

# **TARGET CAPITAL INC.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT AND FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**

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To the Shareholders of Target Capital Inc.:

## Opinion

We have audited the consolidated financial statements of Target Capital Inc. and its subsidiary (the "Corporation"), which comprise the consolidated statements of financial position as at March 31, 2023 and March 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at March 31, 2023 and March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the consolidated financial statements, which indicates that the Corporation incurred a net loss and comprehensive loss and used cash in operating activities during the year ended March 31, 2023 and, as of that date, the Corporation had an excess of current liabilities over current assets and an accumulated deficit. As stated in Note 2(b), these events or conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rahim Rajan.

Calgary, Alberta

July 24, 2023

*MNP LLP*

Chartered Professional Accountants

**TARGET CAPITAL INC.**

Consolidated Statements of Financial Position  
(expressed in Canadian dollars)

As at	Notes	March 31, 2023	March 31, 2022
<b>ASSETS</b>			
<i>Current assets</i>			
Cash		74,895	26,354
Accounts receivable		10,428	-
<b>Total current assets</b>		<b>85,323</b>	<b>26,354</b>
<i>Non-current assets</i>			
Investments in private companies	6	-	660
<b>Total non-current assets</b>		<b>-</b>	<b>660</b>
<b>Total assets</b>		<b>85,323</b>	<b>27,014</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities		411,684	304,142
Canadian emergency business account loan	7	51,706	-
<b>Total current liabilities</b>		<b>463,390</b>	<b>304,142</b>
<i>Non-current liabilities</i>			
Canadian emergency business account loan		-	42,403
<b>Total non-current liabilities</b>		<b>-</b>	<b>42,403</b>
<b>Total liabilities</b>		<b>463,390</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		(9,787,299)	(9,728,858)
<b>Equity attributable to owners of the Corporation</b>		<b>(377,972)</b>	<b>(319,531)</b>
Non-controlling interest		(95)	-
<b>Total deficit</b>		<b>(378,067)</b>	<b>(319,531)</b>
<b>Total liabilities and deficit</b>		<b>85,323</b>	<b>27,014</b>

Going concern (note 2b)

Subsequent events (note 15)

APPROVED BY THE BOARD OF DIRECTORS:

/s/ Ron Hozjan  
Director

/s/ Theo Zunich  
Director

See accompanying notes to the consolidated financial statements

**TARGET CAPITAL INC.**

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

		Years ended March 31,	
	Notes	2023	2022
<b>REVENUE</b>			
Interest and other income	1	249,025	22,849
		<b>249,025</b>	<b>22,849</b>
<b>EXPENSES</b>			
General and administration	11	535,189	309,587
Provision for expected credit loss	14	125,000	-
Impairment	6	60	-
Impairment reversal	4	(361,991)	-
Accretion	7	9,303	5,252
		<b>307,561</b>	<b>314,839</b>
<b>NET LOSS BEFORE TAX</b>		<b>(58,536)</b>	<b>(291,990)</b>
Deferred income tax		-	-
<b>NET LOSS</b>		<b>(58,536)</b>	<b>(291,990)</b>
<b>OTHER COMPREHENSIVE LOSS</b>			
Fair value change	4,6	361,931	-
Impairment	4,6	(361,931)	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>(58,536)</b>	<b>(291,990)</b>
Net loss per share - basic and diluted	12	-	-

See accompanying notes to the consolidated financial statements

**TARGET CAPITAL INC.**

Consolidated Statements of Changes in Deficit

Years ended March 31, 2023 and 2022

*(expressed in Canadian dollars)*

	Notes	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Non-controlling interest	Total 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		-	-	-	-	(291,990)	-	(291,990)
<b>As at March 31, 2022</b>		<b>5,130,024</b>	<b>1,844,165</b>	<b>2,420,045</b>	<b>15,093</b>	<b>(9,728,858)</b>	<b>-</b>	<b>(319,531)</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 loss		-	-	-	-	(58,536)	-	(58,536)
<b>As at March 31, 2023</b>		<b>5,130,024</b>	<b>1,844,165</b>	<b>2,420,045</b>	<b>15,093</b>	<b>(9,787,299)</b>	<b>(95)</b>	<b>(378,067)</b>

*See accompanying notes to the consolidated financial statements*

**TARGET CAPITAL INC.**

## Consolidated Statements of Cash Flows

*(expressed in Canadian dollars)*

		Years ended March 31,	
	Notes	2023	2022
<b>CASH FLOW FROM (USED IN) OPERATING ACTIVITIES</b>			
Net loss		<b>(58,536)</b>	(291,990)
Items not involving cash:			
Interest and other income		-	(22,849)
Impairment	6	<b>60</b>	-
Impairment reversal	4	<b>(361,991)</b>	-
Accretion	7	<b>9,303</b>	5,252
Change in non-cash operating working capital	13	<b>97,114</b>	154,149
		<b>(314,050)</b>	(155,438)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Canadian emergency business account loan	7	-	60,000
		-	60,000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Secured note repayments, net	4	<b>361,991</b>	110,000
Redemption of investments in private companies	6	<b>600</b>	4,380
		<b>362,591</b>	114,380
<b>Net increase in cash</b>		<b>48,541</b>	18,942
<b>Cash, beginning of year</b>		<b>26,354</b>	7,412
<b>Cash, end of year</b>		<b>74,895</b>	26,354

*See accompanying notes to the consolidated financial statements*

## TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements  
For the years ended March 31, 2023 and 2022  
(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. 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 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 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.

On July 22, 2021, the Corporation had 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 of an expected credit loss of \$125,000 as at March 31, 2023 (see note 13).

## **TARGET CAPITAL INC.**

Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022

(In Canadian dollars)

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### **2. BASIS OF PRESENTATION**

#### **a) Statement of Compliance**

These audited consolidated financial statements (the "**Financial Statements**") have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

These Financial Statements have been approved and authorized for issuance by the Board as of July 24, 2023.

#### **b) Going Concern**

These 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.

During the year ended March 31, 2023, the Corporation incurred a net loss and comprehensive loss of \$58,536 (March 31, 2022 - \$291,990) and used cash of \$314,050 (March 31, 2022 - \$155,438) in operating activities, and as at that date, the Corporation had an excess of current liabilities over current assets of \$378,067 (March 31, 2022 - \$277,788) and an accumulated deficit \$9,787,299 (March 31, 2022 - \$9,728,858).

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. 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.

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 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 may be material.

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

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

The Corporation's 96.4% owned inactive subsidiary; Industrial Avenue Development Corp. ("**IADC**"), was struck from the corporate registry and dissolved on September 2, 2021. The IADC corporate entity was revived on September 21, 2022 in order for the entity to be legally dissolved and amalgamated for tax purposes.

As such, these Financial Statements include the accounts of Target and its 96.4% owned inactive subsidiary IADC.

## **TARGET CAPITAL INC.**

Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022

(In Canadian dollars)

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### **d) Functional and Presentation Currency**

These Financial Statements are presented in Canadian dollars, which is also the Corporation's and IADCs functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

### **e) Use of Estimates and Judgement**

The preparation of the Financial Statements requires the Corporation to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts within the 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.

#### ***Critical judgements and estimates in applying accounting policies***

The critical estimates, assumptions and judgements that have the most significant impact on the amounts recognized in the Financial Statements are as follows:

##### *Fair values of the secured note receivable and other investments*

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.

##### *Canadian Emergency Business Account ("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 the fair value of the CEBA loan on the receipt date to be \$37,151 based on management's best estimate of current 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.

## TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022

(In Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these Financial Statements are set forth below. These policies have been consistently applied to all periods presented in these Financial Statements.

#### a) Subsidiaries

Subsidiaries are those entities which the Corporation controls by having the power to govern their financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are deconsolidated from the date that control ceases. All intercompany transactions and balances are eliminated on consolidation.

#### b) Cash

Cash includes amounts held in a financial institution.

#### c) Financial instruments

Financial instruments are classified into one of five categories:

- 1) financial assets at amortized cost;
- 2) financial assets at fair value through other comprehensive income;
- 3) financial assets at fair value through profit or loss;
- 4) financial liabilities at amortized cost; or
- 5) financial liabilities at fair value through profit or loss.

The classification is determined at initial recognition and depends on the nature and purpose of the financial instrument.

#### ***Financial assets at amortized cost***

Instruments can only be classified as financial assets at amortized cost if they are held with the objective to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are initially recognized at fair value plus any directly attributable transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

Financial assets at amortized cost are comprised of cash and accounts receivable.

#### ***Financial assets at fair value through other comprehensive income***

Financial assets that are not held for trading can be irrevocably designated to have the change in fair value recognized through other comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through other comprehensive income are initially measured at fair value and subsequent changes therein are recognized in other comprehensive income.

Financial assets at fair value through other comprehensive income are comprised of the secured note receivable and investments in private companies.

## TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022

(In Canadian dollars)

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### ***Financial assets at fair value through profit or loss***

All financial assets except for those placed into one of the above categories are recorded at fair value through profit or loss. Additionally, assets that meet the requirements for financial assets at amortized costs can optionally be designated as financial assets at fair value through profit or loss. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

Financial asset at fair value through profit or loss is the convertible notes receivable.

### ***Financial liabilities at amortized cost***

All financial liabilities, except those designated as financial liabilities at fair value through profit or loss, are recorded at amortized cost. Financial liabilities at amortized cost are initially recognized at fair value plus any directly attributable transaction costs. Subsequently, these liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost are comprised of accounts payable and accrued liabilities and the CEBA loan.

### ***Financial liabilities at fair value through profit or loss***

Certain financial liabilities that:

- 1) contain embedded derivatives;
- 2) are part of a group of liabilities actively managed on a fair value basis; or
- 3) which would cause a measurement inconsistency if they were not accounted for at fair value

can optionally be designated as financial instruments at fair value through profit or loss are initially measured at fair value and changes therein are recognized in profit or loss. Such liabilities and the reason for the designation must be clearly disclosed in the financial statements.

The Corporation does not currently hold any financial liabilities at fair value through profit or loss.

### **d) Impairment of financial assets**

The Corporation recognizes a provision of expected credit losses associated with its financial assets, other than financial assets measured at fair value through other comprehensive income and fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions. The Corporation applies the simplified approach for accounts receivable and records a provision equal to the expected credit losses resulting from all possible default events over the assets contractual lifetime. The Corporation assesses whether a financial asset is credit-impaired at the reporting date and regular indicators of credit impairment include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts, such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Corporation continues to recognize a provision equal to lifetime expected credit losses. For financial assets measured at amortized cost, the provision for expected credit losses are presented in the statements of financial position as a deduction from the gross carrying amount of the financial asset. Financial assets are written off when the Corporation has no reasonable expectations of recovering all or any portion thereof.

**TARGET CAPITAL INC.**

Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022

(In Canadian dollars)

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**e) Government assistance**

The Corporation may receive subsidies or grants, assistance or compensation from the Canadian government or various government agencies.

Grants are recognized when the grant is received, or when there is reasonable assurance that the Corporation has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

**f) Income tax**

Income tax expense is comprised of current and deferred tax. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to the initial recognition of deferred tax assets or liabilities in a business combination, items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset or liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that they can be recovered.

**g) Foreign currency translation**

Transactions denominated in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated financial assets and liabilities are translated into the functional currency using the rate of exchange at the reporting date, with any gain or loss being recorded in profit or loss.

**h) Share capital**

Common shares are classified as equity. Costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity, net of any tax effects. The proceeds from the exercise of warrants together with amounts previously recorded in contributed surplus over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value of the shares on the date of issue.

**i) Per share amounts**

Basic per share amounts are computed by dividing earnings by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that would occur if dilutive instruments were exercised and common shares issued.

## TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements  
For the years ended March 31, 2023 and 2022  
(In Canadian dollars)

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### 4. SECURED NOTE RECEIVABLE

As at	March 31, 2023	March 31, 2022
Balance, beginning of the year	-	110,000
Fair value change	361,991	-
Net receipts	(361,991)	(110,000)
Balance, end of the year	-	-

In prior years, 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 ("**CBD**") 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 for 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, 2023; and (d) \$0.4 million of

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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.

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, but the fair value remains at \$NIL as discussed below.

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 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 the \$400,000 Mortgage held against the 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 Financial Statements. The Corporation is reviewing its alternatives for collection.

### ***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 fair value decrease of \$1,364,000 to a fair value of \$110,000 which was collected in 2021. 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 Secured Note continues to be \$NIL due to the uncertainty of realizing an additional recovery of the Settlement Amount.

## **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 matured 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 March 31, 2023, the fair value of both investments continues to be \$NIL.

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**6. INVESTMENTS IN PRIVATE COMPANIES**

As at	<b>March 31, 2023</b>	March 31, 2022
Balance, beginning of the year	<b>660</b>	5,040
Redemption of investments	<b>(600)</b>	(4,380)
Fair value change	<b>(60)</b>	-
<b>Balance, end of the year</b>	<b>-</b>	660

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 year ended March 31, 2023, 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 decrease of \$60 (March 31, 2022 - \$NIL) was recognized in other comprehensive income and an impairment of \$60 was recognized in profit or loss (March 31, 2022 - \$NIL).

**7. CEBA LOAN**

As at	<b>March 31, 2023</b>	March 31, 2022
Balance, beginning of the year	<b>42,403</b>	-
Fair value of CEBA loan on receipt date	-	37,151
Accretion	<b>9,303</b>	5,252
<b>Balance, end of the year</b>	<b>51,706</b>	42,403

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. If unpaid, 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 in profit or loss during the year ended March 31, 2022, related to receiving a government loan below current market interest rates in earnings. The repayable portion of the CEBA loan will be accreted up to the \$60,000 repayable amount from the time the loan was received to

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December 31, 2023, which is the due date. 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.

### 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
As at March 31, 2021, 2022 and 2023	106,715,629	5,130,024	59,159,504	1,844,165

#### 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, 2021 and 2022	59,159,504	0.10
Expired	(53,950,020)	0.10
<b>As at March 31, 2023</b>	<b>5,209,484</b>	<b>0.10</b>

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

### 9. RELATED PARTY TRANSACTIONS

#### Operating transactions

##### Key management compensation

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

Key management personnel compensation during the years ended March 31, 2023 and 2022 are as follows:

	Years ended March 31,	
	2023	2022
Management fees	264,567	187,040

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

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**10. INCOME TAXES**

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective tax rate is as follows:

	<b>Years ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net loss before taxes	<b>(58,536)</b>	(291,990)
Income tax rates	<b>23.0%</b>	23.0%
Estimated recovery of income taxes	<b>(13,463)</b>	(67,158)
Increase (decrease) resulting from:		
Change in provincial tax rate	-	(283)
Deferred income tax asset not recognized	<b>13,463</b>	67,441
	-	-

Deferred taxes are a result of temporary differences that arise due to differences between the income tax values and the carrying amount of the assets and liabilities. As at March 31, 2023 and 2022, deferred income tax assets have not been recognized for the following net deductible temporary differences because the realization of such amounts in the foreseeable future is not probable:

	<b>Years ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Non-capital losses carried forward	<b>1,936,186</b>	2,012,013
Capital losses carried forward	<b>159,250</b>	159,250
Investments	<b>2,442,794</b>	2,804,725
Property and equipment	<b>207,315</b>	207,315
Non-deductible reserves and other	<b>370,744</b>	245,744
Total deductible temporary differences	<b>5,116,289</b>	5,429,047

The Corporation's non-capital losses expire as follows:

2038	530,964
2039	807,136
2040	119,837
2041	165,913
2042	312,336
	<b>1,936,186</b>

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**11. GENERAL AND ADMINISTRATIVE**

	<b>Years ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Management fees (note 9)	<b>264,567</b>	187,040
Other <sup>(1)</sup>	<b>270,622</b>	122,547
<b>Total general and administrative</b>	<b>535,189</b>	<b>309,587</b>

1) includes costs such as professional fees, stock exchange fees, transfer agent fees and other business expenses.

**12. NET LOSS PER SHARE**

The calculation of net loss per share are as follows:

<b>For the years ended March 31,</b>	<b>2023</b>			<b>2022</b>		
	<b>Net loss</b>	<b>Weighted average common shares</b>	<b>Net loss per share</b>	<b>Net loss</b>	<b>Weighted average common shares</b>	<b>Net loss per share</b>
Basic and diluted	(58,536)	106,715,629	-	(291,990)	106,715,629	-

As the Corporation reported a loss for the years ended March 31, 2023 and 2022, the basic and diluted weighted average common shares outstanding are the same for those periods.

**13. SUPPLEMENTARY CASH FLOW INFORMATION**

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

	<b>Years ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Source (use) of cash:		
Accounts receivables	<b>(10,428)</b>	33,620
Accounts payable and accrued liabilities	<b>107,542</b>	120,529
<b>Net change in non-cash operating working capital</b>	<b>97,114</b>	<b>154,149</b>

**14. 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.

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### **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.

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.

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 of an expected credit loss for \$125,000 as at March 31, 2023.

The accounts receivable of \$10,428 is due from Canada Revenue Agency with respect to GST and as such is considered to be collectible.

The Corporation's cash is held at financial institutions 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

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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 March 31, 2023.

**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 considering any 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, 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.

**15. SUBSEQUENT EVENTS**

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 as disclosed in note 4.

All of the outstanding 5,209,484 share purchase warrants as at March 31, 2023 expired unexercised in June 2023 as disclosed in note 8.