



**INTERIM FINANCIAL STATEMENTS**

FOR THE SIX AND THREE MONTHS ENDED SEPTEMBER 30, 2017

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**For the six months and three months ended September 30, 2017 and 2016**

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

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 unaudited condensed consolidated interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances.

The Board of Directors has reviewed and approved the accompanying unaudited condensed consolidated interim financial statements for the periods ended September 30, 2017 and 2016.

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, Kenway Mack Slusarchuk Stewart LLP, has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

*Signed Rick Skauge*

Rick Skauge  
Chief Executive Officer  
Calgary, Alberta  
November 10, 2017

*Signed Royce Lee*

Royce Lee  
Chief Financial Officer

**TARGET CAPITAL INC.**  
**Consolidated Statement of Financial Position**

As at,	Note	September 30, 2017 (unaudited)	March 31, 2017
\$ Canadian			
<b>Assets</b>			
<i>Current assets</i>			
Cash		\$ 252,540	\$ 316,995
Accounts receivable	14 (a)	321,107	312,375
Advances receivable	4	50,000	50,000
Income tax recoverable		27,657	-
Prepaid expenses		1,593	3,011
<b>Total current assets</b>		<b>652,897</b>	<b>682,381</b>
<i>Non-current assets</i>			
Investments and advances	4	1	75,001
Equipment and leasehold improvements	5	1,698	15,477
Controlled private companies	6	64,610	64,190
Controlling shareholder agreements	7	17,040	24,344
<b>Total non-current assets</b>		<b>83,349</b>	<b>179,012</b>
<b>Total assets</b>		<b>\$ 736,246</b>	<b>\$ 861,393</b>
<b>Liabilities and Equity</b>			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities		\$ 68,663	\$ 88,252
Interest payable		6,384	1,505
Income tax payable		-	43,056
<b>Total current liabilities</b>		<b>75,047</b>	<b>132,813</b>
<i>Non-current liabilities</i>			
Long-term bonds	8	1,771,175	1,349,769
<b>Total non-current liabilities</b>		<b>1,771,175</b>	<b>1,349,769</b>
<b>Total liabilities</b>		<b>1,846,222</b>	<b>1,482,582</b>
Commitments	14		
<i>Equity (Deficiency)</i>			
Share capital	11	1,132,710	1,132,710
Retained earnings (deficit)		(2,242,591)	(1,753,804)
<b>Total equity (deficiency) attributable to equity holders of the Company</b>		<b>(1,109,881)</b>	<b>(621,094)</b>
Non-controlling interest		(95)	(95)
<b>Total equity (deficiency)</b>		<b>(1,109,976)</b>	<b>(621,189)</b>
<b>Total liabilities and equity (deficiency)</b>		<b>\$ 736,246</b>	<b>\$ 861,393</b>

The related notes form an integral part of these financial statements

**TARGET CAPITAL INC.**  
**Consolidated Statement of Operations**

	Note	<i>Six months ended</i>		<i>Three months ended</i>	
		<b>September 30, 2017</b>	September 30, 2016	<b>September 30, 2017</b>	September 30, 2016
<p>§ Canadian</p> <p><b>Revenue</b></p>					
Controlled private company fees		\$ 219,683	\$ 219,554	\$ 97,188	\$ 95,844
Dividends		-	55,200	-	27,600
Interest		9,525	6,775	4,226	3,415
<b>Total revenue</b>		<b>229,208</b>	<b>281,529</b>	<b>101,414</b>	<b>126,859</b>
<p><b>Expenses</b></p>					
Professional fees		27,414	22,940	7,783	11,490
Interest on bonds		36,101	173,889	18,658	88,095
Salaries and wages		35,044	68,960	13,736	38,423
Royalties		22,137	28,765	13,433	13,304
Directors' fees		20,550	22,201	13,650	13,501
General and administration		18,652	41,236	11,489	12,671
Amortization of equipment and leasehold improvements	5	13,779	15,110	6,790	7,555
Rent		9,136	19,016	4,568	9,508
Amortization of intangible assets	7	7,304	7,304	3,652	3,652
Bad debts		52,185	26,153	52,185	25,853
<b>Operating expenses</b>		<b>242,302</b>	<b>425,574</b>	<b>145,944</b>	<b>224,052</b>
<b>Operating income (loss)</b>		<b>(13,094)</b>	<b>(144,045)</b>	<b>(44,530)</b>	<b>(97,193)</b>
<p><b>Other Income (expense)</b></p>					
Amortization of discount on bonds		(421,406)	-	(400,336)	-
Impairment loss	9	(75,000)	(1,565,403)	(75,000)	(1,565,403)
Recovery of previous impairment of marketable securities		-	11,029	-	11,029
<b>Total Other income (expense)</b>		<b>(496,406)</b>	<b>(1,554,374)</b>	<b>(475,336)</b>	<b>(1,554,374)</b>
<b>Net earnings (loss) before income taxes</b>		<b>(509,500)</b>	<b>(1,698,419)</b>	<b>(519,866)</b>	<b>(1,651,567)</b>
<b>Income tax expense (recovery)</b>	10	<b>(20,713)</b>	<b>(26,573)</b>	<b>(29,453)</b>	<b>(6,713)</b>
<b>Net earnings (loss)</b>		<b>\$ (488,787)</b>	<b>\$ (1,671,846)</b>	<b>\$ (490,413)</b>	<b>\$ (1,644,854)</b>
<p><b>Earnings (loss) attributable to:</b></p>					
Owners of the Company		\$ (488,787)	\$ (1,615,132)	\$ (490,413)	\$ (1,588,140)
Non-controlling interest		-	(56,714)	-	(56,714)
		<b>\$ (488,787)</b>	<b>\$ (1,671,846)</b>	<b>\$ (490,413)</b>	<b>\$ (1,644,854)</b>
<p><b>Basic and diluted net earnings (loss) per share</b></p>					
	11	<b>\$ (0.13)</b>	<b>\$ (0.42)</b>	<b>\$ (0.13)</b>	<b>\$ (0.41)</b>

*The related notes form an integral part of these financial statements*

**TARGET CAPITAL INC.**  
**Consolidated Statement of Comprehensive Income (Loss)**

	Note	<i>Six months ended</i>		<i>Three months ended</i>	
		<b>September 30, 2017</b>	September 30, 2016	<b>September 30, 2017</b>	September 30, 2016
\$ Canadian					
<b>Net earnings (loss)</b>		<b>\$ (488,787)</b>	\$ (1,671,846)	<b>\$ (490,413)</b>	\$ (1,644,854)
<b>Other comprehensive income (loss)</b>				-	
Revaluation of marketable securities		-	109,296	-	730,528
Deferred income tax effect		-	(14,755)	-	(80,763)
		-	94,541	-	649,765
<b>Total comprehensive income (loss)</b>		<b>\$ (488,787)</b>	\$ (1,577,305)	<b>\$ (490,413)</b>	\$ (995,089)
<b>Earnings (loss) attributable to:</b>					
Owners of the Company		<b>\$ (488,787)</b>	\$ (1,520,591)	<b>\$ (490,413)</b>	\$ (938,375)
Non-controlling interest		-	(56,714)	-	(56,714)
		<b>\$ (488,787)</b>	\$ (1,577,305)	<b>\$ (490,413)</b>	\$ (995,089)

*The related notes form an integral part of these financial statements*

**TARGET CAPITAL INC.**  
**Consolidated Statement of Changes in Equity**

								September 30, 2017
\$ Canadian	Share capital	Accumulated other comprehensive income	Refundable dividend tax on hand	Retained earnings	Total retained earnings (deficit)	Total	Non- controlling Interest	Total equity
<b>Balance, March 31, 2017</b>	\$ 1,132,710	\$ -	\$ (172,012)	\$ (1,581,792)	\$ (1,753,804)	\$ (621,094)	\$ (95)	\$ (621,189)
Net earnings (loss)	-	-	-	(488,787)	(488,787)	(488,787)	-	(488,787)
<b>Balance, September 30, 2017</b>	\$ 1,132,710	\$ -	\$ (172,012)	\$ (2,070,579)	\$ (2,242,591)	\$ (1,109,881)	\$ (95)	\$ (1,109,976)

								September 30, 2016
\$ Canadian (unaudited)	Share capital	Accumulated other comprehensive income	Refundable dividend tax on hand	Retained earnings	Total retained earnings (deficit)	Total	Non- controlling Interest	Total equity
<b>Balance, March 31, 2016</b>	\$ 1,132,710	\$ 403,755	\$ (251,987)	\$ (1,007,006)	\$ (1,258,993)	\$ 277,472	\$ 67,532	\$ 345,004
Net earnings (loss)	-	-	-	(1,615,132)	(1,615,132)	(1,615,132)	(56,714)	(1,671,846)
Tax impact of dividends received	-	-	104,631	-	104,631	104,631	-	104,631
Revaluation of marketable securities	-	47,271	-	-	-	47,271	-	47,271
<b>Balance, September 30, 2016</b>	\$ 1,132,710	\$ 451,026	\$ (147,356)	\$ (2,622,138)	\$ (2,769,494)	\$ (1,185,758)	\$ 10,818	\$ (1,174,940)

*The related notes form an integral part of these financial statements*

**TARGET CAPITAL INC.**  
**Consolidated Statement of Cash Flows**

	Note	<i>Six months ended</i>	
		<b>September 30, 2017</b>	September 30, 2016
<hr/> \$ Canadian			
<b>Cash flows from (used in) operating activities:</b>			
Net earnings (loss)		\$ (488,787)	\$ (1,671,846)
Items not affecting cash:			
Amortization of equipment and leasehold improvements	5	13,779	15,110
Amortization of discount on bonds	8	(421,406)	-
Amortization of intangible assets	7	7,304	7,304
Deferred income taxes	10	-	20,944
Impairment loss		75,000	1,565,403
Refundable dividend tax on hand		-	104,631
		<b>(814,110)</b>	41,546
<b>Net changes in non-cash working capital balances</b>			
Accounts receivable		(8,732)	31,546
Prepaid expenses		1,418	776
Accounts payable and accrued liabilities		(19,589)	31,640
Income tax recoverable		(27,657)	(122,228)
Income tax payable		(43,056)	(29,920)
Interest payable		4,879	173,889
<b>Net cash from operating activities</b>		<b>(906,847)</b>	127,249
<b>Investing activities</b>			
Additions to property under development		-	(76,847)
Purchase of controlled private companies (net)	6	(420)	(180)
<b>Net cash from (used in) investing activities</b>		<b>(420)</b>	(77,027)
<b>Financing activities</b>			
Payment of mortgage principal		-	(6,822)
<b>Net cash from (used in) financing activities</b>		<b>-</b>	(6,822)
<b>Increase (decrease) in Cash</b>		<b>(907,267)</b>	43,400
Cash, Beginning of period		316,995	69,364
<b>Cash, end of period</b>		<b>\$ (590,272)</b>	\$ 112,764
<b>Other information:</b>			
Dividends received		\$ -	\$ 55,200
Interest paid		\$ -	\$ -
Interest received		\$ 9,525	\$ 6,775

*The related notes form an integral part of these financial statements*

**TARGET CAPITAL INC.**  
**Notes to Consolidated Financial Statements**

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## **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 1020, 140 - 10 Avenue SE in Calgary, Alberta.

The Company has investments in loans receivable, private companies and controlled private companies.

## **2. BASIS OF PRESENTATION**

### **(a) Statement of compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) as adopted in Canada. These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended March 31, 2017. No update is provided where an item is not material or there has been no material change from the discussion in our annual financial statements.

These financial statements have been approved and authorized for issuance by the Board of Directors as of November 10, 2017. The policies applied in these financial statements are based on IFRS issued, effective, and outstanding as of September 30, 2017.

### **(b) Basis of measurement**

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

### **(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) 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.

**TARGET CAPITAL INC.**  
**Notes to Consolidated Financial Statements**

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In the process of applying Target's accounting policies, management has made the following judgments, estimates and assumptions which has 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*

Management has made an estimate of the amount of accounts receivable that will likely not be recoverable. This estimate is based on management's assessment of the financial situation of individual customers.

*Amortization*

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

**TARGET CAPITAL INC.**  
**Notes to Consolidated Financial Statements**

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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.

*Bonds payable valuation*

In the calculation of bonds payable, Management has used a discount rate of 15%. This discount rate is based on comparable debt instruments.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

These condensed consolidated financial statements are based on the accounting policies consistent with those disclosed in Note 3 to the 2017 annual consolidated financial statements. There have been no changes to the Corporation's significant accounting policies from those disclosed in the 2017 consolidated annual financial statements.

#### **(a) Future accounting policy changes**

*(i) IFRS 15 – Revenue from contracts with customers*

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

**TARGET CAPITAL INC.**  
**Notes to Consolidated Financial Statements**

**4. INVESTMENTS AND ADVANCES**

	September 30, 2017	March 31, 2017
<b>Short-Term</b>		
Advances Repayable by OrganicKidz Inc. ("OKI")	\$ 50,000	\$ 50,000
	<b>50,000</b>	<b>50,000</b>
<b>Long-Term</b>		
Investment in Organickidz Inc.	1	1
Advances to Organickidz Inc.	-	75,000
	<b>1</b>	<b>75,001</b>
<b>Total Investments and Advances</b>	<b>\$ 50,001</b>	<b>\$ 125,001</b>

Target's investment in OKI of \$1 represents a 33% equity interest. Target has significant influence in OKI and therefore accounts for its investment in OKI using the equity method. At this time, OKI has a deficit and therefore the amount recognized is Target's original investment of \$1.

The loan to OrganicKidz Inc. bears interest at 10% and is secured against the assets of OKI. The loan is a term loan with \$25,000 due March 31 and September 30 each year, with the final payment due September 30, 2019, however the Company has agreed to defer principal payments. The borrower may make early principal repayments without any penalty.

**5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

	September 30, 2017		
	Office equipment	Leasehold improvements	Total
<b>Cost</b>			
At beginning of fiscal period	\$ 92,455	\$ 134,702	\$ 227,157
Additions	-	-	-
<b>At end of fiscal period</b>	<b>92,455</b>	<b>134,702</b>	<b>227,157</b>
<b>Accumulated amortization</b>			
At beginning of period	90,249	121,430	211,679
Amortization	507	13,272	13,779
<b>At end of fiscal period</b>	<b>90,756</b>	<b>134,702</b>	<b>225,458</b>
<b>Closing net book value</b>	<b>\$ 1,699</b>	<b>\$ -</b>	<b>\$1,699</b>

**TARGET CAPITAL INC.**  
**Notes to Consolidated Financial Statements**

			March 31, 2017
	Office equipment	Leasehold improvements	Total
<i>Cost</i>			
At beginning of fiscal year	\$ 92,455	\$ 134,702	\$ 227,157
Additions	-	-	-
At end of fiscal year	92,455	134,702	227,157
<i>Accumulated amortization</i>			
At beginning of fiscal year	88,102	94,490	182,592
Amortization	2,147	26,940	29,087
At end of fiscal year	90,249	121,430	211,679
Closing net book value	\$ 2,206	\$ 13,272	\$ 15,478

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

**6. CONTROLLED PRIVATE COMPANIES**

	September 30, 2017	March 31, 2017
<b>Private company securities</b>		
Private company securities, beginning of year	\$ 64,190	\$ 64,190
Purchase of private company securities	420	660
Sale of private company securities	-	(660)
Private company securities, end of period	\$ 64,610	\$ 64,190

Target has purchased a majority of the voting shares in 185 private companies (March 31, 2017 - 178). Target's maximum exposure to losses is limited to its initial investment in each private company. Total exposure amounts to \$64,610 (March 31, 2017 - \$64,190).

**7. CONTROLLING SHAREHOLDER AGREEMENTS**

	September 30, 2017	March 31, 2017
<b>Balance as at beginning of fiscal year</b>	<b>\$ 24,344</b>	\$ 38,952
Additions – purchase of asset	-	-
Deductions - amortization	<b>(7,304)</b>	(14,608)
<b>Balance as at end of fiscal year</b>	<b>\$ 17,040</b>	\$ 24,344

On December 1, 2015 the Company acquired from Eyelogic Systems Inc. (an affiliated entity) a portfolio of 53 Controlled Private Companies ("CPC") and associated controlling shareholder agreements and royalty agreements for an aggregate price of \$75,000. The asset purchase was accounted for by allocating \$31,180 to controlled private companies and the remaining \$43,820 to controlling shareholder and royalty agreements, an intangible asset. The controlling shareholder and royalty agreements are being amortized on a straight-line basis over 3 years.

**TARGET CAPITAL INC.**  
**Notes to Consolidated Financial Statements**

**8. BONDS**

	<b>September 30, 2017</b>	March 31, 2017
The bonds bear interest at Canadian Imperial Bank of Commerce prime plus 1.25%, with no maturity date. The bonds will be partially repaid when the Company has a cash balance of \$400,000 or more.	<b>\$ 1,771,175</b>	\$ 1,771,175
<b>Total bonds payable</b>	<b>\$ 1,771,175</b>	\$ 1,771,175
Discount	-	(421,406)
Total discounted bonds payable	<b>\$ 1,771,175</b>	\$ 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 expected term of the bond, resulting in an increase of the net bond value, shown on the Statement of Financial Position.

**TARGET CAPITAL INC.**  
**Notes to Consolidated Financial Statements**

**9. IMPAIRMENTS**

Impairment of \$75,000 was made to the loan receivable from OrganicKidz Inc., in the six months ended September 30, 2017.

In the comparative period in fiscal year 2017, an impairment of \$1,565,403, 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:

	September 30, 2017	September 30, 2016
<b>Income (loss) before income tax</b>	<b>\$ (509,500)</b>	<b>\$ (1,698,419)</b>
Statutory income tax rates	27%	27%
<b>Estimated income tax expense (recovery) based on statutory rates</b>	<b>(137,565)</b>	<b>(458,573)</b>
<b>Effects of:</b>		
Non-taxable discount on bonds	113,780	-
Non-taxable dividends	-	(14,904)
Recognition of non-capital losses and temporary differences	-	24,157
Unrecognized temporary differences from asset impairment	-	422,659
Other	3,072	88
	<b>\$ (20,713)</b>	<b>\$ (26,573)</b>
<b>Income tax expense (recovery):</b>		
Current tax expense (recovery)	<b>\$ (20,713)</b>	<b>\$ (26,573)</b>
Deferred tax expense (recovery)	-	-
<b>Net Income tax expense (recovery)</b>	<b>\$ (20,713)</b>	<b>\$ (26,573)</b>

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 2017 by the Corporation were \$NIL (2017 - \$nil).

**Deferred Income Tax**

The components of the deferred tax balances are as follows:

	September 30, 2017	March 31, 2017
<b>Deferred income taxes (liability)/asset:</b>		
Non-capital loss carry forwards	\$ 700,769	\$ 700,769
Cumulative eligible capital available for tax purposes	33,572	32,533
Carrying amount of equipment and leaseholds lower than tax basis	14,886	13,106
<b>Deferred income tax asset</b>	<b>749,227</b>	<b>746,408</b>
Unrecognized deferred income tax asset	(749,227)	(746,408)
<b>Net deferred income tax asset</b>	<b>\$ -</b>	<b>\$ -</b>

Target has \$2,680,115 (September 30, 2016 - \$7,858) of unused tax losses expiring between 2036 and

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2037. In addition, Target has \$NIL (September 30, 2016 - \$3,106,773) of deductible temporary differences in respect of losses related to property sale for which no deferred income tax asset has been recognized.

At each reporting date, Target assesses the recoverability of the deferred income tax asset to determine the probability the carrying value of the asset will be realized.

## 11. SHARE CAPITAL & EARNINGS PER SHARE

### Authorized

Unlimited number of common voting shares

Issued common shares	Amount	Number
Balance at September 30, 2017 and 2016	\$ 1,132,710	3,851,863

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

	Period ended September 30,					
	2017			2016		
	Net earnings attributable to owners of the Company	Weighted average common shares	Earnings per share	Net (Loss) attributable to owners of the Company	Weighted average common shares	(Loss) per share
Basic and diluted	\$(488,787)	3,851,863	\$ (0.10)	\$(1,615,132)	3,851,863	\$ (0.42)

## 12. RELATED PARTY TRANSACTIONS

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

Bearspaw Tree Farm Inc., Common management  
 Controlled private companies, Subsidiaries  
 Exempt Experts Inc. ("Exempt"), Common management  
 Eyelogic Systems Inc. ("Eyelogic"), Common management  
 National Exempt Markets Association ("NEMA"), Common management  
 Olympia Financial Group Inc. ("OFGI"), Common management  
 Olympia Benefits Inc. ("OBI"), Common management  
 OrganicKidz Inc. ("OKI"), Significant common share holdings  
 Tarman Inc. ("Tarman"), Common management

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**(b) Transactions**

The following table summarizes the related party transactions that occurred during the six months ended:

	<b>September 30, 2017</b>	September 30, 2016
<b>Revenue</b>		
<i>Controlled private company fees</i>		
Controlled private companies	<b>\$ 219,683</b>	\$ 219,554
Exempt Experts	<b>2,763</b>	4,304
<i>Dividends</i>		
Olympia Financial Group Inc.	-	55,200
<i>Interest income</i>		
OrganicKidz Inc.	<b>6,267</b>	6,267
<i>G&amp;A and Rent Reimbursements</i>		
Exempt Experts	<b>51,628</b>	20,759
NEMA	<b>6,009</b>	3,149
Olympia Financial Group	<b>52,229</b>	61,272
	<b>\$341,342</b>	\$ 370,505

	<b>September 30, 2017</b>	September 30, 2016
<b>Expenses</b>		
<i>General and Administration</i>		
Olympia Financial Group Inc.	<b>\$ 14,346</b>	\$ 3,014
Olympia Benefits Inc.	<b>3,354</b>	7,077
<i>Bad Debt</i>		
Controlled private companies	<b>52,185</b>	26,153
<i>Royalties</i>		
Tarman Inc.	<b>3,389</b>	19,927
Transparent Investments Inc.	<b>5,258</b>	-
	<b>\$ 78,531</b>	\$ 56,171

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.

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

	September 30, 2017	March 31, 2017
Controlled private companies	\$ 249,581	\$ 329,203
Bad debt allowance for controlled private companies	(11,887)	(108,503)
OrganicKidz Inc.	56,267	127,123
Exempt Experts Inc.	66,548	82,019
Olympia Financial Group Inc.	10,598	6,450
NEMA	-	1,083
	<b>\$ 371,107</b>	<b>\$ 437,375</b>

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

	September 30, 2017	March 31, 2017
Olympia Financial Group Inc.	\$ 2,786	\$ 3,360
Tarman Inc.	17,616	15,371
Transparent Investments Inc.	5,471	405
	<b>\$25,873</b>	<b>\$ 19,136</b>

### 13. MANAGEMENT OF CAPITAL

The Company considers equity as capital. At period end equity (deficit) was \$(730,616) (March 31, 2017 – \$(621,094)). The Company is not subject to externally imposed capital requirements.

### 14. COMMITMENTS

The Company has a lease agreement for office space until February 28, 2022. Payments under the lease are approximately \$67,000 per year plus operating costs; however, an office sharing agreement with a group of related companies reduces the cost to approximately \$24,300 per year.

### 15. 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, interest payable, term loan and bonds.

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

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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:

- Controlled 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 \$193,654 in receivables outstanding for more than 90 days, totalling 58% of outstanding receivables (March 31, 2017 - \$257,687 and 61%). Management believes all amounts, net of the allowances made, are collectable.

	<b>September 30, 2017</b>	March 31, 2017
Current	<b>\$ 109,212</b>	\$ 96,647
31 to 60 days past due	<b>2,625</b>	24,461
61 to 90 days past due	<b>27,503</b>	42,083
91 days or more past due	<b>193,654</b>	257,687
	<b>332,994</b>	420,878
Less: Allowance for doubtful accounts	<b>(11,887)</b>	(108,503)
	<b>\$ 321,107</b>	\$ 312,375

The Company is also exposed to credit risk from its related party loans. Target's risk for these loans is reduced due to their secured nature. The OKI loan is secured through a security agreement over all of the corporate assets.

**(b) Interest rate risk**

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	<b>September 30, 2017</b>	March 31, 2017
<b>Fixed rate instruments</b>		
<i>Financial asset</i>		
Related party loans	<b>\$ 50,000</b>	\$ 125,000
	<b>\$ 50,000</b>	\$ 125,000
<b>Variable rate instruments</b>		
<i>Financial liabilities</i>		
Long-term bonds	<b>\$ (1,771,175)</b>	\$ (1,771,175)
	<b>\$ (1,771,175)</b>	\$ (1,771,175)

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*Cash flow sensitivity analysis for fixed rate instruments*

Rates are fixed at the initiation of the instruments and are not subject to variability; therefore a change in interest rates at the reporting date does not affect net income or expenses with respect to these fixed rate financial assets and liabilities.

*Cash flow sensitivity analysis for variable rate instruments*

An increase of 100 basis points (1%) in interest rates, sustained throughout the year, would have decreased equity and after tax earnings by \$6,465 for the six month ended September 30, 2017 (March 31, 2017 - \$12,930). A 100 basis point (1%) decrease would have had an equal but opposite effect. The analysis assumes that all other variables remain constant, mortgage interest continues to be capitalized against the IADC land redevelopment project, and is performed on the same basis for the previous year.

**(c) 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 long-term bonds are partially repayable by the Company, when it has a cash balance of \$400,000 or more.

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
Long-term bonds	\$ 1,771,175	\$ -	\$ -	\$ 1,771,175
Accounts payable and accrued liabilities	68,663	68,663	-	-
Interest payable	6,384	6,384	-	-
	\$ 1,846,222	\$ 75,047	\$ -	\$ 1,771,175

**(d) Fair value**

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 and marketable securities 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).

The fair value of cash and marketable securities were determined using Level 1 inputs. The fair values of long-term investments were determined using level 2 or 3 inputs.

**16. SUBSEQUENT EVENTS**

There were no subsequent events.

## CORPORATE INFORMATION

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### **Directors**

Anne Louise Bartlett<sup>123</sup>  
Gerard Janssen<sup>123</sup>  
Brian Newman<sup>123</sup>  
Rick Skauge  
Greg Walter<sup>123</sup>

### **Officers**

Rick Skauge  
Chief Executive Officer & President  
Royce Lee  
Chief Financial Officer

### **Board Committees**

<sup>1</sup> Audit Committee  
<sup>2</sup> Corporate Governance and  
Nomination Committee  
<sup>3</sup> Compensation Committee

### **Head Office**

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### **Transfer Agent**

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### **Auditors**

Kenway Mack Slusarchuk Stewart LLP  
Chartered Accountants  
Suite 1500, 333 - 11th Avenue SW  
Calgary, Alberta T2R 1L9