



CAPELLA MINERALS LIMITED
8681 Clay Street
Mission BC
CANADA

MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended August 31, 2022

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October 31, 2022
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Form 51-102F1
Management Discussion and Analysis
For
Capella Minerals Limited
(“Capella”, or the “Company”)

The following Management’s Discussion and Analysis (“MD&A”) of the Company has been prepared as of October 31, 2022 and is intended to supplement and complement the Company’s audited consolidated financial statements for the years ended May 31, 2022 and May 31, 2021 (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’s activities are currently focused on the exploration and development of a portfolio of base and battery metals projects in Norway (copper-cobalt) and Finland (lithium-rare earth elements), in addition to two gold Joint Venture (“JV”) projects in Canada which are managed by their respective JV partners.

The Company’s primary stock exchange listing is on the TSX Venture Exchange (“TSXV”), where it trades under the symbol “CMIL”. The Company also has secondary listings on the United States OTCQB (trading symbol: “CMILF”) and also on the Frankfurt Stock Exchange (trading symbol: “N7D2”).

HIGHLIGHTS AND DEVELOPMENTS FOR THE THREE MONTHS ENDED AUGUST 31, 2022 AND TO THE DATE OF THIS REPORT

At the date of this report the Company held interests in the following exploration projects:

Scandinavian Base and Battery Metal Portfolio

Project	Location	Principal Commodities	Capella Ownership
elementX Portfolio	Finland	Lithium-REE	100%
Perho			70%: Cullen Resources 30%
Aakenus-Katajavaara		Copper-gold	70%: Cullen Resources 30%
Hessjøgruva-Kjøli	Norway	Copper-cobalt	100%
Løkken			100%
Vaddas-Birtavarre			100%

Project	Location	Principal Commodities	Capella Ownership
Savant Gold JV*	Canada	Gold	100%; Prospector earning-in to 70%
Domain Gold JV			29.6%; Yamana Gold 70.4%
Sierra Blanca*	Argentina	Gold-silver	49%; Austral Gold earning-in to 80% with option to acquire outstanding 20%

*Joint Venture partner funded project

Finnish Lithium-Rare Earth Element (REE) and Copper-Gold Projects

elementX Lithium-REE Portfolio

- On October 6, 2022 the Company announced that it was expanding its battery metals focus through the acquisition of a 100% interest in a portfolio of seven lithium-cesium-tantalum ("LCT") pegmatite and rare-earth element ("REE") reservations in southern Finland from elementX Finland Oy ("elementX"). The extensive elementX portfolio includes five granted reservations and two reservation applications.
- The elementX project areas are predominantly focused on LCT pegmatite complexes located within the Järvi-Pohjanmaa and Seinäjoki lithium-permissive tracts as defined by the Geological Survey of Finland ("GTK"). Four of the reservations (Nabba, Lappajarvi W and E, and Kaatiala) lie immediately adjacent to, and to the S of, Kelibre Oy's spodumene mine development project in the Kaustinen district.
- TSX Exchange approval for the elementX transaction was announced on October 31, 2022.
- Perho Lithium-REE Project (Capella Initial Interest 70%)** Capella announced on September 12, 2022, that it had applied for a reservation of 50 sq. km covering the Eräjärvi LCT pegmatite field in southern Finland. The reservation application was approved on October 5, 2022. The Perho reservation covers the Seppala lithium occurrence and lies adjacent to the former Viitaniemi and Juurakko feldspar-quartz mines. The Eräjärvi district is reported to contain over 70 pegmatite occurrences with little modern systematic exploration having been undertaken in the area.
- The Company's initial work program at Perho will be to focus on compiling all available geological and geophysical data required to prioritize areas with potential for the discovery of new pegmatite-hosted lithium deposits. This will be followed-up with the ground truthing of areas of interest with systematic field work programs expected to begin in Spring 2023.

Aakenus-Katajavaara Copper-Gold Project (Capella Initial 70% Interest)

- An initial four exploration permit licence applications ("EPLA") were made on the Aakenus reservation during September, 2022, based on results derived from the Company's recently-completed high-resolution drone magnetic survey and historical geological and geochemical data sets. These are:
 - Killero E* – designed to cover exceptional copper-gold values returned from historical Bottom of Till ("BoT") sampling by Anglo American PLC1 but never followed-up with core drilling
 - Saattopora W* – covers interpreted extensions to Outokumpu Oy's former Saattopora copper-gold mine
 - Keisunselka* – interpreted high-grade gold in deformed banded iron formation target
 - Jolhikko* – gold and base metal targets in complex deformation zone
- The Company currently anticipates these four EPLA's to be approved during Q1, 2023, thereby allowing for the commencement of significant field work programs (such as additional BoT sampling and core drilling) from late Q1, 2023.

Norwegian Copper-Cobalt Projects

Hessjøgruva-Kjøli District Project, Trøndelag County (100% Capella)

- On September 8, 2022, the Company announced the filing of a Canadian National Instrument 43-101 (“NI 43-101”) compliant technical report for the advanced exploration-stage Hessjøgruva copper-zinc-cobalt project in Trøndelag County, Norway. The technical report was prepared by GeoVista Aktiebolag (“GeoVista”) and provided a summary of all exploration activities completed to date at Hessjøgruva, including the 12,035m of historical diamond drilling that was undertaken during the 1970's. A copy of the NI 43-101 technical report is available under Capella's profile on SEDAR (www.sedar.com) and on the Hessjøgruva project page of the Company's website (www.capellaminerals.com).
- During July, Capella expanded its claim holdings in the Hessjøgruva district through the staking of 43 sq. km of new exploration claims over the adjacent, past-producing Kongensgruve district. The central portion of the Kongensgruve claim block lies approximately 6km east of the Hessjøgruva project and contains a series of known copper-zinc-cobalt occurrences (including Rødalen, Fjellsjoen, Kongensgruve, and Muggruva), in addition to a former mineral processing facility and tailings dam

Drill permits for the adjacent Kjøli project are currently in the process of being updated to contemplate a maiden drill program over the 2022 / 2023 winter season. Approvals had already been received from the Norwegian Mining Directorate (“Dirmin”) for the completion of up to 4,000m of drilling in 25 drill hole locations on four target areas: i) three targets located along the main 20km-long prospective horizon for VMS deposits (the former Kjøli Mine and the Grønsdard and Guldalsgruva targets), and ii) Kjøli Deeps, a large (>2km strike length), deep (>350m depth) electromagnetic conductor which is interpreted by the Company to represent a stacked massive sulfide lens underlying the old Kjøli Mine.

Løkken District, Trøndelag County (100% Capella)

- Summer 2022 field programs completed at the Løkken copper-cobalt-zinc project were focused on ground magnetic surveys and systematic soil (Ionic Leach) geochemical sampling at the priority satellite target areas of Amot and Hoydal. The completed work programs allowed for the definition of specific drill sites for the permitting of an initial scout drill program.
- Permits for a scout drill program at Amot, which is located approximately 5km due E of the former Løkken mining operations, were received during October. The primary target at Amot is an undrilled, 1.5km-long geophysical (electromagnetic) anomaly situated approximately 150m below surface and with coincident surface soil geochemical anomalies. A condition of the Amot drill permit is that the ground in the target area be totally frozen, as a direct result, the Company does not anticipate drilling before December 1, 2022.

Vaddas-Birtavarre Copper-Cobalt District, Northern Norway (100% Capella)

- On July 5, 2022 Capella announced the successful staking of new exploration claims in the past-producing Vaddas-Birtavarre copper-cobalt+/-zinc VMS district of northern Norway, as part of its “first mover” in-country strategy. The Vaddas-Birtavarre district is located in the Finnmark og Troms Province, some 60km E of the regional centre of Trømsø and immediately to the west of the Boliden Minerals AB-Norden Crown (TSXV: NOCR) copper exploration Joint Venture at Burfjord.
- To date, Capella has been granted 209 sq. km of exploration claims in the Birtavarre area and approximately 216 sq. km in the Vaddas area. The granted exploration claims are all 100% owned by Capella and are not subject to any underlying exploration agreements.
- The Vaddas-Birtavarre district represents, in the Company's view, the highest potential for new copper-cobalt discoveries in Norway outside of its current focus areas in Trøndelag Province. Reconnaissance field evaluations for the Vaddas-Birtavarre districts were undertaken during August, 2022 with results from sampling programs currently pending.

Swedish Gold Project

Southern Gold Line (100% Capella)

- The Company announced on September 28, 2022, its decision to return to EMX Royalty Corp (TSXV, NYSE: EMX) approximately 90% of the Southern Gold Line project area in northern Sweden. The decision to suspend exploration activities on the 7 claims hosting gold targets (and covering a total area of 466 sq. km) was made in response to Dragon Mining Ltd (HK: 1712), owner of the adjacent Fäboliden gold development project, having had its environmental permit for the commencement of full-scale gold mining at Fäboliden rejected by the Swedish Court. However, the Company will retain an eighth mineral claim, Fäboliden Sodra 103, which covers an area of 44 sq. km and which hosts base metal (copper) targets.

Canadian Gold JV Projects (Savant-Ontario, Domain-Manitoba)

Savant Gold JV Project

- Capella's Savant Gold Project is subject to an earn-in agreement in which Prospector Metals Corp. (TSXV: PPP) may earn-in to a 70% interest in the project in return for completing CAD 2M of work commitments prior to November 15, 2024, in addition to making annual cash and share payments to Capella. The next anniversary date for the Savant earn-in agreement falls on November 15, 2022, at which time Prospector will be required to pay Capella \$50,000 in cash and 666,666 common shares of PPP.
- On August 15, 2022, Prospector announced that final assay results had been received for all 594 rock samples taken at Savant during the summer 2022 field campaign. High-grade gold values were returned from two main structural corridors: i) a first-order deformation zone named the Wiggle Deformation Zone (and which passes through the previously recognized Wiggle Creek gold prospect) and ii) the newly-defined Snowbird-Shoal Deformation Zone (which passes through the Snowbird, Horseshoe, and Shoal gold prospects). Adjacent, undrilled fold hinges in iron-formation also represent high-priority targets for gold mineralization. A new LiDAR survey was also completed over the Savant gold project in June 2022, with data derived from this survey currently being processed.
- The Savant Gold Project is considered to be drill-ready, with Prospector now advising that core drilling of priority targets is expected to begin in Q1, 2023.

Domain Gold JV Project

- No significant advances are reported for the Domain Gold JV for the current reporting period.
- The Domain Gold JV is an advanced exploration-stage gold project in Manitoba with 62 holes / 9,660m of historic core drilling. The Domain project is a 70.4%-29.6% JV between Yamana Gold Inc. (TSX: YRI; NYSE: AUZ) ("Yamana") and Capella, with Yamana being the project operator.

Argentine Project Divestiture

Sierra Blanca Gold-Silver Project

- On September 15, 2022, the Company was advised by Austral Gold Ltd (ASX: AGD; TSXV: AGLD) ("Austral") that it had completed its minimum Year 2 exploration expenditure (USD 200,000) on the Sierra Blanca gold-silver project in Santa Cruz Province, Argentina. Austral is required to invest a further USD 400,000 during Year 3 (before September 2023, and including a minimum of 2,000m of core drilling) in order to increase its current 51% interest in the Sierra Blanca project to 80%.
- Austral subsequently retains the option to acquire the remaining 20% of the Sierra Blanca project through a series of staged work commitments and cash payments to Capella during Years 4 and 5 (see Company News Release dated April 1, 2020, and notes in the Annual Financial Statements).

Corporate Developments

- **elementX Finland Oy Acquisition:** On October 6, 2022 the Company announced it had entered in to a binding letter agreement (the "Agreement") with elementX Finland Oy ("elementX") for the acquisition of a 100% interest in a portfolio of seven lithium-cesium-tantalum ("LCT") pegmatite and rare-earth element ("REE") reservations in southern Finland. The elementX projects are predominantly focused on LCT pegmatite complexes located within the Järvi-Pohjanmaa and Seinäjoki lithium-permissive tracts as defined by the Geological Survey of Finland ("GTK"). TSXV Exchange approval for the acquisition was announced on October 31, 2022. Key terms of the agreement include:
 - Capella will acquire 100% interests in five fully granted reservations (Kaatiala, Lappajarvi West, Kovala, Rakokivenmaki, and Kaldo) and two reservation applications (Nabba and Lappajarvi East) in south-central Finland. All projects are located in districts with known LCT pegmatite and/or REE occurrences, yet have been subject to little modern systematic exploration.
 - In consideration for the acquisition, Capella will issue elementX's shareholders a total of 15.1M Capella common shares representing approximately 10% of the Company's current outstanding shares ("Transaction Shares") and before completion of proposed financing as outlined below. The Transaction Shares will be subject to a minimum 4 month hold period as per TSX.V Exchange regulations, in addition to a further voluntary 3 month hold period. In addition, elementX will retain a 1% Net Smelter Royalty ("NSR") on any potential future metal production from the acquired portfolio.
- **Private placement** - Capella also announced on October 6, 2022, the initiation of a non-brokered Private Placement financing for gross proceeds of approximately \$600,000 for which it had secured initial commitments of \$300,000 (including \$150,000 from elementX). The Company announced on October 31, 2022, that it had received TSX Exchange approval for the Private Placement and had completed the sale of an aggregate 26,893,333 units at a price of \$0.06 per unit for gross proceeds of \$1,611,600. Each unit issued consists of one common share and one-half of a share purchase warrant, each whole warrant entitling the holder to acquire an additional common share for \$0.12 per share until expiry on October 28, 2024. The warrants are also subject to an accelerated exercise clause in the event the Company's share price exceeds C\$0.25 for 10 consecutive trading days. One of the directors of the Company participated in the financing as to 500,000 units being less than 1% of the market capitalization of the Company. The Company has paid finder's fees of an aggregate \$58,800 and issued an aggregate 980,000 share purchase warrants exercisable at \$0.12 until October 28, 2024. Proceeds will be used to further the Company's projects in Norway and Finland as well as general and administrative expenses.
- **Prospector Metals Corp. Shareholding:** During the three months ending August 31, 2022, the Company sold 689,500 Prospector Metals shares for gross proceeds of \$217,029 and cash costs to sell of \$691. Funds received from the sale of shares have been used to fund ongoing exploration and corporate activities. The next anniversary date for the Savant agreement falls on November 15, 2022.

OUTLOOK

The Company expects to continue managing and advancing exploration activities on its Scandinavian portfolio of base and battery metal projects (copper-cobalt projects in Norway, lithium-REE and copper-gold projects in Finland). Joint Venture partners will continue to manage work programs at both the Savant and Domain gold projects in Canada and the Sierra Blanca gold-silver project in Argentina.

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

The Company's current focus is on the advancement of an extensive portfolio of high-grade base and lithium-REE element projects located within the favourable mining jurisdictions of Norway and Finland.

Finnish Lithium-Rare Earth Element and Projects

elementX Li-REE Portfolio

On October 6, 2022 the Company announced that it was expanding its battery metals focus through the acquisition of a 100% interest in a portfolio of seven lithium-cesium-tantalum ("LCT") pegmatite and rare-earth element ("REE") reservations in southern Finland from private company elementX Finland Oy ("elementX"). The elementX portfolio includes (as of the date of this report) five granted reservations and two reservation applications. The project areas are predominantly focused on LCT pegmatite complexes located within the Järvi-Pohjanmaa and Seinäjoki lithium-permissive tracts as defined by the Geological Survey of Finland ("GTK").

Four of the reservations (Nabba, Lappajarvi W and E, and Kaatiala) are located immediately adjacent to, and to the S of, Kelibre Oy's spodumene mine development in the Kaustinen district.

TSX Exchange approval for the elementX transaction was announced on October 31, 2022.

Initial work programs will focus on field sampling of known pegmatite bodies in addition to compiling all available geological and geophysical data available for the reservation areas. It is anticipated that field activities may be undertaken until around mid-November, when first snow falls are expected in the area.

Perho Lithium-Tantalum Project (Cullen JV; Capella Initial Interest 70%)

Capella announced on September 12, 2022, that it had applied (through Cullen Finland Oy) for a reservation of 50 sq. km covering the Eräjärvi Lithium-Cesium-Tantalum ("LCT") pegmatite field in southern Finland. The Perho reservation covers the Seppälä lithium occurrence and lies adjacent to the former Viitaniemi and Juurakko feldspar-quartz mines, which are reported by the Finnish Geological Survey ("GTK") to have ceased production in 1965 and 1935, respectively. The Eräjärvi district is also reported by the GTK to contain over 70 pegmatite occurrences, with little modern systematic exploration for lithium having been undertaken in the area.

The Company's initial work program at Perho will be to focus on compiling all available geological and geophysical data required to prioritize areas with potential for the discovery of new pegmatite-hosted lithium deposits. This will be followed-up with the ground truthing of areas of interest in late summer 2022, with systematic field work programs expected to begin in Spring 2023.

Aakenus-Katajavaara Copper-Gold Project (Cullen JV; Capella Initial Interest 70%)

An initial four exploration permit licence applications ("EPLA") were made on the Aakenus reservation during September 2022, based on results derived from the Company's recently-completed high-resolution drone magnetic survey and historical geological and geochemical data sets. These are:

- *Killero E* – designed to cover exceptional copper-gold values returned from historical Bottom of Till ("BoT") sampling by Anglo American PLC1 but never followed-up with core drilling
- *Saattopora W* – covers interpreted extensions to Outokumpu Oy's former Saattopora copper-gold mine
- *Keisunselka* – interpreted high-grade gold targets in deformed banded iron formation
- *Jolhikko* – gold and base metal targets within a complex deformation zone.

The Company currently anticipates these four EPLA's to be approved during Q1, 2023, thereby allowing for the commencement of significant field work programs (such as additional BoT sampling and core drilling) from late Q1, 2023.

The Aakenus-Katajavaara projects are located in the Central Lapland Greenstone Belt (“CLGB”) of northern Finland, and lie immediately adjacent to the Sirkka Thrust Zone, a regional structural corridor which is associated with numerous gold and base metal occurrences.

Capella will retain a 70% interest in Cullen Finland Oy (the local owner of the Aakenus-Katajavaara and Perho projects) in return for a USD 250,000 investment in exploration by September, 2023, and staged cash payments to Cullen totalling USD 225,000 over a three-year period. Capella may subsequently increase its interest in Cullen Finland 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 Historic geochemical results quoted for Killero are derived from GTK (Geological Survey of Finland) datasets. Whilst Capella has not performed sufficient work to verify the published data reported, the Company believes this information to be considered reliable and relevant.

Norwegian Copper-Zinc-Cobalt Projects

Hessjøgruva - Kjøli District, Trøndelag County (100% Capella)

The Company’s 100%-owned Hessjøgruva, Kongensgruve, and Kjøli projects are all located in the northern portion of the former Røros mining district in Trøndelag County, central Norway. The Hessjøgruva and Kjøli projects were acquired from Hessjøgruva AS and EMX Royalty Corp., respectively, whereas the adjacent Kongensgruve claims were staked 100% by Capella and not subject to any underlying exploration agreement.

Hessjøgruva: An independent NI 43-101 compliant technical report for the advanced exploration-stage Hessjøgruva project was completed by consulting group GeoVista Aktiebolag (“GeoVista”) and filed on SEDAR on September 8, 2022. This report represents the first NI 43-101 compliant technical report to be completed for the Hessjøgruva project and provides a detailed review of all exploration activities undertaken to date, including the 12,035m of historical diamond drilling that was undertaken during the 1970’s. A copy of the technical report is available under Capella’s profile on SEDAR (www.sedar.com) and on the Company’s website (www.capellaminerals.com).

The Cu-Zn-Co mineralization at Hessjøgruva is massive-sulfide (“VMS”)-type, identical to the mineralization type being targeted at both the adjacent Kongensgruve and Kjøli projects. The Hessjøgruva mineralization occurs primarily in three lenses (A-C, with Lens A hosting most of the high-grade mineralization), all of which extend from surface to >400m vertically below surface and all remain open down-dip. Mineralization is dominated by chalcopyrite, pyrite/pyrrhotite, and sphalerite, with Cu content observed to increase with depth in the deposit.

The average thickness of the highest-grade Lens A is approximately 10m, with the thickest and highest-grade intercept reported from the historical drilling being 14.5m @ 4.35% Cu + 1.3% Zn (or 4.8% Cu equivalent) (approximate true thickness) from 455.5m to 470m downhole in DDH-312. This Cu-Zn-Co mineralization remains open down dip.

Kongensgruve: The former Kongensgruve mining and copper processing district lies some 6 km E of the Hessjøgruva project. During July 2022, the Company was granted a total of 43 sq km of new exploration licences covering a series of known copper-zinc-cobalt occurrences (including Rødalen, Fjellsjoen, Kongensgruve, and Mugggruva), in addition to the site of a former mineral processing plant and tailings dam. These granted claims are 100% owned by Capella and are not subject to any underlying exploration agreements.

Kjøli: Drill permits for the Kjølil project are currently in the process of being updated to contemplate a maiden drill program over the 2022 / 2023 winter season. Approvals had already been received from the Norwegian Mining Directorate (“Dirmin”) for the completion of up to 4,000m of drilling in 25 drill hole locations on four target areas: i) three targets located along the main 20km-long prospective horizon for VMS deposits (the former Kjølil Mine and the Grønsard and Guldalsgruva targets), and ii) Kjølil Deep, a large (>2km strike length), deep (>350m depth) electromagnetic conductor which is interpreted by the Company to represent a stacked massive sulfide lens underlying the old Kjølil Mine.

Løkken Project, Trøndelag County (100% Capella)

Summer 2022 field programs completed at the Løkken copper-cobalt-zinc project were focused on ground magnetic surveys and systematic soil (Ionic Leach) geochemical sampling at the priority satellite target areas of Amot and Hoydal. The completed work programs allowed for the definition of specific drill sites for the permitting of an initial scout drill program.

Permits for a scout drill program at Amot, which is located approximately 5km due E of the former Løkken mining operations, were received during October. The primary target at Amot is an undrilled, 1.5km-long geophysical (electromagnetic) anomaly located approximately 150m below surface and with coincident surface soil geochemical anomalies. A condition of the Amot drill permit is that the ground in the target area is totally frozen, as a direct result, the Company anticipates initiation of the drilling before December 1, 2022.

The Løkken high-grade copper project is located 50km SW of the regional centre of Trondheim and covers an area of 210 km². 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.

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.

Vaddas-Birtavarre Copper-Cobalt District, Northern Norway

On July 5, 2022 Capella announced the successful staking of new exploration claims in the past-producing Vaddas-Birtavarre copper-cobalt+/-zinc VMS district of northern Norway, as part of its “first mover” in-country strategy. The Vaddas-Birtavarre district is located in the Finnmark og Troms Province, some 60km E of the regional centre of Trømsø and immediately to the west of the Boliden Minerals AB-Norden Crown (TSXV: NOCR) copper exploration Joint Venture at Burfjord.

To date, Capella has been granted 209 sq. km of exploration claims in the Birtavarre area and approximately 216 sq. km in the Vaddas area. The granted exploration claims are all 100% owned by Capella and are not subject to any underlying exploration agreements.

The Vaddas-Birtavarre district contains a number of known Caledonian-age semi-massive to massive sulfide deposits which are hosted within different stratigraphic levels: a lowermost greenstone unit (with local pillow basalts) hosts copper-cobalt mineralization at Vaddas, whilst an overlying metasedimentary sequence hosts copper-cobalt mineralization at Birtavarre. The first reported discovery of copper mineralization at Vaddas was in the 1890's (and at Birtavarre in the 1860's) with limited exploration and small-scale copper mining having been undertaken since the time of discovery. No systematic exploration is reported to have been undertaken in the Vaddas-Birtavarre area since the 1970's.

The Vaddas-Birtavarre district represents, in the Company's view, the highest potential for new copper-cobalt discoveries in Norway outside of its current focus areas in Trøndelag Province. Reconnaissance field evaluations for the Vaddas-Birtavarre districts were undertaken during August, 2022 with results from sampling programs currently pending.

Swedish Gold Project

Southern Gold Line (100% Capella)

The Company announced on September 28, 2022, its decision to return to EMX Royalty Corp (TSXV, NYSE: EMX) approximately 90% of the Southern Gold Line project area in northern Sweden. The decision to suspend exploration activities on the 7 claims hosting gold targets (and covering a total area of 466 sq. km) was made in response to Dragon Mining Ltd (HK: 1712), owner of the adjacent Fäboliden gold development project, having had its environmental permit for the commencement of full-scale gold mining at Fäboliden rejected by the Swedish Court. Accordingly, the Company considered it to not be in shareholder's best interest to continue investing in gold projects which, at this time, do not have a clear path to obtaining permits for potential future

development. The Company will, however, retain an eighth mineral claim, Fäboliden Sodra 103, which covers an area of 44 sq. km and which hosts base metal (copper) targets.

The Company recognised an impairment provision of \$880,170 for the year ending May 31, 2022 and wrote off a further \$4,156 in expenditure in the three months ending August 31, 2022.

CANADA

Savant Gold Project, Ontario (Capella 100%; Prospector Earn-In to 70%)

Capella's Savant Gold Project is subject to an earn-in agreement in which Prospector Metals Corp. (TSXV: PPP) may earn-in to a 70% interest in the project in return for completing CAD 2M of work commitments prior to November 15, 2024, in addition to making annual cash and share payments to Capella. The next anniversary date for the Savant earn-in agreement falls on November 15, 2022, at which time Prospector will be required to pay Capella \$50,000 in cash and 666,666 common shares of PPP.

On August 15, 2022, Prospector announced that final assay results had been received for all 594 rock samples taken at Savant during the summer 2022 field campaign. High-grade gold values were returned from two main structural corridors: i) a first-order deformation zone named the Wiggle Deformation Zone (and which passes through the previously recognized Wiggle Creek gold prospect) and ii) the newly-defined Snowbird-Shoal Deformation Zone (which passes through the Snowbird, Horseshoe, and Shoal gold prospects). Adjacent, undrilled fold hinges in iron-formation also represent high-priority targets for gold mineralization. A new LiDAR survey was also completed over the Savant gold project in June 2022, with data derived from this survey currently being processed.

The Savant Gold Project is considered to be drill-ready, with Prospector now advising that the core drilling of priority targets is currently expected to begin in Q1, 2023.

The terms of the original Prospector earn-in agreement were modified on September 16, 2021, in order to accommodate some delays with accessing parts of the Savant project area. Revised terms of the earn-in agreement are detailed below:

	Cash	Prospector Shares*	Work Commitment
On signing	\$50,000	666,666	-
September 20, 2021	-	333,333	-
November 15, 2022	\$50,000	666,666	\$500,000
November 15, 2023	\$50,000	666,666	\$1,000,000
November 15, 2024	\$50,000	333,333	\$500,000
Total	\$200,000	2,666,666	\$2,000,000

*Investors are reminded that Prospector announced a 3:1 Corporate share consolidation on April 6, 2022; share payments indicated in this table are provided on a post-consolidation basis.

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 Prospector will make a further payment to Capella of \$50,000 in cash and 666,666 Prospector shares. At the date of this report, Capella has sold its current portfolio of Prospector shares to fund its ongoing working capital requirements.

Domain Gold JV, Manitoba (Yamana Gold Inc. 70.4% / Capella 29.6%)

No significant advances are reported for the Domain Gold JV for the current reporting period.

The Domain Gold JV consists of an advanced exploration-stage gold project in Manitoba with 62 holes / 9,660m of historic diamond drilling. The Domain JV is currently a 70.4%-29.6% venture between Yamana Gold Inc. (TSX: YRI; NYSE: AUY) ("Yamana") and Capella, with Yamana being the project operator. Yamana is continues to work on Community Relations activities and work supporting an eventual exploration permit application (including a Stage 1 archaeological assessment, with permits being applied for those areas not

requiring a more detailed Stage 2 assessment). Pending receipt of the permit, follow-up diamond drilling is expected to be initiated. An exploration agreement with the Bunibonibee Cree Nation was previously signed in 2020.

Yamana and GoldFields Ltd (JSE, NYSE: GFI) have entered in to a definitive agreement under which GoldFields Ltd will acquire all of the outstanding common shares of Yamana pursuant to a plan of arrangement. The Yamana-GoldFields transaction is currently expected to be voted on by Yamana shareholders on November 21, 2022. It is currently unclear as to the potential impact of this event on future work programs at the Domain JV.

Qualified Persons and Disclosure Statement

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), 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	Hessjogruva, Norway	Vaddas- Birtavarre, Norway	Aakenus, Finland	Katajavaara, Finland	Savant Lake, Ontario, Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance May 31, 2021	659,524	804,593	758,033	-	-	-	-	908,103	3,130,253
Acquisition and tenure	14,826	-	1,457	-	-	-	-	-	16,283
Camp, travel, administration and other costs	79,157	8,294	4,190	-	-	-	-	-	91,641
Geologists and data collection	18,511	29,503	90,133	-	-	-	-	-	138,147
Drilling and assay costs	-	12,447	-	-	-	-	-	-	12,447
Foreign exchange movement	6,271	(156)	865	-	-	-	-	-	6,980
Balance August 31, 2021	778,289	854,681	854,678	-	-	-	-	908,103	3,395,751
Acquisition and tenure	9,748	90,331	69,098	429	5,001	206,871	206,871	-	588,549
Camp, travel, administration and other costs	103,837	63,571	58,782	4,287	-	12,865	12,773	-	256,115
Geologists and data collection	143,014	248,281	249,148	807	-	204,463	33,151	-	878,864
Drilling and assay costs	6,420	-	-	-	-	-	509	-	6,929
Provision for impairment write down	(880,170)	-	-	-	-	-	-	-	(880,170)
Farm out recoveries	-	-	-	-	-	-	-	(270,000)	(270,000)
Foreign exchange movement	(35,400)	(24,416)	(23,311)	(270)	(286)	(8,346)	(20)	-	92,049
Balance May 31, 2022	125,738	1,232,648	1,208,395	5,253	4,715	415,853	253,284	638,103	3,883,989
Acquisition and tenure	-	25,000	25,000	-	1,506	-	-	-	51,506
Camp, travel, administration and other costs	1,727	47,738	15,544	4,237	15,946	-	-	-	85,192
Geologists and data collection	2,429	86,392	67,709	21,986	24,578	-	-	-	203,094
Drilling and assay costs	-	14,821	-	-	-	-	-	-	14,821
Provision for impairment write down	(4,156)	-	-	-	-	-	-	-	(4,156)
Foreign exchange movement	-	40,473	45,468	1,090	3,485	(5,531)	(17)	-	84,968
Balance August 31, 2022	125,738	1,447,072	1,362,116	32,566	50,230	410,322	253,267	638,103	4,319,414

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

OVERALL PERFORMANCE

During the three months ended August 31, 2022, the Company incurred a loss of \$372,170 (August 31, 2021, gain: \$328,591). This loss was due predominantly to the realized loss of \$114,622 recognised on the sale of financial assets held, management and administrative expenses incurred of \$100,820, and share-based payments expense of \$64,808.

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:

	August 31, 2022	May 31, 2022	May 31, 2021
	\$	\$	\$
Current assets	211,703	302,961	1,273,900
Non-current assets	4,424,170	4,327,893	5,104,626
Current liabilities	(559,371)	(310,531)	(211,675)
Non-current liabilities	(341,192)	(327,536)	(169,118)
Shareholders' equity (deficiency)	3,735,310	3,992,787	5,997,733

Included in current assets at August 31, 2022 is cash of \$45,112 receivables of \$31,999 and prepaid expenses of \$134,952. The decrease in current assets in the current period is due to the decrease in cash used to fund 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 \$96,277 predominantly due to the ongoing expenditure at the Company's Norwegian projects of \$354,213, offset by the sale of Prospector Metals shares during the period, with proceeds used to fund ongoing exploration and corporate activities. Exploration and evaluation expenses have also been impacted by movements in exchange rates between NOK, SEK, EUR and the Company's reporting currency CAD.

Current liabilities of the Company include accruals and accounts payable totalling \$466,221. These balances can fluctuate from period to period depending on the level of exploration activity and corporate activities undertaken by the Company. At August 31, 2022 these liability balances mainly comprise of payables related to exploration activities of \$328,775 directors' fees payable of \$25,874, audit and tax fee accrual of \$64,367, and other accounts payable related to general expenditure of \$35,678. Current liabilities balance also includes, \$29,910 being the current portion of the contractual obligation payable to Sandstorm Gold in relation to the Sierra Blanca project (payables in shares) and \$63,240 being the current portion of the deferred consideration payable recognised on acquisition of Cullen Finland Oy.

RESULTS OF OPERATIONS

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

	August 31, 2022 \$	August 31, 2021 \$
Realized (gain)/loss on sale of financial assets	114,622	-
Management and administrative fees	100,820	99,355
Share-based payments	64,808	21,417
Shareholder information and meetings	38,938	44,831
Foreign exchange loss	13,981	546
Regulatory and transfer agent fees	8,656	3,584
Share of losses investment in associate	8,192	-
Travel	7,499	-
Office and general	7,368	6,607
Write off of deferred exploration and evaluation costs	4,156	-
Deferred consideration payable interest	2,629	-
Professional fees	423	4,966
Contractual obligation interest	78	103

Discussion of operations

Three months ended August 31, 2022 and August 31, 2021

During the three months ended August 31, 2022 (“current three-month period”), the Company recorded a net loss of \$372,170 compared to a net gain of \$328,591 for the three-month period ended August 31, 2021 (“comparative twelve-month period”). The gain in the comparative three-month period was due to the unrealized gain recognised on financial assets of \$510,000 offset by general and administrative expenses of \$180,760.

The net loss recorded for the current three-month period is due mainly to general and administrative expenses incurred of \$225,812 (detailed further below) and the realized loss of \$114,622 recorded on the sale of 689,500 Prospector shares in the three months ending August 31, 2022.

Other significant costs are detailed further below.

Share based payments expense increased in the current three-month period due to the 4,400,000 options issued in February 2022 with the cost to be recognised over the vesting periods. This represents the Company’s first option grant since November 2020, and included new employees dedicated to the Company’s Scandinavian portfolio of projects.

Foreign exchange losses have increased during the current period due to a greater number of transactions undertaken in the period and movements in the varying currency denominations and payments across the Company against the Canadian Dollar.

Regulatory and transfer agent fees decreased by \$5,072 in the current three-month period due to the increased monthly cost related to the OTCQB listing effective March 2022.

The Company recognised its share of losses of \$8,192 for the period in relation to its equity accounted investment in Sierra Blanca as a result of the sale of this subsidiary to Austral Gold. In the prior period this was nil\$.

Travel costs have increased from the prior comparative period as travel restrictions put in place due to the COVID-19 pandemic lifted and attendance at investor conferences and corporate visits to the various projects was possible.

The Company wrote off \$4,156 of exploration and expenditure costs incurred during the period related to the Southern Gold Line project, which in September 2022 the Company advised EMX of its intention to return approximately 90% of the project area.

The Company recognised \$2,629 in interest during the current period in relation to the deferred consideration payable, which was recognised as part of the Company's acquisition from Cullen of its interest in the Katajavaara and Aakenus gold(-copper) projects.

Professional fees have decreased in the current three-month period due to higher costs incurred in the prior comparative period due to ongoing work related to the sale of the Argentinean subsidiaries.

All other costs have remained relatively consistent across the two periods.

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.

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 August 31, 2022	Nil	(372,170)	0.00	0.00
Three months ended May 31, 2022	Nil	(1,732,081)	(0.01)	0.00
Three months ended February 28, 2022	Nil	(355,576)	0.00	0.00
Three months ended November 30, 2021	Nil	(526,129)	0.00	0.00
Three months ended August 31, 2021	Nil	328,591	0.00	0.00
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

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 loss of \$372,170 for the first quarter of fiscal 2023 is due mainly to general and administrative expenses incurred of \$228,512 (which includes management and administrative fees of \$100,820 and share based payments of \$64,808), as well as the realized loss of \$114,622 recorded on the sale of 689,500 Prospector shares.

The Company's net loss of \$1,732,081 for the fourth quarter of fiscal 2022 is due mainly to the recognition of an impairment provision against the Southern Gold Line project of \$880,170, share based payments expense of \$50,344 which has increased in the current quarter due to the issue of 4,400,000 options; as well as continued management and administrative fees incurred of \$104,564 required to support the ongoing activities of the Company, shareholder information costs of \$57,349 incurred as the company continued to promote its Scandinavian assets and increased listing and professional fees associated with the OTCQB listing. An unrealized loss of \$544,678 and a realized loss of \$51,861 was recognized on financial assets held in the current quarter. The Company also recognised \$6,706 in losses in relation to its investment in associate – Sierra Blanca. These costs were offset by loan forgiveness of \$10,000 recognized on extinguishment of the CEBA loan granted by the Government of Canada.

The Company's net loss of \$355,576 for the third quarter of fiscal 2022 is due mainly to the recognition of share based payments expense of \$135,715 which has increased in the current quarter due to the issue of 4,040,000 options; as well as continued management and administrative fees incurred of \$112,751 required to support the ongoing activities of the Company, shareholder information costs of \$57,349 incurred as the company continued to promote its Scandinavian assets and increased listing and professional fees associated with the OTCQB listing.

The Company's net loss of \$526,129 for the second quarter of fiscal 2022 is due mainly to the revaluation loss of the financial assets held of \$140,000 as the movement in the closing share price of Ethos shares held decreased from the of the prior quarter. The value of these financial assets will fluctuate from period in line with movements in the closing share price of the quoted equity shares. The Company also recognised a realised loss on the sale of Cerrado shares in the period of \$163,113. The Company has also had a general decrease in its general and administrative expenses with the exception of investor relations expenses which have increased as the Company looked for more opportunities to promote its Scandinavian assets as well as a marginal increase in its management and administrative fees as it has engaged consultants to assist in the management of its Scandinavian operations.

The Company's net gain of \$328,591 for the first quarter of fiscal 2022 is due mainly to the revaluation of \$510,000 on financial assets held at August 31, 2021. The value of these financial assets will fluctuate from period in line with movements in the closing share price of the quoted equity shares. This gain was offset by increased shareholder information costs as the Company increased its investor relations activities which had been impacted by COVID-19 restrictions and share based payment expense as the cost associated with the issue of options being recognised over their vesting period.

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.

SEGMENT INFORMATION

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

	August 31, 2022	May 31, 2022
	\$	\$
Total Non-current long-lived assets		
Sweden	125,738	125,738
Norway	2,891,984	2,451,011
Finland	663,589	669,137
Canada	638,103	638,103
	4,319,414	3,883,989

LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2022 the Company had cash of \$45,112. 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 \$18,789,300 at August 31, 2022 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.

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.

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 three months ending August 31, 2022, the Company used \$82,096 (comparative three-month period – \$185,374) of cash to fund the ongoing operating activities of the Company. The cash used in operations reflects the loss for the period of \$372,170 (comparative three-month period gain: \$328,591) adjusted for the changes in working capital items such as accounts receivable and accounts payable and non-cash items. Non-cash items include realized loss of \$114,622 (2021: \$nil) recognised on equity securities sold during the period and share based payments expense \$64,808 (comparative three-month period - \$21,417).

Investing Activities

During the three months ending August 31, 2022, the Company incurred a net cash inflow in investing expenditures of \$33,576 (comparative three-month period – outflow \$274,664) due to the receipt of net proceeds of \$216,338 related to the sale of Prospector shares held by the Company. This inflow was offset by expenditure incurred on exploration activities related to its Scandinavian projects of \$182,762.

Financing Activities

There were no financing activities undertaken during the period ending August 31, 2022.

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 Løkken and Kjølvi 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

The Company has the following commitments and contingencies in relation to the acquisition on September 7, 2021 of the Katajavaara and Aakenus projects located in Finland:

- Capella will be required to invest a total of USD 250,000 in exploration expenditures on the two projects over a 24 month period from the Closing Date. Capella may then acquire a further 10% interest in Cullen Oy (for a total 80% interest) in return for a further USD 750,000 investment in the two projects over a 4.5-year period from the Closing Date.
- Cullen will then be free carried until the completion of a Pre-Feasibility Study (“PFS”) on either of the two projects. Thereafter, a standard dilution formula will apply and should party’s direct interest fall to below 10% then they will revert to a 2% Net Smelter Royalty (with 1% being purchasable for USD 1 million).

The Company has the following commitments in relation to its agreement signed on April 6, 2022 with Hessjøgruva AS for the acquisition of a 100% interest in the Hessjøgruva project:

- Capella managing and funding exploration / development activities on the project.
- Capella paying Hessjøgruva AS a one-time amount of Euro 500,000 upon completion of a positive Bankable Feasibility Study.
- Capella providing Hessjøgruva AS with a 2.5% NSR on all future metal production from the project, retaining an option to buy-back 0.5% of this NSR at any time prior to the commencement of commercial production for Euro 1,000,000.
- Capella to cover the cost of annual property payments and basic administration costs.

OFF BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

Outstanding share date as at August 31, 2022 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	1,815,000
	\$0.15	October 18, 2023	250,000
	\$0.12	November 4, 2023	4,980,000
	\$0.10	February 18, 2025	4,400,000
Warrants			
	\$0.12	September 3, 2023	62,558,260
Fully Diluted			225,141,122

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.

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.

		Three months ended August 31, 2022	Three months ended August 31, 2021
		\$	\$
Consulting & Salary	(i)	70,188	71,754
Share-based payments		54,099	19,697

- (i) Consulting costs relate to ER Global (CEO) - \$30,000, Marketworks (Company Secretary) \$10,620, and Genco Professional Services (CFO) \$16,900 and non-executive director fees of \$12,668.

b) Related party balances

	August 31, 2022	May 31, 2021
	\$	\$
Perihelion Inc - Mary Little	12,937	6,356
Glen Parsons	12,937	6,356
ER Global – Eric Roth	10,000	-
Genco Professional Services – S Cooper	6,147	-
Marketworks Inc Kathryn Witter -Corporate Secretary	3,717	5,906

The Company also has a contractual obligation payable balance of \$159,479 to Sandstorm.

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:

	Three months ended August 31, 2022	Three months ended August 31, 2021
	\$	\$
Salary/Exploration/Consulting (i)	70,188	71,754
Share based payments	54,099	19,697

(i) Key management were not paid post-employment benefits or other long-term benefits during the three months ended August 31, 2022 and August 31, 2021.

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 that are predominantly denominated in US dollars, Swedish kroner, Norwegian kroner and Euro. Also, the Company is 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:

August 31, 2022	Cash	Receivables	Accounts payable and accrued liabilities
	\$	\$	\$
US dollars	1,886	-	15,689
Swedish kroner	9,398	1,008	5,360
Euro	3,881	-	3,107
Australian dollars	1,225	-	5,829
Norwegian kroner	45,309	-	248,741

May 31, 2022	Accounts payable and accrued liabilities		
	Cash	Receivables	
	\$	\$	\$
US dollars	5,000	-	15,125
Swedish kroner	40,880	22,629	1,296
Euro	7,049	-	2,466
Australian dollars	1,241	-	38
Norwegian kroner	20,905	-	119,339
Great British pounds	2,709	-	3,017

At August 31, 2022 with other variables unchanged, a +/-10% change in exchange rates would decrease/increase pre-tax loss by \$23,680 (2021: \$10,320).

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 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. At August 31, 2022, 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 August 31, 2022 and August 31, 2021, 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.

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.

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 August 31, 2022 the Company had cash of \$45,112 (May 31, 2022 - \$96,507) to settle current liabilities of \$559,371 (May 31, 2022 - \$310,531) which includes \$29,910 being the current portion of the contractual obligation payable which is payable in equity shares, \$50,000 in property payments to EMX, \$63,240 being the current portion of deferred consideration payable to Cullen Resources and \$278,775 payable in relation exploration activities. Subsequent to the period end, the Company announced a private placement. Refer to *Corporate Development* 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 August 31, 2022 with other variables unchanged a +/- 10% change of the quoted equity investment value as at August 31, 2022 would result in a decrease/increase in pre-tax loss of \$nil (2021: \$235,833).

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.

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 incorporated entities Capella Minerals Sweden AB and Capella Minerals Norway AS is the Swedish kroner and Norwegian Kroner respectively. The functional currency of its recently acquired subsidiary Cullen Finland Oy has been determined to be the Euro. The functional currency of its other entities, including the parent is the Canadian dollar.

(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 Sierra Blanca in Argentina. The terms of this payable were amended during the period ended May 31, 2021. The Company has assessed the contractual obligation payable for the acquisition of the Argentinean asset as being more likely than not to not continue past 5 years from the effective date of the amendment to the agreement.

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 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
Capella Minerals Sweden AB (previously known as Bastutrask Holdings AB)	Sweden	Swedish kroner
Capella Minerals Norway AS (previously known as Norra Metals 1 AS)	Norway	Norwegian kroner
Cullen Finland Oy	Finland	Euro

The Company's financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

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.