

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months and Six Months Ended November 30, 2020

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

The following management’s discussion and analysis (“MD&A”) of the Company has been prepared as of January 28, 2021 and is intended to supplement and complement the Company’s unaudited condensed interim consolidated financial statements for the three and six months ended November 30, 2020 and November 30, 2019 (the “Interim Financial Statements”), and should be read in conjunction with the annual financial statements for the year ended May 31, 2020 (the “Annual Financial Statements”), together with the notes thereto. Financial statement information presented herein was prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”).

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

Argentina is officially considered a hyperinflationary economy and as a result *IAS 29 – Financial Reporting in Hyperinflationary Economies* (“IAS 29”) has been applied to Capella’s subsidiary Minera Mariana Argentina SA, as this entity has the Argentinean peso as its functional currency. Refer to *Financial Condition, Liquidity, Capital Resources, Operations and Financial Results* section below for further details.

NATURE OF BUSINESS

Capella Minerals Limited. is incorporated under the laws of the Province of British Columbia, Canada with a registered address and records office located at 8681 Clay Street, Mission BC V4S 1E7.

The Company’s exploration activities are currently focused on mineral properties situated in Scandinavia (Norway and Sweden), Canada and Argentina.

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

HIGHLIGHTS AND DEVELOPMENTS FOR THE THREE AND SIX MONTHS ENDED NOVEMBER 30, 2020 AND TO THE DATE OF THIS REPORT

Projects

- During January 2021, the Company provided exploration and drill targeting updates for its Kjølvi copper project in central Norway, and the Savant Lake and Domain Gold Joint Ventures (“JV”s) in Canada.
 - On January 28, 2021, the Company reported that Savant Lake JV partner Ethos Gold Inc (TSXV: ECC) (“Ethos”) had completed a high-resolution, 4,000-line km helicopter-borne aeromagnetic survey over the estimated 60km cumulative strike length of gold-bearing iron formation units, together with a trial program of “bottom of till” auger drilling/sampling. Detailed evaluation / interpretation of the airborne magnetic data is currently in progress, with results to be integrated with existing geological, geochemical, and geophysical data. Ethos plans to mobilize field crews in early spring with the intention of ground truthing priority target areas followed by drilling in Q3, 2021. Ethos is earning-in to a 70% interest in the Savant Lake project through a combination of cash and share payments to Capella plus CAD 2M of work commitments. At Domain, JV partner and project operator Yamana Gold Inc. (TSX: YRI, NYSE: AUY)(“Yamana”) continues with Community Relations activities and related work supporting an eventual exploration permit application. Pending receipt of the permit, follow-up drilling is currently expected to begin during the second half of 2021. Capella holds a participating 29.6% interest in the Domain JV.

- On January 14, 2021, the Company reported that drill target generation activities at Kjøli have focused on an initial 4.5km-long segment of the interpreted 15km strike of prospective stratigraphy for the discovery of new copper-rich massive sulfide (“VMS”) deposits. A detailed ground magnetic survey was completed within this 4.5km-long initial target area - which contains 4 known (and previously undrilled) high-grade copper occurrences at Svenskmenna, Rorosmenna, Guldalsgruve, and Godthap - with a prominent NE-trending pyrrhotite-bearing horizon (associated with copper-zinc-silver-gold mineralization) being well defined by the survey. Exceptional soil copper anomalies have also been generated from Ionic Leach geochemical survey lines in and around the Guldalsgruve and Rorosmenna sectors. The original 120 square kilometre Kjøli claim block as acquired from EMX Royalty Corp. (NYSE:EMX; TSXV:EMX) was expanded by 30 square kilometres through the staking of new exploration claims over previously unexplored surface occurrences of VMS mineralization. These represent new targets for Capella to evaluate during the 2021 summer field season.
- Separately, Windfall Geotek has been contracted to perform a CARDS Artificial Intelligence (“AI”) and Data Mining evaluation for the entire Kjøli claim block using all available geological and geophysical data sets. The CARDS analysis will allow Capella to accelerate the definition of high-probability VMS targets at Kjøli during the winter season.
- On October 28, 2020 the Company announced that it had entered into a Binding Letter of Intent (“LOI”) with Cerrado Gold Inc. (“Cerrado”) for the sale of its 100% 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 announced that further to its October 28, 2020 announcement the Company had entered into a Share Purchase Agreement with Cerrado pursuant to which Capella will sell its 100% interest in Minera Mariana to Cerrado. Final closing of the transaction occurred on January 22, 2021.
- On October 13, 2020 the company announced that it had concluded the sale agreement with Austral Gold Limited (ASX: AGD; TSX.V: AGLD) (“Austral”) for the purchase of an 80% interest in the Company’s Sierra Blanca gold-silver project in Santa Cruz Province, Argentina for US\$800,000 in cash and work commitments, with a 'follow-on' option to purchase the remaining 20% interest for an additional US\$2,300,000 in cash and work commitments (previously announced April 1, 2020). The signing of the Definitive Agreement had been delayed by the ongoing shutdown of both provincial government entities and legal and notarial services - all required for the due diligence process - as a result of the COVID-19 pandemic.
- On September 21, 2020, the Company announced that it had executed an earn-in agreement with Ethos Gold Corp. (TSX.V: ECC) (“Ethos”) in which Ethos may earn-in to a 70% interest in the Savant Lake gold project in return for staged cash and share payments to Capella and \$2M of work commitments. TSX.V Exchange approval for the Ethos earn-in agreement was received on October 26, 2020 and the two million Ethos shares due to Capella upon signing were issued.
- On August 11, 2020, the Company announced that it had entered into an option and purchase agreement with EMX Royalty Corp (NYSE: EMX; TSXV:EMX) for the acquisition of 100% interests in the Southern Gold Line Project in central Sweden, and the Løkken and Kjøli (copper-zinc-silver-gold) VMS projects in central Norway. The Southern Gold Line project consists of a group of licences adjacent to Dragon Mining Limited's Fäboliden gold development project and Svartliden gold mine, whilst the Løkken and Kjøli licences are district-scale land holdings around the past-producing, high-grade copper mines as well as drill-ready regional exploration targets. This agreement was subsequently amended on November 25, 2020 with the elimination of the initial one-year option period and the introduction of a share issuance cap on the 9.9% equity to be issued to EMX (as requested by the TSXV Exchange).

Corporate Developments

- The Company announced on November 6, 2020 that it had received regulatory acceptance for a name change of the Company from New Dimensions Resources Limited to Capella Minerals Limited. The Company commenced trading under its new name and stock trading symbol TSX.V-CMIL on November 10, 2020.
- On October 19, 2020, the Company issued 3,400,000 shares to Sandstorm Gold Ltd (TSX: SSL; NYSE: SAND)("Sandstorm") as payment for the balance of shares owed in relation to the first annual payment due under the contractual obligation relating to the Argentine portfolio.
- On October 19, 2020 the Company issued 500,000 shares to IAMGOLD Corporation (TSX:IMG, NYSE: IAG) ("Iamgold") as payment which provides Sierra Blanca S.A for the option to acquire one-half (0.75%) of its 1.5% NSR for \$750,000 at any time prior to the commencement of commercial production.
- On September 16 and 18, 2020 the Company announced that in an effort to conserve its capital it had agreed to settle \$385,963 of outstanding indebtedness to current and former insiders of the Company with the issuance of 6,432,713 common shares of the Company at a deemed price of \$0.06 per share with regulatory approval obtained effective September 15th, 2020.
- On September 8, 2020, the Company announced the completion of a non-brokered private placement, for proceeds of \$3,624,992, with a lead order from Palisades Goldcorp Ltd. The Company successfully completed the sale of 60,416,531 units at \$0.06 per unit. The units 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. Proceeds will be used for exploration activities and general working capital. The Company's immediate priorities will be to advance its recently acquired Scandinavian projects. The Company paid an aggregate of \$128,684 in broker fees and issued 2,081,730 brokers warrants under the same terms and conditions of the unit warrants. All securities issued under the placement are subject to a four month hold period trade restriction expiring January 4, 2021.

OUTLOOK

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

Exploration activities will focus on advancing the recently acquired Scandinavian assets towards drilling. Joint Venture partners will manage work programs at both the Savant Lake and Domain projects in Canada.

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

EXPLORATION ASSETS AND ACTIVITIES

SCANDINAVIAN PROJECTS

On August 11, 2020, the Company announced that it had entered into an option and purchase agreement with EMX for the acquisition of 100% interests in the Southern Gold Line Project in central Sweden, and the Løkken and Kjøli high-grade copper VMS projects in central Norway. The Southern Gold Line project consists of a large

group of claims (500 square km in total) located immediately adjacent to Dragon Mining Limited's Fäboliden gold project and Svartliden gold mine, with the primary targets being high-grade orogenic gold deposits hosted within Paleoproterozoic-age volcano-sedimentary rock sequences. Both the Løkken and Kjølil projects are district-scale land positions (210 square km and 150 square km, respectively) around past-producing, high-grade copper deposits - the world-class Løkken mine and the Killingdal and Kjølil mines at Kjølil - as well as drill-ready regional exploration targets. Only limited modern exploration has been undertaken on the Løkken and Kjølil districts since the closure of the respective operating mines in the mid- to late-1980's in response to low metal prices. On November 25, 2020, the original option and purchase agreement was amended through the elimination of the initial one-year option period and the introduction of a share issuance cap (12,693,785 shares) on the 9.9% in CMIL equity to be issued to EMX.

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

- Capella to pay EMX USD 25,000 in cash upon signing (**completed**).
- Until Capella has completed financings to the value of CAD 4,500,000, EMX will retain a free carried 9.9% shareholding in Capella (subject to a cap of 12,693,785 shares). Afterwards, EMX retains the option to participate in future financings at its own discretion (**in progress**).
- On or before September 1, 2021, Capella shall incur no less than USD 100,000 in exploration expenditures on each of the three projects (**in progress**).
- On or before September 1, 2022, Capella shall incur an additional USD 500,000 in exploration expenditures aggregated across three projects (or on any one project).
- Beginning September 1, 2023, Capella commits to completing at least 1,000m of drilling on each project per year until the earlier of: i) a minimum of 10,000m has been completed on such project ii) the date that Capella has delivered to EMX a relinquishment notice in respect of a project or iii) the date that the parties mutually agree that no further drilling is warranted.
- From the second anniversary of signing (September 1, 2022), Capella will be required to make advanced royalty payments to EMX of USD 25,000 per project, increasing USD 5,000/year up until reaching a maximum of USD 75,000/year per project.
- Capella to make additional payments of USD 500,000 to EMX upon:
 - The filing of a Preliminary Economic Assessment technical report
 - The filing of a National Instrument 43-101 ("NI-43101) compliant feasibility study
- EMX to retain a 2.5% NSR in the projects, with 0.5% being purchasable for USD 1M within 6 years
- Capella to reimburse EMX USD 68,000 for pre-payment of future land holding costs in Sweden

The Company successfully completed the on-site Due Diligence for the three projects during late-August/early-September and on September 2 effected the cash payment to EMX of USD 25,000. The issuance of Capella shares to EMX will commence upon receipt of all regulatory approvals for the Scandinavia transaction.

The Company's immediate priority is to complete drill target generation activities on all three projects and to advance the highest priority targets to drilling. In Norway, field activities commenced at Kjølil with ground magnetic and trial Ionic Leach soil sampling surveys having now been completed over 4.5km of the approximately 15km of prospective stratigraphy which hosts historic copper mines (including Killingdal and Kjølil) and numerous mineral occurrences. At Løkken, field activities are underway and are focused on i) evaluating potential remaining mineral resources in, and adjacent to, the old mining operations and ii) the prioritization of drill hole sites within the 5 main regional target areas, all of which are located within a 10km radius of the former Løkken mineral processing site. In parallel, field activities at the large (500 square kilometres total) Southern Gold Line project in Sweden are underway and are focused on the advancement of known orogenic gold targets as well as first-pass regional evaluation (initially through Bulk Leach Extractable Gold or BLEG sampling) over the remainder of the mineral claims.

Løkken Copper Project, Norway (100% Capella)

The Løkken high-grade copper project is located approximately 50km SW of the regional centre of Trondheim in central Norway. The Løkken claim block covers a total area of 210 square (“sq.”) kilometres and surrounds the former Løkken underground mine (which closed in 1987 in response to low copper prices), and covers associated historical mineral processing facilities, plus multiple satellite bodies of mineralization with varying degrees of development. Løkken is considered to be the largest ophiolite-hosted Cypress-type VMS deposit by tonnage, having produced an estimated 24Mt @ 2.3% Cu and 1.8% Zn (plus silver and gold credits)¹.

Both Løkken and Kjølvi (see below) are part of a broader geologic terrain that was originally linked geologically to the VMS districts in Newfoundland-New Brunswick-Maine and the Appalachian Mountains of North America. This terrain constitutes one of the most prolific VMS belts in the world.

During the period, field work progressed at Løkken and included the undertaking of ground magnetic and Ionic Leach soil geochemical surveys over key regional target areas, commencing with the Dragset target. In parallel, efforts to obtain and reprocess existing regional airborne electromagnetic datasets (key for modelling buried massive sulfide mineralization), together with the digitizing of former underground mine plans for Løkken, are in progress. The Company expects to be able to continue undertaking field activities at Løkken until the arrival of winter snows (likely late November), with the permitting of drill targets expected to be undertaken immediately thereafter.

¹ Historic production values quoted for Løkken are from Grenne T, Ihlen PM, Vokes FM (1999) Scandinavian Caledonide metallogeny in a plate-tectonic perspective. *Mineral Deposita* 34:422–471, Neither Capella or EMX have performed sufficient work to verify the published data reported above, but both Companies believe this information to be considered reliable and relevant.

Kjølvi Copper Project, Norway (100% Capella)

The Kjølvi high-grade copper project is a district-scale land position (150 sq. km) on the northern extension of the Røros mining district, which saw copper production from a number of high-grade VMS deposits from the mid-1600’s until low copper prices in the mid-1980’s resulted in their closures. Kjølvi represents a brownfields/greenfields exploration project covering the former Kjølvi and Killingdal copper mining operations, together with approximately 15km strike of underexplored but highly prospective stratigraphy for the discovery of new copper-rich VMS deposits.

During the period, field activities at Kjølvi were focused on the generation of drill targets within an initial 4.5 km-long segment of the interpreted 15km strike of prospective stratigraphy for copper-rich VMS deposits. The selected area contains 4 known (and previously undrilled) occurrences of high-grade copper mineralization: Svenskmenna, Rorosmenna, Guldalsgruve, and Godthap. The targeting is based on a high-resolution, 195-line kilometre ground magnetic survey which was primarily used i) to follow the “main mineralized corridor” (a pyrrhotite-bearing horizon which is intimately associated with copper mineralization), ii) to define additional potential satellite bodies of VMS-type mineralization W of Rorosmenna and around Godthap and iii) to define the potential for buried massive sulfide systems beneath a thrust fault located at the northern end of the survey area.

In parallel, trial Ionic Leach soil geochemical surveys were undertaken in the Guldalsgruve and Rorosmenna sectors. The Kjølvi project consists of flat to undulating terrain and is typically covered by thin soil and local bog cover (and is therefore ideal for Ionic Leach-type geochemical surveys). A total of 382 Ionic Leach soil samples were collected from the Guldalsgruve and Rorosmenna sectors, with strong copper anomalies (>1,000 parts per billion Cu or “ppb”) being returned by 133 soil samples taken from around, and along strike from, known workings. A total of 55 samples returned >10,000 ppb Cu in soils and these represent priority areas for follow-up work and drill testing. The Ionic Leach analyses for the Kjølvi soil samples were performed by ALS Laboratories (“ALS”) in Loughrea, Ireland, utilizing a partial leach extraction with ICP-MS finish. ALS utilizes industry standard Quality Assurance/Quality Control methods in order to ensure sample result quality.

The original Kjølvi claim block (covering 120 sq. km) was expanded by the staking of a further 30 sq. km of new exploration claims to cover a group of previously unexplored surface occurrences of copper-rich VMS mineralization located immediately to the WNW of the main prospective horizon. These represent additional targets for Capella to evaluate during the 2021 summer field season.

Consulting group Windfall Geotek was also contracted to perform a CARDS Artificial Intelligence (“AI”) and Data Mining evaluation for the entire Kjøli claim block using all the available geological and geophysical data sets. The CARDS analysis will allow Capella to accelerate the definition of high-probability VMS target areas at Kjøli during the winter season.

Southern Gold Line, Sweden (100% Capella)

The Southern Gold Line project is located in north-central Sweden and consists of a large tract of mineral claims (total area 500 sq. km) located to the south of the Barsele gold project (AgnicoEagle/Barsele Minerals) and in the immediate vicinity of Dragon Mining Ltd’s Fäboliden development project and Svartliden gold mine². The Southern Gold Line exploration concessions cover areas with similar geologic and structural settings to the Fäboliden deposit, with further potential for the discovery of high-grade orogenic gold deposits at or near granitoid-greenstone contacts. Host rocks to the gold mineralization are Paleoproterozoic in age.

Reconnaissance sampling and mapping programs are in progress, with initial BLEG samples collected across portions of the licenses showing multiple areas with enrichment of gold in stream sediments. Permitting for an auger (“bottom of till”) drill program in the highly prospective southern Rötjärnen claim, where gold mineralized boulder trains have been identified on surface, is currently underway with drilling currently expected to commence in mid- to late-February 2021.

² References made to nearby mines and analogous deposits provide context for the Southern Gold Line project but are not necessarily indicative that the project hosts similar tonnages or grades of gold mineralization

CANADA

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

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

The terms of the Ethos earn-in agreement announced on September 21, 2020 are as follows:

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

In addition, Ethos will make a further payment to Capella of \$50,000 cash and 2,000,000 Ethos shares in the event of a National Instrument 43-101 compliant mineral resource of >1 million ounces gold being defined on the property. Upon Ethos completing all of its earn-in commitments, a formal Joint Venture Company (with initial interests of Capella 30% and Ethos 70%) will be established for Savant Lake.

Ethos has initiated field activities at the Savant Lake Project (as part of its Year 1 Work Commitment of \$500,000), and to date has completed:

- i) a high-resolution, 4,000-line km helicopter-borne aeromagnetic survey over the estimated 60km of cumulative strike length of gold-bearing iron formation units. Detailed evaluation and interpretation of this airborne magnetic data is currently in progress.

- ii) An orientation basal till sampling program was also completed over a select area encompassing a highly-prospective shear zone along the northern margin of the iron formation basin. Gold grains recovered from the till samples will be characterized to estimate intensity of prospective mineralization and distance and direction to bedrock source. Results are pending. .
- iii) A detailed compilation of historical data for the Savant Lake project - including from previous assessment reports - has been undertaken, and integration of this data with Capella's existing data sets and drill target generation work is in progress.

Ethos plans to mobilize field crews in early spring with the intention of ground truthing priority target areas followed by drilling in Q3, 2021.

The Savant Lake gold project is located within the Archean-age Savant Lake-Sturgeon Lake greenstone belt, approximately 240 km NW of Thunder Bay and 240 km S of Newmont's operating Musselwhite mine³ (Proven and Probable Reserves at December 31, 2019: 9.9 MT @ 6.52 g/t Au for 2.09Moz Au⁴). The Company's mineral claims in the Savant Lake area total 229 square kilometres and cover meta-volcanic and meta-sedimentary rock sequences which are prospective for both iron formation ("Musselwhite-type")- and shear zone-hosted gold deposits, in addition to base metal-rich (copper-zinc-gold) VMS deposits. The Company completed an initial 8 hole / 1,626 m diamond drill program at Savant Lake in 2017 on select geophysical targets in the northern part of the property, however, numerous high-grade gold targets in the central and southern portion of the property remain untested.

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

³ Mineralization hosted on adjacent and nearby properties is not necessarily indicative of mineralization that may be hosted on the Company's Savant Lake project.

⁴ Source: Newmont Corporation Reserve and Resource Statement: February 13, 2020.

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

At the Domain Gold JV, project operator Yamana Gold Inc. ("Yamana") has entered into an Exploration Agreement with Bunibonibee Cree Nation to develop a cooperative and mutually beneficial relationship relating to mineral exploration within the Traditional Territory of Bunibonibee Cree Nation. The current focus is on Community Relations activities and related work supporting an eventual exploration permit application. Pending receipt of the permit, follow-up drilling is currently expected to begin during the second half of 2021. .

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

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

ARGENTINA

Sale of Minera Mariana Argentina S.A.

On October 28, 2020 the Company announced it had entered into a Binding Letter of Intent ("LOI") with Cerrado Gold Inc. for the sale of its 100% 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 announced it had entered into a Share Purchase Agreement with Cerrado pursuant to which Capella will sell its 100% interest in Minera Mariana to Cerrado. The final closing of the transaction occurred on January 22, 2021.

Highlights of the Transaction:

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

Under the terms of the Transaction, Capella received 1,125,000 Cerrado shares on closing. However, the Company transferred 562,500 of the Cerrado shares to Sandstorm Gold Limited ("Sandstorm") in consideration of the extinguishment of the annual maintenance payments of the Company owing to Sandstorm in respect of the Las Calandrias and Los Cisnes projects under a share purchase agreement dated February 19, 2018 as amended and assigned.

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

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

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

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

- 10% in Year 4 for the expenditure of an additional US\$400,000 in work commitments on the project over the 12-month period following payment to Capella of US\$500,000.
- 10% in Year 5 for the expenditure of an additional US\$400,000 in work commitments on the project over the 12-month period following payment of US\$1,000,000 to Capella.

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

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

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

Details of the disposal are as follows:

	\$
Consideration consists of:	
Cash	131,184
Fair value of retained investment – 20%	34,317
Total consideration	165,501
Less costs to dispose – issue of shares	(45,000)
Less carrying value of net assets of subsidiary	(171,585)
Total loss on disposal	(51,084)

Carrying value of net assets in subsidiary consist of

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

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

Las Calandrias Gold Project, Santa Cruz (100% Capella)

Las Calandrias is an advanced gold-silver project located immediately adjacent to the recently commissioned Minera Don Nicolas mining operation in Santa Cruz province, southern Argentina. The project currently contains two main mineralized zones: i) the bulk-tonnage, dome-hosted Calandria Sur deposit and ii) the high-grade Calandria Norte and Morena vein/breccia deposits. The Company also owns 230 square kilometres of surface rights (the "Estancia Las Calandrias") which cover the known deposits at Las Calandrias.

Recent work at the Las Calandrias gold project has been restricted to metallurgical testwork on high-grade gold samples from the Calandria Norte and Morena vein/breccia systems and an internal desktop study on potential development options for the high-grade Calandria Norte mineral resource. On June 18, 2019, the Company reported that 92% gold recoveries were Calandria Norte and Morena vein/breccia zones. The leach tests were performed in Parksville, British Columbia by Blue Coast Research ("Blue Coast"), with the main objectives being to i) confirm the high gold recoveries returned from earlier LeachWELL tests performed on Calandria Norte mineralization and ii) provide high-level metallurgical data on the potential compatibility of the high-grade Calandria Norte and Morena gold mineralization with the processing circuits utilized in industry-standard gold leach circuit.

The current Mineral Resource Estimate (“MRE”) for the Las Calandrias Project is summarized below (see also Company News Release dated October 5, 2018):

Calandria Sur Deposit – Mineral Resources within constraining shell:*

Resource	Cut-off Grade (gpt Au)	Tonnage (,000 t)	Grades		Contained Metal	
			Au (gpt)	Ag (gpt)	Au (oz Au)	Ag (oz Ag)
Indicated	Varied	7,424	1.33	24.65	318,000	5,884,000
Inferred	Varied	1,739	0.73	7.17	41,000	401,000

***Notes to Accompany Calandria Sur MRE:**

Summation errors may occur due to rounding;
Mineral Resources are reported within an optimized constraining shell;
Block matrix is 6m x 6m x 5m (length x width x height);
Grades are estimated by ID3 interpolation;
Density was interpolated by ID2. Blocks not populated by ID2 were assigned the mean density 2.21;
Cut-off grade for MRE varies by oxide zone (0.3 g/t Au oxide; 0.4 g/t Au transition; and 0.8 g/t Au primary zones);
Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability
Constraining pit parameters: (in \$US)
Metal Price: \$1,400/oz Au; \$18.50/oz Ag (based on 3 year rolling average seller’s prices)
Metal Recoveries: Au (94%-oxide; 73% transition; 80% primary), Ag (88%-oxide; 78% transition; 80% primary)
Mining Cost: \$2.50/t
Processing plus General and Administration: \$11-oxide; \$11-transition; \$25-primary
Pit Slope: 45°

*Calandria Norte Deposit – Mineral Resources within constraining shell **:*

Resource	Cut-off Grade (gpt Au)	Tonnage (,000 t)	Grades		Contained Metal	
			Au (gpt)	Ag (gpt)	Au (oz Au)	Ag (oz Ag)
Indicated	>0.8	604	3.12	8.20	61,000	159,000
Inferred	>0.8	19	1.31	0.69	1,000	400

*Calandria Norte Deposit - Mineral Resources below constraining shell**:*

Resource	Cut-off Grade (gpt Au)	Tonnage (,000 t)	Grades		Contained Metal	
			Au (gpt)	Ag (gpt)	Au (oz Au)	Ag (oz Ag)
Indicated	>1.5	131	2.82	6.30	12,000	27,000
Inferred	>1.5	2	1.71	2.01	100	100

****Notes to Accompany Calandria Norte MRE:**

Summation errors may occur due to rounding;
Mineral Resources are reported within, and below, an optimized constraining shell;
Block matrix is 5m x 3m x 5m (length x width x height);
Grades are estimated by ID3 interpolation;
Density was assigned the mean density 2.41;
Cut-off grade used for reporting MRE within constraining shell is 0.8 g/t Au;
Cut-off grade used for reporting MRE below constraining shell is 1.5 g/t Au
Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
Constraining pit parameters: (in \$US)
Metal Price: \$1,400/oz Au; \$18.50/oz Ag (based on 3 year rolling average seller’s prices)
Metal Recoveries: Au (80%), Ag (84%)
Mining Cost: \$2.50/t
Processing plus General and Administration: \$25
Pit Slope: 45°

Mineral resources at the Calandria Sur deposit are also bounded to the south by the Calandria I claim block boundary. Mineralization is known to cross into concessions currently controlled by Minera Don Nicolas.

The Company has recorded a write down provision of \$3,486,911 in relation to its Las Calandrias project as the Company refocused its exploration activities to its newly acquired Scandinavian projects.

Los Cisnes Gold-Silver Project, Santa Cruz (100% Capella)

Los Cisnes is an exploration stage high-grade gold-silver project located approximately 75km SW of Yamana's Cerro Moro gold-silver mine, Santa Cruz Province, southern Argentina.

Recent exploration activities at Los Cisnes resulted in the discovery of two new high-grade gold-silver vein zones, Bagual and Potranca, both of which are located immediately adjacent to the mineralised Brio structure. The NE-trending Bagual vein/breccia system is currently known to extend over some 900m in length, with select rock-chip samples taken along the vein having returned gold-silver assays ranging from geochemically anomalous to high-grade, with a best sample of 109 g/t Au + 1,031 g/t Ag. Gold and silver assays from the three rock-chip samples taken from the nearby N-S-trending Potranca vein zone range between 0.3 g/t and 5.6 g/t Au, and 7 g/t and 267 g/t Ag. Further exploration will be required to determine the upside potential of these new vein discoveries.

An initial 8-trench exploration program completed during 2019 confirmed the presence of high-grade gold-silver mineralization in the Bagual vein, with highlights including:

- High-grade gold-silver assays (37.5 g/t Au + 6 g/t Ag over 1.0 m and 9.7 g/t Au + 8 g/t Ag over 0.6m) were returned from two channel samples in Trench 1, which was cut perpendicular to the main Bagual structural corridor. Trench 1 is located approximately 20 m north-east of the Bagual "discovery" grab sample which assayed 109 g/t Au + 1,031 g/t Ag.
- Gold-silver mineralisation in Trench 1 is associated with strongly-oxidized quartz-sulfide(-Fe-oxide)-bearing stockworks and breccia zones and lies under <1m of post-mineral overburden.

As November 30, 2020 the company has recorded a write down provision of \$882,260 in relation to its Los Cisnes project as the Company refocused its exploration activities to its newly acquired Scandinavian projects.

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

The Los Cisnes, Sierra Blanca, Savant Lake, and Domain JV projects do not contain any mineral resource estimates as defined by NI 43-101. The potential quantities and grades disclosed herein are conceptual in nature and there has been insufficient exploration to define a mineral resource for targets of each of the projects disclosed herein. It is uncertain if further exploration will result in these targets being delineated as a mineral resource.

Exploration and Evaluation Expenditures

	Las Calandrias Santa Cruz, Argentina	Los Cisnes, Santa Cruz, Argentina	Sierra Blanca, Santa Cruz, Argentina	Savant Lake, Ontario, Canada	Total
	\$	\$	\$	\$	\$
Balance May 31, 2019	3,065,267	880,419	358,840	1,287,368	5,591,894
Camp, travel, administration and other costs	51,543	7,491	6,288	11,010	76,332
Geologists and data collection	115,453	4,687	6,203	-	126,343
Drilling and assay costs	-	-	402	-	402
IAS 29 adjustment- historic	299,399	132,563	8,068	-	440,030
Foreign exchange movement	(406,483)	(180,382)	(11,724)	-	(598,589)
Balance November 30, 2019	3,125,179	844,778	368,077	1,298,378	5,636,412
Acquisition and tenure	-	-	-	30,000	30,000
Camp, travel, administration and other costs	51,164	7,729	6,393	6,546	71,832
Geologists and data collection	213,957	-	(42)	-	213,915
Drilling and assay costs	-	-	19	-	19
Provision against exploration and evaluation assets	(3,443,371)	(876,059)	(209,457)	-	(4,528,887)
IAS 29 adjustment- historic	235,609	104,554	6,681	-	346,844
Foreign exchange movement	(182,538)	(81,002)	(5,004)	-	(268,544)
Balance May 31, 2020	-	-	166,667	1,334,924	1,501,591
Acquisition and tenure	-	-	-	-	-
Camp, travel, administration and other costs	19,882	6,201	-	3,179	29,262
Geologists and data collection	23,658	-	-	-	23,658
Provision against exploration and evaluation assets	(43,540)	(6,201)	-	-	(49,741)
Farm out recoveries	-	-	-	(430,000)	(430,000)
Sale of subsidiary	-	-	(166,667)	-	(166,667)
Balance November 30, 2020	-	-	-	908,103	908,103

As the functional currency of the Argentinean entities is the Argentinean Peso (“ARS”) and the reporting currency of Capella is Canadian Dollars, the value of the exploration and provision costs in Argentina are subject to change each reporting period due to exchange rate fluctuations. As a result of the application of IAS 29, exploration and evaluation assets were restated for the impact in the movement in inflation during the current period. As a result, an adjustment of \$14,810 was recognised in relation to additions in the six months ending November 30, 2020 and has been included as a net monetary gain in Other Comprehensive Income/(Loss) in the Consolidated Statement of Profit/(Loss) and Comprehensive Income/(Loss) as at November 30, 2020.

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

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

OVERALL PERFORMANCE

Argentina is officially considered to be a hyperinflationary economy due to the inflation rate exceeding 100% consistently for more than three years and several other qualitative factors. As a result, IAS 29 is applied, which requires financial statements based on historical cost be restated to correct the loss of purchasing power of the Argentinean peso. Entities with the Argentinean peso as their functional currency apply the requisite Wholesale Price Index as published by the Government Board of the Argentine Federation of Professional Councils of

Economic Sciences (“FACPCE”) from the beginning of the period in which the economy became hyperinflationary. As a result, financial results are presented as if the Argentinean economy had always been hyperinflationary. Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at November 30, 2020. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit as at November 30, 2020) are restated by applying the relevant index. Once the financial results of the Argentinean subsidiaries were adjusted for inflation the restated financial statements were translated at the closing rates into the presentation currency of the Company, being C\$.

The net monetary gain of \$41,534 resulting from a net monetary gain of \$14,810 in relation to the restatement of non-monetary assets and liabilities, and a net monetary gain of \$26,724 relating to the restatement of income and expenditure items for the six months ending November 30, 2020 has been recorded in Other Comprehensive Income in the Consolidated Statement of Profit/(Loss) and Comprehensive Income/(Loss) for the six months ending November 30, 2020.

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

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

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

During the six months ended November 30, 2020 the Company incurred a loss of \$178,228) (November 30, 2019 \$497,484). This loss was a result of operating expenditures of \$442,238 being recorded, as well as loss on sale of the subsidiary Sierra Blanca SA of \$51,084 and provision against exploration and evaluation costs being recorded of \$49,741. These costs were offset by a gain of \$318,564 being recorded by the Company as it revalued its contractual obligation payable as a result of amended terms being agreed Sandstorm during the period.as well as an unrealized gain of \$40,000 being recorded on quoted equity shares held as a financial asset at November 30, 2020. The Company will seek additional equity funding or alternative financing options to fund current and ongoing exploration activities and general and administrative costs.

FINANCIAL POSITION

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

	November 30, 2020	May 31, 2020	May 31, 2019
		\$	\$
Current assets	2,617,811	86,576	112,722
Non-current assets	1,362,420	1,501,591	5,591,894
Current liabilities	(692,809)	(2,701,409)	(1,246,606)
Non-current liabilities	(1,070,809)	(797,848)	(1,125,702)
Shareholders' equity (deficiency)	(2,216,613)	(1,911,090)	3,332,308

Included in current assets at November 30 2020 is cash of \$2,168,251, receivables of \$82,350 and prepaid expenses of \$27,872 as well as costs of \$339,338 incurred and recorded in advance of the closing of the acquisition of the Scandinavian projects. The increase in current assets in the current period is mainly due to increased cash balance due to the closing of the private placement September 2020, offset by cash used to maintain the Company's exploration projects and payment of corporate costs incurred to support the Company's operations.

The decrease in non-current assets reflects farm out expenditure of \$430,000 being recorded at the Company's Savant Lake project as a result of the agreement with Ethos Gold Corp. (TSX.V: ECC) ("Ethos") signed on September 21, 2020 in which Ethos may earn-in to a 70% interest in the Savant Lake project in return for staged cash and share payments to the Company and work commitments. The Company will account for the agreement as a farm-out and has adopted the following accounting policy to record expenditures by Ethos:

Farm-outs — in the exploration and evaluation phase

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

The Company recorded exploration and evaluation expenditures of \$49,741 in Argentina during the period and recognised a provision against the expenditure for the same amount. Argentinean exploration expenditures incurred during the period have been adjusted for inflation as required by IAS 29 and offset by the devaluation of the Argentinean peso from the year end. On January 7, 2021, the Company announced it had entered into a Share Purchase Agreement with Cerrado pursuant to which Capella will sell its 100% interest in its Argentine subsidiary, Minera Mariana, which holds the Las Calandrias and Los Cisnes projects, to Cerrado. The final closing of the transaction occurred subsequent to balance date on January 22, 2021. Refer to *Exploration and Activities* section further details.

Current liabilities of the Company include accruals and accounts payable, accruals, other liabilities and provision totalling \$487,703. These balances can fluctuate from period to period depending on the level of exploration activity and corporate activities undertaken by the Company. At November 30, 2020 these liability balances mainly comprise of directors' fees payable of \$29,040, fees payable to the CEO of \$10,000 exploration costs payable to EMX of \$169,846, \$64,977 recorded as deferred consideration from Cerrado in relation to the sale of Minera Mariana Argentina; and balances owed to suppliers and employees in relation to activities in Argentina of \$195,519.

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

The Company has also recognised a contractual obligation payable of \$1,1,235,915 in relation to annual payments to be made to Sandstorm related to the Argentinean portfolio of projects acquired in May 2018. On June 4, 2020, the Company and Sandstorm renegotiated the annual payments due under the agreement with Sandstorm. Annual payments will now become due by applying the following criteria with effect from June 30, 2019:

- No annual payment due if market capitalization of the Company is less than \$10 million on the anniversary date of payment.
- Annual payment of \$200,000 due if market capitalization is between \$10 million and \$20 million on the anniversary date of payment; and
- Annual payment of \$400,000 due if market capitalization is above \$20 million on the anniversary date of payment.

These criteria have been applied to all future annual payment obligations and as a result of the application of these revised criteria the contractual obligation payable was revalued during the period ended November 30, 2020 with a revaluation gain of \$318,564 being recorded in the six months ended November 30, 2020.

The contractual obligation requires the Company to make annual payments of up to \$400,000 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 period ended November 30, 2020 the Company recorded interest expense of \$5,127 in relation to the contractual obligation payable.

Annual payments are due on the anniversary date of the acquisition of its interests in the Las Calandrias, Los Cisnes and 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%.

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

The annual payments described above are payable in Company Shares, however the Company may elect to make a payment in cash. If the payments are 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.

Under the terms of the Transaction with Cerrado finalized on January 22, 2021 Capella received 1,125,000 Cerrado shares on closing. However, the Company transferred 562,500 of the Cerrado shares to Sandstorm in consideration of the extinguishment of the annual maintenance payments of the Company owing to Sandstorm in respect of the Las Calandrias and Los Cisnes projects under a share purchase agreement dated February 19, 2018 as amended and assigned. This revaluation of the contractual obligation payable will be recorded as at the date of finalization of the transaction.

In April 2020, the Company received \$40,000 as part of the Bank of Montreal's Canada Emergency Business Account ("CEBA") program introduced as part of the Canadian Government's COVID-19 relief measures. The Company entered into an interest-free loan of \$40,000 with the Bank of Montreal, guaranteed by the Government

of Canada, to help cover operating costs for businesses which may have been impacted by COVID-19. The Government program payment timelines are as follows:

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

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

RESULTS OF OPERATIONS

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

	November 30, 2020	November 30, 2019
	\$	\$
Management and administrative fees	223,066	172,488
Share based payments	84,972	64,118
Regulatory and transfer agent fees	47,878	11,651
Professional fees	37,254	47,262
Office and general	27,045	36,990
Provision against exploration & evaluation assets	49,741	-
Loan interest	9,843	6,247
Shareholder information and meetings	19,950	22,814
Contractual obligation interest	5,127	16,073
Salaries and benefits	2,073	125,333
Loss on sale of subsidiary	51,084	-
Provision against deferred exploration and evaluation costs	49,741	310

Discussion of operations

Six months ended November 30, 2020 and November 30, 2019

During the six months ended November 30, 2020 (“current six-month period”), the Company recorded a net loss of \$178,228 compared to a net loss of \$497,484 for the six-month period ended November 30, 2019 (“comparative six-month period”).

The net loss recorded for the current six-month period is due mainly to the increased management and administrative fees recorded of \$50,578, an increase in the share-based payment expense of \$20,854 due to options being issued during the period, a provision of \$49,741 recognised on Argentinean exploration costs, loss of \$51,084 recognised on the sale of subsidiary, Sierra Blanca SA. These costs were offset by; a reduction of \$123,260 in salaries expense, a revaluation gain of \$318,564 recorded as a result of the revaluation of the contractual obligation payable due to amended terms being agreed with Sandstorm and an unrealized gain of \$40,000 on the movement in value of financial asset (quoted Ethos shares) and gain on sale of equipment of \$17,201 in Argentina recorded during the period.

Significant costs are detailed further below.

During the period, the Company recognised a write down provision of \$49,741 against its Las Calandria and Los Cisnes projects to reflect the Company's change in exploration strategy, as during the period ending November 30, 2020 the Company moved its focus from its Argentinean portfolio to its newly acquired Swedish and Norwegian projects. During the period ending November 30, 2020, the Company disposed of its subsidiary Sierra Blanca SA and recognised a loss of \$51,084 on sale of subsidiary, the Company also entered into an agreement with Cerrado for it to acquire its remaining Argentinean subsidiary Minera Mariana Argentina, cementing the Company's strategy of extracting value from its Argentinean portfolio while repositioning its focus on its Scandinavian projects.

Management and administrative fees increased by \$50,578 in the current six-month period compared to the comparative six-month period mainly due to an increase in consulting fees of \$27,499 as the Company moved its salaried employee to a consulting position, increase in non-executive director fees of \$29,041 as these fees were suspended in the comparative period. This increase in management and administrative fees was offset by a decrease in accounting fees incurred in Argentina of approximately \$6,000.

Regulatory and transfer agent fees have increased by \$36,227 in the current six-month period due predominantly to fees incurred in relation to the private placement completed in September 2020 and fees associated with seeking approval for the acquisition of the EMX Scandinavian properties.

Professional fees have decreased by \$10,008 due to decreased activities in Argentina.

Office and general costs decreased in the current six-month period by \$9,945 when compared to the comparative six-month period due mainly to reduced rental costs in Canada and Argentina.

Salaries expenses decreased by \$123,260 due to the termination of employees in Canada and Argentina in the twelve-month period ending May 31, 2020.

Loan interest expense increased by \$3,596 as the Company incurred interest on several loans provided by Sandstorm during the twelve-month period ending May 31, 2020. Capella also continued to record interest in relation to its contractual obligation of payable to Sandstorm of \$5,127 for the six-month period which has reduced from the prior comparative period as a result of the amendment to the terms of the annual payments to be made to Sandstorm.

The Company capitalizes all acquisition and exploration costs until the property to which those costs relate is placed into production, sold or abandoned. The decision to abandon a property is largely determined from exploration results and the amount and timing of the Company's write-offs of capitalized mineral property costs will vary from one year to the next and typically cannot be predicted in advance.

SUMMARY OF QUARTERLY RESULTS

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

Period	Revenues	Net profit (loss) for the period	Net profit/(loss) per share for the period
	\$	\$	\$
Three months ended November 30, 2020	Nil	(305,717)	0.00
Three months ended August 31, 2020	Nil	127,489	0.00
Three months ended May 31, 2020	Nil	(4,799,790)	(0.08)
Three months ended February 29, 2020	Nil	(221,386)	(0.00)
Three months ended November 30, 2019	Nil	(251,230)	(0.00)
Three months ended August 31, 2019	Nil	(246,254)	(0.00)
Three months ended May 31, 2019	Nil	(952,732)	(0.02)
Three months ended February 28, 2019	Nil	(331,311)	(0.01)

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

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

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

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

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

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

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

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

The Company's loss of \$246,254 for the first quarter of fiscal 2020 is lower that that of the comparative quarter in 2018 due mainly to the reduction in shared based payment expense, as this cost fluctuates from period to period

as the cost recognised over the vesting period of the options issued, and a reduction in operating costs as the Company has looked for opportunities to reduce expenditure.

The Company's loss of \$952,732 for the fourth quarter fiscal 2019 is largely due to the write off of IVA receivable of \$603,674. This increase in loss was offset slightly by a decrease in some costs that were higher in the comparative quarter due to the increased activity related to the private placement and the acquisition of the Argentinean assets.

The Company's loss of \$331,311 for the third quarter fiscal 2019 reflects the expanded operations and activities of the Company.

SEGMENT INFORMATION

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

	November 30, 2020	May 31, 2020
	\$	\$
Canada	908,103	1,334,924
South America	-	166,667
	908,103	1,501,591

During the period ending November 30, 2020 the Company entered into an option and purchase agreement to acquire 100% interests in the Southern Gold Line Project located in central Sweden, and the Løkken and Kjøli copper-zinc-gold projects located in central Norway. TSXV approval for the transaction had not been received as at November 30, 2020 and as a result expenditure incurred in relation to these project has been recorded as a prepayment of project expenditure at November 30, 2020.

The Company sold its subsidiary Sierra Blanca SA during the period which owns the licenses to the Sierra Blanca project located in Santa Cruz, Argentina.

The Company has recognised a provision against the balance of its remaining projects in Argentina at November 30, 2020.

On October 28, 2020 the Company announced it had entered into a Binding Letter of Intent ("LOI") with Cerrado for the sale of its 100% 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 an extensive portfolio of exploration concessions in the Eastern Deseado Massif, Santa Cruz Province, southern Argentina. On January 7, 2021 the Company announced it had entered into a Share Purchase Agreement with Cerrado pursuant to which Capella will sell its 100% interest in its Argentine subsidiary, Minera Mariana, to Cerrado. Finalization of this deal with Cerrado occurred on January 22, 2021.

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2020 the Company had cash of \$2,168,251. The Company has no operations that generate cash flow and its long-term financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. The Financial Statements have been prepared on the assumption that the Company is a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations.

The Company has incurred an accumulated deficit of \$17,861,996 at November 30, 2020 and has no current source of revenue. It is important to note the Company's continuation as a going concern is dependent on its ability to attain profitable operations and generate funds therefrom and/or raise funds sufficient to meet current

and future obligations. In order to continue normal course of operations the Company is seeking additional equity funding, or alternative options, to fund ongoing exploration activities and to meet its current and ongoing general and administrative costs. The Company cannot guarantee it will be successful in raising additional funding, or in securing alternative financing options.

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

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

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

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

On August 8, 2019, the Company received a cash injection of \$200,000 by entering into a short-term loan agreement with Sandstorm. The loan and interest of 10% per annum, compounding quarterly, carried an initial 3 month term rolled over by mutual agreement for successive three month periods until such time as payment is made. Additional cash injections were received from Sandstorm of \$115,000 in February 2020 and \$100,000 in March 2020 on the same terms as the earlier loan. Interest of \$9,843 has been accrued on the Sandstorm loans for the six-month period ending November 30, 2020. On September 18, 2020, the Company settled the total balance of its loan payable to Sandstorm as at August 25, 2020 of \$447,320 (including principal and interest) through the debt conversion of \$223,660 completed on September 16, 2020 and cash repayment of \$223,660.

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

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

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

Operating Activities

During the six months ended November 30, 2020, the Company used \$1,314,405 (comparative six-month period – \$220,995) of cash to fund the ongoing operating activities of the Company. The cash used in operations reflects

the loss incurred from operations of \$178,228 (comparative three-month period – loss \$497,484) adjusted for the changes in working capital items such as accounts receivable and accounts payable and non-cash items. Non-cash items include revaluation of contractual obligation payable of \$318,564 (comparative three-month period \$nil), unrealized gain of \$40,000 on revaluation of financial asset (comparative three-month period \$nil) share based payments expense \$84,972 (comparative six-month period - \$64,118), loss on sale of subsidiary \$51,084 (comparative three-month period \$nil) provision against deferred exploration and evaluation costs \$49,741 (comparative three-month period \$nil), interest on contractual obligation payable \$5,127 (comparative six-month period: \$16,073), interest on loan of \$9,843 (comparative six-month period: \$6,247) and gain on sale of equipment \$17,201 (comparative three-month period \$nil).

Investing Activities

During the period ended November 30, 2020 the Company incurred net cash inflow in investing expenditures of \$42,007 (comparative six-month period – outflow \$85,627) due to exploration activities related to its Argentinean and Scandinavian projects, offset by proceeds of \$50,000 received in relation to farm out arrangement at the Company's Canadian projects, proceeds of \$131,184 received from the sale of the Company's subsidiary and deferred consideration of \$64,977 received from Cerrado in relation to the agreement entered into for the purchase of the Company's remaining Argentinean subsidiary, as well as proceeds of \$17,201 from the sale of a vehicle in Argentina.

Financing Activities

During the six months ended November 30, 2020, the Company received private placement funds of \$3,624,992 offset by share issue costs of \$ 128,684 and payment of outstanding loan to Sandstorm of \$223,660.

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

COMMITMENTS AND CONTINGENCIES

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

- Until Capella has completed financings to the value of CAD 4,500,000, EMX will retain a free carried 9.9% shareholding in Capella (subject to a cap of 12,693,785 shares). Afterwards, EMX retains the option to participate in future financings at its own discretion (in progress).
- On or before September 1, 2021, Capella shall incur no less than USD 100,000 in exploration expenditures on each of the three projects (in progress).
- On or before September 1, 2022, Capella shall incur an additional USD 500,000 in exploration expenditures aggregated across three projects (or on any one project).
- Beginning September 1, 2023, Capella commits to completing at least 1,000m of drilling on each project per year until the earlier of: i) a minimum of 10,000m has been completed on such project ii) the date that Capella has delivered to EMX a relinquishment notice in respect of a project or iii) the date that the parties mutually agree that no further drilling is warranted.
- From the second anniversary of signing (September 1, 2022), Capella will be required to make advanced royalty payments to EMX of USD 25,000 per project, increasing USD 5,000/year up until reaching a maximum of USD 75,000/year per project.
- Capella to make additional payments of USD 500,000 to EMX upon:
 - The filing of a Preliminary Economic Assessment technical report
 - The filing of a National Instrument 43-101 ("NI-43101) compliant feasibility study
- EMX to retain a 2.5% NSR in the projects, with 0.5% being purchasable for USD 1M within 6 years
- Capella to reimburse EMX USD 68,000 for pre-payment of future land holding costs in Sweden

OFF BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

Outstanding share data as at January 28, 2021 is as follows:

	Price	Expiry date	Number of common shares
Common shares issued and outstanding			137,523,077
Securities convertible into common shares			
Options			
	\$0.38	May 19, 2021	141,400
	\$0.34	March 27, 2022	60,000
	\$0.25	June 4, 2023	3,350,000
	\$0.15	October 18, 2023	250,000
	\$0.12	November 4, 2023	4,980,000
Warrants	\$0.125/0.25*	March 8, 2022	7,062,350
	\$0.12	September 3, 2023	62,558,261
			215,925,088

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

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

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

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

On September 8, 2020, the Company announced the completion of a non-brokered private placement, for proceeds of \$3,624,992. The Company successfully completed the placement of 60,416,531 units. The units are comprised of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.12 until expiry September 3, 2023. The Company paid an aggregate of \$128,684 in broker fees and issued 2,081,730 brokers warrants under the same terms and conditions of the unit warrants. All securities issued under the placement are subject to a four month hold period trade restriction expiring January 4, 2021.

RISKS AND UNCERTAINTIES

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

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

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

Exploration Stage Company

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

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

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

Political or economic instability in countries where the Company operates

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

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

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

Competition

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

Title to Property

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

Personnel

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

Commodity Price Risk

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

TRANSACTIONS WITH RELATED PARTIES

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

- a) Related party transactions

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

- (i) Consulting costs relate to ER Global (CEO) - \$60,000, Marketworks (Company Secretary) \$20,000, and Genco Professional Services (CFO) \$31,321 and non-executive director fees of \$29,041

		Six months ended November 30, 2020	Six months ended November 30, 2019
		\$	\$
Consulting	(i)	140,362	108,150
Share-based payments		78,146	52,532

b) Related party balances

	November 30, 2020	May 31, 2020
	\$	\$
ER Global – Eric Roth - Chief Executive Officer	10,000	278,247
Genco Professional Services Sharon Cooper – Chief Financial Officer	-	81,632
Scott Heffernan (resigned November 2019)	-	27,414
Perihelion Inc - Mary Little	14,520	43,987
Glen Parsons	14,520	38,636
John Wenger (resigned November 2019)	-	28,785
Cameron McLean (resigned February 2020)	-	88,467
Marketworks Inc Kathryn Witter -Corporate Secretary	-	27,450

The Company also has a contractual obligation payable balance of \$1,235,915 to Sandstorm. The Company issued 3,400,000 shares in payment of the annual payment balance owing. Refer Note 9 for further detail. Under the terms of the Transaction with Cerrado finalized on January 22, 2021 Capella received 1,125,000 Cerrado shares on closing. However, the Company transferred 562,500 of the Cerrado shares to Sandstorm in consideration of the extinguishment of the annual maintenance payments of the Company owing to Sandstorm in respect of the Las Calandrias and Los Cisnes projects under a share purchase agreement dated February 19, 2018 as amended and assigned.

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

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

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

c) Compensation of key management personnel

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

		Six months ended November 30, 2020	Six months ended November 30, 2019
		\$	\$
Salary/Exploration/Consulting	(i)	140,362	183,150
Share based payments		78,146	26,733

(i) Key management were not paid post-employment benefits or other long-term benefits were paid during the six months ended November 30, 2020 and November 30, 2019.

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

FINANCIAL RISK MANAGEMENT

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

a) Currency Risk

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

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

November 30, 2020	Cash	Receivables	Accounts payable and accrued liabilities
	\$		\$
US dollars	175,500	-	19,459
Argentinean peso	63,992	-	179,407
Great British pounds	-	-	728
Swedish krona		47,138	243,440

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

At November 30, 2020 with other variables unchanged, a +/-10% change in exchange rates would decrease/increase pre-tax loss by \$15,639. (2019: \$37,851).

b) Interest rate and credit risk

At November 30, 2020, 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 November 30, 2020 and November 30, 2019, the Company did not hold any short-term investments or cash equivalents.

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

During the twelve months ending May 31, 2020, the Company took out interest-bearing short-term loans with Sandstorm. These loans were extinguished during the period ending November 30, 2020. Refer to *Liquidity and Capital Resources* section for further details.

c) Liquidity Risk

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

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

Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at November 30, 2020, the Company had cash of \$2,168,251 (May 31, 2020 - \$43,219) to settle current liabilities of \$692,809 (May 31, 2020 - \$2,701,409). Included in current liabilities is a balance owed to related parties of \$39,040. Also included in current liabilities is a balance of \$205,106 for the current portion of the contractual obligation payable to Sandstorm. During the period ended November 30, 2020, this payable was renegotiated and terms amended.

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

In order to meet its current working capital requirements and ongoing general and administrative costs the Company will seek additional equity funding or secure alternative financing options. On September 8, 2020, the Company announced the completion of a non-brokered private placement, for proceeds of \$3,624,992. The Company also announced on September 16 and 18, 2020 that it had agreed to settle \$385,963 of outstanding indebtedness to current and former insiders of the Company with the issuance of 6,432,713 common shares of the Company at a deemed price of \$0.06 per share. Refer to *Liquidity and Capital Resources* section for further details.

d) Commodity Price risk

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

CAPITAL MANAGEMENT

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

In the management of capital, the Company includes the components of shareholders' equity.

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

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

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

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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

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

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

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

(ii) *Valuation of share-based payments*

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

(iii) *Income taxes*

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

(iv) *Non-cash transactions*

The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into

with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

(v) *Functional currency*

The Company has evaluated the economic environment its entities operate in and determined that the functional currency of its Argentinean subsidiaries is the Argentinean peso and that the functional currency of its other entities is the Canadian dollar.

(vi) *Contractual obligation payable*

The Company has a contractual obligation to pay up to \$400,000 per year for a period of up to 15 years to acquire certain assets in Argentina. The terms of this payable were amended during the period ended November 30, 2020. Refer Note 9 of the Interim Financial Statements. The Company has assessed the contractual obligation payable for the acquisition of the Argentinean assets as being more likely than not to not continue past 5 years from the effective date of the amendment to the agreement. Annual payments in relation to the Las Calandrias and Los Cisnes are to be removed with the finalisation of the Cerrado deal. Revaluation of the contractual obligation payable will be recorded as at the date of the finalisation of this transaction.

(vii) *Hyperinflation reporting*

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

ACCOUNTING STANDARDS

Principles of Consolidation

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

Entity	Country of incorporation	Functional Currency
Minera Mariana Argentina SA	Argentina	Argentinean Peso
NDR Guernsey Limited	Guernsey	Canadian dollar
NDR Holdings Limited	Guernsey	Canadian dollar
New Dimension Guernsey Limited	Guernsey	Canadian dollar
Mariana International Limited	Guernsey	Canadian dollar
Dimension Resources (USA) Inc.	U.S.A.	Canadian dollar

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

New Accounting policy

The Company adopted the following policy during the period.

Farm-outs — in the exploration and evaluation phase

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

APPROVAL

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

ADDITIONAL INFORMATION

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

FORWARD LOOKING INFORMATION

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

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

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

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

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