

Capitan Investment Ltd.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023

(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 months ended March 31, 2023.

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

As at	March 31 2023	December 31 2022
Assets		
Current assets		
Cash	\$ 1,614,135	\$ 1,652,783
Investments (Note 3)	6,766,500	6,772,000
Accounts receivable (Note 4)	233,245	240,807
Prepaid expenses and deposits	700,156	660,889
	9,314,036	9,326,479
Property and equipment (Note 5)	544,646	190,435
Total Assets	\$ 9,858,682	\$ 9,516,914
Liabilities and Shareholders' Equity		
Current liabilities		
Trade and other payables	\$ 518,129	\$ 526,029
Current portion of lease liability (Note 6)	111,187	11,515
Current portion of decommissioning obligation	304,998	311,218
Canada Emergency Business Account loan	40,000	40,000
	974,314	888,762
Lease liability	262,680	-
Decommissioning obligation	79,003	69,091
Total Liabilities	1,315,997	957,853
Shareholders' Equity		
Share capital	20,465,084	20,465,084
Contributed surplus	1,244,119	1,244,119
Accumulated other comprehensive income	471,176	476,903
Accumulated deficit	(13,637,694)	(13,627,045)
Total Shareholders' Equity	8,542,685	8,559,061
Total Liabilities and Shareholders' Equity	\$ 9,858,682	\$ 9,516,914

See the accompanying notes to these consolidated financial statements.

Capitan Investment Ltd.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(unaudited)****(in Canadian dollars)**

For the three months ended March 31	2023	2022
Revenue		
Return on investments (Note 3)	\$ 166,740	\$ 156,106
Expenses		
General and administrative	128,608	142,970
Depreciation (Note 5)	32,342	30,314
Imputed interest (Note 6)	6,921	1,811
Foreign exchange	-	189
	167,871	175,284
Loss from operating activities	(1,131)	(19,178)
Interest income	7,264	-
Net loss from oil and gas operations (Note 7)	(16,782)	27,157
Net loss	(10,649)	7,979
Exchange differences on translation of subsidiary	(5,727)	(94,412)
Comprehensive loss	\$ (16,376)	\$ (86,433)
Net loss per share - basic	\$ (0.00)	\$ 0.00
Weighted average number of common shares outstanding	289,684,072	289,684,072

See the accompanying notes to these consolidated financial statements.

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

For the three months ended March 31	2023	2022
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	476,903	22,283
Exchange differences on translation of subsidiary	(5,727)	(94,412)
Balance, end of period	471,176	(72,129)
Accumulated deficit		
Balance, beginning of period	(13,627,045)	(13,126,172)
Net income (loss)	(10,649)	7,979
Balance, end of period	(13,637,694)	(13,118,193)
Total Shareholders' Equity	\$ 8,542,685	\$ 8,518,881

See the accompanying notes to these consolidated financial statements.

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

For the three months ended March 31	2023	2022
Operating activities		
Net income (loss)	\$ (10,649)	\$ 7,979
Add back (deduct) non-cash items:		
Depletion and depreciation (Note 5)	36,915	50,652
Imputed interest (Note 6)	6,921	1,811
Lease incentive (Note 6)	(11,499)	-
Accretion of decommissioning obligation (Note 7)	3,692	1,201
Foreign exchange	(213)	(3,275)
Change in non-cash working capital		
Accounts receivable	7,562	(9,439)
Prepaid expenses and deposits	(39,267)	1,654
Trade and other payables	(7,900)	(30,637)
Cash flows used in operating activities	(14,438)	19,946
Financing activities		
Lease payments (Note 6)	(24,199)	(32,534)
Cash flows used in financing activities	(24,199)	(32,534)
Change in cash	(38,637)	(12,588)
Foreign exchange effect of USD denominated cash	(11)	(189)
Cash, beginning of period	1,652,783	1,997,996
Cash, end of period	\$ 1,614,135	\$ 1,985,219

See the accompanying notes to these consolidated financial statements.

Capitan Investment Ltd.**Notes to Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2023****(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.

Capitan incorporated a wholly-owned subsidiary, GC Capital Holdings Inc. ("GC Capital"), a Delaware business corporation in the United States, on January 20, 2021.

As at March 31, 2023, JK Investment (Hong Kong) Co. Limited 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, 2022.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on **May __, 2023**.

3. Investments

In August 2021, the Company entered into two Investment Agreements with DMG Investments LLC. ("DMG"), a comprehensive real estate company specializing in finance, development, operations and property management in the United States: (1) 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 (2) 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 has unconditional option to require the cash payment of its 10% guaranteed return on investment 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 for up to an additional 12 months, to August 31, 2023. The 10% return and repurchase option granted to the Company in connection with its Investment is guaranteed by DMG.

The March 31, 2023 carrying value of the Investments is \$6,766,500 (USD 5,000,000) (2022 – \$6,772,000 (USD 5,000,000)). The fair value of the Investments approximates their carrying value as the Company will redeem its investment on or before August 31, 2023.

Capitan Investment Ltd.**Notes to Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2023****(unaudited)****(in Canadian dollars)****4. Accounts Receivable**

	March 31 2023	December 31 2022
Goods and Services Tax	\$ 1,573	\$ 2,115
Return on investment (Note 3)	224,314	226,352
Oil and gas marketers	7,358	12,340
	\$ 233,245	\$ 240,807

The Company's accounts receivable are aged as follows:

	March 31 2023	December 31 2022
Less than 60 days old	\$ 175,776	\$ 185,147
Over 60 days old	57,469	55,660
	\$ 233,245	\$ 240,807

Receivables for Goods and Services Tax ("GST") are typically collected within 30 days of filing the related GST return and are included in the less than 60-day aging category. Receivables for the Company's return on investment are accrued on a quarterly basis and are typically collected within 60 days with the exception of \$57,469 (December 31, 2022 – \$55,660) included in the over 60-day aging category. Receivables from oil and gas marketers are typically collected on the 25th day of the month following production and are included in the less than 60 days aging category.

The Company historically has not experienced any significant collection issues for accounts receivable.

5. Property and Equipment

	Right-of- use asset	Furniture and equipment	Developed and producing assets	Total
Cost				
Balance, December 31, 2022	\$ 247,113	\$ 70,950	\$ 4,537,027	\$ 4,855,090
Expired lease	(243,044)	–	–	(243,044)
Lease addition (Note 6)	385,028	–	–	385,028
Foreign exchange	2,058	–	–	2,058
Balance, March 31, 2023	\$ 391,155	\$ 70,950	\$ 4,537,027	\$ 4,999,132
Accumulated depletion and depreciation				
Balance, December 31, 2022	\$ 236,155	\$ 65,707	\$ 4,362,793	\$ 4,664,655
Depletion and depreciation	32,073	269	4,573	36,915
Expired lease	(243,044)	–	–	(243,044)
Foreign exchange	(4,040)	–	–	(4,040)
Balance, December 31, 2022	\$ 21,144	\$ 65,976	\$ 4,367,366	\$ 4,454,486
Net carrying amount				
As at December 31, 2022	\$ 10,958	\$ 5,243	\$ 174,234	\$ 190,435
As at March 31, 2023	\$ 370,011	\$ 4,974	\$ 169,661	\$ 544,646

Capitan Investment Ltd.**Notes to Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2023****(unaudited)****(in Canadian dollars)**

6. Lease Liability

The Company incurs lease payments related to office premises.

Balance, December 31, 2022	\$	11,515
Rent incentive for expired lease		(11,499)
Addition		385,028
Imputed interest		6,922
Lease payments		(24,199)
Foreign exchange		6,100
Balance, March 31, 2023		373,867
Current portion		(111,187)
Long-term portion	\$	262,680

In January 2023, the Company entered into a lease agreement for office space at a new location commencing in February 2023 and ending in February 2026. The lease liability and related right-of-use asset (Note 5) for the office premises was determined using an incremental borrowing rate of 12% and a lease term of 37 months.

As at March 31, 2023, the remaining expected payments under the Company's office lease agreement are as follows:

	Annual USD	Annual CAD
Remainder of 2023	\$ 80,520	\$ 108,968
2024	110,312	149,286
2025	113,662	153,765
2026	19,268	26,075

7. Oil and Gas Operations

For the three months ended March 31	2023	2022
Crude oil sales	\$ 12,526	\$ 71,641
Royalties	(140)	(2,955)
	12,386	68,686
Production and operating expenses	(20,903)	(19,990)
Depletion (Note 5)	(4,573)	(20,338)
Accretion of decommissioning liability	(3,692)	(1,201)
Net loss from oil and gas operations	\$ (16,782)	\$ 27,157

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.

All of the Company's oil sales revenue is from Company-operated heavy oil properties.

As at March 31, 2023, accounts receivable (Note 4) included \$7,358 from an oil and gas marketer (December 31, 2022 – \$12,340).

Capitan Investment Ltd.**Notes to Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2023****(unaudited)****(in Canadian dollars)**

8. Credit Risk

Management believes credit risk is mitigated by entering into transactions with long-standing, reputable counterparties and partners.

Cash is held with highly rated banks in Canada and China. Therefore, the Company does not believe these financial instruments are subject to material credit risk.

The Company has assessed credit risk with respect to the Investments and has determined that there is no material credit risk based on the Company's review of financial and non-financial information for DMG and the Projects. The 10% return on the Investments and the redemption of the Investments is guaranteed by DMG (Note 3).

Accounts receivable credit risk is discussed in Note 4.

The maximum exposure to credit risk at is as follows:

		March 31 2023		December 31 2022
Cash and cash equivalents	\$	1,614,135	\$	1,652,783
Investments (Note 3)		6,766,500		6,772,000
Accounts receivable (Note 4)		233,245		240,807
	\$	8,613,880	\$	8,665,590
