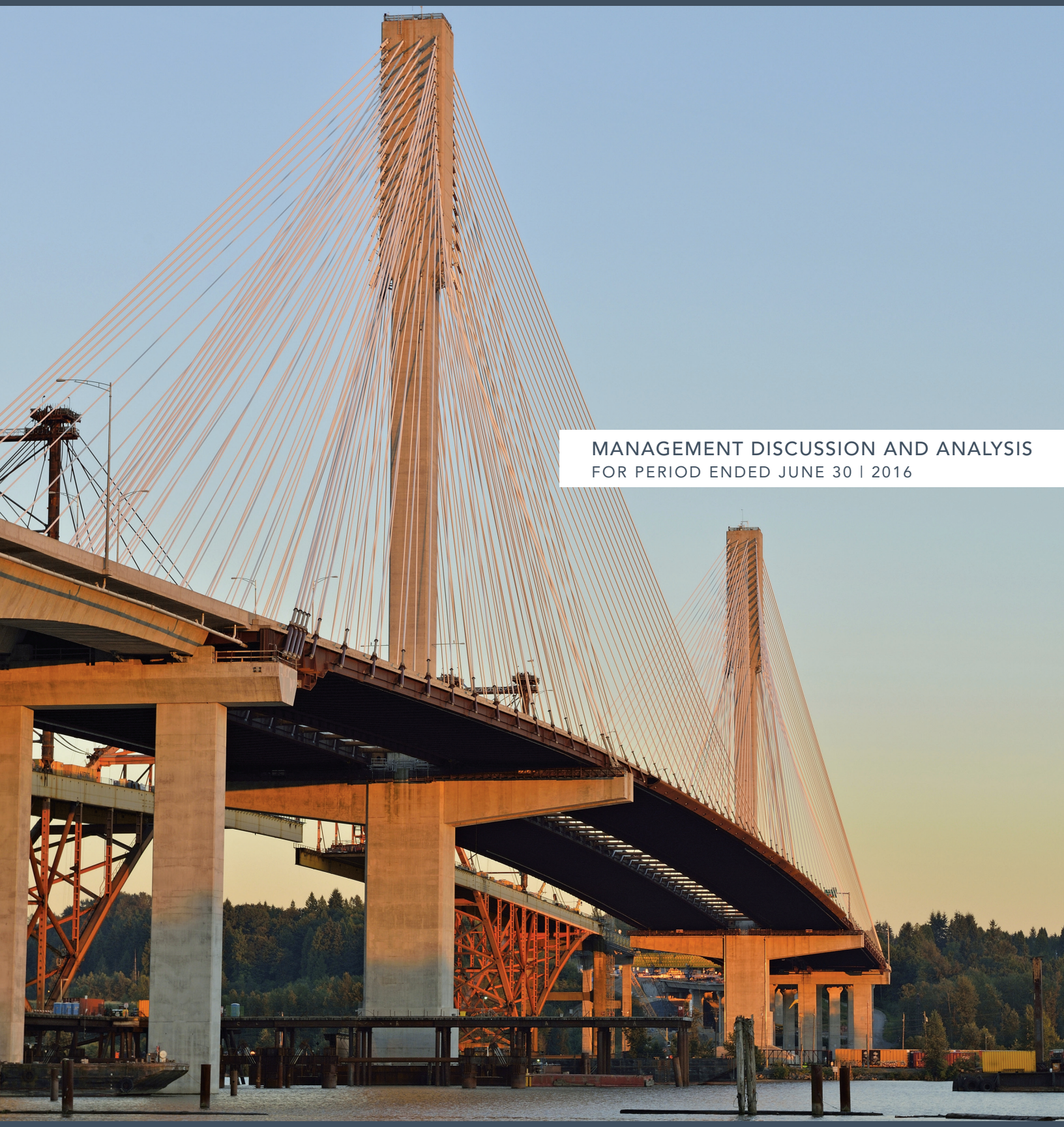
TARGET CAPITAL INC.



MANAGEMENT DISCUSSION AND ANALYSIS

FOR PERIOD ENDED JUNE 30 | 2016

TABLE OF CONTENTS

This Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the financial position and results of operations of Target Capital Inc. (the "Company", "Corporation", or "Target") for the period ended June 30, 2016.

This MD&A should be read in conjunction with Target's condensed consolidated financial statements for the three months ended June 30, 2016, as well as the MD&A found in Target's 2016 Annual Report, together with the audited consolidated financial statements and accompanying notes found therein.

This document presents the views of management as at August 10, 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. 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.

Prior to December 21, 2015, the Company invested in five contractual interests ("trailer fee rights") in future commissions on claims processed through Olympia Benefits Inc. (an affiliated entity). The trailer fee rights were sold to Olympia Benefits Inc.

Our land development business

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

Bearspaw Tree Farm is a 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 the development of a 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 fiscal 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."

In Mach 2016, the Landing and Langley project was put up for sale. Management is currently evaluating offers with anticipated closing date in Q2-2017.

Results of Operations for the three months ended June 30, 2016

SUMMARY OF FINANCIAL RESULTS FOR THE THREE MONTHS ENDED			
($ thousands, except EPS)	June 30, 2016	June 30, 2015	Variation 16 to 15
Total revenue	$ 155	$215	(28%)
Total expenses	(202)	(229)	(12%)
Other income (expense)	-	(332)	(100%)
Net (loss) before tax	(47)	(346)	(86%)
Income tax (recovery)	(20)	(94)	(79%)
Net earnings (loss)	$ (27)	$ (252)	(89%)
Net earnings (loss) attributable to owners of the Company	(0.01)	(0.06)	(83%)
Net earnings (loss) per share – Basic and diluted	(0.01)	(0.06)	(83%)

Overview

Target's total revenue decreased 28% or $60,231 to $154,670 from $214,901 mainly due to lower dividend revenue and trailer fees.

Total operating expenses decreased 12% or $27,676 to $201,522 from $229,198 due to lower salaries and wages, professional fees, interest on line of credit, and amortization.

Other income and expenses decreased $332,178 as there were no impairment losses recorded in the current quarter.

As a result, Target reports a decrease in net loss of $225,296 resulting in a loss of $26,992 compare to a loss of $252,288 in the comparative quarter.

Revenue

Controlled private company fees

Controlled private company ("CPC") fees were relatively stable with a decrease of 2% to $123,710 from $126,710.

Dividends

Dividend revenue decreased 61% to $27,600 from $71,630 due to the sale of 55,000 Olympia shares that occurred on September 8, 2015, and a reduced dividend per share from Olympia Financial Group Inc. (TSX – "OLY").

Trailer fees

Trailer fee revenue decreased 100% to $nil from $12,141 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 remained stable as the Company continued to accrue interest on bonds. As disclosed under "Liquidity and Capital Resources", the company did not complete planned bond redemptions that were scheduled to occur in January and March 2016.

Salaries and wages

Salaries and wages decreased 40% to $30,537 from $51,103 due to fewer administrative staff, elimination of 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.

Interest on line of credit

Interest on the line of credit decreased 100% to $nil from $10,805 due to the repayment of the bank indebtedness on September 8, 2015, with proceeds from the sale of 55,000 Olympia shares.

Royalties

Royalties increased to $15,461 from $1,154. As part of the CPC portfolio purchase from Eyelogic Systems on December 1, 2015, Target capital purchased one CPC contract which included a royalty payable to Tarman Inc. (an affiliated entity).

Amortization of equipment and leasehold improvements

Equipment and leasehold amortization decreased 45% to $7,555 from $13,734 as the majority of the Company's office equipment became fully depreciated at the end of fiscal 2016.

Amortization of intangible assets

Intangible asset amortization decreased 68% to $3,652 from $11,241 due to the December 21, 2015, sale of Trailer fee rights to Olympia Benefits Inc., partially offsetting the effects of the asset sale, intangible asset amortization related to the Company's December 1, 2015 purchase of a portfolio of controlling shareholder agreements and associated revenue stream.

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. Additionally, the Corporation did not repay $750,000 of 7% non-renewable bonds and $170,000 of 7% renewable bonds that matured on March 31, 2016. 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 March 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 September 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 $3,902,040.

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.

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 $107,351 at June 30, 2016;
- Available line of credit in the amount of $552,552 at June 30, 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 the sale of IADC, the Landing at Langley project, or the undeveloped land.
- 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 in existence for the foreseeable future.

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

The table summarizes the financial condition of the company as at June 30, 2016 compared to the comparative year ended March 31, 2016:

COMPARISON OF FINANCIAL CONDITION			
($ thousands)	June 30, 2016	March 31, 2016	Variation
Cash	$ 107	$ 69	55%
Marketable securities	1,105	1,160	(5%)
Accounts receivable	418	440	(5%)
Advances Receivable	50	50	0%
Prepaid expenses	2	1	100%
Total current assets	1,682	1,720	(2%)
Investments and advances	1,244	1,244	0%
Property under development	3,670	3,623	1%
Equipment and leasehold improvements	37	45	(18%)
Controlled private companies	64	64	0%
Controlling shareholder agreements	35	39	(10%)
Deferred income tax asset	12	5	>100%
TOTAL ASSETS	6,744	6,740	0%
Short-term bonds	5,118	5,118	0%
Accounts payable and accrued liabilities	102	87	17%
Income tax payable	19	30	(37%)
Interest payable	246	160	54%
Current portion of mortgage	100	75	33%
Total current liabilities	5,585	5,470	2%
Mortgage	900	925	(3%)
TOTAL LIABILITIES	6,485	6,395	1%
NET ASSETS	$ 259	$ 345	(25%)

Marketable securities declined 5% due fluctuations in share price of Olympia Financial Group. The Olympia share price was $20.02 at June 30, 2016 compared to $21.01 at March 31, 2016.

PROPERTY UNDER DEVELOPMENT		
($ thousands)	June 30, 2016	March 31, 2016
Balance as at beginning of fiscal year	**$ 3,623,556**	$ 4,810,620
Additions – development expenditures	**47,605**	368,806
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	**$ 3,671,161**	$ 3,623,556

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 $8,223 for the three months ended June 30, 2016 and $50,560 for the year ended March 31, 2016.

During the current fiscal year, the Corporation halted the majority of development expenditures as the Landing and Langley project was put up for sale. Management is currently evaluating offers with anticipated closing date in Q2-2017.

Quarterly Results

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

QUARTERLY COMPARISON									
Fiscal Year	2017	2016				2015			
($ thousands)	**30-Jun 2016**	31-Mar 2016	31-Dec 2015	30-Sep 2015	**30-Jun 2015**	31-Mar 2015	31-Dec 2014	30-Sep 2014	**30-Jun 2014**
Total revenue	**155**	245	359	195	**215**	354	395	185	**207**
Total expenses	**(202)**	(207)	(1,473)	(273)	**(561)**	(222)	(389)	(325)	**(232)**
Earnings (loss) before income taxes	**(47)**	38	(1,114)	(78)	**(346)**	132	6	(140)	**(25)**
Net Earnings (loss)	**(27)**	37	(785)	(15)	**(240)**	101	22	(87)	**(1)**
Net Earnings (loss) - Per share	**(0.01)**	0.01	(0.20)	(0.00)	**(0.06)**	0.03	0.01	(0.02)	**(0.00)**

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 August 10, 2016, June 30, 2016 and March 31, 2016; indicating no changes.

OUTSTANDING SHARE DATA			
	August 10, 2016	June 30, 2016	March 31, 2016
Common Shares	**3,851,863**	3,851,863	3,851,863
Stock Options	**-**	-	-
Weighted average number of shares outstanding during the period Basic and Diluted	**3,851,863**	3,851,863	3,851,863

Business Risks

Leadership

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

Financing

The 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 period ended June 30, 2016, the Company expensed $300 (June 30, 2015 - $2,500) 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 0.30:1 compared to 0.31:1 ratio at the previous year end.

Related Party Transactions

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

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

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

	June 30, 2016	June 30, 2015
Revenue		
Controlled private company fees		
Controlled private companies	$ 121,944	$ 126,710
Exempt Experts	1,766	-
Dividends		
Olympia Financial Group Inc.	27,600	71,630
Interest income		
OrganicKidz Inc.	3,360	4,363
Trailer fees		
Olympia Benefits Inc.	-	12,141
G&A and Rent Reimbursements		
Exempt Experts	7,985	52,703
NEMA	1,649	2,014
Olympia Financial Group	29,694	19,261
	$ 195,764	$ 288,822
Expenses		
General and Administration		
Olympia Financial Group Inc.	$ 2,064	$ 161
Olympia Benefits Inc.	2,981	3,041
Bad Debt		
Controlled private companies	300	2,500
Royalties		
Eyelogic Systems Inc.	-	779
Tarman Inc.	15,461	-
Management fees		
Tarman Inc.	-	6,000
	$ 20,806	$ 12,481

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

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

	June 30, 2016	March 31, 2016
Controlled private companies	$ 268,058	$ 278,967
Bad debt allowance for controlled private companies	(122,504)	(122,504)
OrganicKidz Inc.	127,301	126,274
Exempt Experts Inc.	128,585	133,835
Olympia Financial Group Inc.	-	13
NEMA	1,083	525
	$ 402,523	$ 417,110

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

	June 30, 2016	March 31, 2016
Olympia Financial Group Inc.	$ 1,435	$ 572
Tarman Inc.	10,000	-
	$ 11,435	$ 572

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Craig Skauge
Greg Walter[123]

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