MORELLA CORPORATION

ASX Announcement

28 April 2022

Key Drilling Targets identified at the Fish Lake Valley Lithium Project

Completion and integration of passive seismic survey and magnetotelluric survey in the southern section of Fish Lake Valley Project area

Key, prospective drilling targets outlined in the southern area of the Project, with a drilling program expected to occur in H2 2022

Ongoing fieldwork and data analysis will provide a detailed understanding of the northern area of the Project

Further exploration initiatives underway to support resource definition and demonstrating the size and scale potential of the Project

Overview

Morella Corporation Limited (**ASX: 1MC** "Morella" or "the Company") is pleased to announce results from geophysical exploration activities completed over the period December 2021 to April 2022 at the Fish Lake Valley Lithium Project in Nevada, USA ("the Project"). Over the past four months, Morella has completed a passive seismic survey ("PSS") and a magnetotelluric ("MT") survey over select areas of the Project. Both PSS and MT data capture, analysis and interpretation has been completed for the southern area of the Project which has identified key, prospective drilling targets.

The identification of drilling targets is currently constrained to the southern area where the integration of PSS and MT surveys has been completed and modelled. Morella will provide further updates on the northern area of the Project as exploration and analysis activities are completed.

Magnetotelluric Survey

Following the preliminary geophysical exploration results outlined in ASX Announcement *Geophysical Exploration Update for Fish Lake Valley Lithium Project* released 22 February 2022, Morella defined and undertook an MT survey along two survey transects across the southern portion of the Project, the purpose of which was to identify potential sub-surface conductive brine accumulations. MT survey lines were located across sub-basin structures interpreted from regional gravity survey data and PSS data. The completed MT survey lines can be seen in figure 1.

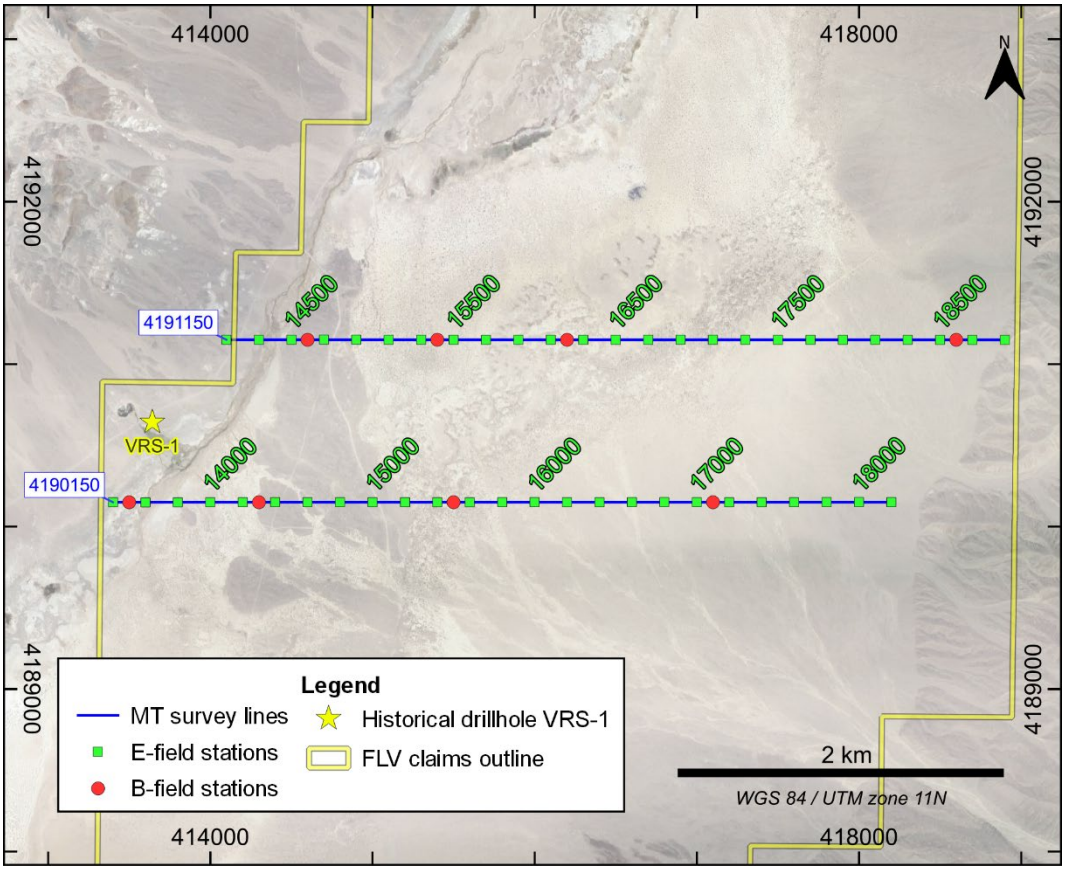

Figure 1 – MT survey lines and data collection stations completed in March 2022

US-based Zonge Engineering "Zonge" carried out the MT survey data acquisition at Fish Lake Valley during March 2022. Data was acquired using X-component electric field dipoles at 200m station spacing, with Y-component electric field dipoles acquired every 400m. Magnetic field sensor stations were deployed at four stations spaced between 800m and 1,600m along the survey lines.

Perth-based Resource Potentials completed 2D resistivity inversion modelling of the MT survey data using CGG Geotools, which utilises the RLM-2D inversion modelling code. The resistivity range of the 2D MT resistivity model is between approximately 1.2 Ohmm, which may be caused by very saline groundwater or brine, to approximately 100 Ohmm, which may be caused by less-saline groundwater or changes in geological layers.

The 2D MT resistivity model cross section for MT survey line L4190150N (Figure 2) indicates a very strong conductivity anomaly located approximately 850m below ground level beneath station 14600, as well as a shallower conductivity anomaly located approximately 235 m below ground level beneath station 13800.

The 2D MT resistivity model cross section for MT survey line L4191150N (Figure 3) indicates three strong conductivity anomalies, including two deep anomalies located approximately 900m to 1,050m below ground level and one shallower conductivity anomaly approximately 150m below ground level.

Review of available historical deep drilling data for a select hole located within the Project area has been used to support analysis and interpretation. "VRS-1" is a deep 2,628m vertical, historical petroleum exploration well, which was drilled in 1970, the downhole resistivity measurements from VRS-1 show good correlation to the deep conductive zone modelled from the MT survey data, with very low resistivity values of between approximately 0.8 Ohmm and 1.4 Ohmm measured from approximately 500 m to 900 m downhole depth (Figure 4).

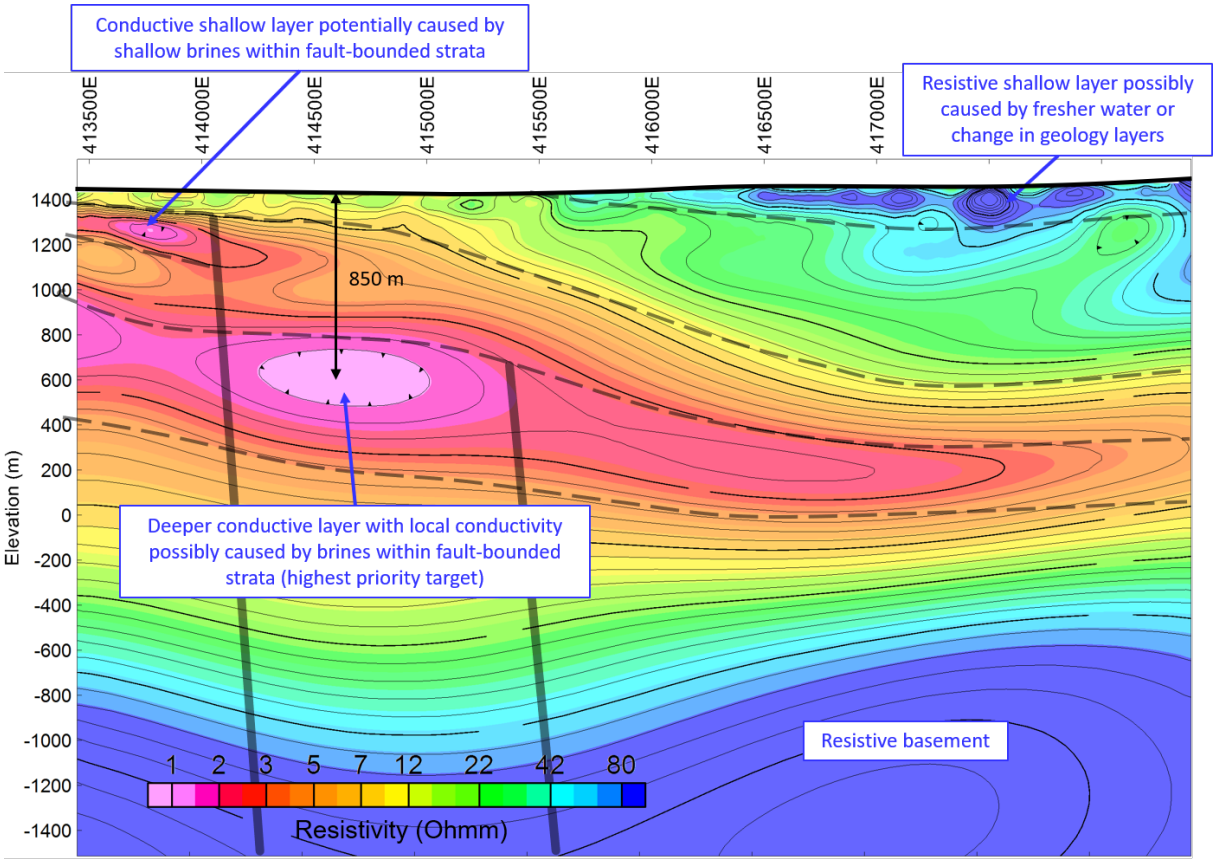

Figure 2 - MT 2D resistivity inversion model cross section for survey line L4190150N with interpreted layers and faults.

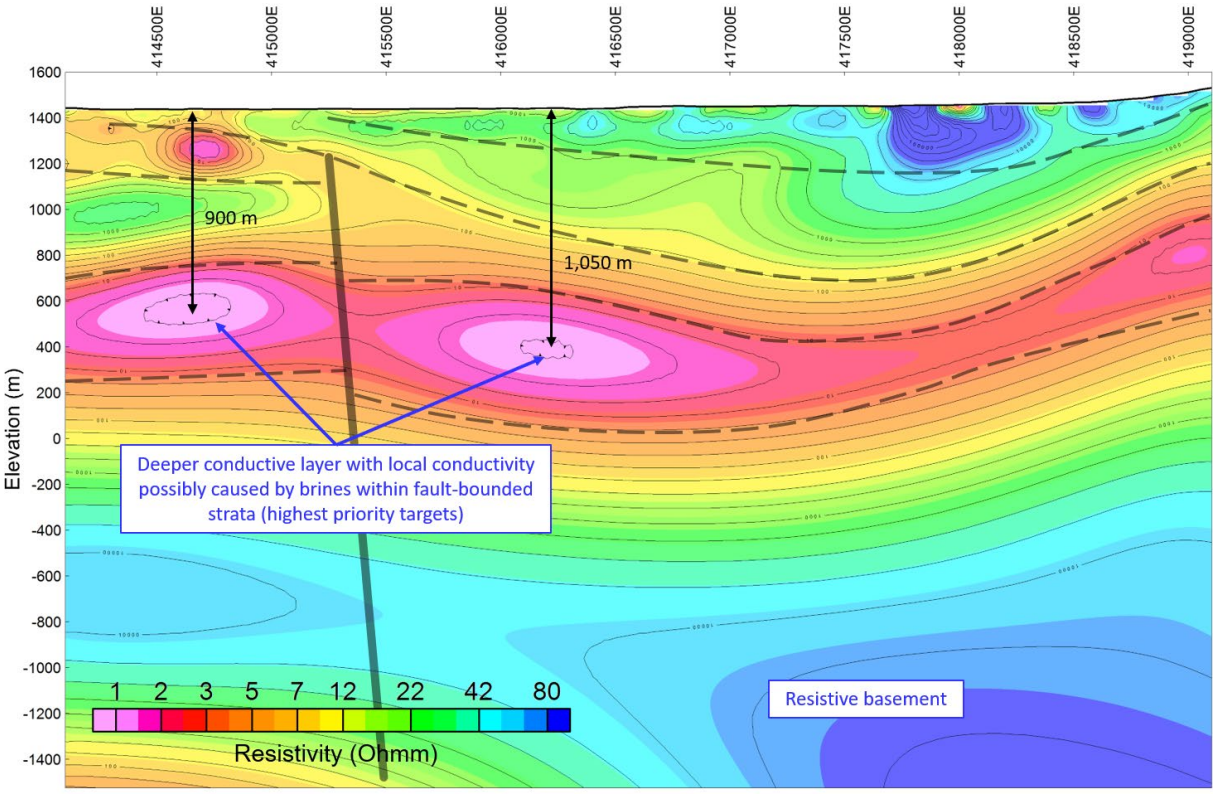

Figure 3 - 2D resistivity inversion model cross section for MT survey line L4191150N, with interpreted layers and fault.

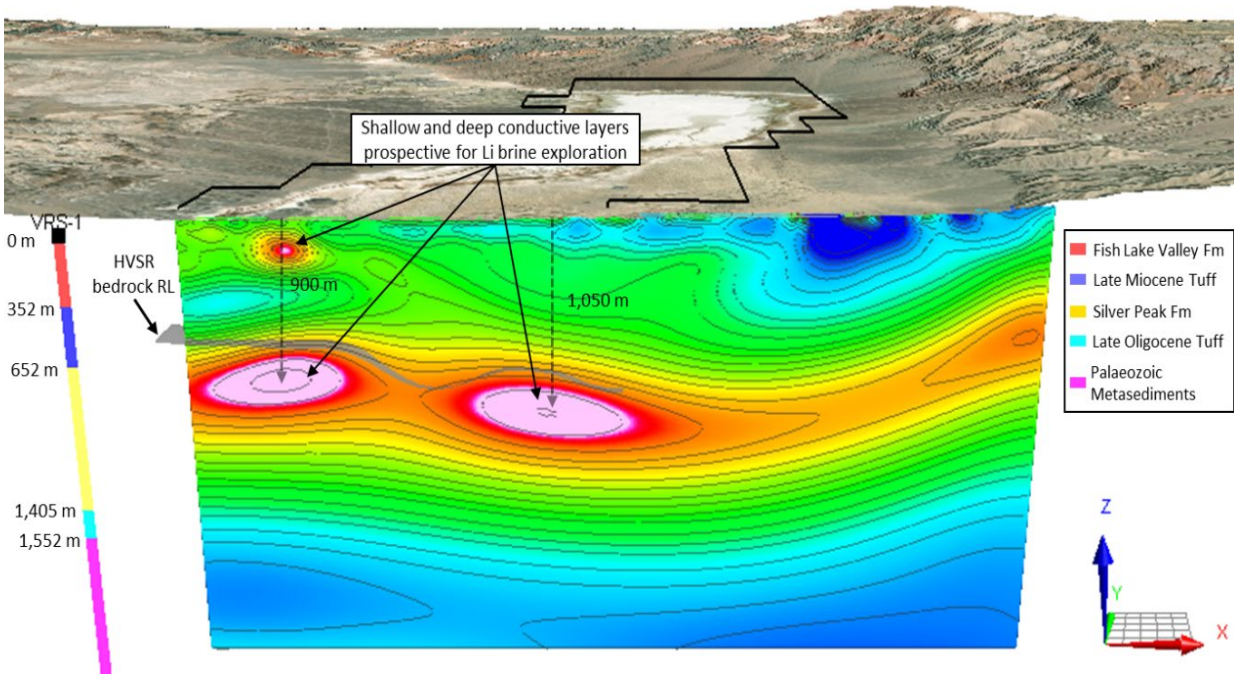

Figure 4 - 3D view looking north and from above on MT 2D resistivity inversion model cross section for survey line L4191150N, as well as passive seismic survey bedrock topography surface sitting just above the conductive deep layer (grey surface) and historical drillhole VRS-1 coloured by downhole lithology.

Drilling Targets and Forward Work Program

The deep and broad conductive anomaly zone modelled for both of the MT survey lines may be related to conductive brine accumulations hosted in Late Miocene tuff sediments as well as underlying Silver Peak Formation sediments.

The high-conductivity response may be a function of both brine quality (increasing salinity will correlate with increasing conductivity) and lithology (fine grained sediments such as clay maybe associated with increased conductivity). Therefore, initial exploration drilling will aim to:

- Confirm the lithology in high-conductivity horizons and underlying and overlying geological units (to allow preliminary assessment of the hydrogeological setting).
- Allow the collection of brine samples from the target horizon (for assays of lithium concentration).
- Provide data against which future geophysical surveys can be calibrated.

In support of the above exploration efforts, Morella has identified three initial drill targets FLVSP001, FLVSP002 and FLVSP003 (Figure 5). These targets are constrained to the southern portion of the Project area at this time. Additional drill targets may be identified once Morella is able to review and consider the outcomes of the ongoing geophysical exploration being conducted in the northern area of the Project.

With clear targets and drill program concept confirmed, Morella's immediate focus will be to commence market solicitation and permitting to support a drill program expected to be conducted in the second half of 2022.

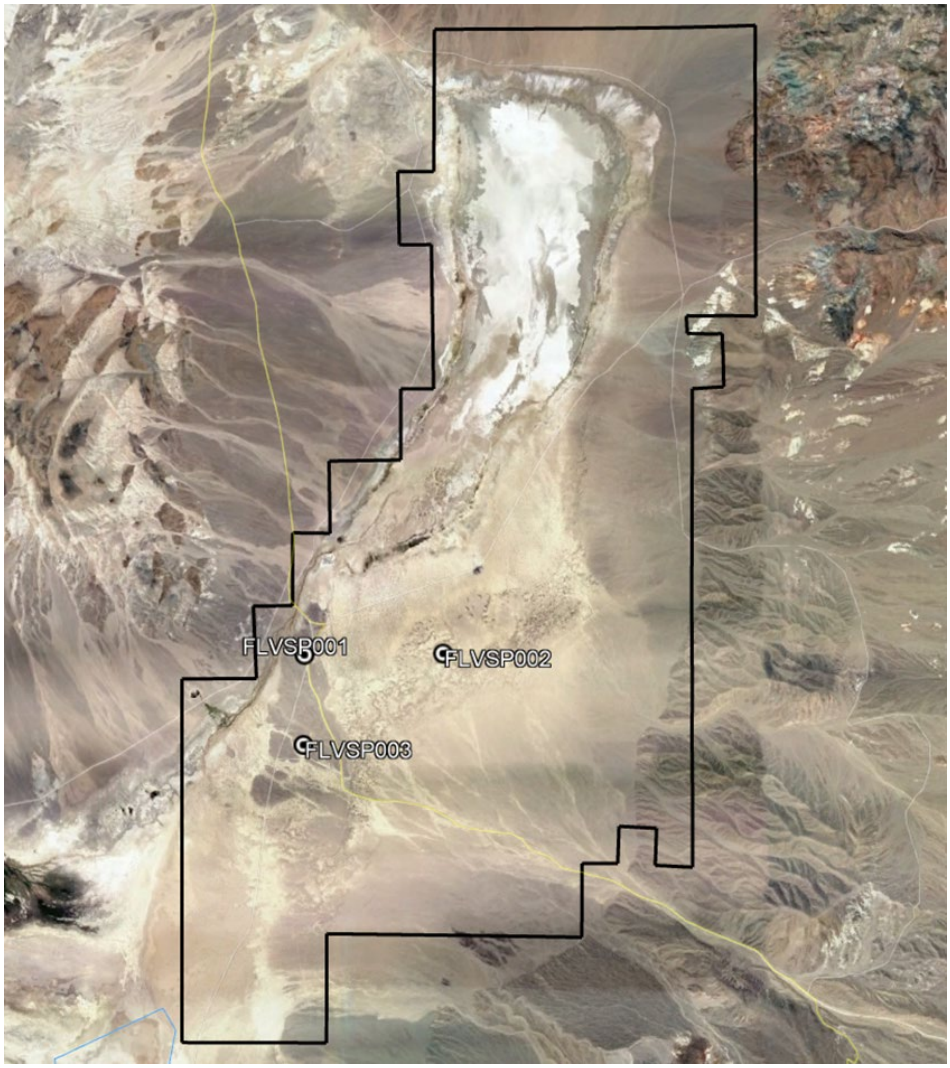

Figure 5 – Initial drill target locations identified through geophysical exploration.

Morella CEO Alex Cheeseman said:

"These initial drilling targets are the result of very deliberate and well considered steps that were taken to develop our understanding of the Fish Lake Valley Lithium Project. Now, only three months after our contractors first stepped onto the ground, we have confirmed very clear drilling targets. Whilst we will continue our geophysical work over the remaining area of the project, the development of a drilling program and advancing towards drilling in the second half of this year will be the major focus for Morella at Fish Lake Valley. Coming into the US summer the timing is excellent and we look forward to taking the next step forward with this project."

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

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

Competent Person's Statement The information in this report that relates to Exploration Results 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.

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	No sub-surface sampling or brine sampling has been undertaken with the current works. Data collection ("sampling") is limited to Magnetotelluric (MT) geophysical survey, using EMAP Broadband MT sensors EMAP. A total of 9.6km of MT survey over two lines (4.8km and 4.8km respectively) was completed. Data were acquired using X-component (i.e. parallel to the survey line) electric field dipoles ('Ex') at 200 m station spacing, with Y-component (i.e. perpendicular to the survey line) electric field dipoles ('Ey') acquired every 400 m. Magnetic field sensor stations, including Hx, Hy, and Hz magnetic field coil sensors, were deployed at four stations spaced between 800 and 1,600 m along the survey lines. The minimum station occupancy time was 12 hrs (overnight). The magnetic sensor was ANT-4 (0.0001 – 1000 Hz). 2D resistivity inversion modelling of the MT survey data was completed using CGG Geotools, which utilises the RLM-2D inversion modelling code.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	No drilling has been undertaken.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	No drill samples have been collected
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	No geological data have been logged
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.*	No sampling has been undertaken

Criteria	JORC Code explanation	Commentary
	• *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	No assays have been undertaken
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	No assays have been undertaken
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	MT survey points were set out with handheld GPS. The WGS 84 datum and UTM Zone 11N projection grid system has been used. No other topographic control was used.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	MT data was collected from stations at 200m spacing. The spacing is adequate to support interpolation of sub-surface brine conductivity where the brine is hosted in regional sedimentary basin aquifers. Notwithstanding adequate data-spacing, in the absence of sub-surface sampling, no mineral resource estimation is supported.
Orientation of data in relation to	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the*	Geophysical survey lines were orientated east-west perpendicular to the strike of the basin axis.

Criteria	JORC Code explanation	Commentary
geological structure	*extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	
Sample security	• *The measures taken to ensure sample security.*	No samples were collected.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	MT data were subject to review by independent geophysical consultant, Resource Potentials Pty Ltd. All data were found to be of high quality.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	The Fish Lake Valley Project is located in Nevada, USA and comprises 297 claims over an area of ~44.4km^2 The tenements are held by Lithium Corporation, Morella entered into an earn-in agreement with Lithium Corporation in October 2021, whereby Morella has the right to earn a 60% interest in the project, with options to acquire 100% interest. The claims are in good standing, with payments up to date with the US Bureau of Land Management. There are no known impediments to maintain the claims and operate in the area.

Tenement ID			Location
NV101621690	-	NV101621695	Nevada USA
NV101622134	-	NV101622141	Nevada USA
NV101340597	-	NV101340600	Nevada USA
NV 105231487	-	NV 105231518	Nevada USA
NV105243416	-	NV105243451	Nevada USA

Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	The property was developed as a borate producer sometime in the late 1860's, with the earliest record of production in 1873. Production by 1875 was in the order of 1.814 tonnes (2 tons) of concentrated borax daily. Operations ceased sometime prior to the 1900's and there is no record of any further activity or exploration until the 1970's. During the 1970's the USGS conducted some lithium focused exploration in the general area and drilled several holes on the periphery of the playa. A deep oil exploration well was also drilled 1970 by the Nevada Oil and Minerals Inc. The well, VRS1, reached a depth of 2797m. A lithology and wireline resistivity log are available through the USGS well database. American Lithium Corporation carried out work in 2016-19.
Geology	• *Deposit type, geological setting and style of mineralisation.*	Fish Lake Valley is located on the western margin of the Basin and Range province, within the "Walker Lane" which is a zone of Miocene (to recent) structural deformation which trends northwest to southeast paralleling the trend of the Sierra Madre Mountains in Eastern California. The area occurs at the northern extremity of the Death Valley-Furnace Creek-Fish

Criteria	JORC Code explanation	Commentary
		Lake Valley fault zone and comprises a highly complex array of active faults. Fish Lake Valley represents a deep structural depression formed by extensional activity within the complex fault zone. The depression is infilled with up to 1800m of post-Oligocene sediments, comprising volcanics, volcaniclastic and detrital sediments (the latter being the Fish Lake Valley Formation and comprising interbedded sandstone, conglomerate, clay and playa sediments with interbedded volcanic tuff). Deep faulting provides a conduit for geothermal brine enriched with lithium (and other minerals), to migrate into the basin-fill sediments. These fluids may be further enriched through evapo-concentration where they reach the near surface and groundwater is subject to evaporation from the playa surfaces. Potentially economic brine deposits maybe hosted within the basin-fill sediments that have sufficient transmissivity to support commercial brine extraction. Brine abstraction occurs at Silver Peak from aquifer units that are thought to be lateral equivalents to the upper Fish Lake Valley Formation.

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*
	  ○ *easting and northing of the drill hole collar*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*
	  ○ *dip and azimuth of the hole*
	  ○ *down hole length and interception depth*
	  ○ *hole length.*
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*
		Drilling was completed by Lithium America and previously outlined in Morella's ASX announcement of 15th December 2021. This drilling comprised 74 direct push drill holes and 1 sonic drill hole. The maximum depth was 150m and average drilled depth of these programmes was 50m.
		
		These drilling results do not provide information relevant to the deep conductivity targets interpreted from the MT survey.

Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	No grade results have been reported.
Relationship between mineralisation widths and	• *These relationships are particularly important in the reporting of Exploration Results.*	No intercepts or brine reservoir geometry is reported.

Criteria	JORC Code explanation	Commentary
intercept lengths	• *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Plans, cross sections and 2D subsurface modelling are presented in the release.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	All MT data have been presented and balanced reporting completed.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	Data from shallow drilling for the project was summarised in Morella Corps. release of 15th December 2021. Data from an initial stage of passive seismic geophysical survey was presented in Morella Corps. release of 22nd February 2022. Non-invasive investigations are progressing and there are no other substantive exploration activities.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	MT survey to be conducted over the northern project area PSS work carried out on the northern area to be processed, modelled and combined with all MT work. Drill targets have been defined.