CAPITAN INVESTMENT LTD.
Management's Discussion and Analysis
For the three and six months ended June 30, 2023

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, 2023 contains financial highlights but does not contain the complete financial statements of the Company. The MD&A should be read in conjunction with the Company's unaudited June 30, 2023 condensed interim consolidated financial statements and December 31, 2022 audited consolidated financial statements and related notes thereto. Additional information is available on SEDAR+ at www.sedarplus.ca. 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 was approved by the Board of Directors on **August 29th , 2023** and includes events up to that date.

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, 2023 may be referred to as "Q2 2023" and "six months June 2023", respectively, or the "June 2023 periods", collectively. The comparative 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.

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 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 Company's unaudited June 30, 2023 condensed interim consolidated financial statements and this MD&A include the accounts of the Company and GC Capital.

As at June 30, 2023, JK Investment (Hong Kong) Co., Limited owned and controlled 69% of the Company's issued and outstanding shares.

Investments

As at June 30, 2023 and December 31, 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, 2023 carrying value of the Investments is $6,620,000 (USD 5,000,000) (December 31, 2022 – $6,772,000 (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 the Investments within 12 months of its initial investments, with the payment of return amounts being made at the end of the first quarter following its initial investments and at the end of the fourth quarter following initial investments;
- in the event that a material event of default by DMG occurs, the Company will be entitled to a 15% return on the Investments;
- 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 for up to an additional 12 months;

- the 10% return and repurchase option granted to the Company in connection with the Investments 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.

In May 2022, the Company gave notice to DMG that the Company will continue to hold its position until redemption on or before August 31, 2023.

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. The Auden Project is complete and the building has an occupancy rate of approximately 99%.

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 and the slab foundation and electrification have been completed. Construction was halted in March 2023 due to a dispute with the former general contractor and the filing of two mechanical liens against DMG. DMG has hired a new general contractor and is actively engaged in ongoing discussions with the construction management group to resolve any issues. During Q2 2023, the DMG finalized agreements with a reputable carpenter and executed insurance documents.

The Company will closely monitor how DMG resolves any issues with the former general contractor. It should be noted that the Company's investment is guaranteed by DMG and the Company is not required to make additional contributions to cover any budget overruns on the project.

Based on the information currently available, the Company does not consider there to be any indicators that the carrying amount of the Investments is impaired at June 30, 2023 or the current date.

SUMMARY FINANCIAL INFORMATION

As at	June 30 2023	December 31 2022	December 31 2021
Current assets	8,984,288 (2)	9,326,479 (2)	9,076,145 (2)
Current liabilities	(865,177)	(888,762)	(1,034,327)
Working capital (1)	$ 8,119,111	$ 8,437,717	$ 8,041,818
Property and equipment	505,339	190,435	641,393
Total assets	9,489,627	9,516,914	9,717,538
Total liabilities	1,162,461	957,853	1,112,224
Total shareholders' equity	8,327,166	8,559,061	8,605,314

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

(2) Current assets at June 30, 2023 include $6,620,000 (December 31, 2022 – $6,772,000; December 31, 2021 – $6,339,000) of Investments.

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Return on investment revenue	$ 167,390	$ 159,209	$ 334,130	$ 315,315
Net (loss) income	(58,362)	(4,430)	(69,011)	3,549
Net (loss) income 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, for which $166,740 (USD 123,288) was recognized in Q1 2023 and $156,106 (USD 123,288) was recognized in Q1 2022.

General and administrative expenses

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Salaries and benefits	$ 98,928	$ 95,534	$ 191,220	$ 189,323
Consulting and professional fees	37,603	41,392	62,746	72,007
Shareholder and regulatory	4,021	5,264	13,060	13,884
Office and general	12,314	13,264	14,448	23,210
Total	$ 152,866	$ 155,454	$ 281,474	$ 298,424

Salaries and benefits for the 2023 periods are comparable to the 2022 periods.

Consulting and professional fees are lower in the 2023 periods than in the 2022 periods due to a decrease in legal fees.

Shareholder and regulatory expenses for the 2023 periods are comparable to the 2022 periods.

Office and general are lower in the 2023 periods than in the 2022 periods due to cost-savings efforts.

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 2023 periods as there have been no additions to increase the depreciable base. During the June 2023 period, the Company recognized a right-of-use asset and corresponding lease liability related to a new office lease at a new location. The previous office lease expired in January 2023. The ROU asset is depreciated on a straight-line basis over the 37-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 the Company's deposit with Alberta Energy Regulator.

Oil and gas operations

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Crude oil sales	$ –	$ 58,412	$ 12,526	$ 130,053
Royalties	–	(2,595)	(140)	(5,550)
Net oil sales revenue	–	55,817	12,386	124,503
Production and operating expenses	(4,151)	(18,209)	(25,054)	(38,199)
Field netback [(1)]	(4,151)	37,608	(12,668)	86,304
Depletion	–	(13,249)	(4,573)	(33,587)
Accretion of decommissioning obligation	(3,466)	(1,197)	(7,158)	(2,398)
Loss on settlement of decommissioning obligations	(29,000)	–	(29,000)	–
Net income (loss) from oil and gas operations	$ (36,617)	$ 23,162	$ (53,399)	$ 50,319

Field netback per bbl [(1)]

	Three months ended June 30		Six months ended June 30	
Per bbl	2023	2022	2023	2022
Crude oil sales	$ –	$ 103.25	$ 43.75	$ 90.68
Royalties	–	(4.59)	(0.49)	(3.87)
Production and operating expenses	–	(32.19)	(73.01)	(26.64)
Field netback	$ –	$ 66.47	$ (29.75)	$ 60.17

(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 are lower in the June 2023 period than in the June 2022 period as the producing well was suspended in February 2023 for repairs and maintenance, with incidental volumes produced as part of the clean-up process. The well remained suspended throughout Q2 2023.

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 suspended. Production and operating expenses per bbl are higher in the June 2023 period than in the June 2022 period due to the impact of decreased in production volumes.

During the June 2023 period, the Company incurred $131,163 of decommissioning expenditures to settle $102,163 of obligations resulting in a $29,000 loss on settlement of decommissioning obligations.

Production volumes and crude oil sales

	Three months ended June 30				Six months ended June 30			
	2023		2022		2023		2022	
Production								
Heavy oil production (bbls)		–		566		286		1,434
Heavy oil (bbls/day)		–		6		2		8
Crude oil sales								
Heavy oil	$	–	$	58,412	$	12,526	$	130,053
Heavy oil ($/bbl)	$	–	$	103.25	$	43.75	$	90.68

Depletion

	Three months ended June 30						Six months ended June 30					
	2023			2022			2023			2022		
			Per bbl			Per bbl			Per bbl			Per bbl
Depletion	$	–	–	$	13,249	23.42	$	4,573	15.97	$	33,587	23.42

Depletion of development and production assets is calculated on a unit-of-production basis. Depletion expense per bbl is lower in the 2023 periods than in the 2022 periods due to a decrease in both the carrying amount of developed and producing assets and a decrease in estimated proved plus probable reserves.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2023, the Company had a working capital surplus of $8,119,111 compared to $8,437,717 at December 31, 2022. The decrease in working capital is primarily due to foreign exchange losses on U.S. denominated cash and investment balances combined with $131,163 of decommissioning expenditures.

The Company's June 30, 2023 working capital surplus includes $1,268,939 of cash, $6,620,000 of investments and $393,764 of accounts receivable. The Company has sufficient cash resources to ensure the contractual amounts of its current financial obligations, comprised of $497,327 of trade and other payables, $112,805 of lease liability and the $40,000 CEBA loan, are met as they become due.

CONTRACTUAL OBLIGATIONS

As at June 30, 2023, the remaining expected payments under the Company's office lease agreement are as follows:

	Annual USD	Annual CAD
Remainder of 2023	$ 53,680	$ 71,072
2024	110,312	146,053
2025	113,662	150,435
2026	19,268	25,510

CREDIT RISK

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

The maximum exposure to credit risk at is as follows:

	June 30 2023	December 31 2022
Cash and cash equivalents	$ 1,268,929	$ 1,652,783
Investments	6,620,000	6,772,000
Accounts receivable	393,764	240,807
	$ 8,282,693	$ 8,665,590

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.

The Company's accounts receivable are aged as follows:

	June 30 2023	December 31 2022
Less than 60 days old	$ 119,291	$ 185,147
Over 60 days old	274,473	55,660
	$ 393,764	$ 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 $274,473 (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 include in the less than 60 days aging category.

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

SUBSEQUENT EVENTS

There were no reportable events subsequent to June 30, 2023.

SHARE CAPITAL

<u>Common shares</u>

As at June 30, 2023, December 31, 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 2023	1st Quarter 2023	4th Quarter 2022	3rd Quarter 2022
Return on Investment Revenue	$ 167,390	$ 166,740	$ 171,118	$ 164,546
Net Oil Sales Revenue [(1)]	–	12,386	11,098	42,580
Net Loss	(53,362)	(10,649)	(489,557)	(9,901)
Net Loss per share				
Basic and fully diluted	(0.000)	(0.000)	(0.000)	(0.000)
Weighted Average Number of Shares	289,684,072	289,684,072	289,684,072	289,684,072

	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

[(1)] Oil sales revenue less royalties

- Net loss for the 2nd Quarter of 2023 is higher than the previous quarter as the Company due to the lack of oil sales revenue combined with a loss on settlement of decommissioning obligations.
- Net loss for the 1st Quarter of 2023 is lower than the previous quarter due to a decrease in general and administrative expenses and no impairment on property and equipment.
- Net loss for the 4th Quarter of 2022 is higher than the previous quarter due to an increase in general and administrative expenses and the net loss from oil and gas operations which includes $318,000 of impairment on property and equipment.
- Net loss for the 3rd Quarter of 2022 is higher than the previous quarter due to the net loss from oil and gas operations related to a decrease in net oil sales revenue and an increase in production and operating expenses.
- 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.

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, 2023. 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, 2023.

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. The Company's significant judgments and estimates are disclosed in Note 2 of the audited December 31, 2022 consolidated financial statements.

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.

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.