

TARGET CAPITAL INC.

**Condensed Consolidated Interim Financial Statements
For the three and nine months ended
December 31, 2019 and 2018
(Unaudited)**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Target Capital Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed interim financial statements.

TARGET CAPITAL INC.Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

(In Canadian dollars)	Notes	As at	
		December 31, 2019	March 31, 2019
ASSETS			
Current assets			
Cash		\$ 2,032,870	\$ 2,767,824
Accounts receivable	11	377,634	252,392
Convertible notes receivable	4	513,393	117,513
Prepaid expenses		19,968	3,392
Total current assets		2,943,865	3,141,121
Non-current assets			
Investments in private companies	5,11	16,032	16,032
Other investments	6,11	137,500	325,000
Equipment and leasehold improvements		5,331	6,549
Total non-current assets		158,863	347,581
Total assets		\$ 3,102,728	\$ 3,488,702
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 88,883	\$ 115,194
Total current liabilities		88,883	115,194
Total liabilities		88,883	115,194
Equity			
Share capital	7	5,130,024	5,130,024
Warrants	7	1,844,165	1,844,165
Contributed surplus		2,401,747	2,310,260
Accumulated other comprehensive income	6,8	52,593	240,093
Accumulated deficit		(6,414,589)	(6,150,939)
Equity attributable to owners of the Company		3,013,940	3,373,603
Non-controlling interest		(95)	(95)
Total equity		3,013,845	3,373,508
Total liabilities and equity		\$ 3,102,728	\$ 3,488,702

Approved by the Board of Directors and authorised for issue on March 2, 2020

"Gregory Turnbull"
_____"Chad Oakes"

TARGET CAPITAL INC.

Condensed Consolidated Interim Statements of Operations
(Unaudited)

(In Canadian dollars)	Notes	Three months ended		Nine months ended	
		December 31		December 31	
		2019	2018	2019	2018
Revenue					
Private company investment fees		\$ 246,044	\$ 170,104	\$ 574,102	\$ 408,507
Interest		11,546	-	15,895	-
Total revenue		257,590	170,104	589,997	408,507
Expenses:					
Business development expense		44,976	-	111,986	-
Depreciation		405	406	1,218	1,167
Depreciation of intangible asset		-	3,347	-	10,041
General and administration		54,026	88,982	157,050	426,107
Professional fees		109,293	7,758	219,811	38,260
Rent payments		-	28,725	-	68,285
Provision for expected credit losses (recovery)	11	(102,869)	-	69,424	-
Royalties		12,075	5,360	37,220	31,600
Salaries and related costs including payments to consultants	3	45,793	103,050	165,451	338,297
Stock based compensation		91,487	-	91,487	-
Total expenses		255,186	237,628	853,647	913,757
Profit/(Loss) from operations		2,404	(67,524)	(263,650)	(505,250)
Income tax expense		-	-	-	-
Profit/(Loss) for period		2,404	(67,524)	(263,650)	(505,250)
Other comprehensive loss					
Unrealised loss on other investments		(95,833)	-	(187,500)	-
Total comprehensive loss for the period		(93,429)	(67,524)	(451,150)	(505,250)
Net loss and comprehensive loss attributable to					
Owners of the Company		(93,429)	(67,429)	(451,150)	(505,155)
Non-controlling interest		-	(95)	-	(95)
		\$ (93,429)	\$ (67,524)	\$ (451,150)	\$ (505,250)
Loss per share					
Basic and diluted loss per share		\$0.00	\$0.00	\$0.00	\$0.00
Weighted average number of common shares outstanding		106,715,629	106,715,629	106,715,629	102,743,211

The accompanying notes are integral part of these condensed consolidated interim financial statements

TARGET CAPITAL INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)

(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, 2018		\$ 4,617,344	\$ 1,659,646	\$ 2,310,260	\$ 165,093	\$ (5,219,755)	\$ (95)	\$ 3,532,493
Shares issued		465,581						\$ 465,581
Warrants issued			231,618					\$ 231,618
Loss for the period		-	-	-	-	(505,250)	-	(505,250)
Balance as at December 31, 2018		\$ 5,082,925	\$ 1,891,264	\$ 2,310,260	\$ 165,093	\$ (5,725,005)	\$ (95)	\$ 3,724,442
Balance as at March 31, 2019		\$ 5,130,024	\$ 1,844,165	\$ 2,310,260	\$ 240,093	\$ (6,150,939)	\$ (95)	\$ 3,373,508
Other comprehensive loss		-	-	-	(187,500)			(187,500)
Stock based compensation	8			91,487				91,487
Loss for the period		-	-	-	-	(263,650)	-	(263,650)
Balance as at December 31, 2019		\$ 5,130,024	\$ 1,844,165	\$ 2,401,747	\$ 52,593	\$ (6,414,589)	\$ (95)	\$ 3,013,845

The accompanying notes are integral part of these condensed consolidated interim financial statements

TARGET CAPITAL INC.Condensed Consolidated Interim Statements of Cash Flow
(Unaudited)

(In Canadian dollars)	Notes	Nine months ended	
		December 31	
		2019	2018
Operating activities			
Net loss for the period		\$ (263,650)	\$ (505,250)
Adjusted for the following:			
Stock based compensation		91,487	-
Depreciation of equipment and leasehold improvements		1,218	1,167
Amortization of intangible asset - shareholders agreement		-	10,042
Net change in non-cash working capital	10	(564,009)	51,235
Cash used in operating activities		(734,954)	(442,806)
Financing activities			
Proceeds from private placements net of issuance cost		-	626,262
Warrants exercised		-	70,937
Cash provided by financing activities		-	697,199
Investing activities			
Acquisition of other investments		-	(427,511)
Purchase of equipment and leasehold improvements		-	(8,123)
Cash used in investing activities		-	(435,634)
(Decrease)/increase in cash		(734,954)	(181,241)
Cash and cash equivalents, beginning of period		2,767,824	3,030,079
Cash and cash equivalents, end of period		\$2,032,870	\$ 2,848,838

The accompanying notes are an integral part of these condensed consolidated interim financial statements

TARGET CAPITAL INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended December 31, 2019 and 2018
(Unaudited – 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements. Accordingly, they should be read in conjunction with the Company’s most recent annual financial statements.

These consolidated financial statements have been approved and authorized for issuance by the Board of Directors as of February 26, 2020.

B) ADOPTION OF NEW ACCOUNTING POLICIES

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 came 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 has adopted IFRS 16 for the current financial period but does not currently have any lease obligations and IFRS 16 is not expected to have any impact on the Company’s consolidated financial statements.

TARGET CAPITAL INC.

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3. RELATED PARTY TRANSACTION

Operating transactions

Through common shareholding and/or directorship, the Company is related to the following entities. The related entities during the period ended December 31 are:

2019	2018
51st Parallel Inc.	51st Parallel Inc.
Cheadle Investments Inc.	Cheadle Investments Inc.
Black Spruce Merchant Capital	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.

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 nine months ended December 31, 2019 and 2018 comprises:

	2019	2018
Salaries, bonuses and other benefits	\$165,451	\$251,467
	\$165,451	\$251,467

4. CONVERTIBLE NOTE RECEIVABLE

	December 31, 2019	March 31, 2019
JAEB Designs, Inc.	\$117,513	\$117,513
Intev Technologies LLC	395,880	-
	\$513,393	\$117,513

During 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 which matures on May 31, 2020 and accrues interest of 8%. The convertible note allows the Company to convert the promissory note into common stock, at \$0.0035 par value per share on or before the maturity date of May 31, 2020. The Company's management team assessed fair value of this hybrid contract in its entirety and determined that due to a wide range of possible valuations and recent issuance of the note, cost was the best estimation of fair value. No significant changes in credit risk have been assessed surrounding the borrower.

TARGET CAPITAL INC.

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4. CONVERTIBLE NOTE RECEIVABLE (continued)

During 2019, the Company made a US\$300,000 (CDN \$395,880) investment in Intev Technologies, LLC (“Intev”). Intev is a Brooklyn-based hardware technology company focused on designing and manufacturing luxury personal vaporizing devices. The investment is structured as a convertible note which will mature on September 9, 2021 and accrues interest at a rate of seven (7%) per annum. The Company’s management team assessed fair value of this hybrid contract in its entirety and determined that due to a wide range of possible valuations and recent issuance of the note, cost was the best estimation of fair value. No significant changes in credit risk have been assessed surrounding the borrower.

5. INVESTMENTS IN PRIVATE COMPANIES

The Company’s investments in private companies were as follows:

	December 31, 2019	March 31, 2019
Private company securities, at the beginning of the period	\$16,032	\$16,032
Private company securities, at the end of the period	\$16,032	\$16,032

In line with its principal activities, the Company had acquired a majority of the voting shares in 37 (March 31, 2019 -37) 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 December 31, 2019 is \$16,032 (March 31, 2019 - \$16,032). These investments are measured at fair value through other comprehensive income.

6. OTHER INVESTMENTS

	Fair value at March 31, 2019	Provision for impairment	Fair value decrease	Fair value at December 31, 2019
YSS Corp.	\$325,000	-	\$(187,500)	\$137,500
Total	\$325,000	-	\$(187,500)	\$137,500

On September 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 the common shares had a market value of \$0.06 per share and the Company recorded an unrecognized gain on its investment of \$75,000. On September 17, 2019 Solo completed a name change to YSS Corp. and a 1:6 share consolidation. The Company now holds 833,333 shares of YSS Corp. On December 31, 2019 the common shares had a market value of \$0.165 per share resulting in a net unrecognized loss of \$112,500. The decrease in the unrecognized gain between March 30, 2019 and December 31, 2019 of \$187,500 has been recorded through other comprehensive income.

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7. 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, 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 at March 31 and December 31, 2019	106,715,629	\$5,130,024	59,159,504	\$1,844,165

Warrants

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

	Number of Warrants	Exercise Price
Balance at March 31, 2019	59,159,504	\$0.10
Balance at December 31, 2019	59,159,504	\$0.10

The share purchase warrants outstanding and exercisable at December 31, 2019 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		

8. STOCK OPTIONS

On November 27, 2019, the Company issued a total of 5,500,000 stock options with exercise prices at \$0.05 to various directors and officers of the Company. These options have been fully vested and expire on November 27, 2024. The fair value of the options issued of \$91,487 has been recognised in the current period.

The assumptions used in the fair valuing the stock options are as follows:

Risk free interest rate	1.5%
Expected life	5 Years
Expected volatility	288%
Dividend yield	-
Expected forfeiture rate	17%

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9. LOSS PER SHARE

The calculation of loss per share for the period ended December 31, 2019 and 2018 is based on a loss attributable to owners of the Company of \$266,054 (2018 - \$437,816). Warrants and options were anti-dilutive during the period ended December 31, 2019 and 2018.

	2019			2018		
	Net loss	Weighted average common shares	Loss per share	Net loss	Weighted average common shares	Loss per share
Basic/Diluted	\$263,650	106,715,629	\$ -	\$305,089	103,213,994	\$ -

10. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital comprises:

	Nine months ended December 31	
	2019	2018
Source/(use) of cash:		
Accounts receivables	\$ (125,242)	\$ 87,599
Convertible note receivable	(395,880)	-
Prepaid expenses	(16,576)	(9,984)
Accounts payable and accrued liabilities	(26,311)	(32,267)
Due to related parties	-	5,887
Net change in non-cash working capital	\$ (564,009)	\$ 51,235

11. 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.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

TARGET CAPITAL INC.

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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

Convertible note receivable – Level 3

Level 3 fair value hierarchy

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

Investment	Opening balance	Acquisitions	Net unrealized loss	Ending balance
YSS Corp.	\$325,000	-	\$(187,500)	\$137,500
Jaeb	\$117,513	-	-	\$117,513
Intev	-	\$395,880	-	\$395,880
Private companies	\$ 16,032	-	-	\$ 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 December 31, 2019:

Investments	Total fair value	Method	Unobservable inputs
Other investments	\$137,500	Monte Carlo	Market prices, volatility, discount rate
Convertible notes receivable	\$513,393	Transaction price	Recent purchase price
Private companies	\$ 16,032	Discounted cash flow	Discount rate

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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:

- 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 December 31, 2019, the Company had \$379,870 in receivables outstanding for more than 91 days, totalling 71% of outstanding receivables before provision for expected credit losses (March 31, 2019 - \$201,422 and 46%). Management believes all amounts, net of the provision for expected credit losses, are collectable.

	December 31, 2019	March 31, 2019
Current	\$166,500	\$ 60,395
31 to 60 days past due	129,044	108,034
61 to 90 days past due	-	63,489
91 days or more past due	379,870	201,422
	675,414	433,340
Less: Provision for expected credit losses	(297,780)	(180,948)
	\$377,634	\$252,392

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.

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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.

As at December 31, 2019, 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 December 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.