

# **TARGET CAPITAL INC.**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**AS AT AND FOR THE THREE AND SIX MONTHS ENDED  
SEPTEMBER 30, 2023 AND 2022**

**(UNAUDITED)**

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## **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, 2023 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, 2023 (Unaudited)	March 31, 2023 (Audited)
<b>ASSETS</b>			
<i>Current assets</i>			
Cash		271,878	74,895
Accounts receivable		-	10,428
Secured note	3	114,863	-
<b>Total current assets</b>		<b>386,741</b>	<b>85,323</b>
<b>Total assets</b>		<b>386,741</b>	<b>85,323</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities		478,428	411,684
Canadian emergency business account loan	6	57,097	51,706
<b>Total current liabilities</b>		<b>535,525</b>	<b>463,390</b>
<b>Total liabilities</b>		<b>535,525</b>	<b>463,390</b>
<b>EQUITY</b>			
Share capital	7	5,130,024	5,130,024
Warrants		1,844,165	1,844,165
Contributed surplus		2,420,045	2,420,045
Accumulated other comprehensive income		15,093	15,093
Accumulated deficit		(9,558,016)	(9,787,299)
<b>Equity attributable to owners of the Corporation</b>		<b>(148,689)</b>	<b>(377,972)</b>
Non-controlling interest		(95)	(95)
<b>Total deficit</b>		<b>(148,784)</b>	<b>(378,067)</b>
<b>Total liabilities and deficit</b>		<b>386,741</b>	<b>85,323</b>

Going concern (note 2b)

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 Income (Loss) and Comprehensive Income (Loss)  
Unaudited (expressed in Canadian dollars, except per share amounts)

		Three months ended		Six months ended	
	Notes	September 30,		September 30,	
		2023	2022	2023	2022
<b>REVENUE</b>					
Interest and other income		174	-	10,174	249,025
		174	-	10,174	249,025
<b>EXPENSES</b>					
General and administration		59,497	54,551	219,131	113,933
Impairment reversal	3	-	-	(443,631)	-
Accretion	6	2,762	2,265	5,391	4,421
		62,259	56,816	(219,109)	118,354
<b>NET INCOME (LOSS) BEFORE TAX</b>		<b>(62,085)</b>	<b>(56,816)</b>	<b>229,283</b>	<b>130,671</b>
Deferred income tax		-	-	-	-
<b>NET INCOME (LOSS)</b>		<b>(62,085)</b>	<b>(56,816)</b>	<b>229,283</b>	<b>130,671</b>
<b>OTHER COMPREHENSIVE LOSS</b>					
Fair value change	3	-	-	443,631	-
Impairment	3	-	-	(443,631)	-
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>		<b>(62,085)</b>	<b>(56,816)</b>	<b>229,283</b>	<b>130,671</b>
Net income (loss) per share - basic and diluted	9	-	-	-	-

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, 2023 and 2022

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, 2022		5,130,024	1,844,165	2,420,045	15,093	(9,728,858)	-	(319,531)
Revival of subsidiary		-	-	-	-	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>
As at March 31, 2023		5,130,024	1,844,165	2,420,045	15,093	(9,787,299)	(95)	(378,067)
Net income		-	-	-	-	229,283	-	229,283
<b>As at September 30, 2023</b>		<b>5,130,024</b>	<b>1,844,165</b>	<b>2,420,045</b>	<b>15,093</b>	<b>(9,558,016)</b>	<b>(95)</b>	<b>(148,784)</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,		September 30,	
		2023	2022	2023	2022
<b>CASH FLOW FROM (USED IN) OPERATING ACTIVITIES</b>					
Net income (loss)		<b>(62,085)</b>	(56,816)	<b>229,283</b>	130,671
Items not involving cash:					
Impairment reversal	3	-	-	<b>(443,631)</b>	-
Accretion	6	<b>2,762</b>	2,265	<b>5,391</b>	4,421
Change in non-cash operating working capital	10	<b>31,990</b>	2,457	<b>77,172</b>	(123,145)
		<b>(27,333)</b>	(52,094)	<b>(131,785)</b>	11,947
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
<b>CASH FLOW FROM (USED IN) INVESTING ACTIVITIES</b>					
Secured note repayments, net	3	-	-	<b>443,631</b>	-
Redemption of investments in private companies		-	-	-	600
Change in non-cash investing working capital	10	<b>10,336</b>	-	<b>(114,863)</b>	-
		<b>10,336</b>	-	<b>328,768</b>	600
<b>Net increase (decrease) in cash</b>		<b>(16,997)</b>	(52,094)	<b>196,983</b>	12,547
<b>Cash, beginning of period</b>		<b>288,875</b>	90,995	<b>74,895</b>	26,354
<b>Cash, end of period</b>		<b>271,878</b>	38,901	<b>271,878</b>	38,901

*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, 2023 and 2022  
Unaudited (In Canadian dollars)

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### 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 (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. At that time, 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 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 Corporation's board of directors (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.

### 2. BASIS OF PRESENTATION

#### a) Statement of Compliance

These unaudited condensed consolidated interim financial statements (the "**Financial Statements**") present the Corporation's results of operations and financial position pursuant to International Financial Reporting Standards ("**IFRS**") as at and for the three and six months ended September 30, 2023 and 2022. The Financial Statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "*Interim Financial Reporting*", as issued by the International Accounting Standards Board ("**IASB**").

The Financial Statements have been prepared following the same IFRS accounting policies and methods of computation as disclosed in the annual audited consolidated financial statements for the year ended March 31, 2023. Certain information and disclosures normally required to be included in the notes to the annual audited consolidated financial statements have been condensed, omitted or have been disclosed on

**TARGET CAPITAL INC.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2023 and 2022

Unaudited (In Canadian dollars)

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an annual basis only. Accordingly, the Financial Statements should be read in conjunction with the annual audited consolidated financial statements and the notes thereto for the year ended March 31, 2023.

These Financial Statements have been approved and authorized for issue by the Board on November 28, 2023.

**b) Going Concern**

The Financial Statements have been prepared 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 sufficiently financing its ongoing business activities. 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.

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

The 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 and such adjustments could be material.

**c) Basis of Measurement and Principles of Consolidation**

The Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The Financial Statements include the accounts of Target and its 96.4% owned inactive subsidiary Industrial Avenue Development Corp.

**d) Functional and Presentation Currency**

The 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 the 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 audited financial statements of the Corporation as of March 31, 2023.

## TARGET CAPITAL INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended September 30, 2023 and 2022  
Unaudited (In Canadian dollars)

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### 3. SECURED NOTE RECEIVABLE

As at	September 30, 2023	March 31, 2023
Balance, beginning of the period	-	-
Fair value change	443,632	361,991
Legal fees and costs of collection	(97,238)	(80,165)
Net receipts	(231,531)	(281,826)
Balance, end of the period	114,863	-

In prior periods, the Corporation has advanced a total of approximately \$2.3 million to Performance CBD Brands Corp. ("**Performance CBD**"), and the Corporation collected \$0.1 million from Performance CBD, as partial repayment of the advanced funds.

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

On June 16, 2021 the Corporation entered into a \$2.2 million 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 the Corporation. 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 the Corporation. The 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, 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 any 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 approximately \$2.4 million. In addition to demanding repayment, the Corporation had commenced an action in the Court of Kings Bench of Alberta to recover 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.

On December 15, 2022, the Corporation entered into a settlement agreement (the "**Settlement**") related to the Secured Note providing for the repayment of \$1.85 million (the "**Settlement Amount**"), as follows: (a) \$0.3 million cash payment received concurrent with signing the agreement; (b) monetization of assets procured by the Corporation with an estimated fair market value in excess of \$1.0 million, which is currently underway; (c) additional payments, as required, to reach to an aggregate repayment of \$1.45 million, inclusive of the cash payment and proceeds from the sale of procured assets, on or before June 30,

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Notes to the Condensed Consolidated Interim Financial Statements

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Unaudited (In Canadian dollars)

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2023; and (d) \$0.4 million of additional secured asset collateral (the "**Mortgage**"), plus interest at 5% per annum that will mature no later than December 31, 2023. The agreement provides for incremental recovery of up to an additional \$0.9 million, in excess of the \$1.85 million, related to the sale or refinancing of Performance CBD. The Corporation cautions that there are no assurances or guarantees that the anticipated recovery pursuant to the agreement will be realized and there is no guarantee that anticipated value will be realized upon the sale of the assets procured by the Corporation.

As at September 30, 2023, the Corporation has collected a total of \$513,357 net of legal fees and costs to market and sell the procured assets, resulting in an outstanding Settlement Amount of approximately \$1.2 million with respect to the Settlement. As of the date of filing the Financial Statements, the Corporation holds procured assets, which management has estimated to have a monetized value, net of costs to market and sell of approximately \$200,000 and a \$400,000 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 Financial Statements, the Final Settlement Amount has not been received and the Corporation is reviewing alternatives for collection under the Action.

### ***Fair value change***

As at March 31, 2021, the Corporation had determined that the Secured Note was credit impaired as Performance CBD required additional financing to proceed with its business plan and recognized a total fair value decrease of \$2,173,440 to a fair value of \$110,000 which was collected in 2021. As at September 30, 2023, \$718,458 (\$513,357 net of legal fees and costs to market and sell the procured assets) of the Settlement Amount has been collected, and the Corporation has determined the fair value of the Secured Note 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.

## **4. 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 consolidated financial statements for the financial period ended March 31, 2020. As at September 30, 2023, 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, 2023 and 2022

Unaudited (In Canadian dollars)

**5. INVESTMENTS IN PRIVATE COMPANIES**

As at	September 30, 2023	March 31, 2023
Balance, beginning of the period	-	660
Redemption of investments	-	(600)
Fair value change	-	(60)
<b>Balance, end of the period</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.

***Fair value change***

As at March 31, 2023, the Corporation's assessment of the investments in private companies led to the determination that a fair value change of \$60 was recognized in other comprehensive income and an impairment of \$60 was recognized in net earnings.

**6. CEBA LOAN**

As at	September 30, 2023	March 31, 2023
Balance, beginning of the period	51,706	42,403
Accretion	5,391	9,303
<b>Balance, end of the period</b>	57,097	51,706

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 January 18, 2024 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 January 18, 2024 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 as at March 31, 2022, 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  
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Unaudited (In Canadian dollars)

**7. SHARE CAPITAL****Share capital**

Authorized:

Unlimited number of common voting shares.

Issued and outstanding common shares and warrants:

	Common shares	
	Number	Amount
<b>As at March 31, 2023 and September 30, 2023</b>	<b>106,715,629</b>	<b>5,130,024</b>

**Warrants**

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

	Number	Weighted Average Exercise Price
As at March 31, 2023	5,209,484	0.10
Expired	(5,209,484)	0.10
<b>As at September 30, 2023</b>	<b>-</b>	<b>-</b>

The exercisable warrants of 5,209,484 expired on June 26, 2023.

**8. 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, 2023 and 2022 are as follows:

	Three months ended		Six months ended	
	September 30, 2023	2022	September 30, 2023	2022
Management fees	<b>56,219</b>	47,250	<b>112,438</b>	101,500
	<b>56,219</b>	47,250	<b>112,438</b>	101,500

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

**TARGET CAPITAL INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended September 30, 2023 and 2022  
Unaudited (In Canadian dollars)

**9. NET INCOME PER SHARE**

The calculation of net income per share are as follows:

For the three months ended September 30,	2023			2022		
	Net loss	Weighted average common shares	Net loss per share	Net loss	Weighted average common shares	Net loss per share
Basic and diluted	(62,085)	106,715,629	-	(56,816)	106,715,629	-

  

For the six months ended September 30,	2023			2022		
	Net income	Weighted average common shares	Net income per share	Net income	Weighted average common shares	Net income per share
Basic and diluted	229,283	106,715,629	-	130,671	106,715,629	-

**10. 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,	
	2023	2022	2023	2022
Source (use) of cash:				
Accounts receivables	20,428	-	10,428	(125,000)
Accounts payable and accrued liabilities	11,562	2,457	66,744	1,855
Net change in non-cash operating working capital	31,990	2,457	77,172	(123,145)
Secured note	10,336	-	(114,863)	-
Net change in non-cash investing working capital	10,336	-	(114,863)	-

**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

The Board has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework. The Board 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.

## **TARGET CAPITAL INC.**

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For the three and six months ended September 30, 2023 and 2022

Unaudited (In Canadian dollars)

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The Secured Note receivable, the convertible notes receivable, the investments in private companies 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 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 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 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.

The Secured Note receivable of \$114,863 related to the Settlement Amount net of legal fees and costs as disclosed in note 3. The receivable is anticipated to be collected subsequent to the filing date of the Financial Statements.

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. The Corporation had no risk management contracts in place that would be affected by foreign currency changes as at September 30, 2023.

**TARGET CAPITAL INC.**

Notes to the Condensed Consolidated Interim Financial Statements

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Unaudited (In Canadian dollars)

**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.