

# **TARGET CAPITAL INC.**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**AS AT AND FOR THE THREE AND SIX MONTHS ENDED  
SEPTEMBER 30, 2022 AND 2021**

**(UNAUDITED)**

---

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The unaudited condensed consolidated interim financial statements of Target Capital Inc. ("**Target**" or the "**Corporation**") as at and for the three and six months ended September 30, 2022 have been prepared by and are the responsibility of the Corporation's management.

In accordance with National Instrument 51-102, the Corporation discloses that its independent auditor has not performed an audit or review of these unaudited condensed consolidated interim financial statements.

**TARGET CAPITAL INC.**

Condensed Consolidated Interim Statements of Financial Position  
(expressed in Canadian dollars)

As at	Notes	September 30, 2022 (Unaudited)	March 31, 2022 (Audited)
<b>ASSETS</b>			
<i>Current assets</i>			
Cash		38,901	26,354
Accounts receivable	12	125,000	-
<b>Total current assets</b>		<b>163,901</b>	<b>26,354</b>
<i>Non-current assets</i>			
Investments in private companies	6	60	660
<b>Total non-current assets</b>		<b>60</b>	<b>660</b>
<b>Total assets</b>		<b>163,961</b>	<b>27,014</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities		305,997	304,142
<b>Total current liabilities</b>		<b>305,997</b>	<b>304,142</b>
<i>Non-current liabilities</i>			
CEBA loan	7	46,824	42,403
<b>Total non-current assets</b>		<b>46,824</b>	<b>42,403</b>
<b>Total liabilities</b>		<b>352,821</b>	<b>346,545</b>
<b>EQUITY</b>			
Share capital	8	5,130,024	5,130,024
Warrants	8	1,844,165	1,844,165
Contributed surplus		2,420,045	2,420,045
Accumulated other comprehensive income		15,093	15,093
Accumulated deficit		(9,598,092)	(9,728,858)
<b>Equity attributable to owners of the Corporation</b>		<b>(188,765)</b>	<b>(319,531)</b>
Non-controlling interest		(95)	-
<b>Total deficit</b>		<b>(188,860)</b>	<b>(319,531)</b>
<b>Total liabilities and deficit</b>		<b>163,961</b>	<b>27,014</b>

Going concern (note 2a)

APPROVED BY THE BOARD OF DIRECTORS:

/s/ Ron Hozjan  
Director

/s/ Theo Zunich  
Director

See accompanying notes to the condensed consolidated interim financial statements

**TARGET CAPITAL INC.**

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss  
Unaudited (expressed in Canadian dollars, except per share amounts)

		Three months ended		Six months ended	
	Notes	September 30,		September 30,	
		2022	2021	2022	2021
<b>REVENUE</b>					
Interest and other income	1	-	-	249,025	-
		-	-	249,025	-
<b>EXPENSES</b>					
General and administration		54,551	41,347	113,933	121,633
Accretion	7	2,265	-	4,421	-
		56,816	41,347	118,354	121,633
<b>NET INCOME (LOSS) BEFORE TAX</b>		<b>(56,816)</b>	<b>(41,347)</b>	<b>130,671</b>	<b>(121,633)</b>
Deferred income tax		-	-	-	-
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>		<b>(56,816)</b>	<b>(41,347)</b>	<b>130,671</b>	<b>(121,633)</b>
Net income (loss) per share - basic and diluted	10	-	-	-	-

See accompanying notes to the condensed consolidated interim financial statements

**TARGET CAPITAL INC.**

Condensed Consolidated Interim Statements of Changes in Equity (Deficit)

Six months ended September 30, 2022 and 2021

Unaudited (expressed in Canadian dollars)

	Notes	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Non-controlling interest	Total equity (deficit)
As at March 31, 2021		5,130,024	1,844,165	2,420,045	15,093	(9,436,773)	(95)	(27,541)
Dissolution of subsidiary		-	-	-	-	(95)	95	-
Net loss		-	-	-	-	(121,633)	-	(121,633)
<b>As at September 30, 2021</b>		<b>5,130,024</b>	<b>1,844,165</b>	<b>2,420,045</b>	<b>15,093</b>	<b>(9,558,501)</b>	-	<b>(149,174)</b>
As at March 31, 2022		5,130,024	1,844,165	2,420,045	15,093	(9,728,858)	-	(319,531)
Revival of subsidiary	2c	-	-	-	-	95	(95)	-
Net income		-	-	-	-	130,671	-	130,671
<b>As at September 30, 2022</b>		<b>5,130,024</b>	<b>1,844,165</b>	<b>2,420,045</b>	<b>15,093</b>	<b>(9,598,092)</b>	<b>(95)</b>	<b>(188,860)</b>

*See accompanying notes to the condensed consolidated interim financial statements*

**TARGET CAPITAL INC.**

## Condensed Consolidated Interim Statements of Cash Flows

Unaudited (*expressed in Canadian dollars*)

		Three months ended		Six months ended	
	Notes	September 30, 2022	2021	September 30, 2022	2021
<b>CASH FLOW FROM (USED IN) OPERATING ACTIVITIES</b>					
Net loss		<b>(56,816)</b>	(41,347)	<b>130,671</b>	(121,633)
Items not involving cash:					
Accretion	7	<b>2,265</b>	-	<b>4,421</b>	-
Change in non-cash operating working capital	11	<b>2,457</b>	37,104	<b>(123,145)</b>	92,041
		<b>(52,094)</b>	(4,243)	<b>11,947</b>	(29,592)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
CEBA loan	7	-	60,000	-	60,000
		-	60,000	-	60,000
<b>CASH FLOW FROM (USED IN) INVESTING ACTIVITIES</b>					
Secured note repayments	4	-	30,000	-	80,000
Redemption of investments in private companies	6	-	-	<b>600</b>	-
		-	30,000	<b>600</b>	80,000
<b>Net increase (decrease) in cash</b>		<b>(52,094)</b>	85,757	<b>12,547</b>	110,408
<b>Cash, beginning of period</b>		<b>90,995</b>	32,063	<b>26,354</b>	7,412
<b>Cash, end of period</b>		<b>38,901</b>	117,820	<b>38,901</b>	117,820

*See accompanying notes to the condensed consolidated interim financial statements*

## TARGET CAPITAL INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended September 30, 2022 and 2021  
Unaudited (In Canadian dollars)

---

### 1. REPORTING ENTITY AND NATURE OF OPERATIONS

Target Capital Inc. ("**Target**" or the "**Corporation**") was incorporated under the Business Corporations Act of Alberta, Canada. The Corporation's registered office is located at Suite 4300, 888 – 3rd Street SW, Calgary, Alberta, T2P 5C5.

The Corporation's shares ("**Target Shares**") were listed on the TSX Venture Exchange ("**TSXV**") between December 19, 2008 and April 14, 2021 and listed on the Canadian Securities Exchange ("**CSE**") between July 8, 2014 and April 15, 2021 under the symbol "**TCI**".

On November 4, 2020, the Alberta Securities Commission issued a cease trade order for failure to file the Corporation's audited financial statements and management's discussion and analysis for the financial year ended March 31, 2020 and unaudited condensed consolidated interim financial statements and management's discussion and analysis for the quarter ended June 30, 2020. The Corporation also had not filed financial statements and management's discussion and analysis for all periods subsequent to December 31, 2019. In connection with the delay in filing continuous disclosure documents, the listing of the Target Shares was transferred from the TSXV to the NEX board of the TSXV on April 14, 2021 and the Target Shares were delisted from the Canadian Securities Exchange. The trading symbol of the Target Shares was also changed from TCI to TCI.H.

On April 18, 2022, the Corporation filed the outstanding period disclosure documents and submitted an application to the Alberta Securities Commission (the "**ASC**") to revoke the cease trade order. As of the date of the financial statements, the cease trade order remains in effect pending the completion of the ASC's review.

During the reporting period, Target's principal activities continue to be investing in the securities of various private companies. However, on an ongoing basis the board of directors and management are exploring various options that, if successful, are intended to enable the Corporation to have access to sufficient funds to commence commercial operations, generate operating cash flows and be able to settle liabilities as and when they fall due. These include but are not limited to the success of raising funds, the completion of a material transaction, the monetization of investments, the repayment of outstanding loan amounts, or an alternative transaction that improves the cash and working capital position of the Corporation.

On July 22, 2021, the Corporation had entered into a confidentiality agreement with a private technology company (the "**RTO Counterparty**"). The Corporation and the RTO Counterparty negotiated and advanced a business combination transaction by way of a reverse takeover ("**RTO Transaction**"). On April 7, 2022, the Corporation and the RTO Counterparty mutually agreed to terminate the RTO Transaction ("**RTO Termination**"). Pursuant to the RTO Termination, the RTO Counterparty agreed to pay the Corporation a reimbursement fee of \$250,000 ("**Reimbursement Fee**"). In April 2022, the Corporation has received \$124,025 as partial payment of the Reimbursement Fee, with the remaining \$125,000 recorded as a receivable in the reporting period.

## **TARGET CAPITAL INC.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2022 and 2021

Unaudited (In Canadian dollars)

---

### **Current Operating Environment and COVID-19**

During 2022, the global economy continued to recover from the impacts of the COVID-19 pandemic. However, the COVID-19 pandemic, the potential for global economic slowdown attributed to rising inflation and interest rates, geopolitical tensions from the Russian invasion of Ukraine remain evolving situations that have had, and may continue to have, a significant impact on the Corporation's operational results, financial position and the environment in which it operates. Management cannot reasonably estimate the length or severity of these events and conditions, or the extent to which they will impact the Company long-term.

## **2. BASIS OF PRESENTATION**

### **a) Going Concern**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("**IAS 34**") pursuant to International Financial Reporting Standards ("**IFRS**") on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The continued operation of the Corporation is dependent on its ability to obtain additional financing and there is no assurance that the Corporation will be successful in obtaining such funding from its ongoing business activities. Management is currently exploring various options that, if successful, are intended to enable the Corporation to have access to sufficient funds to commence commercial operations, generate operating cash flows and be able to settle liabilities as and when they fall due. These include but are not limited to the success of raising funds, the completion of a material transaction, the monetization of investments, the repayment of outstanding loan amounts, or an alternative transaction that improves the cash and working capital position of the Corporation.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern.

These unaudited condensed consolidated interim financial statements do not reflect the adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the expenses and the statement of financial position classifications used. Such adjustments could be material.

### **b) Statement of Compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34. These unaudited condensed consolidated interim financial statements contain disclosures that are supplemental to the Corporation's annual audited financial statements, following the same accounting policies as the audited financial statements of the Corporation as of March 31, 2022. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited financial statements and notes thereto for the year ended March 31, 2022.

These unaudited condensed consolidated interim financial statements have been approved and authorized for issuance by the Board of Directors as of November 28, 2022.

## TARGET CAPITAL INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended September 30, 2022 and 2021  
Unaudited (In Canadian dollars)

---

### c) Basis of Measurement

These unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The Corporation's 95% owned inactive subsidiary Industrial Avenue Development Corp. ("**IADC**") was struck from the corporate registry and dissolved on September 2, 2021. The IADC corporate entity has been revived on September 21, 2022 so it can be dissolved or amalgamated appropriately for tax purposes.

As such, these unaudited condensed consolidated interim financial statements include the accounts of Target and its 95% owned inactive subsidiary IADC.

### d) Functional and Presentation Currency

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

### e) Use of Estimates and Judgement

In preparing these unaudited condensed consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those described in the annual financial statements of the Corporation as of March 31, 2022.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended March 31, 2022.

## 4. SECURED NOTE RECEIVABLE

---

As at	September 30, 2022	March 31, 2022
Balance, beginning of the period	-	110,000
Receipts	-	(110,000)
Balance, end of the period	-	-

As at the date of approving these financial statements, the Corporation advanced a total of \$2,283,440 to Performance CBD Brands Corp. ("**Performance CBD**"), and the Corporation collected \$110,000 from Performance CBD, as partial repayment of the advanced funds.

Performance CBD operates as Champions + Legends Corp., a premium sports supplements brand with 11 unique products that are custom formulated and manufactured using hemp-extracted cannabidiol ("**CBD**") as the primary ingredient. At the time of the advances, the CEO and CFO of the Corporation were also the CEO and CFO of Performance CBD, respectively. On April 16, 2021, the CEO and CFO resigned from the Corporation.

## TARGET CAPITAL INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2022 and 2021

Unaudited (In Canadian dollars)

---

On June 16, 2021 the Corporation entered into a \$2,233,440 principal value secured note, bearing an interest rate of 8.0% per annum, with Performance CBD ("**Secured Note**"). The Secured Note is repayable on demand at the sole discretion of Target. The Secured Note is also convertible into common shares of Performance CBD at a 10% discount to the issue price of a future equity financing for Performance CBD of not less than \$2.0 million, subject to the sole discretion of Target. The related party advances, which comprises the convertible Secured Note, is a financial asset and the Corporation measures it at fair value through other comprehensive income.

The Secured Note is secured through corporate, personal and limited recourse guarantees with Performance CBD, the subsidiaries of Performance CBD, and the CEO and CFO of Performance CBD.

In conjunction with the Secured Note financing, the Corporation was granted 369,555 Performance CBD common shares and 144,640 Performance CBD performance warrants, representing approximately 25% of the basic and fully diluted shares outstanding of Performance CBD. In addition, the Corporation is party to a shareholder rights agreement with Performance CBD that provides, among other covenants, corporate rights, board nomination rights, veto rights and negative covenants, in favour of the Corporation. Although the Corporation has a number of rights under the Secured Note, to date, it has not exercised such rights and has not had influence over the business and operations of Performance CBD.

On July 18, 2022, the Corporation issued a formal demand for payment of principal and interest on the Secured Note for \$2,365,989. In addition to demanding repayment, the Corporation has commenced an action in the Court of Queens Bench of Alberta to recover on the Secured Note and the related guarantees (the "**Action**"). The Action was commenced on August 4, 2022 and served to the defendant on August 8, 2022.

### *Fair value change*

As at March 31, 2021, the Corporation determined that the Secured Note was credit impaired as Performance CBD required additional financing to proceed with its business plan and a fair value change and impairment was fully recognized in the financial statements. As at September 30, 2022, the fair value of the investment continues to be \$NIL. Given the scope of the Secured Note, including corporate and personal guarantees, the Corporation may recover all or a portion of the receivable, but the timing and likelihood of any recovery is unknown at this time.

## 5. CONVERTIBLE NOTES RECEIVABLE

In 2018, the Corporation made a US\$90,000 (CAD\$117,513) investment in JAEB Designs, Inc. ("**JAEB**"). JAEB is a Denver-based, early-stage engineering company focused on designing and manufacturing cannabis accessories. The investment was structured as a convertible note maturing on May 31, 2020 and accruing interest at a rate of 8.0% per annum. On May 31, 2020, the convertible note, together with all accrued and unpaid interest was converted into 78,946 common shares of JAEB at \$1.33 per share.

In 2019, the Corporation made a US\$300,000 (CAD\$395,880) investment in Intev Technologies, LLC ("**Intev**"). Intev is a Brooklyn-based hardware technology company focused on designing and manufacturing luxury personal vaporizing devices. The investment was structured as a convertible note which maturing on September 9, 2021 and accruing interest at a rate of 7.0% per annum.

### *Fair value change*

The Corporation determined that JAEB and Intev required additional financing to proceed with its business plan. The fair value change and impairment was fully recognized in the audited financial statements for the financial periods ended March 31, 2020. As at September 30, 2022, the fair value of both investments continues to be \$NIL.

**TARGET CAPITAL INC.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2022 and 2021

Unaudited (In Canadian dollars)

**6. INVESTMENTS IN PRIVATE COMPANIES**

As at	September 30, 2022	March 31, 2022
Balance, beginning of the period	660	5,040
Redemption of investments	(600)	(4,380)
Fair value change	-	-
<b>Balance, end of the period</b>	<b>60</b>	<b>660</b>

In accordance with its previous principal activity, the Corporation held a majority of the voting shares in various private companies which enabled the debt securities of the private companies to be eligible for registered retirement savings plans, registered education savings plans, registered retirement income funds, locked-in retirement accounts or tax-free savings accounts. Subsequent to the delisting of Target's shares on the TSXV and CSE in April 2021, the private company investees have terminated the relationship with the Corporation. During the period the Corporation received \$600 related to a private company redeeming its voting shares owned by the Corporation and the Corporation anticipates it will receive the remaining balance subsequent to September 30, 2022.

***Fair value change***

As at September 30, 2022, there was no fair value change (March 31, 2022 - \$NIL).

**7. CEBA LOAN**

As at	September 30, 2022	March 31, 2022
Balance, beginning of the period	42,403	-
Fair value of CEBA loan on receipt date	-	37,151
Accretion	4,421	5,252
<b>Balance, end of the period</b>	<b>46,824</b>	<b>42,403</b>

In July 2021, the Corporation obtained a \$60,000 bank loan with a chartered bank through the Canadian Emergency Business Account ("CEBA") Loan. The CEBA funding was provided by the Government of Canada. The loan has no interest or annual fee until December 31, 2023. The balance of the loan as at December 31, 2023 will convert to a 3-year term loan, funded by the Government of Canada with an interest rate of 5% per annum and a maturity date of December 31, 2026. The funds are used for eligible non-deferrable expenses in accordance with the Government of Canada CEBA program. Repayment of the balance of the loan on or before December 31, 2023 will result in a loan forgiveness of \$20,000. The Corporation determined that, at this time, it is uncertain that the Corporation will be able to pay in full the repayable portion of the CEBA loan by December 31, 2023 therefore the forgivable portion of the CEBA loan has not been recognized in profit or loss.

On receipt of the CEBA loan, the fair value was calculated to be \$37,151. The Corporation recognized the calculated interest benefit of \$22,849 related to receiving a government loan below current market interest rates in interest and other income. The repayable portion of the CEBA loan will be accreted up to the \$60,000 repayable amount from the time the loan was received until December 31, 2023. The effective interest rate utilized to calculate the fair value of the CEBA loan on receipt was 20% based on management's best estimate of current market conditions.

**TARGET CAPITAL INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
 For the three and six months ended September 30, 2022 and 2021  
 Unaudited (In Canadian dollars)

**8. SHARE CAPITAL AND WARRANTS****Share capital**

Authorized:

Unlimited number of common voting shares.

Issued and outstanding common shares and warrants:

	Common shares		Warrants	
	Number	Amount	Number	Amount
<b>As at March 31, 2022 and September 30, 2022</b>	<b>106,715,629</b>	<b>5,130,024</b>	<b>59,159,504</b>	<b>1,844,165</b>

**Warrants**

A summary of the changes in the Corporation's share purchase warrants is as follows:

	Number	Weighted Average Exercise Price
<b>As at March 31, 2022 and September 30, 2022</b>	<b>59,159,504</b>	<b>0.10</b>

Exercisable warrants of 53,950,020 expire on December 15, 2022 and 5,209,484 expire on June 26, 2023.

**9. RELATED PARTY TRANSACTIONS*****Operating transactions******Key management compensation***

Key management personnel are the individuals responsible for planning, directing and controlling the activities of the Corporation and includes both executive and non-executive directors. The Corporation considers all of its directors and executive officers to be key management personnel.

Key management personnel compensation during the three and six months ended September 30, 2022 and 2021 are as follows:

	Three months ended		Six months ended	
	September 30, 2022	2021	September 30, 2022	2021
Salaries, bonuses and other benefits	<b>47,250</b>	31,102	<b>101,500</b>	96,750
Share-based compensation	-	-	-	-
	<b>47,250</b>	31,102	<b>101,500</b>	96,750

As at September 30, 2022 the Corporation had an amount payable of \$241,500 (March 31, 2022 - \$140,000) to key management.

**TARGET CAPITAL INC.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2022 and 2021

Unaudited (In Canadian dollars)

**10. NET LOSS PER SHARE**

The calculation of net loss per share are as follows:

For the three months ended September 30,	2022			2021		
	Net loss	Weighted average common shares	Net loss per share	Net loss	Weighted average common shares	Net loss per share
Basic and diluted	(56,816)	106,715,629	-	(41,347)	106,715,629	-

  

For the six months ended September 30,	2022			2021		
	Net income	Weighted average common shares	Net loss per share	Net loss	Weighted average common shares	Net loss per share
Basic and diluted	130,671	106,715,629	-	(121,633)	106,715,629	-

**11. SUPPLEMENTARY CASH FLOW INFORMATION**

The following table details the components of non-cash operating working capital:

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
Source (use) of cash:				
Accounts receivables	-	2,131	(125,000)	32,423
Prepaid expenses	-	2,415	-	(10,290)
Accounts payable and accrued liabilities	2,457	32,558	1,855	69,908
Net change in non-cash operating working capital	2,457	37,104	(123,145)	92,041

**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments consist of cash, accounts receivable, secured note receivable, convertible notes receivable, investments in private companies, accounts payable and accrued liabilities and the CEBA loan.

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework. The Board of Directors reviews, with management, the risks faced by the Corporation and the systems that have been put in place to manage these risks.

**Fair value**

Financial assets and liabilities measured at fair value at the reporting date are categorized using a three-level hierarchy based on the inputs used in making their fair value measurements. Level 1 fair values are determined in reference to quoted prices in active markets for identical assets and liabilities. Level 2 fair values are based on inputs other than Level 1 quoted prices that are observable either directly as prices or indirectly as derived from prices. Level 3 fair values are not based on observable market data.

Investments in private companies, secured note receivable, convertible notes receivable and the CEBA loan represent level 3 fair values. The Corporation uses valuation techniques and significant inputs, such as discounted cash flows, recent market prices, market volatility, discount rates and the general economic conditions to determine the fair value of level 3 investments. The Corporation determines the fair value of

## **TARGET CAPITAL INC.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2022 and 2021

Unaudited (In Canadian dollars)

---

level 3 financial instruments based on management's judgement of the likelihood of receiving the initial investments from the counterparties.

The Corporation is exposed to credit, liquidity, foreign currency and capital management risk as part of its normal course of business. As of the date hereof, the risk management policy is established by the Board of Directors and is monitored by management. Management identifies and analyzes the risks faced by the Corporation, sets appropriate risk limits and controls and monitors risks, market conditions and the Corporation's activities.

### **Credit risk**

Credit risk arises from the potential that a counterparty will fail to perform its contractual obligations and arises principally from the Corporation's accounts receivable, secured note receivable and convertible notes receivable. The carrying amount of cash, accounts receivable, secured note receivable and convertible notes receivable represents the maximum credit exposure.

The credit risk is influenced mainly by the individual credit characteristics of each investment. Geographically, there is a concentration of risk in both the Province of Alberta and in the United States.

At September 30, 2022, the Corporation had \$125,000 in accounts receivable outstanding, which is anticipated to be collected subsequent to the quarter end.

The Corporation's cash is held at a financial institution and it is management's view that the risk of loss is minimal.

### **Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation has in place a planning and forecasting process which helps determine the funds required to ensure the Corporation has the appropriate liquidity to meet its operational requirements. The accounts payable and accrued liabilities are due within a year.

As at September 30, 2022, the Corporation had a working capital deficiency of \$142,096 (March 31, 2022 – deficiency of \$277,788).

### **Foreign currency risk**

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified, but in general an increase in the value of the Canadian dollar as compared to the US dollar will reduce any amounts received by the Corporation for the US\$ convertible notes receivable. The Corporation had no risk management contracts that would be affected by foreign currency changes in place as at September 30, 2022.

### **Capital risk management**

The Corporation's current objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Corporation currently manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Corporation may issue new shares, issue new debt, or acquire or dispose of assets. The Corporation is not subject to externally imposed capital requirements. Current management reviews its capital risk management approach on an ongoing basis and believes the approach is reasonable given the relative size of the Corporation.