

Capitan Investment Ltd.

Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

To the Shareholders of Capitan Investment Ltd.:

Opinion

We have audited the consolidated financial statements of Capitan Investment Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of income (loss) and other comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of investments receivable

Key Audit Matter Description

As described in Note 4 to the consolidated financial statements, the Company has investments receivable balance at the year end of \$7.3 million. During the year ended December 31, 2025, the Company issued a new loan to another counterparty for an additional USD \$300,000.

The assessment of recoverability requires significant judgment in estimating expected credit losses under IFRS 9. Key considerations include the creditworthiness of counterparties, the availability of collateral or guarantees, and expected future cash flows.

We considered this to be a key audit matter as the Company is working with new partners, which have limited payment history this makes assessment of the expected credit losses, as defined by IFRS 9, Financial instruments, particularly judgemental. This resulted in a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating the audit evidence relating to management's estimate of the recoverability of investments receivable.

Audit Response

We responded to this matter by performing procedures in relation to the recoverability of investments receivable. Our audit work in relation to this included, but was not restricted to, the following:

- We tested cash receipts subsequent to year-end and interest payments received during the year to assess collectability.
- We evaluated management's analysis on the recoverability of investments receivable, which included review of project's financial information, construction schedules and guarantors' information, and considering the consistency of management's assumptions with available supporting evidence. This also included assessing historical payment performance, noting that payments have been made in accordance with contractual terms, and considering the consistency of management's assumptions with available supporting evidence.
- We sought direct written confirmation from an investee of the investments receivable balance at the reporting date.
- We assessed whether management's conclusions were consistent with audit evidence obtained in other areas of the audit.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sergey Fesenko.

Calgary, Alberta

April 30, 2026

MNP LLP

Chartered Professional Accountants

MNP

Capitan Investment Ltd.
Consolidated Statements of Financial Position
As at December 31
(in Canadian dollars)

	Note	2025	2024
Assets			
Current assets:			
Cash		\$ 307,914	\$ 810,621
Restricted cash		–	20,632
Investments and loans receivable	4	7,264,180	7,194,500
Accounts receivable	5	95,463	44,104
Prepaid expenses and deposits		48,329	88,150
		7,715,886	8,158,007
Alberta Energy Regulator deposit	6	732,985	710,899
Property and equipment	7	26,109	163,874
Total assets		\$ 8,474,980	\$ 9,032,780
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables	14	\$ 152,481	\$ 506,028
Current portion of lease liabilities	8	26,055	151,568
Current portion of decommissioning obligation	9	333,182	214,183
		511,718	871,779
Lease liabilities	8	–	27,355
Decommissioning obligation	9	402,665	525,019
Total liabilities		914,383	1,424,153
Shareholders' equity			
Share capital	10	20,465,084	20,465,084
Contributed surplus		1,244,119	1,244,119
Accumulated other comprehensive income		567,597	929,793
Accumulated deficit		(14,716,203)	(15,030,369)
Total shareholders' equity		7,560,597	7,608,627
Total liabilities and shareholders' equity		\$ 8,474,980	\$ 9,032,780
Subsequent events	18		

Approved on behalf of the Board:

(Signed) "*Panwen Gao*", Director

(Signed) "*Songxian Tan*", Director

See the accompanying notes to these consolidated financial statements.

Capitan Investment Ltd.**Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)****For the years ended December 31**

(in Canadian dollars)

	Note	2025	2024
Revenue			
Return on investments and loans receivable	4	\$ 718,172	\$ 614,984
Expenses			
General and administrative	13	639,697	794,619
Depreciation	7	132,716	178,935
Imputed interest	8	11,626	27,693
Foreign exchange		4,237	(368)
		788,276	1,000,879
Loss from operating activities		(70,104)	(385,895)
Interest income		22,941	37,607
Loss from oil and gas operations	11	(13,173)	(32,217)
Gain on derecognition of financial liabilities	14	376,072	–
Income (loss) before tax		315,736	(380,505)
Tax expense	15	(1,570)	–
Net income (loss) for the year		314,166	(380,505)
Other comprehensive income (loss)			
Exchange differences on translation of subsidiary		(362,196)	614,939
Total comprehensive income (loss)		\$ (48,030)	\$ 234,434
Net income (loss) per share – basic		\$ 0.00	\$ (0.00)
Weighted average number of shares outstanding	10	289,684,072	289,684,072

See the accompanying notes to these consolidated financial statements.

Capitan Investment Ltd.
Consolidated Statements of Changes in Equity
For the years ended December 31
(in Canadian dollars)

	Note	2025	2024
Share capital			
Balance, January 1 and December 31	10	\$ 20,465,084	\$ 20,465,084
Contributed surplus			
Balance, January 1 and December 31		1,244,119	1,244,119
Accumulated other comprehensive income			
Balance, January 1		929,793	314,854
Exchange differences on translation of subsidiary		(362,196)	614,939
Balance, December 31		567,597	929,793
Accumulated deficit			
Balance, January 1		(15,030,369)	(14,649,864)
Net income (loss) for the year		314,166	(380,505)
Balance, December 31		(14,716,203)	(15,030,369)
Total shareholders' equity		\$ 7,560,597	\$ 7,608,627

See the accompanying notes to these consolidated financial statements.

Capitan Investment Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31
(in Canadian dollars)

	Note	2025	2024
Operating activities			
Net income (loss) for the year		\$ 314,166	\$ (380,505)
Items not affecting cash:			
Interest income on Alberta Energy Regulator deposit		(22,086)	(34,137)
Depreciation	7	132,716	178,935
Imputed interest	8	11,626	27,693
Accretion of decommissioning obligation	9	21,814	26,956
Loss on decommissioning obligation	9	2,443	23,159
Gain on derecognition of financial liabilities	14	(376,072)	–
Foreign exchange		(4,603)	15,671
Decommissioning expenditures	9	(27,612)	(20,846)
Change in non-cash working capital			
Accounts receivable		(51,359)	211,191
Prepaid expenses and deposits		39,821	24,196
Trade and other payables		22,525	29,970
Net cash provided by (used in) operating activities		63,379	102,283
Financing activities			
Lease payments	8	(158,815)	(200,071)
Net cash used in financing activities		(158,815)	(200,071)
Investing activities			
Loans receivable advances	4	(415,765)	–
Restricted cash		20,632	(632)
Equipment purchases	7	–	(3,349)
Net cash used in investing activities		(395,133)	(3,981)
Change in cash		(490,569)	(101,769)
Foreign exchange effect on USD denominated cash		(12,138)	19,196
Cash, January 1		810,621	893,194
Cash, December 31		\$ 307,914	\$ 810,621

See the accompanying notes to these consolidated financial statements.

Capitan Investment Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2025 and 2024
(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 December 31, 2025, JK Investment (Hong Kong) Co., Limited ("JK Investment") owned and controlled 69% of the Company's issued and outstanding shares.

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") in effect at January 1, 2025.

These consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2026.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The functional currency of Capitan is the Canadian dollar ("CAD"), the functional currency of GC Capital is the United States dollar ("USD"). The presentation currency of the Company is the CAD.

(d) Comparative figures

The Alberta Energy Regulator deposit has been reclassified from current assets to non-current assets. This reclassification had no impact on total assets, total liabilities, profit or cash flows.

(e) Use of judgments and estimates

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

Critical judgments in applying accounting policies

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

Expected credit loss

Judgments are required to assess credit risk and the recoverability of accounts receivable and investments and loans receivable, including the ability of the investee to repay the principal amount of the Investment upon Company's notice of redemption based on financial and non-financial information about the investee.

Incremental borrowing rates for leases and lease terms

The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term. In addition, lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Provisions

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

Deferred taxes

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

Key Sources of Estimation Uncertainty

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

Valuation of accounts receivable

The allowance for expected credit losses assessment requires a degree of estimation and judgment. It is based on the number of days overdue and makes assumptions to allocate an overall expected credit loss rate for each aging category. These assumptions include historical collection and non-payments.

Decommissioning obligation

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

Deferred taxes

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

3. Material Accounting Policies

An accounting policy is considered material to the Company if it provides information to facilitate the understanding of other material information reported and disclosed in the Company's consolidated financial statements. Accounting policy information may be material because of the nature of the related transactions, other events, or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Capitan Investment Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2025 and 2024
(in Canadian dollars)

The material accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. All intercompany balances and transactions are eliminated in full upon consolidation.

(b) Foreign currencies

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in the consolidated statement of income (loss) and comprehensive income (loss) in the period in which they arise.

The financial results of operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of operations are translated at the average rate of the exchange for the year. All assets and liabilities are translated at the rate of exchange at the reporting date. Differences arising on translation are recognized as other comprehensive income (loss).

(c) Financial instruments

The Company classifies its financial instruments in the following measurement categories:

- subsequently measured at fair value (either through profit or loss ("FVPTL") or other comprehensive income ("FVOCI"); and
- subsequently measured at amortized cost.

The classification depends on the Company's business model for managing the financial instruments and the contractual terms of the cash flows.

Non-derivative financial instruments

Non-derivative financial instruments comprise cash, accounts receivable, investments and loans receivable, deposits and trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at FVTPL, any directly attributable transaction costs. Transaction costs of financial assets measured at FVTPL are expensed in the consolidated statement of income (loss) and comprehensive income (loss). Subsequent to initial recognition, all of the Company's non-derivative financial instruments are measured as described below:

- Financial instruments at amortized cost

All of the Company's non-derivative financial instruments are classified as financial instruments at amortized cost. These financial instruments are measured at amortized cost using the effective interest method, less any impairment losses. Any gain or loss arising on derecognition is recognized directly in the consolidated statement of income (loss) and comprehensive income (loss). Impairment losses are presented as separate line item in the consolidated statement of income (loss) and comprehensive income (loss).

Derivative financial instruments

The Company has not entered into any financial derivative contracts.

(d) Impairment of financial instruments

The Company assesses, on a forward-looking basis, the expected credit losses associated with financial instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(e) Investments and loans receivable

Investments and loans receivable are financial assets measured at amortised cost and are subject to the expected credit loss impairment model in accordance with IFRS 9 Financial Instruments.

Management assesses expected credit losses using the general approach under IFRS 9. At each reporting date, management evaluates whether there has been a significant increase in credit risk since initial recognition, considering both quantitative and qualitative factors, including but not limited to:

- Counterparty payment history
- Compliance with contractual terms
- Financial condition of the borrower
- Macroeconomic conditions relevant to the borrower's industry and jurisdiction.

Based on management's assessment at the reporting date:

- No significant increase in credit risk has been identified since initial recognition;
- No objective evidence of impairment or indicators of non-recoverability were noted; and
- All loans receivable are considered performing.

Accordingly, the Company has measured the loss allowance at an amount equal to 12-month expected credit losses which was determined to be immaterial. As a result, no impairment loss has been recognised in the financial statements.

Capitan Investment Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2025 and 2024
(in Canadian dollars)

(f) Property and equipment

(i) Recognition and measurement

D&P costs

Property and equipment, which includes oil and gas D&P assets, are initially measured at cost and subsequently carried at cost less accumulated depletion and depreciation and accumulated impairment losses.

The cost of D&P assets includes: the cost to complete and tie-in the wells; facility costs; the cost of recognizing provisions for future restoration and decommissioning; geological and geophysical costs; and directly attributable overheads.

D&P assets are grouped into CGUs for impairment testing.

When significant parts of an item of property and equipment, including petroleum and natural gas properties, have different useful lives, they are accounted for as separate items (major components). Gains and losses on disposal of an item of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in the consolidated statement of income (loss) and comprehensive income (loss).

(ii) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the consolidated statement of income (loss) and comprehensive income (loss) as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of periodic servicing of property and equipment are recognized in operating expenses as incurred.

(iii) Depletion and depreciation

The net carrying value of D&P assets is depleted using the unit of production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production and the estimated salvage value of the assets at the end of their useful lives. Future development costs are estimated taking into account the level of development required to produce the reserves.

Proved plus probable reserves are estimated annually by independent qualified reserve evaluators, in accordance with Canadian Securities Administration National Instrument 51-101, and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

For depletion purposes, relative volumes of petroleum and natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

Depreciation of furniture and equipment is based on estimated useful lives and is calculated using the declining balance method at rates ranging from 20% - 45%. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(g) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use, using discounted cash flows.

Fair value less costs of disposal is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less costs of disposal of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU.

Value-in-use is determined as the net present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value-in-use is determined by applying assumptions specific to the Company's continued use and can only take into account approved future development costs. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices and expected production volumes. The latter takes into account assessments of field reservoir performance and includes expectations about proved and unproved volumes, which are risk-weighted utilizing geological, production, recovery and economic projections.

An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in depletion and depreciation expense in the consolidated statement of income (loss) and comprehensive income (loss). Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date, if facts and circumstances indicate that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

(h) Decommissioning obligation

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

The Company's decommissioning obligation is measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date at a risk-free rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time, revisions to the amount of the original estimate, changes in the discount rate or risk-free rate and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows and other assumptions are capitalized. Actual costs incurred upon settlement of the decommissioning obligation are charged against the provision to the extent the provision was established.

Capitan Investment Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2025 and 2024
(in Canadian dollars)

(i) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability.

The Company has applied the practical expedients for short-term and low value leases whereby related lease payments are recognized as expenses in the period incurred.

(j) Revenue recognition

The Company recognizes return on investment revenue as it accrues in the consolidated statement of income (loss) and comprehensive income (loss), using the effective interest method if and when appropriate.

The Company recognizes revenue from the sale of oil when control of the product transfers to the buyer and collection is reasonably assured. This is generally at the point in time when the customer obtains legal title to the product, which is when it is physically transferred to the pipeline or other transportation method agreed upon. Sales of oil are based on variable pricing based on benchmark commodity prices and other variable factors including quality, location and other factors.

(k) Taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in the consolidated statement of income (loss) and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Amended standards not yet adopted

The Company has reviewed new and amended accounting pronouncements that have been issued but are not yet effective and determined that the following amendments are applicable to the Company:

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

Effective January 1, 2026, amendments to IFRS 9 and IFRS 7 provide:

- clarifications to the "solely payments of principal and interest" test to ensure consistent application while maintaining the principle-based approach;
- refinements to the treatment of modifications to financial assets and liabilities upon derecognition;
- guidance for the treatment of financial liabilities settled through electronic payment systems; and
- additional IFRS 7 disclosure requirements to support classification and measurement rules, including derecognition.

IFRS 18 Presentation and Disclosure in Financial Statements

Issued in April 2024 and effective January 1, 2027, IFRS 18 provides guidance to enhance transparency and comparability in financial reporting by introducing requirements for the structured presentation of profit or loss, aggregation and disaggregation of financial data, disclosures of management-defined performance measures ("MPMs") and clarity in the classification of operating, investing, and financing activities in the statement of cash flows. New disclosures must reconcile MPMs to IFRS measures, explaining their relevance and calculation.

4. Investments and loans receivable

- (a) 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 DMG Investments".

The Company has unconditional option to require the cash payment of its 10% guaranteed return on the DMG 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 DMG Investments is guaranteed by DMG.

The Company has extended its position in the DMG Investments, during which time the Company will continue to earn a 10% return. See Note 18.

During 2025, the Company earned \$698,825 (USD 500,000) (2024 – \$614,984 (USD 450,000)) of return on investment revenue. The Company granted DMG a USD 50,000 reduction of 2024 return on investment income on the Air Albany Project.

- (b) During 2025, the Company provided \$415,765 (USD 300,000) of loans to HGL Company ("HGL"), an arm's length company, for a term of three months from the date of advance which may be extended for an additional three months by mutual agreement. Interest is charged at 1.5% per month, increased to 2.5% per month in the event of default. The loans are secured by a continuing security interest in and lien on all cash flow generated by HGL and the personal assets of the members of HGL.

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During 2025, the Company earned \$19,347 (USD 13,123) of return on investment revenue on the loans.

The December 31, 2025 carrying value of investments and loans receivable is \$7,264,180 (USD 5,350,000) (December 31, 2024 – \$7,194,500 (USD 5,000,000)). The fair value of investments and loans receivable approximates the carrying value as the Company may redeem the DMG Investments at their full USD 5,000,000 face value at any time and term of the loans are for a maximum of six months.

5. Accounts Receivable

	2025	2024
Goods and Services Tax	\$ 1,998	\$ 891
Return on investment (Note 4)	85,528	31,903
Oil and gas marketers (Note 11)	7,937	11,310
	\$ 95,463	\$ 44,104

The Company's accounts receivable as at December 31, 2025 and 2024 are less than 60 days old.

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 16(b)).

6. Alberta Energy Regulator Deposit

The deposit with the Alberta Energy Regulator is a required by the Alberta Energy Regulator as security against the fulfillment of the Company's decommissioning obligations (Note 9).

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7. 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
Additions	–	3,349	–	3,349
Expired lease	(63,263)	–	–	(63,263)
Foreign exchange	38,729	97	–	38,826
Balance, December 31, 2024	415,897	74,396	4,956,148	5,446,441
Foreign exchange	(19,742)	(163)	–	(19,905)
Balance, December 31, 2025	\$ 396,155	\$ 74,233	\$ 4,956,148	\$ 5,426,536
Accumulated depletion and depreciation				
Balance, December 31, 2023	\$ 124,035	\$ 66,782	\$ 4,956,148	\$ 5,146,965
Depreciation	177,835	1,100	–	178,935
Expired lease	(63,263)	–	–	(63,263)
Foreign exchange	19,923	7	–	19,930
Balance, December 31, 2024	258,530	67,889	4,956,148	5,282,567
Depreciation	131,037	1,679	–	132,716
Foreign exchange	(14,825)	(31)	–	(14,856)
Balance, December 31, 2025	\$ 374,742	\$ 69,537	\$ 4,956,148	\$ 5,400,427
Net carrying amount				
As at December 31, 2024	\$ 157,367	\$ 6,507	\$ –	\$ 163,874
As at December 31, 2025	\$ 21,413	\$ 4,696	\$ –	\$ 26,109

8. Lease Liability

The Company incurs lease payments related to office premises.

	2025	2024
Balance, beginning of year	\$ 178,923	\$ 330,977
Imputed interest	11,626	27,693
Lease payments	(158,815)	(200,071)
Foreign exchange	(5,679)	20,324
Balance, end of year	26,055	178,923
Current portion	(26,055)	(151,568)
Long-term portion	\$ –	\$ 27,355

As at December 31, 2025, the remaining expected payments in 2026 under the Company's office lease agreement are \$26,408 (USD 19,268).

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9. Decommissioning Obligation

As at December 31, 2025, the Company has estimated the total undiscounted inflation-adjusted amount of cash flows required to settle its decommissioning liabilities to be \$789,593 (2024 – \$818,743). This amount will be substantially incurred over the next three years (2024 – four years). The Company calculated the decommissioning liabilities using an average risk-free discount rate of 2.73% (2024 – 2.96%) per annum and a future inflation rate of 2% (2024 – 2%) per annum.

	2025		2024	
Balance, beginning of year	\$	739,202	\$	709,933
Accretion		21,814		26,956
Revisions		(10,389)		23,159
Expenditures		(14,780)		(20,846)
Balance, end of year		735,847		739,202
Current portion		(333,182)		(214,183)
Long-term portion	\$	402,665	\$	525,019

During the year ended December 31, 2025, the Company recognized \$10,389 (2024 – \$2,313) of revisions included in a \$2,443 (2024 – \$23,159) loss on decommissioning obligations (Note 11).

10. Share Capital

a) Authorized

Unlimited number of common voting shares with no par value
Unlimited number of preferred non-voting shares with no par value

b) Issued and outstanding common shares

	Number of shares	Amount
Balance, December 31, 2023, 2024 and 2025	289,684,072	\$ 20,465,084

11. Oil and Gas Operations

	2025		2024	
Heavy oil sales	\$	99,630	\$	145,776
Royalties		(3,710)		(6,314)
		95,920		139,462
Production and operating expenses		(84,836)		(121,564)
Accretion (Note 9)		(21,814)		(26,956)
Loss on decommissioning obligations (Note 9)		(2,443)		(23,159)
Loss from oil and gas operations	\$	(13,173)	\$	(32,217)

The Company sells its production pursuant to fixed and variable price physical delivery contracts with terms of up to one year. Under these contracts, the Company is required to deliver volumes of light-medium oil that are consistent with its expected production to the contract counterparty. The contracts provide for physical delivery of the commodity, and settlement occurs through delivery rather than net cash settlement.

The transaction price is based on the prevailing commodity price, adjusted for quality, location or other customary factors. These contracts are entered into and continue to be held for the purpose of physical delivery in the normal course of business and therefore qualify for the own-use exemption under IFRS 9.

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All heavy oil sales revenues earned in 2025 and 2024 are from company-operated wells. As at December 31, 2025, accounts receivable (Note 5) included \$7,937 from an oil and gas marketer (December 31, 2024 – \$11,310).

12. Personnel Expenses

(a) Employee compensation cost

The consolidated statement of income (loss) and comprehensive income (loss) is prepared primarily by nature of expense. During 2025, the Company incurred \$386,173 (2024 – \$414,447) of employee compensation cost which is included in general and administrative expenses.

(b) Key management compensation

The Company considers its directors and executives to be key management personnel. As at December 31, 2025, key management personnel included 13 individuals (2024 – 13 individuals). Key management personnel compensation is comprised of the following:

		2025		2024
Salaries paid to two executives (2024 – three)	\$	186,808	\$	230,618
Consulting fees paid to two directors (2024 – two)		93,934		92,052
Short-term employee benefits		24,113		25,483
	\$	304,855	\$	348,153

13. General and Administrative Expenses

		2025		2024
Salaries and benefits	\$	386,173	\$	414,447
Consulting and professional fees		185,807		283,469
Office and general		48,610		67,850
Shareholder and regulatory		19,107		25,578
Travel		–		3,275
	\$	639,697	\$	794,619

14. Gain on Derecognition of Financial Liabilities

During 2025, the Company derecognized certain old outstanding trade payables due to the passage of the ultimate limitation period with regards to the legal statute of limitations. As a result, the Company recognized a \$376,072 gain on the derecognition of financial liabilities in the 2025 consolidated statement of income (loss) and comprehensive income (loss).

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15. Taxes

The provision for deferred taxes differs from the amount computed by applying the combined federal and provincial tax rates to the income (loss) before taxes. The difference results from the following:

	2025	2024
Income (loss) before income taxes	\$ 315,736	\$ (380,505)
Combined federal and provincial statutory income tax rate	23.00%	23.00%
Expected income tax expense (reduction)	72,620	(87,516)
Non-deductible items	85,579	307,922
Rate adjustments	6,918	(1,818)
Effect of tax return filings	(92,473)	(11,981)
Effect of unrecognized deferred tax assets	(71,074)	(206,607)
Current tax expense	\$ 1,570	\$ –

Deferred tax assets result from temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized for the following deductible temporary differences as it is not probable that future taxable profit will be available against which the Company can utilize the benefits:

	2025	2024
Non-capital loss carry-forwards	\$ 15,257,996	\$ 15,179,086
Property and equipment	1,824,246	2,189,666
Reorganization costs	57,672	66,681
Decommissioning obligation	735,847	739,202
Other	175,631	175,631
	\$ 18,051,392	\$ 18,350,266

As at December 31, 2025, the Company has approximately \$1.9 million (2024 – \$2.3 million) of tax pools available for deduction against future taxable income. The Company also has Canadian non-capital tax losses of approximately \$15.3 million (2024 – \$15.1 million) available for deduction against future taxable income that begin to expire in 2028 and approximately \$nil (2024 – \$65,600) of U.S. operating tax losses that do not expire.

16. Financial Instruments

The Company holds various financial instruments as at December 31, 2025. The nature of these instruments and its operations expose the Company to market risk, credit risk and liquidity risks. The Company manages its exposure to these risks by operating in a manner that minimizes this exposure. While management monitors and administers these risks, the Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework.

(a) Market risk

Market risks are generally those risks that are outside of the control of the Company. The primary sources of market risk for the Company is foreign currency exchange risk. The objective of the Company is to mitigate exposure to this risk, while maximizing returns to the Company.

The return earned on investments and loans receivable (Note 4) is denominated in USD. A 5% change in the exchange rate of USD to CAD would change return on investment income and net income (loss) and comprehensive income (loss) for 2025 by approximately \$35,900 (2024 – \$30,700).

(b) 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 investments and loans receivable 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 and HGL. The 10% return on the DMG Investments and the redemption of the DMG Investments is guaranteed by DMG (Note 4).

Accounts receivable credit risk is discussed in Note 5.

The maximum exposure to credit risk at December 31, 2025 and 2024 is as follows:

	2025	2024
Cash	\$ 307,914	\$ 810,621
Restricted cash	–	20,632
Investments and loans receivable (Note 4)	7,264,180	7,194,500
Accounts receivable (Note 5)	95,463	44,104
	\$ 7,667,557	\$ 8,069,857

During 2025, the Company recognized \$nil (2024 – \$nil) of bad debt expense.

(c) Liquidity risk

Liquidity risk would occur if the Company is not able to meet its financial obligations as they come due. Historically, the Company has suffered substantial operating losses. As at December 31, 2025, the Company has a working capital surplus of \$7,204,168 (2024 – \$7,286,228). The Company has sufficient cash resources to ensure the contractual amounts of its financial obligations, comprised of \$152,481 of trade and other payables and the \$26,055 current portion of lease liabilities, are met as they become due.

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17. Capital Disclosures

The Company considers its capital structure to include working capital and shareholders' equity. The Company will adjust its capital structure to manage its current and projected debt through the issuance of shares and/or adjusting its capital spending. The Company monitors its capital based on the current and projected ratios of net debt to cash flow. The Company's objectives in managing its capital structure are to create and maintain flexibility so that the Company can continue to meet its financial obligations; and finance its growth either through internally generated projects, joint venture relationships or asset/corporate acquisitions.

	2025	2024
Working capital	\$ 7,204,168	\$ 7,286,228
Shareholders' equity	\$ 7,184,525	\$ 7,608,627

The Company does not have any externally imposed capital requirements as at December 31, 2025.

18. Subsequent Events

Subsequent to December 31, 2025, the Company, through its wholly owned subsidiary, GC Capital, entered into various agreements with respect to the DMG Investments (Note 4(a)):

- (a) As part of a restructuring, on March 31, 2026, the Company executed a series of agreements with DMG and its affiliates in respect of the Company's USD 2,000,000 investment in the Air Albany Project.

Under these agreements:

- The Company received cash consideration of USD 300,000 and acquired a non-voting special interest with distribution rights in 1211 Albany Multifamily LLC, the entity that now indirectly holds the project.
- The remaining USD 1,700,000 balance of the Company's original investment was assigned an agreed value and, pursuant to a subsequent finalized transaction involving the sale of DMG's interest in the project to a new investor group, is being applied as consideration toward an equity interest in the Albany project.
- In connection with this restructuring, the Company waived its entitlement to accrued and unpaid interest on the original investment, totaling approximately USD 83,000.

These transactions collectively reflect management's decision to exit its prior loan-style investment position in the Albany project and participate in future project returns through an equity-based interest.

- (b) A purchase agreement (the "Purchase Agreement") with DMG to sell a portion of its membership interest in the Auden Project. Under the Purchase Agreement, the Company will transfer an aggregate of approximately 3.496% of its ownership interest through six monthly installment payments of USD 80,000 each, for total proceeds of USD 480,000.

Each installment payment results in a proportionate transfer of membership interest, with closing occurring upon receipt of payment. Following completion of all installments, the Company's ownership interest is expected to decrease from approximately 21.85% to 18.354% and the principal amount of the investment will decrease from USD 3,000,000 to USD 2,520,000.

This transaction represents an initial step in the Company's broader strategy to fully exit its investment in the Auden Project. As at the date of these financial statements, management is actively engaged in discussions with potential buyers regarding the disposition of its remaining interest; however, no additional agreements have been executed.