

18 August 2022

Corporate Update – Capital raise complete, Share and Performance Rights Issue

\$7.5M Capital Raise Process Completed

Issue of Performance Rights

Share issue to Lithium Corporation

Overview

Morella Corporation Limited (**ASX: 1MC** “Morella” or “the Company”) wishes to announce the formal closure of the recent \$7.5M Capital Raise as well as intended equity issues to Lithium Corporation (under its Earn-in Option Agreement with Morella) and Executive Incentive Performance Rights.

With the completion of the \$7.5 M capital raising and the realisation of a further US\$1.1 M in return for 1.25% Royalties at Mt Edon and Tabba Tabba (*See Announcement \$7.5M Placement to Support Lithium Strategy released 24 July 2022*), the Company is in a strong financial position and is on track for significant in ground works at all its projects in the 2023 Financial Year.

Performance Rights

The Morella Board has approved an incentive package to reward the Company’s Directors and Executive Management for their efforts during the 2022 Financial Year which was initially focussed on restructuring the Company and satisfying the requirements of the ASX for re-quoting on the Official List. Following the successful re-quotation in December 2021 there has been significant progress made on all of Morella’s projects both in Australia and North America.

Issuing equity incentives is an important part of a company’s attraction and retention plan in what is an extremely competitive workforce market. Key targets (both short term and long term) to be met were put in place for the participants aimed at delivering a positive shareholder return in order to underwrite the long-term future value of Morella.

As part of the relisting of the Company on ASX in late 2021, the Company set a number of objectives to be achieved by the Board and Executive Management by June 30 2022. These are summarised below:

- completion of the financial restructure of the Company;
- successful re-listing of the Company on ASX including completion of a capital raise to support re-listing by the targeted date of 31 December 2021;
- achieving market capitalisation post listing of at least \$100m for a period of 30 consecutive trading days;
- execution of formal Earn-in Agreements for Mallina and Fish Lake Valley;

- execution of drilling contracts and commencement of drilling at Mallina;
- completion of seismic program at Fish Lake Valley and generation of drill targets prior to 30 June 2022; and
- identification and progression of additional lithium project opportunities beyond Mallina and Fish Lake Valley (including additional Sayona earn-in tenements).

Given the achievement of the above objectives (as well as delivering into ongoing management work) the Company is of the view that it is appropriate to award the Board and Executive Management by way of the issue of equity incentives. This will allow the Company to focus its financial resources on the continued development of its projects, assist in the retention of key staff and further align the interest of the Board and Executive Management with that of shareholders.

Accordingly, the Company proposes to issue Performance Rights to two specific groups based on a differing approval process. The initial performance rights issue will be to Executives that does not require shareholder approval and will be issued pursuant to the Company's current placement capacity under Listing Rule 7.1. Secondly performance rights will be issued to Directors that will require shareholder approval. The proposed issues to the two groups are as per below.

Non-directors/KMP	111,241,800	exercisable prior to 31 December 2022
Directors	147,024,658	exercisable up to 6 months post shareholder approval

The Performance Rights will immediately vest upon issue and will be exercisable by the holder on or before 31 December 2022 for Executives and up to 6 months after shareholder approval for Directors. Each Performance Right is convertible into one fully paid ordinary share. The terms of the Performance Rights are summarised in the schedule to this Announcement.

The Company will seek shareholder approval for the issue of the following Performance Rights to the Directors at the upcoming 2022 Annual General Meeting of the Company. The Board does not consider it prudent to call a meeting solely to approve the grant of these Performance Rights to the Directors.

Director	Performance Rights
James Brown	85,479,452
Allan Buckler	20,515,068
Beng Teik Kuan	20,515,068
Dennis O'Neil	20,515,068
Total	147,024,658

James Brown, the Managing Director of Morella stated that *"Morella is in a significantly better position today than it was after the appointment of the Administrators in late 2020. This would not be possible without the support from the Board and Management who have worked tirelessly to achieve the restructure of the Company and being requoted on the Official List of the ASX. Each of our recipients under the EIP award played a key role in re-establishing Morella in the battery materials space and also took considerable risk when joining the Company due to the extremely uncertain nature of the re-quotation process. The Company now has exciting projects at Mallina, Fish Lake Valley and North Big Smoky which are fully funded till late 2023 and which will drive the company's results going forward."*

Share Issue to Lithium Corporation

Under the Earn-in Option Agreement(s) between Morella and Lithium Corporation, Morella is required to issue shares to Lithium Corporation based on the formal execution of agreements and yearly anniversary milestones. (Refer to ASX announcements 3rd May 2121 and 17th May 2022)

Morella intends to issue the following Shares to Lithium Corporation as a result of meeting the specific milestones:

- 7,050,000 shares for achieving the -1st Year Milestone at Fish Lake Valley. Share Issue is for the value of US\$100,000
- 7,050,000 shares pursuant to the-North Big Smoky Earn-in Option Agreement execution for the value of US\$100,000

Any further share issues to Lithium Corporation will be advised as milestones are achieved.

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.

Schedule: Summary of Performance Rights

1. The Performance Rights will be issued free of charge and will vest immediately upon issue.
2. On exercise, each Performance Right will convert into one fully paid ordinary share in Morella Corporation Limited (**Share**). Shares issued on the exercise of a Performance Right will rank equally in all respects (including rights relating to dividends) with other Shares and will be issued free from all liens, charges and encumbrances whether known or not including statutory and other pre-emptive rights and any transfer restrictions.
3. The issue is not compulsory and Participants are under no obligation to exercise any or all of their allocation of Performance Rights. Participants are responsible for any taxation obligations arising with respect to the issue and exercise of the Performance Rights.
4. The Company will issue a Share on exercise of a Performance Right within 10 business days following the exercise or such period required by the ASX Listing Rules.
5. The Company will arrange the issue of a new holding statement for any issue on exercise of a Performance Right within 10 days of the issue of the Share.
6. The expiry date of Performance Rights issued to Executives will be 31 December 2022. The expiry date for Performance Rights issued to Directors will be 6 months after the date of shareholder approval.
7. All the Performance Rights that have not been exercised on or before the relevant expiry date, will automatically lapse. No consideration is payable on the exercise of a Performance Right.
8. Should a holder of Performance Rights cease employment with the Company (other than when they are a “Bad Leaver”) then all Performance Rights must be immediately converted to Shares.
9. Participants will be able to sell Shares resulting from the exercise of Performance Rights in accordance with the Company’s Securities Trading Policy.
10. Participants will not be entitled to any shareholder benefits such as dividends and voting rights until they have been allocated Shares. Once the Shares have been allocated, the Participant will then be entitled to receive dividends and exercise voting rights on the Shares, irrespective of any disposal restrictions.
11. In the event that a party acquires a relevant interest in at least 50% in Shares, then all Performance Rights on issue will immediately convert to Shares.
12. If there is a reorganisation (including, without limitation, consolidation or sub division, but excluding a return of capital) of the capital of the Company, the rights of a holder will be varied (as appropriate) in accordance with the applicable ASX Listing Rules.