

CAPELLA MINERALS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Capella Minerals Limited

Opinion

We have audited the accompanying consolidated financial statements of Capella Minerals Limited (the “Company”), which comprise the consolidated statements of financial position as at May 31, 2022 and 2021, and the consolidated statements of net income or loss and comprehensive income or loss, cash flows, and changes in shareholders’ equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a deficit of \$18,417,130 as at May 31, 2022 and has no current source of revenue. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

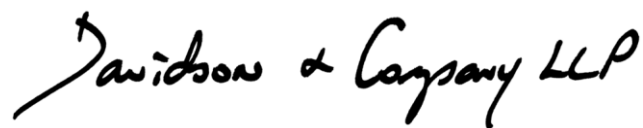
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

September 28, 2022

Capella Minerals Limited

Consolidated Statements of Financial Position

Expressed in Canadian Dollars

As at

	Note	May 31, 2022 \$	May 31, 2021 \$
ASSETS			
Current			
Cash		96,507	1,103,663
Receivables	4	33,940	15,347
Prepaid expenses		172,514	154,890
		<u>302,961</u>	<u>1,273,900</u>
Non-current			
Exploration and evaluation assets	7	3,883,989	3,130,253
Investment	6	330,960	1,848,333
Investment in Associate	8	112,944	126,040
		<u>4,327,893</u>	<u>5,104,626</u>
TOTAL ASSETS		<u>4,630,854</u>	<u>6,378,526</u>
LIABILITIES			
Current			
Accounts payable, accrued & other liabilities	5	217,381	181,805
Contractual obligation payable	9	29,910	29,870
Deferred consideration payable	10	63,240	-
		<u>310,531</u>	<u>211,675</u>
Non-current			
Contractual obligation payable	9	129,491	129,118
Deferred consideration payable	10	198,045	-
Loans	11	-	40,000
		<u>327,536</u>	<u>169,118</u>
TOTAL LIABILITIES		<u>638,067</u>	<u>380,793</u>
SHAREHOLDERS' EQUITY			
Share capital	12	20,102,141	20,102,141
Reserves – warrants	12	419,702	419,702
Reserves – options	12	1,836,403	1,607,742
Reserves – foreign currency translation		(75,952)	83
Accumulated deficit		(18,417,130)	(16,131,935)
Non-controlling interests	20	127,623	-
		<u>3,992,787</u>	<u>5,997,733</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		<u>4,630,854</u>	<u>6,378,526</u>
Nature of operations and going concern	1		
Basis of presentation	2		
Commitments and contingencies	18		
APPROVED ON BEHALF OF THE BOARD ON September 28, 2022:			
<u>Eric Roth</u>		<u>Glen Parsons</u>	
Director		Director	
- See accompanying notes to the consolidated financial statements –			

Capella Minerals Limited

Consolidated Statements of Net Income or Loss and Comprehensive Income or Loss

Expressed in Canadian Dollars

For the years ended

	Note	May 31, 2022 \$	May 31, 2021 \$
General and administrative expenses			
Management and administrative fees	13	433,524	397,517
Share-based payments	12	228,661	127,340
Shareholder information and meetings		192,826	96,622
Office and general		64,320	52,919
Regulatory and transfer agent fees		36,168	76,899
Professional fees		30,398	130,621
Salaries and benefits		-	3,918
		(985,897)	(885,836)
Write off deferred exploration and evaluation costs	7	(880,170)	-
Realised loss on sale of financial assets	6	(214,974)	-
Gain on sale of subsidiary	19	-	2,265,802
Unrealized gain/(loss) on financial assets	6	(174,146)	343,333
Foreign exchange loss		(18,884)	(12,573)
Deferred consideration payable interest	10	(7,615)	-
Share of losses in investment in associate	8	(13,096)	-
Contractual obligation payable interest	9	(413)	(6,191)
Loan forgiveness	11	10,000	-
Gain on revaluation of contractual obligation payable		-	318,563
Interest and other income		-	23,986
Interest and other expense		-	(9,823)
Foreign exchange- reallocation from FCTR		-	(276,450)
Property investigation costs		-	(71,069)
Loss on settlement of contractual obligation payable		-	(136,000)
Write back/(write off) of IVA receivable		-	(1,909)
Net Income/(Loss) for the year		(2,285,195)	1,551,833
Other comprehensive gain/(loss)			
Net monetary gain		-	70,450
Foreign currency translation		(76,035)	151,853
Comprehensive income/(loss) for the year		(2,361,230)	1,774,136
<i>Attributable to:</i>			
Owners of the company		(2,358,738)	1,774,136
Non-controlling interests		(2,492)	-
		(2,361,230)	1,774,136
Income/(Loss) per share – basic	\$	(0.01)	0.01
Income/(Loss) per share –diluted	\$	(0.01)	0.01
Weighted average number of shares outstanding – basic		151,137,862	119,279,386
Weighted average number of shares outstanding – diluted		151,137,862	167,586,422

-See accompanying notes to the consolidated financial statements –

Capella Minerals Limited
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

For the years ended

	Note	May 31, 2022 \$	May 31, 2021 \$
Cash provided by (used in):			
Operating activities			
Net income/(Loss) for the year		(2,285,195)	1,551,833
Items not affecting cash:			
Write off deferred exploration and evaluation costs	7	880,170	-
Share-based payments	12	228,661	127,340
Realised loss on sale of financial assets	6	214,974	-
Unrealized movement on financial asset	6	174,146	(343,333)
Deferred consideration payable interest	10	7,615	-
Share of losses in investment in associate	8	13,096	-
Contractual obligation payable interest	9	413	6,191
Unrealized foreign exchange		18,884	12,573
Revaluation of contractual obligation payable		-	(318,563)
Foreign exchange – reallocation from FCTR		-	276,450
Loss on settlement of contractual obligation payable		-	136,000
Gain on sale of subsidiary		-	(2,265,802)
Write off (write back) of IVA receivable		-	1,909
Loan interest		-	9,823
Gain on sale of equipment		-	(17,201)
Loan forgiveness	11	(10,000)	-
Changes in non-cash working capital	16	(133,811)	(488,201)
		(891,047)	(1,310,981)
Financing activities			
Proceeds from shares issued - net		-	3,496,308
Loan proceeds/(payment)	11	(30,000)	(223,660)
		(30,000)	3,272,648
Investing activities			
Net proceeds from sale of financial assets	6	1,398,323	-
Exploration and evaluation costs		(1,459,582)	(1,101,376)
Cash balance on acquisition of subsidiary	7	19,926	-
Acquisition of Scandinavian projects	7	(46,232)	-
Proceeds from farm out arrangement		-	50,000
Proceeds from sale of subsidiary		-	110,319
Proceeds from sale of equipment		-	17,201
		(87,565)	(923,856)
Change in cash		(1,008,612)	1,037,811
Effect of fluctuations in exchange rates on cash		1,456	22,633
Cash – beginning of year		1,103,663	43,219
Cash – end of year		96,507	1,103,663
Supplemental cash flow information	16		

– See accompanying notes to the consolidated financial statements –

Capella Minerals Limited

Consolidated Statement of Changes in Shareholders' Equity/(Deficiency)

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

	Share capital (Number of Shares) (i)	Share capital (Amount)	Reserves – Warrants	Reserves – Options	Reserves- Foreign Currency Translation	Accumulated Deficit	Non- controlling interests	Total
		\$	\$	\$	\$	\$	\$	\$
May 31, 2020	66,773,832	14,454,766	336,180	1,480,402	(498,670)	(17,683,768)	-	(1,911,090)
Shares issued- debt conversion	6,432,714	385,963	-	-	-	-	-	385,963
Shares issued- private placement (net of costs)	60,416,531	3,412,786	83,522	-	-	-	-	3,496,308
Shares issued – contractual obligation payable –(at agreed value)	3,400,000	306,000	-	-	-	-	-	306,000
Shares issued – IAMGOLD	500,000	45,000	-	-	-	-	-	45,000
Shares issued – EMX	13,614,785	1,497,626	-	-	-	-	-	1,497,626
Share-based payments	-	-	-	127,340	-	-	-	127,340
Net income for the year	-	-	-	-	-	1,551,833	-	1,551,833
Net monetary gain	-	-	-	-	70,450	-	-	70,450
Foreign currency translation	-	-	-	-	151,853	-	-	151,853
Reclassification of foreign currency translation reserve balance to profit or loss on disposal of subsidiaries	-	-	-	-	276,450	-	-	276,450
May 31, 2021	151,137,862	20,102,141	419,702	1,607,742	83	(16,131,935)	-	5,997,733
Net loss for the year	-	-	-	-	-	(2,285,195)	-	(2,285,195)
Share-based payments	-	-	-	228,661	-	-	-	228,661
Foreign currency translation	-	-	-	-	(76,035)	-	-	(76,035)
Movement in non controlling interest	-	-	-	-	-	-	127,623	127,623
May 31, 2022	151,137,862	20,102,141	419,702	1,836,403	(75,952)	(18,417,130)	127,623	3,992,787

-See accompanying notes to the consolidated financial statements –

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

1. Nature of Operations and Going Concern

Capella Minerals Limited (the “Company” or “Capella”) is incorporated under the laws of the Province of British Columbia, Canada. The Company’s corporate office and registered address and records office being located at 8681 Clay Street, Mission, British Columbia.

The Company engages primarily in the acquisition, exploration and development of gold, copper, and lithium properties with a current emphasis on Norway, Finland, Sweden, and Canada.

These consolidated financial statements for the year ended May 31, 2022 (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 a deficit of \$18,417,130 at May 31, 2022 and has no current source of revenue. 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 and exploration expenditure. There can be no assurances that management’s future plans for the Company will be successful. The Company will require additional financing in order to fund working capital requirements and conduct additional acquisitions, exploration and evaluation of mineral properties. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of assets and liabilities that might be necessary, should the Company be unable to continue as a going concern.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. We have seen an ongoing impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they are expected to have an impact on our exploration activities, cash flow and financial condition. It is not possible to estimate the impact of the outbreak’s near-term and longer effects or Governments’ varying efforts to combat the outbreak and support businesses.

2. Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee.

Historical cost

These financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. These financial statements have been prepared using the accrual method for cash flow transactions.

Approval

These financial statements of the Company were approved and authorized for issue by the Board of Directors on September 28, 2022.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

2. Basis of Presentation- continued

Principles of Consolidation

The financial statements include the accounts of the Company and its controlled entities as follows:

Entity	Country of Incorporation	Ownership	Functional Currency
NDR Guernsey Limited	Guernsey	100%	Canadian dollar
Dimension Resources (USA) Inc.	U.S.A.	100%	Canadian dollar
Capella Minerals Sweden AB (previously known as Bastutrask Holdings AB)	Sweden	100%	Swedish kroner
Capella Minerals Norway AS (previously known as Norra Metals 1 AS)	Norway	100%	Norwegian kroner
Cullen Finland Oy (Note 7)	Finland	70%	Euro

Significant Accounting Estimates and Judgments

The preparation of 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 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 and judgements as the basis for determining the stated amounts include exploration and evaluation assets, the valuation of share-based payments, the valuation of the contractual obligation payable, , non-cash transaction and functional currency.

Significant estimates and critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated 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 determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants. 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) 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 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.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

2. Basis of Presentation- continued

(iv) Functional currency

The Company has evaluated the economic environment in which 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.

(v) Contractual obligation payable

The Company has a contractual obligation to pay up to \$50,000 per year for a period of up to 15 years (from inception) to acquire certain assets in Argentina. The terms of this payable were amended on June 4, 2020. Refer Note 9. The Company has assessed the contractual obligation payable for the acquisition of the Argentinean assets as being more likely than not to not continue past 5 years from the effective date of the amendment to the agreement. As part of the finalisation of the Cerrado deal on January 22, 2021, the annual payments of the Company owing to Sandstorm Gold Limited (“SSL”) were extinguished in respect of the Las Calandrias and Los Cisnes projects under a share purchase agreement dated February 19, 2018, as amended and assigned. The remaining annual payment obligation is in relation to the Sierra Blanca project and is subject to, amongst other considerations, the Company’s market capitalization on the anniversary date of the agreement. Refer Note 9.

3. Significant Accounting Policies

a) Foreign Currencies

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company, Dimension Resources (USA) Inc., and the Guernsey subsidiary is the Canadian Dollar. The functional currency of the Norwegian subsidiary is the Norwegian kroner, the functional currency of the Swedish subsidiary is the Swedish kroner and the functional currency of the Finnish subsidiary is the Euro. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates (“IAS 21”).

Any transactions in currencies other than the functional currency have been translated to the Canadian dollar in accordance with IAS 21. The Company’s presentation currency is the Canadian dollar (“\$”).

b) Income/(Loss) per Share

Basic income/(loss) per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted income/(loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income/(loss) per share. The dilutive effect of convertible securities is reflected in the diluted income/(loss) per share by application of the “if converted” method.

c) Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. On exercise the value of the instruments are reclassified to share capital.

The fair value of the share purchase options granted to employees or those that provide services similar to employees are measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share purchase options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest. Share purchase options granted to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

3. Significant Accounting Policies (continued)

d) Warrants

The Company has adopted a residual value method with respect to the measurement of warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed reserves.

Finders' warrants issued as a private placement share issue cost are valued using the Black-Scholes option pricing model.

e) Exploration and Evaluation Assets

Exploration costs are capitalized as intangible assets on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Exploration and evaluation assets include overheads on the acquisition, exploration and evaluation of interest in licenses and tangible assets directly related to the mineral properties. When it is determined that such costs will be recovered through successful development and exploitation, expenditures are transferred to tangible assets and depreciated over the expected productive life of the asset. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

The recoverability of the amounts capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

Farm-outs — in the exploration and evaluation phase

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

Farm-in – in the exploration and evaluation phase

The Company recognises costs as incurred and applies its existing exploration and evaluation asset accounting policy when recording expenditures.

f) Impairment

At the end of each reporting period the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

3. Significant Accounting Policies – continued

f) Impairment (continued)

time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

g) Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statements of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities that do not affect accounting or taxable profit
- goodwill

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

g) Environmental Rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties and equipment. An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates. For the years presented, the Company did not have any environmental rehabilitation provisions.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

3. Significant Accounting Policies – continued

h) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Classification and measurement of financial assets: IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit and loss (“FVTPL”). The classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Recognition: At initial recognition, the Company measures a financial asset at its fair value plus transactions costs in the case of a financial asset not recorded at FVTPL.

Classification and measurement: The Company classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through OCI, or profit or loss) and those to be held at amortized cost. Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

De-recognition: The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Impairment: Financial assets measured at amortized cost and FVOCI, the Company is required to record an allowance for expected credit loss (“ECL”) upon initial recognition of the financial instrument.

The Company recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company has established a provision matrix that is based on its historical credit loss i.e., adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortized cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment including forward-looking information.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

3. Significant Accounting Policies – continued

i) Financial Instruments (continued)

Financial liabilities:

Recognition: All financial liabilities are recognized initially at fair value.

Classification and measurement: Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or amortized cost.

The Company's financial liabilities include trade and other payable/ loan and contractual obligation payable.

De-recognition and subsequent remeasurement: The Company derecognizes its financial liabilities when its contractual obligations are discharged, cancelled or expire. Trade and other payables are subsequently measured at amortized cost.

j) Investment in Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries. The Company's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

k) New Accounting Policies and Pronouncements

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

3. Significant Accounting Policies – continued

l) New Accounting Policies and Pronouncements (continued)

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

The amendments are not expected to have a material impact on the Company.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Company.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Company.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

3. Significant Accounting Policies – continued

m) New Accounting Policies and Pronouncements (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable to annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

4. Receivables

	May 31, 2022	May 31, 2021
	\$	\$
HST/GST receivable	12,717	15,084
Other receivables	21,223	263
	33,940	15,347

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

5. Accounts payable, accrued & other liabilities

	May 31, 2022	May 31, 2021
	\$	\$
Accounts payable	108,141	85,320
Accrued liabilities	75,880	96,485
Other	33,360	-
	217,381	181,805

6. Financial Instruments

Categories of financial instruments

	May 31, 2022	May 31, 2021
	\$	\$
Financial assets		
FVTPL		
Cash	96,507	1,103,663
Investments (i)	330,960	1,848,333
Amortized Cost		
Receivables	33,940	15,347
	540,411	2,951,996
Financial liabilities		
Amortized cost		
Accounts payable, accrued & other liabilities	217,381	181,805
Loan	-	40,000
Contractual obligation payable	159,401	158,988
Deferred consideration payable	261,285	
	461,407	380,793

- (i) The Company received 3,000,000 (2021 – 2,000,000) Ethos Gold Corp. (TSX.V: ECC) (“Ethos”) shares as part of the Savant Gold Project farm out deal. During the year ended May 31, 2022, Ethos Gold announced the completion of a 3:1 share consolidation and a name change to Prospector Metals Corp (TSXV: PPP) (“Prospector Metals”). As a result, Capella’s existing 3,000,000 shareholding in Ethos Gold was converted to 1,000,000 Prospector Metals shares. The terms of future share payments to Capella as part of the Savant Gold Property earn-in agreement have also been modified to reflect both the share consolidation and name change. During the year ended 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, with a total realised loss of \$51,861 (including costs to sell) being recorded for the year ending May 31, 2022. The remaining balance of 689,500 shares were revalued at May 31, 2022 with an unrealized loss of \$174,146 (2021 - \$60,000) being recognised in the Statement of Net Income or Loss for the year ending May 31, 2022.

The Company received 833,334 Cerrado Gold Inc (TSX.V: CERT.V) (“Cerrado”) shares as part of the sale of the Argentinean subsidiary (Note 19) on January 22, 2021. These shares were sold on November 10, 2021, for gross proceeds of \$1,250,767 and cash costs to sell of \$5,547, with a total realized loss of \$163,113 (including costs to sell) being recorded for the year ending May 31, 2022 (2021: \$nil). An unrealized gain of \$283,333 was recognised in the year ending May 31, 2021.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

6. Financial Instruments (continued)

Fair value of financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's classifications of financial instruments within the fair value hierarchy are summarized below:

	May 31, 2022 \$	May 31, 2021 \$
Financial Assets		
Level 1		
Cash	96,507	1,103,663
Quoted shares	330,960	1,848,333

The carrying value of receivables, contractual obligation, deferred consideration payable and accounts payable, accrued and other liabilities approximate their fair value due to their short-term maturity.

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
Euro	7,049	-	2,466
Australian dollars	1,241	-	38
Norwegian kroner	20,905	-	119,339
Great British pounds	2,709	-	3,017
May 31, 2021	Cash \$		Accounts payable and accrued liabilities \$
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 comprehensive loss by \$4,087. (2021: \$4,793).

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

6. Financial Instruments (continued)

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. 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, 2021 the Company did not hold any short-term investments or cash equivalents.

Receivables primarily consist of goods and services tax and taxes due from the governments 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. 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) which includes \$29,910 which is the current portion of the contractual obligation payable which is payable in equity shares.

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 as at May 31, 2022 would result in a decrease/increase in pre-tax loss of \$33,096 (2021: \$184,833).

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

7. Exploration and Evaluation Assets

	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

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

7. Exploration and Evaluation Assets (continued)

SCANDINAVIAN PROJECTS

Katajavaara and Aakenus, Finland (Capella initial 70% interest)

On August 24, 2021, the Company signed a binding letter of intent with Cullen Resources Ltd. (“Cullen”) whereby Capella may earn-in to Cullen’s Katajavaara and Aakenus gold-copper projects in the Central Lapland Greenstone Belt of northern Finland.

Terms of the agreement are:

- Capella acquired an initial 70% interest in Cullen Finland Oy (Cullen’s 100%-owned Finnish subsidiary and registered owner of the Katajavaara and Aakenus gold-copper projects) in return for paying Cullen AUD 50,000 upon the transaction receiving TSX.V Exchange and regulatory approval (the “Closing Date”).
- 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 at 20% until the completion of a Pre-Feasibility Study (“PFS”) on either of the two projects. Thereafter, a standard dilution formula will apply, and should a party’s direct interest fall to below 10% then they will revert to a 2% Net Smelter Royalty (“NSR”) (with 1% being purchasable for USD 1 million).

In addition, the following cash payments are required to be made to Cullen:

- USD 50,000 upon the first anniversary of the Closing Date
- USD 75,000 upon the second anniversary of the Closing Date
- USD 100,000 on the third anniversary of the Closing Date

Purchase consideration for the 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 projects

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.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

7. Exploration and Evaluation Assets (continued)

Løkken and Kjølvi, Norway (100% Capella)

The Løkken and Kjølvi copper-cobalt projects are located in north-central Norway. These projects were acquired from EMX Royalty Corp (TSXV: EMX) ("EMX") in 2020, and are subject to a 2.5% Net Smelter Royalty ("NSR") of which 0.5% may be acquired for US\$ 1M.

Hessjøgruva, Norway (100% Capella)

On April 6, 2022 the Company entered into 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") project in central Norway.

Capella may acquire a 100% interest in the Hessjøgruva Cu-Zn-Co project in return for:

- (i) Capella managing and funding exploration / development activities on the project.
- (ii) Capella paying Hessjøgruva AS a one-time amount of Euro 500,000 upon completion of a positive Bankable Feasibility Study.
- (iii) 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.
- (iv) Capella to cover the cost of annual property payments and basic administration costs.

Capella is accounting for this as a farm in arrangement. Refer to Note 3 for further details.

Vaddas-Birtavarre, Norway

The Company has staked a series of exploration claims in the past-producing Vaddas-Birtavarre copper-cobalt/-zinc massive sulfide district of northern Norway. The granted exploration claims are all 100% owned by Capella and are not subject to any underlying exploration agreements.

Southern Gold Line, Sweden

The Southern Gold Line ("SGL") project is located in central Sweden and consists of 8 licences covering 500 square kilometres. The SGL project was acquired from EMX in 2020 and is subject to a 2.5% NSR of which 0.5% may be acquired for US\$ 1M.

In September 2022, 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, 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 to invest in gold projects which do not have a clear path to obtaining permits for potential future development. The Company does, however, intend to retain an eighth mineral claim, Fäboliden Sodra 103, which covers an area of 44 sq. km and which hosts copper targets.

The Company recognised a provision against impairment for this project of \$880,170 for the year ending May 31, 2022.

Prior year acquisition – Scandinavian project

On August 11, 2020, the Company entered into an option and purchase agreement with EMX Royalty Corp (NYSE:EMX; TSXV:EMX) ("EMX") for the acquisition of 100% interests in the Southern Gold Line Project in central Sweden, and the Løkken and Kjølvi copper-zinc projects in central Norway. This agreement was subsequently amended on November 25, 2020, with the elimination of the initial one-year option period and the introduction of a share issuance cap on the 9.9% equity to be issued to EMX. The Company is required to issue a further maximum number of 2,079,000 anti-dilution shares to EMX under the option and purchase agreement. These shares will be issued as part of the next private placement undertaken by the Company. The Company received final approval for the transaction from the TSXV on April 7, 2021.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

7. Exploration and Evaluation Assets (continued)

Purchase consideration for the projects consisted of the following:

		\$
Cash consideration	(i)	32,810
Shares issued	(ii)	1,497,626
Other costs to acquire	(iii)	223,221
Total consideration		1,753,657
Allocation of purchase price is as follows:		
Project - Kjoli		584,552
Project - Lokken		584,552
Project - Sth Gold Line		584,553
		1,753,657

(iii) The Company paid \$32,810 (US\$25,000) on signing of the acquisition agreement with EMX.

(iv) On April 7, 2021, the Company issued 13,614,785 shares at \$0.11 to EMX Royalty Corp under the option and purchase agreement.

(v) The Company incurred license costs of \$114,772 and legal costs of \$108,449 in the process of gaining TSX:V approval for the transaction.

The Company allocated the total purchase consideration evenly across each of the projects acquired.

CANADIAN PROJECTS

Savant Gold Project , Ontario, Canada

Effective April 1, 2016, the Company entered into an agreement to earn a 100% interest in the Savant Property, in Ontario. By April 1, 2020, the Company had met all of its share and cash commitments and has earned its 100% interest in the Savant property. The property is subject to a 2% NSR, of which 1% can be purchased for \$1,000,000. In September 2020, the Company signed an earn-in agreement with Ethos Gold Inc ("Ethos") which allows Ethos to earn-in to a 70% interest in the Savant Gold Project in return for annual work commitments and cash/share payments to Capella.

Ethos Gold announced on April 6, 2022, the completion of a 3:1 share consolidation and a name change to Prospector Metals Corp (TSXV: PPP).

The terms of future share payments to Capella as part of the Savant Gold Project earn-in agreement have also been modified to reflect both the share consolidation and name change. Details 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

During the year ended May 31, 2022, the Company received 1,000,000 Prospector Metals shares (333,333 post-consolidation) at a value of \$270,000 as part of the earn-in agreement signed in September 2020. These shares were accounted for under the Company's farm out accounting policy. Refer to Note 3 for further details.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

7. Exploration and Evaluation Assets (continued)

In addition, in the event of a National Instrument 43-101 ("NI-43-101") compliant mineral resource of >1 million ounces of gold being defined on the property, then Ethos will make a further payment to the Company of \$50,000 in cash and 666,666 Prospector shares.

Domain Project, Manitoba, Canada

The Domain Project consists of a three mineral claims in northern Manitoba. The Company currently holds a 29.56% interest in the property, with the remaining interest held by Yamana Gold Inc. Capitalized costs related to the property were written off during the year ended May 31, 2013.

8. Investment in Associate

The Company has a 49% interest in Sierra Blanca SA ("Sierra Blanca"), a gold-silver project located in Santa Cruz province, Argentina. Sierra Blanca is a private entity not listed on any public exchange. The Company's interest is accounted for using the equity method in the consolidated financial statements.

The following table illustrates summarised financial information of the Company's investment in Sierra Blanca.

	May 31, 2022	May 31, 2021
	\$	\$
Current assets	93	14,452
Non-current assets	287,867	166,667
Current liabilities	(7,524)	(9,534)
Non-current liabilities	(49,938)	-
Equity	230,498	171,585
Company's share in equity 49% (2021: 49%)	112,944	84,077
OCI- fair value of retained investment	-	41,963
Company's carrying amount of the investment	112,944	126,040
Administrative expenses	(26,726)	-
Total comprehensive income for the year	(26,726)	-
Company's share of loss for the year	(13,096)	-

During the year ended May 31, 2021, Austral Gold Ltd (ASX: AGD; TSXV: AGLD)("Austral") acquired an initial 51% interest in Sierra Blanca (see Note 19) and was earning-in to an 80% interest in Sierra Blanca through a series of staged work commitments to Capella over an initial 3 year period.

Subsequent to May 31, 2022, Austral had completed the required exploration expenditures of US\$100,000 and acquired an additional 29% interest for a total interest of 80%. The Company's interest in Sierra Blanca was reduced to 20%.

Austral also retains an option to acquire the remaining 20% in Sierra Blanca through additional staged cash payments of US\$1.5 million and work commitments of US\$0.8 million respectively.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

9. Contractual Obligation Payable

The Company has a contractual obligation payable of \$159,401 in relation to its acquisition on May 14, 2018 of its interests in the Sierra Blanca gold-silver projects in Santa Cruz province, Argentina.

	May 31, 2022	May 31, 2021
	\$	\$
Current	29,910	29,870
Non-current	129,491	129,118
	159,401	158,988

Reconciliation of movements for the twelve months ended May 31, 2022, are as follows:

	May 31, 2022	May 31, 2021
	\$	\$
Opening balance	158,988	1,719,352
Interest	413	6,191
Repayment – Cerrado deal (refer Note 19)	-	(1,077,992)
Repayment – annual payment (shares)	-	(170,000)
Revaluation	-	(318,563)
Closing balance	159,401	158,988

The contractual obligation payable is in relation to the annual payments for the Sierra Blanca project. The Company will be required to make the annual payment as follows:

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

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

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

During the year ended May 31, 2022, the Company recorded interest expense of \$413 (2021: \$6,191) in relation to the contractual obligation payable.

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

The Company has therefore recognized the net present value of its obligation over five years, using an average discount rate of 0.28%.

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

As at May 31, 2019 the Company was required to deliver to SSL the balance of the first annual payment in relation to the contractual obligation of \$400,000 in shares. As agreed with SSL this payment was to be made in 8,000,000 shares at \$0.05. On September 26, 2019, the Company issued 4,600,000 shares as partial payment of the first annual payment, with the balance of 3,400,000 shares at \$0.09 (closing share price) valued at \$306,000, being delivered on October 19, 2020.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

9. Contractual Obligation Payable (continued)

A loss of \$136,000 was recognised in the Statement of Net Income or Loss for the twelve months ending May 31, 2021 on settlement of the balance of the annual payment due under the contractual obligation payable.

During the year ended May 31, 2021, prior to the sale of the subsidiaries (Note 19), the Company and SSL also renegotiated the annual payments in relation to its Los Cisnes, Las Calandrias and Sierra Blanca projects due under the agreement with SSL. As a result of the application of the renegotiated annual payments, the contractual obligation payable was revalued during the year ended May 31, 2021 with a revaluation gain of \$318,563 being recorded.

10. Deferred Consideration Payable

The Company has recognised a deferred consideration payable of \$261,285 in relation to its acquisition from Cullen of its interest in the Katajavaara and Aakenus gold(-copper) projects. Refer Note 7 for further detail.

	May 31, 2022	May 31, 2021
	\$	\$
Current	63,240	-
Non-current	198,045	-
	261,285	-

As part of the acquisition of the Finnish exploration assets the Company is required to make the following cash payments to Cullen:

- USD 50,000 upon the first anniversary of the Closing Date
- USD 75,000 upon the second anniversary of the Closing Date
- USD 100,000 on the third anniversary of the Closing Date

The Company recognised the net present value of the deferred consideration payable of \$257,321 at the date of acquisition using an interest rate of 6%.

Reconciliation of movements for the twelve months ended May 31, 2022, are as follows:

Opening balance	\$ -
Acquisition of subsidiary – recognition of payable (refer to Note 7)	257,321
Interest	7,615
Foreign exchange movements	(3,651)
Closing balance	261,285

11. Loans

	May 31, 2022	May 31, 2021
	\$	\$
Other liabilities- CEBA loan	-	40,000
	-	40,000
Current	-	-
Non-current	-	40,000
	-	40,000

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

11. Loans (continued)

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

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

On December 22, 2021, the Company settled the outstanding CEBA loan balance. An amount of \$10,000 (being 25% of the balance) was recognised in the Statement of net income or loss for the year ending May 31, 2022 as loan forgiveness, in line with the loan agreement, due to repayment of the balance prior to December 31, 2022. As at May 31, 2022 the CEBA loan balance has been extinguished in full.

12. Share Capital and Reserves

- (i) Authorized share capital
Unlimited common shares without par value.

Share issuances

- a) On September 8, 2020, the Company completed a non-brokered private placement, for gross proceeds of \$3,624,992. The Company successfully completed the sale and conversion of 60,416,531 units at \$0.06 per unit. The units are comprised of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.12 until expiry September 3, 2023. The Company paid an aggregate of \$128,684 in broker fees and issued 2,141,730 brokers warrants (\$83,522) under the same terms and conditions of the unit warrants.
- b) On September 16, 2020, the Company settled \$385,963 of outstanding indebtedness to current and former insiders of the Company with the issuance of 6,432,714 common shares of the Company at a valued at \$0.06 per share. The Company issued the shares to settle the debt effective September 15, 2020.
- c) On October 19, 2020, the Company issued 3,400,000 shares at \$0.09 per share to SSL to complete payment of the first-year annual obligation payment which was due on the anniversary date of acquisition under the original agreement with SSL.
- d) On October 19, 2020, the Company issued 500,000 shares at \$0.09 per share to IAMGOLD for payment of costs in relation to the sale of the Sierra Blanca project.
- e) On April 7, 2021, the Company issued 13,614,785 shares to EMX Royalty Corp. for the acquisition of Capella's 100% interests in the Løkken and Kjølvi high-grade copper projects in Norway, and the Southern Gold Line Project in Sweden.

- (ii) Stock options

Under the terms of the Company's stock option plan, the maximum number of shares in respect of which options may be outstanding is equivalent to 10% of the issued and outstanding shares of the Company. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or if the optionee is a consultant.

The vesting periods of options outstanding range from immediately to one year and maximum terms of options are set at 5 years from the grant date.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

12. Share Capital and Reserves (continued)

a) Movements in stock options during the year:

	Options Outstanding	Weighted Average Exercise Price
Balance, May 31, 2020	3,801,400	\$0.25
Issued	4,980,000	\$0.12
Expired/cancelled	(1,386,400)	\$0.26
Balance, May 31, 2021	7,395,000	\$0.16
Expired/cancelled	(350,000)	\$0.25
Issued	4,400,000	\$0.10
Balance May 31, 2022	11,445,000	\$0.13

b) Fair value of options granted

On February 18, 2022, the Company granted an aggregate of 4,400,000 incentive stock options. During the year ending May 31, 2022, a total value of \$143,690 (2021 - \$nil) has been recorded to reserves – options and to share-based payments expense. The portion of share-based payment cost recorded is based on the vesting schedule of the options.

The fair value of these options granted was estimated on the date of the grant using the Black-Scholes option pricing model, with the following weighted average assumptions:

Risk-free interest rate	1.57%
Expected dividend yield	nil
Expected stock price volatility	176.29%
Expected life	3
Expected forfeiture rate	nil

On November 4, 2020, the Company granted an aggregate of 4,980,000 (2020 – nil) incentive stock options to one director and one officer of the Company. During the year ending May 31, 2022, a total value of \$84,971 (2021 - \$127,340) has been recorded to reserves – options and to share-based payments expense. The portion of share-based payment cost recorded is based on the vesting schedule of the options.

The fair value of these options granted was estimated on the date of the grant using the Black-Scholes option pricing model, with the following weighted average assumptions:

Risk-free interest rate	0.25%
Expected dividend yield	nil
Expected stock price volatility	131.46%
Expected life	3
Expected forfeiture rate	nil

\$

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

12. Share Capital and Reserves (continued)

c) Stock options outstanding

Options Outstanding	Options Exercisable	Price per Share	Remaining contractual life (years)	Expiry date
1,815,000	1,815,000	\$ 0.25	1.01	June 4, 2023
250,000	250,000	\$ 0.15	1.38	October 18, 2023
4,980,000	3,320,000	\$ 0.12	1.43	November 4, 2023
4,400,000	1,466,667	\$ 0.10	2.72	February 18, 2025
11,445,000	6,851,667			

The weighted average exercise price of the options exercisable at May 31, 2022 is \$0.15 (2021 - \$0.19).

(iii) Share purchase warrants

a) Movements in warrants during the year:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, May 31, 2020	7,062,350	\$0.125
Issued	62,558,260	\$0.12
Balance May 31, 2021	69,620,610	\$0.12
Expired	(7,062,350)	\$0.125
Balance May 31, 2022	62,558,260	\$0.12

The Company issued 60,416,530 warrants and 2,141,730 finders' warrants as part of the private placement completed in September 2020, with an exercise price of \$0.12 and an expiry of September 3, 2023. The 60,416,530 warrants were valued at \$nil based on the residual value method.

On March 3, 2022 7,062,350 warrants at an exercise price of \$0.125 expired.

b) Fair value of finders' warrants issued

On September 3, 2020, the Company issued 2,141,730 finders' warrants with a fair value of \$83,522. The fair value of these finders' warrants granted was estimated on the date of the grant using the Black-Scholes option pricing model, with the following weighted average assumptions:

Risk-free interest rate	0.25%
Expected dividend yield	nil
Expected stock price volatility	131.46%
Expected life	3
Expected forfeiture rate	nil

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

13. Related Party Transactions

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.

	May 31, 2022	May 31, 2021
	\$	\$
Management fees	284,538	272,577
Share-based payments	140,194	117,112

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 recorded in current liabilities

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

c) Compensation of key management personnel (which includes officers and directors)

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

	May 31, 2022	May 31, 2021
	\$	\$
Salaries/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 years ended May 31 2022, and May 31, 2021.

d) Other

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

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:

- the Company has a contractual obligation payable balance of \$159,401 (2021:\$158,988) to SSL and recorded interest expense of \$413 for the twelve months ending May 31, 2022 (2021: \$6,191).

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

14. Segmented Information

The Company's business consists of one reportable segment – the acquisition, exploration and evaluation of mineral properties. Details on a geographic basis are as follows:

	May 31, 2022	May 31, 2021
	\$	\$
Total Non-current long-lived assets		
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

15. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	May 31, 2022	May 31, 2021
	\$	\$
Gain/(Loss) before taxes	(2,285,195)	1,551,833
Expected income tax (recovery)/expense	(594,000)	403,000
Changes in statutory and foreign exchange rates	(34,000)	(46,000)
Non-deductible expenditures/(revenues)	434,000	(571,000)
Change in unrecognized deductible temporary differences and other	194,000	214,000
Total income tax expense (recovery)	-	-

Significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statements of financial position are as follows:

	2022	Expiry dates	2021
	\$		\$
Share issue costs	130,000	2035 to 2044	223,000
Allowable capital losses	32,000	No expiry	32,000
Non-capital losses	5,711,000	2022 to 2041	5,027,000
Capital assets	2,500	No expiry	2,500
CEC	5,500	No expiry	5,500
Mineral properties	1,418,000	No expiry	1,148,000
	7,299,000		6,438,000

Tax attributes are subject to review, and potential adjustment, by tax authorities.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

16. Supplemental Cash Flow Information

	Twelve months ended May 31, 2022 \$	Twelve months ended May 31, 2021 \$
Changes in non-cash working capital		
Movement in receivables	(18,593)	(70,102)
Movement in prepaid expenses	(17,624)	(56,855)
Movement in accounts payable and accrued liabilities and provisions	(97,594)	(361,244)
	(133,811)	(488,201)

	Twelve months ended May 31, 2022 \$	Twelve months ended May 31, 2021 \$
Schedule of non-cash investing and financing transactions:		
Exploration and evaluation expenditures included in accounts payable	115,900	7,200
Provision against/write off deferred exploration and evaluation costs	(880,170)	-
Investment in associate - share of losses	(13,096)	-
Deferred consideration payable interest	(7,615)	-
Contractual obligation interest payable	(413)	(6,191)
Unrealized revaluation movement of financial asset	(174,146)	-
Loan forgiven	10,000	-
Ethos shares received – Savant Lake deal	270,000	380,000
Debt conversion	-	(385,963)
Finders warrants issued	-	(83,522)
Share issue- contractual obligation payable	-	(170,000)
Share issue Sierra Blanca transaction - IAMGOLD	-	(45,000)
Cerrado shares received – sale of subsidiaries	-	2,250,000
Extinguishment of contractual obligation payable - Cerrado deal	-	(1,077,992)
Investment in Associates- Sierra Blanca retained investment	-	126,040
Supplementary disclosure of cash flow information:		
Cash paid for interest	-	(4,921)
Cash paid for income taxes	-	-

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

17. 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 exploration and evaluation 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.

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 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 expects to require additional financings to carry out its exploration and evaluation plans and operations through its current operating period.

18. 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 Kjølvi projects are as follows:

- Until Capella has completed financings to the value of \$4,500,000 (effective from the private placement completed in September 2020), 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, 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 commitments and contingencies in relation to the acquisition on September 7, 2021 of the Katajavaara and Aakenus projects located in Finland. Refer to Note 7 for further details.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

18. Commitments and Contingencies (continued)

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:

- (i) Capella managing and funding exploration / development activities on the project.
- (ii) Capella paying Hessjøgruva AS a one-time amount of Euro 500,000 upon completion of a positive Bankable Feasibility Study.
- (iii) 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.
- (iv) Capella to cover the cost of annual property payments and basic administration costs.

19. Disposal of subsidiaries

a) Sierra Blanca

On October 13, 2020, the Company closed the sale of Capella's Sierra Blanca gold-silver project ("Sierra Blanca project") in Santa Cruz Province, Argentina to Austral Gold Ltd ("Austral"). The transaction enables Austral to acquire an initial 51% interest in Sierra Blanca S.A. ("Sierra Blanca"). The Company issued 500,000 shares to IAMGOLD Corporation ("IAMGOLD") valued at \$45,000 in consideration for an option to acquire one-half of the royalty on the Sierra Blanca project.

Details of the disposal are as follows:

	\$
Consideration consists of:	
Cash proceeds – 51%	131,184
Fair value of retained investment – 49%	126,040
Total consideration	257,224
Less costs to dispose – issue of shares	(45,000)
Less carrying value of net assets of subsidiary	(171,585)
Total gain on disposal	40,639

The Company recorded a gain on disposal of \$40,639 in the Statement of Profit or Loss for the subsidiary and transferred \$25,442 from the foreign currency translation reserve to the Statement of Profit or Loss, this being the cumulative amount of the exchange differences relating to that foreign operation.

b) Mineral Mariana Argentina

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

Details of the Transaction include:

- The Company received USD 50,000
- The Company received \$2,250,000 in Cerrado shares.
- The Company will retain indirect exposure to future exploration and operational success at both Las Calandrias and Don Nicolas through its shareholding in Cerrado.

Capella Minerals Limited

Consolidated Financial Statements

For the Year Ended May 31, 2022

Expressed in Canadian Dollars

19. Disposal of subsidiaries (continued)

Under the terms of the Transaction, Capella received 1,666,668 Cerrado shares (valued at \$2,250,000) and USD 50,000 on closing. However, the Company transferred 833,334 of the Cerrado shares (valued at \$1,125,000) to SSL in consideration of the extinguishment of the annual maintenance payments of the Company owing to SSL in respect of the Las Calandrias and Los Cisnes projects. Refer Note 9.

Details of the disposal are as follows:

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

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

20. Non-controlling interest

	May 31, 2022	May 31, 2021
	\$	\$
Non-controlling interest in subsidiary- Cullen Finland Oy	127,623	-
<i>Assets and liabilities of subsidiary</i>		
Current assets	6,502	-
Non-current assets	577,290	-
Current liabilities	(2,465)	-
Non-current liabilities	(155,918)	-
Net assets	425,409	-
Non-controlling interest (30%)	127,623	-
Loss for the period	8,306	-
Non-controlling interest share (30%)	2,492	-