



TARGET

CAPITAL INC.

2017 Annual Report

President's Report

It is safe to say we will not be investing in real estate development for a long time. One Langley project was a disaster, you may recall, we originally entered into the joint venture to acquire and develop the Langley project. After spending a considerable amount of funds getting the development approved (including building a show suite), the market determined it was a project that wouldn't fly. We concluded our relationship with the developer and hired a new builder to work with us to get a new modest project approved. Again, we found the market wasn't interested. We decided to sell the property and was told it would sell for around \$4 million. That turned out to be a pipe dream and the property eventually sold for a little over \$2 million. We had managed to lose \$3 million on a \$2 million real estate deal. Certainly, in these times, an incredibly bad outcome that probably put us in the record book.

After the sale had concluded, the Company was forced to sell most of its other valuable assets to raise cash to help pay out the bondholders.

We had some very frank discussions with our bondholders and came to an agreement to pay them 65 cents on the dollar in cash and give them a new prime plus 1 ¼ percent bond that would be subject to redemptions each time the Corporation has \$400,000 of cash on hand. We have \$1,771,175 in bonds outstanding and so anticipate 5 redemptions over the next several years. On that note, if you review the Statement of Financial Position for the year, it shows total bonds payable of \$1,349,769. The amount presented on the Statement of Financial position is not the true amount and has been adjusted, as per International Financial Reporting Standards ("IFRS"). The adjustment can be viewed under note 10 of the financial statements. The requirement is that we must adjust our liabilities and assets to their fair value, which in our case resulted in a discount.

The company is now in a position to look forward. We have drastically reduced our monthly operating expenses to around \$12,000 per month including interest.

We have seen renewed interest in corporate entities, approaching us to be their controlling shareholder. By Target Capital holding controlling interest in these entity companies, those companies are able to raise funds from deferred tax plans. Private companies normally cannot issued debt securities that are eligible for deferred plans.

Target typically charges these companies an annual fee for being the controlling shareholder of ½ of 1% of the amount of capital outstanding. The company does not commit its capital or management to these companies. With recent changes to the Ontario Securities Act, we expect that there will be increased interest in the Target controlled entities.

Subsequent to year end, Craig Skauge, resigned as Director and President of the Company. He has recently taken on the position of President of Olympia Trust Company and wanted to devote his full attention to his new position. Rick Skauge, CEO, has now been appointed as the President of the Company. There's an old adage that states, "If you ain't got nothing, you've got nothing to lose." That just about sums up our current position. We do have a positive cash flow and reduced costs going into the new fiscal year. We do have a future, but we don't have much to lose. Under those circumstances, we will be looking to acquire additional capital that could take the Company in a completely new direction. It is safe to say that until the bondholders are paid out, the shareholders do not have much of a position. It's also safe to say that once we get out of this hole, we will have a chance to recover shareholder value.

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 year ended March 31, 2017.

This MD&A should be read in conjunction with Target's consolidated financial statements for the year ended March 31, 2017, as well as the MD&A found in Target's 2016 Annual Report, together with the audited consolidated financial statements and accompanying notes found therein. Target's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This document presents the views of management as at June 19, 2017. 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 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. Its principal expense is interest on its outstanding bonds.

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 controlled private companies ("CPC") 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 controlled 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 controlled private companies have raised capital via investments from Deferred Plans varying in size from nil to several million dollars.

Target does not consolidate these controlled private companies for accounting purposes. This is because Target has agreements with these companies that restrict Target's profits to the fees that it charges and its losses to the initial investment made and because Target is not the primary beneficiary of the success or failure of these private companies.

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.

Our land development business

Target's land development business comprises two investments; Bearspaw Tree Farm and Industrial Avenue Development Corporation.

On March 24, 2017, the Company sold its interest in Bearspaw Tree Farm for aggregate proceeds of \$448,000, which was used to fund cash payments made to Target's bondholders during the bond exchange which occurred on the same date. The shares were sold at a price of \$80 per share, the same price as Bearspaw Tree Farm's tender offer to shareholders.

In March 2016, the Landing at Langley project was put up for sale. The sale of the project closed at January 31, 2017. An offer of \$2.135 million was received in October 2016 and an impairment was recognized to bring the asset down to fair value. On January 31st, 2017, the sale was closed.

Bond exchange

During March 2017, the Company received all signed agreements from bondholders to exchange their outstanding bonds for partial cash repayments and a new bond issuance. 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.

Holder 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.

Holder 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%.

Results of Operations for the year ended March 31, 2017

SUMMARY OF FINANCIAL RESULTS FOR THE YEAR ENDED			
(\$ thousands, except EPS)	March 31, 2017	March 31, 2016	Variation 17 to 16
Total revenue	866	972	(11%)
Total expenses	(775)	(973)	(20%)
Other income (expense)	(565)	(1,350)	(58%)
Net (loss) before tax	(474)	(1,351)	(65%)
Income tax expense (recovery)	39	(49)	>100%
Net earnings (loss)	(513)	(1,302)	(61%)
Net earnings (loss) attributable to owners of the Company	(452)	(1,246)	(64%)
Net earnings (loss) per share – Basic and	(0.12)	(0.32)	(63%)

Overview

Target's total revenue decreased 11% or \$106,485 to \$865,710 from \$972,195 mainly due to lower dividend revenue and a reduction in trailer fees.

Total operating expenses decreased 20% or \$198,249 to \$775,040 from \$973,289 due to lower salaries and wages, general administration, professional fees, interest on line of credit, and royalty payments.

Other income and expenses decreased to \$564,964 due to impairment loss on property under development, offset from the settlement of bonds including bond discount.

As a result, Target reports a decrease in net loss before tax of \$788,753 resulting in a loss of \$512,814 compared to a loss of \$1,301,804 in the comparative year.

Revenue

Controlled private company fees

Controlled private company ("CPC") fees increased 3% to \$722,157 from \$703,008 due to new clients' revenues offsetting decrease from older companies. On December 1, 2015, Target purchased a portfolio of CPC's from Eyelogic Systems Inc. (an affiliated entity).

Dividends

Dividend revenue decreased 40% to \$129,168 from \$215,020 due to the sale of 55,000 Olympia shares that occurred on September 8, 2015. The decrease in the number of shares impacted the year's dividend from Olympia. On March 24, 2017, the Company sold its remaining holdings of Olympia shares and therefore, will no longer receive dividends going forward.

Trailer fees

Trailer fee revenue decreased 100% to \$nil from \$35,806 due to the December 21, 2015 sale of all trailer fee rights to Olympia Benefits Inc. (an affiliated entity).

Expenses

Interest on bonds

Interest on bonds decreased slightly to \$342,791 from \$348,817 due to the bond exchange which occurred on March 24, 2017.

Salaries and wages

Salaries and wages decreased 36% to \$123,190 from \$193,652 due to fewer administrative staff, reduction in severance payments, reduced performance bonuses, as well as a reduction in compensation paid to the Chief Executive Officer and the President. Beginning September 15, 2015; both the CEO and President voluntarily reduced their compensation to zero. In the current fiscal year, Target had paid a retirement allowance for a departing executive.

Bad debts

Total bad debt expenses were decreased 75% to \$26,050 from \$102,547 in the comparative period. Bad debt expense relates to allowances made for receivables from controlled private companies and the actual write-off of accounts that were deemed uncollectable.

Professional fees

Professional fees increased 6% to \$49,111 from \$46,421. The increase was a result of legal counsel involvement required to assist with the bond exchange.

Interest on line of credit

Interest on the line of credit decreased 100% to \$nil from \$21,002, as the Company did not draw on the facility in the current fiscal year.

Royalties

Royalties increased 307% to \$47,828 from \$11,746. As part of the CPC portfolio purchase from Eyelogic Systems on December 1, 2015, Target capital purchased the royalty agreement from Eyelogic. Consequently, no Royalty payments were required to be paid to Eyelogic during the fourth quarter. During the current fiscal year, an agreement was entered into whereby the company agreed to pay a royalty to Transparent Investments for revenues collected from new clients introduced to the Company.

Other Income

Impairment loss on properties under development

The Company reviewed capitalized redevelopment costs for Industrial Avenue Development Corporation ("IADC") and recorded an impairment in the amount of \$1,685,326 for unrecoverable costs exclusively associated with The Landing development, including: administration and project management, architectural drawings, legal, insurance, marketing, show suite, and interior design.

Gain on sale of securities

On September 8, 2015, Target sold 55,000 Olympia shares for a realized gain on disposition of \$149,050. On March 24, 2017, Target sold the remaining 55,200 Olympia shares for a realized gain on disposition

Gain on Sale of trailer fee rights

On December 21, 2015, Target sold its investment in trailer fee rights to Olympia Benefits Inc. for a realized gain on disposition of \$42,610.

Settlement on bond exchange

The interest accrued from period leading up to the bond exchange was written-off on March 24, 2017, as per the bond exchange agreements. At issuance of the new bond, the calculated estimated fair value of the new bonds payable was based on a discount rate of 15%. A discount of \$421,406 was calculated and was included in the settlement on bond exchange. The total interest written off during the bond exchange was \$501,535.

Results of Operations for the three months ended March 31, 2017

SUMMARY OF FINANCIAL RESULTS FOR THE YEAR ENDED			
(\$ thousands, except EPS)	March 31, 2017	March 31, 2016	Variation 17 to 16
Revenue			
Controlled private company fees	\$ 211,940	\$ 211,940	\$ 211,940
Dividends	46,368	46,368	46,368
Interest	4,066	4,066	4,066
Total revenue	262,374	245,038	7%
Expenses			
Interest on bonds	81,009	90,591	(11%)
Salaries and wages	26,321	29,602	(11%)
General and administration	16,343	18,787	(13%)
Rent	4,102	17,233	(76%)
Professional fees	14,351	15,450	(7%)
Directors' fees	8,175	8,975	(9%)
Amortization of equipment and leasehold improvements	6,988	8,686	(20%)
Bad debt (recovery)	(13,595)	8,243	(>100%)
Royalties	5,826	5,737	2%
Amortization of intangible assets	3,652	3,634	<1%
Interest on line of credit	-	106	(100%)
Total expenses	153,172	207,044	(26%)
Other income	1,035,643	-	>100%
Net earnings before tax	1,144,845	37,994	>100%
Income tax recovery	58,547	795	(>100%)
Net earnings	\$ 1,086,298	\$ 37,199	>100%
Net earnings attributable to:			
Owners of the Company	\$ 1,088,968	\$ 37,199	>100%
Non-controlling interest	(2,670)	-	>100%
	\$ 1,086,298	\$ 37,199	>100%
Net earnings per share – Basic & Diluted	0.28	0.01	>100%

Overview

Target's total revenue increased 7% to \$262,374 from \$245,038 in the comparative quarter due to higher CPC fees and dividends.

Total expenses decreased 26% to \$153,172 from \$207,044 due to lower salaries and wages, general and administrative expenses, royalties, and interest on line of credit.

As a result, Target net earnings for the fourth quarter increased to \$1,211,238 from \$37,944 reported in the comparative quarter, mainly due to the one-time adjustment made for the settlement of the bonds exchange.

Revenue

Controlled private company fees

Controlled private company ("CPC") fees increased slightly to \$211,940 from \$204,113 as Target gained numerous CPCs in the period and therefore an increased revenue based on new capital raising fees.

Dividends

Dividend revenue increased 29% to \$46,368 from \$35,880 due to an increase from Olympia dividends and timing of receipt. On March 24, 2017, Target sold its remaining shares in Olympia.

Expenses

Salaries and wages

Salaries and wages decreased 11% to \$26,321 from \$29,602 due to fewer administrative staff, as well as a reduction in compensation paid to Chief Executive Officer and the President. Beginning September 15, 2015; both the CEO and President voluntarily reduced their compensation to zero.

General and administrative

General and administrative expenses decreased 13% to \$16,343 from \$18,787 due to lower corporate registry, shareholder services, and office supplies expenses.

Bad debts

Bad debts decreased to a recovery of \$13,595 from an expense of \$8,243 in the comparative quarter.

Bad debt expense relates to allowances made for receivables from controlled private companies and the actual write-off of accounts that were deemed uncollectable. In the quarter, Target recovered on accounts that had been previously written off.

Rent

Office rent decreased 76% to \$4,108 from \$17,233. The office allocation was re-adjusted and the Company renewed its lease for five years at a lower cost.

Interest on line of credit

Interest expense decreased 100% to \$nil from \$106. Target did not draw on the line of credit in the current fiscal period.

Royalties

Royalties increased to \$5,836 from \$5,737. During the fiscal year a contract was made to pay a royalty to Transparent Investments for revenues collected from new clients introduced to the Company.

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

The table summarizes the financial condition of the company as at March 31, 2017 compared to the comparative year ended March 31, 2016:

COMPARISON OF FINANCIAL CONDITION			
(\$ thousands)	March 31, 2017	March 31, 2016	Variation
Cash	\$ 317	\$ 69	>100%
Marketable securities	-	1,160	(100%)
Accounts receivable	312	440	(29%)
Advances Receivable	50	50	0%
<i>Total current assets</i>	682	1,720	(60%)
Investments and advances	75	1,244	(94%)
Property under development	-	3,623	(100%)
Equipment and leasehold improvements	16	45	(64%)
Controlled private companies	64	64	0%
Controlling shareholder agreements	24	39	(38%)
Deferred income tax asset	-	5	(100%)
TOTAL ASSETS	861	6,740	(87%)
Short-term bonds	-	5,118	(100%)
Accounts payable and accrued liabilities	88	87	1%
Income tax payable	43	30	43%
Interest payable	2	160	(99%)
Current portion of mortgage	-	75	(100%)
<i>Total current liabilities</i>	133	5,470	(98%)
Long-term bonds	1,350	-	>100%
Mortgage	-	925	(100%)
<i>Total long-term liabilities</i>	1,350	925	46%
TOTAL LIABILITIES	1,483	6,395	(77%)
NET ASSETS (LIABILITIES)	\$ (622)	\$ 345	(>100%)

Marketable securities declined 100% due to the sale of the remaining 55,200 Olympia shares for total proceeds of \$1,600,800. Target Capital utilized the proceeds to fund cash payments for the bond exchange which occurred on March 24, 2017.

COMPARISON OF FINANCIAL CONDITION		
	March 31, 2017	March 31, 2016
Balance as at beginning of fiscal year	\$ 3,623,556	\$ 4,810,620
Additions – development expenditures	198,077	368,806
Impairment of Charleston expenditures	-	(1,209,192)
Impairment of The Landing expenditures	(1,564,226)	-
Impairment on disposition of display suite	(121,100)	(332,178)
Asset dispositions	(2,135,000)	(14,500)
Other Adjustment	(1,307)	-
Balance as at end of fiscal year	\$ -	\$ 3,623,556

On October 14, 2014, the Company acquired an additional 46% interest in Industrial Avenue Development Corporation (“IADC”), bringing its total interest to 96%. The remaining 4% non-controlling interest represents an equity interest owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity.

The property under development consisted of both land held in Langley, British Columbia and capitalized development costs accumulated over prior years’ development. The project consisted of a 78 unit five story, wood frame residential development called “The Landing at Langley”.

Included in development expenditures is capitalized mortgage interest in the amount of \$nil (March 31, 2016 - \$50,560).

The Company reviewed capitalized development costs for Industrial Avenue Development Corporation (“IADC”) and recorded an impairment of \$1,209,192 in 2015 for unrecoverable costs exclusively associated with The Charleston development including: administration and project management, architectural drawings, legal, insurance, marketing, show suite, and interior design. The Charleston was a 15 story, mixed-use residential and commercial property redevelopment in Langley, BC. The work product from the above identified costs was not utilized or transferred to The Landing at Langley project.

The Corporation received an offer in October 2016 for \$2,135,000 and the sale concluded on January 31, 2017. The asset was impaired to the value of the asset sale.

Quarterly Results

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

QUARTERLY COMPARISON									
	2017				2016				2015
(\$ thousands)	31-Mar-17	31-Dec-16	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15	31-Mar-15
Total revenue	1,298	322	127	155	245	359	195	215	354
Total expenses	(153)	(243)	(1,778)	(202)	(207)	(1,473)	(273)	(561)	(222)
Earnings (loss) before income taxes	1,145	79	(1,651)	(47)	38	(1,114)	(78)	(346)	132
Net Earnings (loss)	1,086	73	(1,645)	(27)	37	(785)	(15)	(240)	101
Net Earnings (loss) - Per share	0.28	0.02	(0.41)	(0.01)	0.01	(0.20)	(0.00)	(0.06)	0.03

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 19, 2017, March 31, 2017 and March 31, 2016; indicating no changes.

OUTSTANDING SHARE DATA			
	June 19, 2017	March 31, 2017	March 31, 2016
Common Shares	3,851,863	3,851,863	3,851,863
Stock Options	-	-	-
Weighted average number of shares outstanding during the period Basic and Diluted	3,851,863	3,851,863	3,851,863

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.

Financing

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

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 controlled 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 Company's accounts receivable due from customers. There is always the potential that a customer will fail to perform its financial obligations. The Company has a significant number of customers, thus minimizing the concentration of risk. Target is committed to a policy of closely monitoring the Company's risk and exposure in the area of accounts receivable. During the year ended March 31, 2017, the Company expensed \$26,050 (March 31, 2016 - \$102,547) in uncollectable accounts receivable balances.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Management regularly reviews future cash requirements to ensure adequate funds are available. At quarter end, Target had a current ratio of 5.14:1, an increase from the 0.31:1, ratio at the previous year end.

Related Party Transactions

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

Bears paw 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
Transparent Investments Inc. ("Transparent"), Common management

(b) Transactions

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

On December 18, 2015 the Company received from Eyelogic Systems Inc. a return of capital distribution in the amount of \$90,987. This amount was applied against the book value of Eyelogic Systems and is considered a non-taxable distribution for income tax purposes.

On December 21, 2015; the Company sold its contractual interests in Trailer Fees to Olympia Benefits Inc. for proceeds of \$143,774.

On March 24, 2017, the Company sold its shares in Olympia Financial Group Inc. for proceeds of \$1,600,800.

On March 24, 2017; the Company sold its investment in Bears paw Tree Farm at \$80 per share for proceeds of \$448,000.

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

	March 31, 2017	March 31, 2016
Revenue		
<i>Controlled private company fees</i>		
Controlled private companies	\$ 722,157	\$ 703,008
Exempt Experts	9,632	-
<i>Dividends</i>		
Olympia Financial Group Inc.	129,168	215,020
<i>Interest income</i>		
OrganicKidz Inc.	12,500	16,295
<i>Trailer fees</i>		
Olympia Benefits Inc.	-	35,806
<i>G&A and Rent Reimbursements</i>		
Exempt Experts	79,557	167,618
NEMA	7,748	6,999
Olympia Financial Group	118,861	70,644
Eyelogic Systems Inc.	-	22,865
	\$ 1,079,623	\$ 1,238,255
Expenses		
<i>General and Administration</i>		
Olympia Financial Group Inc.	\$ 8,530	\$ 21,426
Olympia Benefits Inc.	11,599	6,015
Eyelogic Systems Inc.	-	658
<i>Bad Debt</i>		
Controlled private companies	26,050	102,547
<i>Royalties</i>		
Eyelogic Systems Inc.	-	(6,412)
Tarman Inc.	23,274	17,273
Transparent Investments Inc.	14,972	-
<i>Management Fees</i>		
Tarman Inc.	-	12,000
	\$ 84,425	\$ 153,507

These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

	March 31, 2017	March 31, 2016
Controlled private companies	\$ 329,203	\$ 278,967
Bad debt allowance for controlled private companies	(108,503)	(122,504)
OrganicKidz Inc.	127,123	126,274
Exempt Experts Inc.	82,019	133,835
Olympia Financial Group Inc.	6,450	13
NEMA	1,083	525
	\$ 437,375	\$ 417,110

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

	March 31, 2017	March 31, 2016
Olympia Financial Group Inc.	\$ 3,360	\$ 572
Tarman Inc.	15,371	-
Transparent Investments Inc.	405	-
	\$ 19,136	\$ 572

(e) Key management compensation

Key management compensation includes the Company's directors, the CEO, CFO, and President. Since September 2015, the CEO and the President have not received compensation for their services.

For the year ended,	March 31, 2017	March 31, 2016
Salaries and employee benefits	\$ 81,148	\$ 94,910
Directors' compensation	43,126	40,175
	\$ 124,274	\$ 135,085

Selected Financial Data

The following table provides selected annual information of Target for the years 2015 through to 2017.

3 YEAR HISTORICAL REVIEW			
For the year ended,	2017	2016	2015
Operating Results			
Revenue	\$ 865,710	\$ 972,195	\$ 1,142,566
Expenses	775,040	973,289	1,168,898
Other Income (Expense)	(564,964)	(1,349,710)	-
Net income (loss)	(512,814)	(1,350,804)	(26,332)
Total comprehensive income	(916,569)	(1,987,621)	35,109
Earnings (loss) per share (basic and diluted)	(0.12)	(0.32)	0.01
Financial Position			
Current assets	682,381	1,719,874	4,017,033
Total assets	861,393	6,739,621	10,379,353
Current liabilities	132,812	5,469,617	5,637,713
Total liabilities	1,482,582	6,739,617	7,838,919
Equity (deficiency)	\$ (621,189)	\$ 345,004	\$ 2,540,434



To: The Shareholders of **Target Capital Inc.**

We have audited the accompanying consolidated financial statements of Target Capital Inc., which comprise the consolidated statement of financial position as at March 31, 2017 and 2016 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Target Capital Inc. as at March 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Kenway Mack Slusarchuk Stewart LLP

Chartered Professional Accountants,
Chartered Accountants

June 20, 2017
Calgary, Alberta

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

For the years ended March 31, 2016 and 2017

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

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

The Board of Directors has reviewed and approved the accompanying financial statements for the year ended March 31, 2017 and March 31, 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. Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of the financial statements. 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 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 Rick Skauge

Signed Royce Lee

Rick Skauge

Chief Executive Officer
Calgary, Alberta
June 19, 2017

Royce Lee

Chief Financial Officer

Target Capital Inc.
Consolidated Statement of Financial Position

As at,	Note	March 31, 2017	March 31, 2016
\$ Canadian			
Assets			
<i>Current assets</i>			
Cash		\$ 316,995	\$ 69,364
Marketable securities	4	-	1,159,752
Accounts receivable	14(c)	312,375	439,614
Advances receivable	5	50,000	50,000
Prepaid expenses		3,011	1,144
Total current assets		682,381	1,719,874
<i>Non-current assets</i>			
Investments and advances	5	75,001	1,243,501
Property under development	6	-	3,623,556
Equipment and leasehold improvements	7	15,477	44,565
Controlled private companies	8	64,190	64,190
Controlling shareholder agreements	9	24,344	38,952
Deferred income tax asset	12	-	4,983
Total non-current assets		179,012	5,019,747
Total assets		\$ 861,393	\$ 6,739,621
Liabilities and Equity			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities		\$ 88,252	\$ 86,948
Interest payable		1,505	160,249
Income tax payable		43,056	29,920
Short-term bonds	10	-	5,117,500
Current portion of mortgage	11	-	75,000
Total current liabilities		132,813	5,469,617
<i>Non-current liabilities</i>			
Long-term bonds	10	1,349,769	-
Mortgage	11	-	925,000
Total non-current liabilities		1,349,769	925,000
Total liabilities		1,482,582	6,394,617
<i>Equity (Deficiency)</i>			
Commitments	16		
Accumulated other comprehensive income		-	403,755
Share capital	13	1,132,710	1,132,710
Retained earnings (deficit)		(1,753,804)	(1,258,993)
Total equity attributable to equity holders of the Company		(621,094)	277,472
Non-controlling Interest		(95)	67,532
Total equity (deficiency)		(621,189)	345,004
Total liabilities and equity (deficiency)		\$ 861,393	\$ 6,739,621

The related notes form an integral part of these financial statements

Target Capital Inc.
Consolidated Statements of Operations

	Note	<i>Year Ended</i>	
		March 31, 2017	March 31, 2016
\$ Canadian			
Revenue			
Controlled private company fees		\$ 722,157	\$ 703,008
Dividends		129,168	215,020
Interest		14,385	18,361
Trailer fees		-	35,806
Total revenue		865,710	972,195
Expenses			
Interest on bonds		342,791	348,817
Salaries and wages		123,190	193,652
General and administration		68,912	88,159
Professional fees		49,111	46,421
Royalties		47,828	11,746
Directors' fees		43,126	40,175
Rent		30,337	38,316
Amortization of equipment and leasehold improvements	7	29,087	43,863
Bad debts		26,050	102,547
Amortization of intangible assets	9	14,608	38,591
Interest on line of credit		-	21,002
Operating expenses		775,040	973,289
Operating income (loss)		90,670	(1,094)
Other Income (expense)			
Impairment loss on property under development	6	(1,685,326)	(1,541,370)
Settlement of bonds	10	922,941	-
Gain on sale of marketable securities and investments	5	186,392	149,050
Recovery of previous impairment of marketable securities	4	11,029	-
Gain on sale of trailer fee rights		-	42,610
Total Other income (expense)		(564,964)	(1,349,710)
Net earnings (loss) before income taxes		(474,294)	(1,350,804)
Income tax expense (recovery)	12	38,520	(49,237)
Net earnings (loss)		\$ (512,814)	\$ (1,301,567)
Earnings (loss) attributable to:			
Owners of the Company		\$ (451,755)	\$ (1,245,769)
Non-controlling interest		(61,059)	(55,798)
		\$ (512,814)	\$ (1,301,567)
Basic and diluted net earnings (loss) per share	13	\$ (0.12)	\$ (0.32)

The related notes form an integral part of these financial statements

Target Capital Inc.
Consolidated Statements of Comprehensive Income (Loss)

	Note	<i>Year Ended</i>	
		March 31, 2017	March 31, 2016
\$ Canadian			
Net earnings (loss)		\$ (512,814)	\$ (512,814)
Other comprehensive income (loss)			
Revaluation of marketable securities	4&5	(270,150)	(772,480)
Reclassification on sale of securities	4&5	(196,619)	-
Deferred income tax effect		63,014	86,426
		(207,136)	86,426
Total comprehensive income (loss)		\$ (719,950)	\$ (1,215,141)
Earnings (loss) attributable to:			
Owners of the Company		\$ (658,891)	\$ (1,159,343)
Non-controlling interest		(61,059)	(55,798)
		\$ (719,950)	\$ (1,215,141)

The related notes form an integral part of these financial statements

Target Capital Inc.
Consolidated Statement of Changes in Equity

March 31, 2017									
	Share capital	Accumulated other comprehensive income	Refundable dividend tax on hand	Retained earnings	Total retained earnings (deficit)	Total	Non-controlling Interest	Total equity	
\$ Canadian									
Balance, March 31, 2016	\$ 1,132,710	\$ 403,755	\$ (251,987)	\$ (1,007,006)	\$ (1,258,993)	\$ 277,472	\$ 67,532	\$ 345,004	
Net earnings (loss)	-	-	-	(451,755)	(451,755)	(451,755)	(61,059)	(512,814)	
Adjustment to RDTOH	-	-	123,031	(123,031)	-	-	-	-	
Tax impact of dividends received	-	-	(43,056)	-	(43,056)	(43,056)	-	(43,056)	
Revaluation of marketable securities	-	(207,136)	-	-	-	(207,136)	-	(207,136)	
Decrease in partner investment	-	-	-	-	-	-	(6,568)	(6,568)	
Reclassification on sale of securities	-	(196,619)	-	-	-	(196,619)	-	(196,619)	
Balance, March 31, 2016	\$ 1,132,710	\$ -	\$ (172,012)	\$ (1,581,792)	\$ (1,753,804)	\$ (621,094)	\$ (95)	\$ (621,189)	

March 31, 2016									
	Share capital	Accumulated other comprehensive income	Refundable dividend tax on hand	Retained earnings	Total retained earnings (deficit)	Total	Non-controlling Interest	Total equity	
\$ Canadian									
Balance, March 31, 2015	\$ 1,132,710	\$ 1,218,737	\$ (173,106)	\$ 238,763	\$ 65,657	\$ 2,417,104	\$ 123,330	\$ 2,540,434	
Net earnings (loss)	-	-	-	(1,245,769)	(1,245,769)	(1,245,769)	(55,798)	(1,301,567)	
Tax impact of dividends received	-	-	(78,881)	-	(78,881)	(78,881)	-	(78,881)	
Revaluation of marketable securities	-	(686,054)	-	-	-	(686,054)	-	(686,054)	
Reclassification on sale of securities	-	(128,928)	-	-	-	(128,928)	-	(128,928)	
Balance, March 31, 2016	\$ 1,132,710	\$ 403,755	\$ (251,987)	\$ (1,007,006)	\$ (1,258,993)	\$ 277,472	\$ 67,532	\$ 345,004	

The related notes form an integral part of these financial statements

Target Capital Inc.
Consolidated Statements of Cash Flows

	Note	Year Ended	
		March 31, 2017	March 31, 2016
\$ Canadian			
Cash flows from (used in) operating activities:			
Net earnings (loss)		\$ (512,814)	\$ (1,301,567)
Items not affecting cash:			
Amortization of equipment and leasehold improvements	7	29,087	43,863
Amortization of intangible assets	9	14,608	38,591
Deferred income taxes	12	68,440	(21,139)
Impairment loss on property under development	6	1,685,326	1,541,370
Settlement on bond exchange	10	(421,406)	-
Gain on sale of trailer fee rights		-	(42,610)
Gain on disposal of marketable securities and investments		(186,392)	(149,050)
Refundable dividend tax on hand		(43,056)	(78,881)
		633,793	30,577
Net changes in non-cash working capital balances			
Accounts receivable		127,239	203,008
Prepaid expenses		(1,867)	(18)
Accounts payable and accrued liabilities		1,245	(93,215)
Income tax recoverable		-	742
Income tax payable		13,136	50,042
Interest payable		(158,744)	156,024
		614,802	347,160
Investing activities			
Repayment of advances receivable		-	50,000
Sale of marketable securities and investments	4&5	2,048,800	1,294,700
Sale of assets	6	-	14,500
Sale of trailer fee rights		-	143,774
Return of Capital distribution		-	90,987
Sale of property	6	2,135,000	-
Additions to property under development	6	(198,077)	(368,806)
Purchase of controlled private companies (net)	8	-	(27,940)
Purchase of equipment		-	(1,367)
Purchase of controlling shareholder agreements	9	-	(43,820)
		3,985,723	1,152,028
Financing activities			
Payment of mortgage principal		(1,000,000)	-
Return of capital paid to non-controlling interest		(6,568)	-
Issuance (repayment) of bonds		(3,346,325)	-
		(4,352,893)	-
Increase (decrease) in Cash			
		247,632	1,499,188
Cash, Beginning of year			
		69,364	(1,429,824)
Cash, end of year			
		\$ 316,996	\$ 69,364
Other information:			
Dividends received		\$ 129,168	\$ 215,020
Interest paid		\$ -	\$ 213,795
Interest received		\$ 14,385	\$ 18,361

The related notes form an integral part of these financial statements

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of these financial statements.

These financial statements have been approved and authorized for issuance by the Board of Directors as of June 19, 2017.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for cash 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 management’s 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 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, nor required to fund their losses.

Revenue recognition

The amount of controlled private company fee 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 when collection is reasonably assured.

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 estimated life of the 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.

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

(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.

(b) **Cash and cash equivalents**

The Company considers all investments with maturities of three months or less, and lines of credit that are utilized periodically for day-to-day operations, to be cash equivalents. As Target holds multiple bank accounts, cash indebtedness is presented in the Statement of Financial Position on a net basis; therefore, the amount could differ from the actual draw on the line of credit.

(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 controlled private companies**

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

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 in order 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 is able to 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.

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. However, as it does still have significant influence it accounts for its investments using the equity method. Therefore, the Company has recognized its share of net income or loss of these private companies, which is nil because it has no rights to receive any residual returns or any obligations to absorb losses of these private companies.

(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**

The Company has early adopted IFRS 9 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

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 controlling 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**

Revenue from trailer fees related to the Company's acquired interests in future commissions is recognized on a net basis when a claim is processed. The Company records all accounts receivable and payable related to trailer fees on a net basis, as it receives the fees net of a handling fee charged by Olympia Benefits Inc.

Controlled private company fee revenue relates to fees paid to Target by the controlled 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.

4. MARKETABLE SECURITIES

	March 31, 2017			March 31, 2016		
	Book value	Fair value	Fair value over (under) book value	Book value	Fair value	Fair value over (under) book value
Eyelogic Systems Inc.	\$ -	\$ -	\$ -	\$ 66,839	\$ -	\$ (66,839)
Olympia Financial Group Inc.	-	-	-	1,149,935	1,159,752	9,817
	\$ -	\$ -	\$ -	\$ 1,216,774	\$ 1,159,752	\$ (57,022)

Target's remaining holdings in Olympia Financial Group were sold on March 24, 2017, for aggregate proceeds of \$1,600,800. The proceeds were used to fund cash payments made to Target bondholders during the bond exchange which occurred on the same date.

In September 2016, Target recovered \$11,029 from the loss on disposition of Eyelogic Systems shares, as the Company received a return of capital distribution.

5. INVESTMENTS AND ADVANCES

	March 31, 2017	March 31, 2016
Short-Term		
Advances Repayable by OrganicKidz Inc. ("OKI")	\$ 50,000	\$ 50,000
	50,000	50,000
Long-Term		
Investment in OrganicKidz Inc.	1	1
Advances to OrganicKidz Inc.	75,000	75,000
Investment in Bearspaw Tree Farm Inc.	-	1,168,500
	75,001	1,243,501
Total Investments and Advances	\$ 125,001	\$ 1,293,501

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, 2018, however the Company has agreed to defer principal payments. The borrower may make early principal repayments without any penalty.

6. PROPERTY UNDER DEVELOPMENT

	March 31, 2017	March 31, 2016
Balance as at beginning of fiscal year	\$ 3,623,556	\$ 4,810,620
Additions – development expenditures	198,077	368,806
Impairment of Charleston expenditures	-	(1,209,192)
Impairment on disposition of display suite	(121,100)	(332,178)
Impairment on disposition of The Landing	(1,564,226)	
Asset dispositions	(2,135,000)	(14,500)
Other adjustment	(1,307)	
Balance as at end of fiscal year	\$ -	\$ 3,623,556

The property under development consisted of both land held in Langley, British Columbia and capitalized development costs accumulated over prior years' development. The project consisted of a 78 unit five story, wood frame residential development called "The Landing at Langley".

Included in development expenditures is mortgage interest in the amount of \$nil (March 31, 2016 - \$50,560). In 2015, the Company reviewed capitalized development costs for Industrial Avenue Development Corporation ("IADC") and recorded an impairment of \$1,209,192 for unrecoverable costs exclusively associated with The Charleston development including: administration and project management, architectural drawings, legal, insurance, marketing, show suite, and interior design. The Charleston was a 15 story, mixed-use residential and commercial property redevelopment in Langley, BC. The work product from the above identified costs was not utilized or transferred to The Landing at Langley project.

During the current fiscal year, the Corporation sold its land asset under IADC in consideration for \$2,135,000. The asset was impaired to the value of the asset sale.

7. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

March 31, 2017			
	Office equipment	Leasehold improvements	Total
Cost			
At beginning of fiscal year	\$ 92,455	\$ 134,702	\$ 227,157
Additions	-	-	-
At end of fiscal year	92,455	134,702	227,157
Accumulated amortization			
At beginning of 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

March 31, 2016			
	Office equipment	Leasehold improvements	Total
Cost			
At beginning of fiscal year	\$ 91,088	\$ 134,702	\$ 225,790
Additions	1,367	-	1,367
At end of fiscal year	92,455	134,702	227,157
Accumulated amortization			
At beginning of year	72,154	66,574	138,728
Amortization	15,948	27,916	43,864
At end of fiscal year	88,102	94,490	182,592
Closing net book value	\$ 4,353	\$ 40,212	\$ 44,565

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

8. CONTROLLED PRIVATE COMPANIES

	March 31, 2017	March 31, 2016
Private company securities		
Private company securities, beginning of year	\$ 64,190	\$ 36,250
Purchase of private company securities	660	31,540
Sale of private company securities	(660)	(3,600)
Private company securities, end of period	\$ 64,190	\$ 64,190

Target holds a majority of the voting shares in 178 private companies (March 31, 2016 - 169). Target's maximum exposure to losses is limited to its initial investment in each private company. Total exposure amounts to \$64,190 (March 31, 2016 - \$64,190).

9. CONTROLLING SHAREHOLDER AGREEMENTS

	March 31, 2017	March 31, 2016
Balance as at beginning of fiscal year	\$ 38,952	\$ -
Additions – purchase of asset	-	43,820
Deductions - amortization	(14,608)	(4,868)
Balance as at end of fiscal year	\$ 24,344	\$ 38,952

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 the controlled private companies and 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

10. BONDS

	March 31, 2017	March 31, 2016
8% renewable The bonds bear interest at 8% per annum with interest paid semi-annually and can be redeemed in full, 90 days after a formal request by the bondholder has been made. The bonds have no maturity date.	\$ -	\$ 71,400
9% renewable The bonds bear interest at 9% per annum with interest paid semi-annually and can be redeemed in full, 90 days after a formal request by the bondholder has been made. The bonds have no maturity date.	-	64,800
7% renewable The bond bears interest at 7% per annum with interest paid monthly. The bonds matured on March 31, 2016.	-	750,000
7% renewable The bond bears interest at 7% per annum with interest paid quarterly. The bonds matured on March 31, 2016.	-	170,000
	March 31, 2017	March 31, 2016
7% renewable The bonds bear interest at 7% per annum with interest paid quarterly. The bonds mature on January 31, 2025; however an early redemption option allows for repayment on January 31 of 2016, 2019 or 2022 at the advance written request of the bondholder.	-	2,942,300
5% renewable The bonds bear interest at 5% per annum with interest paid monthly. The bonds mature on April 30, 2022; however an early redemption option, which allow for repayment on April 30th of 2017 at the advance written request of the bondholder.	-	423,000
7% non-renewable The bond bears interest at 7% per annum with interest paid quarterly. The bond matures on September 30, 2016.	-	696,000
Prime + 1.25% 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.	\$ 1,771,175	\$ -
Long-term bonds payable	\$ 1,771,175	\$ -
Total bonds payable	\$ 1,771,175	\$ 5,117,500
Discount	(421,406)	-
Total discounted bonds payable	\$ 1,349,769	\$ 5,117,500

On December 31, 2015; the Company advised bondholders it would not be processing the redemptions. Further, the Company did not make scheduled interest payments to bondholders and as such was in default of interest payment obligations under the governing agreements. The Corporation's failure to pay interest and complete bond redemptions is an event of default under the bonds. As a result of the default, all bonds were classified as current liability on March 31, 2016.

During March 2017, the Company received all signed agreements from bondholders to exchange their outstanding bonds for partial cash repayments and a new bond issuance. 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 interest accrued from period leading up to the bond exchange was written-off on March 24, 2017, as per the bond exchange agreements.

Settlement of bonds

	March 31, 2017	March 31, 2016
Settlement of bonds		
Bond discount	\$ 421,406	\$ -
Interest write-off	501,535	-
Total of settlement of bonds	\$ 922,941	\$ -

11. MORTGAGE

	March 31, 2017	March 31, 2016
Short-Term		
Current portion of mortgage	\$ -	\$ 75,000
Long-Term		
Long-term portion of mortgage	-	925,000
Balance as at end of fiscal year	\$ -	\$ 1,000,000

On October 14, 2014; as part of the acquisition of Industrial Avenue Development Corporation, the Company assumed a long term mortgage with Canadian Western Bank for a principal amount of \$1,000,000. The mortgage was secured by a general security agreement and land held by IADC with a net carrying amount of \$2,150,000. The mortgage bears interest at the greater of 3.75% per annum or 0.75% above the Bank's Prime Lending Rate, interest was paid monthly.

On January 31, 2017, the land associated with the mortgage was sold and the mortgage was repaid in full along with accrued interest to Canadian Western Bank.

12. INCOME TAXES

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

	March 31, 2017	March 31, 2016
Income (loss) before income tax	\$ (474,294)	\$ (1,350,804)
Statutory income tax rates	27%	27%
Estimated income tax expense (recovery) based on statutory rates	(128,059)	(364,717)
Effects of:		
Change in unrecognized deferred income tax asset	338,836	416,170
Non-taxable discount on bonds	(113,780)	-
Non-taxable dividends	(34,875)	(58,055)
Permanent difference on taxable capital gains	(16,140)	(20,122)
Recognition of non-capital losses and temporary differences	-	(42,935)
Change in tax rate	-	20,125
Other	(7,462)	297
	\$ 38,520	\$ (49,237)
Income tax expense recovery:		
Current tax expense (recovery)	\$ (8,976)	\$ (28,098)
Deferred tax expense (recovery)	47,496	(21,139)
Net Income tax expense (recovery)	\$ 38,520	\$ (49,237)

The applicable statutory tax rate is 27% (2016 - 27%). The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates.

Deferred Income Tax

The components of the deferred tax balances are as follows:

	March 31, 2017	March 31, 2016
Deferred income taxes (liability)/asset:		
Non-capital loss carry forwards	\$ 700,769	\$ 22,801
Cumulative eligible capital available for tax purposes	32,533	31,532
Carrying amount of equipment and leaseholds lower than tax basis	13,106	13,664
Other	-	(63,014)
Property under development lower than tax basis	-	416,170
Deferred income tax asset	746,408	421,153
Unrecognized deferred income tax asset	(746,408)	(416,170)
Net deferred income tax asset	\$ -	\$ 4,983

Target has \$2,680,115 (2016 - \$7,858) of unused tax losses expiring between 2036 and 2037. In addition, Target has \$NIL (2016 - \$1,541,370) 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.

13. SHARE CAPITAL & EARNINGS PER SHARE

Authorized

Unlimited number of common voting shares

Issued common shares	Amount	Number
Balance at March 31, 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.

	2017			2016		
	Net earnings (loss) attributable to owners of the Company	Weighted average common shares	Loss per share	Net earnings (loss) attributable to owners of the Company	Weighted average common shares	Loss per share
Basic and diluted	\$ (451,755)	3,851,863	\$ (0.12)	\$ (1,245,769)	3,851,863	\$ (0.32)

14. 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
Transparent Investments Inc. ("Transparent"), Common management

(b) Transactions

On December 18, 2015 the Company received from Eyelogic Systems Inc. a return of capital distribution in the amount of \$90,987. This amount was applied against the book value of Eyelogic Systems and is considered a non-taxable distribution for income tax purposes.

On December 21, 2015; the Company sold its contractual interests in Trailer Fees to Olympia Benefits Inc. for proceeds of \$143,774.

On March 24, 2017, the Company sold its shares in Olympia Financial Group Inc. for proceeds of \$1,600,800.

On March 24, 2017; the Company sold its investment in Bearspaw Tree Farm at \$80 per share for proceeds of \$448,000.

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Notes to Consolidated Financial Statements

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

	March 31, 2017	March 31, 2016
Revenue		
<i>Controlled private company fees</i>		
Controlled private companies	\$ 722,157	\$ 703,008
Exempt Experts	9,632	-
<i>Dividends</i>		
Olympia Financial Group Inc.	129,168	215,020
<i>Interest income</i>		
OrganicKidz Inc.	12,500	16,295
<i>Trailer fees</i>		
Olympia Benefits Inc.	-	35,806
<i>G&A and Rent Reimbursements</i>		
Exempt Experts	79,557	167,618
NEMA	7,748	6,999
Olympia Financial Group	118,861	70,644
Eyelogic Systems Inc.	-	22,865
	\$ 1,079,623	\$ 1,238,255
Expenses		
<i>General and Administration</i>		
Olympia Financial Group Inc.	\$ 8,530	\$ 21,426
Olympia Benefits Inc.	11,599	6,015
Eyelogic Systems Inc.	-	658
<i>Bad Debt</i>		
Controlled private companies	26,050	102,547
<i>Royalties</i>		
Eyelogic Systems Inc.	-	(6,412)
Tarman Inc.	23,274	17,273
Transparent Investments Inc.	14,972	-
<i>Management Fees</i>		
Tarman Inc.	-	12,000
	\$ 84,425	\$ 153,507

These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

	March 31, 2017	March 31, 2016
Controlled private companies	\$ 329,203	\$ 278,967
Bad debt allowance for controlled private companies	(108,503)	(122,504)
OrganicKidz Inc.	127,123	126,274
Exempt Experts Inc.	82,019	133,835
Olympia Financial Group Inc.	6,450	13
NEMA	1,083	525
	\$ 437,375	\$ 417,110

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

	March 31, 2017	March 31, 2016
Olympia Financial Group Inc.	\$ 3,360	\$ 572
Tarman Inc.	15,371	-
Transparent Investments Inc.	405	-
	\$ 19,136	\$ 572

(e) Key management compensation

Key management compensation includes the Company's directors, the CEO, CFO, and President. Since September 2015, the CEO and the President have not received compensation for their services.

For the year ended,	March 31, 2017	March 31, 2016
Salaries and employee benefits	\$ 81,148	\$ 94,910
Directors' compensation	43,126	40,175
	\$ 124,274	\$ 135,085

15. MANAGEMENT OF CAPITAL

The Company considers equity as capital. At year end equity (deficit) was \$(621,094) (March 31, 2016 - \$277,472). The Company is not subject to externally imposed capital requirements.

16. 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.

17. 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 and 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 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 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 year end, the Company had \$257,687 in receivables outstanding for more than 90 days, totalling 61% of outstanding receivables (March 31, 2016 - \$409,731 and 73%). At year end, management believes all amounts, net of the allowances made, are collectable.

	March 31, 2017	March 31, 2016
Current	\$ 96,647	\$ 82,888
31 to 60 days past due	24,461	69,499
61 to 90 days past due	42,083	-
91 days or more past due	257,687	409,731
	420,878	562,118
Less: Allowance for doubtful accounts	(108,503)	(122,504)
	\$ 312,375	\$ 439,614

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:

	March 31, 2017	March 31, 2016
Fixed rate instruments		
<i>Financial asset</i>		
Related party loans	\$ 125,000	\$ 125,000
<i>Financial liabilities</i>		
Short-term bonds	-	(5,117,500)
	\$ (125,000)	\$ (4,992,500)
Variable rate instruments		
<i>Financial liabilities</i>		
Long-term bonds	\$ (1,771,175)	\$ -
Mortgage	-	(1,000,000)
	\$ (1,771,175)	\$ (1,000,000)

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 \$12,930 for the year ended March 31, 2017 (March 31, 2016 - \$nil). A 100 basis point (1%) decrease would have had an equal but opposite effect.

(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.

Target Capital Inc.
Notes to Consolidated Financial Statements

	Contractual 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	88,251	88,251	-	-
Interest payable	1,505	1,505	-	-
Long-term bonds	\$ 1,860,931	\$ 89,756	\$ -	\$ 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 was calculated with a discount rate based on comparable debt instruments

Cash and 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).

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

Corporate Information

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Royce Lee

Chief Financial Officer

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Board Committees

1 Audit Committee

2 Corporate Governance and
Nomination Committee

3 Compensation Committee

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