

**TARGET CAPITAL INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2023**

**November 28, 2023**

The following Management's Discussion and Analysis ("**MD&A**") of the financial condition and the results of operations of Target Capital Inc. ("**Target**" or the "**Corporation**") should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements and related notes as at and for the three and six months ended September 30, 2023 and the audited financial statements and related notes as at and for the year ended March 31, 2023. These financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and are presented in Canadian dollars unless otherwise noted. The MD&A has been prepared by management and approved by the Corporation's Board of Directors (the "**Board**") on November 28, 2023.

**Forward-Looking Statements**

Certain statements contained in this MD&A, including the documents incorporated by reference, may contain projections and "forward-looking statements" within the meaning of that phrase under applicable securities legislation. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions may be used to identify forward-looking statements. More particularly, and without limitation, this MD&A contains forward looking statements and information concerning the corporate strategy of Target and the secured note receivable, including the terms thereof and the ability of the counterparty to repay such indebtedness. Those statements reflect the current views with respect to future events or conditions, including prospective results of operations, financial position, predictions of future actions or plans or strategies. Certain material factors and assumptions were applied in drawing our conclusions and making those forward-looking statements. By their nature, those statements reflect management's current views, beliefs and assumptions and are subject to certain risks, uncertainties, known and unknown. These factors include but are not limited to the risks, uncertainties, assumptions and other factors listed under "Risk Factors"; capital market activity; changes in government monetary, fiscal, and economic policies; changes in interest rates, inflation levels and general economic conditions; legislative and regulatory developments; competition; credit ratings; and scarcity of human resources.

**Corporation Overview**

Target was incorporated on June 8, 1993, under the Business Corporations Act of Alberta, Canada. The Corporation's registered office is located at Suite 4300, 888 – 3<sup>rd</sup> 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 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 (the "**ASC**") issued a cease trade order for failure to file the Corporation's audited consolidated financial statements and management's discussion and analysis for the financial year ended March 31, 2020 and the 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 the consolidated financial statements and management's discussion and analysis for all periods subsequent to June 30, 2020. 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 CSE. The trading symbol of the Target Shares was also changed from TCI to TCI.H.

In April 2022, the Corporation filed all the outstanding period disclosure documents from March 31, 2020 to December 31, 2021, amended disclosure documents for December 31, 2019 and submitted an application to the ASC to revoke the cease trade order dated November 4, 2020 issued against the securities of the Corporation. The Corporation has continued to file its disclosure documents for all quarters subsequent to December 31, 2021 on a timely basis. The revocation of the cease trade order was issued by the ASC on May 8, 2023.

During the period ended September 30, 2023, Target's principal activities continue to be investing in the securities of various private companies, subject to the availability of funds. However, on an ongoing basis the Board 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 and generate operating cash flows to 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.

### **Major Events in the Reporting Period**

In the first half of the 2023 financial period, the Corporation received \$231,531 net of legal fees and costs to market and sell the procured assets in relation to the \$2.2 million principal value secured note dated June 16, 2021 and associated \$1.85 million settlement agreement dated December 15, 2023 (the "**Settlement**"). In aggregate, the Corporation has collected a total of approximately \$718,458 gross (\$513,357 net of legal fees and costs to market and sell the procured assets) resulting in an outstanding balance of approximately \$1.2 million with respect to the Settlement. As of the date of filing the MD&A, the Corporation holds procured assets, which management has estimated to have a monetized value, net of costs to market and sell of approximately of \$0.2 million and a \$0.4 mortgage ("**Mortgage**") held against the approximate \$1.2 million outstanding Settlement amount.

Pursuant to the Settlement, a lump sum payment equal to the difference between \$1.45 million and the net recovery to date of \$718,458 before legal fees and costs, with consideration for an estimated \$200,000 in procured assets to be liquidated was due on June 30, 2023 (the "**Final Settlement Amount**"). As of the date of filing the MD&A, the Final Settlement Amount has not been received and the Corporation is reviewing alternatives for collection.

## Financial and Operational Summary

The following tables set forth selected financial information of the Corporation for the three and six months ended September 30, 2023 and 2022.

<b>Financial position highlights (Amounts in \$000s)</b>	<b>September 30, 2023</b>	March 31, 2023
Current assets	387	85
Non-current assets	-	-
<b>Total assets</b>	<b>387</b>	<b>85</b>
Current liabilities	536	463
Non-current liabilities	-	-
Equity	(149)	(378)
<b>Total liabilities and equity</b>	<b>387</b>	<b>85</b>
<b>Working capital</b>	<b>(149)</b>	<b>(378)</b>

<b>Operations highlights (amounts in \$000s, except per share amounts)</b>	<b>Three months ended September 30,</b>		<b>Six months ended September 30,</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
Total revenue	-	-	10	249
Total recovery (expenses)	(62)	(56)	219	(118)
Net income (loss)	(62)	(56)	229	131
Income (loss) per share	-	-	-	-

<b>Cash flow highlights (amounts in \$000s)</b>	<b>Three months ended September 30,</b>		<b>Six months ended September 30,</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
Cash flow from (used in)				
Operating activities	(28)	(52)	(132)	12
Financing activities	-	-	-	-
Investing activities	11	-	329	1
Change in cash	(17)	(52)	197	13
Cash, beginning of period	289	91	75	26
Cash, end of period	272	39	272	39

## Summary of Results

For the six months ended September 30, 2023, the Corporation has reported a net income of \$229,283 as compared to \$130,671 in the comparable prior period. The net income in the reporting period relates primarily to an impairment reversal related to the Settlement amount as discussed in "Major Events in the Reporting Period" while the net income in the comparable prior period was due primarily to a reimbursement fee received on the termination of a reverse takeover agreement with a private technology company.

## Interest and Other Income

(\$000s)	Three months ended		Six months ended	
	September 30, 2023	2022	September 30, 2023	2022
Interest and other income	-	-	10	249

Interest and other income in the six month reporting period related to a fee received to extend the Mortgage in relation to the Settlement as discussed in *"Major Events in the Reporting Period"* and the comparative prior period related to a reimbursement fee received on the termination of a reverse takeover agreement with a private technology company.

## General and Administrative ("G&A") Expenses

(\$000s)	Three months ended		Six months ended	
	September 30, 2023	2022	September 30, 2023	2022
Consultant fees	46	48	102	102
Other	13	7	117	12
Total general and administrative	59	55	219	114

For the three and six months ended September 30, 2023, G&A costs were \$59,497 and \$219,131 respectively as compared to \$54,551 and \$113,933 in the comparable prior periods. Other G&A expenses consist primarily of professional fees and stock exchange fees. The increase in G&A is due primarily to legal fees and costs to market and sell the procured assets related to the Settlement, as discussed in *"Major Events in the Reporting Period"*.

## Accretion

(\$000s)	Three months ended		Six months ended	
	September 30, 2023	2022	September 30, 2023	2022
Accretion	3	2	5	4

The accretion charge relates to the repayable portion of the CEBA loan being accreted up to the \$60,000 repayable amount from the time the loan was received until December 31, 2023.

## Impairment Reversal

(\$000s)	Three months ended		Six months ended	
	September 30, 2023	2022	September 30, 2023	2022
Impairment reversal	-	-	(444)	-

The impairment reversal is due to the collection and collectability of amounts owing from the Settlement as at September 2023. The Corporation received a total of \$231,531 net of costs to market and sell the procured assets and the remaining settlement amount is approximately \$1.2 million as at

September 30 2023. The Corporation has determined the fair value of the settlement amount to be \$143,579 gross (\$114,863 net of legal fees and costs) due to the certainty of realizing an additional recovery of the Settlement amount subsequent to September 30, 2023.

### Liquidity and Financial Resources

As at September 30, 2023, the Corporation had an excess of current liabilities over current assets of \$148,784 as compared to \$378,067 as at March 31, 2023. As at the date of filing the MD&A, the Corporation has a cash balance of \$269,942 and a Settlement amount receivable balance of \$114,863 which is anticipated to be collected subsequent to the filing date of the MD&A.

As required pursuant to IFRS, the Corporation recorded a CEBA loan that was received during the year ended March 31, 2022 at a fair value of \$37,151 upon initial recognition. The Corporation recognized a benefit of \$22,849 related to receiving a government loan below current market interest rates and the repayable portion of the CEBA loan is being accreted up to the 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 market conditions at the time of the loan.

In April 2021, the private company investees have terminated all relationships with the Corporation and Target does not anticipate any revenue to be earned from the private companies subsequent to the delisting of the Target Shares. As such, 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 and generate operating cash flows to be able to settle its 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 settlement of outstanding loan assets, or an alternative transaction that improves the cash and working capital position of the Corporation. There is no assurance that the Corporation will be successful in sufficiently financing the Corporation's ongoing business activities.

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

### Outstanding Share Data

As of the date of this MD&A, the Corporation has 106,715,629 Target Shares outstanding. As at September 30, 2023 there were no stock options or warrants outstanding.

### Quarterly Results

The following table sets out the quarterly financial information for each of the last eight quarters:

Three Months Ended	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22	Mar-22	Dec-21
<b>Financial Highlights (\$000s)</b>								
Cash & short-term investments	272	289	75	310	39	91	26	149
Working capital	(149)	(87)	(378)	-	(142)	(88)	(278)	(157)
Shareholders' equity	(149)	(87)	(379)	(50)	(189)	(131)	(319)	(214)
Revenue	-	10	-	-	-	249	23	-
Net income (loss)	(62)	291	(329)	139	(56)	187	(105)	(65)

Loss in revenue in the quarters prior to June 30, 2022 relate to the private company investees terminating the relationship with the Corporation, offset by a reimbursement fee relating to a

terminated reverse takeover agreement recorded in the June 30, 2022 reporting period. Net income (loss) have varied primarily as a result of changes in G&A expenditures and the impairment reversals related to the Settlement in the December 31, 2022 and June 30, 2023 reporting periods.

### **Commitments**

The Corporation has no lease agreements or commitments as at September 30, 2023.

### **Related Party transactions**

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. For the six month period ended September 30, 2023, consulting fees of \$112,438 (September 30, 2022 - \$101,500) were incurred for the executive team and directors and are included in key management compensation.

As at September 30, 2023 the Corporation had an amount payable of \$294,656 (March 31, 2023 - \$182,219) to management and directors.

### **Off-Balance Sheet Arrangements**

The Corporation does not have any off-balance sheet arrangements.

### **Critical Accounting Estimates**

In preparing these unaudited condensed 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 and management's discussion and analysis as of March 31, 2023.

### **Risk Factors**

#### *Leadership*

Target is dependent on members of its executive team and the Board. A loss of one or more of these individuals could adversely affect the Corporation's business.

#### *Regulation*

The Corporation is subject to various laws and regulations and any changes to these statutes, or court decisions, regarding their application could negatively impact the Corporation.

#### *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 cash, accounts receivable, the secured note receivable and the convertible notes receivable. The carrying amount of cash, accounts receivable, the secured note receivable and the 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.

As at September 30, 2023, the Corporation had \$114,863 in a Settlement amount receivable net of legal fees and costs. The receivable is anticipated to be collected subsequent to the filing date of the MD&A.

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 and the CEBA loan are due within a year.

As at September 30, 2023, the Corporation had an excess of current liabilities over current assets of \$148,784 (March 31, 2023 -\$378,067).

#### *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.

#### *Holders of Target Shares are at risk for a substantial loss of capital*

The investments made or to be made by the Corporation are speculative in nature and holders of Target Shares could experience a loss of all or substantially all of their investment in the Corporation. There can be no assurance that the Corporation will be able to make and realize investments or generate positive returns. There can also be no assurance that the returns generated, if any, will be commensurate with the risks of investing in the types of investments contemplated by the Corporation's investment objectives. Therefore, an investment in the Corporation should only be considered by persons who can afford a loss of their entire investment.

#### *The realization of returns from the Corporation's investment activities is a long-term proposition*

Most investments to be made by the Corporation are not expected to generate current income. Therefore, the return of capital to the Corporation and the realization of gains, if any, from the Corporation's investments will generally occur only upon the partial or complete realization or disposition of the investment. While an investment of the Corporation may be realized or disposed of at any time, it is generally expected that the ultimate realization or disposition of most of the Corporation's investments will not occur for one to three years and possibly longer after an investment is made.

#### *The Corporation's investments may be illiquid and difficult to value, and the Corporation may not be able to exit the investment on its intended timetable*

The Corporation is focused on investing in primarily privately held companies and early stage publicly traded companies, which may be illiquid and difficult to value. Accordingly, there can be no assurance that the Corporation will be able to realize on its investments in a timely manner or at all. If the Corporation is required to liquidate all or a portion of its portfolio investments quickly, it may realize significantly less than its invested capital. While privately held companies may seek to list their securities on a stock exchange as a means of creating liquidity for investors, there can be no assurance that a stock exchange listing will provide a viable exit mechanism, if trading volumes and stock prices are low at the time of intended disposition.

*Conflicts of interest may arise between the Corporation and its directors and management*

The directors and officers of the Corporation will not be devoting all of their time to the affairs of the Corporation. Some of the directors and officers of the Corporation are directors and officers of other companies, some of which are in a similar business as the Corporation. The directors and officers of the Corporation are required by law to act in the best interests of the Corporation. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Corporation may result in a breach of their obligations to the other companies, and in certain circumstances, this could expose the Corporation to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligations to act in the best interests of the Corporation. Such conflicting legal obligations may expose the Corporation to liability to others and impair its ability to achieve its business objectives.