TARGET
CAPITAL INC.

2012 MANAGEMENT DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

MESSAGE FROM THE PRESIDENT

Target is pleased to report the most profitable fiscal year in Company history. Net earnings for the year were $436,148 an increase of 22% over the $355,588 earned in the comparative period.

Much of this growth has stemmed from a continued increase in the number of investments in controlled private companies. We increased our ownership in controlled private companies by 24% in the last year and as of March 31, 2012 had an interest in 97 private companies versus 78 at the prior year end. The fees generated from existing controlled companies, combined with the fees billed to new entities increased overall billings in this area by 18% over last year. With rumblings of potential forward-thinking changes in securities rules in Ontario, we are optimistic that the forthcoming year will show a lot of growth in this area.

The steady income provided by the controlled private companies and dividends enabled us to explore a number of new and exciting opportunities in the last year. In the third quarter, we entered into a partnership in a real estate development in downtown Langley, British Columbia. Target agreed to provide interest-free financing of up to $2,050,000 to the proposed development project in exchange for 50% equity in the development company. This deal has the potential to be highly profitable, and we are excited to be moving forward.

In the fourth quarter, we also extended a loan of up to $250,000 to OrganicKidz Inc., a company that manufactures stainless-steel baby bottles. The loan is repayable by July 31, 2013 and interest of 9% is payable monthly. In return for providing financing, we received an option to purchase 25% of OrganicKidz for a nominal price. If more financing is required, we have the right to acquire an additional 8% of the OrganicKidz by providing additional working capital of up to $250,000 on the same terms.

In the fourth quarter we were in the final stages of completing an offering memorandum with a maximum offering of $5,000,000 but subsequently decided to make some alterations based on anticipated capital requirements. In accordance with those changes, the company recently finalized a bond offering with a maximum offering of $2,000,000. The bonds bear interest of 5% for the first five years with an interest adjustment date thereafter. Given the current low interest rate environment, we are confident in our fundraising abilities with efforts already underway. We will use the proceeds from these bonds for working capital and to make additional investments.

We have welcomed these opportunities to diversify our business beyond the realm of controlled private companies, and look forward to seeking out additional opportunities while seeing how both our Langley development and OrganicKidz investments materialize in the next year.

Craig Skauge
PRESIDENT

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. The document presents the views of management as at June 27, 2012. Additional information on Target Capital Inc. (the "Company" or "Target") can be found on SEDAR at www.sedar.com.

Cautionary note regarding forward-looking statements

The MD&A contains forward-looking statements. 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 the securities regulations. The foregoing list of factors is not 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, notes receivable, 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.

Our Investment business

Starting in 2009, Target began purchasing controlling interests in private companies. The nature of the Company's investment in the controlled private companies 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 investment 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.

2012 Financial Overview

Annual Financial Results

Target reports a net income of $436,148 for fiscal year ending March 31, 2012, a 23% increase over the comparative period. The growth was mainly due to increase in controlled private company revenue and increase in dividend income amounting to $130,161 (18%) and $82,850 (33%) respectively.

Target closed a deal to partner in a real-estate redevelopment project in the greater Vancouver area. In return for a 50% stake in the Company, Target agreed to fund the redevelopment process by providing interest-free financing of up to $2,050,000, repayable by December 31, 2014.

SELECTED ANNUAL INFORMATION AS AT				
($ thousands)	**March 31 2012**	March 31 2011	April 1 2010	Variation 11-12
Total revenue	**1,249**	1,042	664	20%
Total expenses	**(772)**	(654)	(395)	18%
Net earnings before tax	**477**	388	269	23%
Income tax expense	**41**	32	66	28%
Net earnings	**436**	356	203	22%
Net earnings per share – Basic	**0.11**	0.09	0.05	22%
Net earnings per share – Diluted	**0.11**	0.09	0.05	22%
Total assets	**7,395**	6,834	4,488	8%

Revenues

During the years ended March 31, 2012 and 2011, the Company earned its operating revenue from the following sources:

	2012	2011
Controlled private company fees	**67%**	68%
Dividends	**27%**	24%
Trailer fees	**5%**	7%
Interest	**1%**	1%
	100%	100%

There were a total of 24 new controlled private companies added in the year. Fees from controlled private companies are earned throughout the year. Revenue generated from these companies has contributed $130,161 to the overall 20% increase in total revenue from $1,041,958 to $1,248,834 in 2012.

In addition, the dividend income increase of 33% or $82,850 was attributed to the purchase of additional shares and increase in dividends received from Olympia Financial Group Inc. (“Olympia”, TSX – V:OLY).

Trailer Fees have continued to decrease (10%) this year, as expected. Target's trailer rights entitle the Company to a portion of the income derived from a specific group of plan subscribers; as subscribers leave a plan for whatever reason, the potential pool of claims is thus reduced.

Interest on bonds

Interest on Bonds continued to be Target's biggest expense during the year. The expense increased 17%, as for the first time the 7% bonds were outstanding for the entire year leading to a higher average amount of bonds outstanding during the year.

General and Administrative

General office expenses decreased this year as the company was able to carefully utilized available resources.

Amortization

Amortization costs were stable during the year as the trailer fee rights continued to be depreciated.

Royalties

Slight decrease (2%) on Royalties this year as compared to last year; 10% of all investment companies fees earned are payable to Eyelogic Systems Inc. ("Eyelogic", TSXV:EYE) under an agreement signed in December 2008 to enable Target to offer the controlled private company product. The royalty will be paid on all income earned over the lifetime of the investments, for all controlled private companies Target invested in prior to December 31, 2010.

Director's fees

One director was added in the year contributing to the increase of 12% ($3,075).

Salaries and wages

The increase in salaries and wages of $29,310, was a result of the CEO and President being paid for the entire year (only 9 months in prior year), a new employee joining the Company and general wage increases.

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

The table summarizes the financial condition of the company as at March 31, 2012 and March 31, 2011:

($ thousands)	**March 31 2012**	March 31 2011	% change
Marketable securities	**$ 5,349**	$ 4,937	8%
Long-term investments	**644**	644	-%
Related party loan	**562**	0	N/A
Accounts receivable	**436**	252	73%
Trailer fee rights	**270**	315	(14%)
Notes receivable	**56**	72	(22%)
Controlled private companies	**58**	46	26%
Equipment	**17**	0	N/A
Prepaid expenses	**3**	3	-%
Cash	**0**	565	(100%)
TOTAL ASSETS	**$ 7,395**	$ 6,834	8%
Bonds	**$ 2,985**	$ 2,985	-%
Bank indebtedness	**586**	0	N/A
Callable bonds	**192**	316	(39%)
Deferred income taxes	**282**	308	(8%)
Accounts payable and accrued liabilities	**168**	161	4%
Interest payable	**2**	4	(50%)
TOTAL LIABILITIES	**$ 4,215**	$ 3,774	12%
NET ASSETS	**$ 3,180**	$ 3,060	4%

Changes since year end are attributable to normal operations of the company.

Quarterly Results

The following table presents the most recent quarterly results:

THREE MONTHS ENDED									
	2012 (IFRS)				2011 (IFRS)				2010 (Canadian GAAP)
($ thousands)	31-Mar 2012	31-Dec 2011	30-Sep 2011	30-Jun 2011	31-Mar 2011	31-Dec 2010	30-Sep 2010	30-Jun 2010	31-Mar 2010
Total revenue	497	314	281	157	405	240	212	185	283
Total expenses	(298)	(165)	(168)	(141)	(230)	(171)	(140)	(112)	(102)
Earnings before income taxes	199	149	113	16	175	69	72	73	181
Net Earnings	171	131	104	29	147	66	69	74	89
- Per share – basic and diluted	0.04	0.03	0.03	0.01	0.04	0.02	0.02	0.02	0.02

Outstanding Share Data

The following tables indicate the common shares and stock options issued and outstanding at June 27, 2012, March 31, 2012 and March 31, 2011:

	June 27 2012	March 31 2012	March 31 2011
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

Target has sufficient cash facilities to maintain day-to-day operations without additional financing.

Regulation

The Company is subject to various laws, regulations and court decisions that may have negative effects on the Company. Changes in the regulatory environment imposed upon the Company could adversely impact the ability of the Company to attain its objectives. 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, 2012, the Company expensed $100,268 (2011 - $58,758) 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 year end, Target had a strong current ratio of 1.47:1, a decrease over the 11.94:1 ratio at the previous year end.

Related Parties

During the periods ended March 31, 2012 and 2011, the Company entered into transactions with the following related parties:

- Bearspaw Tree Farm Inc., Common management
- Controlled private companies, Subsidiaries
- Eyelogic Systems Inc. ("Eyelogic"), Common management
- Industrial Avenue Development Corporation ("IADC"), Significant share ownership
- Olympia Benefits Inc. ("OBI"), Common management
- Olympia Financial Group Inc. ("OFGI"), Common management
- Olympia Trust Company ("OTC"), Common management
- OrganicKidz Inc. ("OKI"), Significant common share option holdings
- Read Brandon Inc., Common management
- Read Capital Inc., Common management
- Tarman Inc. ("Tarman"), Common management

The Company earned controlled private company fees of $842,624 for the year ended March 31, 2012 from its investments in controlled private companies (March 31, 2011 - $712,463). The Company also recorded bad-debt of $100,268 on amounts due from controlled private companies during the year ended March 31, 2012 (March 31, 2011 - $58,758). At year end, $430,202, net of an allowance for bad debt, was receivable from these companies (March 31, 2011 - $244,719).

The Company earned dividends of $332,129 for the year ended March 31, 2012 from its investment in OFGI (March 31, 2011 - $249,279).

The Company earned trailer fees of $65,825 for the year ended March 31, 2012 from OBI (March 31, 2011 - $72,736). At year end, $6,258 was receivable from OBI (March 31, 2011 - $6,801).

The Company earned interest of $2,213 for the year ended March 31, 2012 from OKI (March 31, 2011 - $nil). At year end, a $150,000 note receivable due in July 2013 was outstanding from OKI (March 31, 2011 - $nil), with all interest payments current.

The Company earned interest of $3,200 for the year ended March 31, 2012 from Read Capital Inc. (March 31, 2011 - $800). At year end, a $40,000 demand note receivable was outstanding from Read Capital Inc. (March 31, 2011 - $40,000), with all interest payments current.

The Company paid $15,282 for the year ended March 31, 2012 to OTC to manage its transfer and filing obligations (March 31, 2011 - $14,505). The Company paid $77,700 for year ended to OFGI for the rent and operational costs of an office in downtown Calgary and consulting services (March 31, 2011 - $40,276). At year end, $1,737 was payable to OTC (March 31, 2011 - $6,890) and $4,951 was payable to OGFI (March 31, 2011 - $1,572).

The Company paid royalties of $64,853 for the year ended March 31, 2012 to Eyelogic relating to Target's controlled private companies (March 31, 2011 - $66,393). At year end, $66,986 was payable to Eyelogic (March 31, 2011 - $50,004).

Remuneration of $24,000 for the year ended March 31, 2012 was paid to Tarman, for providing the services of Rick Skauge as the Chief Executive Officer (March 31, 2011 - $18,000). At year end, $nil was payable to Tarman (March 31, 2011 - $6,300).

A related party loan is due from IADC. At year end, $411,549 was receivable from IADC (March 31, 2011 - $nil).

During the year, Target purchased 3,000 shares of Olympia Trust from Read Brandon Inc. at a price of $38.10 per share, which was the last trading price prior to the sale.

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 in written agreements.

Accounting Policies

Effective April 1, 2011, the Company started reporting under International Financial Reporting Standards ("IFRS"). A discussion of the impact of these changes is included in the condensed interim financial statements.

Other than the conversion to IFRS, the Company has not adopted any new accounting policies since year end.

Subsequent Events

Subsequent to year end Target raised $423,000 from a bond offering pursuant to an offering memorandum dated April 17th 2012.

Directors

Anne Louise Bartlett
Charles Chebry[1234]
Ryan Hoult[4]
Gerard Janssen[1234]
Brian Newman[1234]
Rick Skauge[4]
Craig Skauge[4]
Greg Walter

Officers

Rick Skauge
Chief Executive Officer

Craig Skauge
President

Ryan Hoult
Chief Financial Officer

Board Committees

[1] Audit Committee
[2] Corporate Governance Committee
[3] Executive Compensation Committee
[4] Investment Committee

Head Office

Target Capital Inc.
Suite 1020, 140 - 10th Avenue SE
Calgary, Alberta T2G 0R1
T 403.261.8459

www.targetcapitalinc.com
craig@targetcapitalinc.com

Transfer Agent

Olympia Trust Company
Suite 2300, 125 - 9th Avenue SE
Calgary, Alberta T2G 0P6
T 403.261.0900
F 403.265.1455

Auditors

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

OFFICERS

RICK SKAUGE
Chief Executive Officer

RYAN HOULT
Chief Financial Officer

CRAIG SKAUGE
President

TARGET
CAPITAL INC.

Suite 1020, 140 - 10th Avenue SE, Calgary, Alberta T2G 0R1
T 403.261.8459