

CAPELLA MINERALS LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2023

(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, 2023 \$	May 31, 2023 \$
ASSETS			
Current			
Cash		75,367	57,973
Receivables	3	40,665	40,747
Prepaid expenses		39,143	37,431
		<u>155,175</u>	<u>136,151</u>
Non-current			
Property, plant and equipment		1,411	1,519
Exploration and evaluation assets	6	6,553,162	6,258,999
Investment	5	34,500	75,000
Investment in Associate		93,369	96,568
		<u>6,682,442</u>	<u>6,432,086</u>
TOTAL ASSETS		<u>6,837,617</u>	<u>6,568,237</u>
LIABILITIES			
Current			
Accounts payable, accrued & other liabilities	4	1,015,637	1,005,928
Contractual obligation payable	7	45,010	45,157
Deferred consideration payable	8	90,318	90,418
		<u>1,150,965</u>	<u>1,141,503</u>
Non-current			
Contractual obligation payable	7	114,742	114,555
Deferred consideration payable	8	135,258	132,646
		<u>250,000</u>	<u>247,201</u>
TOTAL LIABILITIES		<u>1,400,965</u>	<u>1,388,704</u>
SHAREHOLDERS' EQUITY			
Share capital	9	22,643,814	22,643,814
Reserves – warrants	9	442,554	442,554
Reserves – options	9	2,036,815	2,023,667
Deferred Equity	9	421,200	-
Reserves – foreign currency translation		(123,087)	(186,396)
Accumulated deficit		(20,106,611)	(19,870,181)
Non-controlling interests		121,967	126,075
		<u>5,436,652</u>	<u>5,179,533</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>6,837,617</u>	<u>6,568,237</u>
Nature of operations and going concern	1		
Basis of presentation	2		
Commitments and contingencies	14		
Subsequent events	15		

APPROVED ON BEHALF OF THE BOARD ON October 30, 2023:

Eric Roth

Director

Glen Parsons

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

		August 31, 2023	August 31, 2022
		\$	\$
General and administrative expenses			
Management and administrative fees		135,660	100,820
Share-based payments	9	13,148	64,808
Regulatory and transfer agent fees		9,075	8,656
Shareholder information and meetings		8,910	38,938
Travel		6,048	7,499
Office and general		5,007	7,368
Professional fees		-	423
		<u>(177,848)</u>	<u>(228,512)</u>
Loss on sale of financial assets	5	(2,450)	(114,622)
Share of losses- investment in associate		(3,200)	(8,192)
Write off of deferred exploration and evaluation costs and other	6	(22,686)	(4,156)
Foreign exchange gain/(loss)		583	(13,981)
Deferred consideration payable interest	8	(2,735)	(2,629)
Contractual obligation payable interest	7	(40)	(78)
Unrealized income/(loss) on financial assets	5	(26,750)	-
Other		(1,304)	-
Loss for the year		<u>(236,430)</u>	<u>(372,170)</u>
Other comprehensive loss			
Foreign currency translation		63,309	50,764
Comprehensive loss for the year		<u>(173,121)</u>	<u>(321,406)</u>
<i>Attributable to:</i>			
Owners of the company		(169,014)	(319,970)
Non-controlling interests		(4,107)	(1,436)
		<u>(173,121)</u>	<u>(321,406)</u>
Loss per share – basic and diluted		0.0	0.0
Weighted average number of shares outstanding		195,210,195	151,137,862

- 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, 2023 \$	August 31, 2022 \$
Cash provided by (used in):			
Operating activities			
Loss for the year		(236,430)	(372,170)
Items not affecting cash:			
Realised loss on sale of financial assets	5	2,450	-
Share-based payments	9	13,148	64,808
Foreign exchange		(583)	13,980
Share of losses in investment in associate		3,200	8,192
Unrealized movement on financial asset	5	26,750	114,622
Deferred consideration payable interest	8	2,735	2,629
Contractual obligation payable interest	7	40	78
Write off deferred exploration and evaluation costs		-	4,156
Changes in non-cash working capital	12	79,910	81,609
		(108,780)	(82,096)
Investing activities			
Net proceeds from sale of financial assets	5	7,000	216,338
Exploration and evaluation costs		(274,468)	(182,762)
		(267,468)	33,576
Financing activities			
Proceeds from issue of shares/deferred equity	9	421,200	-
Short term payable proceeds		17,284	-
		438,484	-
Change in cash		62,236	(48,520)
Effect of fluctuations in exchange rates on cash		(44,842)	(2,875)
Cash – beginning of year		57,973	96,507
Cash – end of year		75,367	45,112

Supplemental cash flow information

– 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, 2023

Expressed in Canadian Dollars

	Share capital (Number of Shares)	Share capital (Amount)	Reserves – Warrants	Reserves – Options	Reserves- Foreign Currency Translation	Deferred Equity	Accumulated Deficit	Non- controlling interests	Total
		\$	\$	\$	\$	\$	\$	\$	\$
May 31, 2021	151,137,862	20,102,141	419,702	1,607,742	83	-	(16,131,935)	-	5,997,733
Loss for the year	-	-	-	-	-	-	(2,285,195)	-	(2,285,195)
Share-based payments	-	-	-	228,661	-	-	-	-	228,661
Acquisition of subsidiary	-	-	-	-	-	-	-	129,576	129,576
Foreign currency translation	-	-	-	-	(76,035)	-	-	-	(76,035)
Movement in non-controlling interest	-	-	-	-	-	-	-	(1,953)	(1,953)
May 31, 2022	151,137,862	20,102,141	419,702	1,836,403	(75,952)	-	(18,417,130)	127,623	3,992,787
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)
August 31, 2022	151,137,862	20,102,141	419,702	1,901,211	(25,188)	-	(18,789,300)	126,744	3,735,310
Loss for the year	-	-	-	-	-	-	(1,080,881)	-	(1,080,881)
Share-based payments	-	-	-	122,456	-	-	-	-	122,456
Issue of shares	26,893,333	1,613,600	-	-	-	-	-	-	1,613,600
Share issue costs	-	(102,667)	22,852	-	-	-	-	-	(79,815)
Acquisition of subsidiary	15,100,000	906,000	-	-	-	-	-	-	906,000
Issue of shares- property payment	2,079,000	124,740	-	-	-	-	-	-	124,740
Foreign currency translation	-	-	-	-	(161,208)	-	-	-	(161,208)
Movement in non-controlling interest	-	-	-	-	-	-	-	(669)	(669)
May 31, 2023	195,210,195	22,643,814	442,554	2,023,667	(186,396)	-	(19,870,181)	126,075	5,179,533
Loss for the year	-	-	-	-	-	-	(236,430)	-	(236,430)
Share-based payments	-	-	-	13,148	-	-	-	-	13,148
Shares to be issued	-	-	-	-	-	421,200	-	-	421,200
Foreign currency translation	-	-	-	-	63,309	-	-	-	63,309
Movement in non-controlling interest	-	-	-	-	-	-	-	(4,108)	(4,108)
August 31, 2023	195,210,195	22,643,814	442,554	2,036,815	(123,087)	421,200	(20,106,611)	121,967	5,436,652

- 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, 2023

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 central Finland) together with copper-gold projects in northern Finland. In addition, the Company also retains exposure to exploration success in precious metals projects through two gold Joint Ventures in Canada and a silver-gold Joint Venture in Argentina.

These condensed interim consolidated financial statements for the three months ended August 31, 2023 (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 \$20,106,611 at August 31, 2023 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.

2. Basis of Presentation

These condensed interim consolidated financial statements for the three months ended August 31, 2023, and August 31, 2022 (“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, 2023, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board.

Historical cost

These interim 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, 2023, were approved and authorized for issue by the Board of Directors on October 30, 2023

Capella Minerals Limited
Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2023

Expressed in Canadian Dollars

2. Basis of Presentation- continued

Principles of Consolidation

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

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

Significant Accounting Estimates and Judgments

The preparation of the interim 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 the valuation of 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, 2023

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 and Eurolithium Oy (formerly elementX 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 part of the finalisation of the Cerrado Gold Inc (“Cerrado” “TSXV CERT”) 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, 2023	May 31, 2023
	\$	\$
HST/GST receivable	18,113	20,532
Other receivables	22,552	20,215
	40,665	40,747

4. Accounts payable, accrued & other liabilities

	August 31, 2023	May 31, 2023
	\$	\$
Accounts payable	768,983	836,841
Accrued liabilities	198,131	117,721
Other	48,523	51,366
	1,015,637	1,005,928

5. Financial Instruments

Categories of financial instruments

	August 31, 2023	May 31, 2023
	\$	\$
Financial assets		
Fair value through profit or loss (“FVTPL”)		
Cash	75,367	57,973
Investments	34,500	75,000
Amortized Cost		
Receivables	40,665	40,747
	150,532	173,720
Financial liabilities		
Amortized cost		
Accounts payable, accrued & other liabilities	1,015,637	1,005,928
Contractual obligation payable	159,752	159,712
Deferred consideration payable	225,576	223,064
	1,400,965	1,388,704

Capella Minerals Limited

Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2023

Expressed in Canadian Dollars

5. Financial Instruments (continued)

During the year ended May 31, 2022, Prospector Metals announced the completion of a 3:1 share consolidation and a name change from Ethos Gold Corp. (TSX.V: ECC) (“Ethos”). The terms of future share payments to Capella as part of the Savant Gold Property earn-in agreement were modified to reflect both the share consolidation and name change.

On April 10, 2023 the Company received 100,000 European Energy Metals (TSXV: FIN) shares as detailed in the Earn-in Agreement (refer Note 6).

During the three months ended August 31, 2023, the Company sold 25,000 Prospector Metals shares for gross proceeds of \$11,435 and cash costs to sell of \$135, with a total realised loss of \$2,450 (including costs to sell) being recorded for the three months ending August 31, 2023. Proceeds of \$7,000 were received during the period with a balance of \$4,300 being recorded as a receivable as at August 31, 2023. This balance was received subsequent to the period. The remaining balance of 75,000 shares were revalued at August 31, 2023 with an unrealized loss of \$6,750 being recorded in the Condensed Interim Consolidated Statement of Income or Loss.

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, 2023	May 31, 2023
	\$	\$
Financial Assets		
Level 1		
Cash	75,367	57,973
Quoted shares	34,500	75,000

The carrying value of receivables, 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, 2023

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, 2023	Cash	Receivables	Accounts payable and accrued liabilities
	\$	\$	\$
US dollars	810	-	107,932
Swedish kroner	126	22,427	4,713
Euro	34,810	2,264	25,217
Australian dollars	-	-	31,370
Norwegian kroner	9,683	-	626,572
Great Britain pounds	64	-	1,774

May 31, 2023	Cash	Receivables	Accounts payable and accrued liabilities
	\$	\$	\$
US dollars	836	-	86,934
Swedish kroner	561	23,006	37,650
Euro	23,288	6,383	6,847
Australian dollars	-	-	8,088
Norwegian kroner	8,930	-	640,597
Great Britain pounds	64	-	1,355

At August 31, 2023 with other variables unchanged a +/- 10% change in exchange rates would decrease/increase comprehensive loss by \$72,687 (\$2022: \$23,680).

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, 2023 and August 31, 2022 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, 2023
Expressed in Canadian Dollars

5. Financial Instruments (continued)

c) Liquidity risk

Liquidity requirements and the raising of funds 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, 2023 the Company had cash of \$75,367 (May 31, 2023 - \$57,973) to settle current liabilities of \$1,150,965 (May 31, 2023 - \$1,141,503) which includes \$45,010 which is the current portion of the contractual obligation payable which is payable in equity shares and \$90,318 being the current portion of deferred consideration payable to Cullen Resources. The Company has requested a VAT refund from the Norwegian tax authority to refund the last three years of VAT paid on exploration expenditures. The Company awaits the decision.

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, 2023 with other variables unchanged a +/- 10% change of the quoted equity investment value would result in a decrease/increase in pre-tax loss of \$3,450 (2022: \$nil).

Capella Minerals Limited
Condensed Interim Consolidated Financial Statements
For the Three Months Ended August 31, 2023
Expressed in Canadian Dollars

6. Exploration and Evaluation Assets

	Southern Gold Line, Sweden	Løkken, Norway	Kjøli, Norway	Hessjogruva, Norway	Vaddas- Birtavarre, Norway	Aakenus, Finland	Katajavaara, Finland	Pehro, Finland	Euro- lithium, Finland	Savant Lake, Ontario Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance May 31, 2022	125,738	1,232,648	1,208,395	5,253	4,715	415,853	253,284	-	-	638,103	3,883,989
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
Write down of exploration evaluation assets and other	(4,156)	-	-	-	-	-	-	-	-	-	(4,156)
Foreign exchange movement	-	40,473	45,468	1,090	3,485	(5,531)	(17)	-	-	-	84,968
Balance August 31, 2022	125,738	1,447,072	1,362,116	32,566	50,230	410,322	253,267	-	-	638,103	4,319,414
Acquisition and tenure	-	109,537	113,706	37,760	16,642	16,392	861	4,115	928,351	-	1,227,364
Camp, travel, administration and other costs	-	60,362	56,362	(585)	1,081	10,623	2,088	3,652	8,833	-	142,416
Geologists and data collection	-	216,342	901,457	1,694	26,663	69,492	-	62	25,495	-	1,241,205
Drilling and assay costs	-	12,444	-	-	-	-	-	-	-	-	12,444
Write down of exploration and evaluation assets and other	(126,320)	-	-	-	-	-	-	-	-	-	(126,320)
Farm out recoveries	-	-	-	-	-	-	-	-	(155,000)	(140,000)	(295,000)
Foreign exchange movement	582	(89,910)	(185,271)	(4,545)	(7,329)	22,413	253	256	1,027	-	(262,524)
Balance May 31, 2023	-	1,755,847	2,248,370	66,890	87,287	529,242	256,469	8,085	808,706	498,103	6,258,999
Acquisition and tenure	-	-	129	4,819	-	57,243	-	-	-	-	62,191
Camp, travel, administration and other costs	-	6,849	8,232	1,608	-	846	846	1,693	-	-	20,074
Geologists and data collection	-	34,646	41,818	6,890	-	9,174	3,445	10,941	-	-	106,914
Drilling and assay costs	-	-	-	-	-	-	-	-	-	-	-
Write down of exploration and evaluation assets and other	-	-	-	-	-	-	-	-	-	-	-
Farm out recoveries	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange movement	-	40,511	84,170	2,796	4,371	(30,424)	-	(806)	4,366	-	104,984
Balance August 31, 2023	-	1,837,853	2,382,719	83,003	91,658	566,081	260,760	19,913	813,072	498,103	6,553,162

Capella Minerals Limited

Condensed Interim Consolidated Financial Statements

For the Three Months Ended August 31, 2023

Expressed in Canadian Dollars

6. Exploration and Evaluation Assets (continued)

SCANDINAVIAN PROJECTS

Eurolithium projects, Finland

During the year ended May 31, 2023, the Company acquired a 100% interest in a portfolio of lithium-cesium-tantalum ("LCT") pegmatite and rare-earth element ("REE") reservations in central / southern Finland from elementX Finland Oy ("elementX").

Key terms of the agreement:

- Capella acquired 100% interests in five fully granted reservations (Kaatiala, Lappajarvi West, Kovela, Rakokivenmaki, and Kaldo) and two reservation applications (Nabba and Lappajarvi East) in south-central Finland.
- In consideration for the acquisition, Capella issued elementX's shareholders a total of 15.1M Capella common shares valued at \$906,000 (Note 9).
- In addition, the original elementX shareholders will retain a 1% NSR on any potential future metal production from the acquired portfolio.

The acquired subsidiary, elementX had no other assets aside from the mineral reservations at the effective date of acquisition being October 31, 2022. Consequently, acquisition costs of \$906,000 were all allocated to the exploration and evaluation assets.

Subsequent to the acquisition, the Company requested the cancelation of two reservations (Kaldo and Rakokivenmaki) as these are considered non-core assets to the Li-REE portfolio.

Subsequent to acquiring the Eurolithium properties, the Company entered into a definitive earn-in agreement on March 20, 2023, (the "Earn-In Agreement") with European Energy Metals Corp. (formerly Hilo Mining Ltd. ("European Energy") (TSXV: FIN) to earn up to an 80% interest in the Eurolithium portfolio.

Terms of the Earn-In Agreement

- Hilo has the option to earn a 51% interest in the Property (the "Initial Option") by (i) making a cash payment of \$100,000 and issuing 100,000 common shares to Capella upon receiving TSX Venture Exchange approval of the Earn-In Agreement; (ii) completing \$500,000 in expenditures on the Property and issuing 150,000 common shares to Capella on or before the first anniversary of the Earn-In Agreement; and (iii) completing an additional \$500,000 in expenditures on the Property, paying \$100,000 in cash and issuing 250,000 common shares to Capella on or before the second anniversary of the Earn-In Agreement. Upon exercise of the Initial Option, Hilo will become the operator of the Property. As at May 31, 2023 Hilo had not completed all commitments required to earn-into a 51% interest.
- Following exercise of the Initial Option, Hilo will have a further option to earn an additional 29% interest in the Property (the "Final Option") by (i) completing \$500,000 in expenditures on the Property, paying \$150,000 in cash and issuing 750,000 common shares to Capella on or before the third anniversary of the Earn-In Agreement; and (ii) completing \$1,000,000 in expenditures on the Property, paying \$150,000 in cash and issuing 750,000 common shares to Capella on or before the fourth anniversary of the Earn-In Agreement.
- If, on the date of the exercise of the Final Option, the Property hosts a mineral resource equal or greater than 10 million metric tons with a minimum average grade of 1.0% Lithium Oxide (Li₂O) the Company will make a bonus cash payment of \$500,000 and issue 1,000,000 common shares to Capella.
- The parties have the option to form a joint venture upon exercise of the Initial Option or to defer the joint venture formation until the exercise of the Final Option.

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6. Exploration and Evaluation Assets (continued)

Capella-Cullen Joint Venture (Finland)

Northern Finland Gold-Copper (formerly 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.

Terms of the agreement are:

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

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

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

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

Perho Lithium Reservation (Capella Initial 70% Interest)

On September 12, 2022, Capella applied (via Cullen Finland Oy) for a reservation of 50 sq. km covering the Eräjärvi Lithium-Cesium-Tantalum ("LCT") pegmatite field in southern Finland. This application was granted on October 5, 2022.

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.

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

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

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

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6. Exploration and Evaluation Assets (continued)

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.

Subsequent to the period, Capella and Teako Minerals Corp (CSE: TMIN) (“Teako”) have agreed to a strategic partnership covering exploration collaboration and communication in the northern Scandinavia copper belt. As part of this agreement, Teako has acquired a 50% interest in the combined Vaddas-Birtavarre properties for a consideration of 1,000,000 Teako common shares and retains the option to acquire a 100% interest in the projects in return for a minimum exploration expenditure of CAD 100,000 with the first year and further issuances of 250,000 common shares to Capella in both Years 1 and 2.

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 due to difficulties with permitting. The Company recognised an impairment provision of \$880,170 for the year ending May 31, 2022, and wrote off a further \$219,118 related to the Southern Gold Line project in the year ended May 31, 2023 as the Company looked to prioritise its other interests.

Other

During the three months ending August 31, 2023, the Company expensed \$22,686 in exploration costs in Finland and Sweden.

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 Prospector Metals Corp (TSXV: PPP) which allows Prospector Metals to earn-in to a 70% interest in the Savant Gold Project in return for annual work commitments and cash/share payments to Capella.

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

Details below:

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

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

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 Prospector Metals will make a further payment to the Company of \$50,000 in cash and 666,666 Prospector shares.

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6. Exploration and Evaluation Assets (continued)

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 Agnico Eagle Mines Ltd (who assumed operatorship of the Domain Joint Venture after completing the acquisition of Yamana Gold's Canadian assets on March 31, 2023). 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 \$159,752 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, 2023	May 31, 2023
	\$	\$
Current	45,010	45,157
Non-current	114,742	114,555
	159,752	159,712

Reconciliation of movements are as follows:

	August 31, 2023	May 31, 2023
	\$	\$
Opening balance	159,712	159,401
Interest	40	311
Closing balance	159,752	159,712

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, 2023, the Company recorded interest expense of \$40 (2022: \$78) 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 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.

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8. Deferred Consideration Payable

The Company has recognised a deferred consideration payable of \$225,576 in relation to its acquisition from Cullen of its interest in the Katajavaara and Aakenus gold(-copper) projects.

	August 31, 2023	May 31, 2023
	\$	\$
Current	90,318	90,418
Non-current	135,258	132,646
	225,576	223,064

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 (C\$67,715 paid in the year ended May 31, 2023)
- 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 \$225,576 at the date of acquisition using an interest rate of 6%.

Reconciliation of movements are as follows:

	August 31, 2023	May 31, 2023
	\$	\$
Opening balance	223,064	261,285
Interest	2,735	10,566
Anniversary payment	-	(67,715)
Foreign exchange movements	(223)	18,928
Closing balance	225,576	223,064

9. Share Capital and Reserves

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

Share issuances

- On October 31, 2022, the Company issued an aggregate 26,893,333 units at a price of \$0.06 per unit for gross proceeds of \$1,613,600. 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. The Company has paid finder's fees of an aggregate \$79,815 and issued an aggregate 980,000 share purchase warrants exercisable at \$0.12 until October 28, 2024 for a value of \$22,852.
- On October 31, 2022, the Company issued 15,100,000 common shares at a price of \$0.06 for the 100% acquisition of the Finnish company elementX. Refer to Note 6 for further details.
- On January 6, 2023, the Company issued 2,079,000 common shares at a price of \$0.06 to EMX Royalty Corp as required under the option and purchase agreement signed in April 2021.

During the three months ending August 31, 2023 the Company received \$421,200 in advance of the closing of the private placement announced June 13, 2023. Subsequent to the period, the Company announced its cancellation of the previously announced private placement (June 13, 2023) and announced a new non-brokered private placement, under the same terms as the previous financing of up to 33 million units at a price of C\$0.03 per unit to raise gross proceeds of up to C\$1,000,000 (the "Private Placement"). Refer to Note 15 for further detail.

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9. Share Capital and Reserves (continued)

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, 2022	11,445,000	\$0.13
Balance August 31, 2022	11,445,000	\$0.13
Expired/cancelled/forfeited	(400,000)	\$0.10
Balance, May 31, 2023	11,045,000	\$0.13
Expired/cancelled/forfeited	(1,815,000)	\$0.25
Balance August 31, 2023	9,230,000	\$0.11

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, 2023, a total value of \$13,148 (2022 - \$64,808) 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

c) Stock options outstanding

Options Outstanding	Options Exercisable	Price per Share	Remaining contractual life (years)	Expiry date
250,000	250,000	\$ 0.15	0.13	October 18, 2023
4,980,000	4,980,000	\$ 0.12	0.18	November 4, 2023
4,000,000	2,666,667	\$ 0.10	1.47	February 18, 2025
9,230,000	7,896,667			

The weighted average exercise price of the options exercisable at August 31, 2023 is \$0.11 (2023 - \$0.14).

On June 4, 2023, 1,815,000 options expired and were cancelled.

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9. Share Capital and Reserves (continued)

(ii) Share purchase warrants

a) Movements in warrants during the year:

	Warrants Outstanding	Weighted Average Exercise Price
Balance May 31, 2022	62,558,260	\$0.12
Balance August 31, 2022	62,558,260	\$0.12
Issued	14,426,667	\$0.12
Balance, May 31, 2023	76,984,927	\$0.12
Balance, August 31, 2023	76,984,927	\$0.12

The Company issued 13,446,667 warrants and 980,000 finders' warrants as part of the private placement completed in October 2022, with an exercise price of \$0.12 and an expiry of October 28, 2024. The 13,446,667 warrants were valued at \$nil based on the residual value method.

On September 3, 2023, a total of 62,558,260 warrants that were issued as part of its September 2020 financing expired.

b) Fair value of finders' warrants issued

On October 28, 2022, the Company issued 980,000 finders' warrants with a fair value of \$22,852. 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	3.84%
Expected dividend yield	nil
Expected stock price volatility	103%
Expected life	2
Expected forfeiture rate	nil

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, 2023	August 31, 2022
	\$	\$
Management fees	99,467	70,188
Share-based payments	6,246	54,099

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10. Related Party Transactions (continued)

b) Related party balances recorded in current liabilities

	August 31, 2023	May 31, 2023
	\$	\$
Glen Parsons- Non-executive director	26,222	20,405
Perihelion Inc – Mary Little - Non-executive director	26,222	20,405
Eric Roth - CEO	58,685	9,185
Genco Professional Services- S Cooper – CFO	48,654	8,709
Marketworks Inc. – Kathryn Witter Company Secretary	18,260	9,240

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, 2023	August 31, 2022
		\$	\$
Salaries/Exploration/Consulting	(i)	99,467	70,188
Share based payments		6,246	54,099

(i) Key management were not paid post-employment benefits or other long-term benefits during the three months ended August 31, 2023, and August 31, 2022.

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 \$159,752 (2023: \$159,712) to SSL and recorded interest expense of \$40 for the three months ending August 31, 2023 (2022: \$78).

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, 2023	May 31, 2023
	\$	\$
Total Non-current long-lived assets		
Norway	4,395,233	4,158,394
Finland	1,659,826	1,602,502
Canada	498,103	498,103
	6,553,162	6,258,999

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12. Supplemental Cash Flow Information

	Three months ended August 31, 2023	Three months ended August 31, 2022
	\$	\$
Changes in non-cash working capital		
Movement in receivables	4,381	1,941
Movement in prepaid expenses	(1,712)	37,922
Movement in accounts payable and accrued liabilities and provisions	77,241	41,746
	79,910	81,609
	Three months ended August 31, 2023	Three months ended August 31, 2022
	\$	\$
Schedule of non-cash investing and financing transactions:		
Exploration and evaluation expenditures included in accounts payable	741,577	328,775
Provision against/write off deferred exploration and evaluation costs	-	4,156
Investment in associate - share of losses	3,200	8,192
Deferred consideration payable interest	2,735	2,629
Contractual obligation interest payable	40	78
Realized revaluation movement of financial asset	2,450	114,622
Unrealised movement of financial assets	26,750	-
Supplementary disclosure of cash flow information:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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.

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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 Kjølvi projects are as follows:

- As per the terms of the agreement Capella has completed financings to the value of \$4,500,000 by issuing 2,079,000 shares on January 6, 2023. Afterwards, EMX retains the option to participate in future financings at its own discretion.
- 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 \$25,000 per remaining project, increasing \$5,000/year up until reaching a maximum of \$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 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 date of Closing Date being the date TSXV approval was obtained. Refer to Note 7 for spend for the year ending May 31, 2023. Capella may then acquire a further 10% interest in Cullen Oy (for a total 80% interest) in return for a further USD 750,000 investment in the two projects over a 4.5-year period from the Closing Date.
- Cullen will then be free carried at 20% until the completion of a Pre-Feasibility Study (“PFS”) on either of the two projects. Thereafter, a standard dilution formula will apply, and should a party’s direct interest fall to below 10% then they will revert to a 2% Net Smelter Royalty (“NSR”) (with 1% being purchasable for USD 1 million).

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

- USD 75,000 upon the second anniversary of the Closing Date (September 2023)(deferred to November 2023)
- 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:

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

The Company has a 1% NSR commitment to elementX’s original shareholders on any potential future metal production from the acquired REE portfolio completed during the year ended May 31, 2023.

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15. Subsequent events

On October 17, 2023 the Company announced that it had entered into a binding asset sale agreement (the "Agreement") with NickelX AS ("Nickel X"), a private Norwegian mining company, through which it will divest its interests in the Hessjøgruva, Kjøli, and Løkken copper-zinc-cobalt projects located in Trøndelag Province, central Norway (collectively the "Central Norway Copper Projects" or the "Assets")(the "Transaction").

NickelX currently holds 100% interests in 4 nickel exploration projects in northern Norway (namely Hamn, Palfjellet, Birgivi, and Envold), and is in the process of undertaking an Initial Public Offering ("IPO") with the combined Assets on Oslo's Euronext Growth Exchange with the objective of becoming Norway's leading independent battery metals company.

The total consideration of the Transaction to Capella, payable upon completion of the NickelX IPO, is CAD \$7 million via a combination of cash and NickelX shares.

Main Terms of the Transaction

Capella has agreed to sell its 100% interests in the Assets to NickelX under the following main terms:

- Capella will receive at closing of the Transaction C \$5 million (the "Cash Consideration") in cash; and
- Capella will also receive new NickelX shares with a value of C \$2 million (the "Share Consideration") to be issued and allotted to the Company at the IPO. Thereafter Capella intends to distribute the Share Consideration to its shareholders on a pro-rata basis. Further information about such distribution and return on capital to Capella's shareholders will be given in connection with the completion of the transaction. Completion of the Transaction is conditional upon, (i) the successful IPO of NickelX on Euronext Growth Exchange in Oslo, (ii) Capella shareholders' approval, (iii) receipt of the written consent of each counterparty to some existing royalty agreements and (iv) TSX Venture Exchange approval. Closing of the Transaction is expected to take a couple of months with a long-stop date agreed by the parties of April 7, 2024, following which each party retains the option to terminate the Transaction.

Concurrently with the Transaction, the Company announced on October 17, 2023, that it was canceling its previously announced non-brokered Private Placement financing (June 30, updated August 31) so that participants could be fully informed of the Transaction. A new non-brokered Private Placement financing, under the same terms as the previous Private Placement was initiated with up to 33 million units at a price of C\$0.03 per unit to raise gross proceeds of up to C\$1,000,000. Each unit of the Private Placement will consist of one common share in the capital of the Company and one-half of a share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of C\$0.06 per share at any time within two years from the date of issuance. Final TSXV Exchange approval is pending. The Company has received \$421,200 in advance of the closing of the private placement.

Subsequent to the period, Capella and Teako Minerals Corp (CSE: TMIN)("Teako") have agreed to a strategic partnership covering exploration collaboration and communication in the northern Scandinavia copper belt. As part of this agreement, Teako has acquired a 50% interest in the combined Vaddas-Birtavarre properties for a consideration of 1,000,000 Teako common shares and retains the option to acquire a 100% interest in the projects in return for a minimum exploration expenditure of CAD 100,000 with the first year and further issuances of 250,000 common shares to Capella in both Years 1 and 2.

On September 3, 2023, a total of 62,558,260 warrants that were issued as part of its September 2020 financing expired.

On October 18, 2023 250,000 options expired.

On October 23, 2023, the Company received a cash injection of US\$150,000 by entering into a loan agreement with non-executive director Mary Little. The loan and interest of 8% per annum, compounding quarterly, is repayable in cash by October 13, 2024. Principal and interest is payable in quarterly instalments.