

**CAPELLA MINERALS LIMITED
(PREVIOUSLY KNOWN AS NEW DIMENSION RESOURCES LTD.)
8681 Clay Street
Mission BC
CANADA**

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended May 31, 2021

**Contact Person
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Form 51-102F1
Management Discussion and Analysis
For
Capella Minerals Limited (previously known as New Dimension Resources Ltd.)
(“Capella”, or the “Company”)

The following Management’s Discussion and Analysis (“MD&A”) of the Company has been prepared as of September 28, 2021 and is intended to supplement and complement the Company’s audited consolidated financial statements for the years ended May 31, 2021 and May 31, 2020 (the “Annual Financial Statements”) and should be read in conjunction with the Annual Financial Statements, together with the notes thereto. The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Unless otherwise noted, all currency amounts are stated in Canadian dollars.

NATURE OF BUSINESS

Capella Minerals Limited is incorporated under the laws of the Province of British Columbia, Canada with a registered address and records office located at 8681 Clay Street, Mission BC V4S 1E7. The Company was previously known as New Dimension Resources Ltd, with the Corporate name change to Capella Minerals Limited (and new trading symbol) becoming effective on November 10, 2020.

The Company’s exploration activities are currently focused on a portfolio of gold and copper properties situated in Scandinavia (Finland, Norway, and Sweden) and Canada. The Company completed the divestiture of its Argentinean project portfolio through the sale of its foreign subsidiaries during the period ended May 31, 2021.

The Company is listed on the TSX Venture Exchange (“TSXV”) and trades under the symbol “CMIL”.

HIGHLIGHTS AND DEVELOPMENTS FOR THE YEAR ENDED MAY 31, 2021, AND TO THE DATE OF THIS REPORT

Projects

Finnish Gold-Copper Projects (Katajavaara, Aakenus)

- On August 24, 2021, the Company announced that it had signed a Binding Letter of Intent (“LOI”) with Cullen Resources Ltd (ASX:CUL)(“Cullen”) through which Capella may earn-in to Cullen’s Katajavaara and Aakenus gold-copper projects in the highly-prospective Central Lapland Greenstone Belt of northern Finland. TSXV approval for the agreement was received on September 7, 2021.

Norwegian Copper and Swedish Gold Projects (Kjøli, Løkken, Southern Gold Line)

- Southern Gold Line Project:** On July 12, 2021, the Company provided an update on the auger drilling and regional reconnaissance activities being undertaken at its 100%-owned Southern Gold Line (“SGL”) project in northern Sweden. Auger drilling at SGL has been focused on the southernmost Rötjärnen claim block, where geochemical vectors are being utilized to determine the source of gold-bearing boulders identified on surface, whilst prioritization of the remainder of the 500km² property is being undertaken through regional geochemical surveys (Bulk Leach Extractable Gold / “BLEG” and Ionic Leach / “IL”) and mapping/sampling programs. This followed an earlier announcement dated March 15, 2021, in which the Company indicated that a late-winter auger drill program had been initiated.
- Kjøli Copper-Zinc Massive Sulfide (“VMS”) Project, Norway:** On June 28, 2021, the Company provided an update on drill target generation activities at its 100%-owned Kjøli copper-rich VMS project in central Norway, with the definition of specific drill sites being determined through a combination of systematic geochemical (soil) sampling and ground geophysics (gravity). Work has focused on the priority areas

defined from both the CARDS AI / Data Mining analyses (see Company News Releases dated May 5 and 10, 2021) and geophysical (ground magnetic) and geochemical (IL) surveys completed in Q4, 2020.

- On May 10, 2021, the Company announced that its landholding at the Kjølvi copper project had increased to 246km² through the staking of an additional 96km² of exploration concessions immediately adjacent to the original claim block. These new concessions were staked to cover the additional 11 new copper-zinc target areas that had been defined by the CARDS AI / Data Mining analyses and brings to 24 the total number of copper-zinc targets at Kjølvi for follow-up field review.
- On May 5, 2021, the Company announced the results of a CARDS Artificial Intelligence (“AI”) / Data Mining study undertaken at Kjølvi by consultant Windfall Geotek (TSXV:WIN; OTCQB:WINKF; FRA:L7C2)(“Windfall”). A total of 13 copper-zinc targets with signatures typical of high-grade copper-rich VMS deposits were defined at Kjølvi, together with 11 gold-silver targets which either partially or fully overlap the 13 copper-zinc targets. The contracting of Windfall for this work had previously been announced in an exploration update for Kjølvi dated January 14, 2021. On January 14, 2021, the Company announced results of the field evaluation of an initial 4.5km-long segment of the interpreted 20km strike of prospective stratigraphy for the discovery of new copper-rich VMS deposits at Kjølvi. A detailed ground magnetic survey was completed within this 4.5km-long initial target area - which contains 4 known (and previously undrilled) high-grade copper occurrences at Svenskmenna, Rorosmenna, Guldalsgruve, and Godthap - with a prominent NE-trending pyrrhotite-bearing horizon (associated with copper-zinc-silver-gold mineralization) being well defined by the survey. Exceptional soil copper anomalies were also generated from Ionic Leach geochemical survey lines in and around the Guldalsgruve and Rorosmenna sectors.
- Løkken Copper-Zinc VMS Project, Norway: On April 7, 2021, the Company filed an independent National Instrument 43-101 (“NI 43-101”) technical report on its 100%-owned Løkken copper-rich VMS project in central Norway. This technical report provides a detailed review of the known high-grade copper targets that surround the former Løkken mining operations, and which form the basis of the Company’s ongoing exploration activities. The Company’s exploration claims at Løkken cover a total area of 210km².
- EMX Royalty Deal to Acquire Norwegian/Swedish projects: On August 11, 2020, the Company entered into an Option and Purchase agreement with EMX Royalty Corp (NYSE:EMX; TSXV:EMX)(“EMX”) for the acquisition of 100% interests in the Southern Gold Line Project in central Sweden, and the Løkken and Kjølvi copper-zinc VMS projects in central Norway. This agreement was subsequently amended on November 25, 2020, with the elimination of the initial one-year option period and the introduction of a share issuance cap on the 9.9% equity to be issued to EMX (as requested by the TSXV Exchange). On April 7, 2021, the Company received approval for this transaction from the TSXV.

Canadian Gold Joint Venture Projects (Domain, Savant Lake)

- On January 28, 2021, the Company provided an update on exploration activities being undertaken on its two Canadian gold Joint Ventures, Savant Lake and Domain:
 - At Savant Lake, Joint Venture (“JV”) partner Ethos Gold Inc (TSXV:ECC)(“Ethos”) completed a high-resolution, 4,000-line km helicopter-borne aeromagnetic survey over the estimated 60km cumulative strike length of gold-bearing iron formation units, together with a trial program of “bottom of till” auger drilling/sampling. Detailed evaluation / interpretation of the airborne magnetic data, plus existing geological, geochemical, and geophysical data, is underway as Ethos moves towards undertaking drilling on the project during the 2021/2022 winter season. Ethos is earning-in to a 70% interest in the Savant Lake project through a combination of cash and share payments to Capella plus CAD 2M of work commitments.
 - At Domain, JV partner and project operator Yamana Gold Inc. (TSX:YRI, NYSE:AUY) (“Yamana”) continues with Community Relations activities and related work supporting an eventual exploration permit application (including a Stage 1 archaeological assessment, with permits being applied for in those areas not requiring a more detailed Stage 2 assessment).

Pending receipt of the permit, follow-up drilling is now expected to begin in early 2022. Capella holds a participating 29.6% interest in the Domain JV.

- On September 21, 2020, the Company executed an earn-in agreement with Ethos Gold Inc in which Ethos may earn-in to a 70% interest in the Savant Lake gold project in return for staged cash and share payments to Capella and \$2M of work commitments. TSXV approval for the Ethos earn-in agreement was received on October 26, 2020, and the 2,000,000 Ethos shares due to Capella upon signing were received.

Argentine Project Divestitures (Sierra Blanca, Minera Mariana)

- On October 28, 2020, the Company entered into a Binding LOI with Cerrado Gold Inc. (TSXV:CERT)("Cerrado") for the sale of its 100% interest in its Argentine subsidiary, Minera Mariana. Minera Mariana is owner of the Las Calandrias and Los Cisnes gold-silver projects, in addition to a portfolio of exploration concessions in the Eastern Deseado Massif, Santa Cruz Province, southern Argentina. On January 7, 2021 the Company entered into a Share Purchase Agreement with Cerrado pursuant to which Capella will sell its 100% interest in Minera Mariana to Cerrado. Final closing of the transaction occurred on January 22, 2021, and the Company received 833,334 common shares of Cerrado..
- On October 13, 2020, the Company concluded the sale agreement with Austral Gold Limited (ASX:AGD; TSXV:AGLD) ("Austral") for the purchase of an 80% interest in the Company's Sierra Blanca gold-silver project in Santa Cruz Province, Argentina for US\$800,000 in cash and work commitments, with a 'follow-on' option to purchase the remaining 20% interest for an additional US\$2,300,000 in cash and work commitments. The signing of the Definitive Agreement had been delayed by the ongoing shutdown of both provincial government entities and legal and notarial services - all required for the due diligence process - as a result of the COVID-19 pandemic.

Corporate Developments

- On April 7, 2021, the Company issued 13,614,785 shares to EMX as primary consideration for the acquisition of Capella's 100% interests in the Løkken and Kjølvi high-grade copper projects in Norway, and the Southern Gold Line Project in Sweden.
- The Company announced on November 6, 2020, that it had received regulatory acceptance for a name change from New Dimension Resources Limited to Capella Minerals Limited. The Company commenced trading under its new name and stock trading symbol TSXV-CMIL on November 10, 2020.
- On October 19, 2020, the Company issued 3,400,000 shares to Sandstorm Gold Ltd (TSX: SSL; NYSE: SAND) ("Sandstorm") as payment for the balance of shares owed in relation to the first annual payment due under the contractual obligation relating to the Argentine portfolio.
- On October 19, 2020, the Company issued 500,000 shares to IAMGOLD Corporation (TSX:IMG, NYSE: IAG) ("Iamgold") as payment for providing Sierra Blanca S.A. with the option to acquire one-half (0.75%) of its 1.5% NSR for \$750,000 at any time prior to the commencement of commercial production.
- On September 16 and 18, 2020 the Company announced that in an effort to conserve its capital it had agreed to settle \$385,963 of outstanding indebtedness to current and former insiders of the Company with the issuance of 6,432,714 common shares of the Company at a deemed price of \$0.06 per share with regulatory approval obtained effective September 15th, 2020.
- On September 8, 2020, the Company completed a non-brokered private placement, for proceeds of \$3,624,992, with a lead order from Palisades Goldcorp Ltd. The Company successfully completed the sale of 60,416,531 units at \$0.06 per unit. The units were comprised of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.12 until expiry September 3, 2023. Proceeds will be used for exploration activities and general working capital.

OUTLOOK

The Company's planned corporate and exploration operations have been impacted by the uncertainty created by the global pandemic COVID-19 announced by the World Health Organisation on March 11, 2020. The COVID-19 pandemic is having a negative impact on stock markets, currencies, and business activities globally. The full impact of COVID-19, on the Company or the Jurisdictions in which we operate, cannot be fully determined; but there may be potential negative impacts on the Company's ability to raise capital funds, planned exploration programmes, cash flows and liquidity.

The Complete plans to initiate formal drill permitting for priority drill locations at the Company's Norwegian project as soon as results from the current work program have been received, with planning for a high-resolution drone magnetic survey over key target areas on the Southern Gold Line property located in Sweden, is also well advanced. Joint Venture partners will continue to manage work programs at both the Savant Lake and Domain projects in Canada.

The volatility of stock markets and precious and base metals have eroded investor confidence to the extent that both advanced and junior companies have had a difficult time obtaining equity financing on reasonable terms. The Company is currently evaluating all financing options available to the Company at both the corporate and project level. The Company is seeking additional equity funding or alternative financing options to fund its ongoing exploration activities and to meet its current and ongoing general and administrative costs. The Company cannot guarantee it will be successful in raising additional funding or securing alternative financing options.

EXPLORATION ASSETS AND ACTIVITIES

SCANDINAVIAN PROJECTS

Capella's Scandinavian project portfolio currently consists of 5 gold and copper assets:

- 100% interests in the high-grade Kjølvi and Løkken copper projects in central Norway and the Southern Gold Line project in northern Sweden. These 3 projects were acquired from EMX Royalty Corp in late-2020; and
- Staged earn-in interests in the Katajavaara and Aakenus gold-copper projects in northern Finland, as per an earn-in agreement announced on August 24, 2021, with Cullen Resources Ltd.

Finnish Gold-Copper Projects (Katajavaara, Aakenus)

The Company announced on August 24, 2021, that it had signed a Binding LOI with ASX-listed Cullen Resources Ltd (ASX:CUL)("Cullen") through which Capella may earn-in to Cullen's Katajavaara and Aakenus gold(-copper) projects in the highly-prospective Central Lapland Greenstone Belt ("CLGB") of northern Finland. The Katajavaara and Aakenus projects lie immediately adjacent to the productive Sirkka Thrust Zone, a regional structural corridor within the CLGB which is associated with numerous occurrences of both gold and base metals. TSXV approval for the agreement was received on September 7, 2021.

The Katajavaara and Aakenus gold(-copper) projects cover an area of approximately 200km² and lie along the highly-mineralized Sirkka Thrust Zone in the CLGB. The Cullen projects surround Outokumpu Oy's former gold-copper mining operation at Sattopora and the S2Resources/Kinross Gold Joint Venture ("JV") at Home, in addition to lying along strike from major recent exploration discoveries at Ikkari (Rupert Resources Ltd) and Aamurusko (Risti-Launi; Aurion Resources Ltd)¹. Scandinavia's largest operating gold mine - Agnico Eagle Mines Ltd's Kittila Gold Mine (2020 production - 208,125 oz Au; Reserves 30.4 MT @ 4.1 grams per tonne Au for 4Moz Au; Agnico Eagle Mineral Reserves and Resources Statement December 31, 2020; <https://agnicoeagle.com/>)¹ – lies directly to the NE of the Cullen projects.

The binding LOI provides Capella with the opportunity to acquire an initial 70% in Cullen Finland Oy (Cullen's 100%-owned Finnish subsidiary; "Cullen Oy", and registered owner of the Katajavaara Exploration Permit Licence Application ("EPLA") and the Aakenus Reservation) through an initial cash payment to Cullen of AUD 50,000. Subsequently, a total USD 250,000 investment in exploration over a two-year period and staged cash

payments to Cullen totalling USD 225,000 over a three-year period are required. Capella may increase its interest in Cullen Oy by an additional 10% (for a total 80% interest) by investing an additional USD 750,000 in exploration over a further two-and-a-half years.

¹ References made to nearby mines and analogous deposits provide context for the Katajavaara and Aakenus projects but are not necessarily indicative that these projects host similar tonnages or grades of mineralization.

Norwegian Copper and Swedish Gold Projects (Kjøli, Løkken, Southern Gold Line)

On August 11, 2020, the Company entered into an Option and Purchase agreement with EMX Royalty Corp (“EMX”) for the acquisition of 100% interests in the Southern Gold Line Project in central Sweden, and the Løkken and Kjøli high-grade copper VMS projects in central Norway. The Southern Gold Line project consists of a large group of claims (500km² in total) located immediately adjacent to Dragon Mining Limited's Fäboliden gold project and Svartliden gold mine, with the primary targets being high-grade orogenic gold deposits hosted within Paleoproterozoic-age volcano-sedimentary rock sequences. Both the Løkken and Kjøli projects are district-scale land positions (210km² and 246km², respectively) around past-producing, high-grade copper deposits - the world-class Løkken mine and the Killingdal and Kjøli mines at Kjøli - as well as drill-ready regional exploration targets. Only limited modern exploration has been undertaken on the Løkken and Kjøli districts since the closure of the operating mines in the mid-1980's in response to low metal prices.

On November 25, 2020, the original Option and Purchase agreement with EMX was amended through the elimination of the initial one-year option period and the introduction of a share issuance cap (15,693,785 shares) on the 9.9% in CMIL equity to be issued to EMX. On April 7, 2021, the Company announced that it had received final TSXV Exchange approval for the issuance of 13,614,785 common shares to EMX, which represented 9.9% of the Company's Issued and Outstanding shares as of the issue date. A future share issuance of up to a maximum 2,079,000 Capella shares remains to be made to EMX in accordance with the anti-dilution clause as stipulated in the purchase agreement.

Revised acquisition terms for 100% Interests in the Southern Gold Line, Løkken and Kjøli projects are as follows:

- Capella to pay EMX USD 25,000 in cash upon signing (completed).
- Until Capella has completed financings to the value of CAD 4,500,000, EMX will retain a free carried 9.9% shareholding in Capella (subject to a cap of 15,693,785 shares). Afterwards, EMX retains the option to participate in future financings at its own discretion (in progress).
- On or before September 1, 2021, Capella shall incur no less than USD 100,000 in exploration expenditures on each of the three projects (completed).
- On or before September 1, 2022, Capella shall incur an additional USD 500,000 in exploration expenditures aggregated across three projects (or on any one project).
- Beginning September 1, 2023, Capella commits to completing at least 1,000m of drilling on each project per year until the earlier of: i) a minimum of 10,000m has been completed on such project ii) the date that Capella has delivered to EMX a relinquishment notice in respect of a project or iii) the date that the parties mutually agree that no further drilling is warranted.
- From the second anniversary of signing (September 1, 2022), Capella will be required to make advanced royalty payments to EMX of USD 25,000 per project, increasing USD 5,000/year up until reaching a maximum of USD 75,000/year per project.
- Capella to make additional payments of USD 500,000 to EMX upon:
 - The filing of a Preliminary Economic Assessment technical report
 - The filing of a National Instrument 43-101 (“NI-43101”) compliant feasibility study
- EMX to retain a 2.5% NSR in the projects, with 0.5% being purchasable for USD 1M within 6 years
- Capella to reimburse EMX USD 68,000 for pre-payment of future land holding costs in Sweden (completed).

Løkken Copper Project, Norway (100% Capella)

On April 7, 2021, the Company filed an independent National Instrument 43-101 (“NI 43-101”) technical report on its 100%-owned Løkken copper-rich VMS project in central Norway. This technical report provides a detailed review of the known high-grade, near-surface copper targets that surround the former Løkken mining operations, and which form the basis of the Company’s 2021 exploration activities. A copy of the technical report is available under Capella’s profile on SEDAR (www.sedar.com) or on the Løkken project page of the Company’s website (www.capellaminerals.com).

Field evaluation of priority copper targets around the former Løkken mining operations is well underway. This work will focus on the reinterpretation of existing geophysical data for Løkken (especially electromagnetic data, a favoured exploration tool for massive sulfide deposits) together with the acquisition of high-resolution magnetic and geochemical (ionic leach) data over key target areas. To date, the Company has identified six priority regional targets at Løkken – Dragset, Western Area, Hoydal, Eastern Area/Amot, and the Northern and Southern target areas. However, an additional 12 areas with surface copper mineralization have also been identified from Norwegian Geological Survey mapping programs and these will also be evaluated during the 2021 field campaign.

The Løkken copper project is located approximately 50km SW of the regional centre of Trondheim, Trondelag Province. The Løkken claim block surrounds the former Løkken underground mine (which closed in 1987 in response to low copper prices), and covers associated historical mineral processing facilities, plus multiple satellite bodies of mineralization with varying degrees of development. Løkken is considered to be the largest ophiolite-hosted Cyprus-type VMS deposit by tonnage, having produced an estimated 24Mt @ 2.3% Cu and 1.8% Zn (plus silver and gold credits)². Both Løkken and Kjølø (see below) are part of a broader geologic terrain that was originally linked geologically to the VMS districts in Newfoundland-New Brunswick-Maine and the Appalachians of North America. This terrain constitutes one of the most prolific VMS belts in the world.

² Historic production values quoted for Løkken are from Grenne T, Ihlen PM, Vokes FM (1999) Scandinavian Caledonide metallogeny in a plate-tectonic perspective. Mineral Deposita 34:422–471. Neither Capella or EMX have performed sufficient work to verify the published data reported above, but both Companies believe this information to be considered reliable and relevant.

Kjølø Copper Project, Norway (100% Capella)

The Kjølø high-grade copper project is a district-scale land position (246km²) on the northern extension of the Røros mining district, which saw copper production from a number of high-grade VMS deposits from the mid-1600’s until low copper prices in the mid-1980’s resulted in their closures. Kjølø represents a brownfields/greenfields exploration project covering the former Kjølø and Killingdal copper mining operations, together with approximately 20km strike of underexplored but highly prospective stratigraphy for the discovery of new copper-rich VMS deposits. Historical copper grades from the old Kjølø mine were reported to be 2.9% Cu³.

Recent field activities at Kjølø have been focused on the generation of priority drill targets, with the definition of specific drill sites being determined through a combination of systematic geochemical (soil) sampling and ground geophysics (ground magnetic and gravity surveys). Work has focused on the priority areas defined from both the CARDS AI / Data Mining analyses (see Company News Releases dated May 5 and 10, 2021) and the ground magnetic and geochemical (IL) surveys completed in Q4, 2020.

- On May 10, 2021, the Company announced that its landholding at the Kjølø copper project had increased to 246km² through the staking of an additional 96km² of new exploration concessions adjacent to the original claim block. These new concessions were staked to cover an additional 11 new copper-zinc target areas that had been defined by the CARDS AI / Data Mining analyses and brings to 24 the total number of copper-zinc targets defined for follow-up field review at Kjølø.
- On May 5, 2021, the Company announced the results of a CARDS Artificial Intelligence (“AI”) / Data Mining study undertaken at Kjølø by consultant Windfall Geotek (TSXV:WIN; OTCQB:WINKF; FRA:L7C2)(“Windfall”). A total of 13 copper-zinc targets with signatures typical of high-grade copper-rich VMS deposits were defined within the existing claim block, together with 11 gold-silver targets

which either partially or fully overlap the 13 copper-zinc targets. The contracting of Windfall for this work had previously been announced in an exploration update for Kjoli dated January 14, 2021.

- On January 14, 2021, the Company announced results of the field evaluation of an initial 4.5km-long segment of the interpreted 20km strike of prospective stratigraphy for the discovery of new copper-rich VMS deposits at Kjoli. A detailed ground magnetic survey was completed within this 4.5km-long initial target area - which contains 4 known (and previously undrilled) high-grade copper occurrences at Svenskmenna, Rorosmenna, Guldalsgruve, and Godthap - with a prominent NE-trending pyrrhotite-bearing horizon (associated with copper-zinc-silver-gold mineralization) being well defined by the survey. Exceptional soil copper anomalies were also generated from Ionic Leach (IL) geochemical survey lines in and around the Guldalsgruve and Rorosmenna sectors.

Formal drill permitting for priority drill locations will be initiated as soon as results from the ongoing work programs have been received and evaluated.

3 Historic production figures are from Birkeland, A. (1986) Mineralogisk og geokjemisk undersøkelse av Killingdal gruver, Sor-Trondelag. M. Scient. Thesis, University of Oslo in Geological Survey of Finland, Special Paper 53 pg. 86.

Southern Gold Line, Sweden (100% Capella)

The Southern Gold Line (“SGL”) project is located in northern Sweden and consists of a total of 500km² of mineral claims located to the south of the Barsele gold project (AgnicoEagle/Barsele Minerals) and in the immediate vicinity of Dragon Mining Ltd’s Fäboliden development project and Svartliden gold mine⁴. The Southern Gold Line exploration concessions cover areas with similar geologic and structural settings to the Fäboliden deposit, with further potential for the discovery of high-grade orogenic gold deposits at or near granitoid-greenstone contacts. Host rocks to the gold mineralization are Paleoproterozoic in age.

On July 12, 2021, the Company provided an update on the auger drilling and regional reconnaissance activities being undertaken at the SGL project. Auger drilling has been focused on the southernmost Rötjärnen claim block, where geochemical vectors are being utilized to determine the source of gold-bearing boulders identified on surface, whilst prioritization of the remainder of the 500km² property is being undertaken through regional geochemical (BLEG and IL) surveys and mapping/sampling programs. This followed an earlier announcement dated March 15, 2021, in which the Company indicated that a late-winter auger drill program had been initiated.

Anomalous gold and arsenic values were returned from the initial auger (Hilti) drilling of tills located up the interpreted glacial flow direction from gold-bearing boulders on the Rötjärnen claim. Gold values ranged from below detection limit to 110 parts per billion (“ppb”) whilst arsenic values, an important pathfinder element in orogenic gold systems, ranged from below detection limit to 40 parts per million (“ppm”). A follow-up auger drill program is currently underway, towards an area where historical scout drilling appears to have targeted gold deposits within a major flexure in a regional structural corridor.

A detailed review of historical scout drilling completed approximately 5km to the NW of the gold-mineralized boulder field at Rötjärnen is underway. A total of 15 scout holes were completed between 2003 and 2013 by third-parties and targeted gold mineralization in a major regional flexure interpreted from airborne magnetic data. Drilling intersected calc-silicate alteration and anomalous gold values in meta-greywacke, although the low tenor of the gold mineralization intersected (best intercept reported as 3m @ 0.19 grams/tonne Au) suggests that the source of the boulder field was not located.

The Company also appointed experienced local geologist Louise Lindskog to manage Capella’s exploration programs at the Southern Gold Line.

⁴ References made to nearby mines and analogous deposits provide context for the Southern Gold Line project but are not necessarily indicative that the project hosts similar tonnages or grades of gold mineralization

CANADA

Savant Lake Gold Project, Ontario (Capella 100%; Ethos Gold Corp. Earn-In to 70%)

On September 21, 2020, the Company announced that it had executed an earn-in agreement with Ethos in which Ethos may earn-in to a 70% interest in the Savant Lake gold project in return for staged cash and share payments to Capella and \$2M of work commitments. TSXV approval for the Ethos earn-in was received on October 26, 2020.

The original terms of the Ethos earn-in agreement were as follows:

	Cash	Ethos Shares	Work Commitment
On signing	\$50,000	2,000,000	-
September 20, 2021	\$50,000	2,000,000	\$500,000
September 20, 2022	\$50,000	2,000,000	\$1,000,000
September 20, 2023	\$50,000	2,000,000	\$500,000
Total	\$200,000	8,000,000	\$2,000,000

In addition, in the event of an NI-43-101 compliant mineral resource of >1 million ounces of gold being defined on the property, then Ethos will make a further payment to Capella of \$50,000 in cash and 2 million Ethos shares.

On September 16, 2021 the Company agreed to revise the terms of the earn-in portion of the agreement with Ethos Gold in order to accommodate some delays with accessing parts of the Savant Lake project area. Revised terms are detailed below:

	Cash	Ethos Shares	Work Commitment
On signing	\$50,000	2,000,000	-
September 20, 2021	-	1,000,000	-
November 15, 2022	\$50,000	2,000,000	\$500,000
November 15, 2023	\$50,000	2,000,000	\$1,000,000
November 15, 2024	\$50,000	1,000,000	\$500,000
Total	\$200,000	8,000,000	\$2,000,000

At the date of this report, Capella owns 3,000,000 shares in Ethos Gold which represents approximately 2.1% of Ethos's Issued and Outstanding shares.

Ethos has completed the following field activities at the Savant Lake Project:

- i) a high-resolution, 4,000-line km helicopter-borne magnetic survey over the main Savant Lake claim block. This survey has provided higher definition of the principal gold target at Savant Lake, the estimated 60 km cumulative strike length of deformed iron formation units (with 90% of this strike length having either limited or no surface exposure). Detailed evaluation / interpretation of this airborne magnetic data is currently in progress, with results to be integrated with existing geological, geochemical, and geophysical data.
- ii) An orientation basal till sampling program was also completed over a select area encompassing a highly-prospective shear zone along the northern margin of the iron formation basin. Gold grains recovered from the till samples are being characterized to estimate intensity of prospective mineralization and distance and direction to bedrock source.
- iii) A detailed compilation of historical data for the Savant Lake project - including from previous assessment reports - has been undertaken, and integration of this data with Capella's existing data sets and drill target generation work continues.

Ethos currently expects to apply for permits for Savant Lake during Q4 2021 with a view towards undertaking drilling on the project late in the 2021/2022 winter season.

The Savant Lake gold project is located within the Archean-age Savant Lake-Sturgeon Lake greenstone belt, approximately 240 km NW of Thunder Bay and 240 km S of Newmont's operating Musselwhite mine⁵ (Proven and Probable Reserves at December 31, 2020: 8.9 MT @ 6.25 g/t Au for 1.79 Moz Au⁶). The Company's mineral claims in the Savant Lake area total 229 square kilometres and cover meta-volcanic and meta-sedimentary rock sequences which are prospective for both iron formation ("Musselwhite-type")- and shear zone-hosted gold deposits, in addition to base metal-rich (copper-zinc-gold) VMS deposits. The Company completed an initial 8 hole / 1,626 m diamond drill program at Savant Lake in 2017 on select geophysical targets in the northern part of the property, however, numerous high-grade gold targets in the central and southern portion of the property remain untested.

⁵ Mineralization hosted on adjacent and nearby properties is not necessarily indicative of mineralization that may be hosted on the Company's Savant Lake project.

⁶ Source: Newmont Corporation Reserve and Resource Statement: February 10, 2021.

The underlying vendors of the Savant Lake property retain a 2% Net Smelter Royalty ("NSR") on future metal production from the Project; one half (1%) of this NSR may be acquired for \$1 million.

Domain Gold Joint Venture, Manitoba (Yamana Gold Inc. 70.4% - Capella 29.6%)

At the Domain Gold JV, project operator Yamana Gold Inc. ("Yamana") has entered into an Exploration Agreement with Bunibonibee Cree Nation to develop a cooperative and mutually beneficial relationship relating to mineral exploration within the Traditional Territory of Bunibonibee Cree Nation. The current focus is on Community Relations activities and related work supporting an eventual exploration permit application (including a Stage 1 archaeological assessment, with permits being applied for in those areas not requiring a more detailed Stage 2 assessment). Pending receipt of the permit, follow-up drilling is currently expected to begin in early-2022.

The Domain JV claims total 576 hectares and cover an area in which 62 holes / 9,660m of historic drilling have been completed and which successfully delineated significant high-grade, iron formation-hosted gold mineralization. Notable intercepts from this drilling include: RR-08-23, 2.65 metres ("m") at 17.44 grams per tonne ("g/t") of gold ("Au") and 2.67m at 10.43 g/t Au; RR-08-21, 2.70m at 15.16 g/t Au; and RR-08-20, 9.0m at 7.29 g/t Au (see Company News Release dated June 12, 2017). True widths are estimated to be 80-100% of core length based on limited drilling.

Drilling to date at the Domain JV has been focused on the "Main Zone", where high-grade, iron formation-hosted gold mineralization has been partially tested along some 800m of strike and remains open at both depth and along strike. The "Main Zone" mineralization lies on a prominent, northwest trending Horizontal Loop ElectroMagnetic ("HLEM") anomaly, and a combined strike length of approximately 5km of HLEM anomalies remain to be tested within the Domain JV area. Initial drilling of HLEM conductors during the last drill program in the winter of 2017 was successful in discovering additional gold mineralization.

ARGENTINA

Sale of Minera Mariana Argentina S.A.

On October 28, 2020 the Company entered into a Binding LOI with Cerrado Gold for the sale of its 100% interest in its Argentine subsidiary Minera Mariana. Minera Mariana is owner of the Las Calandrias and Los Cisnes gold-silver projects, in addition to a portfolio of exploration concessions in the Eastern Deseado Massif, Santa Cruz Province, southern Argentina. On January 7, 2021, the Company entered into a Share Purchase Agreement with Cerrado pursuant to which Capella will sell its 100% interest in Minera Mariana to Cerrado. The final closing of the transaction occurred on January 22, 2021.

Highlights of the Transaction:

- The Company received USD 50,000 in cash within 10 days of signing of the Binding LOI.
- The Company received CAD 2.25 million in Cerrado shares.
- The Company will retain indirect exposure to future exploration and operational success at both Las Calandrias and Don Nicolas through its shareholding in Cerrado.

Under the terms of the Transaction, Capella received 1,666,668 Cerrado shares on closing. However, the Company transferred 833,334 of the Cerrado shares to Sandstorm in consideration of the extinguishment of the annual maintenance payments of the Company owing to Sandstorm in respect of the Las Calandrias and Los Cisnes projects under a share purchase agreement dated February 19, 2018 as amended and assigned.

Details of the disposal are as follows:

\$

Consideration consists of:

Cash	64,977
Fair value of Cerrado shares received	2,250,000
Total consideration	2,314,977
Less costs to dispose	(39,772)
Less payable to SSL	(1,125,000)
Add extinguishment of contractual obligation payable	1,077,992
Less carrying value of net assets of subsidiary	(3,034)
Total gain on disposal	2,225,163

Carrying value of net assets in subsidiary consist of

\$

Cash at bank	76,890
Other receivables	75,940
Total assets	152,830
Accounts payable and accrued liabilities	(149,796)
Carrying value of net assets	3,034

The Company recorded a gain of \$2,225,163 in the Statement of Profit or Loss for the sale of its subsidiaries for the period ending May 31, 2021 and reclassified \$301,892 from the foreign currency translation reserve, this being cumulative amount of exchange differences relating to that foreign operation.

Sierra Blanca Gold-Silver Project, Santa Cruz (Capella 100%; Austral Gold Limited Earn-in to Initial 80% with Further Option to Acquire Remaining 20%)

During the period, the Company completed its agreement with Austral to purchase the first 80% interest in the Company's Argentine subsidiary (Sierra Blanca S.A.; "SBSA") that owns the Sierra Blanca gold-silver project in two tranches through a combination of cash payments and project-level work commitments as follows:

- Tranche 1: Austral will acquire a 51% interest for US\$100,000 in cash payments to Capella plus the expenditure of US\$100,000 in work commitments at the project over the 12-month period following closing. Austral has met the conditions for the earn-in to the initial 51% interest in Sierra Blanca.
- Tranche 2: Austral will acquire an additional 29% interest for US\$600,000 in work commitments on the project over the second- and third years following closing (US\$200,000 during the second year and US\$400,000 during the third year).

Austral plans to fund the cost of the transaction from cash flow generated from operations. After it has acquired its 80% interest in the project, Austral will have the option to acquire the remaining 20% as follows:

- 10% in Year 4 for the expenditure of an additional US\$400,000 in work commitments on the project over the 12-month period following payment to Capella of US\$500,000.

- 10% in Year 5 for the expenditure of an additional US\$400,000 in work commitments on the project over the 12-month period following payment of \$US1,000,000 to Capella.

Austral retains the option to accelerate these earn-in terms at their discretion.

In parallel, Capella also entered into agreements with both Iamgold and Sandstorm that provide SBSA with options to acquire one-half of their respective Net Smelter Royalties (“NSR’s”) on the Sierra Blanca gold-silver project:

- The agreement with Iamgold provides SBSA the option to acquire one-half (0.75%) of its 1.5% NSR for \$750,000 at any time prior to the commencement of commercial production. In further consideration of this agreement the Company has issued Iamgold 500,000 Capella common shares.
- The agreement with Sandstorm provides SBSA the option to acquire one-half (1%) of its existing 2% NSR for \$1,000,000 at any time prior to the commencement of commercial production.

Details of the disposal are as follows:

	\$
Consideration consists of:	
Cash	131,184
Fair value of retained investment – 49%	126,040
Total consideration	257,224
Less costs to dispose – issue of shares	(45,000)
Less carrying value of net assets of subsidiary	(171,585)
Total gain on disposal	40,639

Carrying value of net assets in subsidiary consist of

	\$
Exploration and evaluation assets	166,667
Cash at bank	8,952
Other receivables	5,500
Total assets	181,119
Accounts payable and accrued liabilities	(9,534)
Carrying value of net assets	171,585

The Company recorded a gain on disposal of \$40,639 in the Statement of Profit or Loss for the subsidiary and reclassified \$25,442 from the foreign currency translation reserve to the Statement of Profit or Loss, this being the cumulative amount of the exchange differences relating to that foreign operation. The Company has recorded the retained investment of 49% in Sierra Blanca SA as an investment in associate under the equity method. The Company recognised \$nil for its portion of losses incurred from the date of deconsolidation to May 31, 2021.

Sierra Blanca is an advanced, high-grade gold-silver project which is located approximately 40km NW of AngloGold Ashanti’s Cerro Vanguardia gold-silver mine (and immediately adjacent to Austral Gold’s Pinguino silver-gold project) in Santa Cruz Province, southern Argentina. Previous work at Sierra Blanca by Mariana Resources Ltd had mostly been focused on the E-W-trending Chala-Achen and Lucila vein systems, where high-grade silver values had been derived from channel sampling (including 9.4m @ 2,362 g/t Ag at Chala-Achen; see Company News Release dated March 4, 2019). However, more recent exploration activities have been focused on drill target definition in the extensive NW-trending Ana/Ana Splay, Tranquilo, and Laguna “vein fields” (see Company News Release dated December 2, 2019).

All information relating to exploration activities has been reviewed by Eric Roth, Chief Executive Officer and Executive Director of Capella Minerals Limited and presented in accordance with Canadian regulatory requirements as set out by National Instrument (“NI”) 43-101. Mr Roth holds a Ph.D. in Economic Geology from the University of Western Australia, is a Fellow of the Australian Institute of Mining and Metallurgy (AusIMM) and a Fellow of the Society of Economic Geologists (SEG), and a Qualified Person under NI 43-101. Mr Roth has 30 years experience in international minerals exploration and mining project evaluation.

Exploration and Evaluation Expenditures

	Southern Gold Line, Sweden	Løkken, Norway	Kjøli, Norway	Las Calandrias Santa Cruz, Argentina	Los Cisnes, Santa Cruz, Argentina	Sierra Blanca, Santa Cruz, Argentina	Savant Lake, Ontario, Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance May 31, 2019	-	-	-	3,065,267	880,419	358,840	1,287,368	5,591,894
Acquisition and tenure	-	-	-	-	-	-	30,000	30,000
Camp, travel, administration and other costs	-	-	-	102,707	15,220	12,681	17,556	148,164
Geologists and data collection	-	-	-	329,410	4,687	6,161	-	340,258
Drilling and assay costs	-	-	-	-	-	421	-	421
Provision against exploration and evaluation assets	-	-	-	(3,443,371)	(876,059)	(209,457)	-	(4,528,887)
IAS 29 adjustment	-	-	-	535,008	237,117	14,749	-	786,874
Foreign exchange movement	-	-	-	(589,021)	(261,384)	(16,728)	-	(867,133)
Balance May 31, 2020	-	-	-	-	-	166,667	1,334,924	1,501,591
Acquisition and tenure	584,553	620,897	629,394	-	-	-	-	1,834,844
Camp, travel, administration and other costs	46,499	75,956	-	-	-	-	3,179	125,634
Geologists and data collection	24,958	76,249	128,639	-	-	-	-	229,846
Drilling and assay costs	3,514	31,491	-	-	-	-	-	35,005
Sale of subsidiary	-	-	-	-	-	(166,667)	-	(166,667)
Farm out recoveries	-	-	-	-	-	-	(430,000)	(430,000)
Balance May 31, 2021	659,524	804,593	758,033	-	-	-	908,103	3,130,253

As the functional currency of the Argentinean entities is the Argentinean Peso (“ARS”) and the reporting currency of Capella is Canadian Dollars, the value of the exploration and provision costs in Argentina are subject to change each reporting period due to exchange rate fluctuations. As a result of the application of IAS 29, exploration and evaluation assets were restated for the impact in the movement in inflation during the current period. As a result, an adjustment of \$17,728 was recognised in relation to additions and was included as a net monetary gain in Other Comprehensive Income/(Loss) in the Consolidated Statement of Profit/(Loss) and Comprehensive Income/(Loss) to the date of disposal. Following the sale of the foreign subsidiaries holding the licenses to the Argentinean projects, this balance was transferred and expensed in the Consolidated Statement of Profit or Loss in the period ending May 31, 2021. Following the sale of the Argentinean subsidiaries during the period the Company will no longer be required to account under IAS 29.

Refer to *Financial Condition, Liquidity, Capitals Resources, Operations and Financial Results* section below for further details.

FINANCIAL CONDITION, LIQUIDITY, CAPITAL RESOURCES, OPERATIONS AND FINANCIAL RESULTS

OVERALL PERFORMANCE

Argentina is officially considered to be a hyperinflationary economy due to the inflation rate exceeding 100% consistently for more than three years and several other qualitative factors. As a result, IAS 29 is applied, which requires financial statements based on historical cost be restated to correct the loss of purchasing power of the Argentinean peso. Entities with the Argentinean peso as their functional currency apply the requisite Wholesale Price Index as published by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE") from the beginning of the period in which the economy became hyperinflationary. As a result, financial results are presented as if the Argentinean economy had always been hyperinflationary. Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at January 2021. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit as at January 2021) are restated by applying the relevant index. Once the financial results of the Argentinean subsidiaries were adjusted for inflation the restated financial statements were translated at the closing rates into the presentation currency of the Company, being C\$.

The net monetary gain of \$70,450 (2020: \$ \$851,996); resulting from a monetary gain of \$17,728 (2020: \$837,080) in relation to the restatement of non-monetary assets and liabilities, and a monetary gain of \$52,722 (2020: \$14,916) relating to the restatement of income and expenditure items, has been recorded for the period to the date of disposal of the foreign subsidiary.

Balances included in the Statement of Cash Flows have been adjusted to reflect the application of IAS 29, and as a result the balances presented in the cash flow will differ from the actual cash flows at the time of the transaction. The requisite Wholesale Price Index has been applied to relevant movements in the period and the resulting impact is reflected in the foreign exchange movement in the Statement of Cash Flows.

Following the sale of the Company's Argentinean subsidiaries in the period ending May 31, 2021 the Company will no longer be required to account under IAS 29.

The Wholesale Price Index for each relevant month as published by the FACPCE is detailed below:

Jun-2018	144.81	Dec-2019	283.44
Jul-2018	149.30	Jan-2020	289.83
Aug-2018	155.10	Feb-2020	295.67
Sep-2018	165.24	Mar-2020	305.55
Oct-2018	174.15	Apr-2020	310.12
Nov-2018	179.64	May-2020	314.91
Dec-2018	184.26	Jun-2020	321.97
Jan-2019	189.61	Jul-2020	328.20
Feb-2019	196.75	Aug-2020	337.06
Mar-2019	205.96	Sep-2020	346.62
Apr-2019	213.05	Oct-2020	359.66
May-2019	219.57	Nov-2020	371.02
Jun-2019	225.54	Dec-2020	385.88
Jul-2019	230.49	Jan-2021	401.51
Aug-2019	239.61		
Sep-2019	253.71		
Oct-2019	262.07		
Nov-2019	273.22		

During the twelve months ended May 31, 2021, the Company incurred a gain of \$1,551,833 (May 31, 2020: loss \$5,518,660). This gain was due predominantly to the gains recognised on the sale of its Argentinean subsidiaries Minera Mariana and Sierra Blanca during the period of \$2,225,163 and \$40,639 respectively. As well as a gain of \$318,563 recorded by the Company on revaluation of its contractual obligation payable as a result of amended terms being agreed with Sandstorm during the period; and a gain of \$343,333 recognised on quoted equity shares held by the company as at May 31, 2021. These gains were offset by general operating costs incurred of \$885,836 (2020: \$972,654), foreign exchange losses of \$ 289,023 (2020: \$3,613) which includes the transfer of the balance of the foreign currency translation reserve following the sale of the company's foreign subsidiaries during the current period and a loss of \$136,000 recognised on settlement in shares of the balance of the annual payment due under the contractual obligation payable to SSL. The Company also recognised \$71,069 (2020: \$3,247) in exploration and evaluation costs written off during the period, these costs related predominantly to Argentinean project expenditure.

The Company will seek additional equity funding or alternative financing options to fund current and ongoing exploration activities and general and administrative costs.

FINANCIAL POSITION

A summary of the Company's financial position is as follows:

	May 31, 2021	May 31, 2020	May 31, 2019
	\$	\$	\$
Current assets	1,273,900	86,576	112,722
Non-current assets	5,104,626	1,501,591	5,591,894
Current liabilities	(211,675)	(2,701,409)	(1,246,606)
Non-current liabilities	(169,118)	(797,848)	(1,125,702)
Shareholders' equity (deficiency)	5,997,733	(1,911,090)	3,332,308

Included in current assets at May 31, 2021 is cash of \$1,103,663 receivables of \$15,347 and prepaid expenses of \$154,890. The increase in current assets in the current period is mainly due to increased cash balance as a result of to the closing of the private placement September 2020; offset by cash used to maintain the Company's exploration projects and payment of corporate costs incurred to support the Company's operations.

The non-current assets balance has increased by \$3,603,035 due to exploration and evaluation expenditures of \$2,222,150 incurred on the recently acquired Scandinavian projects as the Company commenced its exploration programs at the projects located in Sweden and Norway and the recognition of the fair value of quoted shares received from Cerrado as part of the consideration for the sale of the Argentinean projects in January 2021 and shares received from Ethos as part of the farm out deal in relation to Savant Lake project in Canada. This balance will fluctuate from period to period due to the revaluation of the investments each reporting period.

This increase in exploration and evaluation expenditure on-current asset balance was offset by farm out expenditure of \$430,000 being recorded at the Company's Savant Lake project as a result of the agreement with Ethos signed on September 21, 2020 in which Ethos may earn-in to a 70% interest in the Savant Lake project in return for staged cash and share payments to the Company and work commitments. The Company will account for the agreement as a farm-out and has adopted the following accounting policy to record expenditures by Ethos:

Farm-outs — in the exploration and evaluation phase

The Company does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any consideration received directly from the farmee credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the Company as a gain on disposal.

On October 13, 2020, the Company disposed of its subsidiary Sierra Blanca SA and recognised a gain \$40,639 on the sale of the subsidiary. During the period ended May 31, 2021 the Company entered into an agreement with Cerrado for it to acquire its remaining Argentinean subsidiary Minera Mariana Argentina, cementing the Company's strategy of extracting value from its Argentinean portfolio while repositioning its focus on its Scandinavian projects. The sale was completed in January 2021 and a gain of \$2,225,163 was recognised in the Statement of Profit or Loss for the period ending May 31, 2021.

The Company expensed exploration and evaluation expenditures of \$68,936 in Argentina during the twelve-month period ending May 31, 2021. Argentinean exploration expenditures incurred during the period have been adjusted for inflation as required by IAS 29 and offset by the devaluation of the Argentinean peso from the year end. During the period, the Company sold its interest in its foreign subsidiaries which held the licenses over the Las Calandrias, Los Cisnes and Sierra Blanca projects located in Argentina and as a result these projects are no longer included in the Group's non-current asset balance. Refer to *Exploration and Activities* section further details.

Current liabilities of the Company include accruals and accounts payable totalling \$181,805. These balances can fluctuate from period to period depending on the level of exploration activity and corporate activities undertaken by the Company. This balance has decreased from the prior period as payables and accruals related to the Argentinean subsidiaries were settled prior to their disposal. At May 31, 2021 these liability balances mainly comprise of directors' fees payable of \$24,144, accounting and administration fees of \$28,125, audit and tax fee accrual of \$42,755, and other accounts payable related to exploration and general expenditure of \$86,781.

On September 16, 2020, the Company settled the total balance of its loan payable to Sandstorm as at August 25, 2020 of \$447,320 (including principal and interest) through the debt conversion of \$223,660 completed on September 18, 2020 and cash repayment of \$223,660. The unsecured loan balances of \$69,221 from directors were settled in full as part of the debt conversion completed on September 16, 2020.

During the period the Company sold its interest in its Los Cisnes and Las Calandrias projects and under the terms of the Transaction, Capella received 1,666,668 Cerrado shares on closing. However, the Company transferred 833,334 of the Cerrado shares to Sandstorm in consideration of the extinguishment of the annual maintenance payments of the Company owing to Sandstorm in respect of the Las Calandrias and Los Cisnes projects under a share purchase agreement dated February 19, 2018 as amended and assigned for a total value of \$1,077,992.

As a result of the Cerrado transaction, the contractual obligation payable was revalued to include only the annual payment for the Sierra Blanca project. The Company will be required to make the annual payment as follows:

- No annual payment due if market capitalization of the Company is less than \$10 million on the anniversary date of payment.
- Annual payment of \$25,000 due if market capitalization is between \$10 million and \$20 million on the anniversary date of payment; and
- Annual payment of \$50,000 due if market capitalization is above \$20 million on the anniversary date of payment.

The contractual obligation requires the Company to make an annual payment of up to \$50,000 per year (depending on market capitalisation of the Company as detailed above) in either cash or shares until the earlier of:

- December 31, 2032,
- commencement of commercial production,
- expropriation of the property or
- the Company returns the project in accordance with the terms of the acquisition agreement

On June 4, 2020, the Company and Sandstorm renegotiated the annual payments in relation to its Los Cisnes, Las Calandrias and Sierra Blanca projects due under the agreement with Sandstorm. Annual payments would become due by applying the following criteria with effect from June 30, 2019:

- No annual payment due if market capitalization of the Company is less than \$10 million on the anniversary date of payment.
- Annual payment of \$200,000 due if market capitalization is between \$10 million and \$20 million on the anniversary date of payment; and

- Annual payment of \$400,000 due if market capitalization is above \$20 million on the anniversary date of payment.

These criteria was applied to all future annual payment obligations at that date. As a result of the application of the revised criteria, the contractual obligation payable was revalued during the period ended May 31, 2021 with a revaluation gain of \$318,563 being recorded in the twelve months ended May 31, 2021.

During the twelve months ended May 31, 2021 the Company recorded interest expense of \$6,191 (2020: \$32,147) in relation to the contractual obligation payable. This has decreased from the prior comparative period due to the renegotiation of the terms of the annual payments.

The annual payment is due on the anniversary date of the acquisition of its interest in the Sierra Blanca projects, being May 14, 2018. Management has assessed that the contractual obligation period will not extend beyond five years from the effective date of the amended terms of the contractual obligation payable. Management considered the above terms of the agreement and the expected timeline for completion regarding each potential end to the obligation payments in making this judgment. The Company has therefore recognized the net present value of its obligation over five years, using an average discount rate of 0.28%.

The annual payment described above is payable in Company Shares, however the Company may elect to make a payment in cash. If the payment is made in Company Shares, the number of shares to be issued will be based on a price per Company Share equal to the greater of: (i) the 20-day trailing volume weighted average trading price of the Company Shares on the Exchange as at the due date for the applicable payment; and (ii) the minimum price that is acceptable to the Exchange.

As at May 31, 2019 the Company was required to deliver to Sandstorm the balance of the first annual payment in relation to the contractual obligation of \$400,000 in shares. As agreed with Sandstorm this payment was to be made in 8,000,000 shares at \$0.05. On September 26, 2019, the Company issued 4,600,000 shares as partial payment of the first annual payment, with the balance of 3,400,000 shares at \$0.09 (closing share price) valued at \$306,000, being delivered on October 19, 2020. A loss of \$136,000 was recorded in the Statement of Profit or Loss for the twelve months ending May 31, 2021 on settlement in shares of the balance of the annual payment due under the contractual obligation payable.

In April 2020, the Company received \$40,000 as part of the Bank of Montreal's Canada Emergency Business Account ("CEBA") program introduced as part of the Canadian Government's COVID-19 relief measures. The Company entered into an interest-free loan of \$40,000 with the Bank of Montreal, guaranteed by the Government of Canada, to help cover operating costs for businesses which may have been impacted by COVID-19. The Government program payment timelines are as follows:

- The Canada Emergency Business Account will be funded as a revolving line of credit and is interest free until Dec. 31, 2020
- Any outstanding balance will be converted to a term loan on Jan. 1, 2021 and remains interest free until Dec. 31, 2022
- If repaid by Dec. 31, 2022, 25% of balance will be forgiven
- If outstanding on Jan. 1, 2023, 5% interest starts
- The remaining balance is to be paid in full no later than Dec. 31, 2025

The repayment of the loan will be through the Bank of Montreal, not the Canadian Government.

RESULTS OF OPERATIONS

The following is a breakdown of significant costs incurred for the twelve-month periods ending:

	May 31, 2021	May 31, 2020
	\$	\$
Management and administrative fees	397,517	365,414
Foreign exchange loss– reallocation from FCTR	276,450	-
Loss on settlement of contractual obligation payable	136,000	-
Share-based payments	127,340	66,951
Shareholder information and meetings	96,622	41,915
Property investigation costs	71,069	3,247
Regulatory and transfer agent fees	76,899	15,852
Office and general	52,919	102,207
Professional fees	130,621	140,727
Salaries and benefits	3,918	239,588
Foreign exchange loss	12,573	3,613
Loan interest	9,823	22,496
Contractual obligation interest	6,191	32,147
Write off IVA receivable	1,909	19,621
Provision against exploration & evaluation assets	-	4,528,887

Discussion of operations

Twelve months ended May 31, 2021 and May 31, 2020

During the twelve months ended May 31, 2021 (“current twelve-month period”), the Company recorded a net gain of \$1,551,833 compared to a net loss of \$5,518,660 for the twelve-month period ended May 31, 2020 (“comparative twelve-month period”).

The net gain recorded for the current twelve-month period is due mainly to the gain on sale of its subsidiary Minera Mariana to Cerrado in January of \$ 2,225,163; a gain of \$40,639 recognised on the sale of the Company’s other Argentinean subsidiary Sierra Blanca to Austral; gain of \$318,563 recorded by the Company as it revalued its contractual obligation payable as a result of amended terms being agreed with Sandstorm during the period; and the revaluation of \$343,333 on financial assets held at May 31, 2021

These gains were offset by increased management and administrative fees recorded of \$32,103, increased shareholder and investor relations expense of \$54,707 as the Company looked to promote its newly acquired Scandinavian properties, an increase in the share-based payment expense of \$60,389 due to options being issued during the period and increased write off of exploration and evaluation costs of \$67,822. These costs were offset by; a reduction of \$235,670 in salaries expense and reductions in office and general expenses and professional fees of \$49,288 and \$10,106 respectively, as Argentinean operations were reduced, and ultimately disposed of during the year ended May 31, 2021. The Company recorded an increase of \$285,410 in foreign currency losses due mainly to the transfer of the balance of the foreign currency translation reserve following the sale of the Company’s Argentinean subsidiaries. A loss of \$136,000 was recorded on settlement in shares of the annual payment due under the contractual obligation payable to SSL.

Significant costs are detailed further below.

During the period, the Company recognised a write down expense of \$68,936 against its Las Calandrias and Los Cisnes projects to reflect the Company’s change in exploration strategy, as during the period ending May 31,

2021 the Company moved its focus from its Argentinean portfolio to its newly acquired Swedish and Norwegian projects.

Management and administrative fees increased by \$32,103 in the current twelve-month period compared to the comparative twelve-month period mainly due to an increase in non-executive director fees of \$37,700 as these fees were reinstated in Q4 2020. This increase in management and administrative fees was offset by a decrease in accounting fees incurred in Argentina of approximately \$28,426 and reduction in consulting fees of \$13,000. Management and administrative fees in 2020 were reduced by a write back of consulting fees accrued of \$27,080.

Regulatory and transfer agent fees increased by \$61,047 in the current twelve-month period due predominantly to fees incurred in relation to the private placement completed in September 2020, fees incurred associated with gaining approval for the EMX property acquisition and costs of incorporating the Swedish and Norwegian subsidiaries.

Shareholder information expenses has increased by \$54,707 as the Company attended a greater number of conferences in the current period compared to the prior comparative period which had been impacted by COVID-19 restrictions. The Company also incurred greater costs as it looked to promote its newly acquired Scandinavian projects.

Professional fees decreased by \$10,106 due to decreased operations in Argentina and ultimately the finalization of the sale of these subsidiaries during the current reporting period, thus reducing the cost in the current period in comparison to the prior comparative period.

Office and general costs decreased in the current twelve-month period by \$49,288 when compared to the comparative twelve-month period due mainly to reduced rental costs in Canada and Argentina of \$6,937, reduced travel expenditure of \$34,138 due to COVID-19 restrictions in place and less expenditure on company secretarial costs of \$ 11,660 due to less administration of subsidiary companies following their sale to Cerrado in the current period this was offset by slight increases in bank charges and associated fees incurred in Argentina and Canada.

Salaries expenses decreased by \$235,670 due to the termination of employees in Canada and Argentina in the twelve-month period ending May 31, 2020.

Loan interest expense decreased by \$12,673 as the Company extinguished its loans with Sandstorm during the period May 31, 2021. Capella also continued to record interest in relation to its contractual obligation of payable to Sandstorm of \$6,191 for the twelve-month period which has reduced from the prior comparative period as a result of the amendment to the terms of the annual payments to be made to Sandstorm.

The Company also recognised a gain of \$343,333 in relation to Cerrado and Ethos shares held as an investment. These shares having been received as part of the sale of the Argentinean projects Las Calandrias, Los Cisnes and Sierra Blanca projects. This balance will fluctuate from period to period as the value of shares will move in line with the share price at the end of each reporting period.

The Company has recognised a total foreign exchange loss of \$289,023 which is an increase from the prior comparative period due to the transfer of the foreign exchange balance from the foreign currency translation reserve to the Statement of Profit or Loss following the sale of its foreign subsidiaries during the period ended May 31, 2021.

The Company capitalizes all acquisition and exploration costs until the property to which those costs relate is placed into production, sold or abandoned. The decision to abandon a property is largely determined from exploration results and the amount and timing of the Company's write-offs of capitalized mineral property costs will vary from one year to the next and typically cannot be predicted in advance. Exploration and evaluation costs associated with the Savant Lake property are accounted for in line with the Company's farm out accounting policy. Refer to *Accounting Standards* section – *New Accounting Policy*.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly financial information of Capella and is derived from unaudited quarterly financial statements prepared by management.

Period	Revenues \$	Net profit (loss) for the period \$	Net profit/(loss) per share for the period- basic \$	Net profit/(loss) per share for the period- diluted \$
Three months ended May 31, 2021	Nil	151,339	0.00	0.00
Three months ended February 28, 2021	Nil	1,578,722	0.01	0.01
Three months ended November 30, 2020	Nil	(305,717)	0.00	n/a
Three months ended August 31, 2020	Nil	127,489	0.00	0.00
Three months ended May 31, 2020	Nil	(4,799,790)	(0.08)	n/a
Three months ended February 29, 2020	Nil	(221,386)	(0.00)	n/a
Three months ended November 30, 2019	Nil	(251,230)	(0.00)	n/a
Three months ended August 31, 2019	Nil	(246,254)	(0.00)	n/a

The Company's quarterly results can be affected by many factors such as winter conditions and/or seasonal fluctuations, variations in capital markets, the write-off of capitalized amounts, share-based payment costs, tax recoveries and other factors that affect Company's exploration and financing activities.

Mineral exploration is often a seasonal business, and the Company's expenditures and cash requirements may fluctuate depending upon the season.

The Company's expenditures may also be affected by the strength of capital markets. The Company's primary source of funding is through the issuance of share capital. When the capital markets are depressed, the Company's activity level may decline as a result of difficulties raising funds. When capital markets strengthen and the Company is able to secure equity financing with favourable terms, the Company's activity levels, and the size and scope of planned exploration projects may increase.

The Company's net gain of \$151,339 for the fourth quarter of fiscal 2021 is due mainly to the revaluation of \$468,333 related to financial instruments held in Ethos Gold and Cerrado Gold. This gain was offset by increased investor relation costs of \$96,622 which have increased from comparative quarters due to greater attendance at conferences in the current quarter which did not occur in the prior comparative period as a result of the COVID-19 pandemic, as well as increased targeted investor relations expenses during the current quarter as the Company looked to promote its recently acquired Scandinavian properties. Share based payments costs of \$21,417 was recorded related to options issued during the fiscal year were recorded. These increases were offset by decrease in travel expenses of \$37,813 due to the impact of COVID-19 travel restrictions in the current quarter, decrease in accounting fees of \$19,428 due to the decrease in operations in Argentina and ultimate sale of the Argentinean subsidiaries. A decrease of \$12,910 was recorded in relation to contractual obligation payable interest and interest recorded on SSL loan. In the prior period comparative quarter, the Company recognised a provision of \$4,528,887 in relation to its Argentinean projects., no provision against projects was recognised in the current quarter.

The Company's net gain of \$1,578,722 for the third quarter of fiscal 2021 is higher than that of the comparative 2020 quarter due mainly to the gain recognised on the sale of the Company's subsidiary of \$ 2,225,163 offset by increased share-based payments cost of \$18,680 and increased regulatory and transfer fees of \$6,652 due to the increased share issue activity in the current quarter. These increases were offset by a decrease in management and administrative fees \$10,508 and professional fees of \$22,827 due mainly to a decrease in these costs in Argentina due to a reduction in activity in that jurisdiction and ultimate sale of this operation this quarter. These reductions were offset by an increase in unrealized losses of \$165,000 on the revaluation of the financial assets held at the end of the current reporting period and an increase in foreign exchange loss recognised of \$277,682 due to the transfer of the balance of the foreign currency translation reserve following the sale of the Argentinean operation during the current period.

The Company's loss of \$ 305,717 for the second quarter of fiscal 2021 is higher than that of the comparative 2019 quarter due mainly to an increase in provision of \$37,615 recognised against exploration and evaluation costs, recognition of loss on sale of subsidiary of \$51,084, higher general and administrative expenses of \$28,489 due to increased share based payments expense of \$54,395 and increased management and administrative fees of \$30,605 due to increased non-executive director fees and consulting fees incurred. These costs were offset by unrealized gain on quoted equity shares of \$40,000 and the gain recognised on sale of equipment in Argentina of \$17,201.

The Company's gain of \$ 127,489 for the first quarter of fiscal 2021 is due mainly to the revaluation gain of \$318,564 recorded as a result of the revaluation of the contractual obligation payable due to amended terms being agreed with Sandstorm and a reduction in costs in related to share based payment expense and salary costs in the current three-month period when compared to the comparative period.

The Company's loss of \$4,799,790 for the fourth quarter of fiscal 2020 is higher than that of the comparative quarter due mainly to the write down provision recorded of \$4,528,887 in relation to the Company's Argentinean projects.

The Company's loss of \$221,386 for the third quarter of fiscal 2020 is lower than that of the comparative quarter due mainly to a reduction in share-based payment expense and a general reduction in fees paid and administrative costs management looked to decrease costs.

The Company's loss of \$251,230 for the second quarter of fiscal 2020 is lower than that of the comparative quarter due to a reduction in share base payments expenses and a general decrease in management and administrative costs, and shareholder information expenses as the Company continued to look for areas to decrease expenditure.

The Company's loss of \$246,254 for the first quarter of fiscal 2020 is lower than that of the comparative quarter in 2018 due mainly to the reduction in shared based payment expense, as this cost fluctuates from period to period as the cost recognised over the vesting period of the options issued, and a reduction in operating costs as the Company has looked for opportunities to reduce expenditure.

SEGMENT INFORMATION

The Company's business consists of only one reportable segment, mineral exploration and development. Details on a geographic basis are as follows:

	May 31, 2021	May 31, 2020
	\$	\$
Sweden	659,524	-
Norway	1,562,626	-
Canada	908,103	1,334,924
South America	-	166,667
	3,130,253	1,501,591

During the twelve months ended May 31, 2021 the Company entered into an option and purchase agreement with EMX for the acquisition of 100% interests in the Southern Gold Line Project in central Sweden, and the Løkken and Kjøli copper-zinc projects in central Norway.

In November 2021, the Company sold its subsidiary Sierra Blanca SA during the period which owns the licenses to the Sierra Blanca project located in Santa Cruz, Argentina. And on January 22, 2021, the Company finalized its deal with Cerrado for the sale of its 100% interest in its Argentinean subsidiary which held the licenses for the Los Cisnes and Las Calandrias projects located in Santa Cruz, Argentina.

LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2021 the Company had cash of \$1,103,663. The Company has no operations that generate cash flow and its long-term financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. The Financial Statements have been prepared on the assumption that the Company is a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations.

The Company has incurred an accumulated deficit of \$16,131,935 at May 31, 2021 and has no current source of revenue. It is important to note the Company's continuation as a going concern is dependent on its ability to attain profitable operations and generate funds therefrom and/or raise funds sufficient to meet current and future obligations. In order to continue normal course of operations the Company is seeking additional equity funding, or alternative options, to fund ongoing exploration activities and to meet its current and ongoing general and administrative costs. The Company cannot guarantee it will be successful in raising additional funding, or in securing alternative financing options.

The Company's planned corporate and exploration operations have further been impacted by the uncertainty created by the global pandemic COVID-19 announced by the World Health Organisation on March 11, 2020. The COVID-19 pandemic is having a negative impact on stock markets, currencies and business activities globally. The full impact of COVID-19, on the Company or the Jurisdictions in which we operate, cannot be fully determined; but there may be potential negative impacts on the Company's ability to raise capital funds, planned exploration programmes, cash flows and liquidity.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales and from the exercise of convertible securities. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activity and the state of the financial markets. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record and the experience and caliber of its management.

On September 16 and 18, 2020 the Company announced that in an effort to conserve its capital, it had agreed to settle \$385,963 of outstanding indebtedness to current and former insiders of the Company with the issuance of 6,432,714 common shares of the Company at a deemed price of \$0.06 per share. All proposed shares issued in settlement of debt will be subject to a hold period trading restriction expiring 4 months and 1 day after issuance.

On September 8, 2020, the Company announced the completion of a non-brokered private placement, for proceeds of \$3,624,992. The Company successfully completed the sale and conversion of 60,416,531 units at \$0.06 per unit. The units are comprised of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.12 until expiry September 3, 2023.

On August 8, 2019, the Company received a cash injection of \$200,000 by entering into a short-term loan agreement with Sandstorm. The loan and interest of 10% per annum, compounding quarterly, carried an initial 3 month term rolled over by mutual agreement for successive three month periods until such time as payment is made. Additional cash injections were received from Sandstorm of \$115,000 in February 2020 and \$100,000 in March 2020 on the same terms as the earlier loan. Interest of \$9,823 had been accrued on the Sandstorm loans for the year ended May 31, 2021. On September 18, 2020, the Company settled the total balance of its loan payable to Sandstorm as at August 25, 2020 of \$447,320 (including principal and interest) through the debt conversion of \$223,660 completed on September 16, 2020 and cash repayment of \$223,660.

In July 2019, the Company received cash of \$30,000 by entering into an unsecured, interest free loan with no pre-set repayment terms with director E. Roth. A further \$5,000 was received in October 2019 and a further \$14,221 was received in December 2019 from E. Roth on the same terms as the previous loan. All loan balances were settled in full as part of the debt conversion completed on September 16, 2020.

In September 2019, the Company received \$20,000 by entering into an unsecured, interest free loan with no pre-set repayment terms with director M. Little. This debt was settled in full as part of the debt conversion completed on September 16, 2020.

The Company is currently evaluating all financing options at a Company and a project level in order to continue its normal course of operations. The Company intends to continue to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners where appropriate.

Operating Activities

During the twelve months ended May 31, 2021, the Company used \$1,310,981 (comparative twelve-month period – \$315,400) of cash to fund the ongoing operating activities of the Company. The cash used in operations reflects the gain for the year of \$1,551,883 (comparative twelve-month period – loss \$5,518,660) adjusted for the changes in working capital items such as accounts receivable and accounts payable and non-cash items. Non-cash items include; gain on sale of subsidiaries of \$2,265,802, revaluation of contractual obligation payable of \$318,563 (comparative twelve-month period-\$nil), unrealized gain of \$343,333 on revaluation of financial asset (comparative twelve-month period \$nil) and share based payments expense \$127,340 (comparative twelve-month period - \$66,951). Other non-cash items include; interest on contractual obligation payable \$6,191 (comparative twelve-month period: \$32,147), interest on loan of \$9,823 (comparative twelve-month period: \$22,496), foreign exchange loss of \$12,573 (comparative twelve-month period \$3,613), loss of \$136,000 recognised on the issue of the balance shares due in relation to the annual payment to SSL and transfer of \$276,450 in foreign currency movements recorded from the FCTR following the sale of foreign subsidiaries.

Investing Activities

During the period ended May 31, 2021 the Company incurred net cash outflow in investing expenditures of \$923,856 (comparative twelve-month period – outflow \$295,786) due to expenditure on exploration activities related to its Argentinean and Scandinavian projects, offset by proceeds of \$50,000 received in relation to farm out arrangement at the Company's Canadian projects, net proceeds of \$110,319 received from the sale of the Company's subsidiaries and proceeds of \$17,201 from the sale of a vehicle in Argentina.

Financing Activities

During the twelvemonths ended May 31, 2021, the Company received private placement funds of \$3,624,992 offset by share issue costs of \$128,684 and payment of outstanding loans to Sandstorm of \$223,660.

The Company has no operations that generate cash flow and its long-term financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

COMMITMENTS AND CONTINGENCIES

The Company has the following commitments and contingencies in relation to the revised acquisition terms for the Southern Gold Line, Løkken and Kjølø projects are as follows:

- Until Capella has completed financings to the value of CAD 4,500,000, EMX will retain a free carried 9.9% shareholding in Capella (subject to a cap of 15,693,785 shares). Afterwards, EMX retains the option to participate in future financings at its own discretion (in progress).
- On or before September 1, 2021, Capella shall incur no less than USD 100,000 in exploration expenditures on each of the three projects (in progress).
- On or before September 1, 2022, Capella shall incur an additional USD 500,000 in exploration expenditures aggregated across three projects (or on any one project).
- Beginning September 1, 2023, Capella commits to completing at least 1,000m of drilling on each project per year until the earlier of: i) a minimum of 10,000m has been completed on such project ii) the date that Capella has delivered to EMX a relinquishment notice in respect of a project or iii) the date that the parties mutually agree that no further drilling is warranted.

- From the second anniversary of signing (September 1, 2022), Capella will be required to make advanced royalty payments to EMX of USD 25,000 per project, increasing USD 5,000/year up until reaching a maximum of USD 75,000/year per project.
- Capella to make additional payments of USD 500,000 to EMX upon:
 - The filing of a Preliminary Economic Assessment technical report
 - The filing of a National Instrument 43-101 ("NI-43101) compliant feasibility study
- EMX to retain a 2.5% NSR in the projects, with 0.5% being purchasable for USD 1M within 6 years

OFF BALANCE SHEET ARRANGEMENTS

The Company does not utilize any off-balance sheet arrangements.

OUTSTANDING SHARE DATA

Outstanding share date as at May 31, 2021 is as follows:

	Price	Expiry date	Number of common shares
Common shares issued and outstanding			151,137,862
Securities convertible into common shares			
Options			
	\$0.25	June 4, 2023	2,165,000
	\$0.15	October 18, 2023	250,000
	\$0.12	November 4, 2023	4,980,000
Warrants	\$0.125/0.25*	March 8, 2022	7,062,350
	\$0.12	September 3, 2023	62,558,260
			228,153,472

* exercise price was \$0.125 to September 8, 2020 and \$0.25 thereafter until expiry March 8, 2022

On April 7, 2021 the Company received final TSXV Exchange approval for the issuance of 13,614,785 shares to EMX Royalty Corp. which represented 9.9% of the Company's Issued and Outstanding shares and is the primary consideration for the acquisition of Capella's 100% interests in the Løkken and Kjølvi high-grade copper projects in Norway, and the Southern Gold Line Project in Sweden. The company is required to issue a further maximum number of 2,079,000 anti-dilution shares to EMX under the option and purchase agreement. These shares will be issued as part of the next private placement undertaken by the Company.

On October 19, 2020, the Company issued 500,000 shares to IAMGOLD as payment which provides Sierra Blanca S.A for the option to acquire one-half (0.75%) of its 1.5% NSR for \$750,000 at any time prior to the commencement of commercial production.

On October 19, 2020, the Company issued 3,400,000 shares to Sandstorm in payment of the balance owing in relation to the first-year annual obligation payment which was due on the anniversary date of acquisition under the original agreement with Sandstorm. Refer to *Financial Position* section for further details.

On September 16 and 18, 2020 the Company announced that in an effort to conserve its capital it had agreed to settle \$385,963 of outstanding indebtedness to current and former insiders of the Company with the issuance of 6,432,714 common shares of the Company at a deemed price of \$0.06 per share. Refer to *Liquidity, and Capital Resources* section for further detail.

On September 8, 2020, the Company announced the completion of a non-brokered private placement, for proceeds of \$3,624,992. The Company successfully completed the placement of 60,416,531 units. The units are comprised of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.12 until expiry September 3, 2023. The Company paid an aggregate of \$128,684 in broker fees and issued 2,141,730 brokers warrants under the same terms and conditions of the unit warrants. All securities issued under the placement were subject to a four month hold period trade restriction expiring January 4, 2021.

RISKS AND UNCERTAINTIES

Capella has no history of profitable operations and is an exploration stage company. As such, it is subject to many risks common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and lack of revenues. The Company's planned corporate and exploration operations have been impacted by the uncertainty created by the global pandemic COVID-19 announced by the World Health Organisation on March 11, 2020 of which the duration and full impact is unknown at this time.

Some of the Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site.

Resource acquisition, exploration, development, and operation is a highly speculative business that involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of precious metals and other minerals may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish economically viable mineral deposits, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the acquisition, exploration or development programs planned by the Company will result in a profitable commercial mining operation. The potential for any project to eventually become an economically viable operation depends on numerous factors including: the quantity and quality of the minerals discovered if any, the proximity to infrastructure, metal and mineral prices (which vary considerably over time) and government regulations. The exact effect these factors can have on any given exploration property cannot accurately be predicted but the effect can be materially adverse.

Exploration Stage Company

The Company is engaged in the business of acquiring and exploring mineral properties to locate economic deposits of minerals. All of its properties are in the early stages of exploration and are without defined mineral bodies. Advancement of the Company's properties will only occur after obtaining satisfactory exploration results. There can be no assurance that the Company's existing or future exploration programs will result in the discovery of economically recoverable mineral deposits. Further, there can be no assurance that even if an economic deposit of minerals is located, it can be commercially mined.

No Source of Operating Revenue and the Ability to Raise Capital to Fund Operations

At present, the Company's operations do not generate cash inflows and the Company's continued existence depends on management's ability to raise additional equity financing, discover recoverable mineral deposits and sell or otherwise participate in the development of those projects. Many factors influence the Company's ability to raise funds, including the health of the commodity resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management will need to raise equity capital in the short term in order to continue as a going concern, but recognizes there are risks involved that may be beyond its control. If those risks fully materialize, the Company may not be able to raise adequate funds to continue its operations.

Political or economic instability in countries where the Company operates

Certain of the Company's properties are located in countries which may be subject to political and economic instability, or unexpected legislative change which may delay or prevent exploration of properties or affect investor appetite for the Company's jurisdictions.

Exploration of the Company's properties could be adversely affected by:

- political instability and violence;
- war and civil disturbance;
- labour unrest or community relation issues;
- permitting issues
- expropriation or nationalization;
- changing fiscal regimes and uncertain regulatory environments;
- changes to royalty and tax regimes;
- underdeveloped industrial and economic infrastructure; and
- the unenforceability of contractual rights and judgments.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies in the search for and the acquisition of attractive mineral properties and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive mineral properties. The Company's ability to acquire properties in the future will depend not only on its ability to advance its present properties, but also on its ability to select and acquire suitable prospects for mineral exploration or advancement. There is no assurance that the Company will be able to compete successfully with others in acquiring such prospects. In addition, there is a limited supply of good geological talent and drilling crews and equipment. There is no assurance that the Company will be able to acquire the supply of geological talent or drillers, executives or other employees or contractors that are required to complete exploration work in planned time frames.

Title to Property

The Company has taken precautions to ensure that legal titles to its property interests are properly recorded. There can be no assurance that the Company will be able to secure the grant or the renewal of exploration permits or other tenures on terms satisfactory to it, or that governments in the jurisdictions in which the properties are situated will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned. In addition, some of the Company's properties are held in the names of others. Third parties may have valid claims underlying portions of the Company's interests and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties to which such defects relate. In addition, the Company may fail, due to error, omission, or technological issues to renew its claims in a timely manner, potentially resulting in the loss of valuable claims to property.

Personnel

Capella is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Capella could result, and other persons would be required to manage and operate the Company.

Commodity Price Risk

The market price of precious metals and other minerals is volatile and cannot be controlled.

TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed below. Details of the transactions between the Company and other related parties are disclosed below.

a) Related party transactions

The Company incurred the following transactions in the normal course of operations in connection with an officer and/or director or companies which have or had a director and/or officers in common.

- (i) Consulting costs relate to ER Global (CEO) - \$119,881, Marketworks (Company Secretary) \$38,000, and Genco Professional Services (CFO) \$63,216 and non-executive director fees of \$51,480.

		Twelve months ended May 31, 2021	Twelve months ended May 31, 2020
		\$	\$
Consulting & Salary	(i)	272,577	340,201
Share-based payments		117,112	54,559

b) Related party balances

	May 31, 2021	May 31, 2020
	\$	\$
Perihelion Inc - Mary Little	12,072	43,987
Glen Parsons	12,072	38,636
Marketworks Inc Kathryn Witter -Corporate Secretary	150	27,450
Genco Professional Services Sharon Cooper – Chief Financial Officer	-	81,632
Scott Heffernan (resigned November 2019)	-	27,414
John Wenger (resigned November 2019)	-	28,785
Cameron McLean (resigned February 2020)	-	88,467
ER Global – Eric Roth - Chief Executive Officer	-	278,247

The Company also has a contractual obligation payable balance of \$158,988 to Sandstorm. The Company issued 3,400,000 shares in payment of the first annual payment balance owing. Under the terms of the Transaction with Cerrado finalized on January 22, 2021 Capella received 1,666,668 Cerrado shares on closing. However, the Company transferred 833,334 of the Cerrado shares to Sandstorm in consideration of the extinguishment of the annual maintenance payments of the Company owing to Sandstorm in respect of the Las Calandrias and Los Cisnes projects under a share purchase agreement dated February 19, 2018 as amended and assigned.

On September 16, 2020, the Company repaid in full a loan owing to Sandstorm of \$447,320 by cash payment of \$223,660 and debt conversion by issue of 3,727,666 shares @ \$0.06.

On September 16, 2020, the Company announced it had agreed to settle \$385,963 of outstanding indebtedness to current and former insiders of the Company (including loan balance above owed to Sandstorm) with the issuance of 6,432,714 common shares of the Company at a deemed price of \$0.06 per share. All shares issued in settlement of debt were subject to a hold period trading restriction expiring 4 months and 1 day after issuance. The Company issued the shares to settle the debt effective September 15, 2020.

Insiders of the Company participated in the Offering completed on September 8, 2020 acquiring, directly or indirectly, an aggregate of 3,595,841 units representing 2.83% of the Company's issued and outstanding shares on an undiluted basis and 2.75% on a partially diluted basis.

Refer to *Liquidity and Capital Resources* section for further details.

c) Compensation of key management personnel

The remuneration for the services of key management personnel during the period was as follows:

		Twelve months ended May 31, 2021	Twelve months ended May 31, 2020
		\$	\$
Salary/Exploration/Consulting	(i)	272,577	326,494
Share based payments		117,112	27,390

(i) Key management were not paid post-employment benefits or other long-term benefits were paid during the twelve months ended May 31, 2021 and May 31, 2020.

FINANCIAL RISK MANAGEMENT

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

a) Currency Risk

The Company is primarily exposed to currency fluctuations relative to the Canadian dollar through expenditures which are predominantly denominated in US dollars and Argentine pesos. The Company is also exposed to the impact of currency fluctuations on its monetary assets and liabilities.

The Company is exposed to foreign currency risk through the following financial assets and liabilities denominated in currencies other than Canadian dollars:

May 31, 2021	Cash	Receivables	Accounts payable and accrued liabilities
	\$	\$	\$
US dollars	87,505	-	24,144
Swiss Francs	-	-	15,427

May 31, 2020	Cash	Receivables	Accounts payable and accrued liabilities
	\$	\$	\$
US dollars	860	-	137,441
Argentinean peso	7,727	-	239,450
Australian dollars	-	-	81,632

At May 31, 2021 with other variables unchanged, a +/-10% change in exchange rates would decrease/increase pre-tax loss by \$4,793. (2020: \$44,993).

b) Interest rate and credit risk

Interest risk is the risk that the value of assets and liabilities will change when the related interest rates change. The Company is not currently exposed to interest rate risk. The Company's long-term debt will attract interest with effect from December 31, 2022 if not paid prior. The Company's current financial assets and financial liabilities are not significantly exposed to interest rate risk because either they are of a short-term nature or because they are non-interest bearing. The Company has a positive cash balance. At May 31, 2021, the Company has a positive cash balance. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at May 31, 2021 and May 31, 2020, the Company did not hold any short-term investments or cash equivalents.

Receivables consist of goods and services tax and taxes due from the government of Canada and Sweden. Management believes that the credit risk concentration with respect to receivables is limited.

During the twelve months ending May 31, 2020, the Company took out interest-bearing short-term loans with Sandstorm. These loans were extinguished during the period ending May 31, 2021. Refer to *Liquidity and Capital Resources* section for further details.

c) Liquidity Risk

Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. The Company cannot guarantee it will be successful in raising additional funding or securing financing options.

The COVID-19 pandemic is having a negative impact on stock markets, currencies and business activities globally. The full impact of COVID-19, on the Company or the Jurisdictions in which we operate, cannot be fully determined; but there may be potential negative impacts on the Company's ability to raise capital funds, planned exploration programmes, cash flows and liquidity.

Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at May 31, 2021, the Company had cash of \$1,103,663 (May 31, 2020 - \$43,219) to settle current liabilities of \$211,675 (May 31, 2020 - \$2,701,409). Included in current liabilities is a balance owed to related parties of \$24,294. Also included in current liabilities is a balance of \$29,870 for the current portion of the contractual obligation payable to Sandstorm to be paid in either cash or shares at the Company's discretion. During the period ended May 31, 2021, this payable was renegotiated and terms amended.

In the twelve months ending May 31, 2020, the Company entered into several loan agreements with Sandstorm for a total principal amount of \$415,000 and unsecured loans with two directors totalling \$69,221. These loans and interest accrued were settled in cash and as part of the debt conversion announced on September 16, 2020. Refer to *Liquidity and Capital Resources* section for further details.

In order to meet its current working capital requirements and ongoing general and administrative costs the Company will seek additional equity funding or secure alternative financing options. On September 8, 2020, the Company announced the completion of a non-brokered private placement, for proceeds of \$3,624,992. The Company also announced on September 16 and 18, 2020 that it had agreed to settle \$385,963 of outstanding indebtedness to current and former insiders of the Company with the issuance of 6,432,714 common shares of the Company at a deemed price of \$0.06 per share. Refer to *Liquidity and Capital Resources* section for further details.

d) Commodity Price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of gold and silver. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

e) Equity price risk

The Company is exposed to equity price risk for equity investments at fair value through profit and loss. Equity price risk is the risk that the fair value of a financial instrument varies due to equity market changes. The Company's equity investments are exposed to equity price risk since their fair value is determined through the last closing share price on the relevant stock exchange. The Company has no specific strategy to manage the equity price risk.

At May 31, 2021 with other variables unchanged a +/- 10% change of the quoted equity investment value at the end of the reporting period would result in a decrease/increase in pre-tax loss of \$184,833 (2020: nil),

CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares.

In the management of capital, the Company includes the components of shareholders' equity/(deficiency) and loans.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments. There are no external requirements imposed on the Company regarding its capital management or changes to the Company's approach.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments selected with regards to the expected timing of expenditures from continuing operations.

The Company will require additional financing in order to fund working capital requirements and conduct additional acquisitions, exploration and evaluation of mineral properties.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the interim financial statements and the reported revenues and expenses during the period.

Although management uses historical experiences and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. We have seen an impact on our business to date, with some delays in corporate and operational activities being experienced as a result of restrictions imposed by governments in dealing with the pandemic. The scale and duration of these developments continue to remain uncertain as at the date of this report creating ongoing uncertainty and as a result certain assumptions and estimates used in the preparation of these financial statements are subject to greater volatility than normal.

The most significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, the valuation of share-based payments, the valuation of other income on deferred premiums, the valuation of the contractual obligation payable, the valuation of amounts receivable from governments and the valuation of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the Interim Financial Statements are as follows:

(i) *Economic recoverability and probability of future benefits of exploration and evaluation costs.*

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

(ii) *Valuation of share-based payments*

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and Company's earnings and equity reserves.

(iii) *Income taxes*

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

(iv) *Non-cash transactions*

The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

(v) *Functional currency*

The Company has evaluated the economic environment its entities operate in and determined that the functional currency of its newly incorporated entities Bastutrask Holdings AB and Norra Metals 1 AS is the Swedish kroner and Norwegian Kroner respectively. The functional currency of its other entities, including the parent is the Canadian dollar. It was determined that the Company's former Argentinean subsidiaries had the Argentinean peso as their functional currency.

(vi) *Contractual obligation payable*

The Company has a contractual obligation to pay up to \$400,000 per year for a period of up to 15 years to acquire certain assets in Argentina. The terms of this payable were amended during the period ended May 31, 2021. Refer Note 9 of the Financial Statements. The Company has assessed the contractual obligation payable for the acquisition of the Argentinean assets as being more likely than not to not continue past 5 years from the effective date of the amendment to the agreement. Annual payments in relation to the Las Calandrias and Los Cisnes projects have been removed with the finalisation of the Cerrado deal.

(vii) *Hyperinflation reporting*

The application of IAS 29 during the period has required the Company to use judgment in the assessment and classification of items as monetary and non-monetary, and the selection and application of the inflation index used to calculate the net monetary impact in the period with regard to its Argentinean subsidiaries.

ACCOUNTING STANDARDS

Principles of Consolidation

The Company's financial statements have been prepared in accordance with IFRS and include the accounts of the Company and its 100% controlled entities as follows:

Entity	Country of Incorporation	Functional Currency
NDR Guernsey Limited	Guernsey	Canadian dollar
Dimension Resources (USA) Inc.	U.S.A.	Canadian dollar
Bastutrask Holdings AB	Sweden	Swedish kroner
Norra Metals 1 AS	Norway	Norwegian kroner

The Company's financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value and balances related to the Argentinean subsidiaries that have applied IAS 29 during the year.

New Accounting policy

The Company adopted the following policy during the period.

Farm-outs — in the exploration and evaluation phase

The Company does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the Company as a gain on disposal.

APPROVAL

The Board of Directors of Capella has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

ADDITIONAL INFORMATION

Additional information relating to Capella is on SEDAR at www.sedar.com.

FORWARD LOOKING INFORMATION

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

These forward-looking statements include, among others, statements with respect to the Company's objectives for the ensuing year, our medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements. In particular, statements regarding the Company's ability to raise sufficient capital, future operations, future exploration and development activities or other development plans contain forward-looking statements.

All forward-looking statements and information are based on the Company's current beliefs as well as assumptions made by and information currently available to the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, exploration, development and mining activities and commitments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements.

These factors include, but are not limited to, COVID 19 pandemic, developments in world financial and commodity markets, risks relating to fluctuations in the Canadian dollar and other currencies, including the Argentinean peso, relative to the US dollar, changes in exploration plans due to exploration results and changing budget priorities of the Company or its joint venture partners, changes in project parameters as plans continue to be refined; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing, the effects of competition in the markets in which the Company operates, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks, and the Company's anticipation of and success in managing the foregoing risks. The Company cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on our behalf, except as required by law.