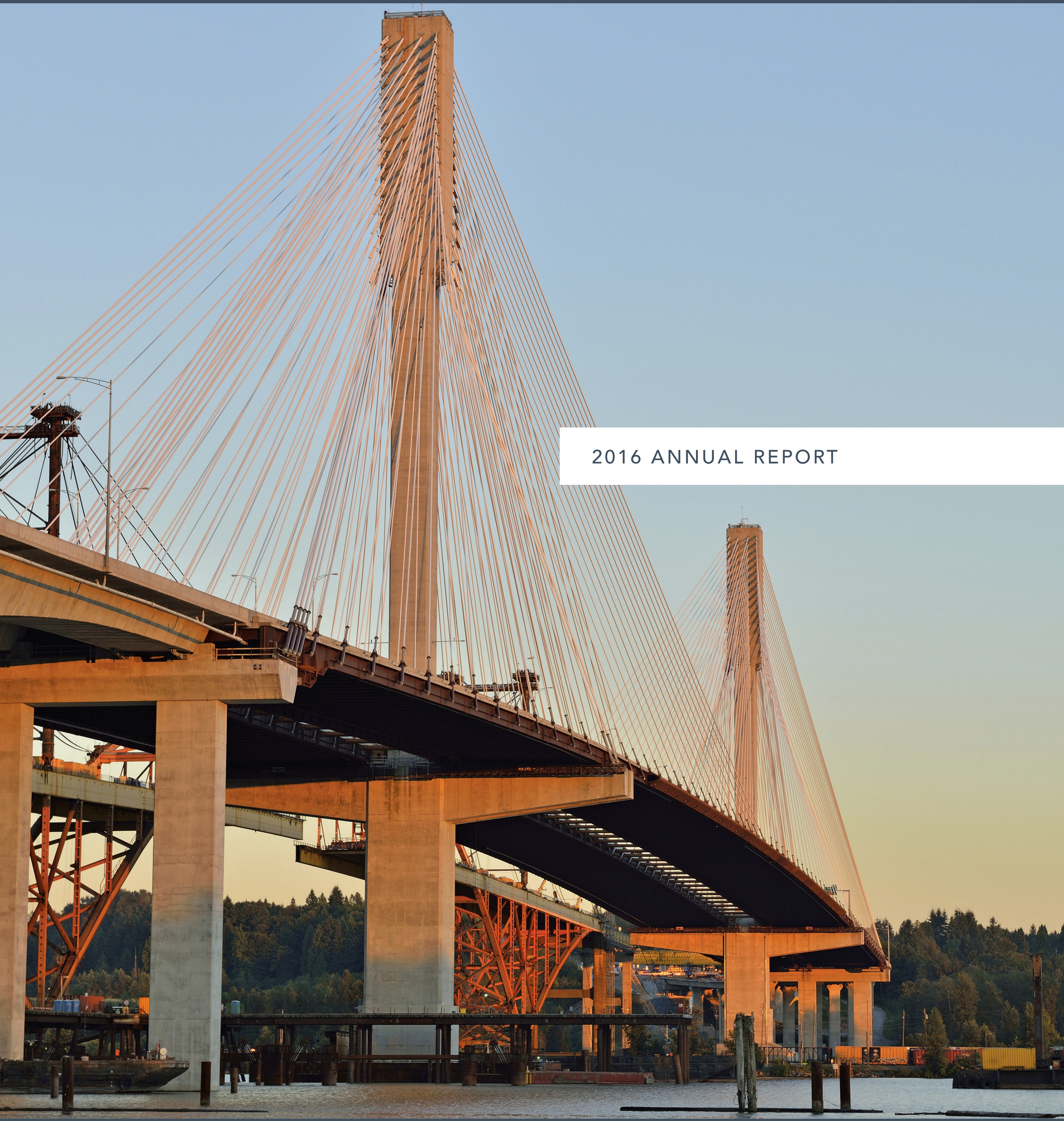
TARGET CAPITAL INC.



2016 ANNUAL REPORT

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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, 2016.

This MD&A should be read in conjunction with Target's consolidated financial statements for the year ended March 31, 2016, as well as the MD&A found in Target's 2015 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 16, 2016. Additional information on Target can be found on SEDAR at www.sedar.com.

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

Forward-looking statements

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

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

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

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

Business Overview

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

Bearspaw Tree Farm is private company which holds land in the northwest corner of Calgary, AB. On July 29, 2015, the City of Calgary approved the Haskayne Area Structure Plan ("Haskayne ASP"), the first milestone in development of the Bearspaw Tree Farm lands. The approval of the Haskayne ASP allows Bearspaw Tree Farm to further efforts toward development of high density, mixed use area on the northern edge of the Bow River.

Bearspaw Tree Farm has delivered to Target an updated valuation. As at November 1, 2015, Target's investment in Bearspaw Tree Farm was valued at $1,371,000. However due to softness in the Calgary real estate market, Management has not increased its assessment of fair market value. Management will re-evaluate its assessment of fair market value in 2017.

On October 14, 2014, the Company acquired an additional 46% interest in Industrial Avenue Development Corporation ("IADC"), bringing its total interest to 96%. The company purchased the additional interest in IADC to further pursue its growth strategy in land redevelopment. The property under development consists of both land held in Langley, British Columbia and capitalized development costs accumulated over prior years. The Company intends to build a multi-story residential development called the "Landing at Langley".

For fiscal 2016, the project has completed milestones for development permit, construction of the show suite and sales center, and building permit review by the City of Langley. On February 11, 2016, the Landing and Langley project was put up for sale. Management is currently evaluating multiple offers with anticipated closing date in Q2-2017.

Results of Operations for the year ended March 31, 2016

SUMMARY OF FINANCIAL RESULTS FOR THE YEAR ENDED			
($ thousands, except EPS)	March 31, 2016	March 31, 2015	Variation 16 to 15
Total revenue	972	1,143	(15%)
Total expenses	(973)	(1,169)	(17%)
Other income (expense)	(1,350)	-	n/a
Net (loss) before tax	(1,351)	(26)	(>100%)
Income tax (recovery)	(49)	(61)	(>100%)
Net earnings (loss)	(1,302)	35	(>100%)
Net earnings (loss) attributable to owners of the Company	(1,246)	35	(>100%)
Net earnings (loss) per share – Basic and diluted	(0.32)	0.01	(>100%)

Overview

Target's total revenue decreased 15% or $170,371 to $972,195 from $1,142,566 mainly due to lower dividend revenue and a reduction in controlled private company fees.

Total operating expenses decreased 17% or $195,609 to $973,289 from $1,168,898 due to lower salaries and wages, general administration, professional fees, interest on line of credit, and royalty payments.

Other income and expenses decreased $1,349,710 due to impairment loss on property under development, partially offset by gain on sale of assets.

As a result, Target reports a decrease in net earnings of $1,336,676 resulting in a loss of $1,301,567 compare to a profit of $35,109 in the comparative year.

Revenue

Controlled private company fees

Controlled private company ("CPC") fees decreased 9% to $703,008 from $775,287 due to the inability to invoice three CPC clients that were undergoing restructuring or went bankrupt. Fiscal 2015 fees attributable to the CPC's undergoing restructuring totalled $150,347. Partially offsetting the above mentioned decrease, Target gained $34,137 additional CPC fees from former Eyelogic Systems clients. On December 1, 2015, Target purchased a portfolio of CPC's from Eyelogic Systems Inc. (an affiliated entity).

Dividends

Dividend revenue decreased 25% to $215,020 from $286,520 due to the sale of 55,000 Olympia shares that occurred on September 8, 2015. The September share sale affected the last two dividend declaration dates in October 2015 and January 2016.

Trailer fees

Trailer fee revenue decreased 39% to $35,806 from $58,538 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 increased 5% to $348,817 from $332,936 due to the full year effect of additional bonds issued September 2014 and January 2015 that was partially offset by repayment of $250,000 term loan on December 31, 2014. Bond proceeds are used to fund general corporate purposes.

Salaries and wages

Salaries and wages decreased 29% to $193,652 from $272,745 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 comparative fiscal year, Target had paid a retirement allowance for a departing executive.

Bad debts

Total bad debt expenses were increased 46% to $102,547 from $70,019 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. During the current fiscal year the company wrote off $69,669 representing two receivables where the CPCs were undergoing a voluntary restructuring.

Professional fees

Professional fees decreased 64% to $46,421 from $127,973 due to nonrecurring costs associated with listing onto Canadian Securities Exchange ("CSE") that were incurred in the prior fiscal period. Additionally, legal fees to pursue collection on overdue accounts decreased compared to comparative fiscal period.

Interest on line of credit

Interest on the line of credit decreased 60% to $21,002 from $52,246 due to the repayment of the bank indebtedness on September 8, 2015, with proceeds from the sale of 55,000 Olympia shares.

Royalties

Royalties decreased 76% to $11,746 from $48,461. 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.

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 $1,209,192 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 to be a 15 story, mixed-use residential and commercial property redevelopment in Langley, BC that did not go beyond the design stage. The work product from these elements of the Charleston project was not utilized or transferred to The Landing at Langley project.

Additionally, the Corporation disposed of the Charleston display suite that was purchased as part of the asset acquisition of IADC and recorded a further impairment in the amount of $332,178.

Gain on sale of marketable securities

On September 8, 2015, Target sold 55,000 Olympia shares for a realized gain on disposition of $149,050.

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.

Results of Operations for the three months ended December 31, 2015

SUMMARY OF FINANCIAL RESULTS FOR THE THREE MONTHS ENDED			
($ thousands)	March 31, 2016	March 31, 2015	Variation 16-15
Revenue			
Controlled private company fees	$ 204,113	$ 261,997	(22%)
Dividends	35,880	71,630	(50%)
Trailer fees	-	15,425	(100%)
Interest	5,045	5,687	(11%)
TOTAL REVENUE	245,038	354,739	(31%)
Expenses			
Interest on bonds	90,591	89,717	1%
Salaries and wages	29,602	66,568	(56%)
General and administration	18,787	28,248	(33%)
Rent	17,233	6,063	184%
Professional fees	15,450	15,414	<1%
Directors' fees	8,975	9,024	(1%)
Amortization of equipment and leasehold improvements	8,686	13,786	(37%)
Bad debt	8,243	(48,137)	117%
Royalties	5,737	16,789	(66%)
Amortization of intangible assets	3,634	11,241	(68%)
Interest on line of credit	106	13,548	(99%)
TOTAL EXPENSES	207,044	222,261	(7%)
Net earnings before tax	37,994	132,478	(71%)
Income tax (recovery) expense	795	31,672	(97%)
Net earnings	$ 37,199	$ 100,806	(63%)
Net earnings attributable to:			
Owners of the Company	$ 37,199	$ 100,806	(63%)
Non-controlling interest	-	-	nil
	$ 37,199	$ 100,806	(63%)
Net earnings per share – Basic & Diluted	0.01	0.03	(>100%)

Overview

Target's total revenue decreased 31% to $245,038 from $354,739 in the comparative quarter due to lower CPC fees, dividends, and trailer fees.

Total expenses decreased 7% to $207,044 from $222,261 due to lower salaries and wages, general and administrative expenses, royalties, and interest on line of credit. Offsetting the reductions were increases in Bad debts and rent.

As a result, Target net earnings for the fourth quarter decreased 71% to $37,994 from $132,478 reported in the comparative quarter.

Revenue

Controlled private company fees

Controlled private company ("CPC") fees decreased 22% to $204,113 from $261,997 due to the inability to invoice two CPC clients as they were undergoing restructuring or went bankrupt. Fourth quarter 2015 annual fees attributable to the CPC's undergoing restructuring totalled $70,977. Partially offsetting the above mentioned decrease, Target gained $34,137 additional CPC fees from former Eyelogic Systems clients. On December 1, 2015, Target purchased a portfolio of CPC's from Eyelogic Systems Inc. (an affiliated entity).

Dividends

Dividend revenue decreased 50% to $35,880 from $71,630 due to the sale of 55,000 Olympia shares that occurred on September 8, 2015.

Trailer fees

Trailer fee revenue decreased 100% to $nil from $15,425 due to the December 21, 2015 sale of all trailer fee rights to Olympia Benefits Inc. (an affiliated entity).

Expenses

Salaries and wages

Salaries and wages decreased 56% to $29,602 from $66,568 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 33% to $18,787 from $28,248 due to lower corporate registry, shareholder services, and office supplies expenses.

Bad debts

Bad debts increased 117% to $8,243 from a recovery of $48,137 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 comparative quarter, Target recovered on accounts that had been previously written off.

Rent

Office rent increased 184% to $17,233 from $6,063 due to a March 2016 invoice from the landlord for 2015 property taxes and operating costs exceeding budgeted amounts. Additionally, the Company was unable to bill back a portion of office rent due to the wind up of one related Company and vacated office space from another related Company. Subsequent to quarter end, the Target office space allocation was adjusted and the expenses will be billed back accordingly.

Interest on line of credit

Interest expense decreased 99% to $106 from $13,548. Target paid off its line of credit throughout the current quarter with proceeds from the September 8, 2015, sale of marketable securities and increased accounts receivable collection in the current quarter compared to the comparative quarter.

Royalties

Royalties decreased 66% to $5,737 from $16,789. 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.

Liquidity and Capital Resources

On December 31, 2015; the Company advised its bond holders that it will not be making interest payments on its various classes of unsecured bonds in an effort to increase available cash for further development of its real estate assets for the benefit of all stakeholders. The Corporation also announced that it will not process any bond redemptions for the same reason. On October 31, 2015; the Corporation had received early bond redemption notifications for $753,600 of 7% renewable bonds with maturity of January 31, 2025. The Corporation's failure to pay interest and complete bond redemptions is an event of default under the bond agreements and bond holders have the option to commence legal action against the Corporation. In February 2016 the Corporation put Industrial Avenue Development Corporation and the Landing at Langley project up for sale. Given the Corporation expects to have further clarity on its real estate development asset at the end of July 2016, the Corporation asked bond holders not to commence enforcement proceedings until the sale process is concluded. There is no assurance that bond holders will not immediately commence enforcement proceedings.

As a result of the default all bonds are classified as current liabilities in the amount of $5,117,500; resulting in a working capital deficiency of $3,749,743.

The Corporation resolved to cease paying interest on the bonds or completing redemptions in an effort to preserve cash for the further development of "The Landing at Langley" condominium project. The Landing at Langley is a 78 unit, five story, wood frame residential development property. During the first half of the fiscal year, the project completed milestones for architectural drawings, development permit approval and building permit submission, show suite and sales center completion.

The Corporation believes these cash preservation measures to be in the best interest of all stakeholders. The Corporation needs to complete its real estate development to maximize the return for both bond holders and shareholders.

On January 20, 2016; the Company initiated discussions with bond holders and their representatives to seek concessions to significantly reduce the short and long term cash outflows to these stake holders while the Company implements its strategic plan to develop The Landing at Langley. Based on discussions with bond holders, the Company does not expect that any enforcement proceedings will be taken in the near future to enforce any rights under the bond agreement. There can be no assurance that bond holders will not commence enforcement proceedings.

Sources of funding

The Company has the following sources of funding for its planned operating, investing, and financing cash outflows (including working capital requirements):

- Unrestricted cash in the amount of $69,364 at March 31, 2016;
- Available line of credit in the amount of $756,138 at March 31, 2016;
- Quarterly receipt of dividends in the amount of $27,600;
- Receipts from controlled private company fees and interest income earned on loans receivable from OrganicKidz;
- Potential proceeds from construction financing from the Landing at Langley, subject to completion of pre-sales;
- Potential proceeds from the sale of marketable securities;
- Potential proceeds from the sale of investments.

Ability of the Company to continue as a going concern

Management acknowledges that uncertainty remains over the Company's ability to meet its ongoing obligations and repay its bonds as they become due. However, as described above, management has reasonable expectation the Company has adequate resources to continue existence for the foreseeable future.

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, 2016 compared to the comparative year ended March 31, 2015.

COMPARISON OF FINANCIAL CONDITION			
($ thousands)	March 31, 2016	March 31, 2015	Variation
Cash	$ 69	$ -	>100%
Marketable securities	1,160	3,322	(65%)
Accounts receivable	440	643	(32%)
Advances Receivable	50	50	0%
Income tax recoverable	-	1	(100%)
Prepaid expenses	1	1	0%
Total current assets	1,720	4,017	(57%)
Investments and advances	1,244	1,293	(4%)
Property under development	3,623	4,811	(25%)
Trailer fee rights	-	135	(100%)
Equipment and leasehold improvements	45	87	(48%)
Controlled private companies	64	36	78%
Controlling shareholder agreements	39	-	>100%
Deferred income tax asset	5	-	>100%
TOTAL ASSETS	6,740	10,379	(35%)
Short-term bonds	5,118	3,999	28%
Bank indebtedness	-	1,430	(100%)
Accounts payable and accrued liabilities	87	180	(52%)
Income tax payable	30	-	>100%
Interest payable	160	4	>100%
Current portion of mortgage	75	25	>100%
Total current liabilities	5,470	5,638	(4%)
Long-term bonds	-	1,119	(100%)
Mortgage	925	975	(5%)
Deferred income taxes	-	107	(100%)
Total long-term liabilities	925	2,201	(58%)
TOTAL LIABILITIES	6,395	7,839	(19%)
NET ASSETS	$ 345	$ 2,540	(66%)

Marketable securities declined 65% due to the sale of 55,000 Olympia shares and a decrease in share price of Olympia Financial Group. The Olympia share price was $21.01 at March 31, 2016 compared to $31.00 at March 31, 2015. On September 8, 2015; Target Capital sold 55,000 Olympia shares for proceeds of $1,294,700. Target Capital utilized the proceeds to pay down its line of credit and to fund continued development of The Landing at Langley.

PROPERTY UNDER DEVELOPMENT		
($ thousands)	March 31, 2016	March 31, 2015
Balance as at beginning of fiscal year	$ 4,810,620	$ -
Additions – purchase of asset	-	4,409,195
Additions – development expenditures	368,806	401,425
Impairment of Charleston expenditures	(1,209,192)	-
Impairment on disposition of display suite	(332,178)	-
Asset dispositions	(14,500)	-
Balance as at end of fiscal year	$ 3,623,556	$ 4,810,620

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 consists of both land held in Langley, British Columbia and capitalized development costs accumulated over prior years' development. The project consists 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 $50,560 (March 31, 2015 - $15,398).

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 disposed of The Charleston display suite that was purchased as part of the asset acquisition of IADC and recorded an impairment in the amount of $332,178. Concurrently, the Corporation sold all display suite furniture and contents for $14,500.

Quarterly Results

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

QUARTERLY COMPARISON									
	2016				2015				2014
($ thousands)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014	30-Sep 2014	30-Jun 2014	31-Mar 2014
Total revenue	245	317	195	215	354	395	185	207	494
Total expenses	(207)	(264)	(273)	(229)	(222)	(389)	(325)	(232)	(313)
Other income	0	(1,018)	0	(332)	-	-	-	-	-
Earnings (loss) before income taxes	38	(965)	(78)	(346)	132	6	(140)	(25)	111
Net Earnings (loss)	37	(1,072)	(15)	(252)	101	22	(87)	(1)	131
- Per share – basic and diluted	0.01	(0.26)	0.00	(0.07)	0.03	0.01	(0.02)	(0.00)	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 16, 2016, March 31, 2016 and March 31, 2015; indicating no changes.

	June 16, 2016	March 31, 2016	March 31, 2015
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 decrease in liquidity is primarily caused by events described above in the Liquidity and Capital Resources section. With the exception of bond redemptions and interest on bonds payable, the Company has sufficient cash facilities and marketable securities 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, 2016, the Company expensed $102,547 (March 31, 2015 - $70,019) in uncollectable accounts receivable balances.

Liquidity

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 0.31:1, a decrease from the 0.71:1, ratio at the previous year end. The decrease in liquidity is primarily caused by events described above under "Liquidity and Capital Resources."

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

(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.

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

	March 31, 2016	March 31, 2015
Revenue		
Controlled private company fees		
Controlled private companies	$ 703,008	$ 775,287
Dividends		
Olympia Financial Group Inc.	215,020	286,520
Interest income		
OrganicKidz Inc.	16,295	20,863
Trailer fees		
Olympia Benefits Inc.	35,806	58,538
G&A and Rent Reimbursements		
Exempt Experts	167,618	338,591
NEMA	6,999	14,116
Olympia Financial Group	70,644	76,594
Eyelogic Systems Inc.	22,865	-
	$ 1,238,255	$ 1,570,509
Expenses		
General and Administration		
Olympia Financial Group Inc.	$ 21,426	$ 65,073
Olympia Benefits Inc.	6,015	11,768
Eyelogic Systems Inc.	658	-
Bad Debt		
Controlled private companies	102,547	109,704
Royalties		
Eyelogic Systems Inc.	(6,412)	34,029
Tarman Inc.	17,273	-
Management fees		
Tarman Inc.	12,000	24,000
	$ 153,507	$ 244,574

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, 2016	March 31, 2015
Controlled private companies	$ 278,967	$ 463,216
Bad debt allowance for controlled private companies	(122,504)	(64,180)
OrganicKidz Inc.	126,274	176,486
Exempt Experts Inc.	133,835	109,371
Eyelogic Systems Inc.	-	14,402
Olympia Financial Group Inc.	13	13,831
NEMA	525	630
	$ 417,110	$ 713,756

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

	March 31, 2016	March 31, 2015
Eyelogic Systems Inc.	$ -	$ 53,341
Olympia Financial Group Inc.	572	4,878
	$ 572	$ 58,219

(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, 2016	March 31, 2015
Salaries and employee benefits	$ 94,910	$ 172,256
Directors’ compensation	40,175	34,248
Share-based payments	-	-
	$ 135,085	$ 206,504

Selected Financial Data

The following table provides selected annual information of Target for the years 2014 through to 2016.

3 YEAR HISTORICAL REVIEW			
For the year ended,	2016	2015	2014
Operating Results			
Revenue	$ 972,195	$ 1,142,566	$ 2,670,579
Expenses	973,289	1,168,898	1,203,799
Other Income (Expense)	(1,349,710)	-	-
Net income (loss)	(1,301,567)	(26,332)	1,534,594
Total comprehensive income	(1,987,621)	35,109	1,502,054
Earnings per share (basic and diluted)	(0.32)	0.01	0.40
Financial Position			
Current assets	1,719,874	4,017,033	5,018,539
Total assets	6,739,621	10,379,353	9,718,952
Current liabilities	5,469,617	5,637,713	2,516,738
Total liabilities	6,739,617	7,838,919	6,160,004
Equity	$ 345,004	$ 2,540,434	$ 3,558,948

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, 2016 and 2015 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, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2 to the financial statements which indicates that at March 31, 2016 the Company is in default on certain terms of the bond agreements as it had suspended bond redemptions and related interest payments. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Kenway Mack Slusarchuk Stewart LLP

Chartered Accountants
Calgary, Alberta
June 16, 2016

For the year ended March 31, 2016

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, 2016 and March 31, 2015.

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.

Rick Skauge
CHIEF EXECUTIVE OFFICER

Kristoffer Moen, CPA, CMA, CISA
CHIEF FINANCIAL OFFICER

Calgary, Alberta
June 16, 2016

As at March 31,	Note		2016		2015
$ Canadian					
Assets					
Current assets					
Cash		$	69,364	$	-
Marketable securities	5		1,159,752		3,322,543
Accounts receivable	20(a)		439,614		642,622
Advances receivable	6		50,000		50,000
Income tax recoverable			-		742
Prepaid expenses			1,144		1,126
Total current assets			1,719,874		4,017,033
Non-current assets					
Investments and advances	6		1,243,501		1,293,501
Property under development	7		3,623,556		4,810,620
Trailer fee rights	8		-		134,887
Equipment and leasehold improvements	9		44,565		87,062
Controlled private companies	10		64,190		36,250
Controlling shareholder agreements	11		38,952		-
Deferred income tax asset	15		4,983		-
Total non-current assets			5,019,747		6,362,320
Total assets		$	6,739,621	$	10,379,353
Liabilities and Equity					
Current liabilities					
Bank indebtedness	12	$	-	$	1,429,824
Short-term bonds	13		5,117,500		3,998,500
Accounts payable and accrued liabilities			86,948		180,164
Interest payable			160,249		4,225
Income tax payable	15		29,920		-
Current portion of mortgage	14		75,000		25,000
Total current liabilities			5,469,617		5,637,713
Non-current liabilities					
Long-term bonds	13		-		1,119,000
Mortgage	14		925,000		975,000
Deferred income tax liability	15		-		107,206
Total non-current liabilities			925,000		2,201,206
Total liabilities			6,394,617		7,838,919
Commitments	19				
Equity					
Accumulated other comprehensive income			403,755		1,218,737
Share capital	16		1,132,710		1,132,710
Retained earnings (deficit)			(1,258,993)		65,657
Total equity attributable to equity holders of the Company			277,472		2,417,104
Non-controlling interest	7		67,532		123,330
Total equity			345,004		2,540,434
Total liabilities and equity		$	6,739,621	$	10,379,353

The related notes form an integral part of these financial statements

For the years ended March 31,	Note	2016	2015
$ Canadian			
Revenue			
Controlled private company fees		$ 703,008	$ 775,287
Dividends		215,020	286,520
Trailer fees	8	35,806	58,538
Interest		18,361	22,221
Total revenue		972,195	1,142,566
Expenses			
Interest on bonds		348,817	332,936
Salaries and wages		193,652	272,745
General and administration		88,159	98,754
Bad debts		102,547	70,019
Amortization of equipment and leasehold improvements	9	43,863	55,891
Amortization of intangible assets	8 & 11	38,591	44,964
Professional fees		46,421	127,973
Interest on line of credit		21,002	52,246
Directors' fees		40,175	34,248
Rent		38,316	30,661
Royalties		11,746	48,461
Operating expenses		973,289	1,168,898
Operating profit (loss)		(1,094)	(26,333)
Other Income (expense)			
Impairment loss on property under development	7	(1,541,370)	-
Gain on sale of marketable securities		149,050	-
Gain on sale of trailer fee rights	8	42,610	-
Total Other income (expense)		(1,349,710)	-
Net (loss) before income taxes		(1,350,804)	(26,332)
Income tax (recovery)	15		(61,441)
Net earnings (loss)		$ (1,301,567)	$ 35,109
Earnings (loss) attributable to:			
Owners of the Company		$ (1,245,769)	$ 35,109
Non-controlling interest	7	(55,798)	-
		$ (1,301,567)	$ 35,109
Basic and diluted net earnings (loss) per share	16	$ (0.32)	$ 0.01

The related notes form an integral part of these financial statements

For the years ended March 31,	Note		2016		2015
$ Canadian					
Net earnings (loss)		$	(1,301,567)	$	35,109
Other comprehensive income (loss)					
Revaluation of marketable securities			(772,480)		(1,118,547)
Deferred income tax effect			86,426		139,819
			(686,054)		(978,729)
Total comprehensive income (loss)		$	(1,987,621)	$	(943,619)
Earnings (loss) attributable to:					
Owners of the Company		$	(1,931,823)	$	(943,619)
Non-controlling interest	7		(55,798)		-
		$	(1,987,621)	$	(943,619)

The related notes form an integral part of these financial statements

March 31, 2016

$ Canadian	Share capital	Accumulated other comprehensive income	Refundable dividend tax on hand	Retained earnings	Total retained earnings (deficit)	Total	Non-controlling Interest	Total equity
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

March 31, 2015

$ Canadian	Share capital	Accumulated other comprehensive income	Refundable dividend tax on hand	Retained earnings (deficit)	Total retained earnings (deficit)	Total	Non-controlling Interest	Total equity
Balance, March 31, 2014	$ 1,132,710	$ 2,197,466	$ (128,957)	$ 357,729	$ 228,772	$ 3,558,948	$ -	$ 3,558,948
Net earnings (loss)	-	-	-	35,109	35,109	35,109	-	35,109
Tax impact of dividends received	-	-	(95,507)	-	(95,507)	(95,507)	-	(95,507)
Dividends paid ($0.04 per share)	-	-	51,358	(154,075)	(102,717)	(102,717)	-	(102,717)
Revaluation of marketable securities	-	(978,729)	-	-	-	(978,729)	-	(978,729)
Increase in partner investment	-	-	-	-	-	-	123,330	123,330
Balance, March 31, 2015	$ 1,132,710	$ 1,218,737	$ (173,106)	$ 238,763	$ 65,657	$ 2,417,104	$ 123,330	$ 2,540,434

The related notes form an integral part of these financial statements

For the years ended March 31,	Note	2016	2015
$ Canadian			
Cash flows from (used in) operating activities:			
Net earnings (loss)		$ (1,301,567)	$ 35,109
Items not affecting cash:			
Amortization of intangible assets	8	38,591	44,964
Amortization of equipment and leasehold improvements	9	43,863	55,891
Deferred income taxes		(21,139)	(16,941)
Impairment loss on properties under development		1,541,370	-
Gain on sale of trailer fee rights		(42,610)	-
Gain on sale of marketable securities		(149,050)	
Refundable dividend tax on hand		(78,881)	(44,148)
		30,577	74,875
Net changes in non-cash working capital balances			
Accounts receivable		203,008	(116,699)
Prepaid expenses		(18)	398
Accounts payable and accrued liabilities		(93,215)	62,264
Income tax recoverable		742	(742)
Income tax payable		50,042	(7,439)
Interest payable		156,024	2,301
Net cash from (used-in) operating activities		347,160	14,958
Investing activities			
Repayment of advances receivable		50,000	25,000
Sale of marketable securities	5	1,294,700	-
Sale of assets	7	14,500	-
Sale of trailer fee rights	8	143,774	-
Return of Capital distribution	17(b)	90,987	-
Advances on related party loans, net		-	(259,714)
Additions to property under development	7	(368,806)	(401,424)
Purchase of controlled private companies	10	(31,540)	(600)
Sale of controlled private companies	10	3,600	660
Purchase of equipment		(1,367)	(3,355)
Purchase of controlling shareholder agreements	11	(43,820)	-
Net cash from (used in) investing activities		1,152,028	(639,433)

For the years ended March 31,	Note		2016		2015
Financing activities					
Dividend paid			-		(154,075)
Repayment of bonds			-		(217,000)
Issuance of bonds			-		696,000
Repayment of Term Loan			-		(250,000)
Net cash from (used in) financing activities			-		74,925
(Increase) decrease in bank indebtedness			1,499,188		(549,550)
Bank Indebtedness, beginning of year			(1,429,824)		(880,275)
Cash, end of year		$	69,364	$	(1,429,824)
Other information:					
Dividends received		$	215,020	$	286,520
Interest paid		$	213,795	$	384,805
Interest received		$	18,361	$	22,221
Taxes paid (received)		$	-	$	-

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 listed public companies, loans receivable, private companies and controlled private companies. The Company's subsidiary, Industrial Avenue Development Corporation ("IADC") is involved in the redevelopment of land in the greater Vancouver area.

2. GOING CONCERN

On December 31, 2015; the Company advised its bond holders that it will not be making interest payments on its various classes of unsecured bonds in an effort to increase available cash for further development of its real estate assets for the benefit of all stakeholders. The Corporation also announced that it will not process any bond redemptions for the same reason. On October 31, 2015; the Corporation had received early bond redemption notifications for $753,600 of 7% renewable bonds with maturity of January 31, 2025. The Corporation's failure to pay interest and complete bond redemptions is an event of default under the bond agreements and bond holders have the option to commence legal action against the Corporation. In February 2016 the Corporation put Industrial Avenue Development Corporation and the Landing at Langley project up for sale. Given the Corporation expects to have further clarity on its real estate development asset at the end of July 2016, the Corporation asked bond holders not to commence enforcement proceedings until the sale process is concluded. There is no assurance that bond holders will not immediately commence enforcement proceedings.

As a result of the default all bonds are classified as current liabilities in the amount of $5,117,500; resulting in a working capital deficiency of $3,749,743.

The Corporation resolved to cease paying interest on the bonds or completing redemptions in an effort to preserve cash for the further development of "The Landing at Langley" condominium project. The Landing at Langley is a 78 unit, five story, wood frame residential development property. During the first half of the fiscal year, the project completed milestones for architectural drawings, development permit approval and building permit submission, show suite and sales center completion.

The Corporation believes these cash preservation measures to be in the best interest of all stakeholders. The Corporation needs to complete its real estate development to maximize the return for both bond holders and shareholders.

On January 20, 2016; the Company initiated discussions with bond holders and their representatives to seek concessions to significantly reduce the short and long term cash outflows to these stake holders while the Company implements its strategic plan to develop The Landing at Langley. Based on discussions with bond holders, the Company does not expect that any enforcement proceedings will be taken in the near future to enforce any rights under the bond agreement. There can be no assurance that bond holders will not commence enforcement proceedings.

Sources of funding

The Company has the following sources of funding for its planned operating, investing, and financing cash outflows (including working capital requirements):

- Unrestricted cash in the amount of $69,364 at March 31, 2016;
- Available line of credit in the amount of $756,138 at March 31, 2016;
- Quarterly receipt of dividends in the amount of $27,600;
- Receipts from controlled private company fees and interest income earned on loans receivable from OrganicKidz;
- Potential proceeds from construction financing from the Landing at Langley, subject to completion of pre-sales;
- Potential proceeds from the sale of marketable securities;
- Potential proceeds from the sale of investments.

Ability of the Company to continue as a going concern

Management acknowledges that uncertainty remains over the Company's ability to meet its ongoing obligations and repay its bonds as they become due. However, as described above, management has reasonable expectation the Company has adequate resources to continue existence for the foreseeable future.

These financial statements do not reflect the adjustments or reclassifications of assets which would be necessary if the Company were unable to continue as a going concern and therefore be required to realize its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in these financial statements.

3. 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 16, 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for cash, marketable securities, 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.

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.

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 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.

Property under development

Management's judgment that all costs are recoverable is based on its assessment of current and future real estate market conditions including estimates of selling prices and construction and sales costs.

Valuation of long term investments

Investment in Bearspaw Tree Farm has been measured at fair value using a market approach made available by an independent appraiser. The valuation was made on November 25, 2015 and is representative of current valuation.

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.

4. 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 differs 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) Intangible asset

Trailer fee rights are intangible assets recorded at cost and amortized over their estimated useful life of 10 years. The useful life and expected residual value are reviewed annually.

Trailer fee rights are tested for impairment when events or circumstances indicate the carrying amount may not be recoverable. Recoverability is assessed by comparing the carrying amount, to the projected future net cash flows the assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(g) 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.

(h) 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

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

Financial assets at amortized cost

Instruments can only be classified as financial assets at amortized cost if they are held with the objective to collect contractual cash flows and if the cash flows are solely payments of principal and interest on the principal amount. Financial assets at amortized cost are initially recognized at fair value plus any directly attributable transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

Financial assets at amortized cost are comprised of accounts receivable and related party advances.

Financial assets at fair value through comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through comprehensive income are initially measured at fair value and changes therein are recognized in comprehensive income.

Financial assets at fair value through comprehensive income are comprised of marketable securities and long-term investments.

Financial assets at fair value through profit or loss

All financial assets except for those placed into one of the above categories are recorded at fair value through profit or loss. Additionally, assets that meet the requirements for financial assets at amortized costs can optionally be designated as financial assets at fair value through profit or loss. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are initially measured at fair value and changes therein are recognized in profit or loss.

Financial assets at fair value through profit or loss are comprised of cash and cash equivalents.

Financial liabilities at amortized cost

All financial liabilities, except those designated as financial liabilities at fair value through profit or loss, are recorded at amortized cost. Financial liabilities at amortized cost are initially recognized at fair value plus any directly attributable transaction costs. Subsequently, these liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost are comprised of accounts payable and accrued liabilities, interest payable, bank indebtedness, mortgage, short term and long term bonds.

Financial liabilities at fair value through profit or loss

Certain financial liabilities that:

1) contain embedded derivatives;

2) are part of a group of liabilities actively managed on a fair value basis; or

3) which would cause a measurement inconsistency if they were not accounted for at fair value, can optionally be designated as financial instruments at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially measured at fair value and changes therein are recognized in profit or loss. Such liabilities and the reason for the designation must be clearly disclosed in the financial statements.

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

(i) Impairment

The carrying amounts of the Company's equipment and leasehold improvements, property under development, accounts receivable, related party advances, trailer fee rights, 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.

(j) Revenue recognition

Revenue from trailer fees related to the Company's acquired interests in future commissions, as described in Note 8, 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.

(k) 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.

(l) 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.

(m) Property under development

The cost of the property under development includes all expenditures incurred in connection with the development, including all transaction costs, direct development costs, realty taxes, the applicable portion of general and administrative expenses, and mortgage costs directly attributable to the development. Mortgage costs associated with direct expenditures on properties under development or redevelopment are capitalized. Mortgage costs are also capitalized on the purchase cost of a site or property acquired specifically for redevelopment in the short-term if the activities necessary to prepare the asset for development or redevelopment are in progress. The amount of mortgage costs capitalized is determined by reference to interest incurred on debt specific to the development project. Mortgage costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of mortgage costs is suspended if there are prolonged periods when development activities are interrupted. The Company considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally this occurs upon completion of construction and receipt of all necessary occupancy and other material permits.

5. MARKETABLE SECURITIES

	March 31, 2016			March 31, 2015		
	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)	$ 157,826	$ 16,543	$ (141,283)
Olympia Financial Group Inc.	1,149,935	1,159,752	9,817	2,295,585	3,306,000	1,010,415
	$ 1,216,774	$ 1,159,752	$ (57,022)	$ 2,453,411	$ 3,322,543	$ 869,132

6. INVESTMENTS AND ADVANCES

	March 31, 2016	March 31, 2015
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	125,000
Investment in Bearspaw Tree Farm Inc.	1,168,500	1,168,500
	1,243,501	1,293,501
Total Investments and Advances	$ 1,293,501	$ 1,343,501

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. The borrower may make early principal repayments without any penalty.

Target's 6.15% holding in Bearspaw Tree Farm is classified as a financial asset at fair value through comprehensive income. A November 1, 2015, appraisal valued Target's share of the land held by Bearspaw Tree Farm at $1,371,450. However due to softness in the Calgary real estate market, Management has not increased its assessment of fair market value. Management will re-evaluate its assessment of fair market value in 2017.

7. PROPERTY UNDER DEVELOPMENT

	March 31, 2016	March 31, 2015
Balance as at beginning of fiscal year	$ 4,810,620	$ -
Additions – purchase of asset	-	4,409,195
Additions – development expenditures	368,806	401,425
Impairment of Charleston expenditures	(1,209,192)	-
Impairment on disposition of display suite	(332,178)	-
Asset dispositions	(14,500)	-
Balance as at end of fiscal year	$ 3,623,556	$ 4,810,620

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 and the share of net income or loss attributable to the outside parties is listed on the Statement of Operations and the Statement of Comprehensive Income.

The property under development consists of both land held in Langley, British Columbia and capitalized development costs accumulated over prior years' development. The project consists 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 $50,560 (March 31, 2015 - $15,398).

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 disposed of The Charleston display suite that was purchased as part of the asset acquisition of IADC and recorded an impairment in the amount of $332,178. Concurrently, the Corporation sold all display suite furniture and contents for $14,500.

8. TRAILER FEE RIGHTS

Between July 2000 and October 2003, the Company acquired five contractual interests in future commissions on claims processed through Olympia Benefits Inc. The claims commissions are payable at 2% of all the claims made on accounts covered by the interest. The rights were being amortized on a straight-line basis over 10 years with 3 years remaining.

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

9. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

			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

			March 31, 2015
	Office equipment	Leasehold improvements	Total
Cost			
At beginning of fiscal year	$ 87,734	$ 134,702	$ 222,436
Additions	3,354	-	3,354
At end of fiscal year	91,088	134,702	225,790
Accumulated amortization			
At beginning of fiscal year	43,204	39,634	82,838
Amortization	28,950	26,940	55,890
At end of fiscal year	72,154	66,574	138,728
Closing net book value	$ 18,934	$ 68,128	$ 87,062

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

10. CONTROLLED PRIVATE COMPANIES

	March 31, 2016	March 31, 2015
Private company securities		
Private company securities, beginning of year	$ 36,250	$ 36,310
Purchase of private company securities	31,540	600
Sale of private company securities	(3,600)	(660)
Private company securities, end of period	$ 64,190	$ 36,250

Target has purchased a majority of the voting shares in 167 private companies (March 31, 2015 117). Target's maximum exposure to losses is limited to its initial investment in each private company. Total exposure amounts to $64,190 (March 31, 2015 - $36,250).

11. CONTROLLING SHAREHOLDER AGREEMENTS

	March 31, 2016	March 31, 2015
Balance as at beginning of fiscal year	$ -	$ -
Additions – purchase of asset	43,820	-
Deductions - amortization	(4,868)	
Balance as at end of fiscal year	$ 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 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.

12. BANK INDEBTEDNESS

A line of credit has been authorized to a maximum of $2,000,000 (March 31, 2015 - $2,000,000) and bears interest at the bank's prime lending rate plus 0.25%. Based on margin requirements, the Company can utilize up to $756,138 (March 31, 2015 $1,708,100) of available credit. The loan is secured by a control agreement over 55,200 common shares of Olympia Financial Group Inc. held by the Company and a general security agreement over the Company's assets. At March 31, 2016, the Company had $nil (March 31, 2015 - $1,442,834) outstanding under this facility.

13. BONDS

	March 31, 2016	March 31, 2015
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	$ 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	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	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	170,000
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	2,943,300
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	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	696,000
Short-term and Total bonds payable	$ 5,117,500	$ 5,117,500

On October 30, 2015; the notification period closed for early redemption of the 7% renewable bond due January 31, 2025. The Company received notification from bondholders representing $753,600 of the total $2,942,300 outstanding.

On December 31, 2015; the Company advised the bondholders it will not be processing the redemptions. Further, the Company did not make scheduled interest payments to bondholders and as such is 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 are classified as current liability.

14. MORTGAGE

	March 31, 2016	March 31, 2015
Short term		
Current portion of mortgage	$ 75,000	$ 25,000
Long term		
Long-term portion of mortgage	925,000	975,000
Balance as at end of fiscal year	$ 1,000,000	$ 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 is 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 is paid monthly. The mortgage is repayable in full on June 30, 2016. If the mortgage is not repaid in full by the loan maturity date, the facility will be termed out and amortized over a 10 year period.

15. 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, 2016	March 31, 2015
Income (loss) before income tax	$ (1,350,804)	$ (26,332)
Statutory income tax rates	27%	25%
Estimated income tax expense (recovery) based on statutory rates	(364,717)	(6,583)
Effects of:		
Non-taxable dividends	(58,055)	(71,630)
Recognition of non-capital losses and temporary differences	(42,935)	16,587
Unrecognized deferred income tax asset	416,170	-
Permanent difference on taxable capital gains	(20,122)	-
Change in tax rate	20,125	-
Non-deductible expenses	297	185
	$ (49,237)	$ (61,441)
Income tax expense (recovery):		
Current tax expense (recovery)	$ (28,098)	$ (44,500)
Deferred tax expense (recovery)	(21,139)	(16,941)
Net Income tax expense (recovery)	$ (49,237)	$ (61,441)

The applicable statutory tax rate is 27% (2015 - 25%). The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates.

On June 15, 2015; the Alberta government increased the corporate income tax rate to 12% (from 10%) effective July 1, 2015. This new tax measure was included in Alberta Bill 2, which received first reading on June 18, 2015. Because Alberta has a majority government, the corporate tax increase is considered substantively enacted.

Cash income taxes recovered in 2016 by the Corporation were $NIL (2015 – $7,829 recovered).

Deferred Income Tax

The components of the deferred tax balances are as follows:

	March 31, 2016	March 31, 2015
Deferred income taxes (liability)/asset:		
Property under development lower than tax basis	$ 416,170	$ -
Cumulative eligible capital available for tax purposes	31,532	26,884
Non-capital loss carry forwards	22,801	-
Carrying amount of equipment and leaseholds lower than tax basis	13,664	10,263
Carrying amount of investments higher than tax basis	(63,014)	(144,353)
Deferred income tax asset	421,153	(107,206)
Unrecognized deferred income tax asset	(416,170)	-
Net deferred income tax asset	$ 4,983	$ (107,206)

Target has $85,428 (2015 - $nil) of unused tax losses expiring between 2035 and 2036. In addition, Target has $1,541,370 (2015 - $nil) of deductible temporary differences in respect of property under development capitalized costs 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. As at March 31, 2016, the Company concluded that a portion of the carrying value of the deferred income tax asset was not probable of realization, and accordingly a de-recognition of $416,170 of deferred income tax was recorded.

16. SHARE CAPITAL & EARNINGS PER SHARE

Authorized
Unlimited number of common voting shares.

Issued common shares	Amount	Number
Balance at March 31, 2016 and 2015	$ 1,132,710	3,851,863

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

	Years ended March 31,					
	2016			2015		
	Net earnings attributable to owners of the Company	Weighted average common shares	Loss per share	Net earnings attributable to owners of the Company	Weighted average common shares	Earnings per shares
Basic and diluted	$ (1,245,769)	3,851,863	$ (0.32)	$ 35,109	3,851,863	$ 0.01

17. 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

(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.

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

	March 31, 2016	March 31, 2015
Revenue		
Controlled private company fees		
Controlled private companies	$ 703,008	$ 775,287
Dividends		
Olympia Financial Group Inc.	215,020	286,520
Interest income		
OrganicKidz Inc.	16,295	20,863
Trailer fees		
Olympia Benefits Inc.	35,806	58,538
G&A and Rent Reimbursements		
Exempt Experts	167,618	338,591
NEMA	6,999	14,116
Olympia Financial Group	70,644	76,594
Eyelogic Systems Inc.	22,865	-
	$ 1,238,255	$ 1,570,509

Expenses		
General and Administration		
Olympia Financial Group Inc.	$ 21,426	$ 65,073
Olympia Benefits Inc.	6,015	11,768
Eyelogic Systems Inc.	658	-
Bad Debt		
Controlled private companies	102,547	
Royalties		
Eyelogic Systems Inc.	(6,412)	34,029
Tarman Inc.	17,273	-
Management fees		
Tarman Inc.	12,000	24,000
	$ 153,507	$ 244,574

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, 2016	March 31, 2015
Controlled private companies	$ 278,967	$ 463,216
Bad debt allowance for controlled private companies	(122,504)	(64,180)
OrganicKidz Inc.	126,274	176,486
Exempt Experts Inc.	133,835	109,371
Eyelogic Systems Inc.	-	14,402
Olympia Financial Group Inc.	13	13,831
NEMA	525	630
	$ 417,110	$ 713,756

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

	March 31, 2016	March 31, 2015
Eyelogic Systems Inc.	$ -	$ 53,341
Olympia Financial Group Inc.	572	4,878
	$ 572	$ 58,219

(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, 2016	March 31, 2015
Salaries and employee benefits	$ 94,910	$ 172,256
Directors' compensation	40,175	34,248
Share-based payments	-	-
	$ 135,085	$ 206,504

18. MANAGEMENT OF CAPITAL

The Company's policy is to maintain a strong capital base that will maintain investor, creditor and market confidence, as well as sustain future development of the business. The Company considers equity as capital at year end this totaled $696,494 (March 31, 2015 - $2,417,104). The Company is not subject to externally imposed capital requirements.

19. COMMITMENTS

The Company has a lease agreement for office space until August 31, 2018. Payments under the lease are approximately $150,000 per year plus operating costs; however, an office sharing agreement with a group of related companies reduces the cost to approximately $41,280 per year.

20. 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 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 year end, the Company had $409,731 in receivables outstanding for more than 90 days, totalling 73% of outstanding receivables (March 31, 2015 - $260,888 and 36%). At year end, management believes all amounts, net of the allowances made, are collectable.

	March 31, 2016	March 31, 2015
Current	$ 82,888	$ 193,046
31 to 60 days past due	69,499	152,063
61 to 90 days past due	-	100,805
91 days or more past due	409,731	260,888
	562,118	706,802
Less: Allowance for doubtful accounts	(122,504)	(64,180)
	$ 439,614	$ 642,622

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) Price risk

The Company is exposed to price risk, which is the risk that the value of its quoted investments will change as a result of volatile market conditions. The Company's investments are not sufficiently diversified to reduce exposure to market risk.

Exposure to Price Risk

	March 31, 2016	March 31, 2015
Marketable securities	$ 1,159,752	$ 3,322,543

Fair value sensitivity analysis

A 10% decline in the market price at March 31, 2016 would have resulted in a $115,975 downward adjustment to the fair value of marketable securities with the offset recorded to other comprehensive income and deferred incomes taxes (March 31, 2015 - $332,254). A 10% increase in the fair value of marketable securities would have had the equal but opposite effect. This analysis assumes that all other variables, in particular systematic risk, remain constant. The analysis is performed on the same basis for the previous quarter.

(c) Interest rate risk

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

	March 31, 2016	March 31, 2015
Fixed rate instruments		
Financial asset		
Related party loans	$ 125,000	$ 175,000
Financial liabilities		
Short-term bonds	(5,117,500)	(1,056,200)
Long-term bonds	-	(4,061,300)
	$ (4,992,500)	$ (4,942,500)
Variable rate instruments		
Financial liabilities		
Line of credit	$ -	$ (1,442,834)
Mortgage	(1,000,000)	(1,000,000)
	$ (1,000,000)	$ (2,442,834)

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 $nil for the year ended March 31, 2016 (March 31, 2015 - $10,821). 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.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Bank indebtedness is due on demand and accounts payable are due within 30 days. The short-term bonds are either repayable on demand at the election of the bondholder or on a fixed date within the next year. The mortgage is payable on June 30, 2016; however includes provision to automatically rollover to a 10 term mortgage if not paid in full at maturity. The bonds are repayable on various dates between January 2016 and January 2025, See note 13 for the full details of each bond series.

The decrease in liquidity is primarily caused by events described above in note 2. As discussed in note 2, with the exception of bond redemptions and interest on bonds payable, 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
Mortgage	$ 1,000,000	$ 25,000	$ 50,000	$ 925,000
Short-term bonds	5,117,500	5,117,500	-	-
Accounts payable	74,448	74,448	-	-
Interest payable	160,249	160,249	-	-
	$ 6,352,197	$ 5,377,197	$ 50,000	$ 925,000

(e) 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. In the case of Bearspaw Tree Farm, the input relied upon was a level 2 input, an appraisal of the lands in question dated November 25, 2015.

Directors

Anne Louise Bartlett[123]
Gerardus Janssen[123]
Brian Newman[123]
Rick Skauge
Craig Skauge
Greg Walter[123]

Officers

Rick Skauge
Chief Executive Officer

Craig Skauge
President

Kristoffer Moen
Chief Financial Officer

Board Committees

[1] Audit Committee

[2] Corporate Governance & Nomination Committee

[3] Compensation Committee

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KRISTOFFER MOEN
Chief Financial Officer

CRAIG SKAUGE
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