

Proton Capital Corp.
Three and Nine Months Ended September 30, 2023
Management's Discussion and Analysis

READER ADVISORY

The Management's Discussion and Analysis ("**MD&A**") for the three and nine-month period ended September 30, 2023 of the financial condition and results of operations of Proton Capital Corp. (the "**Company**"), is prepared as at November 9, 2023. This discussion should be read in conjunction with the Company's unaudited Condensed Interim Financial Statements for the three and nine-month periods ended September 30, 2023, and notes thereto. Other information on the Company is available on SEDAR+ at [sedarplus.ca](https://www.sedarplus.ca).

This discussion should not be considered all-inclusive as it does not include all changes regarding general economic, political, governmental and environmental events. This MD&A contains certain statements that constitute forward-looking statements under the meaning of applicable securities laws. Please see "Forward-Looking Statement Advisory" for a discussion regarding the Company's use of such information.

This MD&A and the condensed interim financial statements were reviewed by the Audit Committee of the Company's Board of Directors and approved by the Company's Board of Directors on November 9, 2023. All dollar figures are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.

OVERVIEW OF BUSINESS

The Company was incorporated on September 1, 2021, by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (Alberta). The Company is classified as a Capital Pool Company ("**CPC**") as defined in Policy 2.4 of the TSX Venture Exchange (the "**Exchange**"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a "**Qualifying Transaction**" as defined under the Exchange rules.

The head office and registered office of the Company is located at 3603 Selinger Crescent, Regina, SK S4V 2H7.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

COMPANY DEVELOPMENTS

On May 16, 2022, the Company successfully completed its initial public offering ("IPO") of 20,000,000 common shares at a price of \$0.10 per common share for gross proceeds of \$2,000,000. Subject to terms of an agency agreement entered into in connection with the IPO, iA Private Wealth Inc. (the "Agent") received a cash commission of \$97,465, a work fee of \$10,500 (including tax), agent legal and broker fees of \$18,498 and 2,000,000 agents' warrants with a value of \$130,352. Each agent's warrant is exercisable to purchase an additional common share of the Company at a price of \$0.10 for a period of two years from close of the IPO. The total share issuance costs paid in cash related to this IPO was \$126,463. The Company is listed on the TSX-V under the trading symbol "PTN.P".

On April 20, 2023, Proton Capital Corp. announced the signing of a Letter of Intent ("LOI") with PharmaChoice Canada Inc., a company incorporated in Canada, that operates in the pharmacy industry. The LOI contemplates terms and conditions subject to: (i) the negotiation and finalization of definitive agreements between the parties and (ii) the acquisition and operation by Proton of an independently owned PharmaChoice brand pharmacy or pharmacies pursuant to the terms of the Definitive Agreements, both of which together will constitute the qualifying transaction of Proton pursuant to the policies of the TSX Venture Exchange. On August 31, 2023, a further news release was issued, reporting that the definitive agreements in relation to the strategic alliance agreement with PharmaChoice Canada Inc. has been executed. In addition, the Strategic Alliance Agreement includes, but is not limited to, the following schedules which have been executed but are being held in escrow until the completion of the Qualifying Transaction: a license agreement, a right-of-first-refusal agreement and a master membership agreement. Further information on the press releases is available on the SEDAR+ website [sedarplus.ca](https://www.sedarplus.ca).

SELECTED FINANCIAL INFORMATION & SUMMARY OF QUARTERLY RESULTS

	Three months ended September 30, 2023	Three months ended June 30, 2023	Three months ended March 31, 2023	Three months ended December 31, 2022
Financial Results				
Revenue	\$-	\$-	\$-	\$-
Expenses				
Professional fees	129,414	95,200	110,528	24,080
General and administration	111	184	173	83
Other Items				
Stock-based compensation	-	-	-	-
Interest Income	(28,662)	(26,274)	(26,437)	(21,576)
Net (Loss) Income	(100,863)	(69,109)	(84,264)	(2,587)
(Loss) per share basic & diluted	\$0.00	\$0.00	\$0.00	\$0.00

	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022	From Incorporation to December 31, 2021
Financial Results				
Revenue	\$-	\$-	\$-	\$-
Expenses				
Professional fees	(2,184)	65,550	89,007	26,343
General and administration	118	139	105	190
Other Items				
Stock-based compensation	-	386,280	-	-
Interest Income	(18,521)	(5,225)	(770)	(715)
Net (Loss) Income	20,587	(446,744)	(88,342)	(25,818)
(Loss) per share basic & diluted	\$0.00	(\$0.01)	\$0.00	\$0.00

Professional Fees

For the three and nine months ended September 30, 2023, the Company's professional fees were \$129,414 and \$335,141 primarily due to professional fees, audit, and legal fees related to the closing of the IPO, the assessment of potential targets for the Qualifying Transaction, and fees associated with the Annual General Meeting.

General and Administration

For the three and nine months ended September 30, 2023, the Company's general and administration was \$111 and \$467 respectively, related to bank service charges.

Interest Income

For the three and nine months ended September 30, 2023, interest income was \$28,662 and \$81,373 respectively, for interest earned on the cash balance.

SUMMARY OF QUARTERLY RESULTS

The following table highlights revenue, cash used in operating activities, net income (loss) and earnings (loss) per share for the twenty-four most recently completed months, and quarters ended September 30, 2023, June 30, 2023, March 31, 2023, December 31, 2022, September 30, 2022, June 30, 2022, March 31, 2022, and December 31, 2021.

	Three months ended September 30, 2023	Three months ended June 30, 2023	Three months ended March 31, 2023	Three months ended December 31, 2022
Revenue	\$28,662	\$26,274	\$26,437	\$21,576
Expenses	129,525	95,383	(110,701)	(24,163)
Net Loss (income) for the period	(\$100,863)	(\$69,109)	(\$84,264)	(\$2,587)
(Loss) per share basic & diluted	\$0.00	\$0.00	\$0.00	\$0.00

	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022	From Incorporation to December 31, 2021
Revenue	\$18,521	\$5,225	\$770	\$715
Expenses	2,066	451,969	(89,112)	(26,533)
Net (Loss) Income for the period	\$20,587	(\$446,744)	(\$88,342)	(\$25,818)
(Loss) per share basic & diluted	\$0.00	(\$0.01)	\$0.00	\$0.00

SHARE CAPITAL

[a] Authorized

The Company is authorized to issue the following:

- Unlimited number of common shares of the Company ("**Common Shares**") without nominal or par value.
- Unlimited number of voting preferred shares without par value.

[b] Issued

At September 30, 2023, the Company had 40,278,400 Common Shares issued and outstanding with 20,000,000 held in escrow until completion of a Qualifying Transaction. 25% of these escrowed Common Shares will be released on the issuance of the final exchange bulletin and an additional 25% will be released on the dates 6 months, 12 months and 18 months following the initial release.

[c] Stock Options

The Company has a stock option plan that provides for the issuance of options to eligible persons. On May 16, 2022, the Company granted 4,000,000 options to directors and officers. The option price under each option granted must be no less than the discount market price as defined by the Exchange. The term of the options are 10 years and the directors determine the vesting period. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time. Any Common Shares acquired pursuant to the exercise of options prior to the completion of a Qualifying Transaction must be deposited in escrow and will be subject to escrow until a final exchange bulletin is issued. See SEDAR+ filings for further information on stock options.

[d] Warrants

The Company has a warrant plan with the IPO Agent to grant warrants upon the closing of the IPO. On May 16, 2022, the Company granted 2,000,000 warrants at a price of \$0.10 per Common Share, which may be exercised for a period of two years from the closing date of the IPO. On February 3, 2023, the Agent exercised 100,000 options at \$0.10 each for proceeds of \$10,000. On February 21, 2023, the Agent exercised an additional 100,000 options for proceeds of \$10,000. On April 25, 2023, 40,000 options were exercised for proceeds of \$4,000, and on May 12, 2023, 38,400 options were exercised for proceeds of \$3,840. As at September 30, 2023, there are 1,721,600 warrants outstanding.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2023, the Company had cash of \$2,531,725 (September 30, 2022 - \$2,727,674) and working capital of \$2,490,519 (September 30, 2022 - \$2,719,501). The Company's cash was derived from the issuance of 40,278,400 Common Shares for gross proceeds of \$3,027,840, less amounts paid for costs relating to the preparation of a Prospectus, preparation for the Company's IPO and Exchange listing.

Management believes that the Company has sufficient working capital to meet its ongoing administrative costs. As a CPC, the Company's only source of capital is through issuing further equity, therefore working capital is expected to decrease due to administration and public company costs while the Company evaluates opportunities in pursuit of a Qualifying Transaction.

CAPITAL MANAGEMENT

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii. to maintain investor, creditor and market confidence in order to complete a qualifying transaction and sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period-end apart from the requirements of the Exchange.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company, as part of its operations, carries financial instruments consisting of cash and accounts payable and accruals. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash and account payable and accruals approximates its fair value due to the short-term maturities of these items.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk as its cash balance is held with a major Canadian financial institution.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. As at September 30, 2023, the Company has cash of \$2,531,725 to satisfy obligations of \$41,206 as they come due, and as such, is not exposed to significant liquidity risk.

Market risk

Market risk is the risk of loss that results from changes in market prices, market risk is comprised of foreign currency risk, interest rate risk and other price risks.

[i] Currency risk

The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk. 5

[ii] Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty.

(iii) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet financing arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The impacts of such estimates are pervasive throughout these condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Note 3 and 4 to the Company's audited financial statements as at December 31, 2022 contains a description of the accounting policies, judgements, estimates and assumptions that are considered significant.

SUBSEQUENT EVENTS

On October 10, 2023, Proton Capital Corp. engaged iA Private Wealth Inc. for a brokered public offering of up to 100,000,000 common shares in the capital of the Corporation at a price of \$0.40 per Common Share, for gross proceeds of up to \$40,000,000. The Offering is being conducted in connection with the Corporation's proposed "Qualifying Transaction" within the meaning of TSXV Policy 2.4 – Capital Pool Companies as previously announced.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the SEDAR+ website www.sedarplus.ca

Forward Looking Statement Advisory

This MD&A contains certain forward looking statements and forward looking information (collectively referred to herein as "forward looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward looking statements. Forward looking information is often, but not always, identified by the use of words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "projected", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well positioned" or similar words suggesting future outcomes. In particular, this MD&A may contain forward looking statements relating to future opportunities and business strategies.

The forward looking statements regarding the Company are based on certain key expectations and assumptions of the Company concerning anticipated financial performance, business prospects and strategies. Although management of the Company consider these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect.

By their very nature, forward looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward looking statements will not be achieved. Undue reliance should not be placed on forward looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward looking statements, including among other things: general economic and market factors, including business competition, changes in government regulations or in tax laws; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements. Readers are cautioned that the foregoing list is not exhaustive.

The forward looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward looking statements included in this MD&A are made as of the date of this MD&A and the Company does not undertake and is not obligated to publicly update such forward looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.