CAPITAN INVESTMENT LTD.
Management's Discussion and Analysis
For the three and six months ended June 30, 2022

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 following management discussion and analysis ("MD&A") of Capitan Investment Ltd. (the "Company" or "Capitan") for three and six months ended June 30, 2022 contains financial highlights but does not contain the complete financial statements of the Company. It should be read in conjunction with the Company's June 30, 2022 unaudited condensed interim consolidated financial statements and December 31, 2021 audited consolidated financial statements and related notes thereto. Additional information is available on SEDAR at www.sedar.com. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"). All references to dollar amounts are in Canadian dollars. This MD&A includes events up to **August 10th 2022**.

Forward-Looking Statements

The matters discussed in this MD&A include certain forward-looking statements. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements. Forward-looking statements may be identified, without limitation, by the use of such words as "anticipates", "estimates", "expects", "intends", "plans", "predicts", "projects", "believes", or words or phrases of similar meaning. In addition, any statement that may be made concerning future performance, strategies or prospects and possible future corporate action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date. Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Company. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events. We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. The Company disclaims any intention or obligation to update or revise these forward-looking statements as a result of new information, future events or otherwise, except as required under applicable securities laws.

Abbreviations

In the following discussion, the three and six months ended June 30, 2022 may be referred to as "Q2 2022" and "six months June 2022", respectively, or the "June 2022 periods", collectively. The comparative three and six months ended June 30, 2021 may be referred to as "Q2 2021" and "six months June 2021", respectively, or the "June 20212 periods", collectively,.

Barrels of oil are referred to as "bbls".

NON-IFRS AND OTHER FINANCIAL MEASURES

Throughout this MD&A and in other materials disclosed by the Company, we employ certain measures to analyze financial performance, financial position, and cash flow. These non-IFRS and other financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures provided by other issuers. The non-IFRS and other financial measures should not be considered to be more meaningful than financial measures which are determined in accordance with IFRS, such as net income (loss), crude oil sales revenue and net cash provided by (used in) operating activities as indicators of our performance.

"**Working capital**" is a capital management measure. Working capital is comprised of current assets less current liabilities. Management believes that working capital is a useful measure to assess the Company's capital position and its ability to execute its business strategy. See "Summary Financial Information" for a reconciliation of working capital to current assets and current liabilities, being our nearest measures prescribed by IFRS.

"**Field Netback**" is a non-IFRS measure. Field netback is comprised of crude oil sales less royalties and production and operating expenses. Management believes this measure is a useful supplemental measure of the Company's profitability relative to commodity prices. See "Operational Activities – Oil and Gas Operations" for a reconciliation of field netback to crude oil sales revenue, being our nearest measure prescribed by IFRS.

"**Field netback per bbl**" is a non-IFRS ratio. Field netback per bbl is comprised of field netback divided by total sales volumes (in bbls) in the period. Management believes this measure is a useful supplemental measure of the Company's profitability relative to commodity prices. In addition, management believes that field netback per bbl is a key industry performance measure of operational efficiency and provide investors with information that is also commonly presented by other crude oil and natural gas producers. "Operational Activities – Oil and Gas Operations" for the calculation of field netback per bbl.

CORPORATE OVERVIEW, PRINCIPAL BUSINESS RISKS AND OUTLOOK

The Company is incorporated under the Business Corporations Act (Alberta) and is listed on the TSX Venture Exchange ("the Exchange"), under the symbol 'CAI.V'.

The Company incorporated a wholly-owned subsidiary, GC Capital Holdings Inc. ("GC Capital"), a Delaware business corporation in the United States, on January 20, 2021. The June 30, 2022 unaudited condensed interim consolidated financial statements and this MD&A include the accounts of the Company and GC Capital.

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

Investments

As at December 31, 2021 and June 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 June 30, 2022 carrying value of investments is $6,248,800 (USD 5,000,000) (December 31, 2021 – $6,443,000 (USD 5,000,000)).

The Investments are each subject to, among others, the following terms and conditions:

- the Company is guaranteed a 10% preferred return on its Investment within 12 months of its initial investment, with the payment of return amounts being made at the end of the first quarter following its initial investment and at the end of the fourth quarter following initial investment;
- in the event that a material event of default by DMG occurs, the Company will be entitled to a 15% return on its Investment;
- during the period of the Investment there will be no dilution of the Company's preferred equity position;
- the Company will retain voting rights in relation to major actions proposed by DMG in respect of the Projects;
- the Company will retain an unconditional option to require the cash payment of its guaranteed return and the cash repurchase of all or part of its equity interest after an initial 12 month period or,

in lieu of full repayment, upon the Company giving three months prior notice to DMG, the Company will continue to hold its position;

- the 10% return and repurchase option granted to the Company in connection with its Investment is guaranteed by DMG; and
- the Company has certain exit options in the event of a material default in the Projects and upon the occurrence of a material adverse change in the condition of DMG.

The Air Albany Project is a six story multi-family mixed commercial housing project situated at 1211 Western Avenue, Albany, New York, USA 12205. The site covers an area of 0.8 acres with a maximum floor area of 190,968 square feet (103,033 square feet net rentable). All required approvals and building permits from the City of Albany have been obtained. The site excavation and slab foundation have been completed; masonry block construction and electrification are underway, backfilled Southeast side of the building

The Auden Project is a student housing project situated at 2915-2949 North Forest Road, Amherst, New York, USA 14068. The site covers an area of approximately 5.39 acres, inclusive of certain undevelopable areas, in the vicinity of the University at Buffalo campus. The Auden Project consists of 154 residential units and 481 beds, and a lower-level parking area having 283 parking spaces, together with ancillary amenities and improvements, in a four-story building containing approximately 213,438 square feet. Work on the Auden Project is complete and the building is over 90% occupied.

Divesture of Oil and Gas Assets

Prior to the completion of the Change of Business completed in 2021, Capitan's business was focused almost entirely on oil and gas exploration, evaluation and development in Western Canada. The Company holds interests in a total of 26 wells – 20 oil wells, five gas wells, one water disposal well, as well as a storage battery (collectively the "O&G Assets"). The O&G Assets are geographically dispersed, and the daily production is low. Accordingly, in the Company's view it will be difficult to create synergies to increase the existing contribution margin from the O&G Assets.

The Company intends to divest of the O&G Assets by: (i) selling wells or (ii) for wells that cannot be sold, undertaking the necessary reclamation actions to abandon the wells and forfeit the mineral and surface leases.

SUMMARY FINANCIAL INFORMATION

As at	June 30 2022	December 31 2021	December 31 2020
Current assets	9,166,321	9,076,145	9,495,121
Current liabilities	(878,801)	(1,034,327)	(482,837)
Working capital [1]	$ 8,287,520 [2]	$ 8,041,818 [2]	$ 9,012,284
Property and equipment	547,594	641,393	1,643,314
Total assets	9,713,915	9,717,538	11,138,435
Total liabilities	999,096	1,112,224	841,251
Total shareholders' equity	8,714,819	8,605,314	10,297,184

(1) Working capital is a capital management measure. See "Non-IFRS and Other Financial Measures".

(2) Current assets at June 30, 2022 includes $6,443,000 (December 31, 2021 – $6,339,000) of investments.

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Return on investment revenue	$ 159,209	$ –	$ 315,315	$ –
Net income (loss)	(4,430)	(352,689)	3,549	(499,432)
Net income (loss) per share	(0.00)	(0.00)	0.00	(0.00)

OPERATIONAL ACTIVITIES

Return on investment revenue

The Company is guaranteed a 10% preferred return on its Investment within 12 months of its initial investment in August 2021, for which $159,209 (USD 124,658) and $315,315 (USD 247,945) has been recognized in Q2 2022 and the six months June 2022, respectively.

General and administrative expenses

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Salaries and benefits	$ 95,534	$ 86,136	$ 189,323	$ 128,363
Canada Emergency Wage Subsidy	–	(18,036)	–	(22,288)
Office and general	13,264	19,986	23,210	33,036
Consulting and professional fees	41,392	108,887	72,007	162,310
Shareholder and regulatory	5,264	57,840	13,884	72,987
Travel and business promotion	–	450	–	900
Total	$ 155,454	$ 255,263	$ 298,424	$ 375,308

Salaries and benefits are higher in the 2022 periods than in the 2021 periods due to employees hired by GC Capital in Q2 2021.

Office and general are lower in the 2022 periods than in the 2021 periods due to cost-savings efforts.

Consulting and professional fees are lower in the 2022 periods than in the 2021 periods as the 2021 periods include legal and other consulting services related to the identification and evaluation of strategic alternatives such as the Investments described in the Corporate Overview, Principal Business Risks and Outlook section of this MD&A.

Shareholder and regulatory expenses are lower in the 2022 periods than in the 2021 periods as the 2021 periods include costs associated with the filing requirements related to the Investment agreements and the change in business change of business process.

Depreciation

Depreciation is comprised of depreciation of furniture and equipment and depreciation of the right-of-use ("ROU") asset related to office premises. Depreciation of furniture and equipment is calculated on a declining-balance basis and is lower in the 2022 periods as there have been no additions to increase the depreciable base. During Q2 2021, the Company recognized a $189,793 ROU asset and corresponding lease liability related to office premises. The ROU asset is depreciated on a straight-line basis over the 19 month term of the related lease.

Imputed interest expense

Imputed interest expense relates to the Company's lease liability for office premises, recognized using the effective interest rate method over the term of the lease.

Foreign exchange

Foreign exchange losses relate to the translation of USD denominated cash balances to CAD.

Interest income

Interest income was earned on term deposits in the 2021 periods, prior to the transfer of funds to cash balances and used to acquire the Investments in August 2021.

Oil and gas operations

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Crude oil sales	58,412	14,829	$ 130,053	$ 26,693
Royalties	(2,595)	(429)	(5,550)	(770)
Net oil sales revenue	55,817	14,400	124,503	25,923
Production and operating expenses	(18,209)	(25,384)	(38,199)	(45,364)
Field netback (1)	37,608	(10,984)	86,304	(19,441)
Depletion	(13,249)	(3,360)	(33,587)	(6,603)
Accretion	(1,197)	(791)	(2,398)	(1,580)
Net income (loss) from oil and gas operations	23,162	(15,135)	$ 50,319	$ (27,624)

Field netback per bbl (1)

	Three months ended June 30		Six months ended June 30	
Per bbl	2022	2021	2022	2021
Crude oil sales	$ 103.25	$ 63.52	$ 90.68	$ 58.19
Royalties	(4.59)	(1.84)	(3.87)	(1.68)
Production and operating expenses	(32.19)	(108.73)	(26.64)	(98.89)
Field netback	$ 66.47	$ (47.05)	$ 60.17	$ (42.38)

(1) Field netback is a non-IFRS measure. Field netback per bbl is a non-IFRS ratio. See "Non-IFRS and Other Financial Measures".

Crude oil sales per bbl are higher in the 2022 periods than in the 2021 periods due to an increase in production volumes, production in the 2022 periods from heavy oil wells compared to light-medium oil wells in the 2021 periods and an overall increase in industry prices.

Royalties relate to overriding royalties as production volumes were below thresholds for crown royalty charges.

The Company incurs certain fixed production and operating costs regardless of whether wells are producing or shut-in. Production and operating expenses per bbl in the 2022 periods are lower than in the 2021 periods due to an increase in production volumes resulting in lower fixed costs per bbl.

<u>Production volumes and crude oil sales</u>

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Production				
Light-medium oil production (bbls)	–	234	–	459
Heavy oil production (bbls)	566	–	1,434	–
Total production (bbls)	566	234	1,434	459
Light-medium oil (bbls/day)	–	2.6	–	2.5
Heavy oil (bbls/day)	6.2	–	7.9	–
Crude oil sales				
Light-medium oil	$ –	$ 14,829	$ –	$ 26,693
Heavy oil	58,412	–	130,053	–
Total crude oil sales	$ 58,412	$ 14,829	$ 130,053	$ 26,693
Light-medium ($/bbl)	$ –	$ 63.52	$ –	$ 58.19
Heavy oil ($/bbl)	$ 103.25	$ –	$ 90.68	$ –

The Company sold its light-medium oil producing wells on July 31, 2021.

<u>Depletion</u>

	Three months ended June 30				Six months ended June 30			
					2022		2021	
						Per bbl		Per bbl
Depletion	$ 13,249	23.42	$ 3,360	14.39	$ 33,587	23.42	$ 6,603	14.39

Depletion of development and production assets is calculated on a unit-of-production basis. Depletion expense per bbl is higher in the 2022 periods than in the 2021 periods due to a decrease in the estimated proved plus probable reserves at December 31, 2021 (16,856 barrels) as compared to proved plus probable reserves reported at December 31, 2020 (128,000 barrels). The decrease in the Company's estimated proved plus probable reserves is primarily due to the disposition of the Company's light-medium oil producing wells in July 2021.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2022, the Company had a working capital surplus of $8,287,520 compared to $8,081,818 at December 31, 2021. The increase in working capital is primarily due to $122,506 of cash flows used in operating activities offset by foreign exchange losses on U.S. denominated cash and investment balances.

The Company's June 30, 2022 working capital surplus includes $1,810,333 of cash and $6,443,000 of investments. The Company has sufficient cash resources to ensure the contractual amounts of its financial obligations, comprised of $457,533 of trade and other payables, $32,639 of lease liability and the $40,000 CEBA loan, are met as they become due.

SUBSEQUENT EVENTS

There have been no reportable events subsequent to June 30, 2022.

SHARE CAPITAL

Common shares

As at December 31, 2021, June 30, 2022 and the date of this MD&A, the Company had 289,684,072 common shares outstanding.

QUARTERLY SUMMARY

Below is a summary of the Company's financial results for the past eight quarters prepared in accordance with IFRS. This information should be read in conjunction with the unaudited quarterly and audited annual financial statements of the Company available at www.sedar.com.

	2nd Quarter 2022	1st Quarter 2022	4th Quarter 2021	3rd Quarter 2021
Return on Investment Revenue	$ 159,209	$ 156,106	$ 156,385	$ 52,500
Net Oil Sales Revenue [(1)]	55,817	68,686	63,719	35,119
Net Income (Loss)	(4,430)	7,979	(1,139,471)	(75,250)
Net Income (Loss) per share				
Basic and fully diluted	(0.000)	0.000	(0.004)	(0.001)
Weighted Average Number of Shares	289,684,072	289,684,072	289,684,072	289,684,072

	2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020
Return on Investment Revenue	$ –	$ –	$ –	$ –
Net Oil Sales Revenue [(1)]	14,400	11,523	8,760	5,870
Net Loss	(352,689)	(146,743)	(1,726,538)	(65,135)
Net Loss per share				
Basic and fully diluted	(0.001)	(0.001)	(0.006)	(0.000)
Weighted Average Number of Shares	289,684,072	289,684,072	289,684,072	289,684,072

(1) Oil sales revenue less royalties

- The Company reported a net loss for the 2nd Quarter of 2022 due to an increase in return on investment income offset by a decrease in net oil sales revenue due to lower oil sales volumes than the 1st Quarter of 2022.
- The Company reported net income for the 1st Quarter of 2022 due to $156,106 of return on investment income and higher oil sales revenue.
- The net loss for the 4th Quarter of 2021 is higher than the previous quarter due to the recognition of $1,054,000 of impairment offset by $156,385 of return on investment revenue.
- The net loss for the 3rd Quarter of 2021 is less than the previous quarter due to the recognition of return on investment revenue and a decrease in general and administrative expenses.
- The net loss for the 2nd Quarter of 2021 is higher than the previous quarter due to additional salaries and office expenses incurred by GC Capital.
- The net loss for the 1st Quarter of 2021 is lower than the previous quarter due to the effect of impairment recognized in the previous quarter.
- The net loss for the 4th Quarter of 2020 is higher than the previous quarter due to the recognition of $1,615,000 of impairment of property and equipment.
- The net loss for the 3rd Quarter of 2020 is comparable to the previous quarter. Higher revenue was

offset by an increase in general and administrative expense and depletion expense.

CONTROLS AND PROCEDURES

As the Company is classified as a Venture Issuer under applicable securities legislation, it is required to file basic Chief Executive Officer and Chief Financial Officer Certifications, which it has done for the three and six months ended June 30, 2022. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at June 30, 2022.

BUSINESS RISKS

The Company's key business risks have changed as a result of the completion of its Change of Business from crude oil exploration and development to real estate development investment.

Dependence on Key Personnel

The investment and real estate industries involve a substantial degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Shareholders must rely on the ability, expertise, judgment, direction and integrity of the management of the Company, including those individuals that will form an integral part of the management team upon the completion of the Change of Business. This dependence can be expected to continue over the short and medium term as the Company's business interests expands and matures. Any loss of the services of key officers or personnel could have a material adverse effect on the business and operations of the Company, including its success as an investment company.

No Operating History as an Investment Company

The Company does not have any record of operating as an investment company. As such, the Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Company will not achieve its financial objectives as estimated by management or at all. Past successes of management do not guarantee future success as the Company re-focuses its business.

Potential Limitations of Future Investments and Investment Concentration

A key element of the Company's growth strategy is expected to involve negotiating and finding investments and other real-estate driven opportunities. Achieving the benefits of future investments and opportunities will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of revenues. In addition to risks relating to the actual identification of opportunities or the ability to fund the same, the Company will compete with other investors, managers, corporations, institutions, developers and owners of real estate for investment opportunities in the financing and/or acquisition of assets. Certain competitors may have a higher risk tolerance, greater financial and other resources and greater operating flexibility than the Company, allowing these competitors to more aggressively pursue investment opportunities. Accordingly, the Company may be unable to acquire additional sufficient assets or investment opportunities at favourable yields or terms or at all.

The Company's ability to successfully identify, negotiate and fund investments and opportunities is not guaranteed and it could take many years for the Company to create a diversified portfolio of assets. For so long as the Company has a significant portion of its assets dedicated to a small number of properties or investments (or type of investments) for an extended period of time, and one or more of properties or investments is unsuccessful or experiences a downturn in value, this could have a material adverse effect on the Company's business, results of operations and financial condition. For so long as the Investments remain the Company's sole real estate investments, the Company will be exposed to a heightened degree of risk due to the lack of investment and asset diversification.

Ability to Manage Future Growth

The Company's ability to achieve desired growth will depend on its ability to identify, evaluate and successfully negotiate and fund its investments. As the Company grows, it will also be required to hire, train, supervise and manage new employees. Failure to manage any future growth or to successfully negotiate suitable investments effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

Effect of General Economic and Political Conditions

The Company's business, investments and assets are expected to be subject to the impact of changes in national and international economic conditions, including but not limited to, recessionary or inflationary trends, equity market conditions, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. These economic conditions may be further affected by political events throughout North America and elsewhere that cause disruptions in the financial markets, either directly or indirectly. Adverse economic and political developments could have a material adverse effect on the Company and its financial condition, results of operations and cash flows.

Volatility of Share Price and Access to Capital

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility. A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The market price of the Company's common shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results following the Change of Business, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the common shares. If the Company is required to access capital markets to carry out its business objectives, the state of domestic and international capital markets and other financial systems could affect its access to, and cost of, capital. Such capital may not be available on terms acceptable to the Company or at all, and this could have a material adverse impact on its business, financial condition, results of operations or prospects.

Distributions to Shareholders

The Company has never declared dividends on any of its securities. The Company intends to reinvest all future earnings to finance the development and growth of its business indefinitely. As a result, the Company does not currently intend to pay dividends on its securities in the foreseeable future, except as explicitly required by the rights and restrictions of such securities. Any future determination to pay dividends will be at the discretion of the Board and will depend on the Company's financial condition, operating results, capital requirements, contractual restrictions on the payment of dividends, prevailing market conditions and any other factors that the Board deems relevant.

Availability of Additional Financing

There is no guarantee that cash flow from the Company's investments will be readily available or will provide the Company with sufficient funds to meet all of its ongoing financial obligations. The Company may therefore require additional equity or debt financing to meet its operational requirements. In the future, the Company may seek additional equity or debt financing to make investments in properties or undertake other opportunities to grow the Company's business to the level envisioned by its management. There can be no assurance that such financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Company. The ability of the Company to arrange such financing in the future will depend in part upon prevailing capital market conditions as well as its business performance.

Currency Fluctuations

The Company expects to make a significant number of its investments in the United States. The Canadian dollar relative to the United States dollar is subject to fluctuations. Failure to adequately manage foreign exchange risk could therefore adversely affect the Company's business, financial condition, and results of operations.

Reliance on Partners and Other Third Parties

Where the Company makes its investments in joint ventures, partnerships and other entities, assets, properties or projects wherein it does not hold a controlling interest, the value of the Company's investment will depend, in part or in full, on a third party to attain its performance projections. Depending on the nature of the investment or asset, the failure of the third party to meet such projections could have an adverse effect on the investment made by the Company, which effect may be material.

Further, investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third-party not involved, including the possibility that the Company's partners, co-venturers or co-investors might become bankrupt or fail to fund their share of required capital contributions. The Company's partners, co-venturers or co-investors also may have economic or other business interests or goals that are inconsistent with the Company's business interests or goals, and may be in a position to take actions contrary to management preferences, policies or objectives. Such investments also will have the potential risk of impasses on decisions, such as a sale, because none of the Company or its partners, co-venturers or co-investors would have full control over the partnership, joint venture or investment. Disputes between the Company and its partners, co-venturers or co-investors may result in litigation or arbitration that would increase expenses and prevent the Company's officers and/or directors from focusing their time and effort exclusively on the Company's business. Consequently, actions by or disputes with the Company's partners, co-venturers or co-investors might result in subjecting properties, assets or investments owned by the partnership, joint venture or other entity to additional risk. In addition, the Company may in certain circumstances be liable for the actions of its partners, co-venturers or co-investors.

General Acquisition Risk

The acquisition on various investments entails risks that the investment will fail to perform in accordance with expectations. In undertaking its investments, the Company will incur certain risks, including the expenditure of funds, non-refundable deposits, due diligence costs and inspection fees and the devotion of management's time.

Notwithstanding pre-investment due diligence, it is not possible to fully understand an investment (including those in properties or other real estate interests) before it is owned and operated for an extended period of time and there may be undisclosed or unknown liabilities concerning the acquired properties. The Company may not be indemnified for some or all of these liabilities. For example, the Company could directly or indirectly acquire a property that contains undisclosed environmental contamination. Accordingly, in the course of acquiring a property or other interest, specific risks might not be or might not have been recognized or correctly evaluated. Thus, the Company could overlook or misjudge legal and/or economic liabilities. These circumstances could lead to additional costs and could have a material adverse effect on the Company's proceeds from its investments (including on sales and development or rental income of the relevant properties). In addition, after the acquisition of a property or another real estate interest, the market in which the acquired property is located may experience unexpected changes that materially adversely affect the property's value. For these reasons, among others, the Company's property acquisitions or investments may cause the Company to experience significant losses.

General Real Estate Investment Risk

While the Company may make investments in other industries and markets, it initial investment focus will be in the real estate sector. Real estate investments are subject to a number of risk exposures. Such investments are affected by general economic conditions, local real estate markets, demand for leased premises, competition from other vacant premises, municipal valuations and assessments, and various other factors. The value of real estate and improvements thereto may also depend on the solvency and financial stability of tenants and buyers, interest rates, the availability of financing, market demand. In addition, the real estate industry is capital intensive and market events and conditions, including disruptions affecting international and regional credit markets and other financial systems and global economic conditions that impede access to capital can have a material adverse effect on the value of real estate and investments therein.

The Company's future growth will depend in large part upon the Company's ability to successfully execute on its investment strategy. In order to diversify its portfolio, the Company may undertake its investments in a number of ways, including (among other things) through investments in real estate development projects or direct or indirect acquisitions of real estate.

Real Estate Development

The development of real estate projects is subject to certain risks including (without limitation): (a) the availability and pricing of financing on satisfactory terms or availability at all; (b) the availability and timely receipt of zoning, occupancy, land use and other regulatory and governmental approvals; (c) the ability to achieve an acceptable level of occupancy or sell the asset upon completion; (d) the skill and financial stability of the developer; (e) the potential that the developer may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (f) the potential that the developer may expend funds on and devote management time to projects which are not completed; (g) the potential that the developer will fail to use advanced funds in the requisite manner; (h) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or generally unprofitable; (i) the time required to complete the construction or redevelopment of a project or to lease-up or sell the completed project may be greater than originally anticipated, thereby adversely affecting cash flows and liquidity; (j) the cost and timely completion of construction may vary significantly (including based on matters outside of the developer's control, such as weather, labour conditions or material shortages); (k) shortages of skilled and experienced contractors and tradespeople, contractor and subcontractor disputes, strikes, labour disputes; (l) delays and cost over-runs may occur (including, as a result of (among others) permitting delays, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the availability of financing); (m) difficulties in the supply of materials, including with respect to shortages of building materials, unforeseen environmental and engineering problems, and increases in the cost of certain materials; (n) occupancy rates and rents of a completed project or the total sale price of a project may not be sufficient to make the project profitable; or (o) purchasers may fail to close on purchase transactions or tenants may fail to occupy and pay rent in accordance with lease arrangements.

Real Property Acquisitions

Where it directly or indirectly acquires real estate, the Company's failure to acquire or finance property acquisitions on favorable terms, or operate acquired properties to meet financial expectations, could adversely affect the Company. The ability to acquire real estate properties on favorable terms and successfully operate them involves the following significant risks, among others: (a) potential inability to acquire a desired property may be caused by competition from other real estate investors; (b) competition from other potential acquirers may significantly increase the purchase price and decrease expected yields; (c) potential inability to finance an acquisition on favorable terms or at all; (d) significant unexpected capital expenditures to improve or renovate acquired properties; (e) potential inability to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations; (f) market conditions may result in higher-than-expected costs and vacancy rates and lower than expected rental rates; and (g) the acquired properties themselves may be subject to liabilities but without any recourse, or with only limited recourse, to the sellers, or with liabilities that are unknown to the purchaser, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties and claims for indemnification by members, directors, officers and others indemnified by the former owners of properties.

Real Property Ownership

As part of its investment diversification strategy, the Company may add real property to its ownership portfolio from time to time. All real property investments are subject to elements of risk. Revenue properties are subject to economic and other factors affecting the real estate markets in the geographic areas where properties are owned and/or managed. These factors include government policies, demographics and employment patterns, supply and demand for leased premises, the credit and financial stability of the tenants, competition from other available premises, the affordability of rental properties, competitive leasing rates and long term interest and inflation rates. These factors may differ from those affecting the real estate markets in other regions. If real estate conditions in areas where the Company's properties are located decline relative to real estate conditions in other regions, the Company's cash flows and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

An investment in real estate is relatively illiquid. Such illiquidity may limit the ability of the Company to revise its property portfolio promptly in response to changing economic or investment conditions. In recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession the Company may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary to dispose of properties at lower prices in order to generate sufficient cash for operations.

Certain expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the real property is producing any income. Further, in order to retain desirable rentable space and to generate adequate revenue over the long term, properties must be maintained or, in some cases, improved to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which may not be able to be passed on to tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction, or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization. Any failure to ensure appropriate maintenance and refurbishment work is undertaken could materially adversely affect the rental income earned from such properties; for example, such a failure could entitle tenants to withhold or reduce rental payments or even terminate existing leases.

In addition, carrying costs can be significant and can result in losses or reduced margins in a poorly performing project. If there are subsequent changes in the fair value of the Company's land holdings that the Company determines is less than the carrying basis of land holdings reflected in the Company's financial statements plus estimated costs to sell, the Company may be required to take future impairment charges, which would reduce net income.

In addition to the foregoing, real property owners are subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that property owners could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the ability of the property owner to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the owner.

Disposition of Investments

The Company intends to evaluate the potential disposition of its investments that may no longer meet investment objectives. Should the Company decide to sell an asset, the Company may encounter difficulty in finding buyers in a timely manner, particularly such asset is real estate as real estate investments generally cannot be disposed of quickly, especially when market conditions are poor. This may limit the Company's ability to vary its portfolio promptly in response to changes in economic or other conditions. In some cases, the Company may also determine that it will not recover the carrying value of an investment upon disposition and might recognize an impairment charge.

In addition, certain investments made by the Company (including the Investments) will be governed by operating, shareholder, partnership or similar joint venture agreements or arrangements, many of which will restrict the Company's ability or right to freely sell or otherwise dispose of its investment and/or that affect the timing of any such sale or other disposition. Consequently, the Company's ability to efficiently or timely dispose of or monetize one or more of its investments could be limited by such contractual arrangements, which could in turn have an adverse impact on the Company's liquidity or capital resources.

Geographic Concentration

For the foreseeable future, the Company intends to focus its investment activities in large metropolitan markets in the United States, with a particular focus in the State of New York. As a result, the value of the Company's investments will be impacted by factors specifically affecting the real estate markets in this area. These factors may differ from those affecting the real estate markets in other regions of Canada and the United States.

Due to the anticipated geographic concentration of the Company's investments, a number of its investments could experience any of the same conditions at the same time. If real estate conditions in the regions where the Company holds the majority of its investments decline relative to real estate conditions in other regions, the Company's cash flows and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios.

Competition

Each of the investment and real estate business sectors are very competitive. Numerous other companies, investors, developers, managers and owners of office, industrial and retail properties will compete with the investments, properties and assets in which the Company has invested. The existence of these competitors could have an adverse effect on the Company's or its partners' ability to acquire properties and on the rents charged or concessions granted.

Potential Losses May Not Be Covered by Insurance

The Company intends to purchase insurance covering the investments, ventures, assets and properties that will be added to the Company's portfolio. The Company's management will review insurance policy specifications to ensure insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. There are, however, certain types of losses, such as property damage from generally unsecured losses such as riots, wars, punitive damage awards or acts of God that may be either uninsurable or not economically insurable. Insurance policies involving large deductibles and policy limits that may not be sufficient to cover losses may result in the Company having to pay for its losses on its own. In addition, the Company may not purchase earthquake, terrorism or other insurance on some or all of its potential investments in the future if the cost of premiums from any of these policies exceeds the value of the coverage discounted for the risk of loss.

Should the Company experience a loss that is uninsured or that exceeds policy limits, the Company could lose the capital invested in the affected investments, ventures, assets or properties as well as the anticipated future cash flows from those investments, ventures, assets or properties. In addition, where the loss involves a property owned by the Company and such damaged property is subject to recourse indebtedness, the Company could continue to be liable for the indebtedness, even if the property is irreparably damaged and requires substantial expenditures to rebuild or repair.

Investments Specific Risks

The success of the Investments relies heavily upon the success of the Projects. As real estate development projects, the Projects are each also subject to the risks outlined above. In addition, as the Auden Project is focused on student housing, it will also be subject to risks relating to decreases in student enrollment at particular colleges and universities, changes in university policies related to admissions and housing and changing student demographics.

As the Investments are being made in projects being developed by DMG, such Investments will also be subject to risks relating to investment concentration and reliance on DMG's ability to meet its contractual obligations and develop each of the projects underlying the Investments in the manner currently contemplated by the Company. Any material adverse change in DMG's financial position or a failure by DMG to successfully operate and finance the projects in the manner currently contemplated, could have a corresponding material adverse change on the Investments and, by extension, the Company.

To the extent that DMG defaults under the terms of either of the Investment Agreements, the Company will have the ability to exercise its enforcement remedies in respect of the Investments; however, exercising enforcement remedies is a process that requires a significant amount of time to complete and could adversely impact the Company's cash flow. In addition, even if it undertakes enforcement proceedings against DMG, there is no assurance that the Company will be able to recover all or substantially all of the outstanding principal and interest owed to it in respect of its Investments. The Company's inability to recover all or substantially all of the principal and interest owed to it in respect of the Investments will have a material adverse effect on the Company.

COVID-19 Pandemic

The COVID-19 pandemic has put significant strain on the global business and economy, including in the North American real estate sector, leading to significant volatility and unpredictability and there can be no assurance as to the overall or further impacts of the pandemic or any recovery therefrom. Further or prolonged restrictive measures put in place by governmental authorities in order to contain further outbreaks or other adverse public health developments, in the United States, Canada, or in any other jurisdiction upon which the Company carries out its business activities may have a material and adverse effect on the Company's financial and/or operating performance. The continuing global health, social, political, and economic implications of COVID-19 could have significant impacts on the Company's business, operations, future financial performance, and the market price of the Company's common shares.

Oil and Gas Operations

The Company continues to hold certain oil and gas properties. The oil and gas business is inherently risky and there is no assurance that the Company will be able to execute its strategy for its oil and gas operations which consists of: (i) selling wells or (ii) for wells that cannot be sold, undertaking the necessary reclamation actions to abandon the wells and forfeit the mineral and surface leases. As a result, the Company continues to be subject to the following risks related to its crude oil operations:

Environment risks

All phases of the oil business present environmental risks and hazards and are subject to environmental regulation pursuant to a complex blend of federal, provincial, and municipal laws and regulations. Although the Company believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or materially increase the costs of production, development, and exploration activities or otherwise adversely affect the Company's financial condition, results from operations and or prospects.

Operational risks

Operational risks include competitive environmental factors, reservoir performance uncertainties and dependence upon third parties for commodity transportation and processing and a complex regulatory environment. The Company closely follows the applicable government regulations. The Company carries insurance coverage to protect itself against those potential losses that could be economically insured against.

Financial risks

Financial risks associated with the petroleum industry include fluctuation in commodity prices, interest rates, and currency exchange rates. Other financial risks include, but are not limited to, the availability of funds through equity markets and or debt to invest in capital projects to support the Company's growth.

- Commodity price risk – Due to the volatility of commodity prices, the Company is exposed to adverse consequences in the event of declining prices. The Company does not have any contracts in place to protect against commodity price changes.

- Interest rate risk – The Company does not have any debt subject to floating rates and is therefore not exposed to fluctuations in the market rate of interest.
- Foreign currency exchange risk – The return earned on investments is denominated in USD. A 5% change in the exchange rate of USD to CAD would change return on investment income and net loss and comprehensive loss for Q1 2022 by approximately $7,800. Although all of the Company's oil sales are denominated in CAD, the underlying market prices for oil are impacted by the exchange rate of USD to CAD. As at June 30, 2022 and December 31, 2021, the Company had no forward foreign exchange contracts in place.

It is management's opinion that the Company is not currently exposed to commodity price risk, credit risk or interest rate risk except as described above. The Company does not use derivative instruments to reduce exposure to commodity price or foreign currency exchange risk.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, term deposits, investments, trade and other receivables, deposits, trade and other payables, lease liabilities and the CEBA loan. Management has utilized valuation methodologies available as at the period end and has determined that the carrying amounts of such financial instruments approximate their fair value in all cases due to the short-term maturity of these instruments.

Credit risk

The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable, counterparties and partners. Management believes the risk is mitigated by entering into transactions with long-standing, reputable counterparties and partners.

The maximum exposure to credit risk is as follows:

As at		June 30 2022		December 31 2021
Cash and cash equivalents	$	1,810,333	$	1,997,996
Investments		6,443,000		6,339,000
Accounts receivable		256,692		77,890
	$	8,510,025	$	8,414,886

USE OF JUDGMENTS AND ESTIMATES IN FINANCIAL STATEMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from estimated amounts. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected.

Critical judgments in applying accounting policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Cash-generating units

The Company's assets are aggregated into a single cash-generating unit ("CGU") for the purpose of calculating impairment. CGUs are based on an assessment of a unit's ability to generate independent cash inflows. The determination of the Company's CGU was based on management's judgment in regards to shared infrastructure, geographical proximity, exposure to market risk and materiality.

Joint arrangements

Judgment is required to determine when the Company has joint control over an arrangement. In establishing joint control, the Company considers whether unanimous consent is required to direct the activities that significantly affect the returns of the arrangement, such as the capital and operating activities of the arrangement.

Once joint control has been established, judgment is also required to classify as a joint arrangement. The type of joint arrangement is determined through analysis of the rights and obligations arising from the arrangement by considering its structure, legal form, and terms agreed upon by the parties sharing control. An arrangement where the controlling parties have rights to the assets and revenues and obligations for the liabilities and expenses is classified as a joint operation.

Impairment indicators

Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

Provisions

Judgments are required to assess the existence of obligations requiring a probable outflow of funds to settle the obligation and the requirement to recognize a related provision.

Deferred taxes

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings.

Contingencies

Judgments are made by management to determine the existence of contingencies and the outcome of future events.

<u>Key Sources of Estimation Uncertainty</u>

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these consolidated financial statements.

Recoverability of asset carrying values

The recoverability of development and production asset carrying values are assessed at the CGU level. Determination of what constitutes a CGU is subject to management judgments. The asset composition of a CGU can directly impact the recoverability of the assets included therein. The key estimates used in the determination of cash flows from oil and natural gas reserves include the following:

- Reserves – Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.
- Oil and natural gas prices – Forward price estimates are used in the cash flow model. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchange rates, weather, and economic and geopolitical factors.
- Discount rate – The discount rate used to calculate the net present value of cash flows is based on

estimates of an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

Depletion and depreciation

Amounts recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of total proved and probable oil and natural gas reserves and future development capital. By their nature, the estimates of reserves, including the estimates of future prices, costs and future cash flows, are subject to measurement uncertainty. Accordingly, the impact to the financial statements in future periods could be material.

Decommissioning obligation

The amount recorded for the decommissioning obligation and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Deferred taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management must make estimates of amounts related to the outcome of future events.

FUTURE ACCOUNTING PRONOUNCEMENTS

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

Amendments to 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.

Amendments to 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.