

TARGET CAPITAL INC.

**Consolidated Financial Statements
For the years ended March 31, 2018 and 2017**



July 27, 2018

Independent Auditor's Report

**To the shareholders of
Target Capital Inc.**

We have audited the accompanying consolidated financial statements of Target Capital Inc, and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2018 and the consolidated statements of operations, comprehensive (loss), changes in equity, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Target Capital Inc. as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Restated Comparative Information

The consolidated financial statements of Target Capital Inc., and its subsidiaries for the year ended March 31, 2017 (prior to the restatement of the comparative information described in Note 15 to the consolidated financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on June 20, 2017.

As part of our audit of the consolidated financial statements of Target Capital Inc. for the year ended March 31, 2018, we also audited the adjustments described in Note 15 that were applied to restate the financial statements for the year ended March 31, 2017. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of Target Capital Inc. for the year ended March 31, 2017 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended March 31, 2017 taken as a whole.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

For the years ended March 31, 2018 and 2017

The accompanying financial statements and all of the data included in this annual report have been prepared by and are the responsibility of the Board of Directors and management of Target Capital Inc.

The financial statements have been prepared in accordance with International Financial Reporting Standards as set out in the Handbook of the Chartered Professional Accountants of Canada and reflect management's best estimates and judgments based on currently available information. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the financial statements.

The Board of Directors has reviewed and approved the accompanying financial statements for the year ended March 31, 2018 and March 31, 2017.

The Audit Committee, comprised of non-management directors, acts on behalf of the Board of Directors to ensure that management fulfills its financial reporting and internal control responsibilities. In performing its duties, the Audit Committee acts only in an oversight capacity and necessarily relies on the work and assurances of Target's management.

Target's independent auditor, PricewaterhouseCoopers LLP, has performed an audit on these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada. Their report outlines the scope of their examination and opinion.

Signed Sonny Mottahed

Signed David Cheadle

Sonny Mottahed
Chief Executive Officer
Calgary, Alberta

David Cheadle
Chief Financial Officer

TARGET CAPITAL INC.
Consolidated Statements of Financial Position

| \$ Canadian | Note | March 31, 2018 | March 31, 2017 (Restated Note 15) |
|--|------|---------------------|--------------------------------------|
| Assets | | | |
| <i>Current assets</i> | | | |
| Cash | | \$ 2,196,213 | \$ 316,995 |
| Cash held in trust | | 833,866 | - |
| Accounts receivable | 14 | 289,184 | 312,375 |
| Accounts receivable - related parties | 12 | 242,022 | - |
| Advances receivable | 4 | - | 50,000 |
| Prepaid expenses | | - | 3,011 |
| Total current assets | | 3,561,285 | 682,381 |
| <i>Non-current assets</i> | | | |
| Investments and advances | 4 | - | 75,001 |
| Equipment and leasehold improvements | 5 | - | 15,477 |
| Investment in private companies | 6 | 62,932 | 64,190 |
| Shareholder agreements | 7 | 13,388 | 24,344 |
| Total non-current assets | | 76,320 | 179,012 |
| Total assets | | \$ 3,637,605 | \$ 861,393 |
| Liabilities and Equity | | | |
| <i>Current liabilities</i> | | | |
| Accounts payable and accrued liabilities | 14 | \$ 91,068 | \$ 88,252 |
| Due to related parties | 12 | 14,004 | - |
| Interest payable | | - | 1,505 |
| Income tax payable | 10 | - | 43,056 |
| Total current liabilities | | 105,072 | 132,813 |
| <i>Non-current liabilities</i> | | | |
| Long-term bonds | 8 | 40 | 1,349,769 |
| Total non-current liabilities | | 40 | 1,349,769 |
| Total liabilities | | 105,112 | 1,482,582 |
| <i>Equity (Deficiency)</i> | | | |
| Warrants | 11 | 1,659,646 | - |
| Contributed surplus | 11 | 2,310,260 | - |
| Share capital | 11 | 4,617,344 | 1,132,710 |
| Other components of equity | | 165,093 | 165,093 |
| Deficit | | (5,219,755) | (1,918,897) |
| Total equity (deficiency) to holders of the Company | | 3,532,588 | (621,094) |
| Non-controlling interest | | (95) | (95) |
| Total equity (deficiency) | | 3,532,493 | (621,189) |
| Total liabilities and equity | | \$ 3,637,605 | \$ 861,393 |

TARGET CAPITAL INC.
Consolidated Statements of Operations

| \$ Canadian | Note | <i>Twelve months ended</i> | |
|--|-----------|----------------------------|--------------------------------------|
| | | March 31, 2018 | March 31, 2017 (Restated Note 15) |
| Revenue | | | |
| Private company investment fees | | \$ 680,926 | \$ 722,157 |
| Dividends | | - | 129,168 |
| Interest | | 23,429 | 14,385 |
| Total revenue | | 704,355 | 865,710 |
| Expenses | | | |
| General and administration | | 123,375 | 68,912 |
| Salaries and wages | | 261,390 | 123,190 |
| Management share-based compensation | 11 | 2,310,260 | - |
| Bad debts | | 155,269 | 26,050 |
| Interest on bonds | | 473,388 | 342,791 |
| Professional fees | | 393,616 | 49,111 |
| Royalties | | 61,139 | 47,828 |
| Directors' fees | | 31,151 | 43,126 |
| Amortization | 5 | 13,779 | 29,087 |
| Rent | | 45,457 | 30,337 |
| Amortization of shareholders agreement | 7 | 10,956 | 14,608 |
| Operating expenses | | 3,879,780 | 775,040 |
| Operating (loss) income | | (3,175,425) | 90,670 |
| Other Income (expense) | | | |
| Impairment loss | 9 | (125,433) | (1,685,326) |
| Settlement of bonds | | - | 922,941 |
| Total Other expense | | (125,433) | (762,385) |
| Net earnings (loss) before income taxes | | (3,300,858) | (671,715) |
| Current income taxes | 10 | - | 6,192 |
| Net earnings (loss) | | \$ (3,300,858) | \$ (677,907) |
| Earnings (loss) attributable to: | | | |
| Owners of the Company | | \$ (3,300,858) | \$ (616,848) |
| Non-controlling interest | | - | (61,059) |
| | | \$ (3,300,858) | \$ (677,907) |
| Basic net loss per share | 11 | \$ (0.11) | (0.16) |

TARGET CAPITAL INC.
Consolidated Statements of Comprehensive Income (Loss)

| \$ Canadian | Note | <i>Twelve months ended</i> | |
|--|------|----------------------------|--------------------------------------|
| | | March 31, 2018 | March 31, 2017 (Restated Note 15) |
| Net earnings (loss) | | \$ (3,300,858) | \$ (677,907) |
| Other comprehensive income (loss) | | | |
| Revaluation of marketable securities | | - | (270,150) |
| Deferred income tax effect | | - | 63,816 |
| Income tax expense effect | | - | (32,328) |
| | | - | (238,662) |
| Total comprehensive income (loss) | | \$ (3,300,858) | \$ (916,569) |
| Earnings (loss) attributable to: | | | |
| Owners of the Company | | \$ (3,300,763) | \$ (855,510) |
| Non-controlling interest | | (95) | (61,059) |
| | | \$ (3,300,858) | \$ (916,569) |

TARGET CAPITAL INC.
Consolidated Statements of Changes in Equity

March 31, 2017
(Restated Note 15)

| \$ Canadian | Share capital | Accumulated other comprehensive income | Warrants | Contributed Surplus | Deficit (restated) | Non- controlling Interest | Total equity |
|--|---------------|--|----------|------------------------|-----------------------|---------------------------------|--------------|
| Balance, March 31, 2016 | \$ 1,132,710 | \$ 403,755 | \$ - | \$ - | \$ (1,258,993) | \$ 67,532 | \$ 345,004 |
| Net earnings (loss) | - | - | - | - | (616,848) | (61,059) | (677,907) |
| Adjustment to RDTOH | - | - | - | - | (43,056) | | (43,056) |
| Revaluation of marketable securities | - | (206,334) | - | - | - | | (206,334) |
| Income tax on gain on sale of securities | - | (32,328) | - | - | - | | (32,328) |
| Decrease in partner investment | - | - | - | - | - | (6,568) | (6,568) |
| Balance, March 31, 2017 | \$ 1,132,710 | \$ 165,093 | \$ - | \$ - | \$ (1,918,897) | \$ (95) | \$ (621,189) |

March 31, 2018

| \$ Canadian | Share capital | Accumulated other comprehensive income | Warrants | Contributed Surplus | Deficit | Non- controlling Interest | Total equity |
|--------------------------|---------------|--|--------------|------------------------|----------------|---------------------------------|--------------|
| Balance, March 31, 2017 | \$ 1,132,710 | \$ 165,093 | \$ - | \$ - | \$ (1,918,897) | \$ (95) | \$ (621,991) |
| Net earnings (loss) | - | - | - | - | (3,300,858) | | (3,300,858) |
| Shares issued | 3,484,634 | - | (13,028) | - | - | | 3,471,606 |
| Warrants issued | - | - | 1,672,674 | - | - | | 1,672,674 |
| Share-based compensation | - | | | 2,310,260 | | | 2,310,260 |
| Balance, March 31, 2018 | \$4,617,344 | \$ 165,093 | \$ 1,659,646 | \$ 2,310,260 | \$ (5,219,755) | \$ (95) | \$ 3,532,493 |

TARGET CAPITAL INC.
Consolidated Statements of Cash Flows

| \$ Canadian | Note | <i>Twelve months ended</i> | |
|--|------|----------------------------|--------------------------------------|
| | | March 31, 2018 | March 31, 2017 (restated Note 15) |
| Cash flows from (used in) operating activities: | | | |
| Net earnings (loss) | | \$ (3,300,858) | \$ (677,907) |
| Items not affecting cash: | | | |
| Amortization of equipment and leasehold improvements | 5 | 13,779 | 29,087 |
| Amortization of intangible assets | 7 | 10,956 | 14,608 |
| Amortization of discount on bonds | | 421,446 | |
| Deferred income taxes | 10 | - | 47,140 |
| Impairment loss | | 125,433 | 1,685,326 |
| Management share-based compensation | 11 | 2,310,260 | - |
| Settlement on bond exchange | 8 | - | (421,406) |
| Gain on sale | | - | 11,028 |
| Refundable dividend tax on hand | | - | (43,056) |
| Net changes in non-cash working capital balances | | (243,560) | (18,991) |
| Net cash from (used in) operating activities | | (662,976) | 614,802 |
| Investing activities | | | |
| Sale of marketable securities and investments | | - | 2,048,800 |
| Sale of property | | - | 2,135,000 |
| Additions to property under development | | - | (198,077) |
| Purchase of private companies (net) | 6 | 1,258 | - |
| Disposition (purchase) of equipment | 5 | 1,698 | - |
| Net cash from investing activities | | 2,956 | 3,985,723 |
| Financing activities | | | |
| Payment of mortgage principal | | - | (1,000,000) |
| Net private placement proceeds | | 5,144,280 | - |
| Return of capital paid to non-controlling interest | | - | (6,569) |
| Issuance (repayment) of bonds | 8 | (1,771,175) | (3,346,325) |
| Net cash from (used in) financing activities | | 3,373,104 | (4,352,894) |
| Increase (decrease) in Cash | | 2,713,084 | 247,631 |
| Cash, Beginning of year | | 316,995 | 69,364 |
| Cash, end of period | | \$ 3,030,079 | \$ 316,995 |
| Other information: | | | |
| Dividends received | | \$ - | \$ 129,168 |
| Interest received | | \$ 23,429 | \$ 14,385 |

1. REPORTING ENTITY

Target Capital Inc. (the “Company”, “Corporation”, or “Target”) was incorporated under the Business Corporations Act of Alberta, Canada and is listed on the TSX Venture Exchange and Canadian Securities Exchange under the symbol “TCI”. The Company’s head office is located at Suite 300, 407 3rd street SW in Calgary, Alberta.

The Company has investments in loans receivable and private companies.

The consolidated financial statements of Target Capital Inc. comprise the accounts of the Company and its subsidiary Industrial Avenue Development Corp. (94% owned) (together referred to as the “Company”).

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) as adopted in Canada.

These financial statements have been approved and authorized for issuance by the Board of Directors as of July 27, 2018.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. Prior year comparatives in these consolidated financial statements were restated due to the correction of an error. See note 15.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for cash, marketable securities, investments in private companies and long-term investments, which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(d) Basis of consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Company and its subsidiary (as identified in note 1), after the elimination of intercompany transactions and balances. A subsidiary is defined as an entity whose operations are controlled by the Company. When the Company does not own all of the equity in a subsidiary, the non-controlling interest is disclosed in the Consolidated Statements of Financial Position as non-controlling interest and income (loss) attributable to minority interest holders is disclosed as a separate line item in the Consolidated Statements of Comprehensive Income (Loss). The assets, liabilities, and results of operations of a subsidiary are included in the consolidated financial statements from the date that control commences

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

until the date that control ceases. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(e) Use of judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from these estimates. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying Target's accounting policies, management have made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in these financial statements:

Accounting treatment of private company investments

Target is the majority shareholder in a large number of private companies. Target does not consolidate the financial statements of these companies as Target: does not have control over management actions per the respective Target Management agreement, is not entitled to share in their profits and is required to fund their losses.

Investment fees

Target earns investment fees related to its private company investments. In management's judgment, performance is complete, and the fees are recognized as revenue at the commencement of the contract and the anniversary date thereafter when collection is reasonably assured.

Revenue recognition

The amount of revenue recognized is based on management's judgment that performance of the service occurs immediately at the beginning of the contract and upon the annual renewal date.

Income taxes and deferred income taxes

Accounting for income taxes is a complex process requiring management to interpret frequently changing laws and regulations and make judgments related to the application of tax law, estimate the timing of temporary difference reversals, and estimate the realization of tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations and judgments, and changes related to them, impact current and deferred tax provisions, deferred income tax assets and liabilities and earnings.

The deferred tax amounts recorded are based on estimates of the valuation of capital assets, investments, and property under development. These estimates are also dependent on assumptions regarding future income tax rates and the impact of present or future tax regulations.

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

Accounts receivable & allowance for bad debt

The Company frequently reviews the outstanding accounts receivable balances and determines the collectability. If an account is deemed uncollectible, a provision for bad debt is recorded. The Company also analyzes the provision for bad debts regularly to determine if any of the accounts provided should be written off. These accounts that are deemed uncollectible could materially change because of changes in a customers' financial situations.

Amortization

The useful lives of property, plant and equipment and intangible assets are estimates based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The amortization recorded in these financial statements is based on the value of the underlying assets as of the date of the statements. However, amortization is calculated on an annual basis and subsequent changes to the valuation of the underlying assets could result in a material change to the amount of amortization recorded.

Impairment

An impairment test is performed by comparing the carrying amount of the asset or cash generating unit ("CGU") to its recoverable amount. The recoverable amount is calculated as the higher of an asset's or CGU's fair value less costs to sell and its value in use. Value in use is calculated based upon a discounted cash flow analysis, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates and future growth rates.

Advances recoverability

Management has determined that all its advances outstanding are fully recoverable. This estimate is based on management's assessment of the financial situation of each individual borrower.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are based on the accounting policies consistent with those disclosed in this note. There have been no changes to the Corporation's significant accounting policies from those disclosed in the 2017 consolidated annual financial statements.

(a) Future accounting policy changes

(i) IFRS 15 – Revenue from contracts with customers

In May 2014, the IASB published IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), replacing IAS 11, "Construction Contracts" and IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective

TARGET CAPITAL INC.
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for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. IFRS 15 may have a material impact on the timing and recognition on fees relating to private companies. Target is currently evaluating the impact of adopting IFRS 15 on the financial statements.

(ii) IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 "Leases," which replaces IAS 17 "Leases." For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers." Target is currently evaluating the impact of adopting IFRS 16 on the financial statements.

(b) Cash and cash equivalents

The Company considers all investments with maturities of three months or less to be cash equivalents. Cash held in trust has no restrictions.

(c) Marketable securities

Marketable securities are designated as financial assets at fair value through comprehensive income. Fair value is determined directly by reference to published price quotations in an active market. The securities are marked to fair value at the end of each reporting year using the current bid price, or the most recent trade price if there is no current bid; any changes in fair value are recorded in other comprehensive income.

(d) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost less accumulated amortization and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment and leasehold improvements is capitalized as part of that equipment.

When parts of an item of equipment and leasehold improvements have different useful lives, they are accounted for as separate items.

The cost of replacing a component of an item is recognized in the carrying amount of the item if it is probable that there is future economic benefit and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of day-to-day servicing of equipment and leasehold improvements are recognized in profit or loss as incurred.

The gain or loss on disposition of an item of equipment and leasehold improvements is determined by comparing the proceeds from disposal with the carrying amount of the equipment and leasehold improvements and is recognized on a net basis within other income/expenses in profit or loss.

Amortization is based on the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of each component of an item. Leased assets are amortized over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

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The estimated useful lives for the current and comparative years are as follows:

| | |
|------------------------|---------|
| Office equipment | 3 years |
| Leasehold improvements | 5 years |

(e) Investments in private companies

The Company relies on the guidance provided in IFRS 10, Consolidated financial statements, IFRS 12, Disclosure of interest in other entities in accounting for its investments and IFRS 13, Fair value measurement.

IFRS 10 provides a different definition of control for consolidation purposes than the typical definition used in determining legal control. Legal control is presumed to exist when an entity holds more than 50% of the voting shares in a corporation, as an entity then has the power to govern, or control, the corporation. However, IFRS 10 lays out three specific requirements that must be met for control to exist:

- a) power over the investee;
- b) exposure, or rights, to variable returns from its involvement with the investee; and
- c) the ability to use its power over the investee to affect the amount of the investor's returns.

While the Company holds majority ownership in most of its investments and can elect the Board of Directors and exert legal control over the entities, it has entered into agreements with each entity imposing long-term restrictions on the Company's ability to obtain future economic benefits from its interest in those entities. Therefore, while Target legally controls these entities through its shareholdings, the investments do not meet the requirements of control under IFRS 10 due to the inability of the Company to use its control to affect the amount of its returns. The Company had no rights to receive any residual returns or any obligations to absorb losses of these private companies.

As the Company's investments do not meet all of the IFRS 10 criteria for consolidation, the Company does not consolidate these investments for reporting purposes. The Company classifies its investments in private companies as fair value through profit and loss. Therefore, gains or losses arising from changes in the fair value of the investments at fair value through profit or loss is presented in the income statement – 'net' in the period in which they arise.

(f) Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to 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. Current tax payable also includes any tax payable arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred

TARGET CAPITAL INC.
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tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Financial Instruments

Financial instruments are classified into one of five categories:

- (i) financial assets at amortized cost;
- (ii) financial assets at fair value through comprehensive income;
- (iii) financial assets at fair value through profit or loss;
- (iv) financial liabilities at amortized cost; or,
- (v) 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 collect contractual cash flows and if the cash flows are solely payments of principal and interest on the principal amount. 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 accounts receivable and related party advances.

Financial assets at fair value through comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through 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 comprehensive income are initially measured at fair value and changes therein are recognized in comprehensive income.

Financial assets at fair value through comprehensive income are comprised of marketable securities and long-term investments.

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 initially measured at fair value and changes therein are recognized in profit or loss.

Financial assets at fair value through profit or loss are comprised of cash and cash equivalents.

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

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, interest payable, bank indebtedness, mortgage, short term and long term bonds.

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. Financial liabilities 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 Company does not currently hold any financial liabilities at fair value through profit or loss.

(h) Impairment

The carrying amounts of the Company's equipment and leasehold improvements, accounts receivable, related party advances, and shareholder and royalty agreements are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value, less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be individually tested are grouped together into the smallest group of assets that generates cash inflows or CGUs.

The Company's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

(i) Revenue recognition

Private company fee revenue relates to fees paid to Target by the private companies that it has invested in. The Company has achieved performance by investing in the equity of the private companies, which is when the risks and rewards are transferred to the customer and collection is reasonably assured which is at the beginning of the contract or thereafter on the anniversary date.

Interest is recognized in the month it accrues under the terms of the notes receivable when collection

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is reasonably assured.

Dividends are recorded when declared.

(j) Earnings per share

The calculation of basic earnings per share is based on net earnings divided by the weighted average number of common shares outstanding.

The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the year.

(k) Foreign exchange

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on the retranslation are recognized in profit or loss.

(l) Share-based compensation

Equity-settled share-based compensation to officers and directors are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed. The exercise price is based on the weighted average of the common shares. Equity-settled share-based transactions with parties other than employees are measured at the fair value of the equity instrument granted.

The Company has no cash-settled share-based payments.

4. INVESTMENTS AND ADVANCES

| | March 31, 2018 | March 31, 2017 |
|--|----------------|-------------------|
| Short-Term | | |
| Advances Repayable by OrganicKidz Inc. ("OKI") | \$ - | \$ 50,000 |
| | - | 50,000 |
| Long-Term | | |
| Investment in Organickidz Inc. | - | 1 |
| Advances to Organickidz Inc. | - | 75,000 |
| | - | 75,001 |
| Total Investments and Advances | \$ - | \$ 125,001 |

In 2017, Target's investment in OKI of \$1 represented a 33% equity interest. Target had significant influence in OKI and therefore accounted for its investment in OKI using the equity method. At this time, OKI had a deficit and therefore the amount recognized was Target's original investment of \$1.

The loan to OrganicKidz Inc. bore interest at 10% and was secured against the assets of OKI. The loan was a term loan with \$25,000 due March 31 and September 30 each year, with the final payment due September

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30, 2019; however, the Company had agreed to defer principal payments.

As at March 31, 2018, OKI has not been making contractual payments and due to company's failure to engage in repayment negotiations, management has no expectation of recovery of the loan. A provision for the full outstanding loan balance has been recorded in 2018.

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

| | March 31, 2018 | | | |
|---------------------------------|---------------------|-----------------------|---------------------------|-----------------|
| | Office equipment | Computer equipment | Leasehold improvements | Total |
| Cost | | | | |
| At beginning of fiscal period | 78,855 | 13,600 | 134,702 | 227,158 |
| Disposals | - | (13,600) | - | (13,600) |
| At end of fiscal period | 78,855 | - | 134,702 | 213,557 |
| Accumulated amortization | | | | |
| At beginning of period | 78,855 | 11,394 | 121,430 | 211,679 |
| Amortization | - | 507 | 13,272 | 13,779 |
| Disposals | - | (11,901) | - | (11,901) |
| At end of fiscal period | 78,855 | - | 134,702 | 213,557 |
| Closing net book value | \$ - | \$ - | \$ - | \$ - |

| | March 31, 2017 | | | |
|---------------------------------|---------------------|-----------------------|---------------------------|------------------|
| | Office equipment | Computer equipment | Leasehold improvements | Total |
| Cost | | | | |
| At beginning of fiscal year | \$ 78,855 | \$13,600 | \$ 134,702 | \$ 227,157 |
| Additions | - | - | - | - |
| At end of fiscal year | 78,855 | 13,600 | 134,702 | 227,157 |
| Accumulated amortization | | | | |
| At beginning of fiscal year | 77,039 | 11,063 | 94,490 | 182,592 |
| Amortization | 1,816 | 331 | 26,940 | 29,087 |
| At end of fiscal year | 78,855 | 11,394 | 121,430 | 211,679 |
| Closing net book value | \$ - | \$2,206 | \$ 13,272 | \$ 15,478 |

Amounts in the tables above may not properly add due to rounding differences

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6. INVESTMENT IN PRIVATE COMPANIES

| | March 31, 2018 | March 31, 2017 |
|---|----------------|----------------|
| Private company securities | | |
| Private company securities, beginning of year | \$ 64,190 | \$ 64,190 |
| Purchase of private company securities | 540 | 660 |
| Sale of private company securities | (1,798) | (660) |
| Private company securities, end of period | \$ 62,932 | \$ 64,190 |

Target has purchased a majority of the voting shares in 184 private companies (March 31, 2017 - 178). Target's maximum exposure to losses is limited to its initial investment in each private company. Total exposure amounts to \$62,932 (March 31, 2017 - \$64,190).

7. SHAREHOLDER AGREEMENTS

| | March 31, 2018 | March 31, 2017 |
|---|------------------|------------------|
| Balance as at beginning of fiscal year | \$ 24,344 | \$ 38,952 |
| Additions – purchase of asset | - | - |
| Deductions - amortization | (10,956) | (14,608) |
| Balance as at end of fiscal year | \$ 13,388 | \$ 24,344 |

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. The asset purchase was accounted for by allocating \$31,180 to private companies and the remaining \$43,820 to shareholder and royalty agreements, an intangible asset. The shareholder and royalty agreements are being amortized on a straight-line basis over 3 years.

8. BONDS

| | March 31, 2018 | March 31, 2017 |
|--|----------------|---------------------|
| The bonds bear interest at Canadian Imperial Bank of Commerce prime plus 1.25%, with no maturity date. | \$ - | \$ 1,771,175 |
| Total bonds payable | \$ - | \$ 1,771,175 |
| Premium (discount) | 40 | (421,406) |
| Total discounted bonds payable | \$ 40 | \$ 1,349,769 |

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 will be partially redeemed when the Corporation has a cash balance of \$400,000 or more.

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.

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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%. The discount of bonds is amortized over the expected term of the bond, resulting in an increase of the net bond value, shown on the Statement of Financial Position.

As part of the recapitalization, along with the closing of the non-brokered private placement which concurrently occurred on December 19, 2017, the bonds were repaid to all bondholders in full.

| Settlement of bonds | March 31, 2018 | March 31, 2017 |
|----------------------------------|------------------|----------------|
| Bonds paid | 1,771,175 | 922,941 |
| Total settlement of bonds | 1,771,175 | 922,941 |

9. IMPAIRMENTS

Impairment of \$125,001 was made to the loan receivable from and the investment in OrganicKidz Inc., in the twelve months ended March 31, 2018 due to OKI's history of financial difficulties from prior years. Refer to Note 4.

In the comparative period in fiscal year 2017, an impairment of \$1,564,226, was made in relation to property under development. The property was sold in Q4 2017.

10. INCOME TAXES

The income tax expense (recovery) differs from the amount that would have resulted from applying the statutory income tax rate to income before income tax expense as follows:

| | March 31, 2018 | March 31, 2017 |
|---|-----------------------|---------------------|
| Income (loss) before income tax | \$ (3,300,858) | \$ (671,715) |
| Statutory income tax rates | 27% | 27% |
| Estimated income tax expense (recovery) based on statutory rates | (891,232) | (181,363) |
| Effects of: | | |
| Change in unrecognized deferred income tax asset | 267,462 | 338,836 |
| Share-based compensation | 623,770 | - |
| Non-taxable discount on bonds | - | (113,780) |
| Non-taxable dividends | - | (34,875) |
| Permanent difference on taxable capital gains | - | (16,140) |
| Other | - | 13,514 |
| | \$ - | \$ 6,192 |

The applicable statutory tax rate is 27% (2017 - 27%). The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates.

TARGET CAPITAL INC.
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Cash income taxes recovered in 2018 by the Corporation were \$NIL (2017 – \$nil).

Deferred Income Tax

The components of the deferred tax balances are as follows:

| | March 31, 2018 | March 31, 2017 |
|--|------------------|----------------|
| Deferred income taxes (liability)/asset: | | |
| Non-capital loss carry forwards | \$ 969,190 | \$ 700,769 |
| Cumulative eligible capital available for tax purposes | 33,535 | 32,533 |
| Carrying amount of equipment and leaseholds lower than tax basis | 13,828 | 13,106 |
| Deferred income tax asset | 1,016,552 | 746,408 |
| Unrecognized deferred income tax asset | (1,016,553) | (746,408) |
| Net deferred income tax asset | \$ - | \$ - |

Target has \$3,589,594 (2017 - \$2,680,115) of unused tax losses expiring between 2036 and 2037. Deferred income tax assets have not been recognized as realization of the asset is not probable.

11. SHARE CAPITAL & EARNINGS PER SHARE

Authorized

Unlimited number of common voting shares

| Issued common shares | Amount | Number |
|-----------------------------|---------------|---------------|
| Balance at March 31, 2017 | \$ 1,132,710 | 3,851,863 |
| Common shares issued | 3,484,634 | 37,106,654 |
| Warrants issued | 1,659,646 | 54,700,021 |
| Balance at March 31, 2018 | \$ 6,276,990 | 95,568,538 |

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 additional one half of one warrant received by the New Management team totaling 8,666,667 warrants were considered share-based compensation.

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Earnings per share are calculated using the weighted average number of shares outstanding during the year.

| | 2018 | | | Period ended March 31, 2017 (Restated) | | |
|---------------|---|---|---------------------------------|---|---|---------------------------------|
| | Net earnings (loss) attributable to owners of the Company | Weighted average common shares | Earnings (loss) per share | Net earnings (loss) attributable to owners of the Company | Weighted average common shares | Earnings (loss) per share |
| Basic/Diluted | \$(3,300,763) | 29,608,093 | \$ (0.11) | \$(616,848) | 3,851,863 | \$ (0.16) |

Warrants

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

| | Number of Warrants | Weighted Average Exercise Price |
|---------------------------|--------------------|---------------------------------|
| Balance at March 31, 2017 | - | \$ - |
| Issued | 54,700,021 | 0.10 |
| Balance at March 31, 2018 | 54,700,021 | \$ 0.10 |

The share purchase warrants outstanding and exercisable at March 31, 2018 are:

| Number of warrants | Exercise price | Expiry date |
|-----------------------|----------------|-------------------|
| 54,700,021 | \$ 0.10 | December 15, 2022 |
| 54,700,021 | | |

The warrants issued to management through the private placement outstanding at March 31, 2018 are presented below.

| | April 1, 2017 to March 31, 2018 | |
|---|---------------------------------|-------------------------------------|
| | Number of shares | Average exercise price per share |
| Shares - beginning of year | - | - |
| Granted | 8,666,667 | 0.10 |
| Exercised | (50,000) | 0.10 |
| Forfeited | - | - |
| Shares - end of year | 8,616,667 | 0.10 |
| Exercisable shares - end of year | 8,616,667 | 0.10 |

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| Exercise prices | Number of Shares | Weighted average remaining contractual life (years) | Weighted average exercise price per share \$ |
|---------------------------------|------------------|---|--|
| \$0.10 | 8,616,667 | 4.70 | 0.10 |
| Shares at March 31, 2018 | 8,616,667 | 4.70 | 0.10 |

Share based compensation expenses included in income statement for the year ended March 31, 2018 were \$2,310,260 (2016 – \$nil).

The following table lists the inputs to the Black-Scholes valuation models used for the shares granted during the years ended March 31, 2018 and 2017:

| | 2018 | 2017 |
|--------------------------------|--------|------|
| Share price at grant date (\$) | \$0.54 | - |
| Volatility (%) | 150% | - |
| Expected annual life (Years) | 5.00 | - |
| Annual risk-free rate (%) | 1.75% | - |

The expected life of the award is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility of the daily share prices of similar companies over the past three years is indicative of future trends, which may not necessarily be the actual outcome.

12. RELATED PARTY TRANSACTIONS

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

51st Parallel Inc.
 Bearspaw Tree Farm Inc., Common management
 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:

| | 31-Mar-18 | 31-Mar-17 |
|----------------|-----------|-----------|
| Revenue | | |

TARGET CAPITAL INC.
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| | | |
|---------------------------------|------------------|-----------|
| Private company investment fees | | |
| Private companies | \$674,476 | \$714,410 |
| Exempt Experts Inc. | 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 Inc. | - | 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 |
| 51st 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 |

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\$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 |

Management fees paid to the CEO, are included in the professional fees. These fees were paid for the professional services provided by the CEO for recapitalization of the Company.

13. 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.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments consist of items that will result in future cash receipts, such as: recorded amounts of accounts receivable, marketable securities, related party loans and long-term investments. They also include items that will result in future cash outlays, including: bank indebtedness, accounts payable, accrued liabilities and interest payable.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework. The Board of Directors reviews, with management, the risks faced by the Company and the systems that have been put in place to manage these risks.

The Company is exposed to the following risks in respect of certain of the financial instruments held:

(a) 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;

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- The Company does not require collateral with respect to accounts receivable. 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 and 61%). Management believes all amounts, net of the allowances made, are collectable. The accounts receivable presented below include amounts due from related parties.

| | March 31, 2018 | March 31, 2017 |
|---------------------------------------|-------------------|----------------|
| Current | \$ 215,669 | \$ 96,647 |
| 31 to 60 days past due | 140,816 | 24,461 |
| 61 to 90 days past due | 61,262 | 42,083 |
| 91 days or more past due | 242,990 | 257,687 |
| | 660,737 | 420,878 |
| Less: Allowance for doubtful accounts | (129,531) | (108,503) |
| | \$ 531,206 | \$ 312,375 |

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, accounts receivables have been grouped based on the days past due.

On that basis, the loss allowance was determined as follows; the expected credit losses below also incorporate forward looking information:

| March 31, 2018 | Current | 31-60 days | 61-90 days | 91+ days | Total |
|-----------------------|----------------|-------------------|-------------------|-----------------|--------------|
| Expected loss rate | 1% | 2% | 5% | 50% | |
| Gross carrying amount | 215,669 | 140,816 | 61,262 | 242,990 | 660,737 |
| Loss allowance | 2,157 | 2,816 | 3,063 | 121,495 | 129,531 |
| March 31, 2017 | Current | 31-60 days | 61-90 days | 91+ days | Total |
| Expected loss rate | 1% | 2% | 5% | 41% | |
| Gross carrying amount | 96,647 | 24,461 | 42,083 | 257,687 | 420,878 |
| Loss allowance | 966 | 489 | 2,104 | 104,944 | 108,503 |

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Accounts payable are due within 30 days.

The Company has sufficient cash facilities and marketable securities to pay all amounts due within the next year.

| | Carrying Amount | 6 Months or Less | 6 to 12 Months | 12 Months or More |
|--|-----------------|------------------|----------------|-------------------|
| Accounts payable and accrued liabilities | 91,068 | 91,068 | - | - |

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| | | | | |
|--|-----------|-----------|------|------|
| | \$ 91,068 | \$ 91,068 | \$ - | \$ - |
|--|-----------|-----------|------|------|

(c) Fair value of investments

The Company's carrying value of accounts receivable, advances receivable, bank indebtedness, accounts payable and accrued liabilities and interest payable approximates fair value due to the immediate or short-term maturity of these instruments.

The fair value of the bonds and term loan is not materially different from the carrying value as the majority of the bonds and term loan are at interest rates that are consistent with the current rates offered to the Company for debt with similar terms.

Cash, long-term investments are recorded at fair value.

The Company's fair value hierarchy comprises the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash (level 2) and investments in private companies (level 3) are recorded at fair value. There were no transfers from and to level 3 instruments during the year.

The fair values of long-term investments in private companies were determined using level 2 or 3 inputs.

(d) Capital risk management

Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns and benefits to shareholders and to maintain an optimal capital structure to reduce the cost of capital and to meet minimum liquidity requirements. In order to maintain or adjust the capital structure, the Company may adjust the amount of capital returned to shareholders, issue new shares or debt, repurchase shares or sell assets.

15. 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 |

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| | |
|--|-----------------|
| AOCI, as previously reported | \$ - |
| Reclassification of gain on sale of marketable securities | 197,421 |
| Income tax effect | (32,328) |
| AOCI, as restated | 165,093 |

The net impact on total equity is \$nil.

| | |
|---|-------------------|
| 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 the Statement of other comprehensive income | March 31, 2017 |
| OCI, as previously reported | \$ (719,950) |
| Reclassification of gain on sale of securities | 196,619 |
| OCI, as restated | (916,569) |

| | |
|--|----------------|
| 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) |

The change had an impact on the presentation of the Company's operating cash flow.

16. SUBSEQUENT EVENTS

On April 10, 2018, the Company announced May 28, 2018 as the record date for its previously announced rights offering relating to the 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. Target 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.

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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.