



**CAPELLA MINERALS LIMITED**  
8681 Clay Street  
Mission BC  
CANADA

**MANAGEMENT DISCUSSION AND ANALYSIS**

**For the Nine Months Ended February 28, 2023**

|                                   |   |
|-----------------------------------|---|
| <b>Contact Person</b>             | <b>Eric Roth</b>  |
| <b>Contact's Position</b>         | <b>President &amp; C.E.O.</b>   |
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| <b>Date of the Report</b>         | <b>April 28, 2023</b>   |
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**Form 51-102F1**  
**Management Discussion and Analysis**  
**For**

**Capella Minerals Limited**  
**(“Capella”, or the “Company”)**

The following Management’s Discussion and Analysis (“MD&A”) of the Company has been prepared as of April 28, 2023, and is intended to supplement and complement the Company’s audited consolidated financial statements for the years ended May 31, 2022 and May 31, 2021 (the “Annual Financial Statements”) and should be read in conjunction with the Annual Financial Statements, together with the notes thereto. The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

**NATURE OF BUSINESS**

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

The Company’s activities are currently focused on the exploration and development of a portfolio of copper-cobalt projects in Norway (including the advanced exploration-stage Hessjøgruva asset), lithium-REE and gold-copper projects in Finland, and two gold Joint Venture (“JV”) projects in Canada. Capella also holds a residual 49% interest in the Sierra Blanca gold-silver project in Argentina.

The Company’s primary stock exchange listing is on the TSX Venture Exchange (“TSXV”), where it trades under the symbol “CMIL”. The Company also has secondary listings on the United States OTCQB (trading symbol: “CMILF”) and also on the Frankfurt Stock Exchange (trading symbol: “N7D2”).

**HIGHLIGHTS AND DEVELOPMENTS FOR THE NINE MONTHS ENDED FEBRUARY 28, 2023, AND TO THE DATE OF THIS REPORT**

At the date of this report the Company held interests in the following exploration projects:

*Scandinavian Base and Battery Metal Portfolio*

| Project                 | Location | Principal Commodities        | Capella Ownership            |
|-------------------------|----------|------------------------------|------------------------------|
| Central Finland Li-REE* | Finland  | Lithium, Rare Earth Elements | 100%: Hilo earning-in to 80% |
| Perho Li-REE            |          |                              | 70%: Cullen Resources 30%    |
| N. Finland Au-Cu        |          | Gold, copper                 | 70%: Cullen Resources 30%    |
| Hessjøgruva-Kjøli       | Norway   | Copper, cobalt, zinc         | 100%                         |
| Løkken                  |          |                              | 100%                         |
| Vaddas-Birtavarre       |          |                              | 100%                         |

\*Joint Venture partner funded project

*Canadian Gold JV’s and Argentine Divestiture*

| Project         | Location | Principal Commodities | Capella Ownership                  |
|-----------------|----------|-----------------------|------------------------------------|
| Savant Gold JV* | Canada   | Gold                  | 100%; Prospector earning-in to 70% |

|                |           |              |  |
|----------------|-----------|--------------|--|
| Domain Gold JV |           |              | 29.6%; Agnico Eagle 70.4%  |
| Sierra Blanca* | Argentina | Gold, silver | 49%; Austral Gold earning-in to 80% with option to acquire outstanding 20% |

\*Joint Venture partner funded project

## Advanced Exploration-Stage Project

### *Hessjøgruva-Kjøli Cu-Co-Zn District, Trøndelag County, Norway (100% Capella)*

- Permitting for a summer 2023 diamond drill program at the Company's 100%-owned Hessjøgruva copper-cobalt-zinc VMS project is currently in progress. Initial planning is based on approximately 4,000m / 8 holes of both infill and step-out drilling being completed on the Hessjøgruva Lens A deposit. Assay data derived from this drill program is expected to allow Capella to advance towards completing a maiden Canadian National Instrument 43-101 ("NI 43-101") Mineral Resource Estimate for Hessjøgruva, with the drill core also providing fresh material for metallurgical testwork.
- The Company filed an NI 43-101-compliant technical report for the Hessjøgruva project on September 8, 2022. This technical report was prepared by GeoVista Aktiebolag ("GeoVista") and provided a summary of all exploration activities completed to date at Hessjøgruva, including the 12,035m of historical diamond drilling that was undertaken during the 1970's. A copy of this technical report is available under Capella's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.capellaminerals.com](http://www.capellaminerals.com)).
- Capella expanded its claim holdings in the Hessjøgruva district through the staking of 43 sq. km of new exploration claims over the adjacent, past-producing Kongensgruve district. The central portion of the Kongensgruve claim block lies approximately 6km east of the Hessjøgruva project and contains a series of known copper-zinc-cobalt occurrences (including Rødalen, Fjellsjoen, Kongensgruve, and Muggruva), in addition to a former mineral processing facility and tailings dam.
- On January 23, 2023, the Company announced the initiation of a scout diamond drill program at its Kjøli copper-cobalt-zinc VMS project, which is located approximately 20km NE of the Hessjøgruva project. A total of 1,412m drilling was completed in the Kjøli scout drill program, which allowed for initial testing of the Kjøli Deeps, Kjøli Mine Extension, and Guldalsgruva areas. Assays are expected by early-May. The drilling was accompanied by downhole electromagnetic (DHEM) and surface-loop electromagnetic (SLEM) surveys designed to identify potential buried massive sulfide bodies in the vicinity of drill holes.
- An advance royalty payment of \$25,000 was made to EMX Royalty Corp (TSXV/NYSE: EMX) as per the terms of the amended (November, 2020) acquisition agreement for the Kjøli project.

## Exploration Projects - Finland

### *Central Finland Li-REE Portfolio (Capella 100%; Hilo Mining Earn-In to 80%)*

- On March 20, 2023, Capella announced it had entered into a Definitive Earn-In Agreement with Hilo Mining Ltd. (TSXV: HILO)("Hilo") in which Hilo may earn in to an 80% interest in a portfolio of five Li-REE pegmatite reservations owned by Capella in central Finland. The five reservations cover 2,300 square kilometers and target spodumene-bearing pegmatite complexes within the Järvi-Pohjanmaa and Seinäjoki lithium-permissive tracts as defined by the Geological Survey of Finland. Four of the reservations (Nabba, Lappajärvi W, Lappajärvi E, and Kaatiala) lie immediately adjacent to, and to the south of, Keliber Oy's spodumene mine development project in the Kaustinen district.
- The Earn-In Agreement requires Hilo to invest a minimum CAD 2,500,000 in exploration expenditures and make total cash (CAD 450,000) and common share (2,000,000) payments to Capella within a 4 year period. TSXV Exchange approval for the Capella-Hilo transaction was received on April 6, 2023.
- Compilation of historic data from the Central Finland Li-REE portfolio is well advanced, and field teams are expected to redeploy in mid-May 2023 with the arrival of spring weather conditions.

- Capella’s acquisition of the Central Finland Li-REE portfolio from private group elementX Finland Oy (“elementX”) was announced on October 6, 2022. TSXV Exchange approval for the elementX transaction was announced on October 31, 2022.

### ***Northern Finland Au-Cu Project (Capella Initial 70% Interest)***

- Capella’s Northern Finland gold-copper project (formerly known as Aakenus-Katajavaara) consists of seven exploration permit applications (“EPA”) submitted prior to the expiry of the original 200 sq. km Aakenus reservation on December 21, 2022. The EPA’s were submitted over priority gold-copper target areas defined from both the Company’s high-resolution drone magnetic survey (completed in April, 2022) and historical geological / geochemical data acquired from the Finnish Geological Survey (“GTK”).
- Five of the EPA’s are currently expected to be legally granted on May 26, 2023, subject to the successful conclusion of a final comment / appeal period:
  - *Killero E* – covers exceptional copper-gold values returned from historical Bottom of Till (“BoT”) sampling programs undertaken by Anglo American PLC<sup>1</sup>, but never followed-up with core drilling. A major NE-trending fault zone is also readily observable cross-cutting the copper-gold anomaly in high resolution drone magnetic data.
  - *Saattopora W* – covers interpreted extensions to Outokumpu Oy’s former Saattopora copper-gold mine
  - *Keisunselka* – interpreted high-grade gold in deformed banded iron formation target
  - *Jolhikko* – gold and base metal targets in complex deformation zone
  - *Katajavaara* – interpreted SE extension to the former Saattopora copper-gold mine
- A further 2 ELA’s remain at the application stage:
  - *Killero W* – second anomalous area with exceptional copper-gold values from historical BoT sampling by AngloAmerican PLC, but never followed up with core drilling
  - *Sätkenävaara* – complex NW-trending structural corridor in eastern part of the Aakenus reservation
- As winter conditions are preferred for drilling in this area, the Company currently expects the first round of scout drilling to begin in late Q4, 2023.
- The Company made its first anniversary cash payment of USD50,000 (C\$67,715) to Cullen on November 10, 2022 as required under the signed letter of intent for the Northern Finland gold-copper projects.

<sup>1</sup> Historic geochemical results quoted for Killero E and W are derived from GTK datasets. Whilst Capella has not performed sufficient work to verify the published data reported, the Company believes this information to be considered reliable and relevant.

### ***Perho Lithium-REE Project (Capella Initial Interest 70%)***

- Capella announced on September 12, 2022, the staking of a 50 sq. km reservation covering the Eräjärvi spodumene pegmatite field in central-southern Finland. The reservation application was approved on October 5, 2022. The Perho reservation covers the Seppala lithium occurrence and lies adjacent to the former Viitaniemi and Juurakko feldspar-quartz mines. The Eräjärvi district is reported to contain over 70 pegmatite occurrences with little modern systematic exploration having been undertaken in the area.
- The Company’s initial work program at Perho has been focused on compiling all available geological and geophysical data related to the known spodumene-bearing pegmatites at Eräjärvi. This will be followed-up with systematic field work programs beginning in Spring 2023.

## **Exploration Projects - Norway**

### ***Løkken Cu-Co-Zn District, Trøndelag County (100% Capella)***

- Permitting is currently underway for a scout summer 2023 diamond drill program at the Åmot copper-cobalt-zinc VMS prospect, which is located 5km due E of the former Løkken mining operations. The primary target at Åmot is an undrilled, 1.5km-long geophysical (electromagnetic and ground magnetic) anomaly situated approximately 150m below surface and associated with coincident surface soil geochemical anomalies. A scout program of 1,250m / 4-6 holes is proposed to test Åmot.
- The Åmot and adjacent Høydal targets were the focus of the Company’s extensive summer 2022 field programs which included ground magnetic surveys and systematic soil (Ionic Leach) geochemical sampling. Results derived from these field programs formed the basis for drill hole targeting at Åmot.

- An advance royalty payment of \$25,000 was made to EMX Royalty Corp (TSXV/NYSE: EMX) as per the terms of the amended (November, 2020) acquisition agreement for the Løkken project.

#### ***Vaddas-Birtavarre Cu-Co District, Northern Norway (100% Capella)***

- As part of its “first mover” in-country strategy, Capella announced on July 5, 2022, the successful staking of new exploration claims in the past-producing Vaddas-Birtavarre copper-cobalt+/-zinc VMS district of northern Norway. The Vaddas-Birtavarre district is located in the Finnmark og Troms Province, some 60km E of the regional centre of Trømsø and immediately to the west of the former Boliden Minerals AB-Norden Crown (TSXV: NOCR) copper exploration JV at Burfjord.
- Reconnaissance field evaluations of the Vaddas-Birtavarre districts were undertaken during the months of August-September, 2022, with results from these initial mapping/sampling programs being utilized to prioritize areas for follow-up field programs during the summer. Land holding fees for 2023 have been paid for a core group of priority exploration claims covering 90 sq. km at Vaddas and 30 sq. km at Birtavarre.

#### **Exploration Project - Sweden**

##### ***Southern Gold Line***

- On September 28, 2022, Capella announced its decision to return to EMX Royalty Corp (TSXV, NYSE: EMX) approximately 90% of the Southern Gold Line project in northern Sweden. The decision to suspend exploration activities on the 7 claims hosting gold targets was made in response to Dragon Mining Ltd (HK: 1712), owner of the adjacent Fäboliden gold development project, having had its environmental permit for the commencement of full-scale gold mining at Fäboliden rejected by the Swedish Court. However, Capella has retained a 100% interest in an eighth mineral claim, Fäboliden Sodra 103, which hosts base metal (copper) targets.

#### **Exploration Projects – Canadian Gold JV’s**

##### ***Savant Gold JV Project (Capella 100%; Prospector Metals Earn-In to 70%)***

- Capella’s Savant Gold Project is located approximately 230km NW of Thunder Bay, Ontario in the underexplored Archean-age Savant Lake-Sturgeon Lake greenstone belt. The Red Lake and Musselwhite mining complexes are located 230km NW and 250km N, respectively, of the Savant Gold Project.
- The Savant Gold Project is subject to an Earn-In Agreement through which Prospector Metals Corp. (TSXV: PPP) may earn-in to a 70% interest in the project in return for completing CAD 2M of exploration expenditures prior to November 15, 2024. In addition, Prospector is required to make staged cash and share payments to Capella totalling CAD 200,000 and 2,666,666 common shares, respectively, in order to complete the earn-in to 70%. At the date of this report, Prospector had completed approximately CAD 905,000 of exploration expenditures at Savant (or X% of the expenditure required for the earn-in).
- During the reporting period ended February 28, 2023, the Company received an anniversary cash payment of \$50,000 and 666,666 Prospector Metal shares as required under the Earn-In Agreement. The Prospector shares received were subject to a four month hold period until March 15, 2023.
- On August 15, 2022, Prospector announced that final assay results had been received for all 594 rock samples taken at Savant during the summer 2022 field campaign. High-grade gold values were returned from two main structural corridors: i) a first-order deformation zone named the Wiggle Deformation Zone (and which passes through the previously recognized Wiggle Creek gold prospect) and ii) the newly-defined Snowbird-Shoal Deformation Zone (which passes through the Snowbird, Horseshoe, and Shoal gold prospects). Adjacent, undrilled fold hinges in iron-formation also represent high-priority targets for gold mineralization. A new LiDAR survey was also completed over the Savant gold project in June, 2022, with data derived from this survey having now been processed and integrated in to targeting activities.
- The Savant Gold Project is essentially drill-ready. However, Prospector advises that some final drill targeting will be undertaken by field crews commencing May 15, 2023, with the core drilling of priority targets expected to begin in H2, 2023 (but remains subject to market / financing conditions).

##### ***Domain Gold JV Project (Agnico Eagle Mines Ltd 70.4% / Capella 29.6%)***

- Agnico Eagle Mines Ltd (TSX-NYSE: AEM)(“Agnico”) formally became Capella’s JV partner at the Domain Gold project on March 31, 2023, upon completion of the acquisition by Agnico of all of Yamana Gold Inc’s (“Yamana”) former Canadian gold assets.
- No significant field activities were reported by Yamana/Agnico for the current reporting period.
- The Domain Gold JV is an advanced exploration-stage gold project in central Manitoba with 62 holes / 9,660m of historic core drilling. Domain is a 70.4%-29.6% JV between Agnico and Capella, with Agnico being the project operator.
- Discussions on potential paths forward for the Domain project have been initiated with Agnico.

## Argentine Project Divestiture

### *Sierra Blanca Gold-Silver Project (Austral Gold 51% / Capella 49%)*

- On September 15, 2022, the Company was advised by Austral Gold Ltd (ASX: AGD; TSXV: AGLD) (“Austral”) that it had completed its minimum Year 2 exploration expenditure (USD 200,000) on the Sierra Blanca gold-silver project in Santa Cruz Province, Argentina. Austral is required to invest a further USD 400,000 during Year 3 (before September 15, 2023, and including a minimum of 2,000m of core drilling) in order to increase its current 51% interest in Sierra Blanca to 80%.
- After earning-in to 80% of the Sierra Blanca project, Austral subsequently retains the option to acquire the remaining 20% through a series of staged work commitments and cash payments to Capella during Years 4 and 5 (see Company News Release dated April 1, 2020, and notes in the Annual Financial Statements).

## Corporate Developments

- **Hilo Mining earn-in** - On March 20, 2023 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"). The portfolio consists of five lithium and Rare-Earth Element ("REE") pegmatite reservations in central Finland. These reservations cover a total area of 2,300 square kilometers and are focused on LCT pegmatite complexes located within the Järvi-Pohjanmaa and Seinäjoki lithium-permissive tracts as defined by the Geological Survey of Finland ("GTK"). Four of the reservations (Nabba, Lappajärvi W, Lappajärvi E, and Kaatiala) lie immediately adjacent to, and to the south of, Keliber Oy's spodumene mine development project in the Kaustinen district. Key terms of the Earn-In Agreement include:
  - 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 (Li<sub>2</sub>O) 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.
  - TSX Exchange approval for the transaction was received on April 6, 2023.

- elementX Finland Oy Acquisition:** On October 6, 2022 the Company announced it had entered in to a binding letter agreement (the "Agreement") with elementX Finland Oy ("elementX") for 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. The elementX projects are predominantly focused on LCT pegmatite complexes located within the Järvi-Pohjanmaa and Seinäjoki lithium-permissive tracts as defined by the Geological Survey of Finland ("GTK"). TSXV Exchange approval for the acquisition was announced on October 31, 2022. Key terms of the agreement include:

  - 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. Subsequent to the acquisition the Company applied for the cancellation of the Kaldo and Rakokivenmaki reservations.
  - In consideration for the acquisition, Capella issued elementX's shareholders a total of 15.1M Capella common shares ("Transaction Shares"). The Transaction Shares are subject to a minimum 4 month hold period as per TSXV Exchange regulations, in addition to a further voluntary 3 month hold period. In addition, the original elementX shareholders will retain a 1% Net Smelter Royalty ("NSR") on any potential future metal production from the acquired portfolio.
- Private Placement** – The Company completed a non-brokered Private Placement financing of 26,893,333 units at a price of \$0.06 per unit for gross proceeds of \$1,613,600. Each unit issued consisted of one common share and one-half of a share purchase warrant, each whole warrant entitling the holder to acquire an additional common share for \$0.12 per share until expiry on October 28, 2024. The warrants are also subject to an accelerated exercise clause in the event the Company's share price exceeds C\$0.25 for 10 consecutive trading days. One of the directors of the Company participated in the financing as to 500,000 units being less than 1% of the market capitalization of the Company. The Company has paid finder's fees of an aggregate \$79,791 and issued an aggregate 980,000 share purchase warrants exercisable at \$0.12 until October 28, 2024. Proceeds to be used to further the Company's projects in Norway and Finland as well as general and administrative expenses.
- Prospector Metals Corp. Shareholding:** During the nine months ending February 28, 2023 the Company sold 689,500 Prospector Metals shares for gross proceeds of \$217,029 and cash costs to sell of \$691. Funds received from the sale of shares have been used to fund ongoing exploration and corporate activities. The Company received its anniversary payment of \$50,000 and 666,666 Prospector Metals shares as required under the earn-in agreement with regard to the Savant Lake project during the period ended February 28, 2023.
- Capella-Cullen Joint Venture** - The Company made its first anniversary payment of US\$50,000 (C\$67,715) to Cullen Resources in Q4, 2022, as required under the binding letter of intent in relation to the Northern Finland Au-Cu (formerly Katajavaara and Aakenus gold-copper projects) located in Finland.

## OUTLOOK

The Company expects to continue managing and advancing exploration activities on its Scandinavian portfolio of base and battery metal projects (copper-cobalt projects in Norway, lithium-REE and copper-gold projects in Finland). Joint Venture partners will continue to manage work programs at both the Savant and Domain gold projects in Canada and the Sierra Blanca gold-silver project in Argentina.

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

## EXPLORATION ASSETS AND ACTIVITIES

### SCANDINAVIAN PROJECTS

The Company's current focus is on the advancement of: i) the Hessjøgruva advanced-stage Cu-Co-Zn exploration project in central Norway, ii) an extensive portfolio of high-grade base and lithium-REE element projects located in the favourable mining jurisdictions of Norway and Finland, and iii) two gold Joint Venture projects in Canada.

## **Advanced Exploration-Stage Project**

### ***Hessjøgruva-Kjøli Cu-Co-Zn District, Trøndelag County, Norway (100% Capella)***

The Hessjøgruva copper-cobalt-zinc project is located in the northern portion of the former Røros Mining District of central Norway. Mineralization at Hessjøgruva is VMS-style, identical to the mineralization being targeted at the adjacent Kongensgruve and Kjøli projects. The Hessjøgruva mineralization occurs primarily in three lenses (A-C, with Lens A hosting most of the high-grade mineralization), all of which extend from surface to >400m vertically below surface and all remain open down-dip. Mineralization is dominated by chalcopyrite, pyrite/pyrrhotite, and sphalerite, with Cu content observed to increase with depth in the deposit.

The average thickness of the highest-grade Lens A is approximately 10m, with the thickest and highest-grade intercept reported from the historical drilling being 14.5m @ 4.35% Cu + 1.3% Zn (or 4.8% Cu equivalent) (approximate true thickness) from 455.5m to 470m downhole in DDH-312.

Permitting for a summer 2023 diamond drill program at the Hessjøgruva project is currently in progress. Initial planning is based on approximately 4,000m / 8 holes of both infill and step-out drilling being completed on the Lens A deposit. Assay data derived from this drill program is expected to allow Capella to advance towards completing a maiden Canadian National Instrument 43-101 ("NI 43-101") Mineral Resource Estimate for Hessjøgruva, with the drill core also providing fresh material for metallurgical testwork.

The Company filed an NI 43-101-compliant technical report for the Hessjøgruva project on September 8, 2022. This technical report was prepared by GeoVista Aktiebolag ("GeoVista") and provided a summary of all exploration activities completed to date at Hessjøgruva, including the 12,035m of historical diamond drilling that was undertaken during the 1970's. A copy of this technical report is available under Capella's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.capellaminerals.com](http://www.capellaminerals.com)).

Capella expanded its claim holdings in the Hessjøgruva district through the staking of 43 sq. km of new exploration claims over the adjacent, past-producing Kongensgruve district. The central portion of the Kongensgruve claim block lies approximately 6km east of the Hessjøgruva project and contains a series of known copper-zinc-cobalt occurrences (including Rødalen, Fjellsjoen, Kongensgruve, and Muggruva), in addition to a former mineral processing facility and tailings dam.

On January 23, 2023, the Company announced the initiation of a scout diamond drill program at its Kjøli copper-cobalt-zinc VMS project, which is located approximately 20km NE of the Hessjøgruva project. A total of 1,412m drilling was completed in the Kjøli scout drill program, which allowed for initial testing of the Kjøli Deeps, Kjøli Mine Extension, and Guldalsgruva areas. Assays are expected by early-May. The drilling was accompanied by downhole electromagnetic (DHEM) and surface-loop electromagnetic (SLEM) surveys designed to identify potential buried massive sulfide bodies in the vicinity of drill holes.

An advance royalty payment of \$25,000 was made to EMX Royalty Corp (TSXV/NYSE: EMX) as per the terms of the amended (November, 2020) acquisition agreement for the Kjøli project.

## **Exploration Projects**

### ***Central Finland Li-REE Portfolio (Capella 100%; Hilo Mining Earn-In to 80%)***

On March 20, 2023, Capella announced it had entered into a Definitive Earn-In Agreement with Hilo Mining Ltd. (TSXV: HILO)("Hilo") in which Hilo may earn in to an 80% interest in a portfolio of five Li-REE pegmatite reservations owned by Capella in central Finland. The five reservations cover 2,300 square kilometers and target spodumene-bearing pegmatite complexes within the Järvi-Pohjanmaa and Seinäjoki lithium-permissive tracts as defined by the Geological Survey of Finland. Four of the reservations (Nabba, Lappajärvi W, Lappajärvi E, and Kaatiala) lie immediately adjacent to, and to the south of, Keliber Oy's spodumene mine development project in the Kaustinen district.

The Earn-In Agreement requires Hilo to invest a minimum CAD 2,500,000 in exploration expenditures and make total cash (CAD 450,000) and common share (2,000,000) payments to Capella within a 4 year period (further details given in Corporate Developments section). TSXV Exchange approval for the Capella-Hilo transaction was



received on April 6, 2023. Compilation of historic data from the Central Finland Li-REE portfolio is well advanced, and field teams are expected to deploy in mid-May 2023 with the arrival of Spring weather conditions.

Capella’s acquisition of the Central Finland Li-REE portfolio from private group elementX Finland Oy (“elementX”) was announced on October 6, 2022. TSXV Exchange approval for the elementX transaction was announced on October 31, 2022. Two of the original seven reservations acquired from elementX (Kaldo & Rakokivenmaki) were subsequently cancelled by the Company as they contain non-core targets with respect to the portfolios focus on Li-REE pegmatites.

The acquired subsidiary elementX had nil fair value of net assets at the effective date of acquisition being October 31, 2022. The Company will account for the remaining 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        |
| <b>Total consideration</b> |     | <b>906,000</b> |

*Allocation of purchase price*

|                     |                |
|---------------------|----------------|
| Project-Eurolithium | <b>906,000</b> |
|---------------------|----------------|

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

During the period, the Company commenced the process of changing the name of the acquired subsidiary from ElementX Finland Oy to Eurothium Oy.

***Perho Lithium-Tantalum Project, Finland (Cullen JV; Capella Initial Interest 70%)***

Capella announced on September 12, 2022, the staking (through Cullen Finland Oy) of a 50 sq. km reservation covering the Eräjärvi Lithium-Cesium-Tantalum (“LCT”) pegmatite field in southern Finland. The Perho reservation covers the Seppälä lithium occurrence and lies adjacent to the former Viitaniemi and Juurakko feldspar-quartz mines, which are reported by the Finnish Geological Survey (“GTK”) to have ceased production in 1965 and 1935, respectively. The Eräjärvi district is also reported by the GTK to contain over 70 pegmatite occurrences, with little modern systematic exploration for lithium having been undertaken in the area.

The Company’s initial work program at Perho has been focused on compiling all available geological and geophysical data related to the known spodumene-bearing pegmatites at Eräjärvi. This will be followed-up with systematic field work programs beginning in Spring 2023.

***Northern Finland Au-Cu Project (Capella Initial 70% Interest)***

Capella’s Northern Finland gold-copper project (formerly known as Aakenus-Katajavaara) consists of seven exploration permit applications (“EPA”) submitted prior to the expiry of the original 200 sq. km Aakenus reservation on December 21, 2022. The EPA’s were submitted over priority gold-copper target areas defined from both the Company’s high-resolution drone magnetic survey (completed in April, 2022) and historical geological / geochemical data acquired from the Finnish Geological Survey (“GTK”).

Five of the EPA’s are currently expected to be legally granted on May 26, 2023, subject to the successful conclusion of a final comment / appeal period:

- *Killero E* – covers exceptional copper-gold values returned from historical Bottom of Till (“BoT”) sampling programs undertaken by Anglo American PLC<sup>1</sup>, but never followed-up with core drilling. A major NE-trending fault zone is also readily observable cross-cutting the copper-gold anomaly in high resolution drone magnetic data.
- *Saattopora W* – covers interpreted extensions to Outokumpu Oy’s former Saattopora copper-gold mine
- *Keisunselka* – interpreted high-grade gold in deformed banded iron formation target
- *Jolhikko* – gold and base metal targets in complex deformation zone
- *Katajavaara* – interpreted SE extension to the former Saattopora copper-gold mine

A further 2 ELA's remain at the application stage:

- *Killero W* – second anomalous area with exceptional copper-gold values from historical BoT sampling by AngloAmerican PLC, but never followed up with core drilling
- *Sätkenävaara* – complex NW-trending structural corridor in eastern part of the Aakenus reservation

As winter conditions are preferred for drilling in this area, the Company currently expects the first round of scout drilling to begin in late Q4, 2023.

Capella will retain a 70% interest in Cullen Finland Oy (the local owner of the Northern Finland Au-Cu and Perho projects) in return for a USD 250,000 investment in exploration by 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 as required under the signed letter of intent for the acquisition of the Northern Finland gold-copper projects.

### ***Løkken Cu-Co-Zn VMS Project, Trøndelag County, Norway (100% Capella)***

Capella's summer 2022 field programs at the Løkken copper-cobalt-zinc project were focused on ground magnetic surveys and systematic soil (Ionic Leach) geochemical sampling at the priority satellite VMS targets at Åmot and Høydal. Permitting is currently underway for a scout summer 2023 diamond drill program at the Åmot target, which is located approximately 5km due E of the former Løkken mining operations. The primary target at Åmot is an undrilled, 1.5km-long geophysical (electromagnetic and ground magnetic) anomaly situated approximately 150m below surface and associated with coincident surface soil geochemical anomalies. A scout program of 1,250m / 4-6 holes is proposed to test Åmot.

The Løkken high-grade copper project is located 50km SW of the regional centre of Trondheim and covers an area of 210 km<sup>2</sup>. The Løkken claim block surrounds the former Løkken underground mine (which closed in 1987 in response to low copper prices), and covers associated historical mineral processing facilities, plus multiple satellite bodies of mineralization with varying degrees of development. Løkken is considered to be the largest ophiolite-hosted Cyprus-type VMS deposit by tonnage, having produced an estimated 24Mt @ 2.3% Cu and 1.8% Zn (plus silver and gold credits)<sup>2</sup>.

<sup>2</sup> Historic production values quoted for Løkken are from Grenne T, Ihlen PM, Vokes FM (1999) Scandinavian Caledonide metallogeny in a plate-tectonic perspective. Mineral Deposita 34:422–471, Neither Capella or EMX have performed sufficient work to verify the published data reported above, but both Companies believe this information to be considered reliable and relevant.

### ***Vaddas-Birtavarre Cu-Co VMS District, Northern Norway (100% Capella)***

On July 5, 2022 Capella announced the successful staking of new exploration claims in the past-producing Vaddas-Birtavarre copper-cobalt+/-zinc VMS district of northern Norway, as part of its "first mover" in-country strategy. The Vaddas-Birtavarre district is located in the Finnmark og Troms Province, some 60km E of the regional centre of Trømsø and immediately to the west of the Boliden Minerals AB-Norden Crown (TSXV: NOCR) copper exploration JV at Burfjord.

The Vaddas-Birtavarre district contains a number of known Caledonian-age semi-massive to massive sulfide deposits which are hosted within different stratigraphic levels: a lowermost greenstone unit (with local pillow basalts) hosts copper-cobalt mineralization at Vaddas, whilst an overlying metasedimentary sequence hosts copper-cobalt mineralization at Birtavarre. The first reported discovery of copper mineralization at Vaddas was in the 1890's (and at Birtavarre in the 1860's) with limited exploration and small-scale copper mining having been undertaken since the time of discovery. No systematic exploration is reported to have been undertaken in the Vaddas-Birtavarre area since the 1970's.

The Vaddas-Birtavarre district represents, in the Company's view, the highest potential for new copper-cobalt discoveries in Norway outside of its current focus areas in Trøndelag Province. Reconnaissance field evaluations for the Vaddas-Birtavarre districts were undertaken during August-September, 2022 with results from these initial mapping/sampling programs having now been received and utilized to design follow-up field programs for Summer 2023. Land holding fees for 2023 have been paid for a core group of priority exploration claims covering 90 sq. km at Vaddas and 30 sq. km at Birtavarre.

### ***Southern Gold Line, Sweden (100% Capella)***

Capella announced on September 28, 2022, its decision to return to EMX Royalty Corp (TSXV, NYSE: EMX) approximately 90% of the Southern Gold Line project area in northern Sweden. The decision to suspend exploration activities on the 7 claims hosting gold targets (and covering a total area of 466 sq. km) was made in response to Dragon Mining Ltd (HK: 1712), owner of the adjacent Fäboliden gold 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 considered it to not be in shareholder's best interest to continue investing in gold projects which, at this time, do not have a clear path to obtaining permits for potential future development. The Company will, however, retain an eighth mineral claim, Fäboliden Sodra 103, which covers an area of 44 sq. km and which hosts base metal (copper) targets.

The Company recognised an impairment provision of \$880,170 for the year ending May 31, 2022 and wrote off a further \$6,832 in exploration expenditure and \$83,270 in prepaid licenses related to the Southern Gold Line project in the nine months ending February 28, 2023.

**Savant Gold Project, Ontario (Capella 100%; Prospector Metals Earn-In to 70%)**

Capella's Savant Gold Project is located approximately 230km NW of Thunder Bay, Ontario in the underexplored Archean-age Savant Lake-Sturgeon Lake greenstone belt. The Red Lake and Musselwhite mining complexes are located 230km NW and 250km N, respectively, of the Savant Gold Project.

The Savant Gold Project is subject to an Earn-In Agreement through which Prospector Metals Corp. (TSXV: PPP) may earn-in to a 70% interest in the project in return for completing CAD 2M of exploration expenditures prior to November 15, 2024. In addition, Prospector is required to make staged cash and share payments to Capella totalling CAD 200,000 and 2,666,666 common shares, respectively, in order to complete the 70% earn-in. At the date of this report, Prospector had completed approximately CAD 905,000 of exploration expenditures at Savant (representing X% of the expenditure required to complete the earn-in requirement).

During the reporting period ended February 28, 2023, the Company received its anniversary cash payment of \$50,000 and 666,666 Prospector Metal shares as required under the Earn-In Agreement.

On August 15, 2022, Prospector announced that final assay results had been received for all 594 rock samples taken at Savant during the summer 2022 field campaign. High-grade gold values were returned from two main structural corridors: i) a first-order deformation zone named the Wiggle Deformation Zone (and which passes through the previously recognized Wiggle Creek gold prospect) and ii) the newly-defined Snowbird-Shoal Deformation Zone (which passes through the Snowbird, Horseshoe, and Shoal gold prospects). Adjacent, undrilled fold hinges in iron-formation also represent high-priority targets for gold mineralization. A new LiDAR survey was also completed over the Savant gold project in June, 2022, with data derived from this survey having now been incorporated in to drill targeting activities.

The Savant Gold Project is essentially drill-ready. However, Prospector advises that some final drill targeting will be undertaken by field crews commencing May 15, 2023, with the core drilling of priority targets expected to be undertaken during H2, 2023 (but remains subject to market / financing conditions).

*Prospector Earn-In Agreement Milestones:* The terms of the original Prospector Earn-In Agreement were modified on September 16, 2021, in order to accommodate some delays with accessing parts of the Savant project area. Revised terms of the earn-in agreement are detailed below:

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

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

In addition, in the event of an NI 43-101compliant mineral resource of >1 million ounces of gold being defined on the property, then Prospector will make a further payment to Capella of \$50,000 in cash and 666,666 Prospector shares. At the date of this report, Capella had sold its initial portfolio of 999,999 common shares in

Prospector (the “on-signing” and September 20, 2021 common share allotments) to fund its ongoing working capital requirements.

**Domain Gold JV, Manitoba** (*Agnico Eagle Mines Ltd 70.4% / Capella 29.6%*)

Agnico Eagle Mines Ltd (TSX-NYSE: AEM)(“Agnico”) formally became Capella’s JV partner at the Domain Gold project on March 31, 2023, upon completion of the acquisition by Agnico of all of Yamana Gold Inc.’s former Canadian gold assets.

No significant field activities are reported by Yamana/Agnico for the current reporting period.

The Domain Gold JV consists of an advanced exploration-stage gold project in central Manitoba with 62 holes / 9,660m of historic diamond drilling. The Domain Gold JV is a 70.4%-29.6% contributing JV between Agnico and Capella, with Agnico being the project operator. Prior to its acquisition by Agnico, Yamana had been working on Community Relations activities and work supporting an eventual exploration permit application (including a Stage 1 archaeological assessment, with permits being applied for those areas not requiring a more detailed Stage 2 assessment). An exploration agreement with the Bunibonibee Cree Nation had previously been signed in 2020.

Discussions on potential paths forward for the Domain project have been initiated with Agnico.

**Qualified Persons and Disclosure Statement**

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

Exploration and Evaluation Expenditures

|  | <b>Southern<br/>Gold Line,<br/>Sweden</b> | <b>Løkken,<br/>Norway</b> | <b>Kjøli,<br/>Norway</b> | <b>Hessjogruva,<br/>Norway</b> | <b>Vaddas-<br/>Birtavarre,<br/>Norway</b> | <b>Aakenus,<br/>Finland</b> | <b>Katajavaara,<br/>Finland</b> | <b>Pehro,<br/>Finland</b> | <b>Euro-<br/>lithium,<br/>Finland</b> | <b>Savant<br/>Lake,<br/>Ontario,<br/>Canada</b> | <b>Total</b>     |
|--|---|---------------------------|--------------------------|--------------------------------|---|-----------------------------|---------------------------------|---------------------------|---------------------------------------|---|------------------|
|  | \$  | \$                        | \$                       | \$                             | \$  | \$                          | \$                              | \$                        | \$                                    | \$  | \$               |
| <b>Balance May 31, 2021</b>                      | <b>659,524</b>                            | <b>804,593</b>            | <b>758,033</b>           | -                              | -   | -                           | -                               | -                         | -                                     | <b>908,103</b>                                  | <b>3,130,253</b> |
| Acquisition and tenure                           | 46,426                                    | 90,531                    | 72,008                   | -                              | -   | 264,413                     | 264,413                         | -                         | -                                     | -   | 737,791          |
| Camp, travel, administration<br>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)         |
| <b>Balance February 28, 2022</b>                 | <b>1,009,478</b>                          | <b>1,148,484</b>          | <b>1,163,958</b>         | -                              | -   | <b>315,235</b>              | <b>315,235</b>                  | -                         | -                                     | <b>908,103</b>                                  | <b>4,860,493</b> |
| Acquisition and tenure                           | (21,852)                                  | -                         | (1,453)                  | 429                            | 5,001                                     | (57,542)                    | (57,542)                        | -                         | -                                     | -   | (132,959)        |
| Camp, travel, administration<br>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<br>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)         |
| <b>Balance May 31, 2022</b>                      | <b>125,738</b>                            | <b>1,232,648</b>          | <b>1,208,395</b>         | <b>5,253</b>                   | <b>4,715</b>                              | <b>415,853</b>              | <b>253,284</b>                  | -                         | -                                     | <b>638,103</b>                                  | <b>3,883,989</b> |
| Acquisition and tenure                           | -   | 134,537                   | 138,707                  | 29,740                         | 18,148                                    | 16,392                      | 861                             | 4,115                     | 928,790                               | -   | 1,146,549        |
| Camp, travel, administration<br>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<br>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)          |
| <b>Balance February 28, 2023</b>                 | <b>126,320</b>                            | <b>1,732,009</b>          | <b>1,817,471</b>         | <b>58,605</b>                  | <b>92,497</b>                             | <b>514,497</b>              | <b>255,605</b>                  | <b>4,410</b>              | <b>937,183</b>                        | <b>484,768</b>                                  | <b>6,023,365</b> |

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

## OVERALL PERFORMANCE

During the nine months ended February 28, 2023, the Company incurred a loss of \$1,034,774 (February 28, 2022: \$553,114). This loss was due predominantly to the realized loss of \$114,622 recognised on the sale of financial assets held, management and administrative expenses incurred of \$408,439, shareholder information and meetings of \$104,088 and share-based payments expense of \$171,357. This loss was offset by the unrealized gain of \$36,667 recorded during the period in relation to the revaluation of the Prospector Metals shares held at period end.

The Company will seek additional equity funding or alternative financing options to fund current and ongoing exploration activities and general and administrative costs.

## FINANCIAL POSITION

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

|                                   | <b>February 28, 2023</b> | <b>May 31, 2022</b> | <b>May 31, 2021</b> |
|-----------------------------------|--------------------------|---------------------|---------------------|
|                                   | <b>\$</b>                | <b>\$</b>           | <b>\$</b>           |
| Current assets                    | 300,239                  | 302,961             | 1,273,900           |
| Non-current assets                | 6,263,622                | 4,327,893           | 5,104,626           |
| Current liabilities               | (640,922)                | (310,531)           | (211,675)           |
| Non-current liabilities           | (235,465)                | (327,536)           | (169,118)           |
| Shareholders' equity (deficiency) | <b>5,687,474</b>         | <b>3,992,787</b>    | <b>5,997,733</b>    |

Included in current assets at February 28, 2023 is cash of \$187,003, receivables of \$46,446 and prepaid expenses of \$66,790. The movement in current assets in the current period is due to cash received of \$1,613,600 during the period as a result of the private placement which closed in October 2022, offset by share issue costs and expenditure on the Company's exploration projects and payment of corporate costs incurred to support the Company's operations.

The non-current assets balance has increased by \$1,935,729 due predominantly to the acquisition of the element REE portfolio during the period for \$906,000 through the issue of 15,100,000 Capella shares, issue of 2,079,000 Capella shares (value \$124,740) to EMX Royalty Corp as required under the option and purchase agreement for Norwegian projects signed in April 2021; and ongoing expenditure at the Company's Norwegian and Finnish projects of \$1,265,952; receipt of 666,666 Prospector Metals shares, offset by the sale of existing Prospector Metals shares during the period, with proceeds used to fund ongoing exploration and corporate activities and farm-out recoveries in relation to the Savant Lake project of \$153,335. Exploration and evaluation expenses have also been impacted by movements in exchange rates between NOK, SEK, EUR and the Company's reporting currency CAD.

Current liabilities of the Company include accruals and accounts payable totalling \$640,922. These balances can fluctuate from period to period depending on the level of exploration activity and corporate activities undertaken by the Company. At February 28, 2023 these liability balances mainly comprise of payables related to exploration activities of \$416,090 directors' fees payable of \$27,218, audit and tax fee accrual of \$44,049 and other accounts payable related to general expenditure of \$23,697. Current liabilities balance also includes, \$45,443 being the current portion of the contractual obligation payable to Sandstorm Gold in relation to the Sierra Blanca project (payables in shares) and \$84,424 being the current portion of the deferred consideration payable recognised on acquisition of Cullen Finland Oy.

## RESULTS OF OPERATIONS

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

|  | February 28, 2023 | February 28, 2022 |
|--|-------------------|-------------------|
|  | \$                | \$                |
| Management and administrative fees                     | 408,439           | 328,959           |
| Share-based payments                                   | 171,357           | 178,317           |
| Realized (gain)/loss on sale of financial assets       | 114,622           | 163,113           |
| Shareholder information and meetings                   | 104,088           | 135,477           |
| Regulatory and transfer agent fees                     | 57,629            | 39,241            |
| Travel   | 40,435            | 22,247            |
| Office and general                                     | 30,402            | 21,474            |
| Write off of deferred exploration and evaluation costs | 90,102            | -                 |
| Foreign exchange loss                                  | 28,122            | 12,845            |
| Share of losses investment in associate                | 14,548            | -                 |
| Deferred consideration payable interest                | 7,801             | -                 |

### Discussion of operations

*Nine months ended February 28, 2023 and February 28, 2022*

During the nine months ended February 28, 2023 (“current nine-month period”), the Company recorded a net loss of \$1,034,774 compared to a net loss of \$553,114 for the nine-month period ended February 28, 2022 (“comparative nine-month period”).

The net loss recorded for the current nine-month period is due mainly to general and administrative expenses incurred of \$408,439 (detailed further below), share based payments of \$171,357 and the realized loss of \$114,622 recorded on the sale of 689,500 Prospector shares in the nine months ending February 28, 2023.

These costs are detailed further below.

Management and administrative fees have increased in the current nine-month period due mainly to a bonus of C\$50,000 paid to E Roth during the period in recognition of his efforts in expanding the portfolio for Capella and plus an increase in monthly fees paid to senior management in recognition of the increased efforts required in relation to the expanded portfolio.

Share based payments expense remain relatively consistent with that of the comparative period, with fluctuations recorded as a result of the cost being recognised over the vesting period of the options issued.

Shareholder and information meetings activities have decreased due to variations in conferences attended to those of the comparative nine-month period.

Regulatory and transfer agent fees increased by \$18,388 in the current nine-month period due mainly to the fees related to the private placement completed in October 2022.

Travel costs have increased from the prior comparative period as travel restrictions put in place due to the COVID-19 pandemic lifted and attendance at investor conferences and corporate visits to the various projects being possible.

Office and general costs have increased by \$9,928 due mainly to the short-term office space rental expensed as it was no longer required due to the departure of the contracted geologist during the period.

The Company wrote off \$6,832 of exploration and expenditure costs incurred during the period and \$83,270 in prepaid license costs related to the Southern Gold Line project, which in September 2022 the Company advised EMX of its intention to return approximately 90% of the project area. Nil exploration costs written off in the comparative nine-month period.

Foreign exchange losses have increased during the current period due to a greater number of transactions undertaken in the period and movements in the varying currency denominations and payments across the Company against the Canadian Dollar.

The Company recognised its share of losses of \$14,548 for the period in relation to its equity accounted investment in Sierra Blanca as a result of the sale of this subsidiary to Austral Gold. In the prior period this was nil\$.

The Company recognised \$7,801 in interest during the current period (comparative nine-month period: \$nil) in relation to the deferred consideration payable, which was recognised as part of the Company's acquisition from Cullen of its interest in the Katajavaara and Aakenus gold(-copper) projects.

All other costs have remained relatively consistent across the two periods.

The Company capitalizes all acquisition and exploration costs until the property to which those costs relate is placed into production, sold or abandoned. The decision to abandon a property is largely determined from exploration results and the amount and timing of the Company's write-offs of capitalized mineral property costs will vary from one year to the next and typically cannot be predicted in advance. Exploration and evaluation costs associated with the Savant Lake property are accounted for in line with the Company's farm out accounting policy.

## SUMMARY OF QUARTERLY RESULTS

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

| Period                               | Revenues<br>\$ | Net profit (loss) for<br>the period<br>\$ | Net profit/(loss) per<br>share for the<br>period- basic<br>\$ | Net profit/(loss) per<br>share for the<br>period- diluted<br>\$ |
|--------------------------------------|----------------|---|---|---|
| Three months ended February 28, 2023 | Nil            | (264,777)                                 | 0.00  | 0.00  |
| Three months ended November 30, 2022 | Nil            | (397,827)                                 | 0.00  | 0.00  |
| Three months ended August 31, 2022   | Nil            | (372,170)                                 | 0.00  | 0.00  |
| Three months ended May 31, 2022      | Nil            | (1,732,081)                               | (0.01)  | 0.00  |
| Three months ended February 28, 2022 | Nil            | (355,576)                                 | 0.00  | 0.00  |
| Three months ended November 30, 2021 | Nil            | (526,129)                                 | 0.00  | 0.00  |
| Three months ended August 31, 2021   | Nil            | 328,591                                   | 0.00  | 0.00  |
| Three months ended May 31, 2021      | Nil            | 151,339                                   | 0.00  | 0.00  |

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

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

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

The Company's net loss of \$264,777 for the third quarter of fiscal 2023 is due mainly to management and administrative fees incurred of \$142,635 being required to support the ongoing activities of the Company. These have increased by \$29,884 when compared to the comparative quarter due mainly to increased monthly fees paid to senior management reflecting increased administrative work due to the expansion of the Company's portfolio, Office and general costs have increased mainly due to the expense incurred in office rental costs incurred for use



by the company geologist. This office space is no longer required and has been expensed in full. The Company also wrote off prepaid license fees of \$83,270 related to the Southern Gold Line project during the current quarter. All other general and administrative expenses have decreased from those of the comparative quarter including reductions in : travel costs due to varying levels of attendance at corporate conferences; share based payments due to the variation in vesting periods of options issued; shareholder information costs due to a reduction in marketing activities and variations to conferences attended and regulatory and legal fees due to the OTCQB listing application in the prior period. The loss for the quarter was offset by an unrealised gain recognised on the revaluation of the Prospector Metals shares held at the end of the quarter.

The Company's net loss of \$397,827 for the second quarter of fiscal 2023 is due mainly to continued management and administrative fees incurred of \$164,984 required to support the ongoing activities of the Company, including a bonus of C\$50,000 paid to E Roth during the period in recognition of having accepted a significantly reduced salary for the last 3 years and the efforts required in successfully expanding the Company's portfolio, as well as share based payments expense of \$64,102 which has increased from the prior period due to the issue of 4,400,000 options;. Travel costs have increased in the current quarter a COVID-19 travel restrictions were continued to be lifted allowing for more corporate travel which had been difficult in prior periods. Shareholder information costs of \$61,753 incurred as the company continued to promote its Scandinavian assets, and regulatory and transfer agent fees increased in the current quarter due to fees associated with the OTCQB listing and closing of the private placement in October 2022.

The Company's net loss of \$372,170 for the first quarter of fiscal 2023 is due mainly to general and administrative expenses incurred of \$228,512 (which includes management and administrative fees of \$100,820 and share based payments of \$64,808), as well as the realized loss of \$114,622 recorded on the sale of 689,500 Prospector shares.

The Company's net loss of \$1,732,081 for the fourth quarter of fiscal 2022 is due mainly to the recognition of an impairment provision against the Southern Gold Line project of \$880,170, share based payments expense of \$50,344 which has increased in the current quarter due to the issue of 4,400,000 options; as well as continued management and administrative fees incurred of \$104,564 required to support the ongoing activities of the Company, shareholder information costs of \$57,349 incurred as the company continued to promote its Scandinavian assets and increased listing and professional fees associated with the OTCQB listing. An unrealized loss of \$544,678 and a realized loss of \$51,861 was recognized on financial assets held in the current quarter. The Company also recognised \$6,706 in losses in relation to its investment in associate – Sierra Blanca. These costs were offset by loan forgiveness of \$10,000 recognized on extinguishment of the CEBA loan granted by the Government of Canada.

The Company's net loss of \$355,576 for the third quarter of fiscal 2022 is due mainly to the recognition of share based payments expense of \$135,715 which has increased in the current quarter due to the issue of 4,040,000 options; as well as continued management and administrative fees incurred of \$112,751 required to support the ongoing activities of the Company, shareholder information costs of \$57,349 incurred as the company continued to promote its Scandinavian assets and increased listing and professional fees associated with the OTCQB listing.

The Company's net loss of \$526,129 for the second quarter of fiscal 2022 is due mainly to the revaluation loss of the financial assets held of \$140,000 as the movement in the closing share price of Ethos shares held decreased from the of the prior quarter. The value of these financial assets will fluctuate from period in line with movements in the closing share price of the quoted equity shares. The Company also recognised a realised loss on the sale of Cerrado shares in the period of \$163,113. The Company has also had a general decrease in its general and administrative expenses with the exception of investor relations expenses which have increased as the Company looked for more opportunities to promote its Scandinavian assets as well as a marginal increase in its management and administrative fees as it has engaged consultants to assist in the management of its Scandinavian operations.

The Company's net gain of \$328,591 for the first quarter of fiscal 2022 is due mainly to the revaluation of \$510,000 on financial assets held at August 31, 2021. The value of these financial assets will fluctuate from period in line with movements in the closing share price of the quoted equity shares. This gain was offset by increased shareholder information costs as the Company increased its investor relations activities which had been impacted by COVID-19 restrictions and share based payment expense as the cost associated with the issue of options being recognised over their vesting period.

The Company's net gain of \$151,339 for the fourth quarter of fiscal 2021 is due mainly to the revaluation of \$468,333 related to financial instruments held in Ethos Gold and Cerrado Gold. This gain was offset by increased investor relation costs of \$96,622 which have increased from comparative quarters due to greater attendance at conferences in the current quarter which did not occur in the prior comparative period as a result of the COVID-19 pandemic, as well as increased targeted investor relations expenses during the current quarter as the Company looked to promote its recently acquired Scandinavian properties. Share based payments costs of \$21,417 was recorded related to options issued during the fiscal year were recorded. These increases were offset by decrease in travel expenses of \$37,813 due to the impact of COVID-19 travel restrictions in the current quarter, decrease in accounting fees of \$19,428 due to the decrease in operations in Argentina and ultimate sale of the Argentinean subsidiaries. A decrease of \$12,910 was recorded in relation to contractual obligation payable interest and interest recorded on SSL loan. In the prior period comparative quarter, the Company recognised a provision of \$4,528,887 in relation to its Argentinean projects., no provision against projects was recognised in the current quarter.

## SEGMENT INFORMATION

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

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

## LIQUIDITY AND CAPITAL RESOURCES

As at February 28, 2023 the Company had cash of \$187,003. The Company has no operations that generate cash flow and its long-term financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. The Financial Statements have been prepared on the assumption that the Company is a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations.

The Company has incurred an accumulated deficit of \$19,451,904 at February 28, 2023 and has no current source of revenue. It is important to note the Company's continuation as a going concern is dependent on its ability to attain profitable operations and generate funds therefrom and/or raise funds sufficient to meet current and future obligations. In order to continue normal course of operations the Company is seeking additional equity funding, or alternative options, to fund ongoing exploration activities and to meet its current and ongoing general and administrative costs. The Company cannot guarantee it will be successful in raising additional funding, or in securing alternative financing options.

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

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

### *Operating Activities*

During the nine months ending February 28, 2023, the Company used \$634,194 (comparative nine-month period –\$623,079) of cash to fund the ongoing operating activities of the Company. The cash used in operations reflects the loss for the period of \$1,034,774 (comparative nine-month period loss: \$553,114) adjusted for the changes in working capital items such as accounts receivable and accounts payable and non-cash items. Non-cash items include realized loss of \$114,622 (2022: \$163,113) recognised on equity securities sold during the period and share based payments expense \$171,357 (comparative nine-month period - \$178,317).

### *Investing Activities*

During the nine months ending February 28, 2023, the Company incurred a net cash outflow in investing expenditures of \$775,062 (comparative nine-month period – inflow \$163,397) due to expenditure incurred on exploration activities related to its Scandinavian projects of \$971,828 and the anniversary payment to Cullen Resources of USD50,000 (C\$67,715) as part of the acquisition of the Katajavaara and Aakenus projects located in Finland. These outflows were offset by the receipt of net proceeds of \$216,338 related to the sale of Prospector shares held by the Company and the receipt of the anniversary payment from Prospector of \$50,000 as required under the option agreement signed over the Savant Lake project.

### *Financing Activities*

The Company completed a 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 following TSXV approval. The Company paid finder's fees of an aggregate \$79,791 related to the placement.

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

## **COMMITMENTS AND CONTINGENCIES**

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

- Until Capella has completed financings to the value of \$4,500,000 (effective from the private placement completed in September 2020). EMX will retain a free carried 9.9% shareholding in Capella (subject to a cap of 15,693,785 shares). This commitment was met with the issuance of 2,079,000 Capella shares on January 6, 2023. Afterwards, EMX retains the option to participate in future financings at its own discretion.
- On or before September 1, 2021, Capella shall incur no less than USD 100,000 in exploration expenditures on each of the three projects (in progress).
- On or before September 1, 2022, Capella shall incur an additional USD 500,000 in exploration expenditures aggregated across three projects (or on any one project).
- Beginning September 1, 2023, Capella commits to completing at least 1,000m of drilling on each project per year until the earlier of: i) a minimum of 10,000m has been completed on such project ii) the date that Capella has delivered to EMX a relinquishment notice in respect of a project or iii) the date that the parties mutually agree that no further drilling is warranted.
- From the second anniversary of signing (September 1, 2022), Capella will be required to make advanced royalty payments to EMX of USD 25,000 per project, increasing USD 5,000/year up until reaching a maximum of USD 75,000/year per project.
- Capella to make additional payments of USD 500,000 to EMX upon:

- The filing of a Preliminary Economic Assessment technical report
- The filing of a National Instrument 43-101 (“NI-43101) compliant feasibility study
- EMX to retain a 2.5% NSR in the projects, with 0.5% being purchasable for USD 1M within 6 years

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

- Capella will be required to invest a total of USD 250,000 in exploration expenditures on the two projects over a 24 month period from the Closing Date. Capella may then acquire a further 10% interest in Cullen Oy (for a total 80% interest) in return for a further USD 750,000 investment in the two projects over a 4.5-year period from the Closing Date.
- Cullen will then be free carried until the completion of a Pre-Feasibility Study (“PFS”) on either of the two projects. Thereafter, a standard dilution formula will apply and should party’s direct interest fall to below 10% then they will revert to a 2% Net Smelter Royalty (with 1% being purchasable for USD 1 million).

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 November 30, 2022.

## OFF BALANCE SHEET ARRANGEMENTS

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

## OUTSTANDING SHARE DATA

Outstanding share data as at February 28, 2023 is as follows:

|   | Price  | Expiry date       | Number of common shares |
|---|--------|-------------------|-------------------------|
| Common shares issued and outstanding      |        |                   | 195,210,195             |
| Securities convertible into common shares |        |                   |                         |
| Options                                   |        |                   |                         |
|   | \$0.25 | June 4, 2023      | 1,815,000               |
|   | \$0.15 | October 18, 2023  | 250,000                 |
|   | \$0.12 | November 4, 2023  | 4,980,000               |
|   | \$0.10 | February 18, 2025 | 4,000,000               |
| Warrants                                  |        |                   |                         |
|   | \$0.12 | September 3, 2023 | 62,558,260              |
|   | \$0.12 | October 28, 2024  | 14,426,667              |
| <b>Fully Diluted</b>                      |        |                   | <b>283,240,122</b>      |

## RISKS AND UNCERTAINTIES

Capella has no history of profitable operations and is an exploration stage company. As such, it is subject to many risks common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and lack of revenues.

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

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

### **Exploration Stage Company**

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

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

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

### **Political or economic instability in countries where the Company operates**

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

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

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

- the unenforceability of contractual rights and judgments.

## Competition

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

## Title to Property

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

## Personnel

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

## Commodity Price Risk

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

## TRANSACTIONS WITH RELATED PARTIES

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

### a) Related party transactions

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

|                      |     | <b>Nine months ended<br/>February 28, 2023</b> | Nine months ended<br>February 28, 2022 |
|----------------------|-----|--|--|
|                      |     | \$   | \$                                     |
| Consulting & Salary  | (i) | 304,827  | 213,674                                |
| Share-based payments |     | 150,056  | 108,006                                |

- (i) Consulting costs relate to ER Global (CEO) - \$166,000, Marketworks (Company Secretary) \$35,300, and Genco Professional Services (CFO) \$61,595 and non-executive director fees of \$41,932.

### b) Related party balances

|   | \$     | \$    |
|---|--------|-------|
| Perihelion Inc - Mary Little                        | 13,609 | 6,356 |
| Glen Parsons  | 13,609 | 6,356 |
| Marketworks Inc Kathryn Witter -Corporate Secretary | -      | 5,906 |

The Company also has a contractual obligation payable balance of \$159,635 to Sandstorm.

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

c) Compensation of key management personnel

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

|                                   | <b>Nine months ended<br/>February 28, 2023</b> | Nine months ended<br>February 28, 2022 |
|-----------------------------------|--|--|
|                                   | \$   | \$                                     |
| Salary/Exploration/Consulting (i) | 304,827  | 142,941                                |
| Share based payments              | 150,056  | 39,180                                 |

(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

One of the directors of the Company participated in the financing completed on October 28, 2022 of 500,000 units.

## 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.

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

| <b>February 28, 2023</b> | <b>Cash</b> | <b>Receivables</b> | <b>Accounts payable<br/>and accrued<br/>liabilities</b> |
|--------------------------|-------------|--------------------|---|
|                          | \$          | \$                 | \$  |
| 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          | -                  | -   |

| <b>May 31, 2022</b> | <b>Cash</b> | <b>Receivables</b> | <b>Accounts payable<br/>and accrued<br/>liabilities</b> |
|---------------------|-------------|--------------------|---|
|---------------------|-------------|--------------------|---|

|                      | \$     | \$     | \$      |
|----------------------|--------|--------|---------|
| 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   |

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. At February 28, 2023, 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 consist of goods and services tax and taxes due from the government of Canada and Sweden. Management believes that the credit risk concentration with respect to receivables is limited.

c) Liquidity Risk

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

Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at 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).

## CAPITAL MANAGEMENT

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



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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments. 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 will require additional financing in order to fund working capital requirements and conduct additional acquisitions, exploration and evaluation of mineral properties.

## **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

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

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

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

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

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

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

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

*(ii) Valuation of share-based payments*

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

*(iii) Income taxes*

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon

examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

(iv) *Non-cash transactions*

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

(v) *Functional currency*

The Company has evaluated the economic environment its entities operate in and determined that the functional currency of its 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 elementX Finland Oy has been determined to be the Euro. The functional currency of its other entities, including the parent is the Canadian dollar.

(vi) *Contractual obligation payable*

The Company has a contractual obligation to pay up to \$400,000 per year for a period of up to 15 years to acquire Sierra Blanca in Argentina. The terms of this payable were amended during the period ended May 31, 2021. The Company has assessed the contractual obligation payable for the acquisition of the Argentinean asset as being more likely than not to not continue past 5 years from the effective date of the amendment to the agreement.

## ACCOUNTING STANDARDS

### Principles of Consolidation

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

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

The Company's financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

### APPROVAL

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

### ADDITIONAL INFORMATION

Additional information relating to Capella is on SEDAR at [www.sedar.com](http://www.sedar.com).

### FORWARD LOOKING INFORMATION

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

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

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

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

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