# FORM 5

## QUARTERLY LISTING STATEMENT

Name of Listed Issuer: TARGET CAPITAL INC. (the "Issuer").

Trading Symbol: TCI

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

**General Instructions**

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

**SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

## SCHEDULE B:  SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

Except for the information contained in no. 4 of this section, the supplementary information is contained in the attached Schedule A: Financial Statements.

### 1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties.  Be as precise as possible in this description of the relationship.  Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

### 2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

| Date of Issue | Type of Security (common shares, convertible debentures, etc.) | Type of Issue (private placement, public offering, exercise of warrants, etc.) | Number | Price | Total Proceeds | Type of Consideration (cash, property, etc.) | Describe relationship of Person with Issuer (indicate if Related Person) | Commission Paid |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

(b) summary of options granted during the period,

| Date | Number | Name of Optionee if Related Person and relationship | Generic description of other Optionees | Exercise Price | Expiry Date | Market Price on date of Grant |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| | | | | | | |

## 3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

**4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

Shahin Mottahed – Director, President, Chief Executive Officer.

William C. MacDonald – Director, Executive Vice President – Corporate Development.

Gregory G. Turnbull – Director.

Matteo Volpi – Director.

Chad Oakes – Director.

Dave Cheadle – Chief Financial Officer.

Jason T. Kujath – General Counsel.

Sony Gill – Corporate Secretary.

## SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated August 31, 2018.

Dave Cheadle
Name of Director or Senior Officer

/s/ Dave Cheadle
Signature

Chief Financial Officer
Official Capacity

| | | |
|---|---|---|
| ***Issuer Details***<br>Name of Issuer<br><br>Target Capital Inc. | For Quarter Ended<br><br>June 30, 2018 | Date of Report<br>YY/MM/D<br><br>August 31, 2018 |
| Issuer Address<br><br>Suite 300, 407 – 3rd Street SW | | |
| City/Province/Postal Code<br><br>Calgary, Alberta, T2P 4Z2 | Issuer Fax No.<br>(     ) | Issuer Telephone No.<br><br>(403) 351-1779 |
| Contact Name<br><br>Dave Cheadle | Contact Position<br><br>Chief Financial Officer | Contact Telephone No.<br><br>(403) 351-1779 |
| Contact Email Address<br><br>dave@bsmc.ca | Web Site Address<br><br>www.cbi2.com | |

# SCHEDULE A: FINANCIAL STATEMENTS

# TARGET CAPITAL INC.

## Interim Consolidated Financial Statements
## For the three months ended June 30, 2018 and 2017

**For the three months ended June 30, 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 unaudited interim financial statements for the three months ended June 30, 2018 and 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 not 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

David Cheadle
Chief Financial Officer

**Calgary, Alberta**

# TARGET CAPITAL INC.
## Consolidated Statements of Financial Position

| $ Canadian | Note | June 30, 2018 | March 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| *Current assets* | | | |
| Cash | | **$ 2,532,731** | $ 2,196,213 |
| Cash held in trust | | **-** | 833,866 |
| Accounts receivable | 14 | **366,880** | 289,184 |
| Accounts receivable - related parties | 12 | **-** | 242,022 |
| Prepaid | | **29,951** | - |
| **Total current assets** | | **2,929,562** | 3,561,285 |
| *Non-current assets* | | | |
| Investment in private companies | 6 | **62,930** | 62,932 |
| Property, plant and equipment | | **7,767** | - |
| Shareholder agreements | 7 | **11,157** | 13,388 |
| Investments | 4 | **427,513** | - |
| **Total non-current assets** | | **509,367** | 76,320 |
| **Total assets** | | **$ 3,438,929** | $ 3,637,605 |
| **Liabilities and Equity** | | | |
| *Current liabilities* | | | |
| Accounts payable and accrued liabilities | 14 | **$ 156,138** | $ 91,068 |
| **Total current liabilities** | | **156,138** | 105,072 |
| *Non-current liabilities* | | | |
| Long-term bonds | 8 | **40** | 40 |
| **Total non-current liabilities** | | **40** | 40 |
| **Total liabilities** | | **156,178** | 105,112 |
| *Equity (Deficiency)* | | | |
| Warrants | 11 | **1,659,646** | 1,659,646 |
| Contributed surplus | 11 | **2,310,260** | 2,310,260 |
| Share capital | 11 | **4,617,344** | 4,617,344 |
| Other components of equity | | **165,093** | 165,093 |
| Deficit | | **(5,469,496)** | (5,219,755) |
| **Total equity (deficiency) to holders of the Company** | | **3,282,846** | 3,532,588 |
| Non-controlling interest | | **(95)** | (95) |
| **Total equity (deficiency)** | | **3,282,751** | (3,532,493) |
| **Total liabilities and equity** | | **$ 3,438,929** | $ 3,637,605 |

# TARGET CAPITAL INC.
## Consolidated Statements of Operations

| $ Canadian | Note | *Three months ended* June 30, 2018 | June 30, 2017 |
|---|---|---|---|
| **Revenue** | | | |
| Private company investment fees | | **$ 111,722** | $ 122,495 |
| Dividends | | **-** | - |
| Interest | | **-** | 5,299 |
| **Total revenue** | | **111,722** | 127,794 |
| **Expenses** | | | |
| General and administration | | **189,325** | 7,163 |
| Salaries and wages | | **129,249** | 21,308 |
| Interest on bonds | | **-** | 17,443 |
| Professional fees | | **10,750** | 19,631 |
| Royalties | | **-** | 8,704 |
| Directors' fees | | **-** | 6,900 |
| Amortization | 5 | **2,586** | 6,989 |
| Rent | | **18,977** | 4,568 |
| Amortization of shareholders agreement | 7 | **-** | 3,652 |
| Amortization of discount on bonds | | | 21,070 |
| **Operating expenses** | | **350,887** | 117,428 |
| **Operating (loss) income** | | **(249,741)** | 10,366 |
| **Net earnings (loss) before income taxes** | | **(249,741)** | 10,366 |
| Current income taxes | 10 | **-** | 8,740 |
| **Net earnings (loss)** | | **$ (249,741)** | $ 1,626 |
| **Earnings (loss) attributable to:** | | | |
| Owners of the Company | | **$ (249,741)** | $ 1,626 |
| Non-controlling interest | | **-** | - |
| | | **$ (249,741)** | $ 1,626 |
| **Basic net loss per share** | **11** | **$ (0.01)** | $0 |

# TARGET CAPITAL INC.
## Consolidated Statements of Changes in Equity

March 31, 2018

| $ Canadian | Share capital | Accumulated other comprehensive income | Refundable dividend tax on hand | Retained earnings | Warrants | Contributed surplus | Total retained earnings (deficit) | Non-controlling Interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance, March 31, 2018 | $ 1,132,710 | $ 196,619 | $ (135,524) | $ (1,746,885) | $ - | $ - | $ (1,918,897) | $ (95) | $ (589,663) |
| Net earnings (loss) | - | - | | (3,300,858) | | | | | |
| | | | | | | | (3,300,858) | | (3,300,858) |
| Shares issues | 3,484,633 | - | | | | | | | |
| | | | | | (13,028) | | | | 3,471,605 |
| Warrants issued | | - | | | | | | | |
| | | | | | 1,672,674 | | | | 1,672,674 |
| Share-based compensation | | | | | | 2,310,260 | | | 2,310,260 |
| Balance, March 31, 2018 | $ 4,617,343 | $ 196,619 | $ (135,524) | $ (5,047,743) | $ 1,659,646 | $ 2,310,260 | $ (5,219,755) | $ (95) | $ 3,564,018 |

June 30, 2018

| $ Canadian | Share capital | Accumulated other comprehensive income | Refundable dividend tax on hand | Retained earnings | Warrants | Contributed surplus | Total retained earnings (deficit) | Non-controlling Interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance, June 30, 2018 | $ 4,617,343 | $ 196,619 | $ (135,524) | $ (5,194,138) | $ 1,659,646 | $ 2,310,260 | $ (5,366,150) | $ (95) | $ 3,417,623 |
| Net earnings (loss) | - | | | (103,346) | | | (103,346) | | |
| | | - | | | | | | | (103,346) |
| Balance, June 30, 2018 | $ 4,617,343 | $ 196,619 | $ (135,524) | $ (5,297,484) | $ 1,659,646 | $ 2,310,260 | $ (5,469,496) | $ (95) | $3,314,277 |

**TARGET CAPITAL INC.**

**Consolidated Statements of Cash Flows**

| | | *Three months ended* | |
|---|---|---|---|
| $ Canadian | Note | **June 30, 2018** | June 30, 2017 |
| **Cash flows from (used in) operating activities:** | | | |
| Net earnings (loss) | | **$ (249,741)** | $ 1,626 |
| Items not affecting cash: | | | |
| Amortization of equipment and leasehold improvements | 5 | **2,587** | 6,989 |
| Amortization of intangible assets | 7 | **-** | 3,652 |
| Amortization of discount on bonds | | **-** | 21,070 |
| Net changes in non-cash working capital balances | | **185,441** | 16,290 |
| **Net cash from (used in) operating activities** | | **(61,713)** | 49,627 |
| **Investing activities** | | | |
| Investments | 4 | **(427,513)** | - |
| Purchase of private companies (net) | 6 | **2,231** | (240) |
| Disposition (purchase) of equipment | 5 | **(10,354)** | - |
| **Net cash from investing activities** | | **(435,636)** | (240) |
| **Increase (decrease) in Cash** | | **(497,350)** | 16,050 |
| Cash, Beginning of year | | **3,030,080** | 316,995 |
| **Cash, end of period** | | **$ 2,532,731** | $ 333,045 |
| **Other information:** | | | |
| Dividends received | | **$ -** | $ - |
| Interest received | | **$ -** | $ - |

## 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 August 30, 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.

**(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 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 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.

*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 2018 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 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.

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 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.

*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 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

| | **March 31, 2018** | March 31, 2018 |
|---|---|---|
| **Long-Term** | | |
| Jaeb Designs Inc. | **117,513** | - |
| Solo Growth Corporation | **250,000** | |
| Ice Holding Inc. | **60,000** | - |
| **Total Investments and Advances** | **$ 427,513** | $ - |

These investments are recorded at book value.

## 5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

| | **June 30, 2018** |
|---|---|

| | Office equipment | Computer equipment | Leasehold improvements | Total |
|---|---|---|---|---|
| ***Cost*** | | | | |
| At beginning of fiscal period | - | - | - | **-** |
| Additions | - | 8,122 | - | **8,122** |
| **At end of fiscal period** | $ - | $ 8,122 | $ - | **$ 8,122** |
| | | | | |
| ***Accumulated amortization*** | | | | |
| At beginning of period | - | - | - | **-** |
| Amortization | - | 355 | - | **-** |
| **At end of fiscal period** | - | 355 | - | **-** |
| **Closing net book value** | $ - | $ 7,767 | $ - | **$-** |

| | | | | March 31, 2018 |
|---|---|---|---|---|
| | Office equipment | Computer equipment | Leasehold improvements | Total |
| *Cost* | | | | |
| At beginning of fiscal year | $ 78,855 | $13,600 | $ 134,702 | $ 227,157 |
| Disposals | - | (13,600) | - | (13,600) |
| At end of fiscal year | 78,855 | - | 134,702 | 213,557 |
| | | | | |
| *Accumulated amortization* | | | | |
| At beginning of fiscal year | 78,885 | 11,394 | 121,430 | 211,679 |
| Amortization | - | 507 | 13,272 | 13,779 |
| Disposals | | (11,901) | | (11,901) |
| At end of fiscal year | 78,855 | - | 134,702 | 213,557 |
| Closing net book value | $ - | $ - | $ - | $ - |

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

## 6. INVESTMENT IN PRIVATE COMPANIES

| | June 30, 2018 | March 31, 2018 |
|---|---|---|
| **Private company securities** | | |
| Private company securities, beginning of year | **$ 62,932** | $ 64,190 |
| Purchase of private company securities | **-** | 540 |
| Sale of private company securities | **-** | (1,798) |
| Private company securities, end of period | **$ 62,932** | $ 62,932 |

Target has purchased a majority of the voting shares in 184 private companies (March 31, 2018 - 184). Target's maximum exposure to losses is limited to its initial investment in each private company. Total exposure amounts to $62,932 (March 31, 2018 - $62,932).

## 7. SHAREHOLDER AGREEMENTS

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Balance as at beginning of fiscal year** | **$ 13,388** | $ 24,344 |
| Additions – purchase of asset | **-** | - |

| | | |
|---|---|---|
| Deductions - amortization | **(3,347)** | (10,956) |
| **Balance as at end of fiscal year** | **$ 10,041** | $ 13,388 |

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.

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

| | **June 30, 2018** | March 31, 2018 |
|---|---|---|
| Bonds paid | - | 1,771,175 |
| Total settlement of bonds | **-** | 1,771,75 |

## 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:

| | **June 30, 2018** | June 30, 2017 |
|---|---|---|
| **Income (loss) before income tax** | **$ (249,741)** | $ 10,366 |
| Statutory income tax rates | **27%** | 27% |
| **Estimated income tax expense (recovery) based on statutory rates** | **(64,430)** | 2,799 |
| **Effects of:** | | |
| Other | **-** | 252 |
| | **$ (64,430)** | $ 8740 |

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.

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** | June 30, 2017 |
|---|---|---|
| **Deferred income taxes (liability)/asset:** | | |
| Non-capital loss carry forwards | **$ 969,190** | $ - |
| Cumulative eligible capital available for tax purposes | **33,535** | - |
| Carrying amount of equipment and leaseholds lower than tax basis | **13,828** | - |
| **Deferred income tax asset** | **1,016,552** | - |
| Unrecognized deferred income tax asset | **(1,016,553)** | - |
| **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, 2018 | **$ 6,276,990** | **95,568,538** |
| Common shares issued | **-** | **-** |
| Warrants issued | **-** | **-** |
| Balance at June 30, 2018 | **$ 6,276,990** | **95,568,538** |

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

| | | | | | | Period ended June 30, |
|---|---|---|---|---|---|---|
| | | | **2018** | | | 2017 |
| | **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 | **$(249,741)** | **31,489,629** | **$ (0.01)** | $1,626 | 3,851,863 | $ - |

**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, 2018 | 54,700,021 | **$ 0.10** |
| Issued | **-** | **-** |
| Balance at June 30, 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 June 30, 2018 are presented below.

| | **April 1, 2018 to June 30, 2018** | |
|---|---|---|
| | **Number of shares** | **Average exercise price per share** |
| Shares - beginning of year | - | - |
| Granted | 8,666,667 | 0.10 |
| Exercised | - | 0.10 |
| Forfeited | - | - |

| | | |
|---|---|---|
| Shares - end of year | 8,666,667 | 0.10 |
| **Exercisable shares - end of year** | **8,666,667** | **0.10** |

| Exercise prices | Number of Shares | Weighted average remaining contractual life (years) | Weighted average exercise price per share $ |
|---|---|---|---|
| $0.10 | 8,666,667 | 4.70 | 0.10 |
| **Shares at June 30, 2018** | **8,666,667** | **4.70** | **0.10** |

The following table lists the inputs to the Black-Scholes valuation models used for the shares granted during the years ended June 30, 2018 and 2017:

| | **2018** | **2017** |
|---|---|---|
| Share price at grant date ($) | $0.054 | $0.054 |
| Volatility (%) | 150% | 150% |
| Expected annual life (Years) | 5.00 | 5.00 |
| Annual risk-free rate (%) | 1.75% | 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.

**(b) Transactions**

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

| | **30-June-18** | 30-June-17 |
|---|---|---|
| **Revenue** | | |
| Private company investment fees | | |
| Private companies | **$ -** | $121,944 |
| Exempt Experts Inc. | - | 1,766 |
| Dividends | | |
| Olympia Financial Group Inc. | - | 27,600 |
| Interest income | | |
| OrganicKidz Inc. | - | 3,360 |
| NEMA | - | 1,649 |
| Olympia Financial Group | - | 29,694 |

| | | |
|---|---|---|
| Total revenue | | $ 195,764 |
| G&A and Rent Reimbursements | | |
| Olympia Benefits Inc. | - | $ 8,580 |
| Olympia Financial Group Inc. | - | 2,859 |
| **Expenses** | | |
| Bad Debt | | |
| Private companies | - | - |
| Royalties | | |
| Tarman Inc. | - | 3,389 |
| Transparent Investments Inc. | - | 635 |
| | **$-** | $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:**

| | **June 30, 2018** | March 31, 2018 |
|---|---|---|
| Private company investments | **$-** | $418,715 |
| Bad debt allowance | - | (129,531) |
| OrganicKidz Inc. | - | 12,500 |
| Exempt Experts Inc. | - | 82,202 |
| 51st Parallel Inc. | **1,894** | 140,320 |
| | **$ 1,894** | $ 437,375 |

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

| | **June 30, 2018** | March 31, 2018 |
|---|---|---|
| Olympia Financial Group Inc. | **$-** | $(178) |
| Tarman Inc. | - | 5,804 |
| Transparent Investments Inc. | - | 8,378 |
| | **$-** | $14,004 |

**(e) Key management compensation**

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

| For the year ended, | **June 30, 2018** | June 30, 2017 |
|---|---|---|
| Salaries and benefits | $69,685 | $88,048 |
| Director's compensation | - | - |
| | **$69,685** | $88,048 |

## 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 $43,280; however, an office sharing agreement with 51st Parallel reduces the cost to approximately $21,640.

## 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;
- 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 $272,496 in receivables outstanding for more than 91 days, totalling 70% of outstanding receivables (March 31, 2018 - $242,990 and 37%). Management believes all amounts, net of the allowances made, are collectable. The accounts receivable presented below include amounts due from related parties.

| | **June 30, 2018** | March 31, 2018 |
|---|---|---|
| Current | **$ 75,202** | $ 215,669 |
| 31 to 60 days past due | **-** | 140,816 |
| 61 to 90 days past due | **41,332** | 61,262 |
| 91 days or more past due | **272,496** | 242,990 |
| | **389,030** | 660,737 |
| Less: Allowance for doubtful accounts | **(20,019)** | (129,531) |
| | **$ 369,011** | $ 531,026 |

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 | | | 5% | 7% | |
| Gross carrying amount | 75,202 | - | 41,332 | 272,496 | 389,029 |
| Loss allowance | | | 2,067 | 17,952 | 20,019 |

| **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 |

**(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 | 140,630 | 135,550 | - | 6,080 |
| | $ 140,630 | $ 135,550 | $ - | $ 6,080 |

**(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. SUBSEQUENT EVENTS

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.

# SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

# Target Capital Inc.

## Management Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the financial position and results of operations of Target Capital Inc. (the "Company", "Corporation", or "Target") for the period ended June 30, 2018.

This MD&A should be read in conjunction with Target's condensed consolidated financial statements for the three months ended June 30, 2018, as well as the MD&A found in Target's 2017 Annual Report, together with the unaudited consolidated financial statements and accompanying notes found therein.

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

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

### Forward-looking statements

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

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

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

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

## Business Overview

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

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

### *Our investment business*

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

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

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

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

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

**Bond exchange**

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

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

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

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

**Recapitalization**

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

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

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

The New Management Team is led by Sonny Mottahed as President & Chief Executive Officer, Bill Macdonald as Executive Vice President – Corporate Development and David Cheadle as Chief Financial

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

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

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

## Results of Operations for the three months ended June 30, 2018

SUMMARY OF FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2017

| ($ Thousands) | **June 30, 2018** | June 30, 2017 | Variation 2018 to 2017 |
|---|---|---|---|
| Total revenue | **112** | 128 | (12%) |
| Total expenses | **(361)** | (117) | 207% |
| Other income (expenses) | **-** | - | (0%) |
| Net earnings (loss) before tax | **(249)** | 11 | (2502%) |
| Income tax (recovery) | - | 9 | (0%) |
| Net earnings (loss) | **(249)** | 2 | (2502%) |
| Net earnings (loss) per share - Basic | **(0.01)** | - | (200%) |

### Overview

Target's total revenue decreased 12% or $16,072 to $111,722 from $127,794 mainly due to reduced dividends and decreased private company fees.

Total operating expenses increased 207% or $244,035 to $361,463 from $117,428 due to increase in salaries and general and administrative expenses.

As a result, Target reports a net loss of $249,741 compared to net income of $10,366 in the comparative year.

### Revenue

*Private company investment fees*

Private company ("PC") fees were relatively stable with a decrease of 9% to $111,722 from $122,495.

### Expenses

*Salaries and wages*

Salaries and wages increased 507% to $129,249 from $21,308 due to increase in staff.

*Professional fees*

Professional fees decreased by 45% to $10,750 from $19,631 due reduced consulting fee paid.

*Royalties*

Royalties increased by 22% to $10,576 from $8,704. The increase in royalties is a direct result of amounts billed relating to a new royalty contract with Transparent Investments. As part of the CPC portfolio purchase from Eyelogic Systems on December 1, 2015, Target Capital purchased one CPC contract which included a royalty payable to Tarman Inc.

*Amortization of equipment and leasehold improvements*

Equipment and leasehold amortization decreased 95% to $355 from $6,989 as all of the Company's office equipment became fully depreciated at the yearend March 31, 2018 and the Compnay purchased computer equipment in the first qurter.

*Rent*

Rent increased by 315% to $18,977 compared to $4,568 for the prior year, because of relocation of the Company to a building in which rent is shared with 51st Parallel (a related party), as well as termination fees for the original lease agreement.

*General and admin*

General and admin expenses increased by 2543% to $189,325 from $7,163. The increase in the expenses were due to advertising and legal fees related to the recapitalization of the company.

## Results of Operations for the three months ended June 30, 2018

| SUMMARY OF THE RESULTS TWELVE MONTHS ENDED | | | |
|---|---|---|---|
| | **June 30, 2018** | June 30, 2017 | Variation |
| **Revenue** | | | |
| Private company investment fees | **$ 111,722** | $ 122,495 | (9%) |
| Interest | **-** | 5,299 | (100%) |
| **Total revenue** | **111,722** | 127,794 | (109%) |
| **Expenses** | | | |
| General and administration | **189,325** | 7,163 | 2543% |
| Salaries and wages | **129,249** | 21,308 | 507% |
| Professional fees | **10,750** | 19,631 | (45%) |
| Royalties | **10,576** | 8,704 | 22% |
| Amortization | **355** | 6,989 | (95%) |
| Rent | **18,977** | 4,568 | 315% |
| Interest on bonds | **-** | 17,443 | (100%) |
| Amortization on bond discount | **-** | 21,070 | (100%) |
| Directs fee | **-** | 6,900 | (100%) |
| Amortization of intangible assets | **2,231** | 3,652 | (39%) |
| **Operating expenses** | **361,463** | 117,428 | 208% |
| **Operating income (loss)** | **(249,741)** | 10,366 | (2509%) |
| **Net earnings (loss) before income taxes** | **(249,741)** | 10,366 | (2509%) |
| Current | **-** | 8,740 | (100%) |
| **Net earnings (loss)** | **$ (249,741)** | $ 1,626 | (15414%) |
| **Earnings (loss) attributable to:** | | | |
| Owners of the Company | **$ (249,741)** | $ 1,626 | (15414%) |
| | **$ (249,741)** | $ 1,626 | (15414%) |
| **Basic net earnings (loss) per share** | **(0.01)** | (0.0) | (200%) |

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

The table summarizes the financial condition of the Company as at June 30, 2018 compared to the year ended March 31, 2017:

| SUMMARY OF THE FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED | | | |
|---|---|---|---|
| $ Canadian | **March 31, 2018** | March 31, 2018 | Variation |
| **Assets** | | | |
| *Current assets* | | | |
| Cash | **$ 2,532,731** | $ 2,196,213 | 13% |
| Cash held in trust | **-** | 833,866 | (100%) |
| Accounts receivable | **366,880** | 289,184 | 21% |
| Accounts receivable - related parties | **-** | 242,022 | (100%) |
| Prepaid expenses | **29,951** | - | 100% |
| **Total current assets** | **2,929,562** | 682,381 | (22%) |
| *Non-current assets* | | | |
| Investments | **$427,513** | - | 100% |
| Equipment and leasehold improvements | **7,767** | | 100% |
| Private company investment | **62,932** | 62,932 | - |
| Shareholder agreements | **11,157** | 13,388 | (20%) |
| **Total non-current assets** | **509,367** | 76,320 | 85% |
| **Total assets** | **$ 3,438,929** | $ 3,637,605 | (6%) |
| | | | |
| **Liabilities and Equity** | | | |
| *Current liabilities* | | | |
| Accounts payable and accrued liabilities | **$ 156,138** | $ 91,068 | 42% |
| **Total current liabilities** | **156,138** | 91,068 | 42% |
| Long-term bonds | **40** | 40 | - |
| **Total non-current liabilities** | **40** | 40 | - |
| **Total liabilities** | **156,178** | 105,112 | 33% |
| *Equity (Deficiency)* | | | |
| Warrants | **1,659,646** | 1,659,646 | 100% |
| Contributed surplus | **2,310,260** | 2,310,260 | 100% |
| Share capital | **4,617,344** | 4,617,344 | 308% |
| Other components of equity | **165,093** | 165,093 | 0% |
| Retained earnings (deficit) | **(5,469,496)** | (5,219,755) | 5% |
| **Total equity (deficiency) to holders** | **3,282,846** | 3,532,587 | (8%) |
| Non-controlling interest | **(95)** | (95) | 0% |
| **Total equity (deficiency)** | **3,282,751** | 3,532,492 | (8%) |
| **Total liabilities and equity (deficiency)** | **$ 3,438,929** | $ 3,637,605 | (6%) |

## Quarterly Results

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

| ($ thousands) | 30-Jun-18 | 31-Mar-18 | 31-Dec-17 | 30-Sep-17 | 30-Jun-17 | 31-Mar-17 | 31-Dec-16 | 30-Sep-16 | 30-Jun-16 |
|---|---|---|---|---|---|---|---|---|---|
| Total revenue | 112 | 238 | 237 | 101 | 128 | 262 | 322 | 127 | 155 |
| Total expenses | (361) | (3,002) | (140) | (621) | (117) | 1,448 | (243) | (1,778) | (202) |
| Other income (expenses) | - | 21 | 371 | (496) | (21) | (762) | | | |
| Earnings (loss) before income taxes | (249) | (2,743) | 468 | (1,016) | (10) | 947 | 79 | (1,651) | (47) |
| Income tax recovery | - | (2) | (128) | (21) | 2 | 6 | | | |
| Net Earnings (loss) | (249) | (2,997) | 184 | (490) | 2 | 921 | 73 | (1,645) | (27) |
| Net Earnings (loss) - Per share | (0) | (0.14) | 0.01 | (0.13) | - | 0.24 | 0.02 | (0.41) | (0.01) |

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

## Outstanding Share Data

The following table indicates the common shares and stock options issued and outstanding at June 30, 2018, March 31, 2018 and December 31, 2017.

| OUTSTANDING SHARE DATA | | | |
|---|---|---|---|
| | **June 30, 2018** | March 31, 2018 | December 31, 2017 |
| Common Shares | 95,568,538 | 95,518,538 | 95,518,538 |
| Stock Warrants | 8,666,667 | 8,666,667 | 8,666,667 |
| Warrants | 45,833,354 | 45,833,354 | 45,833,354 |
| Weighted average number of shares outstanding during the period Basic | 29,608,093 | 29,608,093 | 6,048,316 |
| Weighted average number of shares outstanding during the period Diluted | 44,894,126 | 44,894,126 | 7,846,676 |

## Business Risks

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

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

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

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

At period end, the Company had $272,496 in receivables outstanding for more than 91 days, totalling 70% of outstanding receivables (March 31, 2018 - $242,990 or 37%). Management believes all amounts, net of the allowances made, are collectable.

### *Liquidity risk*

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

### *Change in business direction*

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

## Related Party Transactions

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

51st Parallel Inc.

**(b) Transactions**

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

| | **30-June-18** | 30-June-17 |
|---|---|---|
| **Revenue** | | |
| Private company investment fees | | |
| Private companies | **$ -** | $ 121,944 |
| Exempt Experts | - | 1,766 |
| Dividends | | |
| Olympia Financial Group Inc. | - | 27,600 |
| Interest income | | |
| NEMA | - | 1,649 |
| Olympia Financial Group | - | 29,694 |
| OrganicKidz Inc. | - | 3,360 |
| Total revenue | **$ -** | $ 8,580 |
| G&A and Rent Reimbursements | | |
| Olympia Benefits Inc. | - | $ 8,580 |
| Olympia Financial Group | - | 2,859 |
| Royalties | | |
| Tarman Inc. | - | 3,389 |
| Transparent Investments Inc. | - | 635 |
| | **$ -** | $ 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:**

| | **June 30, 2018** | March 31, 2018 |
|---|---|---|
| Private company investments | **$ -** | $ 418,715 |
| Bad debt allowance | - | (129,531) |
| OrganicKidz Inc. | - | 12,500 |
| Exempt Experts Inc. | - | 82,202 |
| 51st Parallel Inc. | **1,894** | 140,320 |
| | **$ 1,894** | $ 437,375 |

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

| | **June 30, 2018** | **March 31, 2018** |
|---|---|---|
| **Olympia Financial Group Inc.** | **$ -** | **$ (178)** |

| | | |
|---|---|---|
| **Tarman Inc.** | **-** | **5,804** |
| **Transparent Investments Inc.** | **-** | **8,378** |
| | **$ -** | **$ 14,004** |

**(e) Key management compensation**

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

| For the year ended, | **March 31, 2018** | June 30, 2017 |
|---|---|---|
| Salaries and benefits | $ 69,685 | $ 88,048 |
| | **$ 69,685** | $ 88,048 |

## Commitments

The Company has a lease agreement for office space until September 30, 2018. Remaining payments under the terms of the lease are approximately $43,280; however, an office sharing agreement with 51st Parallel reduces the cost to approximately $21,640.

## Subsequent Events

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.