

TARGET CAPITAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND TWELVE MONTHS ENDED MARCH 31, 2023

July 24, 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 audited consolidated financial statements and related notes as at and for the year ended March 31, 2023. Those audited consolidated 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 July 24, 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 – 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 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 year ended March 31, 2023, Target's principal activities continue to be that of 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 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.

Major Events in the Reporting Period

- On July 22, 2021, the Corporation entered into a confidentiality agreement regarding a potential reverse takeover ("**RTO**") 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 received \$124,025, net of bank fees as partial payment of the Reimbursement Fee, with the remaining \$125,000 recorded as a receivable in the current reporting period. The Corporation did not incur any third-party expenses related to the RTO Transaction. While the RTO Counterparty has recognized the existence and has the willingness to pay its liability to the Corporation, it has become apparent the RTO Counterparty does not have the funds available to settle the liability at this time. As such, the Corporation has recognized a provision for an expected credit loss of \$125,000 as at March 31, 2023.
- On July 18, 2022, the Corporation issued a formal demand for payment of principal and interest on a secured note receivable (the "**Secured Note**") for \$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 for the \$2.4 million 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 of 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, 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 Brands Corp. 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. In November and December 2022, the Corporation received a total of \$361,991 net of legal fees and costs to market

and sell the procured assets resulting in an outstanding Settlement Amount of approximately \$1.5 million as at March 31, 2023.

Major Events Subsequent to the Reporting Period

In June 2023, the Corporation received \$221,195 net of legal fees and costs to market and sell the procured assets regarding the Secured Note. After this receipt, the Corporation has collected a total of approximately \$646,000 net of net of legal fees and costs to market and sell the procured assets leaving the remaining outstanding Settlement Amount to be approximately \$1.2 million. 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 the \$0.4 Mortgage held against the \$1.2 million outstanding Settlement Amount.

The Corporation was to receive an aggregate cash payment of \$1.45 million on or before June 30, 2023; however, only \$646,000 out of the total recovery of the \$1.85 million Settlement Amount has been received as of the date of filing the MD&A. The Corporation is reviewing its alternatives for collection.

Financial and Operational Summary

The following tables set forth selected audited financial information of the Corporation for the years and quarters ended March 31, 2023 and 2022.

Financial position highlights (Amounts in \$000s)	March 31, 2023	March 31, 2022
Current assets	85	26
Non-current assets	-	1
Total assets	85	27
Current liabilities	463	304
Non-current liabilities	-	42
Equity	(379)	(319)
Total liabilities and equity	84	27
Working capital	(378)	(278)

Operations highlights (amounts in \$000s, except per share amounts)	Three months ended		Twelve months ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Total revenue	-	23	249	23
Total recovery (expenses)	(329)	(128)	(308)	(315)
Net income (loss)	(329)	(105)	(59)	(292)
Net income (loss) per share	-	-	-	-

Cash flow highlights (amounts in \$000s)	Three months ended		Twelve months ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Cash flow from (used in)				
Operating activities	(235)	(124)	(314)	(155)
Financing activities	-	-	-	60
Investing activities	-	1	363	114
Change in cash	(235)	(123)	49	19
Cash, beginning of period	310	149	26	7
Cash, end of period	75	26	75	26

Summary of Results

For the three and twelve months ended March 31, 2023, the Corporation has reported a net loss of \$328,557 and \$58,536 respectively as compared to a net loss of \$105,065 and \$291,990 in the comparable prior periods. The reduction in the net loss in the twelve month reporting period is due primarily to the Reimbursement Fee and the impairment reversal related to the amount collected for the Settlement Amount as discussed in *"Major Events in the Reporting Period"*, partially offset by the provision for expected credit loss.

Interest and Other Income

(\$000s)	Three months ended		Twelve months ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Interest and other income	-	23	249	23

The interest and other income in the twelve month reporting period is related to the Reimbursement Fee as discussed in *"Major Events in the Reporting Period"*.

The interest and other income in the comparable prior period related to the recognition of the calculated interest benefit of \$22,849 related to receiving a Canadian Emergency Business Account ("**CEBA**") loan below current market interest rates. 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.

General and Administrative ("G&A") Expenses

(\$000s)	Three months ended		Twelve months ended	
	March 31, 2023	2022	March 31, 2023	2022
Consultant fees	57	50	265	187
Other	144	73	270	123
Total general and administrative	201	123	535	310

For the three and twelve months ended March 31, 2023, G&A costs were \$201,056 and \$535,189 respectively as compared to \$122,663 and \$309,587 in the comparable prior periods. Other G&A expenses consist primarily of professional fees, stock exchange fees and transfer agent fees. The increase in G&A is due primarily to legal costs incurred for the revocation of the cease trade order from the ASC and the Action related to the Secured Note and completing the Settlement Amount agreement as discussed in "Major Events in the Reporting Period".

Accretion

(\$000s)	Three months ended		Twelve months ended	
	March 31, 2023	2022	March 31, 2023	2022
Accretion	3	5	9	5

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

Impairment Reversal

(\$000s)	Three months ended		Twelve months ended	
	March 31, 2023	2022	March 31, 2023	2022
Impairment reversal	-	-	(362)	-

The impairment reversal is due to the collection of amounts owing from the Settlement Amount in November and December 2022. The Corporation received a total of \$361,991 net of costs to market and sell the procured assets and the remaining Settlement Amount is approximately \$1.5 million as at March 31, 2023. Although a settlement agreement has been executed and a portion of the Settlement Amount has been collected, the fair value of the investment continues to be \$NIL and no additional impairment reversal has been recognized due to the uncertainty of realizing an additional recovery of the Settlement Amount as discussed in "Major Events in the Reporting Period".

Liquidity and Financial Resources

As at March 31, 2023, the Corporation had an excess of current liabilities over current assets of \$378,067 as compared to \$277,788 as at March 31, 2022.

Pursuant to the RTO Termination as discussed in "Major Events in the Reporting Period", the remainder of the Reimbursement Fee of \$125,000 may not be collected as it has become apparent the RTO Counterparty does not have the funds available to settle the liability at this time. As such, the Corporation has recognized a provision of an expected credit loss of \$125,000 as at March 31, 2023.

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 and the 5,209,484 warrants with an exercise price of \$0.10 expired on June 26, 2023. As at March 31, 2023 there were no stock options outstanding.

Quarterly Results

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

Three Months Ended	Mar-23	Dec-22	Sep-22	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21
Financial Highlights (\$000s)								
Cash & short-term investments	75	310	39	91	26	149	118	32
Working capital	(378)	-	(142)	(88)	(278)	(157)	(95)	(113)
Shareholders' equity	(379)	(50)	(189)	(131)	(319)	(214)	(149)	(108)
Revenue	-	-	-	249	23	-	-	-
Net income (loss)	(329)	139	(56)	187	(105)	(65)	(42)	(80)

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 the Reimbursement Fee recorded in the June 30, 2022 reporting period. Net income (loss) has varied primarily as a result of changes in G&A expenditures, an impairment reversal related to the Settlement Amount in the December 31, 2022 reporting period and the Reimbursement Fee recorded in the June 30, 2022 reporting period.

Commitments

The Corporation has no lease agreements or commitments as at March 31, 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 year ended March 31, 2023, consulting fees of \$264,567 (March 31, 2022 - \$187,040) were incurred for the executive team and directors and are included in key management compensation.

As at March 31, 2023 the Corporation had an amount payable of \$182,219 (March 31, 2022 - \$140,000) to management and directors.

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

The preparation of the consolidated financial statements in accordance with IFRS requires the Corporation to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts within the consolidated financial statements. Such judgements, estimates and assumptions relate primarily to unsettled events and transactions as of the reporting date. The estimated fair value of financial assets and liabilities are subject to measurement uncertainty. Judgements, estimates, and assumptions are reviewed on a continuous basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As a result, actual results may differ materially as future confirming events occur.

The critical estimates, assumptions and judgments that have the most significant impact on the amounts recognized in the consolidated financial statements are as follows:

Fair values of the Secured Note and investments in private companies

The Corporation has determined that the fair value of these investments is the original amount paid and if an indication of a change in fair value is identified, the Corporation shall estimate the fair value change and recognize in other comprehensive income.

Fair values of convertible notes receivable

The Corporation has determined that the fair value of these investments is the original amount paid and if an indication of a change in fair value is identified, the Corporation shall estimate the fair value change and recognize in profit or loss.

CEBA loan

The repayable portion of the interest-free CEBA loan is initially measured at fair value at the date of receipt of the loan. Fair value is estimated based on the present value of the loan repayment amount, discounted using the estimated market interest rate, assuming the full amount is repaid on December 31, 2023. The market interest rate is determined based on judgements by reference to third-party lending rates that the Corporation would receive on similar debt instruments. The Corporation determined that the fair value of the CEBA loan on the receipt date to be \$37,151 based on management's best estimate of market conditions at the time of the loan and a market interest rate of 20%.

Going concern

The determination of whether there are material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern involves judgements.

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 March 31, 2023, the Corporation had \$125,000 in accounts receivable outstanding, which may not be collected as the RTO Counterparty requires additional financing to proceed with its business plan. As such, the Corporation has recognized a provision for an expected credit loss for \$125,000 as at March 31, 2023.

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 March 31, 2023, the Corporation had an excess of current liabilities over current assets of \$378,067 (March 31, 2022 -\$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.

Holder 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 was 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.