

CAPELLA MINERALS LIMITED

CONSOLIDATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 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	February 28, 2022 \$	May 31, 2022 \$
ASSETS			
Current			
Cash		187,003	96,507
Receivables	3	46,446	33,940
Prepaid expenses		66,790	172,514
		<u>300,239</u>	<u>302,961</u>
Non-current			
Property, plant and equipment		1,857	-
Exploration and evaluation assets	6	6,023,365	3,883,989
Investment	5	140,000	330,960
Investment in Associate		98,400	112,944
		<u>6,263,622</u>	<u>4,327,893</u>
TOTAL ASSETS		<u><u>6,563,861</u></u>	<u><u>4,630,854</u></u>
LIABILITIES			
Current			
Accounts payable, accrued & other liabilities	4	511,055	217,381
Contractual obligation payable	7	45,443	29,910
Deferred consideration payable	8	84,424	63,240
		<u>640,922</u>	<u>310,531</u>
Non-current			
Contractual obligation payable	7	114,192	129,491
Deferred consideration payable	8	121,273	198,045
		<u>235,465</u>	<u>327,536</u>
TOTAL LIABILITIES		<u><u>876,387</u></u>	<u><u>638,067</u></u>
SHAREHOLDERS' EQUITY			
Share capital	9	22,643,838	20,102,141
Reserves – warrants	9	442,554	419,702
Reserves – options	9	2,007,760	1,836,403
Reserves – foreign currency translation		(81,768)	(75,952)
Accumulated deficit		(19,451,904)	(18,417,130)
Non-controlling interests		126,994	127,623
		<u>5,687,474</u>	<u>3,992,787</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		<u><u>6,563,861</u></u>	<u><u>4,630,854</u></u>
Nature of operations and going concern	1		
Basis of presentation	2		
Commitments and contingencies	13		
APPROVED ON BEHALF OF THE BOARD ON April 28, 2023:			
<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 period ended

	Note	Three months ended		Nine months ended	
		February 28, 2023 \$	February 28, 2022 \$	February 28, 2023 \$	February 28, 2022 \$
General and administrative expenses					
Management and administrative fees		(142,635)	(112,751)	(408,439)	(328,959)
Shareholder information and meetings		(3,397)	(29,728)	(104,088)	(135,477)
Share-based payments	9	(42,447)	(135,715)	(171,357)	(178,317)
Travel		(3,428)	(18,700)	(40,435)	(22,2474)
Regulatory and transfer agent fees		(22,499)	(28,508)	(57,629)	(39,241)
Office and general		(15,952)	(8,035)	(30,402)	(21,474)
Professional fees		-	(8,140)	(3,662)	(14,742)
		(230,358)	(341,577)	(816,012)	(740,457)
Loss on sale of financial assets	5	-	-	(114,622)	(163,113)
Share of losses- investment in associate		-	(6,390)	(14,548)	(6,390)
Provision against/write off deferred exploration and evaluation costs	6	(83,270)	-	(90,102)	-
Foreign exchange gain/(loss)		4,893	(7,506)	(28,122)	(12,845)
Deferred consideration payable interest		(2,631)		(7,801)	
Contractual obligation payable interest	7	(78)	(103)	(234)	(309)
Unrealized gain/(loss) on financial assets	5	46,667	-	36,667	370,000
Loss for the period		(264,777)	(355,576)	(1,034,774)	(553,114)
Other comprehensive gain/(loss)					
Foreign currency translation		(31,802)	(4,237)	(5,816)	(19,829)
Comprehensive gain/(loss) for the period		(296,579)	(359,813)	(1,040,590)	(572,943)
Loss per share – basic and diluted	\$	(0.0)	(0.0)	(0.01)	(0.0)
Weighted average number of shares outstanding		195,210,195	151,137,862	179,078,090	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 nine months ended

	Note	February 28, 2023 \$	February 28, 2022 \$
Cash provided by (used in):			
Operating activities			
Net income/(Loss) for the year		(1,034,774)	(553,114)
Items not affecting cash:			
Realised loss on sale of financial assets	5	114,622	163,113
Share-based payments	9	171,357	178,317
Foreign exchange		28,122	12,845
Share of losses in investment in associate		14,548	6,390
Write off deferred exploration and evaluation costs	6	90,122	-
Unrealized movement on financial asset	5	(36,667)	(370,000)
Deferred consideration payable interest	8	7,801	-
Contractual obligation payable interest	7	234	309
Changes in non-cash working capital	12	10,441	(60,939)
		(634,194)	(623,079)
Investing activities			
Net proceeds from sale of financial assets	5	216,338	1,245,220
Exploration and evaluation costs		(971,828)	(1,055,517)
Payment for acquisition- anniversary payment (Cullen)	6	(67,715)	-
Proceeds from farm out agreement – Prospector	6	50,000	-
Payments for property, plant and equipment		(1,857)	-
Cash balance – acquisition of subsidiary		-	19,926
Payment for acquisition of subsidiary		-	(46,232)
		(775,062)	163,397
Financing activities			
Proceeds from issue of shares	9	1,613,600	-
Share issue costs	9	(79,791)	-
Loan proceeds/(payment)		-	(30,000)
		1,533,809	(30,000)
Change in cash		124,553	(489,682)
Effect of fluctuations in exchange rates on cash		(34,057)	(27,564)
Cash – beginning of year		96,507	1,103,663
Cash – end of year		187,003	586,417
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 Nine Months Ended February 28, 2023

Expressed in Canadian Dollars

	Share capital (Number of Shares)	Share capital (Amount)	Reserves – Warrants	Reserves – Options	Reserves- Foreign Currency Translation	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
Income for the year	-	-	-	-	-	(553,114)	-	(553,114)
Share-based payments	-	-	-	178,317	-	-	-	178,317
Acquisition of subsidiary	-	-	-	-	-	-	129,576	129,576
Foreign currency translation	-	-	-	-	(19,829)	-	-	(19,829)
February 28, 2022	151,137,862	20,102,141	419,702	1,786,059	(19,746)	(16,685,049)	129,576	5,732,683
Net loss for the year	-	-	-	-	-	(1,732,081)	-	(1,732,081)
Share-based payments	-	-	-	50,344	-	-	-	50,344
Foreign currency translation	-	-	-	-	(56,206)	-	-	(56,206)
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	-	-	-	-	-	(1,034,774)	-	(1,034,774)
Share-based payments	-	-	22,852	171,357	-	-	-	194,209
Issue of shares	26,893,333	1,613,600	-	-	-	-	-	1,613,600
Share issue costs	-	(102,643)	-	-	-	-	-	(102,643)
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	-	-	-	-	(5,816)	-	-	(5,816)
Movement in non-controlling interest	-	-	-	-	-	-	(629)	(629)
February 28, 2023	195,210,195	22,643,838	442,554	2,007,760	(81,768)	(19,451,904)	126,994	5,687,474

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

Capella Minerals Limited

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended February 28, 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 Finland). In addition, the Company hold interests in two gold Joint Venture (“JV”) projects in Canada.

These condensed interim consolidated financial statements for the nine months ended February 28, 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 \$19,451,904 at February 28, 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 nine months ended February 28, 2023, and February 28, 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, 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 nine months ended February 28, 2023, were approved and authorized for issue by the Board of Directors on April 28, 2023.

Capella Minerals Limited
Condensed Interim Consolidated Financial Statements

For the Nine Months Ended February 28, 2023

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:

Entity	Country of Incorporation	Ownership	Functional Currenc
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 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 Nine Months Ended February 28, 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 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

	February 28, 2023	May 31, 2022
	\$	\$
HST/GST receivable	23,049	12,717
Other receivables	23,397	21,223
	46,446	33,940

4. Accounts payable, accrued & other liabilities

	February 28, 2023	May 31, 2022
	\$	\$
Accounts payable	373,711	108,141
Accrued liabilities	90,751	75,880
Other	46,593	33,360
	511,055	217,381

5. Financial Instruments

Categories of financial instruments

	February 28, 2023	May 31, 2022
	\$	\$
Financial assets		
Fair value through profit or loss (“FVTPL”)		
Cash	187,003	96,507
Investments (i)	140,000	330,960
Amortized Cost		
Receivables	46,446	33,940
	373,449	461,407
Financial liabilities		
Amortized cost		
Accounts payable, accrued & other liabilities	511,055	217,381
Contractual obligation payable	159,635	159,401
Deferred consideration payable	205,697	261,285
	876,387	638,067

Capella Minerals Limited

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended February 28, 2023

Expressed in Canadian Dollars

5. Financial Instruments (continued)

The Company received 666,666 shares (2022 –1,000,000 consolidated) Prospector Metals Corp (TSXV: PPP) (“Prospector Metals”) shares as part of the Savant Gold Project farm out deal during the nine months ended February 28, 2023. 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.

During the nine months ended February 28, 2023, 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 nine months ending February 28, 2023.

An unrealised gain of \$36,667 was recognised on the revaluation of the 666,666 Prospector shares held at February 28, 2023.

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:

	February 28, 2023	May 31, 2022
	\$	\$
Financial Assets		
Level 1		
Cash	187,003	96,507
Quoted shares	140,000	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 Nine Months Ended February 28, 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:

February 28, 2023	Cash	Receivables	Accounts payable and accrued liabilities
	\$	\$	\$
US dollars	7,678	-	51,903
Swedish kroner	8,288	1,443	7,782
Euro	11,839	13,053	-
Australian dollars	16,074	-	-
Norwegian kroner	59,027	-	408,038
Great British pounds	62	-	-

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 February 28, 2023 with other variables unchanged a +/- 10% change in exchange rates would decrease/increase comprehensive loss by \$35,008 (2022: \$1,376).

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 February 28, 2023 and February 28, 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 Nine Months Ended February 28, 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 February 28, 2023 the Company had cash of \$187,003 (May 31, 2022 - \$96,507) to settle current liabilities of \$640,922 (May 31, 2022 - \$310,531) which includes \$45,443 which is the current portion of the contractual obligation payable which is payable in equity shares and \$84,424 being the current portion of deferred consideration payable to Cullen Resources.

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 February 28, 2023 with other variables unchanged a +/- 10% change of the quoted equity investment value as at February 28, 2023 would result in a decrease/increase in pre-tax loss of \$14,000 (2022: \$81,000).

Capella Minerals Limited
Condensed Interim Consolidated Financial Statements
For the Nine Months Ended February 28, 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, 2021	659,524	804,593	758,033	-	-	-	-	-	-	908,103	3,130,253
Acquisition and tenure	46,426	90,531	72,008	-	-	264,413	264,413	-	-	-	737,791
Camp, travel, administration and other costs	175,209	41,688	47,753	-	-	7,285	7,285	-	-	-	279,220
Geologists and data collection	149,992	202,538	286,998	-	-	47,546	47,546	-	-	-	734,620
Drilling and assay costs	-	12,447	-	-	-	-	-	-	-	-	12,447
Foreign exchange movement	(21,673)	(3,313)	(834)	-	-	(4,009)	(4,009)	-	-	-	(33,838)
Balance February 28, 2022	1,009,478	1,148,484	1,163,958	-	-	315,235	315,235	-	-	908,103	4,860,493
Acquisition and tenure	(21,852)	-	(1,453)	429	5,001	(57,542)	(57,542)	-	-	-	(132,959)
Camp, travel, administration and other costs	7,785	30,177	15,219	4,287	-	5,580	5,488	-	-	-	68,536
Geologists and data collection	11,533	75,246	52,283	807	-	156,917	(14,395)	-	-	-	282,391
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	(7,456)	(21,259)	(21,612)	(270)	(286)	(4,337)	3,989	-	-	-	(51,231)
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	-	134,537	138,707	29,740	18,148	16,392	861	4,115	928,790	-	1,146,549
Camp, travel, administration and other costs	1,737	89,364	37,945	-	16,952	3,806	1,273	-	8,833	-	159,910
Geologists and data collection	4,903	244,439	448,456	23,680	51,241	63,019	-	62	-	-	835,800
Drilling and assay costs	-	36,332	-	-	-	-	-	-	-	-	36,332
Farm out recoveries	-	-	-	-	-	-	-	-	-	(153,335)	(153,335)
Provision for impairment write down/write off	(6,639)	-	-	-	-	-	-	-	-	-	(6,639)
Foreign exchange movement	581	(5,311)	(16,032)	(68)	1,441	15,427	187	233	(440)	-	(3,982)
Balance February 28, 2023	126,320	1,732,009	1,817,471	58,605	92,497	514,497	255,605	4,410	937,183	484,768	6,023,365

Capella Minerals Limited

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended February 28, 2023

Expressed in Canadian Dollars

6. Exploration and Evaluation Assets (continued)

SCANDINAVIAN PROJECTS

Acquisition of Lithium - Rare Earth Elements Projects (Finland)

On October 6, 2022 the Company announced that it was expanding its battery metals focus through the acquisition of 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"). TSX Exchange approval for the elementX transaction was announced on October 31, 2022.

Key terms of the agreement:

- Capella acquired 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. The elementX projects are predominantly focused on LCT pegmatite complexes located within the Järvi-Pohjanmaa and Seinäjoki lithium-permissive tracts of central Finland as defined by the Geological Survey of Finland ("GTK"). Four of the reservations (Nabba, Lappajarvi W and E, and Kaatiala) lie immediately adjacent to, and to the S of, Keliber Oy's spodumene mine development project in the Kaustinen district.
- In consideration for the acquisition, Capella issued elementX's shareholders a total of 15.1M Capella common shares ("Transaction Shares"). 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, the original elementX shareholders will retain a 1% NSR on any potential future metal production from the acquired portfolio.

The acquired subsidiary, elementX had nil fair value of net assets at the effective date of acquisition being October 31, 2022.

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

The Company will account for the reservations acquired as one project known as Project- Eurolithium due to their geographical proximity.

Purchase consideration for the projects consisted of the following:

		\$
Share consideration	(i)	906,000
Total consideration		906,000

Allocation of purchase price

Project-Eurolithium	906,000
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(i) The Company issued 15,100,000 shares at share price \$0.06.

During the period ended February 28, 2023 the Company changed the name of the acquired subsidiary from ElementX Finland Oy to Eurothium Oy.

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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.

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. The Company made its first anniversary cash payment of USD50,000 (C\$67,715) to Cullen on November 10, 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.

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 immediately wrote off exploration costs of \$6,832 and \$83,270 in prepaid licenses related to the project for the nine months ending February 28, 2023.

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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 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.

During the period ended February 28, 2023 the Company received the second cash payment of \$50,000 and received 666,666 Prospector Metal shares as required under the earn-in agreement with Prospector Metals. The shares received are subject to a four month hold period.

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. Capitalized costs related to the property were written off during the year ended May 31, 2013.

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7. Contractual Obligation Payable

The Company has a contractual obligation payable of \$159,635 in relation to its acquisition on May 14, 2018 of its interests in the Sierra Blanca gold-silver projects in Santa Cruz province, Argentina.

	February 28, 2023	May 31, 2022
	\$	\$
Current	45,443	29,910
Non-current	114,192	129,491
	159,635	159,401

Reconciliation of movements for the nine months ended February 28, 2023, are as follows:

	February 28, 2023	May 31, 2022
	\$	\$
Opening balance	159,401	158,988
Interest	234	413
Closing balance	159,635	159,401

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 nine months ended February 28, 2023, the Company recorded interest expense of \$234 (2022: \$309) 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.

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8. Deferred Consideration Payable

The Company has recognised a deferred consideration payable of \$205,697 in relation to its acquisition from Cullen of its interest in the Katajavaara and Aakenus gold(-copper) projects.

	February 28, 2023	May 31, 2022
	\$	\$
Current	84,424	63,240
Non-current	121,273	198,045
	205,697	261,285

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

- USD 50,000 upon the first anniversary of the Closing Date (C\$67,715 paid in period ending November 30, 2022)
- 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 \$205,697 at the date of acquisition using an interest rate of 6%.

Reconciliation of movements for the nine months ended February 28, 2023, are as follows:

	\$
Opening balance	261,285
Interest	7,801
Anniversary payment	(67,715)
Foreign exchange movements	4,326
Closing balance	205,697

9. Share Capital and Reserves

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

Share issuances

- On October 31, 2022, the company received TSXV approval for the Private Placement announced on October 6, 2022 and 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 \$79,791 and issued an aggregate 980,000 share purchase warrants exercisable at \$0.12 until October 28, 2024 for a cost of \$22,852.
- On October 31, 2022, The Company issued 15,100,000 units 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 units at a price of \$0.06 to EMX Royalty Corp as required under the option and purchase agreement signed in April 2021.

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.

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9. Share Capital and Reserves (continued)

a) Movements in stock options during the period:

	Options Outstanding	Weighted Average Exercise Price
Balance, May 31, 2021	7,395,000	\$0.16
Balance, February 28, 2022	7,395,000	\$0.16
Expired/cancelled	(350,000)	\$0.25
Issued	4,400,000	\$0.10
Balance May 31, 2022	11,445,000	\$0.13
Expired/cancelled	(400,000)	\$0.10
Balance, February 28, 2023	11,045,000	\$0.13

b) Fair value of options granted

On February 18, 2022, the Company granted an aggregate of 4,400,000 incentive stock options. During the nine months ending February 28, 2023 a total value of \$128,755 (2022 - \$114,7631) has been recorded to reserves – options and to share-based payments expense. The portion of share-based payment cost recorded is based on the vesting schedule of the options.

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

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

On November 4, 2020, the Company granted an aggregate of 4,980,000 (2020 – nil) incentive stock options to one director and one officer of the Company. During the nine months ending February 28, 2023, a total value of \$42,602 (2022 - \$63,554) 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	0.26	June 4, 2023
250,000	250,000	\$ 0.15	0.64	October 18, 2023
4,980,000	4,980,000	\$ 0.12	0.68	November 4, 2023
4,000,000	2,433,333	\$ 0.10	1.98	February 18, 2025
11,045,000	9,578,333			

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9. Share Capital and Reserves (continued)

The weighted average exercise price of the options exercisable at February 28, 2023 is \$0.14 (2022 - \$0.15).

(ii) Share purchase warrants

a) Movements in warrants during the year:

	Warrants Outstanding	Weighted Average Exercise Price
Balance May 31, 2021	69,620,610	\$0.12
Balance, February 28, 2022	69,620,610	\$0.12
Expired	(7,062,350)	\$0.125
Balance May 31, 2022	62,558,260	\$0.12
Issued	14,426,667	\$0.12
Balance, February 28, 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.

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.

	February 28, 2023	February 28, 2022
	\$	\$
Management fees	304,827	213,674
Share-based payments	150,056	108,006

b) Related party balances recorded in current liabilities

	February 28, 2023	May 31, 2022
	\$	\$
Glen Parsons	13,609	6,356
Perihelion Inc – Mary Little	13,609	6,356
Genco Professional Services- S Cooper	-	5,906

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10. Related Party Transactions (continued)

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

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

		February 28, 2023	February 28, 2022
		\$	\$
Salaries/Exploration/Consulting	(i)	304,827	213,674
Share based payments		150,056	108,006

- (i) Key management were not paid post-employment benefits or other long-term benefits during the nine months ended February 28, 2023, and February 28, 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 \$159,635 (2022: \$159,401) to SSL and recorded interest expense of \$234 for the nine months ending February 28, 2023 (2022: \$309).
- One of the directors of the Company participated in the financing completed on October 28, 2022 of 500,000 units.

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:

	February 28, 2023	May 31, 2022
	\$	\$
Total Non-current long-lived assets		
Sweden	126,320	125,738
Norway	3,700,582	2,451,011
Finland	1,711,695	669,137
Canada	484,768	638,103
	6,023,365	3,883,989

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12. Supplemental Cash Flow Information

	Nine months ended February 28, 2023	Nine months ended February 28, 2022
	\$	\$
Changes in non-cash working capital		
Movement in receivables	(12,508)	(26,480)
Movement in prepaid expenses	22,454	31,102
Movement in accounts payable and accrued liabilities and provisions	495	(65,561)
	<u>10,441</u>	<u>(60,939)</u>
	Nine months ended February 28, 2023	Nine months ended February 28, 2022
	\$	\$
Schedule of non-cash investing and financing transactions:		
Exploration and evaluation expenditures included in accounts payable	416,090	165,880
Provision against/write off deferred exploration and evaluation costs	90,102	-
Investment in associate - share of losses	14,548	6,390
Deferred consideration interest payable	7,801	-
Contractual obligation interest payable	234	309
Unrealized revaluation movement of financial asset	(36,667)	(370,000)
Shares received- Savant option agreement	140,000	-
Shares issued - elementX acquisition	906,000	-
Shares issued - EMX acquisition	124,740	-
Supplementary disclosure of cash flow information:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

12. 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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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 Kjølø 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). This commitment was met with the issuance of 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 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. 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
- 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 period ended February 28, 2023.

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14. Subsequent events

Subsequent to the period the Company announced it had entered into a definitive earn-in agreement (the "Earn-In Agreement") with Hilo Mining Ltd. ("Hilo") (TSXV: HILO) to earn up to an 80% interest in a portfolio of lithium (lithium-cesium-tantalum, or "LCT") and rare-earth element ("REE") pegmatite reservations held by Capella in central Finland (the "Property").

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 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.
- 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.
- The transaction was approved by the TSXV Exchange on April 6, 2023.