

CAPELLA MINERALS LIMITED
(formerly New Dimension Resources Ltd)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2021

UNAUDITED

(Expressed in Canadian Dollars)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management of Capella Minerals Limited. Capella Minerals Limited independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

Capella Minerals Limited (formerly New Dimension Resources Ltd)

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian Dollars

As at

	Note	August 31, 2021 \$	May 31, 2021 \$
ASSETS			
Current			
Cash		650,896	1,103,663
Receivables	3	23,493	15,347
Prepaid expenses		315,868	154,890
		<u>990,257</u>	<u>1,273,900</u>
Non-current			
Exploration and evaluation assets	6	3,395,751	3,130,253
Financial assets	5	2,358,333	1,848,333
Investment in Associates		126,040	126,040
		<u>5,880,124</u>	<u>5,104,626</u>
TOTAL ASSETS		<u>6,870,381</u>	<u>6,378,526</u>
LIABILITIES			
Current			
Accounts payable, accrued & other liabilities	4	314,310	181,805
Contractual obligation payable	7	29,889	29,870
Provision		1,446	-
		<u>345,645</u>	<u>211,675</u>
Non-current			
Contractual obligation payable	7	129,202	129,118
Loans	8	40,000	40,000
		<u>169,202</u>	<u>169,118</u>
TOTAL LIABILITIES		<u>514,847</u>	<u>380,793</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	9	20,102,141	20,102,141
Reserves – warrants	9	419,702	419,702
Reserves – options	9	1,629,159	1,607,742
Reserves – foreign currency translation		7,876	83
Accumulated deficit		<u>(15,803,344)</u>	<u>(16,131,935)</u>
		<u>6,355,534</u>	<u>5,997,733</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		<u>6,870,381</u>	<u>6,378,526</u>
Nature of operations and going concern	1		
Basis of presentation	2		
Subsequent events	15		

APPROVED ON BEHALF OF THE BOARD ON October 29, 2021:

Eric Roth
Director

Glen Parsons
Director

- See accompanying notes to the condensed interim consolidated financial statements –

Capella Minerals Limited (formerly New Dimension Resources Ltd)
Condensed Interim Consolidated Statements of Profit or Loss and Comprehensive Profit or Loss

Expressed in Canadian Dollars

For the three months ended

	Note	August 31, 2021 \$	August 31, 2020 \$
General and administrative expenses			
Management and administrative fees		99,355	100,271
Shareholder information and meetings		44,831	6,448
Share-based payments	9	21,417	-
Office and general		6,607	13,425
Professional fees		4,966	24,743
Regulatory and transfer agent fees		3,584	25,090
Salaries and benefits		-	1,103
		(180,760)	(171,080)
Unrealized movement – financial assets	5	510,000	-
Property investigation costs/ Provision against deferred exploration and evaluation costs		-	(11,816)
Foreign exchange gain/(loss)		(546)	7,893
Loan interest & other		-	(10,208)
Contractual obligation payable interest	7	(103)	(4,183)
Write off of IVA receivable		-	(1,681)
Gain on revaluation of contractual obligation payable		-	318,564
		328,591	127,489
Income/(Loss) for the year			
Other comprehensive gain/(loss)			
Foreign currency translation		7,793	(663,848)
Net monetary gain		-	686,505
Comprehensive income/(loss) for the year		336,384	150,146
Income/(Loss) per share – basic	\$	0.0	0.0
Income/(Loss) per share – diluted	\$	0.0	0.0
Weighted average number of shares outstanding – basic		151,137,862	66,773,832
Weighted average number of shares outstanding –diluted		228,153,472	70,673,832

Capella Minerals Limited (formerly New Dimension Resources Ltd)
Condensed Interim Consolidated Statements of Profit or Loss and Comprehensive Profit or Loss

Expressed in Canadian Dollars

For the three months ended

- See accompanying notes to the condensed interim consolidated financial statements –

Capella Minerals Limited (formerly New Dimension Resources Ltd)**Condensed Interim Consolidated Statements of Cash Flows***Expressed in Canadian Dollars**For the three monthss ended*

	Note	August 31, 2021	August 31, 2020
		\$	\$
Cash provided by (used in):			
Operating activities			
Gain/(Loss) for the year		328,591	127,489
Items not affecting cash:			
Revaluation of contractual obligation payable		-	(318,564)
Unrealized movement on financial assets		(510,000)	-
Provision against deferred exploration and evaluation costs		-	11,816
Share-based payments		21,417	-
Foreign exchange		546	(7,893)
Loan interest		-	9,823
Contractual obligation payable interest		103	4,183
Write off of IVA receivable		-	1,681
Changes in non-cash working capital		(26,031)	(164,422)
		(185,374)	(335,887)
Financing activities			
Shares to be issued		-	618,662
		-	618,662
Investing activities			
Exploration and evaluation costs		(274,664)	(11,394)
		(274,664)	(11,394)
Change in cash		(460,038)	
			271,381
Effect of fluctuations in exchange rates on cash		7,271	2,702
Cash – beginning of year		1,103,663	43,219
Cash – end of year		650,896	317,302

Supplemental cash flow information

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– See accompanying notes to the condensed interim condensed consolidated financial statements –

Capella Minerals Limited (formerly New Dimension Resources Ltd)

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

For the Three Months Ended May 31, 2021

Expressed in Canadian Dollars

	Share capital (Number of Shares) (i)	Share capital (Amount)	Reserves- Deferred equity	Reserves – Warrants	Reserves – Options	Reserves- Foreign Currency Translation	Accumulated Deficit	Total
		\$	\$	\$	\$	\$	\$	\$
May 31, 2020	66,773,832	14,454,766	-	336,180	1,480,402	(498,670)	(17,683,768)	(1,911,090)
Shares to be issued	-	-	618,662	-	-	-	-	618,662
Income for the year	-	-	-	-	-	-	127,489	127,489
Net monetary gain	-	-	-	-	-	686,505	-	686,505
Foreign currency translation	-	-	-	-	-	(663,848)	-	(663,848)
August 31, 2021	66,773,832	14,454,766	618,662	336,180	1,480,402	(476,013)	(17,556,279)	(1,142,282)
Shares issued- debt conversion	6,432,714	385,963	-	-	-	-	-	385,963
Shares issued- private placement (net of costs)	60,416,531	3,412,786	(618,662)	83,522	-	-	-	2,877,646
Shares issued – contractual obligation payable	3,400,000	306,000	-	-	-	-	-	306,000
Shares issued – IAMGOLD	500,000	45,000	-	-	-	-	-	45,000
Shares issued – EMX	13,614,785	1,497,626	-	-	-	-	-	1,497,626
Share-based payments	-	-	-	-	127,340	-	-	127,340
Income for the year	-	-	-	-	-	-	1,424,344	1,424,344
Net monetary gain	-	-	-	-	-	(616,055)	-	(616,055)
Foreign currency translation	-	-	-	-	-	815,701	-	815,701
Reclassification of foreign currency translation reserve balance to profit or loss on disposal of subsidiaries	-	-	-	-	-	276,450	-	276,450
May 31, 2021	151,137,862	20,102,141	-	419,702	1,607,742	83	(16,131,935)	5,997,733
Income for the year	-	-	-	-	-	-	328,591	328,591
Share-based payments	-	-	-	-	21,417	-	-	21,417
Foreign currency translation	-	-	-	-	-	7,793	-	7,793
August 31, 2021	151,137,862	20,102,141	-	419,702	1,629,159	7,876	(15,803,344)	6,355,534

- See accompanying notes to the condensed interim consolidated financial statements –

Capella Minerals Limited (formerly New Dimension Resources Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2021

Expressed in Canadian Dollars

1. Nature of Operations and Going Concern

Capella Minerals Limited (previously known as New Dimension Resources Ltd) (the "Company" or "Capella") is incorporated under the laws of the Province of British Columbia, Canada. The Company's corporate office and registered address and records office being located at 8681 Clay Street, Mission, British Columbia.

The Company engages primarily in the acquisition, exploration and development of gold and copper properties with a current emphasis on Sweden, Norway and Canada. On August 24, 2021, the Company signed a binding Letter of Intent ("LOI") with Cullen Resources Limited (ASX: CUL)("Cullen") through which Capella may earn-in to Cullen's Katajavaara and Aakenus gold(-copper) projects in the Central Lapland Greenstone Belt ("CLGB") of northern Finland.

These condensed interim consolidated financial statements for the three months ended August 31, 2021 (the "interim financial statements") have been prepared on the assumption that the Company is a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. The Company has incurred a deficit of \$15,803,344 at August 31, 2021 and has no current source of revenue. The Company's continuation as a going concern is dependent on its ability to attain profitable operations and generate funds therefrom and/or raise funds sufficient to meet current and future obligations and exploration expenditure. There can be no assurances that management's future plans for the Company will be successful. The Company will require additional financing in order to fund working capital requirements and conduct additional acquisitions, exploration and evaluation of mineral properties. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of assets and liabilities that might be necessary, should the Company be unable to continue as a going concern.

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

2. Basis of Presentation

These condensed interim consolidated financial statements for the three months ended August 31, 2021, and August 31, 2020 ("interim financial statements") have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's annual financial statements for the year ended May 31, 2021, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board.

These interim financial statements of the Company and its subsidiaries for the three months ended August 31, 2021, were approved and authorized for issue by the Board of Directors on October 29, 2021.

Historical cost

These condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value and balances related to the former Argentinean subsidiaries that have applied IAS 29 during the year. These interim financial statements have been prepared using the accrual method for cash flow transactions.

Approval

These condensed interim financial statements of the Company were approved and authorized for issue by the Board of Directors on October 29, 2021.

Capella Minerals Limited (formerly New Dimension Resources Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2021

Expressed in Canadian Dollars

2. Basis of Presentation- continued

Principles of Consolidation

The interim financial statements include the accounts of the Company and its 100% controlled entities as follows:

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

Significant Accounting Estimates and Judgments

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

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

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

The most significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, the valuation of share-based payments, the valuation of the contractual obligation payable, hyperinflationary reporting, non-cash transaction and functional currency.

Significant estimates and critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

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

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

(ii) Valuation of share-based payments

The determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and Company's earnings and equity reserves.

(iii) Non-cash transactions

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

Capella Minerals Limited (formerly New Dimension Resources Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2021

Expressed in Canadian Dollars

2. Basis of Presentation- continued

(iv) Functional currency

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

(v) Contractual obligation payable

The Company has a contractual obligation to pay up to \$50,000 per year for a period of up to 15 years (from inception) to acquire certain assets in Argentina. The terms of this payable were amended on June 4, 2020. Refer Note 7. The Company has assessed the contractual obligation payable for the acquisition of the Argentinean assets as being more likely than not to not continue past 5 years from the effective date of the amendment to the agreement. As part of the finalisation of the Cerrado deal on January 22, 2021, the annual payments of the Company owing to Sandstorm Gold Limited ("SSL") were extinguished in respect of the Las Calandrias and Los Cisnes projects under a share purchase agreement dated February 19, 2018, as amended and assigned. The remaining annual payment obligation is in relation to the Sierra Blanca project.

3. Receivables

	August 31, 2021	May 31, 2021
	\$	\$
HST/GST receivable	23,493	15,084
Other receivables	-	263
	23,493	15,347

4. Accounts payable, accrued & other liabilities

	August 31, 2021	May 31, 2021
	\$	\$
Accounts payable	163,950	85,320
Accrued liabilities	150,360	96,485
	314,310	181,805

Capella Minerals Limited (formerly New Dimension Resources Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2021

Expressed in Canadian Dollars

5. Financial Instruments

Categories of financial instruments

	August 31, 2021	May 31, 2021
	\$	\$
Financial assets		
FVTPL		
Cash	650,896	1,103,663
Quoted equity shares (i) & (ii)	2,358,333	1,848,333
	3,009,229	2,951,996
Financial liabilities		
Amortized cost		
Accounts payable, accrued & other liabilities	314,310	181,805
Loan	40,000	40,000
Contractual obligation payable	159,091	158,988
	513,401	380,793

(i) The Company received 2,000,000 Ethos Gold Corp. (TSX.V: ECC) (“Ethos”) shares as part of the Savant Lake farm out deal. These shares were revalued at August 31, 2021, resulting in an unrealized gain of \$460,000 being recorded in the Statement of Profit or Loss for the period ending August 31, 2021 (2020: \$nil).

(ii) The Company received 833,334 Cerrado Gold Inc (TSX.V: CERT.V) (“Cerrado”) shares as part of the sale of the Argentinean subsidiary on January 22, 2021. These shares were revalued at August 31, 2021 resulting in an unrealized gain of \$50,000 being recorded in Statement of Profit or Loss for the period ending August 31, 2021.

Fair value of financial instruments

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

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

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

	August 31, 2021	May 31, 2021
	\$	\$
Financial Assets		
Level 1		
Cash	650,896	1,103,663
Quoted shares	2,358,333	1,848,333
Level 2	-	-
Level 3	-	-
Financial Liabilities		
Level 1	-	-
Level 2	-	-
Level 3	-	-
Contractual obligation payable	159,091	158,988

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

Capella Minerals Limited (formerly New Dimension Resources Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2021

Expressed in Canadian Dollars

5. Financial Instruments (continued)

Financial Risk Management

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

a) Currency Risk

The Company is primarily exposed to currency fluctuations relative to the Canadian dollar through expenditures that are predominantly denominated in US dollars, Swedish kroner and Norwegian kroner. Also, the Company is exposed to the impact of currency fluctuations on its monetary assets and liabilities.

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

August 31, 2021	Cash	Receivables	Accounts payable and accrued liabilities
	\$	\$	\$
US dollars	92,920	-	75,692
Swedish kroner	24,984	19,305	140,432
Norwegian kroner	1,890	-	26,177
Swiss francs			

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

At August 31, 2021 with other variables unchanged a +/- 10% change in exchange rates would decrease/increase pre-tax loss by \$10,320 (2020: \$43,765).

b) Interest rate and credit risk

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

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

Capella Minerals Limited (formerly New Dimension Resources Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2021

Expressed in Canadian Dollars

5. Financial Instruments (continued)

c) Liquidity risk

Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at August 31, 2021 the Company had cash of \$650,896 (May 31, 2021 - \$1,103,663) to settle current liabilities of \$345,645 (May 31, 2021 - \$211,675) which includes \$29,889 which is the current portion of the contractual obligation payable which is payable in equity shares.

d) Commodity Price risk

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

e) Equity price risk

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

At August 31, 2021 with other variables unchanged a +/- 10% change of the quoted equity investment value at the end of the reporting period would result in a decrease/increase in pre-tax loss of \$235,833 (2020: nil),

Capella Minerals Limited (formerly New Dimension Resources Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2021

Expressed in Canadian Dollars

6. Exploration and Evaluation Assets

	Southern Gold Line, Sweden	Løkken, Norway	Kjøli, Norway	Las Calandrias Santa Cruz, Argentina	Los Cisnes, Santa Cruz, Argentina	Sierra Blanca, Santa Cruz, Argentina	Savant Lake, Ontario, Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance May 31, 2020	-	-	-	-	-	166,667	1,334,924	1,501,591
Camp, travel, administration and other costs	-	-	-	4,971	2,563	-	1,093	8,627
Geologists and data collection	-	-	-	4,282	-	-	-	4,282
Drilling and assay costs	-	-	-	-	-	-	-	-
Provision against exploration and evaluation costs	-	-	-	(9,253)	(2,563)	-	-	(11,816)
IAS 29 adjustment (historic)	-	-	-	470,282	196,873	15,515	-	682,670
Foreign exchange movement	-	-	-	(470,282)	(196,873)	(15,515)	-	(682,670)
Balance August 31, 2020	-	-	-	-	-	166,667	1,336,017	1,502,684
Acquisition and tenure	584,553	620,897	629,394	-	-	-	-	1,834,844
Camp, travel, administration and other costs	46,499	75,956	-	-	-	-	2,086	124,541
Geologists and data collection	24,958	76,249	128,639	-	-	-	-	229,846
Drilling and assay costs	3,514	31,491	-	-	-	-	-	35,005
Sale of subsidiary	-	-	-	-	-	(166,667)	-	(166,667)
Farm out recoveries	-	-	-	-	-	-	(430,000)	(430,000)
Balance May 31, 2021	659,524	804,593	758,033	-	-	-	908,103	3,130,253
Acquisition and tenure	14,826	-	1,457	-	-	-	-	16,283
Camp, travel, administration and other costs	79,157	8,294	4,190	-	-	-	-	91,641
Geologists and data collection	18,511	29,503	90,133	-	-	-	-	138,147
Drilling and assay costs	-	12,447	-	-	-	-	-	12,447
Foreign exchange movement	6,271	(156)	865	-	-	-	-	6,980
Balance August 31, 2021	778,289	854,681	854,678	-	-	-	908,103	3,395,751

Capella Minerals Limited (formerly New Dimension Resources Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2021

Expressed in Canadian Dollars

6. Exploration and Evaluation Assets (continued)

SCANDINAVIAN PROJECTS

Katajavaara and Aakenus, Finland

On August 24, 2021, the Company signed a binding LOI Cullen through which Capella may earn-in to Cullen's Katajavaara and Aakenus gold(-copper) projects in the highly-prospective CLGB of northern Finland.

Terms of the agreement are:

- Capella will acquire an initial 70% interest in Cullen Oy (Cullen's 100%-owned Finnish subsidiary and registered owner of the Katajavaara and Aakenus gold-copper projects) in return for paying Cullen AUD 50,000 upon the transaction receiving TSX.V Exchange and regulatory approval (the "Closing Date").
- Capella will be required to invest a total of USD 250,000 in exploration expenditures on the two projects over a 24 month period from the Closing Date. Capella may then acquire a further 10% interest in Cullen Oy (for a total 80% interest) in return for a further USD 750,000 investment in the two projects over a 4.5-year period from the Closing Date.
- Cullen will then be free carried until the completion of a Pre-Feasibility Study ("PFS") on either of the two projects. Thereafter, a standard dilution formula will apply and should party's direct interest fall to below 10% then they will revert to a 2% Net Smelter Royalty (with 1% being purchasable for USD 1 million).

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

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

The binding LOI with Cullen was approved by the TSX Venture Exchange subsequent to the period ending August 31, 2021 and the acquisition of the Finnish subsidiary will be recognised in the financial statements in the subsequent period.

Southern Gold Line, Sweden

The Southern Gold Line ("SGL") project is located in central Sweden and consists of 6 licences covering 500 square kilometres.

Løkken and Kjølvi, Norway

The Løkken and Kjølvi projects located in north-central Norway consist of large claim blocks (210 square kilometres and 246 square kilometres, respectively).

There is a 2.5% royalty over the Scandinavian properties, of which 0.5% may be acquired for US\$ 1M.

CANADIAN PROJECTS

Savant Lake Property, Ontario, Canada

Effective April 1, 2016, the Company entered into an agreement to earn a 100% interest in the Savant Lake Property, in Ontario. By April 1, 2020, the Company had met all of its share and cash commitments and has earned its 100% interest in the Savant Lake property. The property is subject to a 2% NSR, of which 1% can be purchased for \$1,000,000.

Domain Project, Manitoba, Canada

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

Capella Minerals Limited (formerly New Dimension Resources Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2021

Expressed in Canadian Dollars

7. Contractual Obligation Payable

The Company has a contractual obligation payable of \$159,091 in relation to its acquisition on May 14, 2018 of its interests in the Sierra Blanca gold-silver projects in Santa Cruz province, Argentina.

	August 31, 2021	May 31, 2021
	\$	\$
Current	29,889	29,870
Non-current	129,202	129,118
	159,091	158,988

Reconciliation of movements for the three months ended August 31, 2021, are as follows:

Opening balance	158,988
Interest	103
Closing balance	159,091

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

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

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

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

During the three months ended August 31, 2021, the Company recorded interest expense of \$103 (2020: \$4,183) in relation to the contractual obligation payable.

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

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

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

Capella Minerals Limited (formerly New Dimension Resources Ltd)

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For the Three Months Ended August 31, 2021

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8. Loans

	August 31, 2021	May 31, 2021
	\$	\$
Other liabilities	40,000	40,000
	40,000	40,000
Current	-	-
Non-current (i)	40,000	40,000
	40,000	40,000

(i) 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.

9. Share Capital and Reserves

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

Share issuances

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

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9. Share Capital and Reserves

(ii) Stock options

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

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

a) Movements in stock options during the year:

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

b) Fair value of options granted

On November 4, 2020, the Company granted an aggregate of 4,980,000 (2020 – nil) incentive stock options to one director and one officer of the Company. During the three months ending August 31, 2021, a total value of \$21,417 (2020 - \$nil) has been recorded to reserves – options and to share-based payments expense. The portion of share-based payment cost recorded is based on the vesting schedule of the options.

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

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

c) Stock options outstanding

Options Outstanding	Options Exercisable	Price per Share	Remaining contractual life (years)	Expiry date
2,165,000	2,165,000	\$ 0.25	1.76	June 4, 2023
250,000	250,000	\$ 0.15	2.13	October 18, 2023
4,980,000	1,660,000	\$ 0.12	2.18	November 4, 2023
7,395,000	4,075,000			

The weighted average exercise price of the options exercisable at August 31, 2021 is \$0.19.

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For the Three Months Ended August 31, 2021

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9. Share Capital and Reserves (continued)

(iii) Share purchase warrants

a) Movements in warrants during the year:

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

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

b) Fair value of finders' warrants issued

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

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

c) Warrants outstanding

The Company issued 62,558,260 warrants (including 2,141,730 finders' warrants) as part of the private placement in September 2020. Each warrant enables the holder to acquire one additional common share at \$0.12 until expiry September 3, 2023.

The Company issued 7,062,350 warrants (including 375,300 finders' warrants) as part of the private placement completed in March 2019. Each warrant enabled the holder to acquire one additional common share at \$0.125 during the first 18 months and \$0.25 thereafter until expiry March 8, 2022. The warrants will be further subject to accelerated expiry terms. Namely, the Company has the right to accelerate expiry of the warrants if the closing price of Company's shares equals or exceeds \$0.25 per common share for 10 consecutive trading days during the first 18 months, or \$0.50 per common share thereafter.

10. Related Party Transactions

Details of the transactions between the Company and other related parties are disclosed below.

a) Related party transactions

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

	August 31, 2021	August 31, 2020
	\$	\$
Management fees	71,754	67,811
Share-based payments	19,697	-

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10. Related Party Transactions (continued)

b) Related party balances

	August 31, 2021	May 31, 2021
	\$	\$
Glen Parsons	18,923	12,072
Perihelion Inc - Mary Little	18,923	12,072
Marketworks Inc Kathryn Witter -Corporate Secretary	150	150

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

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

	August 31, 2021	August 31, 2020
	\$	\$
Salaries/Exploration/Consulting (i)	71,754	67,811
Share based payments	19,697	-

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

d) Other

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

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

- the Company has a contractual obligation payable balance of \$159,091 to SSL and recorded interest expense of \$103 for the three months ending August 31, 2021 (2020: \$4,183).

11. Segmented Information

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

	August 31, 2021	May 31, 2021
	\$	\$
Total Non-current long-lived assets		
Sweden	778,289	659,524
Norway	1,709,359	1,562,626
Canada	908,103	908,103
	3,395,751	3,130,253

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12. Supplemental Cash Flow Information

	Three months ended August 31, 2021 \$	Three months ended August 31, 2020 \$
Changes in non-cash working capital		
Movement in receivables	(8,146)	(8,220)
Movement in prepaid expenses	14,568	6,844
Movement in accounts payable and accrued liabilities and provisions	(32,453)	(163,046)
	(26,031)	(164,422)
Schedule of non-cash investing and financing transactions:		
Exploration and evaluation expenditures included in accounts payable	173,809	242,628
Contractual obligation interest payable	103	4,183
Supplementary disclosure of cash flow information:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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13. Capital Management

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

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

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

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

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

14. 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 Kjøli projects are as follows:

- Until Capella has completed financings to the value of \$4,500,000 (effective from the private placement completed in September 2020), EMX will retain a free carried 9.9% shareholding in Capella (subject to a cap of 15,693,785 shares). Afterwards, EMX retains the option to participate in future financings at its own discretion (in progress).
- On or before September 1, 2021, Capella shall incur no less than USD 100,000 in exploration expenditures on each of the three projects.
- 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

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15. Subsequent events

- (a) On September 16, 2021, the Company agreed to revise the terms of the earn-in agreement with Ethos Gold 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. Revised terms are detailed below:

	Cash	Ethos Shares	Work Commitment
September 20, 2021	-	1,000,000	-
November 15, 2022	\$50,000	2,000,000	\$500,000
November 15, 2023	\$50,000	2,000,000	\$1,000,000
November 15, 2024	\$50,000	1,000,000	\$500,000
Total	\$150,000	6,000,000	\$2,000,000

- (b) The binding LOI with Cullen was approved by the TSX Venture Exchange subsequent to the period ending August 31, 2021, and the acquisition of the Finnish subsidiary will be recognised in the next reporting period.