

Capitan Investment Ltd.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022

(Unaudited – Prepared by Management)

Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim financial statements as at and for the three and nine months ended September 30, 2022.

Capitan Investment Ltd.
Condensed Interim Consolidated Statements of Financial Position
(unaudited)
(in Canadian dollars)

As at	September 30 2022	December 31 2021
Assets		
Current assets		
Cash	\$ 1,938,249	\$ 1,997,996
Investments (Note 4)	6,853,500	6,339,000
Accounts receivable (Note 5)	95,480	77,890
Prepaid expenses and deposits	646,369	661,259
	9,533,598	9,076,145
Property and equipment (Note 6)	513,310	641,393
Total Assets	\$ 10,046,908	\$ 9,717,538
Liabilities and Shareholders' Equity		
Current liabilities		
Trade and other payables	\$ 491,303	\$ 511,395
Current portion of lease liability (Note 7)	23,227	94,303
Current portion of decommissioning obligation (Note 8)	279,782	388,629
Canada Emergency Business Account loan (Note 9)	-	40,000
	794,312	1,034,327
Decommissioning obligation (Note 8)	77,897	77,897
Canada Emergency Business Account loan (Note 9)	40,000	-
Total Liabilities	912,209	1,112,224
Shareholders' Equity		
Share capital	20,465,084	20,465,084
Contributed surplus	1,244,119	1,244,119
Accumulated other comprehensive income	562,984	22,283
Accumulated deficit	(13,137,488)	(13,126,172)
Total Shareholders' Equity	9,134,699	8,605,314
Total Liabilities and Shareholders' Equity	\$ 10,046,908	\$ 9,717,538

See the accompanying notes to these condensed interim consolidated financial statements.

Capitan Investment Ltd.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(unaudited)

(in Canadian dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Revenue				
Return on investments (Note 4)	\$ 164,546	\$ 52,500	\$ 479,861	\$ 52,500
Expenses				
General and administrative	126,629	187,942	425,053	563,250
Depreciation (Note 6)	31,480	31,275	92,368	73,212
Imputed interest (Note 7)	1,904	3,073	4,868	8,013
Foreign exchange	(799)	(120,628)	(990)	(67,353)
	159,214	101,662	521,299	577,122
Loss from operating activities	5,332	(49,162)	(41,438)	(524,622)
Interest income	-	-	-	3,652
Net income (loss) from oil and gas operations (Note 10)	(20,197)	(26,088)	30,122	(53,712)
Net loss	(14,865)	(75,250)	(11,316)	(574,682)
Exchange differences on translation of subsidiary	434,745	55,272	540,701	52,729
Comprehensive income (loss)	\$ 419,880	\$ (19,978)	\$ 529,385	\$ (521,953)
Net loss per share - basic	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	289,684,072	289,684,072	289,684,072	289,684,072

See the accompanying notes to these condensed interim consolidated financial statements.

Capitan Investment Ltd.
Condensed Interim Consolidated Statements of Changes in Equity
(unaudited)
(in Canadian dollars)

For the nine months ended September 30	2022	2021
Share capital		
289,684,072 common shares issued and outstanding		
Balance, beginning and end of period	\$ 20,465,084	\$ 20,465,084
Contributed surplus		
Balance, beginning and end of period	1,244,119	1,244,119
Accumulated other comprehensive income		
Balance, beginning of period	22,283	-
Exchange differences on translation of subsidiary	540,701	52,729
Balance, end of period	562,984	52,729
Accumulated deficit		
Balance, beginning of period	(13,126,172)	(11,412,019)
Net loss	(11,316)	(574,682)
Balance, end of period	(13,137,488)	(11,986,701)
Total Shareholders' Equity	\$ 9,134,699	\$ 9,775,231

See the accompanying notes to these condensed interim consolidated financial statements.

Capitan Investment Ltd.
Condensed Interim Consolidated Statements of Cash Flows
(unaudited)
(in Canadian dollars)

For the nine months ended September 30	2022	2021
Operating activities		
Net income (loss)	\$ (11,316)	\$ (574,682)
Add back (deduct) non-cash items:		
Depletion and depreciation (Note 6)	138,420	87,744
Loss on disposition of property and equipment (Note 6)	-	16,418
Imputed interest (Note 7)	4,868	8,013
Accretion (Note 8)	3,332	2,235
Foreign exchange	25,366	(137,756)
Abandonment expenditures (Note 8)	(99,720)	-
Change in non-cash working capital		
Accounts receivable	(17,590)	(77,017)
Prepaid expenses and deposits	14,890	35,019
Trade and other payables	(20,092)	(2,417)
Cash flows used in operating activities	38,158	(642,443)
Financing activities		
Lease payments (Note 7)	(98,895)	(72,566)
Cash flows used in financing activities	(98,895)	(72,566)
Investing activities		
Term deposit proceeds	-	7,671,667
Purchase of investments (Note 4)	-	(6,303,500)
Proceeds from disposition of property and equipment	-	34,750
Cash flows provided by investing activities	-	1,402,917
Change in cash	(60,737)	687,908
Foreign exchange effect of cash USD denominated cash	990	123,588
Cash, beginning of period	1,997,996	1,118,324
Cash, end of period	\$ 1,938,249	\$ 1,929,820

See the accompanying notes to these condensed interim consolidated financial statements.

Capitan Investment Ltd.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2022**

(unaudited)

(in Canadian dollars)

1. Nature of Operations

Capitan Investment Ltd. (“Capitan” or the “Company”) was incorporated under the Business Corporations Act (Alberta) and changed its name from Sahara Energy Ltd. to Capitan on December 17, 2021. The Company’s primary business is investment in real estate development projects. The Company is listed on the TSX Venture Exchange under the trading symbol CAI. The Company’s registered address is 400, 444 – 7th Avenue SW, Calgary, Alberta.

As at September 30, 2022, JK Investment (Hong Kong) Co., Limited (“JK Investment”) owned and controlled 69% of the Company's issued and outstanding shares.

2. Basis of Preparation

The consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiary, GC Capital Holdings Inc., and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, including International Accounting Standard 34 – Interim Financial Reporting.

The Company has consistently applied the same accounting policies throughout all periods presented. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2021.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 15th, 2022.

3. Amended Accounting Pronouncements

The Company has adopted amendments to the following accounting pronouncements effective January 1, 2022 with no impact on the Company’s September 30, 2022 unaudited condensed interim consolidated financial statements:

IAS 16 Property, Plant and Equipment

Amendments to IAS 16 Property, Plant and Equipment prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize such sales proceeds and related cost in profit or loss.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

4. Investments

As at December 31, 2021 and September 30, 2022, the Company held a USD 2,000,000 investment in a joint venture real estate investment as a non-managing member in exchange for a preferred equity interest representing approximately 15.56% of the total equity interest in the Air Albany Project and a USD 3,000,000 investment in a joint venture real estate investment as a non-managing member in exchange for a preferred equity interest representing approximately 21.85% of the total equity interest in the Auden Project. The Air Albany Project and the Auden Project are collectively referred to as “the Investments”.

The Company earns a 10% preferred return on the Investments with the payment of return amounts being made at the end of the first quarter following its initial investment (made in August 2021) and at the end of the fourth quarter following initial investment.

Capitan Investment Ltd.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2022**

(unaudited)

(in Canadian dollars)

The September 30, 2022 carrying value of investments is \$6,856,500 (USD 5,000,000) (December 31, 2021 – \$6,339,000 (USD 5,000,000)). The fair value of the Investments approximates their carrying value as the Company does not expect to hold the Investments for longer than 12 months. The Company is currently evaluating its position with respect to the investments.

5. Accounts Receivable

	September 30 2022	December 31 2021
Goods and Services Tax	\$ 6,279	\$ 4,473
Canada Emergency Wage Subsidy	6,413	6,413
Return on investment accrual (Note 4)	56,330	53,838
Oil and gas receivables (Note 9)	26,458	9,310
Other	–	3,856
	\$ 95,480	\$ 77,890

The majority of the Company's accounts receivable are less than 60 days old and the Company does not consider there to be any collection issues as at September 30, 2022.

6. Property and Equipment

	Right-of- use asset	Furniture and equipment	Development and production assets	Total
Cost				
Balance, December 31, 2021	\$ 190,048	\$ 70,950	\$ 4,531,632	\$ 4,792,630
Revisions (Notes 7 and 8)	20,697	–	(12,459)	8,238
Foreign exchange	16,457	–	–	16,457
Balance, September 30, 2022	\$ 227,202	\$ 70,950	\$ 4,519,173	\$ 4,817,325
Accumulated depletion and depreciation				
Balance, December 31, 2021	\$ 100,029	\$ 64,336	\$ 3,986,872	\$ 4,151,237
Depletion and depreciation	91,339	1,029	46,052	138,420
Foreign exchange	14,358	–	–	14,358
Balance, September 30, 2022	\$ 205,726	\$ 65,365	\$ 4,032,924	\$ 4,304,015
Net carrying amount				
As at December 31, 2021	\$ 90,019	\$ 6,614	\$ 544,760	\$ 641,393
As at September 30, 2022	\$ 21,476	\$ 5,585	\$ 486,249	\$ 513,310

Right-of-use asset:

The Company has recognized a right-of-use asset and corresponding lease liability (Note 7) related to office premises. The ROU asset is depreciated on a straight-line basis over the 19 month term of the related lease.

Depletion:

The calculation of depletion expense included an estimated \$nil for future development costs associated with proved plus probable reserves. The Company has not capitalized any directly attributable general and administrative expenses to D&P assets.

Capitan Investment Ltd.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2022**

(unaudited)

(in Canadian dollars)

Disposition:

On July 31, 2021, the Company disposed of certain development and production assets with an estimated net carrying amount of \$124,368 and a related decommissioning provision of \$73,200 for \$34,750 of cash proceeds, resulting in the recognition of a \$16,418 loss on disposition of property and equipment.

7. Lease Liability

The Company incurs lease payments related to office premises.

Balance, December 31, 2021	\$	94,303
Revision		20,697
Imputed interest		4,868
Lease payments		(98,895)
Foreign exchange		2,254
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Balance, September 30, 2022	\$	23,227

The expiry of the lease term was revised from September 30, 2022 to November 30, 2022.

As at September 30, 2022, the remaining expected payments under the Company's office lease agreement are as follows:

	Monthly USD	Monthly CAD	Total CAD
October 1 to November 30, 2022	\$ 8,565	\$ 11,739	\$ 23,478

8. Decommissioning Obligation

As at September 30, 2022, the Company has estimated the total undiscounted inflation-adjusted amount of cash flows required to settle its decommissioning liabilities to be \$368,051 (December 31, 2022 – \$480,761). This amount will be substantially incurred over the next 2 years. The Company calculated the decommissioning liabilities using an average risk-free discount rate of 0.97% per annum and a future inflation rate of 2% per annum.

Balance, December 31, 2021	\$	466,526
Accretion		3,332
Revision		(12,459)
Expenditures		(99,720)
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Balance, September 30, 2022		357,679
Current portion		(279,782)
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Long-term portion	\$	77,897

9. Canada Emergency Business Account ("CEBA") Loan

In January 2022, the Canadian federal government extended the CEBA loan forgiveness repayment deadline to December 31, 2023.

The CEBA loan matures on December 31, 2025. Interest will accrue on the outstanding balance of the CEBA loan at a rate of 5% per annum commencing January 1, 2024. The outstanding balance of the CEBA loan plus accrued interest is payable on the maturity date. 25% of the CEBA loan amount shall be forgiven if the remaining 75% of the loan is repaid on or before December 31, 2023. The Company expects to repay the loan on or before December 31, 2023.

Capitan Investment Ltd.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2022**

(unaudited)

(in Canadian dollars)

10. Oil and Gas Operations

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Crude oil sales	\$ 44,396	\$ 36,633	\$ 174,449	\$ 63,326
Royalties	(1,816)	(1,514)	(7,366)	(2,284)
	42,580	35,119	167,083	61,042
Production and operating expenses	(49,378)	(36,205)	(87,577)	(81,569)
Depletion (Note 6)	(12,465)	(7,929)	(46,052)	(14,532)
Loss on disposition of development and production assets (Note 6)	–	(16,418)	–	(16,418)
Accretion (Note 8)	(934)	(655)	(3,332)	(2,235)
Net income (loss) from oil and gas operations	\$ (20,197)	\$ (26,088)	\$ 30,122	\$ (53,712)

The Company sells its production pursuant to fixed and variable price contracts with varying length terms up to 1 year. Under the contracts, the Company is required to deliver a fixed or variable volume of light-medium oil to the contract counterparty. The transaction price is based on the commodity price, adjusted for quality, location or other factors.

Composition of oil sales revenue:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Light-medium oil (non-operated)	\$ –	\$ 7,106	\$ –	\$ 33,799
Heavy oil (operated)	44,396	29,527	174,449	29,527
	\$ 44,396	\$ 36,633	\$ 174,449	\$ 63,326

All light-medium oil sales revenues earned in the three and nine months ended September 30, 2021 were earned from one working interest partner (the property operator).

As at September 30, 2022, accounts receivable (Note 5) included \$26,458 from an oil and gas marketer (December 31, 2021 – \$8,710) and \$nil from working interest partners (December 31, 2021 – \$600).