

17 May 2022

Morella expands Nevada lithium position

Letter of Intent executed for Earn-in to the highly prospective North Big Smoky brine and sediment lithium Project

Strategically located in a Tier 1 exploration and mining jurisdiction in North America

The expanded Morella lithium asset base, within Nevada, allows for development synergies across closely located projects

Overview

Morella Corporation Limited (**ASX: 1MC** "Morella" or "the Company") is pleased to announce that it has executed a Letter of Intent (LOI) to enter an Earn-in Option Agreement (EOA) for a 60% project interest in Lithium Corporation's ("Lithium Corp.") North Big Smoky (NBS) Project located in central-west Nevada, USA.

The NBS Project is in Nye County and is approximately 110km to the north of the regional centre of Tonopah and 240km south-east of the major centre of Reno, with Tesla's Nevada Gigafactory located some 37km east of Reno. The NBS Project area consists of 178 claims and covers approximately 3,400 acres (1,376 hectares) in area. The Project is in a well-known, highly prospective lithium region of the USA. The NBS Project location relative to the Company's Fish Lake Valley Lithium Project and key infrastructure can be seen in Figure 1, the NBS Project area can be seen in Figure 2.

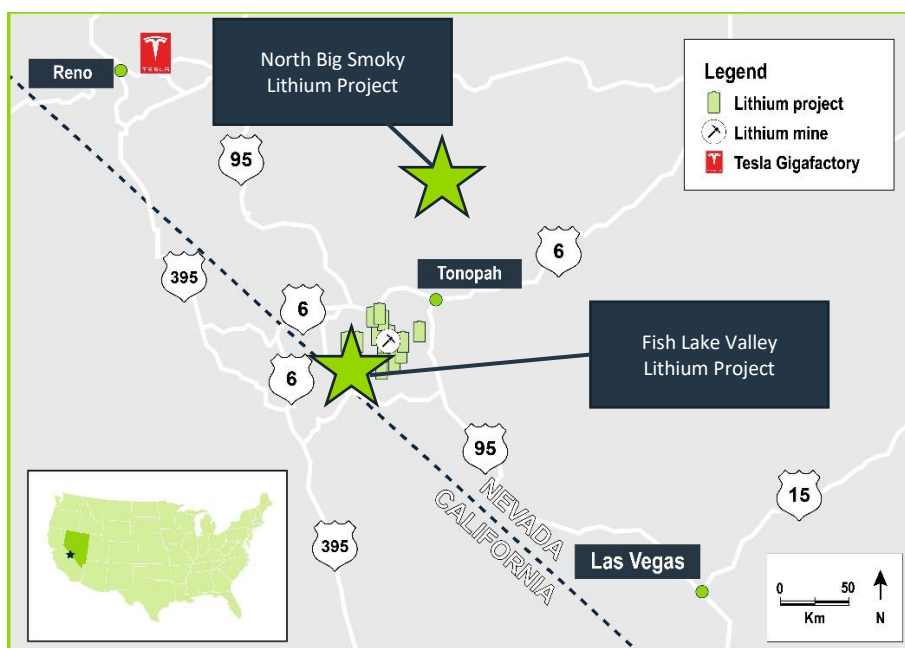


Figure 1 – North Big Smokey Project Location

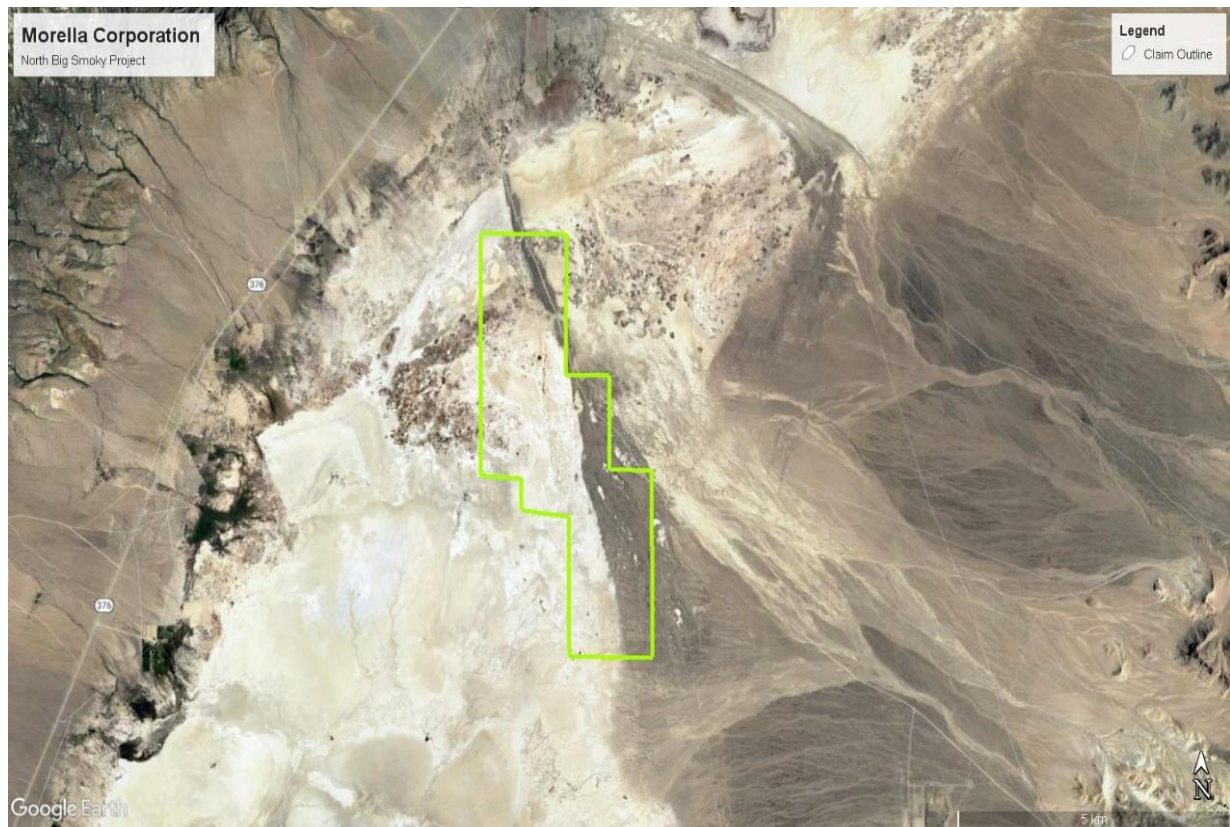


Figure 2 – North Big Smokey Project area

North Big Smokey key information

- NBS lies in the Big Smokey Valley which is host to several well know mining operations such as Kinross' Round Mountain.
- The Project is currently comprised of one hundred and seventy-eight (178) – claims with each claim not exceeding twenty (20) acres. The contiguous block of claims combines for a total area of approximately 3,400 acres.
- The Big Smokey Valley is arid, with very low rainfall and typically experiences a high number of days conducive to evaporation.
- NBS is located 40km north of the Round Mountain Gold Mine (Kinross Gold Corporation) and lies within the same structural features.
- Lithium Corporation has conducted exploration and evaluation activities at NBS and has identified anomalous lithium targets – Morella will confirm any results during the due diligence period.
- The NBS Project area straddles structural features that can be traced on the surface, it is assessed that these same structures may be a conduit for lithium mineralisation in sediments and brines.

- The project is located some 30km north of the town of Carvers and easily accessible via highways and well-maintained roads. In addition to the road network, infrastructure is very good with access to mining-centric labour, energy and supplies.

Key Terms of LOI and Earn-in Options Agreement

Letter of intent (LOI)

- Morella to pay Lithium Corp \$US65,000 within five business days of signing the LOI.
- Morella to receive an exclusive 60-day period to undertake due diligence and complete formal Earn-in documentation.
- Key terms for Earn-in Option Agreement agreed in LOI.

Earn-in Option Agreement (EOA)

- Option to earn a 60% interest in NBS Project, over a four-year period, by conducting exploration and incurring expenditure relating to exploration and assessments, including associated resource and feasibility studies on the Project (Expenditure Requirement). The Expenditure Requirement is to be of no less than \$US1,000,000 in aggregate over the four-year period with the minimum annual expenditure as follows:
 - Year 1 - \$US100,000;
 - Year 2 - \$US200,000;
 - Year 3 - \$US300,000; and
 - Year 4 - \$US400,000.
- In addition to the expenditure commitment detailed above, the Company is required to make payments in shares to Lithium Corp. on the following basis:
 - Within 60 days upon executing the EOA, issue \$US100,000 equivalent in Morella shares;
 - 1st anniversary (from commencement of EOA), issue US\$100,000 equivalent in Morella shares;
 - 2nd anniversary, issue \$US100,000 equivalent in Morella shares;
 - 3rd Anniversary, issue \$US100,000 equivalent in Morella shares; and
 - 4th Anniversary, issue \$US100,000 equivalent in Morella shares.
- Morella holds the option to, within one year of earn-in completion to purchase a further 20% interest in the Project by paying Lithium Corp. \$US750,000.
- Morella holds a further option within two years of earn-in completion to purchase the remaining 20% interest in the Project by paying LTUM \$US,750,000.
- In the event of 100% purchase of the Project, a 2.5% Net Smelter Royalty will be executed with Lithium Corp. Morella can elect to purchase the rights to 50% of the NSR from Lithium Corp. for US\$1,000,000.

- Morella retains the right to withdraw from the EOA at any time by providing 30 days written notice to Lithium Corp. provided that at least US\$150,000 of expenditure has been funded by Morella.
- Both Morella and Lithium Corp. have a “right of first refusal” over any potential sale of their respective equity interest in the FLV Project.

Morella CEO Alex Cheeseman said:

“We are very pleased to enter this agreement with Lithium Corporation and add another North American lithium project to our portfolio. North Big Smoky is an early-stage project, and we intend to follow a similar path of evaluating and advancing the Project as we have at Fish Lake Valley. The Morella team can now put their proven lithium project development skills to work to create value in the Project from the ground up.”

“Like Fish Lake Valley, this project is in an enviable, Tier 1 exploration and mining jurisdiction, with access to infrastructure, workforce and an ever-growing, downstream lithium market increasingly focused on localised supply.”

Contact for further information

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