisions</b>		
Rehabilitation and demobilisation		
Opening balance	-	18,435,046
Provision increase/(decrease)	-	-
Transfer to held for sale	-	(18,435,046)
Expense incurred	-	-
Balance at year end	-	-

The Group no longer has operations that require the Directors to review the rehabilitation provision. Refer to Note 1 o i) for accounting policies in relation to the rehabilitation provision.

**22. LEASES**

Set out below is a summary of the amounts disclosed in the Consolidated Balance Sheet:

<b>Lease liability</b>		
Current	27,621	-
Non-current	11,775	-
	39,396	-
<b>Right of use assets</b>		
Properties		
Opening Balance	-	-
Additions	59,514	-
Depreciation	(22,318)	-
Closing Balance	37,196	-

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**23. CONTRIBUTED EQUITY**

**Issued capital**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
5,176,213,986 (2021: 2,986,243,275) ordinary shares issued and fully paid	302,776,147	290,860,299

	<b>2022</b>		<b>2021</b>	
	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
<b>Fully paid ordinary shares</b>				
Balance at the beginning of the financial year	2,986,243,275	290,860,299	2,986,243,275	290,860,299
Share issue - Rights Offer (a)	400,095,130	2,000,470	-	-
Share Issue – Security Shares (b)	400,000,000	2,000,000	-	-
Share placement - Sophisticated Investors (c)	1,319,698,630	6,598,493	-	-
Shares issued in lieu of corporate fees (d)	40,000,000	1,120,000	-	-
Share Issue – EIO Consideration (e)	28,176,951	140,885	-	-
Share issue Employee incentive scheme	2,000,000	56,000	-	-
Balance at the end of the financial year	5,176,213,986	302,776,147	2,986,243,275	290,860,299

(a - On 14 December 2021 Morella announced that it had completed a non-renounceable Entitlement Offer raising a total of \$2,000,470. The offer comprised 1 new share for every 8.5 held at an offer price of \$0.005 cents per share. A total of 400,095,130 shares were issued.

(b - Issue DOCA loan facility security shares 400,000,000 shares on 14 December 2021 to (ACN 647 358 987 Pty Ltd., Limited at an issue price of \$0.005 cents per share.

(c - Placement of 1,319,698,630 shares on 14 December 2021 to sophisticated investors at an issue price of \$0.005 cents per share.

(d – on 21 January 2022 40,000,000 shares were issued for US Strategic Advisory and Consulting Services. The services will be delivered during 2022.

(e - On 14 December 2021 28,176,951 shares 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**23. CONTRIBUTED EQUITY (continued)**

**Option and performance rights reserve**

**Movements in option and performance rights reserve**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Opening balance	1,601,318	1,802,346
Share based payment expense	-	(201,028)
Other share based options	360,000	-
Performance rights exercised and transferred to contributed equity	-	-
Balance at year end	<u>1,961,318</u>	<u>1,601,318</u>

**Foreign currency translation reserve**

**Movements in foreign currency translation reserve**

Opening balance	(587,879)	(5,553,782)
Foreign currency translation differences	<u>(4,631,774)</u>	<u>4,965,903</u>
Balance at year end	<u>(5,219,653)</u>	<u>(587,879)</u>

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	5,161,501	1,393,185
Change in fair value of financial assets	<u>(2,354,653)</u>	<u>3,768,316</u>
Balance at year end	<u>2,806,848</u>	<u>5,161,501</u>

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 13 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.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**24. SHARE BASED PAYMENTS**

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

	<b>2022</b>	<b>2021</b>
	\$	\$
Performance rights	-	(201,028)
Share options issued in leu of payment	360,000	-
DOCA loan facility security shares (refer Note 23)	2,000,000	-
Shares issued in leu of payment (refer Note 23)	1,260,885	-
Employee Bonus shares (refer Note 23)	56,000	-
	3,676,885	(201,028)
	3,676,885	(201,028)

**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 2022 and the value attributed:

Number of performance rights	Expiry Date	Fair Value (\$/right)	Total Value \$
-	-	-	-

The Performance Rights granted and outstanding under the LTIP as at 30 June 2022 are as follows:

Expiry Date	Granted	Vested	Unvested
-	-	-	-

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**24. SHARE BASED PAYMENTS (continued)**

**b) Share Options**

The options granted and outstanding as at 30 June 2022 are as follows:

<b>Expiry Date</b>	<b>Options Granted</b>	<b>Exercise Price (\$)</b>	<b>Number of options not yet exercised</b>
1 May 23	74,400,000	\$0.0586	74,400,000
31 January 25	50,000,000	\$0.006	50,000,000
31 January 25	50,000,000	\$0.007	50,000,000
31 January 25	50,000,000	\$0.008	50,000,000

The valuation of the 150,000,000 Options granted 14 October 2021 was performed using a Hoadley Trading & Investment Tools ESQ2 model with the following assumptions resulting in a valuation of \$360,000 (30 June 2021: \$1,601,318):

Valuation key assumptions

	Tranche 1	Tranche 2	Tranche 3
Valuation Date	14-Oct-21	14-Oct-21	14-Oct-21
Spot Price	\$0.005	\$0.005	\$0.005
Exercise Price	\$0.006	\$0.007	\$0.008
Vesting Date	Immediately	Immediately	Immediately
Expiry Date	31-Jan-25	31-Jan-25	31-Jan-25
Expected Future Volatility	100%	100%	100%
Risk Free Rate	0.48%	0.48%	0.48%
Early Exercise Multiple	2.5x	2.5x	2.5x
Dividend Yield	Nil	Nil	Nil
Expiry Date	31-Jan-25	31-Jan-25	31-Jan-25
Fair Value per Option	\$0.0025	\$0.0024	\$0.0023



Morella Corporation Limited and Controlled Entities

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**25. 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**

	<b>2022</b>	<b>2021</b>
	\$	\$
Short-term employee benefits	843,558	771,098
Post-employment benefits	41,400	38,306
Termination benefits	-	523,543
Share based payments	56,000	-
	<u>940,958</u>	<u>1,332,947</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**26. INVESTMENTS IN OTHER ENTITIES**

**a) Joint operations**

For the year ending 30 June 2022 Morella Corporation Limited holds no interests in any joint operations or ventures.

**27. 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	
		2022 %	2021 %
Altura Drilling Pty Ltd	Australia	100	100
Altura Minerals Pty Ltd	Australia	100	100
Minvest Australia Pty Ltd	Australia	100	100
Morella Minerals (US) Corp **	United States of America	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.

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	
			2022 %	2021 %	2022 %	2021 %
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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**27. 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:

	<b>PT Velseis Indonesia \$ 2022</b>	<b>PT Velseis Indonesia \$ 2021</b>
<b>Summarised statement of financial position</b>		
Current assets	354,432	262,555
Non-current assets	502,670	274,704
Total assets	<u>857,102</u>	<u>537,260</u>
Current liabilities	306,099	272,175
Non-current liabilities	-	(226,802)
Total liabilities	<u>306,099</u>	<u>45,373</u>
Net assets	<u>551,003</u>	<u>491,887</u>
<b>Summarised statement of profit or loss and other comprehensive income</b>		
Revenue	363,663	141,233
Expenses	367,622	308,936
Profit / (loss) before income tax expense	(3,959)	(167,703)
Income tax expense / (benefit)	-	-
Profit / (loss) after income tax expense	(3,959)	(167,703)
Other comprehensive income	(179,197)	(50,339)
Total comprehensive income	<u>(183,156)</u>	<u>(218,043)</u>
<b>Statement of cash flows</b>		
Net cash from operating activities	45,346	(17,129)
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	<u>45,346</u>	<u>(17,129)</u>
<b>Other financial information</b>		
Profit attributable to non-controlling interests	(91,578)	(109,021)
Accumulated non-controlling interest at the end of reporting period	<u>274,724</u>	<u>245,944</u>

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 2022. Refer to Note 3 for details of discontinued operations.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**28. 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) Morella announced in May 2022 that it had signed a Letter of Intent (LOI) with lithium project developer Lithium Corporation over its Nevada, USA North Big Smokey lithium tenements. Lithium Corporation is a related party due a common director. Under the LOI, Morella will spend US\$65,000 on documentation and project due diligence for a 60-day extendable exclusivity period. During August 2022 Morella completed negotiations for a 60% interest in the North Big Smokey project. The earn-in agreement allows the Group to commence immediate activity for an earn-in to the North Big Smokey ("NBS") Project in central-west Nevada, USA.
- 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 \$3,313,550. The facility contains a US\$2,000,000 component and is provided at 8%pa repayable in March 2023. Interest of \$322,413 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 \$329,789 when translated at period end.
- c) In September 2021, Mr Allan Buckler a director of the Group provided an unsecured loan via his controlled entity Shazo Pty Ltd. The facility provided was for \$700,000 and interest free. The facility was repaid in October 2021.
- d) 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.

**29. 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:

	<b>2022</b>	<b>2021</b>
	\$	\$
Cash at bank and on hand (Note 8)	4,253,365	372,419
Cash in assets classified as held for sale (Note 3c)	8,963	8,426
Cash per statement of cash flows	<u>4,262,328</u>	<u>380,845</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 2022:

Cash at bank and on hand	4,262,328	380,845
Short-term deposits	-	-
Cash at bank and on hand	<u>4,262,328</u>	<u>380,845</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

29. NOTES TO STATEMENT OF CASH FLOWS (continued)

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

	2022	2021
	\$	\$
Operating loss after income tax	(682,745)	(73,000,216)
<b>Adjustments for non-cash income and expense items:</b>		
Share based payments	3,536,000	(201,028)
Loan facility fees	-	28,859,442
Depreciation of property, plant and equipment	44,068	4,493,433
Interest on funding facility	-	20,103,483
Foreign currency exchange rate movement	(5,337,043)	(620,984)
Transfer to exploration	(360,224)	-
Exploration expenditure written off	46,281	-
Profit on sale of assets	-	-
Impairment on assets held for sale	601,530	3,393,905
Loss on sale of subsidiary	-	23,219,672
<b>Changes in assets and liabilities:</b>		
(Increase) / decrease in receivables	547,745	8,595,561
(Decrease) / increase in other creditors and accruals	(1,724,527)	(40,483,849)
(Increase) / decrease in inventories	-	22,515,268
(Increase) / decrease in deposits and prepayments	116,003	(202,493)
Increase / (decrease) in current lease liabilities	27,621	(524,071)
Increase / (decrease) in current provisions	227,054	(1,411,058)
<b>Net cash used in operating activities</b>	<b>(2,958,237)</b>	<b>(5,262,935)</b>

c) Net debt reconciliation

Net debt

Cash and cash equivalents	4,262,328	380,845
Borrowings – repayable within one year	(3,313,550)	(3,539,458)
Borrowings – repayable after one year	-	-
<b>Net debt</b>	<b>948,778</b>	<b>(3,158,613)</b>
Cash and liquid investments	4,262,328	380,845
Gross debt - fixed interest rate	(3,313,550)	(3,539,458)
Gross debt - variable interest rate	-	-
<b>Net debt</b>	<b>948,778</b>	<b>(3,158,613)</b>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

29. NOTES TO STATEMENT OF CASH FLOWS (continued)

	Cash and cash equivalents	Borrowings due within 1 year	Borrowings due after 1 year	Total
<b>Net debt as at 30 June 2021</b>	380,845	(3,539,458)	-	(3,158,613)
Cash flows				
Foreign exchange adjustments				
Other non-cash movements	3,881,483	225,908		4,107,391
<b>Net debt as at 30 June 2022</b>	<b>4,262,328</b>	<b>(3,313,550)</b>	<b>-</b>	<b>948,778</b>

d) Acquisition of entities

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

2022 \$ Parent	2021 \$ Parent
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30. PARENT ENTITY DISCLOSURE

(a) Summary of financial information

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

<b>Balance sheet</b>		
Current assets	3,867,469	373,652
Total assets	8,486,262	(1,388,218)
Current liabilities	3,745,508	1,525,892
Total liabilities	7,593,293	1,525,892
Net assets	892,969	(2,914,110)
<i>Equity</i>		
Contributed equity	302,776,147	290,860,299
Reserves	1,961,318	1,601,318
Retained profits / (accumulated losses)	(303,844,496)	(295,375,727)
Total shareholder equity	892,969	(2,914,110)
Profit / (Loss) for the year	(8,468,769)	(155,685,726)
Total comprehensive loss for the year	(8,468,769)	(155,685,726)

(b) Contingent liabilities

Contingent liabilities are disclosed in Note 33.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

	2022 \$	2021 \$
<b>31. AUDITORS' REMUNERATION</b>		
<b>a) Auditors of the Group – PKF and related network firms</b>		
Audit of financial report		
- Group (PKF Perth)	114,000	153,750
Total audit of financial reports	<u>114,000</u>	<u>153,750</u>
Other non-audit services (PKF Brisbane)	-	-
Total services provided by PKF	<u>114,000</u>	<u>153,750</u>
<b>b) Other auditors and their related network firms</b>		
Audit of financial report		
- Foreign Subsidiaries	11,768	-
Total audit of financial reports	<u>11,768</u>	<u>-</u>
Other non-audit services	-	-
Total services provided by other auditors	<u>11,768</u>	<u>-</u>

**32. SUBSEQUENT EVENTS**

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

15 July 2022 – Morella meets the first-year expenditure requirements for the Fish Lake Valley earn in option agreement

11 August 2022 - Morella completes negotiations for a 60% interest in the North Big Smokey project. The earn-in agreement is with US-based, OTC listed Lithium Corporation (“Lithium Corp.”) to immediately commence an earn-in for the North Big Smoky (“NBS”) Project in central-west Nevada, USA.

18 August 2022 - Morella completes a \$7.5 million placement to new and existing institutional and sophisticated investors in Australia and internationally at an issue price of \$0.015. The Placement process was managed by Canaccord Genuity (Australia) Limited and Jett Capital Advisors acting as Joint Lead Managers.

18 August 2022 - Lithium Royalty Corporation (LRC), Morella and Sayona Mining Limited have agreed to binding terms for a royalty on lithium products produced from both the Mt Edon lithium project, tenements E59/2092 and E59/2055 (“Mt Edon”) and the Tabba Tabba lithium project, tenement E45/4703 (“Tabba Tabba”). The consideration of US\$ 1,100,000 consists of the grant of a 1.25% Gross Overriding Revenue royalty both project areas.

18 August 2022 – Morella issues 258,266,458 performance rights under its executive incentive programme to its executive management team. The performance rights will immediately vest for non-directors with the Directors requiring shareholder approval. To accommodate AGM approval the performance rights will expire on 31 December 2022.

10 September 2022 – Mr Alex Cheeseman has resigned effective 7 October 2022

16 September 2022 - 19,812,140 warrants at an exercise price of \$0.1260 per warrant with an expiry date 4 August 2022 have expired and were cancelled on 16 September 2022.

The impact of the Coronavirus (COVID-19) is ongoing and while it has not been financially positive for the consolidated entity up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The impact on the Group is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2022

**33. CONTINGENT LIABILITIES**

Details and estimates of maximum amounts of contingent liabilities for which no provision is included in the financial statements are as follows:

<b>2022</b>	<b>2021</b>
\$	\$
-	-

No losses are anticipated in respect of any of the above contingent liabilities.

**34. 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 2022.

	<b>2022</b>	<b>2021</b>
	\$	\$
No later than one year	1,517,405	110,832
Later than one year and not later than five years	6,165,264	332,496
Later than five years	-	-
	<u>7,682,669</u>	<u>443,328</u>

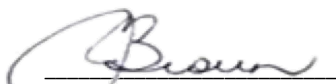
## Directors' Declaration

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 19 to 74 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 2022 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.

A handwritten signature in black ink, appearing to read "James Brown", written over a horizontal line.

**James Brown**  
Director

Brisbane, 23 September 2022

## 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 2022, 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 2022 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 Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For each matter below, our description of how our audit addressed the matter is provided in that context

### Carrying value of capitalised exploration expenditure

Why significant	How our audit addressed the key audit matter
<p>As at 30 June 2022, the carrying value of exploration and evaluation assets was \$2,192,888 (2021: \$79,946), as disclosed in Notes 1 and 16.</p> <p>The consolidated entity's accounting policy in respect of exploration and evaluation expenditure is outlined in Notes 1 and 16.</p> <p>Significant judgement is required:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• in determining the treatment of exploration and evaluation expenditure in accordance with AASB 6, and the consolidated entity's accounting policy. In particular:             <ul style="list-style-type: none"> <li>○ whether the particular areas of interest meet the recognition conditions for an asset; and</li> <li>○ which elements of exploration and evaluation expenditures qualify for capitalisation for each area of interest.</li> </ul> </li> </ul>	<p>Our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>• Conducting a detailed review of management's assessment of impairment trigger events prepared in accordance with AASB 6 including:             <ul style="list-style-type: none"> <li>○ 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;</li> <li>○ 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</li> <li>○ 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;</li> </ul> </li> <li>• considering whether exploration activities for the areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• testing, on a sample basis, exploration and evaluation expenditure incurred during the year for compliance with <i>AASB 6 – Exploration for and Evaluation of Mineral Resources</i> and the consolidated entity's accounting policy; and</li> <li>• assessing the appropriateness of the related disclosures in Notes 1 and 16.</li> </ul>

## 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 2022 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 Director
- 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 2022.

In our opinion, the Remuneration Report of Morella Corporation Limited for the year ended 30 June 2022, 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



SHANE CROSS  
PARTNER

23 September 2022  
WEST PERTH,  
WESTERN AUSTRALIA



## 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 14 September 2022 consists of the following:

- 5,765,645,786 fully paid ordinary shares,
- 50,000,000 Options expiring 31 January 2025 exercisable at \$0.006.
- 50,000,000 Options expiring 31 January 2025 exercisable at \$0.007.
- 50,000,000 Options expiring 31 January 2025 exercisable at \$0.008.
- 74,400,000 Options expiring 31 May 2023 exercisable at \$0.0586, and
- 36,910,000 Performance Rights issued pursuant to an employee entitlement scheme.

## 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)	807,533,512
MT Smith	459,906,592
Shanshan Forever International Co., Ltd	451,361,249

ADDITIONAL ASX INFORMATION continued

20 LARGEST SHAREHOLDERS – FULLY PAID ORDINARY SHARES 14 SEPTEMBER 2022

Rank	Holder name	Units	% of issued
1	CALIDA HOLDING PTY LTD	774,364,976	13.43
2	SHANSHAN FOREVER INTERNATIONAL CO LIMITED	451,361,249	7.83
3	MR MAXWELL TERRY SMITH	313,239,925	5.43
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	305,729,189	5.30
5	BNP PARIBAS NOMINEES PTY LTD	224,941,218	3.90
6	TERRYJOY PTY LTD	146,666,667	2.54
7	BNP PARIBAS NOMS PTY LTD	124,132,672	2.15
8	CITICORP NOMINEES PTY LIMITED	102,064,208	1.77
9	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	88,996,168	1.54
10	FARJOY PTY LTD	79,207,149	1.37
11	KANIMBLA SOLUTIONS PTY LTD	59,131,800	1.03
12	MR JAMES STUART BROWN & MRS MICHELE LILLIAN BROWN	55,064,404	0.96
13	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	51,295,352	0.89
14	NASDAQ SECURITIES AUSTRALIA PTY LTD	46,077,428	0.80
15	SEOK YIN CHUA	44,589,309	0.77
16	LITHIUM CORPORATION	42,276,951	0.73
17	CS FOURTH NOMINEES PTY LIMITED	35,345,661	0.61
18	MR ALLAN CHARLES BUCKLER	33,168,536	0.58
19	80 MILDRED REALTY LLC	30,000,000	0.52
20	E M ENTERPRISES (QLD) PTY LTD	27,876,863	0.48
<b>Total</b>		<b>3,035,529,725</b>	<b>52.65%</b>

DISTRIBUTION OF SHAREHOLDERS AS AT 14 SEPTEMBER 2022

Number of shareholders in the following distribution categories:

Fully paid ordinary shares	Holders	Shares	% of issued
1–1,000	407	62,355	0.00
1,001–5,000	2,452	7,108,458	0.12
5,001–10,000	1,566	12,532,392	0.22
10,001–100,000	7,230	303,721,593	5.27
100,001 and over	3,913	5,442,220,988	94.39
<b>Total</b>	<b>15,547</b>	<b>5,765,645,786</b>	<b>100.00</b>
Holder of less than a marketable parcel	5,808		

## 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

The total number of performance rights on issue as at 14 September 2021 was 35,910,000. As at this date there were 2 holders of these unquoted securities, which have been issued under an employee incentive scheme. There are no voting rights attaching to the performance rights.

## UNLISTED OPTIONS

The total number of unlisted options on issue as at 14 September 2022 was 224,400,000. The terms of the Options are as follows:

1. 74,400,000 options were issued to LDA Capital following shareholder approval at a general meeting held on 30 April 2020. The options are exercisable at \$0.0586 each and expire on 1 May 2023.
2. 50,000,000 options were issued to Canaccord Genuity pursuant to Listing Rule 7.1. The options are exercisable at \$0.006 and expire on 31 January 2025.
3. 50,000,000 options were issued to Canaccord Genuity pursuant to Listing Rule 7.1. The options are exercisable at \$0.007 and expire on 31 January 2025.
4. 50,000,000 options were issued to Canaccord Genuity pursuant to Listing Rule 7.1. The options are exercisable at \$0.008 and expire on 31 January 2025.

There are no voting rights attaching to the unlisted options.

## 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 Mallina Lithium Project is based on information compiled by Mr Stephen Barber, who is a Member of the Australasian Institute of Mining and Metallurgists and Exploration Manager of Morella Corporation Limited. Mr Barber has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Barber consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results at the Company's Fish Lake Valley Project 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.