

Target Capital Inc.

Management Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the financial position and results of operations of Target Capital Inc. (the "Company", "Corporation", or "Target") for the period ended March 31, 2018.

This MD&A should be read in conjunction with Target's condensed consolidated financial statements for the twelve months ended March 31, 2018, as well as the MD&A found in Target's 2017 Annual Report, together with the audited consolidated financial statements and accompanying notes found therein.

This document presents the views of management as at May 21, 2018. Additional information on Target can be found on SEDAR at www.sedar.com.

Information contained in the Management Discussion and Analysis ("MD&A") is presented on the same basis as the financial statements and was prepared in accordance with International Financial Reporting Standards (IFRS) and is presented in Canadian dollars, Target's functional currency.

Forward-looking statements

The MD&A contains forward-looking statements and information within the meaning of applicable securities legislation. A statement we make is forward-looking when it uses what we know today to make a statement about the future. Forward-looking statements may include words such as *anticipate, believe, could, expect, intend, may, objective, plan and will*. The forward-looking statements contained or incorporated by reference in this Management Discussion and Analysis are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. Target cautions readers against placing reliance on forward-looking statements when making decisions, as the actual results could differ appreciably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements, due to various material factors. These factors include, among other things, 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; scarcity of human resources; and technological environment.

Forward-looking statements include, but are not limited to, statements with respect to (1) Capacity to deliver results (2) Risk framework (3) Liquidity (4) Trade receivables and (5) Income taxes. All statements, other than statements of historical fact, which address activities, events or developments that we expect or anticipate will or may occur in the future, are forward-looking statements. We include forward-looking statements because we believe it is important to communicate our expectations to our investors. However, all forward-looking statements are based on management's current expectations of future events and are subject to risk and uncertainty.

There have been no events or circumstances that have occurred during the period to which the MD&A relates, or to a period that is not yet complete, that are reasonably likely to cause actual results to differ materially from the forward-looking information identified in this MD&A.

The Company does not undertake to update any forward-looking statements, whether oral or written, made by itself or on its behalf, except to the extent required by securities regulations. The foregoing list of factors is not necessarily exhaustive.

Business Overview

Target was incorporated on June 8, 1993, under the Business Corporations Act of Alberta. The Company has investments in listed public companies and private real estate development companies. The Company also makes investments in a majority of the voting shares of certain private companies. The Company receives its revenues from interest income and investment company fees.

The Company listed its shares on the TSX-Venture exchange (Symbol "TCI") on December 19, 2008 and on the Canadian Securities Exchange (CSE) on July 8, 2014 (Symbol "TCI").

Our investment business

Since its inception, Target has made strategic investments in companies that show strong potential for future growth. Historically, these have been 'buy and hold' type investments; however, over the last three years Target has also made some short-term investments. These investments include listed companies, small start-up operations, and land development corporations.

Starting in 2009, Target began acquiring controlling interests in private companies. The nature of the Company's investment in the private companies ("PC") enables the debt securities of the companies to be eligible for Deferred Plans. A Deferred Plan is a registered retirement savings plan, registered education savings plan, registered retirement income fund, a locked-in retirement account or a tax-free savings account. The promoters managing these companies use the capital raised at their own discretion, without reliance on the management or resources of Target. Target's management and capital are not committed to these private companies.

Target earns fees from each company for enabling these companies to raise funds from Deferred Plans. The annual fee is generally the greater of \$2,500 or 0.5% of the total capital raised by each private company from Deferred Plans. The private companies have raised capital via investments from Deferred Plans varying in size from nil to several million dollars.

Although Target has legal control over these private companies, we do not have control in accordance with IFRS because of the inability of our decisions to influence our returns and the restricted nature of the decisions that we can make which do not constitute "relevant decisions" as defined in IFRS 10.

On December 1, 2015 the Company acquired from Eyelogic Systems Inc. (an affiliated entity) a portfolio of 53 Private Companies ("PC") and associated shareholder agreements and royalty agreements for an aggregate price of \$75,000.

Bond exchange

During March 2017, the Company received all signed agreements from bondholders to exchange their outstanding bonds for partial cash repayments, a new bond issuance and TSX Venture approval was received. On March 24, 2017, the Company completed a bond exchange, which entailed partial redemptions and issuance of a new bond with an interest rate of prime plus 1.25%. The new bond bears no maturity date and are fully redeemed as part of the recapitalization.

Holders of outstanding Target bonds with an aggregate face value of less than \$10,000 agreed to settle and release Target with respect to all amounts owed with respect to such outstanding Target bonds in return for payment equal to the aggregate face value of the outstanding Target bonds.

Holders of outstanding Target bonds with an aggregate face value greater than \$10,000 agreed to settle and release Target with respect to all amounts owed with respect to such outstanding Target bonds in return for the issuance of a new Target bond with a face value equal to 35% of the aggregate face value of the outstanding Target bonds held and a cash payment equal to 65% of the aggregate face value of the outstanding Target bonds held.

At issuance, the calculated estimated fair value of the new bonds payable was based on a discount rate of 15%.

Recapitalization

On November 21, 2017, Target Capital Inc. entered into a definitive reorganization and investment agreement (the "Agreement") with Sonny Mottahed, Bill Macdonald, David Cheadle and Jason Kujath which included:

- i) A non-brokered private placement of up to an aggregate of \$5.5 million in capital (the "Private Placement");
- ii) The appointment of a new management team and board of directors (collectively, the "New Management Team"); and
- iii) A right offering (the "Rights Offering") to holders of common shares ("Common Shares") of Target, including those who participated in the Private Placement (collectively, the "Transaction").

On December 19, 2017 the Company closed its non-brokered private placement by issuing 91,666,675 units ("Units") for gross proceeds of \$5.5 million to the new management group of the Company and the designates. Each Unit consisted of one common share of the Company and, in the case of subscriptions by the New Management Team, one common share purchase warrant ("Warrant") and, in the case of all other subscribers, one half of one Warrant. Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 until December 15, 2022. The Warrants will vest and become exercisable as to one-third upon the 20-day weighted average trading price of the common shares equaling or exceeding \$0.12, an additional one-third upon the price equaling or exceeding \$0.16 and a final one-third upon the price equaling or exceeding \$0.20. The warrants were assigned a value of \$2.6 million. All warrants issued vested and became exercisable during the year.

The New Management Team is led by Sonny Mottahed as President & Chief Executive Officer, Bill Macdonald as Executive Vice President – Corporate Development and David Cheadle as Chief Financial Officer. The board of directors of Target Capital is now comprised of Sonny Mottahed, Bill Macdonald,

Gregory Turnbull, Matteo Volpi and Chad Oakes. Sony Gill, a partner in the Business Law Group in the Calgary office of the national law firm McCarthy Tétrault LLP, will act as Corporate Secretary. It is anticipated that the shareholders of Target Capital will be asked to approve, at a special meeting of shareholders called for such purpose, a change of the Corporation's name to "CBi2 Capital Corp."

The New Management Team, together with the proposed new members of the board of directors, have extensive experience in creating shareholder value through a focused full-cycle business plan and believe the current market environment provides an excellent opportunity to reposition Target as a high growth cannabis industry investment vehicle. The New Management Team believes that Target will be well positioned to take advantage of investment opportunities in the current market.

Following the completion of the recapitalization, Target is executing on a cannabis-focused investment strategy, developing and managing a diversified portfolio of predominantly early stage cannabis investment opportunities. The recapitalized corporate structure has allowed Target to explore and plan to invest in a number of strategic investment opportunities in the medical and recreational cannabis industry and in businesses offering ancillary products and services. Target's existing revenue base is expected to fund a significant portion of Target's near-term operating costs.

Results of Operations for the twelve months ended March 31, 2018

SUMMARY OF FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2017

| (\$ Thousands) | March 31, 2018 | March 31, 2017 | Variation 2018 to 2017 |
|---------------------------------------|----------------|----------------|------------------------------|
| Total revenue | 704 | 866 | (19%) |
| Total expenses | (3,880) | (775) | 401% |
| Other income (expenses) | (125) | (762) | (84%) |
| Net earnings (loss) before tax | (3,301) | (672) | 391 % |
| Income tax (recovery) | - | 6 | (100%) |
| Net earnings (loss) | (3,301) | (687) | 387% |
| Net earnings (loss) per share - Basic | (0.11) | (0.16) | 60% |

Overview

Target's total revenue decreased 19% or \$161,355 to \$704,355 from \$865,710 mainly due to reduced dividends and decreased private company fees.

Total operating expenses increased 401% or \$3,104,739 to \$3,879,780 from \$775,040 due to share based compensation to management related to recapitalization of the Company, increase in salaries and general and administrative expenses.

As a result, Target reports a net loss of \$3,300,858 compared to net loss of \$677,907 in the comparative year.

Revenue

Private company investment fees

Private company ("PC") fees were relatively stable with a decrease of 6% to \$680,926 from \$722,157.

Dividends

Dividend revenue decreased 100% to \$nil from \$129,168 due to the sale of 55,200 Olympia shares that occurred on March 24, 2017, as part of the bond settlement.

Expenses

Interest on bonds

Interest on bonds increased to \$473,388 from \$342,791 as a result of the repayment of bonds which took place on December 15, 2017. The increase is due to the release of amortization of discount repayment.

Salaries and wages

Salaries and wages increased 112% to \$261,390 from \$123,190 due to increase in staff as well as payroll expenses related to recapitalization.

Professional fees

Professional fees increased 701% to \$393,616 from \$49,111 due to a nonrecurring \$200,000 consulting fee paid to the CEO of Target in connection with recapitalization that occurred on December 19, 2017.

Bad debts

Total bad debt expenses were \$155,269 during the period, an increase of \$129,219 or 496% from \$26,050 in the prior period. Bad debt expense relates to allowances made for receivables from private companies and the actual write-off of accounts that were deemed uncollectable. Outstanding balance over one year makes up a large percentage of the total carrying value of the receivables. After in depth analysis of the outstanding balance over one year, it was deemed that portion of the balance will be collected; therefore an allowance of 50% of 91+ (\$121,495) was provided for to cover the low likelihood of recovering long overdue receivables.

Royalties

Royalties increased slightly to \$61,139 from \$47,828. The increase in royalties is a direct result of amounts billed relating to a new royalty contract with Transparent Investments. As part of the CPC portfolio purchase from Eyelogic Systems on December 1, 2015, Target Capital purchased one CPC contract which included a royalty payable to Tarman Inc. (an affiliated entity).

Amortization of equipment and leasehold improvements

Equipment and leasehold amortization decreased 53% to \$13,779 from \$29,087 as the majority of the Company's office equipment became fully depreciated at the end of fiscal 2017 and the approaching full depreciation of leasehold improvements. Further equipment was written-off in Q3.

Rent

Rent increased to \$45,457 compared to \$30,337 for the prior year, because of relocation of the Company to a building in which rent is shared with 51st Parallel (a related party).

Impairment loss

Impairment loss decreased 93% to \$125,433 from \$1,685,326. In the current period, an impairment was made to a Private Company share investment. In the comparative quarter in the prior fiscal year, the impairment was made on the property under development. The property was sold in Q4 2017.

Results of Operations for the twelve months ended March 31, 2018

| SUMMARY OF THE RESULTS TWELVE MONTHS ENDED | | | |
|---|-----------------------|-----------------------|------------------|
| | March 31, 2018 | March 31, 2017 | Variation |
| Revenue | | | |
| Private company investment fees | \$ 680,926 | \$ 722,157 | (6%) |
| Dividends | - | 129,168 | (100%) |
| Interest | 23,429 | 14,385 | 63% |
| Total revenue | 704,355 | 865,710 | (19%) |
| Expenses | | | |
| General and administration | 123,375 | 68,912 | 79% |
| Salaries and wages | 261,390 | 123,190 | 112% |
| Management share-based compensation | 2,310,260 | - | 100% |
| Bad debts | 155,269 | 26,050 | 496% |
| Interest on bonds | 473,388 | 342,791 | 38% |
| Professional fees | 393,616 | 49,111 | 701% |
| Royalties | 61,139 | 47,828 | 28% |
| Directors' fees | 31,151 | 43,126 | (28%) |
| Amortization | 13,779 | 29,087 | (53%) |
| Rent | 45,457 | 30,337 | 50% |
| Amortization of intangible assets | 10,956 | 14,608 | (25%) |
| Operating expenses | 3,879,780 | 775,040 | 401% |
| Operating income (loss) | (3,175,425) | 90,670 | (3602%) |
| Other Income (expense) | | | |
| Impairment loss | (125,433) | (1,685,326) | (93%) |
| Settlement of bonds | - | 922,941 | (100%) |
| Total Other income (expense) | (125,433) | (762,385) | (84%) |
| Net earnings (loss) before income taxes | (3,300,858) | (671,715) | 391% |
| Current | - | 6,192 | 100% |
| Net earnings (loss) | \$ (3,300,858) | \$ (677,907) | 391% |
| Earnings (loss) attributable to: | | | |
| Owners of the Company | \$ (3,300,858) | \$ (616,848) | 435% |
| Non-controlling interest | - | (61,059) | (100%) |
| | \$ (3,300,858) | \$ (677,907) | 391% |
| Basic net earnings (loss) per share | (0.11) | (0.16) | 60% |

Comparison of financial condition at period end with the prior year-end

The table summarizes the financial condition of the Company as at March 31, 2018 compared to the year ended March 31, 2017:

| SUMMARY OF THE FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED | | | | |
|--|---------------------|-------------------|---------------|--|
| \$ Canadian | March 31, 2018 | March 31, 2017 | Variation | |
| Assets | | | | |
| <i>Current assets</i> | | | | |
| Cash | \$ 2,196,213 | \$ 316,995 | 593% | |
| Cash held in trust | 833,866 | - | 100% | |
| Accounts receivable | 289,184 | 312,375 | (7%) | |
| Accounts receivable - related parties | 242,022 | - | 100% | |
| Advances receivable | - | 50,000 | (100%) | |
| Prepaid expenses | - | 3,011 | (100%) | |
| Total current assets | 3,561,285 | 682,381 | 422% | |
| <i>Non-current assets</i> | | | | |
| Investments and advances | - | 75,001 | (100%) | |
| Equipment and leasehold improvements | - | 15,477 | (100%) | |
| Private companies investment | 62,932 | 64,190 | (2%) | |
| Shareholder agreements | 13,388 | 24,344 | (45%) | |
| Total non-current assets | 76,320 | 179,012 | (57%) | |
| Total assets | \$ 3,637,605 | \$ 861,393 | 322% | |
| Liabilities and Equity | | | | |
| <i>Current liabilities</i> | | | | |
| Accounts payable and accrued liabilities | \$ 91,068 | \$ 88,252 | 3% | |
| Due to related parties | 14,004 | - | 100% | |
| Interest payable | - | 1,505 | (100%) | |
| Income tax payable | - | 43,056 | (100%) | |
| Total current liabilities | 105,072 | 132,813 | (21) % | |
| <i>Non-current liabilities</i> | | | | |
| Long-term bonds | 40 | 1,349,769 | (100%) | |
| Total non-current liabilities | 40 | 1,349,769 | (100%) | |
| Total liabilities | 105,112 | 1,482,582 | (93%) | |
| <i>Equity (Deficiency)</i> | | | | |
| Warrants | 1,659,646 | | 100% | |
| Contributed surplus | 2,310,260 | | 100% | |
| Share capital | 4,617,344 | 1,132,710 | 308% | |
| Other components of equity | 165,093 | 165,093 | 0% | |
| Retained earnings (deficit) | (5,219,755) | (1,918,897) | 172% | |
| Total equity (deficiency) to holders | 3,532,587 | (621,094) | (669%) | |
| Non-controlling interest | (95) | (95) | 0% | |
| Total equity (deficiency) | 3,532,492 | (621,189) | (669%) | |
| Total liabilities and equity (deficiency) | \$ 3,637,605 | \$ 861,393 | 322% | |

Quarterly Results

The following table presents the most recent quarterly results along with the previous 8 quarters:

| (\$ thousands) | 31-Mar-18 | 31-Dec-17 | 30-Sep-17 | 30-Jun-17 | 31-Mar-17 | 31-Dec-16 | 30-Sep-16 | 30-Jun-16 | 31-Mar-16 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total revenue | 238 | 237 | 101 | 128 | 1,298 | 322 | 127 | 155 | 245 |
| Total expenses | (3,002) | (140) | (621) | (117) | (153) | (243) | (1,778) | (202) | (207) |
| Other income (expenses) | 21 | 371 | (496) | (21) | | | | | |
| Earnings (loss) before income taxes | (2,743) | 468 | (1,016) | (10) | 1,145 | 79 | (1,651) | (47) | 38 |
| Net Earnings (loss) | (2,743) | 468 | (1,016) | (10) | 1,086 | 73 | (1,645) | (27) | 37 |
| Net Earnings (loss) - Per share | (0.14) | 0.01 | (0.13) | - | 0.28 | 0.02 | (0.41) | (0.01) | 0.01 |

Due to the nature of Target's business, certain revenues are consistent and earned on a regular basis, such as dividend revenue and loan interest; however other types of revenue are unpredictable due to timing, such as CPC fees and special dividends. As a result, Target's quarterly performance has varied significantly.

Outstanding Share Data

The following table indicates the common shares and stock options issued and outstanding at March 31, 2018, December 31, 2017 and March 31, 2017.

| OUTSTANDING SHARE DATA | | | |
|---|----------------|-------------------|----------------|
| | March 31, 2018 | December 31, 2017 | March 31, 2017 |
| Common Shares | 95,568,538 | 95,518,538 | 3,851,863 |
| Stock Warrants | 8,616,667 | 8,666,667 | - |
| Warrants | 45,833,354 | 45,833,354 | - |
| Weighted average number of shares outstanding during the period Basic | 29,608,093 | 6,048,316 | 3,851,863 |
| Weighted average number of shares outstanding during the period Diluted | 44,894,126 | 7,846,673 | 3,851,863 |

Business Risks

Leadership

Target is dependent on members of its senior management and operational staff. A loss of one or more of these individuals could adversely affect Target's business. Target has minimized the impact of losing any one individual by cross-training senior management and operational staff to assume a variety of roles within the Company.

Regulation

The Company is subject to various laws and regulations; any changes to these statutes, or court decisions, regarding their application could negatively impact the Company. Specifically, Target's investments in private companies are reliant on regulations under the Income Tax Act, and there can be no assurance that the Government will not adopt laws or regulatory requirements that could adversely affect this line of business.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its contractual obligations and arises principally from the Company's receivables from customers. The carrying amount of accounts receivable represents the maximum credit exposure. The Company is exposed to credit risk from its trade customers. The credit risk is influenced mainly by the individual credit characteristics of each client. Geographically, there is a concentration of risk in the Alberta region. The Company makes use of the following techniques to reduce its credit risk:

- Private companies do not receive final approval, and therefore cannot raise funds, until the investment fee for the first year (\$2,500) is paid;
- The Company does not require collateral with respect to accounts receivables. The Company has a significant number of customers, which minimizes concentration of credit risk. Accounts receivable are monitored on a regular basis.

At period end, the Company had \$242,990 in receivables outstanding for more than 91 days, totalling 37% of outstanding receivables (March 31, 2017 - \$257,687 or 61%). Management believes all amounts, net of the allowances made, are collectable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Management regularly reviews future cash requirements to ensure adequate funds are available. At year end, Target had a current ratio of 33.89:1 compared to 5.14:1 ratio at the previous year end.

Change in business direction

The Company expects to execute on a cannabis-focused investment strategy, developing and managing a diversified portfolio of predominantly early stage cannabis investment opportunities. The recapitalized corporate structure will allow Target to explore and invest in a number of strategic investment opportunities in the medical and recreational cannabis industry and in businesses offering ancillary products and services.

Related Party Transactions

(a) During the year, the Company entered into transactions with the following related parties:

51st Parallel Inc.
Bears paw Tree Farm Inc., Common management
Private companies, Subsidiaries
Exempt Experts Inc. (“Exempt”), Common management
Eyelogic Systems Inc. (“Eyelogic”), Common management
National Exempt Markets Association (“NEMA”), Common management
Olympia Financial Group Inc. (“OFGI”), Common management
Olympia Benefits Inc. (“OBI”), Common management
OrganicKidz Inc. (“OKI”), Significant common share holdings
Tarman Inc. (“Tarman”), Common management
Transparent Investments Inc. (“Transparent”), Common management

(b) Transactions

The following table summarizes the related party balances at the year end:

The following table summarizes the related party balances at the year end:

| | 31-Mar-18 | 31-Mar-17 |
|---------------------------------|-------------------|-------------------|
| Revenue | | |
| Private company investment fees | | |
| Private companies | \$ 674,476 | \$ 714,410 |
| Exempt Experts | 6,450 | 9,632 |
| Dividends | | |
| Olympia Financial Group Inc. | - | 129,168 |
| Interest income | | |
| OrganicKidz Inc. | 23,429 | 12,500 |
| Total revenue | \$ 704,355 | \$ 865,710 |
| G&A and Rent Reimbursements | | |
| Exempt Experts | 82,752 | 79,557 |
| NEMA | - | 7,748 |
| Olympia Financial Group | | 118,861 |
| Expenses | | |
| General and Administration | | |
| Olympia Financial Group Inc. | 26,839 | 8,580 |
| Olympia Benefits Inc. | 3,578 | 11,599 |
| Bad Debt | | |
| Private companies | 52,185 | 26,050 |

| | | |
|------------------------------|-------------------|-----------|
| Royalties | | |
| Tarman Inc. | - | 23,274 |
| Transparent Investments Inc. | 22,880 | 14,972 |
| | \$ 105,482 | \$ 84,475 |

These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(C) Accounts receivable, notes receivable and related party loans include amounts receivable from:

| | March 31, 2018 | March 31, 2017 |
|------------------------------------|-------------------|----------------|
| Private company investments | \$ 418,715 | \$ 329,203 |
| Bad debt allowance | (129,531) | (108,503) |
| Organickidz Inc. | 12,500 | 127,123 |
| Exempt Experts Inc. | 89,202 | 82,019 |
| Olympia Financial Group Inc. | - | 6,450 |
| NEMA | - | 1,083 |
| 51 st Parallel Inc. | 140,320 | - |
| | \$ 531,206 | \$ 437,375 |

(d) Accounts payable and accrued liabilities include amounts payable to:

| | March 31, 2018 | March 31, 2017 |
|-------------------------------------|------------------|------------------|
| Olympia Financial Group Inc. | \$ (178) | \$ 3,360 |
| Tarman Inc. | 5,804 | 15,371 |
| Transparent Investments Inc. | 8,378 | 405 |
| | \$ 14,004 | \$ 19,136 |

(e) Key management compensation

Key management compensation includes the Company's directors, the CEO, CFO, and President.

| For the year ended, | March 31, 2018 | March 31, 2017 |
|--|---------------------|----------------|
| Salaries and benefits | \$ 222,735 | \$ 84,148 |
| Director's compensation | 31,151 | 43,126 |
| Share-based compensation | 2,310,260 | - |
| CEO management fee for services rendered | 200,000 | |
| | \$ 2,764,146 | \$ 127,274 |

CORRECTION OF AN ERROR AND COMPARATIVE AMOUNTS

Gains on sale of marketable securities and investments adjustment

During the year the Company discovered an error in the presentation and classification of gains on sale of marketable securities and investments for the year 2017 and as a result the income statement was overstated. The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

| Adjustment to Consolidated Statement of Changes in Equity | | March 31, 2017 |
|--|--|---------------------|
| Deficit, as previously reported | | \$ 1,753,804 |
| Decrease in other income (expenses) | | 197,421 |
| Income tax effect | | (32,328) |
| Deficit, as restated | | 1,918,897 |
| Adjustment to statement of income and comprehensive income | | March 31, 2017 |
| Net loss, as previously reported | | \$ 512,814 |
| Decrease in other income (expenses) | | 197,421 |
| Income tax effect | | (32,328) |
| Net loss, as restated | | 677,907 |
| Adjustment to accumulated other comprehensive income | | March 31, 2017 |
| AOCI, as previously reported | | \$ - |
| Revaluation of marketable securities | | 197,421 |
| Income tax effect | | (32,328) |
| AOCI, as restated | | 165,093 |
| Impact on basic and diluted earnings per share (EPS) increase/(decrease): | | March 31, 2017 |
| Basic/Diluted, net loss for the year attributable to owners of the Company | | (0.04) |

Commitments

The Company has a lease agreement for office space until September 30, 2018. Remaining payments under the terms of the lease are approximately \$86,560; however, an office sharing agreement with 51st Parallel reduces the cost to approximately \$43,280.

Subsequent Events

On April 10, 2018, the Company announced May 28, 2018 as the record date for its previously announced rights offering relating to recapitalization which occurred on December 15, 2017. Up to 23,879,635 Units will be subscribed for under the rights offering, comprised of up to 23,879,635 common shares and up to 11,939,817 warrants. The Company will raise gross proceeds of up to \$1,432,778 pursuant to the sale of units under the rights offering and up to an additional \$1,193,982 pursuant to the exercise of warrants under the rights Offering. CBi2 will use the proceeds of the Rights Offering to execute on its cannabis-focused investment strategy and for working capital and general corporate purposes.

On April 19, 2018, the Company announced the strategic alliance with PhytoTech Limited ("MMJ"). MMJ is an Australia-based investment company that provides capital and expertise to high growth, early-stage companies in the global cannabis industry. Pursuant to the alliance, the Company and MMJ will share information and collaborate with each other on co-investment opportunities.

On March 27, 2018, Target announced it had launched Industrial Lifestyle Properties Real Estate Investment Trust ("iLP"). iLP's business strategy will be to focus on the acquisition, development, ownership and management of specialized cultivation facilities, industrial properties and real estate for

the legal cannabis industry. Target plans to provide iLP with up to \$1.0 million of capital through an equity commitment and iLP will use the proceeds to make strategic deposits on property acquisitions and for working capital and general corporate purposes. iLP has yet to be formed and Target has not provided iLP with any capital to date.

Subsequent to the year-end, Target completed its previously announced rights offering and issued a total of 10,437,715 units at a price of \$0.06 per unit for gross proceeds of \$626,265. Each unit consisted of one common share and one half of one common share purchase warrant that entitles the holder to purchase one common share at a price of \$0.10 unit June 27, 2023.

Subsequent to year year-end, Target made the following strategic investments:

- I. JAEB Designs Inc. - a private, Boulder-based engineering company that designs and manufactures cannabis accessories including its debut product the PenSimple cannabis grinder. Target made an initial US\$90,000 investment into the company and has the right to invest a further US\$410,000 over the next 18-24 months if certain operational and financial milestones are achieved.
- II. ICE Cannabis Holdings - a private, Calgary-based cannabis lifestyle and apparel start-up. Target recently made a \$60,000 equity investment into the company.
- III. Solo Growth Corp. - a TSXV-listed, Calgary-based cannabis retail company. The company recently completed a \$26.4 mm equity financing and management recapitalization of TSXV-listed Aldershot Resources Ltd. (ALZ-TSXV). Target made a \$250,000 equity investment and holds 5,000,000 common shares of the company.

On July 23, 2018, Target announced a series of transformational transactions that will ultimately result in the creation of LivWell International Corp. (“LivWell International”) through a business combination involving Target and 51st Parallel Inc. (51st Parallel). LivWell International will be a CSE and TSXV-listed, Calgary-based, vertically integrated cannabis company focused on cultivation, processing and extraction, retail operations, and the execution of an aggressive cannabis-brand acquisition, licensing and development strategy. Concurrent with the creation of LivWell International, the following transactions are expected to be completed: (i) a strategic US\$20.0 million equity investment by 51st Parallel in GCH, Inc. (“GCH”) a Denver-based cannabis brand holding company; (ii) the acquisition by 51st Parallel of the exclusive Canadian licensing rights to GCH’s flagship brands, WILLIE’S RESERVETM and WILLIE’S REMEDYTM, along with GCH’s complete current and future brand portfolio; and (iii) a concurrent \$50.0 million subscription receipt financing completed in 51st Parallel.