

11 August 2022

Second Nevada lithium project secured

Agreement reached for Morella to earn a 60% interest in North Big Smoky Project with options to acquire 100%

Morella to invest at least US\$1 million, over a four-year period on exploration and development activities

Located in the Tier 1 mining jurisdiction of Nevada, USA, the project is perfectly positioned to support the growing US-domestic lithium and Electric Vehicle supply chain

Overview

Morella Corporation Limited (ASX: 1MC "Morella" or "the Company") is pleased to advise it has executed a formal earn-in agreement ("Agreement") 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. The earn-in agreement now provides Morella with two (2) lithium projects in Nevada (NBS and the Fish Lake Valley Lithium Project), shown below in Figure 1.

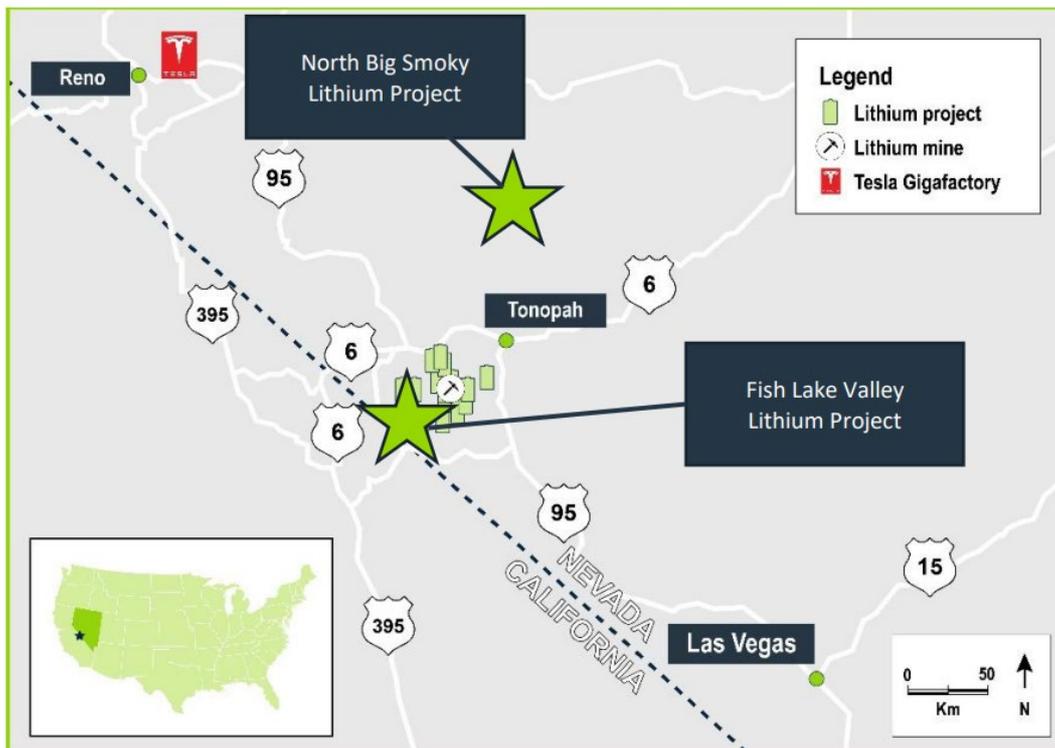


Figure 1 – Morella’s Nevada Lithium Project Locations.

NBS Project

Under the Agreement, Morella can earn a 60% interest in the NBS Project by investing at least US\$1,000,000 in aggregate over a four-year period on exploration and development activities along with making a total of US\$500,000 payments in Morella shares to Lithium Corp staged over the four year earn in.

The formation and execution of the Agreement follows a Letter of Intent (“LOI”), as announced in ASX Announcement *Morella expands Nevada Lithium Position* released 17 May 2022, and the completion of formal due diligence as announced in ASX Announcement *First Year Earn-in milestone at Fish Lake Valley achieved ahead of schedule* released 15 July 2022.

The Project is located in Nye County, about 110km to the north of the regional centre of Tonopah and 240km south-east of the major centre of Reno. Tesla’s Nevada Gigafactory is located 37km east of Reno. The NBS Project area consists of 178 claims covering approximately 3,400 acres (1,376 hectares) in a well-known, highly prospective lithium region. The Project straddles structural features that can be traced on the surface and have been assessed to be a potential conduit for lithium mineralisation in sediments and brines.

The earn-in on the NBS Project provides Morella the opportunity to expand its footprint in a well-known, highly prospective lithium region of the USA, in an area relatively close to the Company’s existing Fish Lake Valley Lithium Project.



Figure 2: North Big Smoky Claim outline

Key Terms Earn-in Option Agreement (EOA)

Under the terms of the Agreement with Lithium Corp. Morella will earn a 60% interest in the 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 no less than US\$1,000,000 in aggregate over the four-year period. The Company has the right to accelerate the earn-in by meeting the Expenditure Requirements early, however the minimum annual expenditure as follows:

- Year 1 – US\$100,000
- Year 2 – US\$200,000
- Year 3 – US\$300,000
- Year 4 – US\$400,000

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 US\$100,000 equivalent in Morella shares
- 1st anniversary (from commencement of EOA), issue US\$100,000 equivalent in Morella shares
- 2nd anniversary, issue US\$100,000 equivalent in Morella shares
- 3rd Anniversary, issue US\$100,000 equivalent in Morella shares
- 4th Anniversary, issue US\$100,000 equivalent in Morella shares

Morella holds the option, within one year of earn-in completion, to purchase a further 20 per cent interest in the Project by paying Lithium Corp. US\$750,000 and a further option within two years of earn-in completion to purchase the remaining 20 per cent interest in the Project by paying Lithium Corp. a further US\$750,000. In the event of 100 per cent purchase of the Project, a 2.5 per cent Net Smelter Royalty (“NSR”) will be executed with Lithium Corp. Morella can elect to purchase the rights to 50 per cent of the NSR from Lithium Corp. for US\$1 million.

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 NBS Project.

Royalty Agreement – WA Tenements

Subsequent to the Royalty Agreement advised in ASX Announcement \$7.5M *Placement to Support Lithium Growth Strategy* released 25 July 2022, Morella confirms that the Royalty Agreements for Mt Edon and Tabb Tabba have now been executed. All details of the Royalty Agreement remain in accordance with the 25 July 2022 announcement.

Morella Chief Executive Officer, Alex Cheeseman said:

“The addition of the North Big Smoky Project to Morella’s portfolio complements our existing Fish Lake Valley Lithium Project and expands our footprint in a well-known, highly prospective lithium region.

“The Big Smoky Valley already hosts several well-established mining operations and has existing infrastructure in place, including energy sources, communications networks, inbound and out bound distribution networks and access to exploration/mining labor.

“With the US Government encouraging domestic production of key battery metals and with continued global demand growth for lithium, we are excited to be adding another promising lithium raw material project to our portfolio.”

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

Contact for further information

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About Morella Corporation Limited Morella is an exploration and resource development company focused on lithium and battery minerals. Morella is currently engaged in exploration, resource definition and development activities with projects strategically located, in Tier 1 mining jurisdictions in both 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.

Forward Looking Statements Statements contained in this document, including but not limited to those regarding the possible or assumed future costs, projected timeframes, performance, dividends, returns, revenue, exchange rates, potential growth of Morella, industry growth, commodity or price forecasts, or other projections and any estimated company earnings are or may be forward looking statements. Forward looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'anticipate', 'believe', 'estimate', 'may', 'should', or similar expressions. Forward looking statements including all statements in this presentation regarding the outcomes of preliminary and definitive feasibility studies, projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. These statements relate to future events and expectations and as such involve known and unknown risks and significant uncertainties, many of which are outside the control of Morella. Actual results, performance, actions and developments of Morella may differ materially from those expressed or implied by the forward looking statements in this document. Such forward looking statements speak only as of the date of this document. There can be no assurance that actual outcomes will not differ materially from these statements. To the maximum extent permitted by law, Morella and any of its affiliates and their directors, officers, employees, agents, associates and advisers disclaim any obligations or undertaking to release any updates or revisions to the information in this document to reflect any change in expectations or assumptions do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information in this document, or likelihood of fulfilment of any forward looking statement or any event or results expressed or implied in any forward looking statement and disclaim all responsibility and liability for these forward looking statements (without limitation, liability for negligence). Nothing in this document will under any circumstances create an implication that there has been no change in the affairs of Morella since the date of this document.