CAPITAN INVESTMENT LTD.
Management's Discussion and Analysis
For the three months and year ended December 31, 2024

The following management discussion and analysis ("MD&A") of Capitan Investment Ltd. (the "Company" or "Capitan") for three months and year ended December 31, 2024 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 December 31, 2024 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 **Apr 29th , 2025** 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 months and year ended December 31, 2024 may be referred to as "Q4 2024" and "YE 2024", respectively, or the "2024 periods", collectively. The comparative three months and year ended December 31, 2023 may be referred to as "Q4 2023" and "YE 2023", respectively, or the "2023 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 December 31, 2024 audited consolidated financial statements and this MD&A include the accounts of the Company and GC Capital.

As at December 31, 2024, JK Investment (Hong Kong) Co., Limited owned and controlled 69% of the Company's issued and outstanding shares.

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 the Investments 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 prior notice to DMG, the Company may continue to hold its position. The 10% return and repurchase option granted to the Company in connection with the Investments is guaranteed by DMG.

As the Company has not yet identified new investment opportunities offering similar or better returns than the 10% return on the existing Investments, the Company has extended its position in the Investments, during which time the Company will continue to earn a 10% return.

The December 31, 2024 carrying value of the Investments is $7,194,500 (USD 5,000,000) (December 31, 2023 – $6,613,000 (USD 5,000,000)). The fair value of the Investments approximates the carrying value as the Company may redeem the Investments at any time.

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). As of September 2024, MEP permit is submitted, concrete is in progress. Elevators have been in storage, plumbing fixtures, appliances, kitchen cabinets, countertops purchase orders are being finalized and executed and all inspections to date have been passed. However, due to various delays in the construction process, building permits have expired and require a re-application process. Construction is expected recommence in 2025 once the new building permits have been received.

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 December 31, 2024 or the current date.

SUMMARY FINANCIAL INFORMATION

As at	December 31 2024	December 31 2023	December 31 2022
Current assets	$ 8,868,906 [2]	$ 8,604,734 [2]	$ 9,326,479 [2]
Current liabilities	(871,779)	(839,118)	(888,762)
Working capital [1]	$ 7,997,127	$ 7,765,616	$ 8,437,717
Property and equipment	163,874	320,564	190,435
Total assets	9,032,780	8,925,298	9,516,914
Total liabilities	1,424,153	1,551,105	957,853
Total shareholders' equity	7,608,627	7,374,193	8,559,061

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

(2) Current assets at December 31, 2024 include $7,194,500 (December 31, 2023 – $6,613,000; December 31, 2022 – $6,772,000) of Investments.

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
Return on investment revenue	$ 104,390	$ 171,696	$ 614,984	$ 674,879
Net loss	(174,386)	(900,219)	(380,505)	(1,022,819)
Net 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. However, the Company granted DMG a USD 50,000 reduction of 2024 return on investment income on the Air Albany Project. As a result, $104,390 (USD 74,658) and $614,984 (USD 450,000) of return on investment income was recognized in Q4 2024 and YE 2024, respectively compared to $171,696 (USD 126,027) and $674,879 (USD 500,000) recognized in Q4 2023 and YE 2023, respectively.

General and administrative expenses

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
Salaries and benefits	$ 103,517	$ 75,743	$ 414,447	$ 372,713
Consulting and professional fees	83,893	309,384	283,469	399,893
Office and general	21,682	17,755	67,850	54,056
Shareholder and regulatory	6,318	4,106	25,578	18,593
Travel	–	10,199	3,275	10,199
Total	$ 215,410	$ 417,187	$ 794,619	$ 855,454

- Salaries and benefits are higher in the 2024 periods due to compensation for the CEO who did not receive a salary in 2023.
- Consulting and professional fees are higher in the 2024 periods due to the fees for a consultant engaged in November 2023.
- Shareholder and regulatory expenses are higher in the 2024 periods due fee increases.
- Office and general are higher in the 2024 periods due to additional costs related to a satellite office.
- Travel in the 2024 periods was for management meetings. Travel in the 2023 periods was for management meetings and the evaluation of potential investment opportunities.

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 higher in the 2024 periods due to additions in 2023 which increased the depreciable base. During YE 2023, the Company recognized right-of-use ("ROU") assets and corresponding lease liabilities related to two new office leases. A previous office lease expired in January 2023. The ROU assets are depreciated on a straight-line basis over the terms of the related leases (37-months and 14 months).

During 2024, the Company recognized $178,935 (2023 – $138,677) of depreciation expense for ROU assets and furniture and equipment in the loss from operating activities and $nil (2023 – $14,202) of depletion expense in net loss from oil and gas operations.

Imputed interest expense

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

Foreign exchange

Foreign exchange relates to the translation of USD denominated balances for cash and investments to CAD.

Interest income

Interest income primarily relates to interest earned on the Company's deposit with Alberta Energy Regulator.

Canada Business Account loan income

In 2020, the Company received $40,000 of loan proceeds from a Canadian bank pursuant to the CEBA program, a Government of Canada COVID response program. 25% ($10,000) of the CEBA loan amount was forgiven when 75% ($30,000) of the loan was repaid in September 2023. The Company recognized a $10,000 gain on loan extinguishment in 2023, at the time of repayment.

Oil and gas operations

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
Crude oil sales	$ 28,937	$ 29,806	$ 145,776	$ 42,332
Royalties	(1,286)	(1,417)	(6,314)	(1,557)
Net oil sales revenue	27,651	28,389	139,462	40,775
Production and operating expenses	(35,008)	(43,603)	(121,564)	(109,341)
Field netback (1)	(7,357)	(15,214)	17,898	(68,566)
Depletion	–	(9,629)	–	(14,202)
Impairment of development and production assets	–	(579,153)	–	(579,153)
Accretion of decommissioning obligation	(6,829)	(2,773)	(26,956)	(12,666)
Loss on decommissioning obligations	(2,313)	–	(23,159)	(29,000)
Loss from oil and gas operations	$ (16,499)	$ (606,769)	$ (32,217)	$ (703,587)

Field netback per bbl (1)

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
Heavy oil production volumes (bbls)	421	603	2009	889
Per bbl				
Crude oil sales	$ 68.74	$ 49.44	$ 72.55	$ 47.61
Royalties	(3.05)	(2.35)	(3.14)	(1.75)
Production and operating expenses	(83.16)	(72.33)	(60.50)	(122.97)
Field netback	$ (17.47)	$ (25.24)	$ 8.91	$ (77.11)

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

Heavy oil sales are higher in the 2024 periods as the well did not produce in Q2 2023 or Q3 2023 combined with an increase in commodity prices earned in 2024.

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 Q4 2024 as compared to Q4 2023 due to lower Q4 2024 production volumes and are lower in YTD 2024 as compared to YTD 2023 due to a year-over-year increase in production volumes.

During 2024, the Company was charged $20,846 of additional decommissioning expenditures on a well abandoned in a prior year and recognized $2,313 of revisions resulting in a $23,159 loss on decommissioning obligations. During 2023, the Company incurred $131,163 of decommissioning expenditures to settle $ $102,163 of obligations resulting in a $29,000 loss on decommissioning obligations.

Depletion

Depletion of development and production assets is calculated on a unit-of-production basis. There was no depletion recognized in the 2024 periods as development and production assets were fully impaired at the end of 2023.

Impairment

During 2023, the Company identified the decrease in the Company's proved plus probable reserves, termination of future development plans and a decline in forecast price estimates as indicators of impairment in relation to its CGU and performed an impairment test at December 31, 2023. At December 31, 2023, the estimated recoverable amount of the CGU based on its value-in-use was determined to be $nil based as the after-tax cash flows expected to be derived from the CGU's proved plus probable reserves are net cash outflows such that the carrying amount of the CGU is not recoverable.

During 2023, the Company fully impaired its D&P assets by recognizing $579,153 of impairment in the consolidated statement of loss and comprehensive loss. Impairment of property and equipment may be reversed in future periods if there are indicators of reversal, such as an improvement in commodity price forecasts.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2024, the Company has a working capital surplus of $7,997,127 (2023 – $7,765,616). The increase in working capital is primarily due to foreign exchange gains on U.S. denominated cash and investment balances

The Company has sufficient cash resources to ensure the contractual amounts of its financial obligations, comprised of $506,028 of trade and other payables and the $151,568 current portion of lease liabilities, are met as they become due.

CONTRACTUAL OBLIGATIONS

As at December 31, 2024, the remaining expected payments under the Company's office lease agreements are as follows:

	Annual USD	Annual CAD
2025	$ 113,622	$ 163,491
2026	19,268	27,724
	$ 132,890	$ 191,215

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:

	December 31 2024	December 31 2023
Cash	$ 810,621	$ 893,194
Restricted cash	20,632	20,000
Investments	7,194,500	6,613,000
Accounts receivable	44,104	255,295
	$ 8,069,857	$ 7,781,489

Cash is held with highly rated banks in Canada and China. Restricted cash in in respect of a letter of credit for a corporate credit card. 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:

		December 31 2024		December 31 2023
Less than 60 days old	$	44,104	$	144,777
Over 60 days old		–		110,518
	$	44,104	$	255,295

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

SUBSEQUENT EVENTS

There were no reportable events subsequent to December 31, 2024.

SHARE CAPITAL

Common shares

As at December 31, 2024 and 2023 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.sedarplus.ca.

	4th Quarter 2024	3rd Quarter 2024	2nd Quarter 2024	1st Quarter 2024
Return on Investment Revenue	$ 104,390	$ 171,910	$ 170,568	$ 168,116
Net Oil Sales Revenue (1)	27,651	39,168	46,941	25,702
Net Loss	(174,386)	(45,009)	(84,433)	(76,677)
Net Loss per share	(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

	4th Quarter 2023	3rd Quarter 2023	2nd Quarter 2023	1st Quarter 2023
Return on Investment Revenue	$ 171,696	$ 169,053	$ 167,390	$ 166,740
Net Oil Sales Revenue (1)	28,389	–	–	12,386
Net Income (Loss)	(900,219)	(53,589)	(53,362)	(10,649)
Net Income (Loss) per share	(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

(1) Oil sales revenue less royalties

- Net loss for the 4th Quarter of 2024 is higher than the previous quarter due to the decrease in return on investment revenue and an increase in general and administrative expenses primarily related to the cost of the year-end audit.
- Net loss for the 3rd Quarter of 2024 is lower than the previous quarter primarily due to a reduction in general and administrative expenses.

- Net loss for the 2nd Quarter of 2024 is higher than the previous quarter primarily due to an increase in general and administrative expenses partially offset by net income from oil and gas operations.
- Net loss for the 1st Quarter of 2024 is lower than the previous quarter as the 4th Quarter of 2023 included impairment and depletion expense related to oil and gas properties.
- Net loss for the 4th Quarter of 2023 is higher than previous quarters due to an increase in consulting and professional fees and the recognition of $579,153 of impairment of property and equipment.
- Net loss for the 3rd Quarter of 2023 is comparable to the previous quarter.
- 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.

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 months and year ended December 31, 2024. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at December 31, 2024.

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 December 31, 2024 audited consolidated financial statements.

BUSINESS RISKS

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.