

TARGET CAPITAL INC.

**Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)**

Independent Auditor's Report

To the Shareholders of Target Capital Inc.:

Opinion

We have audited the consolidated financial statements of Target Capital Inc. and its subsidiary (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Matter

The consolidated financial statements of the Company for the year ended March 31, 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on July 27, 2018.

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Calgary, Alberta

July 29, 2019

MNP **LLP**
Chartered Professional Accountants

MNP

TARGET CAPITAL INC.

Consolidated Statements of Financial Position

As at March 31

(In Canadian dollars)

	Notes	2019	2018
ASSETS			
Current assets			
Cash		\$2,767,824	\$2,196,213
Cash in trust	4	-	833,866
Accounts receivable	17	252,392	289,184
Accounts receivable – related party	7	-	242,022
Convertible note receivable	16	117,513	-
Prepaid expenses		3,392	-
Total current assets		3,141,121	3,561,285
Non-current assets			
Investments in private companies	9	16,032	62,932
Other investments	10	325,000	-
Intangible asset	8	-	13,388
Equipment and leasehold improvements	5	6,549	-
Total non-current assets		347,581	76,320
Total assets		\$3,488,702	\$3,637,605
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 115,194	\$ 91,108
Due to related parties	7	-	14,004
Total current liabilities		115,194	105,112
Total liabilities		115,194	105,112
Equity			
Share capital	11	5,130,024	4,617,344
Warrants	11	1,844,165	1,659,646
Contributed surplus	13	2,310,260	2,310,260
Accumulated other comprehensive income		240,093	165,093
Accumulated deficit		(6,150,939)	(5,219,755)
Equity attributable to owners of the Company		3,373,603	3,532,588
Non-controlling interest		(95)	(95)
Total equity		3,373,208	3,532,493
Total liabilities and equity		\$3,488,702	\$3,637,605

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

TARGET CAPITAL INC.

Consolidated Statements of Operations

For the years ended December 31

(In Canadian dollars)

	Notes	2019	2018
Revenue			
Private company investment fees		\$ 593,076	\$ 680,926
Interest		-	23,429
Total revenue		593,076	704,355
Expenses:			
Bad debt expense – write off	17	289,837	134,231
Business development expense		78,747	-
Depreciation	5	1,573	13,799
Depreciation of intangible asset	8	13,388	10,956
Directors' fees		-	31,151
General and administration		186,049	123,365
Interest on bonds		-	473,388
Professional fees		178,029	393,616
Provision for expected credit losses	17	51,417	21,028
Rent payments		62,848	45,457
Royalties		23,313	61,139
Salaries and related costs including payments to consultants		532,159	261,390
Share based compensation	13	-	2,310,260
Loss from operations		(824,284)	(3,175,425)
Provision for impairment	9, 10	(106,900)	(125,433)
Net loss before income tax		(931,184)	(3,300,858)
Income tax expense	14	-	-
Loss for the year		\$(931,184)	\$(3,300,858)
Other comprehensive income:			
Unrealized gain on other investments	10	75,000	-
Total loss and other comprehensive income for the year		\$(856,184)	\$(3,300,858)
Net loss and comprehensive loss attributable to:			
Owners of the Company		\$(856,184)	\$(3,300,858)
Non-controlling interest		-	-
		\$(856,184)	\$(3,300,858)
Loss per share			
Basic and diluted loss per share	12	\$ (0.01)	\$ (0.11)

The above consolidated statements of operations should be read in conjunction with the accompanying notes.

TARGET CAPITAL INC.

Consolidated Statements of Changes in Equity

For the years ended March 31

(In Canadian dollars)

	Notes	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Non-controlling interest	Total equity
Balance as at March 31, 2017		\$1,132,710	\$ -	\$ -	\$165,093	\$(1,918,897)	\$ (95)	\$ (621,189)
Issuance of common shares	11	3,477,956	-	-	-	-	-	3,477,956
Issuance of warrants	11	-	1,661,323	-	-	-	-	1,661,323
Warrants exercised		6,678	(1,677)	-	-	-	-	5,001
Share-based compensation	13	-	-	2,310,260	-	-	-	2,310,260
Loss for the year		-	-	-	-	(3,300,858)	-	(3,300,858)
Balance as at March 31, 2018		\$4,617,344	\$1,659,646	\$2,310,260	\$165,093	\$(5,219,755)	\$ (95)	\$3,532,493
Balance as at March 31, 2018		\$4,617,344	\$1,659,646	\$2,310,260	\$165,093	\$(5,219,755)	\$ (95)	\$3,532,493
Issuance of shares	11	420,220	-	-	-	-	-	420,220
Issuance of warrants	11	-	206,042	-	-	-	-	206,042
Warrants exercised	11	92,460	(21,523)	-	-	-	-	70,937
Other comprehensive income	10	-	-	-	75,000	-	-	75,000
Loss for the year		-	-	-	-	(931,184)	-	(931,184)
Balance as at March 31, 2019		\$5,130,024	\$1,844,165	\$2,310,260	\$240,093	\$(6,150,939)	\$ (95)	\$3,373,508

The above consolidated statements of changes in shareholders' equity should be read in conjunction with the accompanying notes.

TARGET CAPITAL INC.

Consolidated Statements of Cash Flow

For the years ended December 31

(In Canadian dollars)

	Notes	2019	2018
Cash used in operating activities			
Net loss for the year		\$(931,184)	\$(3,300,858)
Adjusted for the following:			
Share-based compensation		-	2,310,260
Depreciation of equipment and leasehold improvements	5	1,573	13,779
Amortization of intangible asset - shareholders agreement	8	13,388	10,956
Depreciation on discount on bonds	17	-	421,446
Provision for impairment	9, 10	106,900	125,433
Change in non-cash working capital	15	167,991	(243,993)
Cash used in operating activities		(641,332)	(662,977)
Cash proceeds from financing activities			
Proceeds from private placements net of issuance cost	11	626,262	5,144,280
Warrants exercised	11	70,937	-
Repayment of bonds	17	-	(1,771,175)
Cash provided by financing activities		697,199	3,373,105
Cash proceeds used in investing activities			
Acquisition of investments in private companies		-	1,258
Acquisition of other investments	10	(310,000)	-
Convertible note receivable	16	(117,513)	-
Purchase of equipment and leasehold improvements	5	(8,122)	-
Sale of equipment and leasehold improvements	5	-	1,698
Cash (used in) provided by investing activities		(435,635)	2,956
(Decrease) increase in cash		(262,255)	2,713,084
Cash and cash equivalents, at beginning of year		3,030,079	316,995
Cash and cash equivalents, at end of year		\$2,767,824	\$3,030,079

The above consolidated statements of cash flow should be read in conjunction with the accompanying notes.

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

1. REPORTING ENTITY

Target Capital Inc. (the “Company” 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 4300, 888 – 3rd Street SW in Calgary, Alberta.

The consolidated financial statements of Target Capital Inc. comprise the accounts of the Company and its subsidiary Industrial Avenue Development Corp. (95% owned) (together referred to as the “Company”).

Target’s principal activities include the administration and growth of its portfolio of private company investments as well as the continued sourcing and evaluating of strategic alternatives to enhance shareholder value.

Starting in 2009, Target began acquiring controlling interests in private companies. The nature of the Company’s investment in the private companies 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.

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”).

These consolidated financial statements have been approved and authorized for issuance by the Board of Directors as of July 29, 2019.

B) BASIS OF MEASUREMENT

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

C) FUNCTIONAL AND PRESENTATION CURRENCY

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

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

D) USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements in conformity with IFRS 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 during the reporting period.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Amounts reported 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.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. Warrants

The fair value of common share purchase and warrants (the "Warrants") is recognized using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the Warrants, the expected volatility of the Company's shares, the expected life of the Warrants, expected dividends and the risk-free rate of return. The Company estimates volatility based on historical volatilities of its shares. The expected life of the Warrants is based on historical experience and estimates of the holder's behavior. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future.

ii. Determination of fair values of private company investments

The Company is the majority shareholder in a large number of private companies ("Investees"). The Company does not consolidate the financial statements of these Investees as by virtue of its agreements with these Investees ("Investee Agreement") – (see note 3 D)). The Investee Agreement does not permit the Company to sell its investments in Investees and is instead required to return its investments/shares to the treasury of the Investees upon termination of the agreements in return for the original amount paid for by the Company when the investments were acquired. Accordingly, the Company has determined that the fair value of these investments is the original amount paid for by the Company on acquisition. The investments are subjected to an assessment of expected credit losses.

iii. Determination of provision for expected credit losses

The Company's trade and other receivables are typically short-term in nature and the Company recognizes an amount equal to the lifetime ECL based on a probability-weighted matrix. The Company measures loss allowances-based customer-specific factors, historical default rates and forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions. These accounts that are deemed uncollectible could materially change because of changes in a customer's financial situations.

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented in these consolidated financial statements.

A) BASIS OF CONSOLIDATION

The consolidated financial statements include the assets, liabilities, and results of operations of the Company and its subsidiary, after the elimination of intercompany transactions and balances. A subsidiary is defined as an entity that is controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

<u>Subsidiaries</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage ownership</u>
Industrial Avenue Development Corp.	Alberta, Canada	95%

B) CASH AND CASH EQUIVALENTS

Cash includes cash on deposit at banking institutions.

Cash in trust related to proceeds from issuance of share capital and was held in trust by Company's legal counsel as at March 31, 2018. This cash has no restriction.

C) REVENUE RECOGNITION

The Company recognizes investment fee revenue relating to its investments in private companies (see note 3D)) at a point in time when performance obligation is achieved. The performance obligation is achieved upon signing the Investee Agreement and on anniversary of each of the Investee Agreements as on this date, the Company gives the Investees access to capital markets and it is at this time when the investment fees are due and payable by the Investees. Investment fees are not refundable, and an Investee can terminate the agreement at any time by giving the necessary notice to the Company and if the Investee agreement is terminated before the two-year anniversary, the Investee would be required to pay two years of fees in full.

D) 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* to determine its accounting treatment of investments in private companies.

IFRS 10 provides a different definition of control for consolidation purposes that 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 investee;
- b) exposure, or rights, to variable returns from its involvement with the investees; and
- c) the ability to use its power over the investee to affect the amount of the investor's returns.

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

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 through its shareholding. The investments do not meet the requirements or definition 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 has 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 in private companies for reporting purposes. The Company classifies its investments in private companies as fair value through other comprehensive income. Therefore, gain or losses arising from changes in fair value of the investments at fair value is recorded through other comprehensive income.

E) OTHER INVESTMENTS

Other investments include the Company's investments in equity instruments of a publicly listed and two privately held companies. Other investments are designated as financial assets at fair value through other comprehensive income. Such securities are measured at fair market value in the consolidated financial statements with unrealized gains or losses recorded in other comprehensive income. Fair values of Company's investments in publicly held companies are estimated using quoted market prices in active markets, obtained from securities exchanges. For the Company's investments in privately held companies, other measurement techniques are used to determine their fair values. At the time securities are sold or otherwise disposed of, gains or losses are included in net income or loss.

F) EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements are recorded at cost less accumulated depreciation and accumulated 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 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.

Depreciation is calculated on a straight-line basis over the estimated useful life of the equipment and leasehold improvements as follows:

	Depreciation method	Depreciation term
Leasehold improvements	Straight-line	Over the term of the lease
Office equipment	Straight-line	5 years
Computer equipment	Straight-line	3 years

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

An asset's residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted if appropriate. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

G) FINANCIAL INSTRUMENTS

Financial instruments are classified into one of five categories:

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

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

Financial assets at amortized cost

Instruments can only be classified as financial assets at amortized cost if they are held with the objective to 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 cash and cash in trust, accounts receivable including accounts receivable from related parties.

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 subsequent changes therein are recognized in comprehensive income.

Financial assets at fair value through comprehensive income are comprised of investments in private companies and other 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 asset at fair value through profit or loss is the convertible note receivable.

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

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, due to related parties and 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 consolidated financial statements.

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

H) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of Company's equipment and leasehold improvements 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 costs of disposal. 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 CGU. For 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. The Company has one CGU.

Impairment losses are recognized in the consolidated statement of operations. Impairment losses recognized in respect of CGU is allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

I) IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL and FVOCI, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated cash flows of the asset has been affected. For financial assets at amortized cost, the Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to 12 month expected credit losses. For accounts receivable, the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

J) 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 the initial recognition of deferred tax assets or liabilities in a business combination, items recognized directly in equity or in other comprehensive income.

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

K) EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of common shares outstanding during the year.

Diluted income (loss) per share is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of common shares outstanding is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all convertible equity instruments with exercise prices below the average market price for the year.

L) FOREIGN CURRENCY TRANSLATION

Transactions in currencies other than Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated at the end of each reporting period. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

M) SHARE CAPITAL

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

N) SHARE-BASED COMPENSATION

Equity-settled share-based compensation to key management personnel are measured at the fair value of the equity instruments issued at the grant date and recognized in expense over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to contributed surplus. The fair value of the equity instruments issued is determined using the Black-Scholes option pricing model which incorporates all market vesting conditions. The number of equity instruments expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Upon the exercise of equity instruments, consideration received is recorded as share capital and the related share-based compensation is included in contributed surplus.

O) ADOPTION OF NEW ACCOUNTING POLICIES

IFRS 9, Financial instruments

The Company had early adopted IFRS 9 in the prior year effective April 1, 2017. Accordingly, no further discussion is included in these consolidated financial statements again. Accordingly, no further analysis is included in these consolidated financial statements.

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 standard may be applied retrospectively or using a modified retrospective approach.

The Company adopted IFRS 15 from its effective period on April 1, 2018. Management determined that IFRS 15 did not have any material impact on the timing and recognition on fees relating to private companies and as such no adjustment was deemed necessary.

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

P) FUTURE ACCOUNTING PRONOUNCEMENT

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." The Company does not currently have any lease obligations and IFRS 16 is not expected to have any impact on the Company's consolidated financial statements. The Company will adopt IFRS 16 next fiscal year when it becomes effective.

4. CASH

Cash held in trust related to proceeds from issuance of share capital and was held with the Company's legal counsel as at March 31, 2018. This cash had no restriction. The cash held with the Company's legal counsel was received in full in 2019.

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Office equipment	Computer equipment	Leasehold improvements	Total
Costs				
Balance, April 1, 2017	\$78,855	\$13,600	\$134,702	\$227,157
Disposals	-	(13,600)	-	(13,600)
Balance, March 31, 2018	78,855	-	134,702	213,557
Additions	-	8,122	-	8,122
Balance, March 31, 2019	\$78,855	\$8,122	\$134,702	\$221,679
Accumulated depreciation				
Balance, April 1, 2017	\$78,855	\$11,394	\$121,430	\$211,679
Disposals	-	(11,900)	-	(11,900)
Charge for the year	-	506	13,272	13,778
Balance, March 31, 2018	78,855	-	134,702	213,557
Charge for the year	-	1,573	-	1,573
Balance, March 31, 2019	\$78,855	\$ 1,573	\$134,702	\$215,130
Net book value				
Balance, March 31, 2018	\$ -	\$ -	\$ -	\$ -
Balance, March 31, 2019	\$ -	\$6,549	\$ -	\$ 6,549

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Accounts payable	\$ 56,127	\$20,966
Accrued liabilities	59,067	70,102
	\$115,194	\$91,068

7. RELATED PARTY TRANSACTIONS

Operating transactions

Year ended March 31, 2019:

Through common shareholding and/or directorship, the Company is related to the following entities. The related entities during the year ended March 31, 2019 are different from that in the previous year as a result of change in shareholding, directorship and/or key management team that took place in December 2017:

51st Parallel Inc.
Cheadle Investments Inc.
Black Spruce Merchant Capital

There were no related party transactions with 51st Parallel Inc. and Black Spruce Merchant Capital. The fees paid to Cheadle investments Inc. are included in the key management compensation.

Year ended March 31, 2018:

Through common shareholding and/or directorship, the Company was related to the following entities in the previous year.

51st Parallel Inc.
Bears paw Tree Farm Inc.
Black Spruce Merchant Capital
Exempt Experts Inc.
Eyelogic Systems Inc.
National Exempt Markets Association
Olympia Financial Group Inc.
Olympia Benefits Inc.
OrganicKidz Inc.
Tarman Inc.
Transparent Investments Inc.

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

The following table summarizes the related party transactions during the year ended March 31, 2018:

	2018
Revenue	
Exempt Experts Inc.	\$ 6,450
OrganicKidz Inc.	23,429
Total revenue	29,879
General & administrative expenses and rent reimbursement	
Exempt Experts	82,752
Total expense reimbursement	82,752
Expenses	
Olympia Financial Group Inc.	26,839
Olympia Benefits Inc.	3,578
Transparent Investments Inc.	22,880
Total expenses	\$53,297

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 and approximates fair value.

Accounts receivable from related party include the following transactions:

	2018
OrganicKidz Inc.	\$ 12,500
Exempt Experts Inc.	89,202
51st Parallel Inc.	140,320
	\$242,022

In addition to common shareholding and/or directorship, the Company shared common management team with 51st Parallel Inc. and in 2017, the Company incurred certain expenses on behalf of 51st Parallel Inc., which were recharged at cost, and as at March 31, 2018 remain uncollected and were shown as receivables from related parties. The Company collected this amount in full in 2018.

Accounts payable and accrued liabilities include amounts payable to the following arising from the above transactions:

	2018
Olympia Financial Group Inc.	\$ (178)
Tarman Inc.	5,804
Transparent Investments Inc.	8,378
	\$14,004

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

Key management compensation

Key management personnel are the persons responsible for the planning, directing and controlling of the activities of the Company and includes both executive and non-executive directors. The Company considers all of its directors and executive management team members to be key management personnel.

Key management personnel compensation during the years ended March 31, 2019 and 2018 comprises:

	2019	2018
Salaries, bonuses and other benefits	\$407,785	\$ 422,735
Director's compensation	-	31,151
Share-based compensation	-	2,310,260
	\$407,785	\$2,764,146

8. INTANGIBLE ASSET

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 over a 3-year period.

	2019	2018
Balance at the beginning of the year	\$ 13,388	\$ 24,344
Amortization of assets	(13,388)	(10,956)
Balance at the end of the year	\$ -	\$ 13,388

9. INVESTMENTS IN PRIVATE COMPANIES

	2019	2018
Private company securities, at the beginning of the year	\$62,932	\$64,190
Purchase of private company securities	-	540
Sale of private company securities	-	(1,798)
Provision for impairment	(46,900)	-
Private company securities, at the end of the year	\$16,032	\$62,932

In line with its principal activities, the Company had acquired a majority of the voting shares in 37 (2018 - 184) private companies in the prior years. The Company's maximum exposure to losses is limited to its initial investment in each private company. Total exposure amounts as at March 31, 2019 is \$16,032 (2018 - \$62,932). The Company's assessment of the private companies led to the determination that 147 companies were credit impaired and an impairment loss of \$46,900 was recorded for the year ended March 31, 2019 (2018 – nil). These investments are measured at fair value through other comprehensive income.

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

Impairment of \$125,000 was made to the loan receivable from the investment of Organickidz Inc. ("OKI"), in the twelve months ended March 31, 2018 due to OKI's history of financial difficulties from prior years.

10. OTHER INVESTMENTS

	Fair value upon acquisition during fiscal 2019	Provision for impairment	Fair value increase	Fair value at March 31, 2019
ICE Holding Inc.	60,000	(60,000)	-	-
Solo Growth Corp.	250,000	-	75,000	325,000
Total	\$310,000	\$(60,000)	\$75,000	\$325,000

During the year ended March 31, 2019, the Company:

- On June 28, 2018 acquired 5,000,000 common shares of Solo Growth Corp. ("Solo") for \$250,000. Solo is publicly listed cannabis retail operator executing on a vision to become a premier retailer and trusted destination of cannabis in Canada. On March 31, 2019 common shares had a market value of \$0.06 per share and the Company recorded an unrecognized gain on its investment of \$75,000 through other comprehensive income. Subsequent to the Company's year-end, Solo completed a name change to YSS Corp. and a 1:6 share consolidation. Currently the Company holds 833,333 shares of YSS Corp.
- On June 14, 2018, the Company invested \$60,000 in ICE Holdings Inc. ("ICE"), for an approximate 5% equity ownership position in the company. ICE is a start-up, cannabis active lifestyle brand with a focus on health, wellness and sport. As at March 31, 2019, the Company determined that ICE was credit impaired and recorded full provision against its investment in ICE, which was recorded in the consolidated statement of operations.

11. SHARE CAPITAL AND WARRANTS

Authorized share capital:

Unlimited number of common voting shares.

Issued and outstanding – share capital and warrants:

	Common shares		Warrants	
	Number of shares	Amount	Number of warrants	Amount
Balance at March 31, 2017	3,851,864	\$1,132,710	-	\$ -
Issued in private placement	91,666,675	3,477,956	54,700,021	1,661,323
Warrants exercised	50,000	6,678	(50,000)	(1,677)
Balance, March 31, 2018	95,568,539	\$4,617,344	54,650,021	\$1,659,646
Issued in private placement	10,437,715	420,220	5,218,858	206,042
Warrants exercised	709,375	92,460	(709,375)	(21,523)
Balance, March 31, 2019	106,715,629	\$5,130,024	59,159,504	\$1,844,165

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

On December 19, 2017, and in connection with recapitalization transaction of the Company, the Company closed its non-brokered private placement by issuing 91,666,675 units ("Units") for gross proceeds of \$5.5 million. Each Unit consisted of one common share of the Company and, in the case of subscriptions the Company's new management team, one 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 were assigned a value of \$1.6 million. All warrants issued have vested and have become exercisable.

The additional half Warrant received by the Company's new management team totalling 8,666,667 Warrants was considered share-based compensation.

On June 26, 2018, the Company closed its rights offering relating to the Company's December 19, 2017 recapitalization transaction by issuing 10,437,715 Units for gross proceeds of \$626,262 to designates. Each Unit consists of one common share of the Company and 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 June 26, 2023.

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 April 1, 2018	54,650,021	\$0.10
Issued	5,218,858	\$0.10
Warrants exercised	(709,375)	\$0.10
Balance at March 31, 2019	59,159,504	\$0.10

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

Number of warrants	Exercise price	Expiry date
53,940,646	\$0.10	December 15, 2022
5,218,858	\$0.10	June 26, 2023
59,159,504		

Black Scholes model was used to determine the fair value of the warrants was as follows:

	2019	2018
Share price	\$0.06	\$0.32
Strike price	\$0.11	\$0.10
Risk-free rate	1.96%	1.96%
Time to maturity	5 years	5 years
Volatility	215%	145%
Dividend yield	Nil	Nil

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

12. LOSS PER SHARE

The calculation of loss per share for the years ended March 31, 2019 and 2018 is based on a loss attributable to owners of the Company of \$931,184 (2018 - \$3,300,858). Warrants were anti-dilutive during the years ended March 31, 2019 and 2018.

	2019			2018		
	Net earnings (loss)	Weighted average common shares	Earnings (loss) per share	Net earnings (loss)	Weighted average common shares	Earnings (loss) per share
Basic/Diluted	\$(931,184)	103,453,985	\$ (0.01)	\$(3,300,858)	29,608,093	\$ (0.11)

13. SHARE-BASED COMPENSATION

Share-based compensation expense recorded in the consolidated statement of operations for the year ended March 31, 2019 totalled \$ nil (2018 - \$2,310,260) comprising the following:

	2019	2018
Warrants issued to management	\$ -	\$2,310,260

14. INCOME TAX EXPENSE

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

	2019	2018
Loss before income tax	\$(931,183)	\$(3,300,858)
Statutory income tax rates	27%	27%
Estimated income tax recovery based on statutory rates	(251,419)	(891,232)
Effects of:		
Share based compensation	-	623,770
Other permanent differences	42,155	-
Tax benefit not recognized	209,264	267,462
	\$ -	\$ -

Deferred Income Tax

The components of the deferred tax balances are as follows:

	2019	2018
Non-capital loss carried forward	\$4,349,684	\$ 969,190
Cumulative eligible capital available for tax purpose	137,592	33,535

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

Carrying amount of equipment and leaseholds lower than tax basis	52,788	13,828
Deferred income tax asset	4,540,064	1,016,553
Unrecognized deferred income tax asset	(4,540,064)	(1,016,553)
	\$ -	\$ -

The company had \$4,349,684 (2018 - \$3,589,594) of unused tax losses expiring between 2036 and 2039. Deferred income tax assets have not been recognized as realization of the asset is not probable.

15. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital comprises:

	2019	2018
Source/(use) of cash:		
Accounts receivables including accounts receivable from related party	\$278,814	\$(281,831)
Convertible note receivable	(117,513)	-
Prepaid expenses	(3,392)	(3,011)
Accounts payable and accrued liabilities	24,086	41,744
Due to related parties	(14,004)	(895)
Net change in non-cash working capital	\$167,991	\$(243,993)

16. CONVERTIBLE NOTE RECEIVABLE

On May 31, 2018, the Company made a US\$90,000 (CDN \$117,513) investment in JAEB Designs, Inc. ("Jaeb"). Jaeb is a Denver-based, early-stage engineering company focused on designing and manufacturing cannabis accessories. The investment is structured as a convertible note. The convertible note allows the Company to convert the promissory note into common stock, \$0.0035 par value per share, and the maturity date of May 31, 2020. The outstanding principal of the convertible note, together with all accrued and unpaid interest, shall be automatically converted into equity securities issued in the next equity financing at a price equal to the lesser of eighty percent (80%) of the price per share for equity securities by the investors in the next equity financing and an amount obtained by dividing US\$2,000,000 by the fully diluted capitalization of Jaeb's prior to the next equity financing (excluding the note and the related warrants). The number of equity securities to be issued upon such conversion shall be equal to the quotient obtained by dividing the outstanding principal, together with all accrued and unpaid interest, on the convertible note, on the date of conversion, by the next equity financing conversion price. The convertible note will have a principal balance of US\$90,000.00 (CDN\$117,513) and interest will accrue on the convertible note at a rate of eight percent (8%) per annum. Unless earlier converted into Equity Securities pursuant, the principal and accrued interest of this convertible note will be due and payable by Jaeb at any time on or after the Maturity Date.

The Company's management team assessed the likelihood of the conversion and no value was assigned to the conversion option.

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

17. BONDS

For the year ended March 31, 2019, there were no bonds outstanding. 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 in the amount of \$1,771,175.

On March 24, 2017, the Company completed a bond exchange, which entailed partial redemption and issuance of a new bond with an interest rate of prime plus 1.25%. The interest on the bonds of \$421,406 was paid for the year ended March 31, 2018.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments consist of items that will result in future cash receipts, such as: recorded amounts of accounts receivable, accounts receivable – related party, convertible note receivable, investments in private companies and other investments. They also include items that will result in future cash outlays, including accounts payable, accrued liabilities and due to related parties. Items that will result in future cash outlays, including bank indebtedness, accounts payable and accrued liabilities.

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.

Fair value of investments:

The Company's carrying value of accounts receivable, accounts receivable – related party, accounts payable, accrued liabilities and due to related parties.

Cash and cash in trust, convertible note receivable, investments in private companies, and other investments are recorded at fair value.

Fair value measurements of financial assets and liabilities recognized in the consolidated statements of financial position are categorized using the following fair value hierarchy:

- Level 1 – unadjusted quoted prices 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.

The levels in the fair value hierarchy into which the company's financial assets and liabilities are measured and recognized in the statements of financial position at fair value are categorized as follows:

Cash – Level 1

Cash in trust – Level 1

Other investments – Level 1

Investments in private companies – Level 3

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Convertible note receivable – Level 3

Level 3 fair value hierarchy

The following table presents the changes in fair value measurements classifies at Level 3 of the fair value hierarchy. The financial instruments are measured at fair value utilizing market inputs. The net realized gains (loss) on disposal of investments and convertible note receivable and the net change in unrealized gains (loss) are recognized in the statements of income and comprehensive income.

Investment	Opening balance	Net unrealized gains (loss)	Ending balance
Solo	250,000	75,000	325,000
ICE	60,000	(60,000)	-
Jaeb	117,513	-	117,513
Private companies	62,932	(46,900)	16,032

The following table presents the valuation techniques and the nature of significant inputs used to determine the fair value of the Level 3 investments as at March 31, 2018:

Investments	Total fair value	Method	Unobservable inputs
Other investments	325,000	Monte Carlo Transaction price and	Market prices, volatility, discount rate
Convertible note receivable	117,513	Monte Carlo	Recent purchase price
Private companies	16,032	Discounted cash flow	Discount rate

Risk management

The Company is exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Capital management risk.

(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, accounts receivable – related party and convertible note receivable represents the maximum credit exposure.

The Company is exposed to credit risk from its accounts receivable arising from investment fees charged to private companies, and the convertible note receivable for the Company's investment in Jaeb. The credit risk is influenced mainly by the individual credit characteristics of each private company. Geographically, there is a concentration of risk in the Alberta province. The Company makes use of the following techniques to reduce its credit risk:

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

- 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 receivable. The Company has a significant number of customers being the private companies in which it has investments in, which minimizes concentration of credit risk. Accounts receivable are monitored on a regular basis.

At year end, the Company had \$201,422 in receivables outstanding for more than 91 days, totalling 46% of outstanding receivables before provision for expected credit losses (2018 - \$242,990 and 37%). Management believes all amounts, net of the provision for expected credit losses, are collectable. The accounts receivable presented below as at March 31, 2018 include amounts due from related parties totalling \$242,022 (note 7).

	2019	2018
Current	\$ 60,395	\$215,669
31 to 60 days past due	108,034	140,816
61 to 90 days past due	63,489	61,262
91 days or more past due	201,422	242,990
	433,340	660,737
Less: Provision for expected credit losses	(180,948)	(129,531)
	\$252,392	\$531,206

The Company 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:

	Current	31-60 days	61-90 days	91+ days	Total
2019					
Expected loss rate	2%	15%	20%	75%	
Gross carrying amount	60,395	108,034	63,489	201,422	433,340
Loss allowance	978	16,205	12,698	151,067	180,948
2018					
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

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Additionally, the Company directly wrote-off accounts receivable that were determined to be uncollected as bad debts amounting to \$289,837 (2018 - \$134,231). Cash as at March 31, 2019 was placed with Alberta Treasury Branches. Management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk. The cash in trust as at March 31, 2018 was held with the Company's legal counsel and related to proceeds from issuance of shares and were collected during the year ended March 31, 2019.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and forecasting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet the operational requirements. The Company's liquidity is adequate for the settlement of short-term financial obligations.

The maturity profile of the Company's liabilities as at March 31, 2019 and 2018 is included below:

	Total	Within 1 year	2-5 years	Over 5 years
2019				
Accounts payable and accrued liabilities	\$127,194	\$127,194	\$ -	\$ -
Total	\$127,194	\$127,194	\$ -	\$ -
	Total	Within 1 year	2-5 years	Over 5 years
2018				
Accounts payable and accrued liabilities	\$91,068	\$91,068	\$ -	\$ -
Due to related parties	14,004	14,004	-	-
Bonds	40	40	-	-
Total	\$105,112	\$105,112	\$ -	\$ -

As at March 31, 2019, the Company has a working capital surplus of \$2,912,446 (2018 - \$3,456,173); therefore, the Company has adequate cash to pay its liabilities as and when they fall due.

(c) Capital risk management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. As at March 31, 2019, the Company has not entered into any debt financing. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

TARGET CAPITAL INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2019 and 2018
(In Canadian dollars)

19. SUBSEQUENT EVENTS

On July 26, 2019, William Macdonald resigned from the Board of Directors of the Company.