



CAPELLA MINERALS LIMITED
8681 Clay Street
Mission BC
CANADA

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended May 31, 2022

Contact Person
Contact's Position
Contact's Telephone Number
Date of the Report
E-Mail Address
Website

Eric Roth
President & C.E.O.
604-563-4807
September 28, 2022
Info@capellaminerals.com
www.capellaminerals.com

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, 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 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 activities are currently focused on the exploration and development of a portfolio of high-grade copper, gold, and lithium projects located in Scandinavia (Finland, Norway, and Sweden) and Canada.

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, where it trades under the symbol “CMILF”, and also on the Frankfurt Stock Exchange, where it trades under the symbol “N7D2”.

HIGHLIGHTS AND DEVELOPMENTS FOR THE YEAR ENDED MAY 31, 2022 AND TO THE DATE OF THIS REPORT

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

Project	Location	Principal Commodities	Capella Ownership
Hessjøgruva	Norway	Copper-cobalt	100%; Acquired from Hessjøgruva AS
Kongensgruve	Norway	Copper-cobalt	100%; Staked by Capella
Løkken	Norway	Copper-cobalt	100%; Acquired from EMX
Kjøli	Norway	Copper-cobalt	100%; Acquired from EMX
Vaddas-Birtavarre	Norway	Copper-cobalt	100%; Staked by Capella
Aakenus-Katajavaara	Finland	Gold-copper	70%; Cullen Resources JV
Perho	Finland	Lithium-tantalum	70%; Cullen Resources JV
Southern Gold Line	Sweden	Gold	100%; Acquired from EMX
Savant*	Canada	Gold	100%; Prospector earning-in to 70%
Domain	Canada	Gold	29.6%; Yamana Gold JV
Sierra Blanca*	Argentina	Gold-silver	49%; Austral Gold earning-in to 80% with option to acquire outstanding 20%

*Joint Venture partner funded project

Norwegian Copper-Zinc-Cobalt Projects

Advanced Exploration-Stage Hessjøgruva Project, Trøndelag County (100% Capella)

- On April 6, 2022, the Company announced that it had signed an Exploration and Exploitation Agreement with Hessjøgruva AS for the acquisition of a 100% interest in the advanced exploration-stage Hessjøgruva Copper-Zinc-Cobalt (“Cu-Zn-Co”) massive sulfide (“VMS”) project in central Norway. The Hessjøgruva project is located just 20km SW of the Company’s 100%-owned Kjøli Cu-Zn-Co project, and provides Capella with a cornerstone asset within the broader Kjøli district. GeoVista Aktiebolag (“GeoVista”) was engaged by the Company to complete an independent National Instrument 43-101 (“NI 43-101”) compliant technical report for the Hessjøgruva project. On September 8, 2022, the Company advised that it had filed the NI 43-101 technical report for Hessjøgruva on SEDAR. 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 historical diamond drill programs that were 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 Hessjøgruva project page of the Company's website (www.capellaminerals.com).
- *Kongensgruve*: on July 7, 2022 the Company announced that it had expanded its mineral claim holdings in the Hessjøgruva district through the granting of 20 square kilometres ("sq. km") of exploration claims over the 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), and also covers 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. On July 19, 2022, a further 23 sq. km of exploration claims were granted to Capella immediately to the south-southwest of the main Kongensgruve claim block.

Kjøli and Løkken Projects, Trøndelag County(100% Capella)

- Drill targeting at the Kjølil Cu-Zn-Co VMS Project was completed and resulted in the definition of up to 25 drill hole locations in four priority target areas. The four priority target areas are: the former Kjølil Mine, Grønsdard, and Guldalsgruva targets, all of which are located along the main 20km-long prospective horizon for VMS deposits, and ii) Kjølil Deeps, a large (>2km strike length), deep (>350m depth) electromagnetic conductor which is interpreted by the Company to represent a buried massive sulfide body underlying the old Kjølil Mine. Approvals were subsequently received from the Norwegian Mining Directorate (“Dirmin”) for the execution of up to 4,000m of diamond drilling in 25 holes, in addition to offroad permits from the local Holtålen and Tydal municipalities. Late, extra heavy winter snowfalls subsequently resulted in a delay to the commencement of drilling at Kjølil; drilling is now likely expected to be undertaken over the 2022/2023 winter season after ground freezing has occurred
- Summer and autumn 2021 field activities completed at the Kjølil project included systematic soil sampling (2,800 samples) and ground geophysics (gravity survey) programs undertaken along the 20km strike length of prospective stratigraphy for the discovery of new copper-rich massive sulfide deposits. These latest results were combined with previous results obtained from the CARDS AI/Data Mining target generation work and allowed for the definition of the 25 priority drill sites.
- At the Løkken Project, work plans were submitted to local authorities for final drillhole targeting on the 5 priority areas identified in the Løkken district: Amot, Hoydal, Grefstofjellet, Dragset, and Western Area. These five areas were the highest ranked based on both results derived from the 2021 summer field season (in which 24 satellite bodies to the main Løkken mine were evaluated) together with the incorporation of historical geophysical and geological data. The final work program is currently in progress and will consist of geochemical (Ionic Leach) sampling over the main target areas. Permitting for the drill testing of priority targets is being undertaken in parallel, with specific drill collar locations to be finalized as soon as all geochemical results have been received. Accordingly, a maiden core drilling program is currently expected to be undertaken at Løkken starting late H2, 2022.

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

- On July 5, 2022 the Company announced that as part of its "first mover" strategy in Norway, it had successfully staked a series of exploration claims located in the past-producing Vaddas-Birtavarre copper-cobalt+/-zinc VMS district of northern Norway. 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 are scheduled to be undertaken during Q3, 2022.

Finnish Gold-Copper and Lithium Projects

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

- The Company announced on August 24, 2021, that it had signed a binding LOI with Cullen Resources Ltd ("Cullen") through which Capella may earn-in to Cullen's Katajavaara-Aakenus gold(-copper) projects in the highly-prospective Central Lapland Greenstone Belt ("CLGB") of northern Finland. TSXV approval for the agreement with Cullen was received on September 7, 2021 and the acquisition of a 70% interest in Cullen's Finnish subsidiary ("Cullen Finland Oy") was recognised in the current reporting period.
- On April 1, 2022, Capella completed a high-resolution drone magnetic survey covering the combined (200 square kilometer) Katajavaara-Aakenus project area. The survey was completed by local contractor Radai Ltd. Six priority target areas were delineated from the survey and include:
 - Two potential extensions to Outokumpu Oy's former Saattopora gold-copper mine.
 - The Killero copper-gold target area, where exceptional copper-gold values were returned from historical Bottom of Till ("BoT") sampling by AngloAmerican PLC¹ but never followed-up with core drilling.
 - The Western Banded Iron Formation ("BIF") + Au target: interpreted to be deformed BIF with potential for high-grade gold mineralization hosted in both fold hinges and cross-cutting structures.
 - the Eastern Structural Corridor: a complex, broadly NW-trending structural corridor with potential for shear-zone hosted gold deposits.
 - the Riikonkoski-Lonnakko-Kangas cluster of copper occurrences located along the eastern boundary of the Aakenus project.
- The Company currently expects to make applications for Exploration Licences over these six priority target areas during Q3, 2022, and thereafter expects to be able to initiate significant field work programs (such as additional BoT sampling and core drilling) from late Q1, 2023.

Perho Lithium-Tantalum Reservation, Southern Finland (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 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 in late summer 2022, with systematic field work programs expected to begin in Spring 2023.

Swedish Gold Project

Southern Gold Line (100% Capella)

- Reconnaissance exploration activities were undertaken during the period within the Southern Gold Line project, with the priority having been to vector-in to potential source areas for the gold mineralized boulders identified on surface within the southernmost Rötjärnen claim blocks.
- A detailed structural interpretation of the Southern Gold Line project, utilizing available regional geophysical and geological data, was also completed by consulting structural geologist Brett Davis. The study successfully identified high-priority areas within the Southern Gold Line district for further work including potential high-resolution drone magnetic surveys.
- Subsequent to the period end, the Company advised EMX of its intention to return approximately 90% of the Southern Gold Line project area. The decision to suspend exploration activities on the 7 claims hosting gold targets (a total of 466 sq. km) was made in response to Dragon Mining Ltd (HK Ex: 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. The Company considers 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 recognised an impairment provision for this project of \$880,170 for the period ending May 31, 2022.

Canadian Gold Joint Venture ("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) (formerly Ethos Gold Corp.; TSXV: ECC) may earn-in to a 70% interest in the project in return for completing CAD 2M of work commitments before November, 2024, in addition to making staged cash and share payments to Capella.
- 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 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.
- Core drilling of priority targets is expected to begin as soon as data derived from the summer 2022 work program has been fully integrated and interpreted.
- Work completed previously by Prospector included a high-resolution helicopter magnetic survey over the core project area, together with a comprehensive analysis of historical data for the project. Prospector announced on April 11, 2022, that a multi-year exploration permit had been issued for Savant,

Domain Gold JV

- The Domain Gold JV consists of an advanced exploration-stage gold project in Manitoba (with 62 holes / 9,660m of historic core drilling) and is a 70.4%-29.6% venture between Yamana Gold Inc. (TSX: YRI; NYSE: AUU) ("Yamana") and Capella, with Yamana being the project operator. Yamana's current focus is 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.

Argentine Project Divestiture

Sierra Blanca Gold-Silver Project

- Austral Gold Ltd (ASX: AGD; TSXV: AGLD)(“Austral”) is currently earning-in to an 80% interest in the Sierra Blanca project through a series of staged work commitments and cash payments to Capella over an initial 3 year period. Austral also retains an option to acquire the remaining 20% in Sierra Blanca through additional staged cash payments and work commitments during Years 4 and 5 of the earn-in agreement (see Company News Release dated April 1, 2020, and notes in the Annual Financial Statements).
- On December 10, 2021, the Company announced that Austral had successfully completed the Year 1 (“Tranche 1”) exploration investment required to earn-in to an initial 51% interest in the Company’s former Argentine subsidiary Sierra Blanca SA (“SBSA”). SBSA’s sole asset is the Sierra Blanca project in Santa Cruz Province. The “Tranche 1” investment included a cash payment to Capella on signing and a USD 100,000 investment in exploration at the Sierra Blanca project within 12 months.
- On September 15, 2022, the Company was advised by Austral that it had completed its minimum Year 2 exploration expenditure at Sierra Blanca. Austral is required to invest USD 200,000 in Year 2 plus USD 400,000 in Year 3 at Sierra Blanca in order to earn-in to a further 29% interest in SBSA (80% total)(the “Tranche 2” investment).
- Austral’s 2022/2023 exploration program at Sierra Blanca is expected to include a minimum of 2,000m of diamond drilling as stipulated by the underlying agreement.

Corporate Developments

- **OTCQB Listing:** On March 22, 2022, the Company announced that OTC Markets Group had approved the Company’s upgrade from its existing OTC Pink market listing to an OTCQB® Venture Market (“OTCQB”) listing, effective March 22, 2022. The Company also advised that its OTC ticker symbol had changed from “NWDMF” to “CMILF”.
- **Environmental, Social and Governance Disclosure (“ESG”):** The Company announced on January 25, 2022, that, in partnership with Digbee ESG®, it had adopted an industry-standard Environmental, Social & Governance (“ESG”) disclosure system to drive and report international “best-practice” in ESG principles within the Company. The Company achieved an overall BB rating in its first ever assessment with a clear road map for short- and mid-term actions that could lead to a rating in the A-AAA band. The Digbee ESG® evaluation was designed by ESG practitioners with extensive expertise in the mining industry. Capella is one of a small, but growing, group of exploration-stage companies to have adopted an independent, formal ESG reporting system such as Digbee ESG®.
- **Ethos Gold Corp. Shareholding:** Ethos Gold Corp. announced on April 6, 2022, the completion of a 3:1 share consolidation and a name change to Prospector Metals Corp (TSXV: PPP). As a result, Capella’s existing 3 million share holding in Ethos Gold Corp. had been converted to 1 million Prospector Metals shares. The terms of future share payments to Capella as part of the Savant earn-in agreement were also modified to reflect both the share consolidation and name change. During the period ending May 31, 2022, the Company sold 310,500 Prospector Metals shares for gross proceeds of \$155,128 and cash costs to sell of \$2,025. 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.
- **Cerrado Gold Inc. Shareholding:** On November 10, 2021, the Company sold the 833,334 common shares it held in Cerrado Gold Inc (TSXV: CERT) (“Cerrado”), resulting in proceeds totalling CAD 1.2M. The Cerrado shareholding was received in Q1, 2021, as consideration for the divestiture of Capella’s former Argentine subsidiary, Minera Mariana SA. Funds received from the Cerrado share sale have been used for ongoing target generation activities on priority targets within the Company’s portfolio of high-grade copper and gold assets in Scandinavia, as well as for general administrative and corporate purposes.
- **Finland Projects:** On August 24, 2021, the Company signed a binding Letter of Intent (“LOI”) 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. During the period the

Company recognised the acquisition of an initial 70% interest in Finnish subsidiary Cullen Finland Oy following approval from the TSXV.

OUTLOOK

The Company expects to continue managing and advancing exploration activities on its Norwegian copper-cobalt projects (the advanced exploration-stage Hessjøgruva project, the drill-stage Kjøli and Løkken projects, and exploration-stage Vaddas-Birtavarre project), and the Katajavaara-Aakenus gold-copper and Perho lithium 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

Capella's Scandinavian project portfolio currently consists of:

- Four high-grade copper-cobalt projects in Norway: **Hessjøgruva** (including **Kongensgruve**), **Kjøli**, **Løkken**, and **Vaddas-Birtavarre**;
- The **Katajavaara-Aakenus** gold-copper and **Perho** lithium projects in Finland, and
- The **Southern Gold Line** copper project in Sweden.

Norwegian Copper-Zinc-Cobalt Projects

Advanced Exploration-Stage Hessjøgruva Project, Trøndelag County (100% Capella)

On April 6, 2022, the Company announced that it had signed an Exploration and Exploitation Agreement ("EEA") with Hessjøgruva AS for the acquisition of a 100% interest in the advanced exploration-stage Hessjøgruva Cu-Zn-Co project in central Norway. The Hessjøgruva project is located approximately 20km SW of the Company's 100%-owned Kjølilund Cu-Zn-Co project and provides Capella with a cornerstone asset within the broader Kjølilund district.

GeoVista Aktiebolag ("GeoVista") was engaged by the Company to complete an independent National Instrument 43-101 ("NI 43-101") compliant technical report for the Hessjøgruva project. On September 8, 2022, the Company announced that it had filed the NI 43-101 technical report for Hessjøgruva on SEDAR. 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 historical diamond drill programs that were 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 Kjølilund. 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.

Kongensruve: The former Kongensgruve mining and copper processing district lies some 6 km E of the Hessjøgruva project. On July 7, 2022 the Company announced that it had been granted 20 sq. km of exploration claims covering a series of known copper-zinc-cobalt occurrences (including Rødalen, Fjellsjoen, Kongensgruve, and Muggruva), 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. On July 19, 2022, a further 23 sq. km of exploration claims were granted to Capella immediately to the south-southwest of the original Kongensgruve claim block.

Kjøli Project, Trøndelag County (100% Capella)

Drill targeting at the Kjøli Cu-Zn-Co VMS Project was completed and resulted in the definition of up to 25 drill hole locations in four priority target areas. The four priority target areas are: the former Kjøli Mine, Grønskard, and Guldalsgruva targets, all of which are located along the main, 20km-long prospective horizon for VMS deposits, and ii) Kjøli Deep, a large (>2km strike length), deep (>350m depth) electromagnetic conductor which is interpreted by the Company to represent a buried massive sulfide body underlying the old Kjøli Mine. Approvals were subsequently received from the Norwegian Mining Directorate (“Dirmin”) for the execution of up to 4,000m of diamond drilling in 25 holes, in addition to offroad permits from the local Holtålen and Tydal municipalities. Late, extra heavy winter snowfalls subsequently resulted in a delay to the commencement of drilling at Kjøli; drilling is now likely expected to be undertaken over the 2022/2023 winter season after ground freezing has occurred.

Summer and autumn 2021 field activities completed at the Kjøli project included systematic soil sampling (2,800 samples) and ground geophysics (gravity survey) programs undertaken along the 20km strike length of prospective stratigraphy for the discovery of new copper-rich massive sulfide deposits. These latest results were combined with previous results obtained from the CARDS AI/Data Mining target generation work and allowed for the definition of the 25 priority drill sites.

The Kjøli high-grade copper project cover a total area of 246km² and is located within the northern extension of the Røros mining district, which saw copper production from a number of high-grade massive sulfide (VMS) deposits from the mid-1600’s until low copper prices in the mid-1980’s resulted in their closures. Kjøli represents a brownfields/greenfields exploration project covering the former Kjøli and Killingdal copper mines, 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 Kjøli mine were reported to be 2.9% Cu¹.

¹ Historic production figures are from Birkeland, A. (1986) Mineralogisk og geokjemisk undersøkelse av Killingdal gruver, Sor-Trøndelag. M. Scient. Thesis, University of Oslo in Geological Survey of Finland, Special Paper 53 pg. 86.

Løkken Project, Trøndelag County (100% Capella)

Work plans have been submitted to local authorities for final drillhole targeting on 5 priority areas in the Løkken district: Amot, Hoydal, Grefstøfjellet, Dragset, and Western Area. These five areas were highest ranked on the basis of both results derived from the 2021 summer field season (in which 24 satellite bodies to the main Løkken mine were reviewed) together with the incorporation of historical geophysical and geological data. This work program is currently in progress and will consist of geochemical (Ionic Leach) sampling over the main target areas. Permitting for the drill testing of priority targets is also being undertaken in parallel, with specific drill collar locations to be finalized as soon as the geochemical results have been received. Accordingly, a maiden core drilling program is currently expected to begin at Løkken in late H2, 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

The Company announced on July 5, 2022, that as part of its "first mover" strategy in Norway it had successfully staked a series of exploration claims located in the past-producing Vaddas-Birtavarre copper-cobalt+/-zinc VMS district of northern Norway. 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 are scheduled to be undertaken during Q3, 2022.

Finnish Gold-Copper and Lithium Projects

Finnish Gold-Copper Projects (Katajavaara & Aakenus; Capella Initial 70% Interest)

The Company announced on August 24, 2021, that it had signed a binding LOI with Cullen Resources Ltd ("Cullen") through which Capella may earn-in to Cullen's Katajavaara-Aakenus gold(-copper) projects in the highly-prospective Central Lapland Greenstone Belt ("CLGB") of northern Finland. TSXV approval for the agreement with Cullen was received on September 7, 2021 and the acquisition of a 70% interest in Cullen's Finnish subsidiary ("Cullen Finland Oy") was recognised in the current reporting period.

The Katajavaara-Aakenus projects lie immediately adjacent to the Sirkka Thrust Zone, a regional structural corridor within the CLGB which is associated with numerous occurrences of both gold and base metals.

On April 1, 2022, Capella completed a high-resolution drone magnetic survey covering the combined (200 square kilometer) Katajavaara-Aakenus project area. The survey was completed by local contractor Radai Ltd. Six priority target areas were delineated from the survey and include:

- **Two potential extensions to Outokumpu Oy's former Saattopora gold-copper mine:** a NW extension at Saattopora West (Aakenus), and a SE extension at Katajavaara. At Saattopora NW, new exploration targets include a direct western extension of the Sirkka Thrust plus a previously unexplored NW-trending splay of the same Sirkka Thrust.
- The **Killero copper-gold** target area: where exceptional copper-gold values were returned from historical Bottom of Till ("BoT") sampling by AngloAmerican PLC³ but never followed-up with core drilling. Anomalous Cu values (the so-called "95th percentile") for BoT samples in the Central Lapland Greenstone Belt are considered by the Finnish Geological Survey ("GTK") to be approximately 110 parts per million ("ppm"); the Killero area contains significant intervals of >110ppm Cu (and a maximum value of 5,962 ppm)². The elevated Cu values, which are also often associated with elevated Au values, appear to be associated with a NE-trending dextral fault/shear system which cross-cuts interpreted mafic (tholeiitic) volcanic rocks units.
- The **Western Banded Iron Formation** ("BIF") Au target: interpreted to be deformed BIF with potential for high-grade gold mineralization hosted in fold hinge and cross-cutting structures.

- the **Eastern Structural Corridor**: a complex, broadly NW-trending structural corridor with potential for shear-zone hosted gold deposits.
- the **Riikonkoski-Lonnakko-Kangas** cluster of copper occurrences located along the eastern boundary of the Aakenus project. These 3 occurrences are reported by the GTK to be massive sulfide type deposits; however, field reviews of these areas have yet to be undertaken by the Company.

The binding LOI provided Capella with 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 the 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.

Purchase consideration for the Finnish projects consisted of the following:

		\$
Cash consideration	(i)	46,232
Deferred consideration	(ii)	257,321
Total consideration		303,553
Allocation of purchase price is as follows:		
Project - Katajavaara		206,871
Project -Aakenus		206,871
Cash		19,926
Non controlling interest		(130,115)
		303,553

- (i) The Company paid \$46,232 (A\$50,000) on approval of the acquisition agreement with Cullen.
(ii) Discounted anniversary cash payments totaling USD225,000 using an interest rate of 6%.

The Company accounted for the agreement as an asset acquisition of the Katajavaara and Aakenus exploration projects and allocated the purchase price, less cash acquired, evenly across each of the project

³ 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.

Perho Lithium-Tantalum Reservation, Southern Finland (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.

Swedish Gold Project

Southern Gold Line (100% Capella)

Reconnaissance exploration activities were undertaken during the period within the Southern Gold Line project, with the priority having been to vector-in to potential source areas for the gold mineralized boulders identified on surface in the southernmost Rötjärnen claim blocks.

A detailed structural interpretation of the Southern Gold Line project, utilizing available regional geophysical and geological data, was also completed by consulting structural geologist Brett Davis. The study was successful in identifying high-priority areas within the Southern Gold Line district for further work (including the undertaking of high-resolution drone magnetic surveys).

Subsequent to the period end, the Company advised EMX of its intention to return approximately 90% of the Southern Gold Line project area. The decision to suspend exploration activities on the 7 claims hosting gold targets (a total area of 466 sq. km) was made in direct response to Dragon Mining Ltd (HK Ex: 1712), owner of the adjacent Fäboliden 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 considers 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 and recognised an impairment provision of \$880,170 for the period ending, May 31, 2022. The Company does, however, intend to retain an eighth mineral claim, Fäboliden Sodra 103, which covers an area of 44 sq. km and which contains copper targets.

CANADA

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

Capella's Savant Gold Project is subject to an earn-in agreement through which Prospector Metals Corp. (TSXV: PPP) (formerly Ethos Gold Corp.; TSXV: ECC) may earn-in to a 70% interest in the project in return for completing CAD 2M of work commitments before November, 2024, in addition to making staged cash and share payments to Capella. The Savant Gold Project is a district-scale (229 square km) project with at least 6 known iron formation-hosted gold targets (all hosted within 60km of cumulative strike length of under-explored iron formation), 2 shear zone-hosted gold targets, plus additional VMS (base metal-rich) targets hosted in bimodal volcanic rocks located on the eastern and southwestern margins of the property.

The terms of the original Ethos/Prospector earn-in agreement were modified on September 16, 2021, in order to accommodate some delays with accessing parts of the Savant Lake 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 a Canadian National Instrument 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 funds its ongoing working capital requirements.

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 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.

Core drilling of priority targets is expected to begin as soon as data derived from the summer 2022 work program has been fully integrated and interpreted.

Work completed previously by Prospector included a high-resolution helicopter magnetic survey over the core project area, together with a comprehensive analysis of historical data for the project. Prospector announced on April 11, 2022, that a multi-year exploration permit had been issued for Savant.

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

The Domain Gold Joint Venture (“Domain 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: AUU) (“Yamana”) and Capella, with Yamana being the project operator. Yamana is currently actively working 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.

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 Electro-Magnetic (“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.

At the date of this report, Yamana and GoldFields Ltd (JSE, NYSE: GFI) had 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 close during H2, 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	Sierra Blanca, Santa Cruz, Argentina	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance May 31, 2020	-	-	-	-	-	-	-	1,334,924	166,667	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
Acquisition and tenure	24,574	90,531	70,555	429	5,001	206,871	206,871	-	-	604,832
Camp, travel, administration and other costs	182,994	71,865	62,972	4,287	-	12,865	12,773	-	-	347,756
Geologists and data collection	161,525	277,784	339,281	807	-	204,463	33,151	-	-	1,017,011
Drilling and assay costs	6,420	12,447	-	-	-	-	509	-	-	19,376
Provision for impairment write down	(880,170)	-	-	-	-	-	-	-	-	(880,170)
Farm out recoveries	-	-	-	-	-	-	-	(270,000)	-	(270,000)
Foreign exchange movement	(29,129)	(24,572)	(22,446)	(270)	(286)	(8,346)	(20)	-	-	(85,069)
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

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

OVERALL PERFORMANCE

During the twelve months ended May 31, 2022, the Company incurred a loss of \$2,285,195 (May 31, 2021, gain: \$1,551,833). This loss was due predominantly to the recognition of an impairment of the Southern Gold Line property located in Sweden of \$880,170, loss of \$214,974 recognised on the sale of financial assets held, shareholder information and meetings cost of \$192,826, share based payments expense of \$228,661 and management and administrative expenses incurred of \$433,524, and an unrealized loss of \$174,146 on the balance of financial assets held at year end.

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, 2022	May 31, 2021	May 31, 2020
	\$	\$	\$
Current assets	302,961	1,273,900	86,576
Non-current assets	4,327,893	5,104,626	1,501,591
Current liabilities	(310,531)	(211,675)	(2,701,409)
Non-current liabilities	(327,536)	(169,118)	(797,848)
Shareholders' equity (deficiency)	3,992,787	5,997,733	(1,911,090)

Included in current assets at May 31, 2022 is cash of \$96,507 receivables of \$33,940 and prepaid expenses of \$172,514. 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 decreased by \$776,733 predominantly due to the recognition of an impairment provision on the Southern Gold Line project of \$880,170 and the sale of Cerrado and Prospector Metals shares during the period, with proceeds used to fund ongoing exploration and corporate activities. The balance of the remaining quoted shares classified as financial assets will fluctuate from period to period due to the revaluation of the investment each reporting period. These decreases have been offset by exploration and evaluation expenditures of \$1,903,906 recognised at its exploration programs at projects located in Sweden, Norway and Finland, offset by farm out recoveries at the Company's Savant Lake project of \$270,000.

Current liabilities of the Company include accruals and accounts payable totalling \$217,381. These balances can fluctuate from period to period depending on the level of exploration activity and corporate activities undertaken by the Company. At May 31, 2022 these liability balances mainly comprise of payables related to exploration activities of \$104,291 directors' fees payable of \$12,712, audit and tax fee accrual of \$53,017, and other accounts payable related to general expenditure of \$21,053. 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 and \$63,240 being the current portion of the deferred consideration payable recognised on acquisition of Cullen Finland Oy during the period. .

Non-current liabilities have decreased due to the repayment of \$40,000 CEBA loan during the period.

RESULTS OF OPERATIONS

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

	May 31, 2022	May 31, 2021
	\$	\$
Write off of deferred exploration and evaluation costs	880,170	-
Management and administrative fees	433,524	397,517
Share-based payments	228,661	127,340
Shareholder information and meetings	192,826	96,622
Unrealized (gain)/loss on financial assets	174,146	(343,333)
Realized (gain)/loss on sale of financial assets	214,974	-
Office and general	64,320	52,919
Regulatory and transfer agent fees	36,168	76,899
Professional fees	30,398	130,621
Foreign exchange loss	18,884	12,573
Share of losses investment in associate	13,096	-
Deferred consideration payable interest	7,615	-
Contractual obligation interest	413	6,191
Foreign exchange loss– reallocation from FCTR	-	276,450
Loss on settlement of contractual obligation payable	-	136,000
Property investigation costs	-	71,069
Salaries and benefits	-	3,918
Loan interest	-	9,823
Write off IVA receivable	-	1,909
Provision against exploration & evaluation assets	-	23,986

Discussion of operations

Twelve months ended May 31, 2022 and May 31, 2021

During the twelve months ended May 31, 2022 (“current twelve-month period”), the Company recorded a net loss of \$2,285,195 compared to a net gain of \$1,551,833 for the twelve-month period ended May 31, 2021 (“comparative twelve-month period”). The gain in the comparative twelve-month period was due mainly to the gain recognised on the sale of its subsidiaries of \$2,265,802, the gain recognised on the revaluation of the contractual obligation payable of \$318,563 and gain on financial assets of \$343,333.

The net loss recorded for the current twelve-month period is due mainly to the recognition of an impairment provision against the Southern Gold Line project of \$880,170, general and administrative expenses of \$985,897 (detailed further below), loss of \$214,974 recognised on the sale of Cerrado and Prospector shares in the period as well as an unrealized loss on the remaining financial assets held of \$174,146; this balance will fluctuate from period to period as the balance of securities held is revalued at each reporting date.

Other significant costs are detailed further below.

Management and administration fees have increased slightly consistent across the two comparative reporting periods, as the Company continued its corporate activities to support its expanded portfolio of the exploration activities. The Company also undertook an environmental certification during the period resulting in increased costs from the prior period.

Shareholder information expenses has increased by \$96,204 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 undertook an increased number of promotional activities in relation to its Scandinavian projects.

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

Office and general expenses and professional fees have increased marginally due to the increase in activities as a result of the Company's expanded corporate structure due to the acquisition of the Finnish projects in November 2021.

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

Regulatory and transfer agent fees decreased by \$40,731 in the current twelve-month period due predominantly to fees incurred in relation to the private placement and shares for debt conversion completed in September 2020 (comparative twelve-month period).

The Company has recognised a total foreign exchange loss of \$18,884 incurred due to the use of varying currency denominations and payments across the Company.

The Company also recognised its share of losses of \$13,096 in its equity accounted investment in Sierra Blanca for the twelve-month period ending May 31, 2022.

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 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
Three months ended August 31, 2020	Nil	127,489	0.00	0.00

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 \$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.

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.

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, 2022	May 31, 2021
	\$	\$
Sweden	125,738	659,524
Norway	2,451,011	1,562,626
Finland	669,137	-
Canada	638,103	908,103
	3,883,989	3,130,253

LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2022 the Company had cash of \$96,507. 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 \$18,417,130 at May 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 twelve months ended May 31, 2022, the Company used \$891,047 (comparative twelve-month period – \$1,310,981) of cash to fund the ongoing operating activities of the Company. The cash used in operations reflects the loss for the period of \$2,285,195 (comparative twelve-month period gain: \$1,551,833) adjusted for the changes in working capital items such as accounts receivable and accounts payable and non-cash items. Non-cash items include; unrealized loss of \$174,146 on the revaluation of equity investments held at reporting date (comparative twelve-month period :gain \$343,333) , a realised loss of \$214,974 (2021:\$nil) recognised on equity securities sold during the period and share based payments expense \$228,661 (comparative twelve-month period - \$127,340) and provision against deferred exploration and evaluation costs of \$880,170.

Investing Activities

During the period ended May 31, 2022 the Company incurred a net cash inflow in investing expenditures of \$87,565 (comparative twelve-month period – outflow \$923,856) due to the receipt of net proceeds of \$1,398,323 related to the sale of Cerrado and Prospector shares held by the Company. The Cerrado shareholding was received in Q1, 2021, as consideration for the divestiture of Capella's former Argentine subsidiary, Minera Mariana SA. This inflow was offset by expenditure incurred on exploration activities related to its Scandinavian projects of \$1,459,582 and cash paid of \$46,232 related to the acquisition of Cullen Finland Oy, offset by the cash balance of the newly acquired subsidiary of \$19,926.

Financing Activities

During the current period the Company repaid \$30,000 of its CEBA loan. The Company made an early repayment of the loan and recognised loan forgiveness of \$10,000 due to early repayment as detailed under the loan agreement. This loan has been extinguished in full as at May 31, 2022. In the prior comparative period the Company raised funds via private placement.

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

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 May 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.

		Twelve months ended May 31, 2022	Twelve months ended May 31, 2021
		\$	\$
Consulting & Salary	(i)	284,538	272,577
Share-based payments		140,194	117,112

(i) Consulting costs relate to ER Global (CEO) - \$120,000, Marketworks (Company Secretary) \$42,480, and Genco Professional Services (CFO) \$71,680 and non-executive director fees of \$50,378.

On February 18, 2022 the Company granted an aggregate of 1,900,000 incentive stock options to directors and officers of the Company.

b) Related party balances

	May 31, 2022	May 31, 2021
	\$	\$
Perihelion Inc - Mary Little	6,356	12,072
Glen Parsons	6,356	12,072
Marketworks Inc Kathryn Witter -Corporate Secretary	5,906	150

The Company also has a contractual obligation payable balance of \$159,401 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:

	Twelve months ended May 31, 2022	Twelve months ended May 31, 2021
	\$	\$
Salary/Exploration/Consulting (i)	284,538	272,577
Share based payments	140,194	117,112

(i) Key management were not paid post-employment benefits or other long-term benefits during the twelve months ended May 31, 2022 and May 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:

May 31, 2022	Cash	Receivables	Accounts payable and accrued liabilities
	\$	\$	\$
US dollars	5,000	-	15,125
Swedish kroner	40,880	22,629	1,296
Norwegian kroner	20,905	-	119,339
Euro	7,049	-	2,466
Australian dollars	1,241	-	38
Great British Pounds	2,709	-	3,017
			Accounts payable and accrued liabilities
May 31, 2021	Cash	Receivables	\$
	\$	\$	\$
US dollars	87,505	-	24,144
Swiss Francs	-	-	15,427

At May 31, 2022 with other variables unchanged, a +/-10% change in exchange rates would decrease/increase pre-tax loss by \$4,087 (2021: \$4,793).

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 May 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 May 31, 2022 and May 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 May 31, 2022, the Company had cash of \$96,507 (May 31, 2021 - \$1,103,663) to settle current liabilities of \$310,531 (May 31, 2021 - \$211,675). Included in current liabilities is a balance owed to related parties of \$18,618, and \$29,910 for the current portion of the contractual obligation payable to Sandstorm to be paid in either cash or shares at the Company's discretion; and \$63,240 being the current portion of the deferred consideration payable to Cullen Resources as part of the acquisition of Cullen Finland Oy during the period. The balance of the current liabilities are to creditors and suppliers related to the Company's exploration activities in Sweden, Norway and Finland and corporate activities supporting these operations. Subsequent to the period the Company sold Prospector shares to meet creditor payments.

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, 2022 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 \$33,096 (2021: 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.

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.