Capitan Investment Ltd.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022

(Unaudited – Prepared by Management)

Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim financial statements as at and for the three months ended March 31, 2022.

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

As at		March 31 2022		December 31 2021
Assets				
Current assets				
Cash	$	1,985,219	$	1,997,996
Term deposits		-		-
Investments (Note 4)		6,248,000		6,339,000
Accounts receivable (Note 5)		87,329		77,890
Prepaid expenses and deposits		659,605		661,259
		8,980,153		9,076,145
Property and equipment (Note 6)		589,842		641,393
Total Assets	$	9,569,995	$	9,717,538
Liabilities and Shareholders' Equity				
Current liabilities				
Trade and other payables	$	480,758	$	511,395
Current portion of lease liability (Note 7)		62,629		94,303
Current portion of decommissioning obligation		388,629		388,629
Canada Emergency Business Account loan (Note 8)		-		40,000
		932,016		1,034,327
Decommissioning obligation		79,098		77,897
Canada Emergency Business Account loan (Note 8)		40,000		-
Total Liabilities		1,051,114		1,112,224
Shareholders' Equity				
Share capital		20,465,084		20,465,084
Contributed surplus		1,244,119		1,244,119
Accumulated other comprehensive income		(72,129)		22,283
Accumulated deficit		(13,118,193)		(13,126,172)
Total Shareholders' Equity		8,518,881		8,605,314
Total Liabilities and Shareholders' Equity	$	9,569,995	$	9,717,538

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)

For the three months ended March 31		2022		2021
Revenue				
Return on investment (Note 4)	$	156,106	$	-
Expenses				
General and administrative		142,970		120,045
Depreciation (Note 6)		30,314		1,452
Imputed interest (Note 7)		1,811		-
Foreign exchange		189		15,344
		175,284		136,841
Loss from operating activities		(19,178)		(136,841)
Interest income		-		2,587
Net income (loss) from oil and gas operations (Note 9)		27,157		(12,489)
Net income (loss)		7,979		(146,743)
Exchange differences on translation of subsidiary		(94,412)		-
Comprehensive loss	$	(86,433)	$	(146,743)
Net income (loss) per share - basic	$	0.00	$	(0.01)
Weighted average number of common shares outstanding		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 three months ended March 31		2022		2021
Share capital				
289,684,072 common shares issued and outstanding				
Balance, beginning and end of period	$	20,465,084	$	20,465,084
Contributed surplus				
Balance, beginning and end of period		1,244,119		1,244,119
Accumulated other comprehensive income				
Balance, beginning of period		22,283		-
Exchange differences on translation of subsidiary		(94,412)		-
Balance, end of period		(72,129)		-
Accumulated deficit				
Balance, beginning of period		(13,126,172)		(11,412,019)
Net income (loss)		7,979		(146,743)
Balance, end of period		(13,118,193)		(11,558,762)
Total Shareholders' Equity	$	8,518,881	$	10,150,441

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 three months ended March 31		2022		2021
Operating activities				
Net income (loss)	$	7,979	$	(146,743)
Add back (deduct) non-cash items:				
Depletion and depreciation (Note 6)		50,652		4,695
Accretion		1,201		789
Imputed interest (Note 7)		1,811		-
Foreign exchange		(3,275)		15,344
Change in non-cash working capital				
Accounts receivable		(9,439)		1,998
Prepaid expenses and deposits		1,654		12,362
Trade and other payables		(30,637)		(37,788)
Cash flows used in operating activities		19,946		(149,343)
Financing activities				
Lease payments (Note 7)		(32,534)		-
Cash flows (used in) provided by financing activities		(32,534)		-
Investing activities				
Term deposit proceeds		-		5,148,156
Cash flows provided by investing activities		-		5,148,156
Change in cash		(12,588)		4,998,813
Foreign exchange effect of cash USD denominated cash		(189)		(15,344)
Cash, beginning of period		1,997,996		1,118,324
Cash, end of period	$	1,985,219	$	6,101,793

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

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.

As at March 31, 2022, JK Investment (Hong Kong) Co., Limited ("JK Investment") owned and controlled 69% of the Company's issued and outstanding shares.

2. Basis of Preparation

The consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiary, GC Capital Holdings Inc., and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, including International Accounting Standard 34 – Interim Financial Reporting.

The Company has consistently applied the same accounting policies throughout all periods presented. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2021.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May XX, 2022.

3. Amended Accounting Pronouncements

The Company has adopted amendments to the following accounting pronouncements effective January 1, 2022 with no impact on the Company's March 31, 2022 unaudited condensed interim consolidated financial statements:

IAS 16 Property, Plant and Equipment

Amendments to IAS 16 Property, Plant and Equipment prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize such sales proceeds and related cost in profit or loss.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

4. Investments

As at December 31, 2021 and March 31, 2022, the Company held a USD 2,000,000 investment in a joint venture real estate investment as a non-managing member in exchange for a preferred equity interest representing approximately 15.56% of the total equity interest in the Air Albany Project and a USD 3,000,000 investment in a joint venture real estate investment as a non-managing member in exchange for a preferred equity interest representing approximately 21.85% of the total equity interest in the Auden Project. The Air Albany Project and the Auden Project are collectively referred to as "the Investments".

The Company earns a 10% preferred return on the Investments with the payment of return amounts being made at the end of the first quarter following its initial investment (made in August 2021) and at the end of the fourth quarter following initial investment.

(in Canadian dollars)

The March 31, 2022 carrying value of investments is $6,248,800 (USD 5,000,000) (December 31, 2021 – $6,339,000 (USD 5,000,000)). The fair value of the Investments approximates their carrying value as the Company does not expect to hold the Investments for longer than 12 months.

5. Accounts Receivable

		March 31 2022		December 31 2021
Goods and Services Tax	$	5,500	$	4,473
Canada Emergency Wage Subsidy		6,413		6,413
Return on investment accrual (Note 4)		53,065		53,838
Oil and gas receivables (Note 9)		18,495		9,310
Other		3,856		3,856
	$	87,329	$	77,890

The majority of the Company's accounts receivable are less than 60 days old and the Company does not consider there to be any collection issues as at March 31, 2022.

6. Property and Equipment

		Right-of-use asset		Furniture and equipment		D&P assets		Total
Cost								
Balance, December 31, 2021	$	190,048	$	70,950	$	4,531,632	$	4,792,630
Foreign exchange		(2,728)		–		–		(2,728)
Balance, March 31, 2022	$	187,320	$	70,950	$	4,531,632	$	4,789,902
Accumulated depletion and depreciation								
Balance, December 31, 2021	$	100,029	$	64,336	$	3,986,872	$	4,151,237
Depletion and depreciation		29,971		343		20,338		50,652
Foreign exchange		(1,829)		–		–		(1,829)
Balance, March 31, 2022	$	128,171	$	64,679	$	4,007,210	$	4,200,060
Net carrying amount								
As at December 31, 2021	$	90,019	$	6,614	$	544,760	$	641,393
As at March 31, 2022	$	59,149	$	6,271	$	524,422	$	589,842

Right-of-use asset:

The Company has recognized a right-of-use asset and corresponding lease liability (Note 7) related to office premises. The ROU asset is depreciated on a straight-line basis over the 19 month term of the related lease.

Depletion:
The calculation of depletion expense included an estimated $nil for future development costs associated with proved plus probable reserves. The Company has not capitalized any directly attributable general and administrative expenses to D&P assets.

(in Canadian dollars)

7. Lease Liability

The Company incurs lease payments related to office premises.

Balance, December 31, 2021	$	94,303
Imputed interest		1,811
Lease payments		(32,534)
Foreign exchange		(951)
Balance, March 31, 2022	$	62,629

As at March 31, 2022, the remaining expected payments under the Company's office lease agreement are as follows:

	Monthly USD	Monthly CAD	Total CAD
April 1 to September 30, 2022	$ 8,565	$ 10,702	$ 64,212

8. Canada Emergency Business Account ("CEBA") Loan

In January 2022, the Canadian federal government extended the CEBA loan forgiveness repayment deadline to December 31, 2023.

The CEBA loan matures on December 31, 2025. Interest will accrue on the outstanding balance of the CEBA loan at a rate of 5% per annum commencing January 1, 2023. The outstanding balance of the CEBA loan plus accrued interest is payable on the maturity date. 25% of the CEBA loan amount shall be forgiven if the remaining 75% of the loan is repaid on or before December 31, 2023. The Company expects to repay the loan on or before December 31, 2023.

9. Oil and Gas Operations

For the three months ended March 31		2022		2021
Crude oil sales	$	71,641	$	11,864
Royalties		(2,955)		(341)
		68,686		11,523
Production and operating expenses		(19,990)		(19,980)
Depletion (Note 6)		(20,338)		(3,243)
Accretion		(1,201)		(789)
Net income (loss) from oil and gas operations	$	27,157	$	(12,489)

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

Composition of oil sales revenue:

For the three months ended March 31		2022		2021
Light-medium oil (non-operated)	$	–	$	11,864
Heavy oil (operated)		71,641		–
	$	71,641	$	11,864

All light-medium oil sales revenues earned in the three months ended March 31, 2021 were earned from one working interest partner (the property operator).

As at March 31, 2022, accounts receivable (Note 5) included $17,895 from an oil and gas marketer (December 31, 2021 – $8,710) and $600 from working interest partners (December 31, 2021 – $600).