

# **CAPELLA MINERALS LIMITED**

## **CONSOLIDATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AUGUST 31, 2022**

**(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

## Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian Dollars

As at

|  | Note | August 31, 2022<br>\$   | May 31, 2022<br>\$      |
|--|------|-------------------------|-------------------------|
| <b>ASSETS</b>  |      |                         |                         |
| <b>Current</b>   |      |                         |                         |
| Cash   |      | 45,112                  | 96,507                  |
| Receivables  | 3    | 31,999                  | 33,940                  |
| Prepaid expenses   |      | 134,592                 | 172,514                 |
|  |      | <u>211,703</u>          | <u>302,961</u>          |
| <b>Non-current</b>   |      |                         |                         |
| Exploration and evaluation assets                                  | 6    | 4,319,414               | 3,883,989               |
| Investment   | 5    | -                       | 330,960                 |
| Investment in Associate  |      | 104,756                 | 112,944                 |
|  |      | <u>4,424,170</u>        | <u>4,327,893</u>        |
| <b>TOTAL ASSETS</b>  |      | <u><b>4,635,873</b></u> | <u><b>4,630,854</b></u> |
| <b>LIABILITIES</b>   |      |                         |                         |
| <b>Current</b>   |      |                         |                         |
| Accounts payable, accrued & other liabilities                      | 4    | 466,221                 | 217,381                 |
| Contractual obligation payable                                     | 7    | 29,910                  | 29,910                  |
| Deferred consideration payable                                     | 8    | 63,240                  | 63,240                  |
|  |      | <u>559,371</u>          | <u>310,531</u>          |
| <b>Non-current</b>   |      |                         |                         |
| Contractual obligation payable                                     | 7    | 129,569                 | 129,491                 |
| Deferred consideration payable                                     | 8    | 211,623                 | 198,045                 |
|  |      | <u>341,192</u>          | <u>327,536</u>          |
| <b>TOTAL LIABILITIES</b>   |      | <u><b>900,563</b></u>   | <u><b>638,067</b></u>   |
| <b>SHAREHOLDERS' EQUITY</b>  |      |                         |                         |
| Share capital  | 9    | 20,102,141              | 20,102,141              |
| Reserves – warrants  | 9    | 419,702                 | 419,702                 |
| Reserves – options   | 9    | 1,901,211               | 1,836,403               |
| Reserves – foreign currency translation                            |      | (25,188)                | (75,952)                |
| Accumulated deficit  |      | (18,789,300)            | (18,417,130)            |
| Non-controlling interests  |      | 126,744                 | 127,623                 |
|  |      | <u>3,735,310</u>        | <u>3,992,787</u>        |
| <b>TOTAL LIABILITIES AND<br/>SHAREHOLDERS' EQUITY (DEFICIENCY)</b> |      | <u><b>4,635,873</b></u> | <u><b>4,630,854</b></u> |
| Nature of operations and going concern                             | 1    |                         |                         |
| Basis of presentation  | 2    |                         |                         |
| Commitments and contingencies                                      | 14   |                         |                         |
| APPROVED ON BEHALF OF THE BOARD ON October 31, 2022:               |      |                         |                         |
| <u>Eric Roth</u>   |      | <u>Glen Parsons</u>     |                         |
| Director   |      | Director                |                         |

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

## Capella Minerals Limited

### Condensed Interim Consolidated Statements of Net Income or Loss and Comprehensive Income or Loss

Expressed in Canadian Dollars

For the three months ended

|  | Note | August 31, 2022<br>\$ | August 31, 2021<br>\$ |
|--|------|-----------------------|-----------------------|
| <b>General and administrative expenses</b>                     |      |                       |                       |
| Management and administrative fees                             |      | 100,820               | 99,355                |
| Share-based payments   | 9    | 64,808                | 21,417                |
| Shareholder information and meetings                           |      | 38,938                | 44,831                |
| Regulatory and transfer agent fees                             |      | 8,656                 | 3,584                 |
| Travel   |      | 7,499                 | -                     |
| Office and general   |      | 7,368                 | 6,607                 |
| Professional fees  |      | 423                   | 4,966                 |
|  |      | (228,552)             | (180,760)             |
| Realised loss on sale of financial assets                      | 5    | (114,622)             | -                     |
| Write off deferred exploration and evaluation costs            | 6    | (4,156)               | -                     |
| Foreign exchange loss  |      | (13,981)              | (546)                 |
| Share of losses in investment in associate                     |      | (8,192)               | -                     |
| Unrealized movement – financial assets                         |      | -                     | 510,000               |
| Deferred consideration payable interest                        | 8    | (2,629)               | -                     |
| Contractual obligation payable interest                        | 7    | (78)                  | (103)                 |
| <b>Net Income/(Loss) for the year</b>                          |      | <b>(372,170)</b>      | 328,591               |
| <b>Other comprehensive gain/(loss)</b>                         |      |                       |                       |
| Foreign currency translation                                   |      | 50,764                | 7,793                 |
| <b>Comprehensive income/(loss) for the year</b>                |      | <b>(321,406)</b>      | 336,384               |
| <i>Attributable to:</i>  |      |                       |                       |
| Owners of the company  |      | (319,970)             | 336,384               |
| Non-controlling interests                                      |      | (1,436)               | -                     |
|  |      | <b>(321,406)</b>      | 336,384               |
| <b>Income/(Loss) per share – basic</b>                         | \$   | (0.0)                 | 0.0                   |
| <b>Income/(Loss) per share –diluted</b>                        | \$   | (0.0)                 | 0.0                   |
| <b>Weighted average number of shares outstanding – basic</b>   |      | 151,137,862           | 151,137,862           |
| <b>Weighted average number of shares outstanding – diluted</b> |      | 151,137,862           | 228,153,472           |

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

## Capella Minerals Limited

### Condensed Interim Consolidated Statements of Cash Flows

Expressed in Canadian Dollars

For the three months ended

|   | Note | August 31, 2022<br>\$ | August 31, 2021<br>\$ |
|---|------|-----------------------|-----------------------|
| <b>Cash provided by (used in):</b>                      |      |                       |                       |
| <b>Operating activities</b>                             |      |                       |                       |
| Net income/(Loss) for the year                          |      | (372,170)             | 328,591               |
| Items not affecting cash:                               |      |                       |                       |
| Realised loss on sale of financial assets               | 5    | 114,622               |                       |
| Share-based payments                                    | 9    | 64,808                | 21,417                |
| Foreign exchange  |      | 13,980                | 546                   |
| Share of losses in investment in associate              |      | 8,192                 | -                     |
| Write off deferred exploration and evaluation costs     | 6    | 4,156                 | -                     |
| Unrealized movement on financial asset                  |      | -                     | (510,000)             |
| Deferred consideration payable interest                 | 8    | 2,629                 |                       |
| Contractual obligation payable interest                 | 7    | 78                    | 103                   |
| Changes in non-cash working capital                     | 12   | 81,609                | (26,031)              |
|   |      | (82,096)              | (185,374)             |
| <b>Investing activities</b>                             |      |                       |                       |
| Net proceeds from sale of financial assets              | 5    | 216,338               | -                     |
| Exploration and evaluation costs                        |      | (182,762)             | (274,664)             |
|   |      | 33,576                | (274,664)             |
| <b>Change in cash</b>                                   |      | <b>48,520</b>         | <b>(460,038)</b>      |
| <b>Effect of fluctuations in exchange rates on cash</b> |      | <b>(2,875)</b>        | <b>7,271</b>          |
| <b>Cash – beginning of year</b>                         |      | <b>96,507</b>         | <b>1,103,663</b>      |
| <b>Cash – end of year</b>                               |      | <b>45,112</b>         | <b>650,896</b>        |
| Supplemental cash flow information                      | 12   |                       |                       |

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

## Capella Minerals Limited

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

For the Three Months Ended August 31, 2022

Expressed in Canadian Dollars

|                                      | Share capital<br>(Number of<br>Shares) | Share<br>capital<br>(Amount) | Reserves –<br>Warrants | Reserves –<br>Options | Reserves-<br>Foreign<br>Currency<br>Translation | Accumulated<br>Deficit | Non-<br>controlling<br>interests | Total            |
|--------------------------------------|--|------------------------------|------------------------|-----------------------|---|------------------------|----------------------------------|------------------|
|                                      |  | \$                           | \$                     | \$                    | \$  | \$                     | \$                               | \$               |
| <b>May 31, 2021</b>                  | <b>151,137,862</b>                     | <b>20,102,141</b>            | <b>419,702</b>         | <b>1,607,742</b>      | <b>83</b>                                       | <b>(16,131,935)</b>    | <b>-</b>                         | <b>5,997,733</b> |
| Income for the year                  | -                                      | -                            | -                      | -                     | -   | 328,591                | -                                | 328,591          |
| Share-based payments                 | -                                      | -                            | -                      | 21,417                | -   | -                      | -                                | 21,417           |
| Foreign currency translation         | -                                      | -                            | -                      | -                     | 7,793   | -                      | -                                | 7,793            |
| <b>August 31, 2021</b>               | <b>151,137,862</b>                     | <b>20,102,141</b>            | <b>419,702</b>         | <b>1,629,159</b>      | <b>7,876</b>                                    | <b>(15,803,344)</b>    | <b>-</b>                         | <b>6,355,534</b> |
| Net loss for the year                | -                                      | -                            | -                      | -                     | -   | (2,613,786)            | -                                | (2,613,786)      |
| Share-based payments                 | -                                      | -                            | -                      | 207,244               | -   | -                      | -                                | 207,244          |
| Foreign currency translation         | -                                      | -                            | -                      | -                     | (83,828)  | -                      | -                                | (83,828)         |
| Movement in non controlling interest | -                                      | -                            | -                      | -                     | -   | -                      | 127,623                          | 127,623          |
| <b>May 31, 2022</b>                  | <b>151,137,862</b>                     | <b>20,102,141</b>            | <b>419,702</b>         | <b>1,836,403</b>      | <b>(75,952)</b>                                 | <b>(18,417,130)</b>    | <b>127,623</b>                   | <b>3,992,787</b> |
| Net loss for the year                | -                                      | -                            | -                      | -                     | -   | (372,170)              | -                                | (372,170)        |
| Share-based payments                 | -                                      | -                            | -                      | 64,808                | -   | -                      | -                                | 64,808           |
| Foreign currency translation         | -                                      | -                            | -                      | -                     | 50,764  | -                      | -                                | 50,764           |
| Movement in non controlling interest | -                                      | -                            | -                      | -                     | -   | -                      | (879)                            | (879)            |
| <b>August 31, 2022</b>               | <b>151,137,862</b>                     | <b>20,102,141</b>            | <b>419,702</b>         | <b>1,901,211</b>      | <b>(25,188)</b>                                 | <b>(18,789,300)</b>    | <b>126,744</b>                   | <b>3,735,310</b> |

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

# **Capella Minerals Limited**

## **Condensed Interim Consolidated Financial Statements**

**For the Three Months Ended August 31, 2022**

*Expressed in Canadian Dollars*

### **1. Nature of Operations and Going Concern**

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

The Company engages primarily in the acquisition, exploration and development of base and battery metals projects in Scandinavia (copper-cobalt projects in Norway and lithium-rare earth element projects in Finland). In addition, the Company hold interests in two gold Joint Venture (“JV”) projects in Canada.

These condensed interim consolidated financial statements for the three months ended August 31, 2022 (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 an accumulated deficit of \$18,789,300 at August 31, 2022 and has no current source of revenue. The Company’s continuation as a going concern is dependent on its ability to attain profitable operations and generate funds therefrom and/or raise funds sufficient to meet current and future obligations and exploration expenditure. There can be no assurances that management’s future plans for the Company will be successful. The Company will require additional financing in order to fund working capital requirements and conduct additional acquisitions, exploration and evaluation of mineral properties. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of assets and liabilities that might be necessary, should the Company be unable to continue as a going concern.

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

### **2. Basis of Presentation**

These condensed interim consolidated financial statements for the three months ended August 31, 2022, and August 31, 2021 (“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, 2022, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board.

#### **Historical cost**

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

#### **Approval**

These interim financial statements of the Company and its subsidiaries for the three months ended August 31, 2022, were approved and authorized for issue by the Board of Directors on October 31, 2022

**Capella Minerals Limited**  
**Condensed Interim Consolidated Financial Statements**

For the Three Months Ended August 31, 2022

Expressed in Canadian Dollars

**2. Basis of Presentation- continued**

**Principles of Consolidation**

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

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

**Significant Accounting Estimates and Judgments**

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

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

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

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

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

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

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

(ii) Valuation of share-based payments

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

(iii) Non-cash transactions

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

**Capella Minerals Limited**  
**Condensed Interim Consolidated Financial Statements**

For the Three Months Ended August 31, 2022

Expressed in Canadian Dollars

**2. Basis of Presentation- continued**

(iv) Functional currency

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

(v) Contractual obligation payable

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

**3. Receivables**

|                    | August 31, 2022 | May 31, 2022  |
|--------------------|-----------------|---------------|
|                    | \$              | \$            |
| HST/GST receivable | 11,949          | 12,717        |
| Other receivables  | 20,050          | 21,223        |
|                    | <b>31,999</b>   | <b>33,940</b> |

**4. Accounts payable, accrued & other liabilities**

|                     | August 31, 2022 | May 31, 2022   |
|---------------------|-----------------|----------------|
|                     | \$              | \$             |
| Accounts payable    | 351,993         | 108,141        |
| Accrued liabilities | 87,977          | 75,880         |
| Other               | 26,251          | 33,360         |
|                     | <b>466,221</b>  | <b>217,381</b> |

**5. Financial Instruments**

**Categories of financial instruments**

|   | August 31, 2022 | May 31, 2022   |
|---|-----------------|----------------|
|   | \$              | \$             |
| Financial assets                              |                 |                |
| Fair value through profit or loss (“FVTPL”)   |                 |                |
| Cash  | 45,112          | 96,507         |
| Investments (i)                               | -               | 330,960        |
| Amortized Cost                                |                 |                |
| Receivables                                   | 31,999          | 33,940         |
|   | <b>77,111</b>   | <b>461,40</b>  |
| Financial liabilities                         |                 |                |
| Amortized cost                                |                 |                |
| Accounts payable, accrued & other liabilities | 559,371         | 217,381        |
| Contractual obligation payable                | 159,479         | 159,401        |
| Deferred consideration payable                | 274,863         | 261,285        |
|   | <b>993,713</b>  | <b>638,067</b> |



# Capella Minerals Limited

## Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2022

Expressed in Canadian Dollars

### 5. Financial Instruments (continued)

- (i) The Company had received a total of 3,000,000 (2021 – 2,000,000) Ethos Gold Corp. (TSX.V: ECC) (“Ethos”) shares as part of the Savant Gold Project farm out deal. During the year ended May 31, 2022, Ethos Gold announced the completion of a 3:1 share consolidation and a name change to Prospector Metals Corp (TSXV: PPP) (“Prospector Metals”). As a result, Capella’s existing 3,000,000 shareholding in Ethos Gold was converted to 1,000,000 Prospector Metals shares. The terms of future share payments to Capella as part of the Savant Gold Property earn-in agreement have also been modified to reflect both the share consolidation and name change.

During the three months ended August 31, 2022, the Company sold 689,500 Prospector Metals shares for gross proceeds of \$217,029 and cash costs to sell of \$691, with a total realised loss of \$114,622 (including costs to sell) being recorded for the three months ending August 31, 2022.

#### 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, 2022 | May 31, 2022 |
|------------------|-----------------|--------------|
|                  | \$              | \$           |
| Financial Assets |                 |              |
| Level 1          |                 |              |
| Cash             | 45,112          | 96,507       |
| Quoted shares    | -               | 330,960      |

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

#### Financial Risk Management

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

##### a) Currency Risk

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

**Capella Minerals Limited**  
**Condensed Interim Consolidated Financial Statements**

For the Three Months Ended August 31, 2022

Expressed in Canadian Dollars

**5. Financial Instruments (continued)**

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

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

  

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

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.

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

b) Interest rate and credit risk

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

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

**Capella Minerals Limited**  
**Condensed Interim Consolidated Financial Statements**

**For the Three Months Ended August 31, 2022**

*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, 2022 the Company had cash of \$45,112 (May 31, 2022 - \$96,507) to settle current liabilities of \$559,371 (May 31, 2022 - \$310,531) which includes \$29,910 which is the current portion of the contractual obligation payable which is payable in equity shares, \$50,000 in property payments to EMX and \$63,240 being the current portion of deferred consideration payable to Cullen Resources. Subsequent to the period end, the Company announced a private placement. Refer to Note 15.

d) Commodity Price risk

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

e) Equity price risk

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

At August 31, 2022 with other variables unchanged a +/- 10% change of the quoted equity investment value as at August 31, 2022 would result in a decrease/increase in pre-tax loss of \$nil (2021: \$235,833).

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**6. Exploration and Evaluation Assets**

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

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### 6. Exploration and Evaluation Assets (continued)

#### SCANDINAVIAN PROJECTS

##### Capella-Cullen Joint Venture (Finland)

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

On August 24, 2021, the Company signed a binding letter of intent with Cullen Resources Ltd. ("Cullen") whereby Capella may earn-in to Cullen's Katajavaara and Aakenus gold-copper projects in the Central Lapland Greenstone Belt of northern Finland. The holder of the licences is local subsidiary Cullen Finland Oy.

*Perho Lithium Reservation (Capella Initial 70% Interest)*

Capella announced on September 12, 2022, that it had applied (via Cullen Finland Oy) for a reservation of 50 sq. km covering the Eräjärvi Lithium-Cesium-Tantalum ("LCT") pegmatite field in southern Finland. The Perho reservation covers the Seppala lithium occurrence and lies adjacent to the former Viitaniemi and Juurakko feldspar-quartz mines.

Capella will retain an initial 70% interest in Cullen Finland Oy in return for a USD 250,000 investment in exploration before September 2023, and staged cash payments to Cullen totalling USD 225,000 over a three-year period. Capella may subsequently increase its interest in Cullen Finland Oy by an additional 10% (for a total 80% interest) by investing an additional USD 750,000 in exploration over a further two-and-a-half years.

##### Norway Copper-Cobalt Projects

*Løkken and Kjølvi, Norway (100% Capella)*

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

*Hessjøgruva, Norway (100% Capella)*

On April 6, 2022, the Company entered into an Exploration and Exploitation Agreement with Hessjøgruva AS for the acquisition of a 100% interest in the advanced exploration-stage Hessjøgruva copper-zinc-cobalt ("Cu-Zn-Co") project in central Norway.

*Vaddas-Birtavarre, Norway*

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

##### Swedish Gold Project

*Southern Gold Line*

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

In September 2022, the Company advised EMX of its intention to return approximately 90% of the Southern Gold Line project area. The decision to suspend exploration activities on the 7 claims hosting gold targets (a total area of 466 sq. km) was made in direct response to Dragon Mining Ltd, owner of the adjacent Fäboliden development project, having had its environmental permit for the commencement of full-scale gold mining at Fäboliden rejected by the Swedish Court. Accordingly, the Company considers it to not be in shareholder's best interest to continue to invest in gold projects which do not have a clear path to obtaining permits for potential future development. The Company does, however, intend to retain an eighth mineral claim, Fäboliden Sodra 103, which covers an area of 44 sq. km and which hosts copper targets.

The Company recognised a provision against impairment for this project of \$880,170 for the year ending May 31, 2022 and wrote off exploration costs of \$4,156 for the three months ending August 31, 2022.

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**6. Exploration and Evaluation Assets (continued)**

**CANADIAN PROJECTS**

*Savant Gold Project, Ontario, Canada*

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

Ethos Gold announced on April 6, 2022, the completion of a 3:1 share consolidation and a name change to Prospector Metals Corp (TSXV: PPP). The terms of future share payments to Capella as part of the Savant Gold Project earn-in agreement have also been modified to reflect both the share consolidation and name change.

Details below:

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

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

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

*Domain Project, Manitoba, Canada*

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

**7. Contractual Obligation Payable**

The Company has a contractual obligation payable of \$159,479 in relation to its acquisition on May 14, 2018 of its interests in the Sierra Blanca gold-silver projects in Santa Cruz province, Argentina.

|             | <b>August 31, 2022</b> | May 31, 2022   |
|-------------|------------------------|----------------|
|             | <b>\$</b>              | <b>\$</b>      |
| Current     | 29,910                 | 29,910         |
| Non-current | 129,569                | 129,491        |
|             | <b>159,479</b>         | <b>159,401</b> |

Reconciliation of movements for the three months ended August 31, 2022, are as follows:

|                        | <b>August 31, 2022</b> | May 31, 2022   |
|------------------------|------------------------|----------------|
|                        | <b>\$</b>              | <b>\$</b>      |
| Opening balance        | 159,401                | 158,988        |
| Interest               | 78                     | 413            |
| <b>Closing balance</b> | <b>159,479</b>         | <b>159,401</b> |

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### 7. Contractual Obligation Payable (continued)

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, 2022, the Company recorded interest expense of \$78 (2021: \$103) 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.

### 8. Deferred Consideration Payable

The Company has recognised a deferred consideration payable of \$274,863 in relation to its acquisition from Cullen of its interest in the Katajavaara and Aakenus gold(-copper) projects .

|             | August 31, 2022 | May 31, 2022   |
|-------------|-----------------|----------------|
|             | \$              | \$             |
| Current     | 63,240          | 63,240         |
| Non-current | 211,623         | 198,045        |
|             | <b>274,863</b>  | <b>261,285</b> |

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

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

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

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**8. Deferred Consideration Payable (continued)**

Reconciliation of movements for the three months ended August 31, 2022, are as follows:

|                            |    |                |
|----------------------------|----|----------------|
|                            | \$ | -              |
| Opening balance            |    | 261,285        |
| Interest                   |    | 2,629          |
| Foreign exchange movements |    | 10,949         |
| <b>Closing balance</b>     |    | <b>274,863</b> |

**9. Share Capital and Reserves**

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

(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 period:

|                                 | Options<br>Outstanding | Weighted Average<br>Exercise Price |
|---------------------------------|------------------------|------------------------------------|
| <b>Balance, May 31, 2021</b>    | <b>7,395,000</b>       | <b>\$0.16</b>                      |
| <b>Balance, August 31, 2021</b> | <b>7,395,000</b>       | <b>\$0.16</b>                      |
| Expired/cancelled               | (350,000)              | \$0.25                             |
| Issued                          | 4,400,000              | \$0.10                             |
| <b>Balance May 31, 2022</b>     | <b>11,445,000</b>      | <b>\$0.13</b>                      |
| <b>Balance, August 31, 2022</b> | <b>11,445,000</b>      | <b>\$0.13</b>                      |

b) Fair value of options granted

On February 18, 2022, the Company granted an aggregate of 4,400,000 incentive stock options. During the three months ending August 31, 2022 a total value of \$43,391 (2021 - \$nil) has been recorded to reserves – options and to share-based payments expense. The portion of share-based payment cost recorded is based on the vesting schedule of the options.

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

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



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**9. Share Capital and Reserves (continued)**

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, 2022, a total value of \$21,417 (2021 - \$21,417) 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       |
|---------------------|---------------------|-----------------|------------------------------------|-------------------|
| 1,815,000           | 1,815,000           | \$ 0.25         | 0.76                               | June 4, 2023      |
| 250,000             | 250,000             | \$ 0.15         | 1.13                               | October 18, 2023  |
| 4,980,000           | 3,320,000           | \$ 0.12         | 1.18                               | November 4, 2023  |
| 4,400,000           | 1,466,667           | \$ 0.10         | 2.47                               | February 18, 2025 |
| <b>11,445,000</b>   | <b>6,851,667</b>    |                 |                                    |                   |

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

(iii) Share purchase warrants

a) Movements in warrants during the year:

|                                 | Warrants Outstanding | Weighted Average Exercise Price |
|---------------------------------|----------------------|---------------------------------|
| <b>Balance May 31, 2021</b>     | <b>69,620,610</b>    | <b>\$0.12</b>                   |
| <b>Balance, August 31, 2021</b> | <b>69,620,610</b>    | <b>\$0.12</b>                   |
| Expired                         | (7,062,350)          | \$0.125                         |
| <b>Balance May 31, 2022</b>     | <b>62,558,260</b>    | <b>\$0.12</b>                   |
| <b>Balance, August 31, 2022</b> | <b>62,558,260</b>    | <b>\$0.12</b>                   |

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

b) Fair value of finders' warrants issued

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

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

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**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.

|                      | <b>August 31, 2022</b> | August 31, 2021 |
|----------------------|------------------------|-----------------|
|                      | \$                     | \$              |
| Management fees      | 70,188                 | 71,754          |
| Share-based payments | 54,099                 | 19,697          |

b) Related party balances recorded in current liabilities

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

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

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

|                                 |     | <b>August 31, 2022</b> | August 31, 2021 |
|---------------------------------|-----|------------------------|-----------------|
|                                 |     | \$                     | \$              |
| Salaries/Exploration/Consulting | (i) | 70,188                 | 71,754          |
| Share based payments            |     | 54,099                 | 19,697          |

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

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 \$159,479 (2021: \$159,401) to SSL and recorded interest expense of \$78 for the three months ending August 31, 2022 (2021: \$103).

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

**12. Supplemental Cash Flow Information**

|   | Three months ended<br>August 31, 2022 | Three months ended<br>August 31, 2021 |
|---|---------------------------------------|---------------------------------------|
|   | \$                                    | \$                                    |
| <b>Changes in non-cash working capital</b>                          |                                       |                                       |
| Movement in receivables   | 1,941                                 | (8,146)                               |
| Movement in prepaid expenses  | 37,922                                | 14,568                                |
| Movement in accounts payable and accrued liabilities and provisions | 41,746                                | (32,453)                              |
|   | <b>81,609</b>                         | <b>(26,031)</b>                       |

|   | Three months ended<br>August 31, 2022 | Three months ended<br>August 31, 2021 |
|---|---------------------------------------|---------------------------------------|
|   | \$                                    | \$                                    |
| <b>Schedule of non-cash investing and financing transactions:</b>     |                                       |                                       |
| Exploration and evaluation expenditures included in accounts payable  | 328,775                               | 173,809                               |
| Provision against/write off deferred exploration and evaluation costs | 4,156                                 | -                                     |
| Investment in associate - share of losses                             | 8,192                                 | -                                     |
| Deferred consideration payable interest                               | 2,629                                 | -                                     |
| Contractual obligation interest payable                               | 78                                    | 103                                   |
| Realized revaluation movement of financial asset                      | 114,622                               | -                                     |
| <b>Supplementary disclosure of cash flow information:</b>             |                                       |                                       |
| Cash paid for interest  | -                                     | -                                     |
| Cash paid for income taxes  | -                                     | -                                     |

# Capella Minerals Limited

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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.

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

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

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

### 13. Commitments and Contingencies

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

- Until Capella has completed financings to the value of \$4,500,000 (effective from the private placement completed in September 2020), EMX will retain a free carried 9.9% shareholding in Capella (subject to a cap of 15,693,785 shares). Afterwards, EMX retains the option to participate in future financings at its own discretion (in progress).
- On or before September 1, 2022, Capella shall incur an additional USD 500,000 in exploration expenditures aggregated across three projects (or on any one project).
- Beginning September 1, 2023, Capella commits to completing at least 1,000m of drilling on each project per year until the earlier of: i) a minimum of 10,000m has been completed on such project ii) the date that Capella has delivered to EMX a relinquishment notice in respect of a project or iii) the date that the parties mutually agree that no further drilling is warranted.
- From the second anniversary of signing (September 1, 2022), Capella will be required to make advanced royalty payments to EMX of USD 25,000 per project, increasing USD 5,000/year up until reaching a maximum of USD 75,000/year per project.
- Capella to make additional payments of USD 500,000 to EMX upon:
  - The filing of a Preliminary Economic Assessment technical report
  - The filing of a National Instrument 43-101 ("NI-43101) compliant feasibility study
- EMX to retain a 2.5% NSR in the projects, with 0.5% being purchasable for USD 1M within 6 years

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

- Capella acquired an initial 70% interest in Cullen Finland Oy (Cullen's 100%-owned Finnish subsidiary and registered owner of the Katajavaara and Aakenus gold-copper projects) in return for paying Cullen AUD 50,000 upon the transaction receiving TSX.V Exchange and regulatory approval (the "Closing Date").
- Capella will be required to invest a total of USD 250,000 in exploration expenditures on the two projects over a 24 month period from the Closing Date. Capella may then acquire a further 10% interest in Cullen Oy (for a total 80% interest) in return for a further USD 750,000 investment in the two projects over a 4.5-year period from the Closing Date.
- Cullen will then be free carried at 20% until the completion of a Pre-Feasibility Study ("PFS") on either of the two projects. Thereafter, a standard dilution formula will apply, and should a party's direct interest fall to below 10% then they will revert to a 2% Net Smelter Royalty ("NSR") (with 1% being purchasable for USD 1 million).

# Capella Minerals Limited

## Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2022

Expressed in Canadian Dollars

### 14. Commitments and Contingencies (continued)

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

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

### 15. Subsequent events

On October 6, 2022, the Company announced the acquisition of a portfolio of seven lithium-rare earth element ("REE") projects in Finland from private company elementX Finland Oy ("elementX"). TSXV Exchange approval for the acquisition was announced on October 31, 2022.

Key terms of the agreement:

- Capella will acquire 100% interests in five fully granted reservations (Kaatiala, Lappajarvi West, Kovala, Rakokivenmaki, and Kaldo) and two reservation applications (Nabba and Lappajarvi East) in south-central Finland. All projects are located in districts with known lithium-cesium-tantalite ("LCT") pegmatite and/or REE occurrences yet have been subject to little modern systematic exploration.
- In consideration for the acquisition, Capella will issue elementX's shareholders a total of 15.1M Capella common shares representing approximately 10% of the Company's current outstanding shares ("Transaction Shares") and before completion of proposed financing as outlined below. The Transaction Shares will be subject to a minimum 4 month hold period as per TSX.V Exchange regulations, in addition to a further voluntary 3 month hold period. In addition, elementX will retain a 1% NSR on any potential future metal production from the acquired portfolio.

Capella also announced on October 6, 2022, the initiation of a non-brokered Private Placement financing for gross proceeds of approximately \$600,000 for which it had secured initial commitments of \$300,000 (including \$150,000 from elementX). The Company further announced on October 31, 2022, that it had received TSX Exchange approval for the Private Placement and had completed the sale of an aggregate 26,893,333 units at a price of \$0.06 per unit for gross proceeds of \$1,611,600. Each unit issued consists of one common share and one-half of a share purchase warrant, each whole warrant entitling the holder to acquire an additional common share for \$0.12 per share until expiry on October 28, 2024. The warrants are also subject to an accelerated exercise clause in the event the Company's share price exceeds C\$0.25 for 10 consecutive trading days. One of the directors of the Company participated in the financing as to 500,000 units being less than 1% of the market capitalization of the Company. The Company has paid finder's fees of an aggregate \$58,800 and issued an aggregate 980,000 share purchase warrants exercisable at \$0.12 until October 28, 2024. Proceeds will be used to further the Company's projects in Norway and Finland as well as general and administrative expenses.