

Capitan Investment Ltd.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2024

(Unaudited – Prepared by Management)

Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim financial statements as at and for the three and six months ended June 30, 2024.

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

As at	Note	June 30 2024	December 31 2023
Assets			
Current assets:			
Cash	\$	759,213	\$ 893,194
Restricted cash		20,000	20,000
Investments	3	6,843,500	6,613,000
Accounts receivable	4	249,696	255,295
Prepaid expenses and deposits	5	784,564	823,245
		8,656,973	8,604,734
Property and equipment	6	241,226	320,564
Total assets	\$	8,898,199	\$ 8,925,298
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables	\$	473,554	\$ 510,195
Current portion of lease liabilities	7	150,406	166,517
Current portion of decommissioning obligations	8	165,527	162,406
		789,487	839,118
Lease liabilities	7	104,889	164,460
Decommissioning obligations	8	557,760	547,527
Total liabilities		1,452,136	1,551,105
Shareholders' equity			
Share capital		20,465,084	20,465,084
Contributed surplus		1,244,119	1,244,119
Accumulated other comprehensive income		547,834	314,854
Accumulated deficit		(14,810,974)	(14,649,864)
Total shareholders' equity		7,446,063	7,374,193
Total liabilities and shareholders' equity	\$	8,898,199	\$ 8,925,298

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

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

(unaudited)

(in Canadian dollars)

	Note	For the three months ended June 30		For the six months ended June 30	
		2024	2023	2024	2023
Revenue					
Return on investments	3	\$ 170,568	\$ 167,390	\$ 338,684	\$ 334,130
Expenses					
General and administrative		227,927	152,866	408,115	281,474
Depreciation	6	45,170	31,737	89,694	64,079
Imputed interest	7	7,509	9,730	15,999	16,651
Foreign exchange		(1,108)	2,634	(10,019)	2,634
		279,498	196,967	503,789	364,838
Loss from operating activities		(108,930)	(29,577)	(165,105)	(30,708)
Interest income		8,908	7,832	17,804	15,096
Net loss from oil and gas operations	9	15,589	(36,617)	(13,809)	(53,399)
Net loss		(84,433)	(58,362)	(161,110)	(69,011)
Other comprehensive income (loss)					
Exchange differences on translation of subsidiary		70,888	(157,157)	232,980	(162,884)
Total comprehensive income (loss)		\$ (97,978)	\$ (273,881)	\$ 71,870	\$ (231,895)
Net loss per share - basic		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding		289,684,072	289,684,072	289,684,072	289,684,072

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

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

For the six months ended June 30	Note	2024	2023
Share capital			
289,684,072 common shares issued and outstanding			
Balance, January 1 and June 30		\$ 20,465,084	\$ 20,465,084
Contributed surplus			
Balance, January 1 and June 30		1,244,119	1,244,119
Accumulated other comprehensive loss			
Balance, January 1		314,854	476,903
Exchange differences on translation of subsidiary		232,980	(162,884)
Balance, June 30		547,834	314,019
Accumulated deficit			
Balance, January 1		(14,649,864)	(13,627,045)
Net loss		(161,110)	(69,011)
Balance, June 30		(14,810,974)	(13,696,056)
Total shareholders' equity		\$ 7,446,063	\$ 8,327,166

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

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

For the six months ended June 30	Note	2024	2023
Operating activities			
Net loss		\$ (161,110)	\$ (69,011)
Items not affecting cash:			
Depreciation	6	89,694	68,652
Imputed interest	7	15,999	16,651
Lease revision		–	(11,499)
Accretion of decommissioning obligations	8	13,354	7,158
Decommissioning expenditures		–	(131,163)
Loss on settlement of decommissioning obligations		–	29,000
Foreign exchange		(347)	(11,003)
Change in non-cash working capital			
Accounts receivable		5,599	(152,957)
Prepaid expenses and deposits		38,681	(40,706)
Trade and other payables		(36,641)	(28,702)
Net cash used in operating activities		(34,771)	(323,580)
Financing activities			
Lease payments	7	(102,575)	(60,241)
Net cash used in financing activities		(102,575)	(60,241)
Change in cash		(137,346)	(383,821)
Foreign exchange effect on USD denominated cash		3,365	(33)
Cash, January 1		893,194	1,652,783
Cash, June 30		\$ 759,213	\$ 1,268,929

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

Capitan Investment Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2024

(unaudited)

(in Canadian dollars)

1. Nature of Operations

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

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

As at June 30, 2024, JK Investment (Hong Kong) Co., Limited (“JK Investment”) owned and controlled 69% of the Company’s issued and outstanding shares.

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and the interpretations of the International Financial Reporting Interpretations Committee in effect at January 1, 2024.

These consolidated financial statements were authorized for issue by the Board of Directors on **August 28th, 2024**.

Adoption of amended accounting standards

Effective January 1, 2024, the Company adopted amendments to IAS 1 Presentation of Financial Statements which clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability as current or non-current. These amendments did not impact disclosures or amounts reported in these condensed interim consolidated financial statements.

3. Investments

In August 2021, the Company entered into two Investment Agreements with DMG Investments LLC. (“DMG”), a comprehensive real estate company specializing in finance, development, operations and property management in the United States: (1) a USD 2,000,000 investment in a joint venture real estate investment as a non-managing member in exchange for a preferred equity interest representing approximately 15.56% of the total equity interest in the Air Albany Project and (2) a USD 3,000,000 investment in a joint venture real estate investment as a non-managing member in exchange for a preferred equity interest representing approximately 21.85% of the total equity interest in the Auden Project. The Air Albany Project and the Auden Project are collectively referred to as “the Investments”.

The Company has unconditional option to require the cash payment of its 10% guaranteed return on 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 three months 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.

The Company has extended its position in the Investments until Sep 2024, during which time the Company will continue to earn a 10% return.

The June 30, 2024 carrying value of the Investments is \$6,843,500 (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.

Capitan Investment Ltd.**Notes to Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2024**

(unaudited)

(in Canadian dollars)

4. Accounts Receivable

	June 30 2024	December 31 2023
Goods and Services Tax	\$ 614	\$ 3,458
Return on investment (Note 3)	238,866	221,037
Oil and gas marketers (Note 9)	10,216	30,800
	\$ 249,696	\$ 255,295

The Company's accounts receivable are aged as follows:

	June 30 2024	December 31 2023
Less than 60 days old	\$ 124,576	\$ 144,777
Over 60 days old	125,120	110,518
	\$ 249,696	\$ 255,295

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 days aging category. Receivables for the Company's return on investment are accrued on a quarterly basis and are typically collected within 60 days. The Company historically has not experienced any significant collection issues for accounts receivable (Note 10).

5. Prepaid expenses and deposits

	June 30 2024	December 31 2023
Deposit with Alberta Energy Regulator	\$ 694,566	\$ 676,762
Prepaid expenses	89,998	146,483
	\$ 784,564	\$ 823,245

Capitan Investment Ltd.**Notes to Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2024**

(unaudited)

(in Canadian dollars)

6. Property and Equipment

	Right-of-use assets	Furniture and equipment	D&P assets	Total
Cost				
Balance, December 31, 2023	\$ 440,431	\$ 70,950	\$ 4,956,148	\$ 5,467,529
Foreign exchange	15,352	–	–	15,352
Balance, June 30, 2024	\$ 455,783	\$ 70,950	\$ 4,956,148	\$ 5,482,881
Accumulated depletion, depreciation and impairment				
Balance, December 31, 2023	\$ 124,035	\$ 66,782	\$ 4,956,148	\$ 5,146,965
Depreciation	89,270	424	–	89,694
Foreign exchange	4,996	–	–	4,996
Balance, June 30, 2024	\$ 218,301	\$ 67,206	\$ 4,956,148	\$ 5,241,655
Net carrying amount				
As at December 31, 2023	\$ 316,396	\$ 4,168	\$ –	\$ 320,564
As at June 30, 2024	\$ 237,482	\$ 3,744	\$ –	\$ 241,226

7. Lease Liability

The Company incurs lease payments related to office premises.

Balance, December 31, 2023	\$ 330,977
Imputed interest	15,999
Lease payments	(102,575)
Foreign exchange	10,894
Balance, June 30, 2024	\$ 255,295
Current portion	(150,406)
Long-term portion	104,889

As at June 30, 2024, the remaining expected payments under the Company's office lease agreement are as follows:

	Annual USD	Annual CAD
2024 (remainder)	\$ 70,653	\$ 96,703
2025	113,662	155,514
2026	19,268	26,371

8. Decommissioning Obligations

Balance, December 31, 2023	\$ 709,933
Accretion	13,354
Balance, June 30, 2024	723,287
Current portion	(165,527)
Long-term portion	\$ 557,760

Capitan Investment Ltd.**Notes to Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2024**

(unaudited)

(in Canadian dollars)

9. Oil and Gas Operations

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
Heavy oil sales	\$ 49,446	\$ –	\$ 76,297	\$ 12,526
Royalties	(2,505)	–	(3,654)	(140)
	46,941	–	72,643	12,386
Production and operating expenses	(24,647)	(4,151)	(73,098)	(25,054)
Depletion	–	–	–	(4,573)
Accretion (Note 8)	(6,705)	(3,466)	(13,354)	(7,158)
Loss on settlement of decommissioning obligations	–	(29,000)	–	(29,000)
Net loss from oil and gas operations	\$ 15,589	\$ (36,617)	\$ (13,809)	\$ (53,399)

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

All heavy oil sales revenues are from company-operated wells. As at June 30, 2024, accounts receivable (Note 4) included \$10,216 from an oil and gas marketer (December 31, 2023 – \$30,800).

10. Credit Risk

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

Cash is held with highly rated banks in Canada and China. 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 (Note 3).

Accounts receivable credit risk is discussed in Note 4.

The maximum exposure to credit risk at is as follows:

	June 30 2024	December 31 2023
Cash	\$ 759,213	\$ 893,194
Restricted cash	20,000	20,000
Investments (Note 3)	6,843,500	6,613,000
Accounts receivable (Note 4)	249,696	255,295
	\$ 7,872,409	\$ 7,781,489

During the three and six months ended June 30, 2024 and 2023, the Company recognized \$nil of bad debt expense.