

Target Capital Inc.

Management Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the financial position and results of operations of Target Capital Inc. (the "Company", "Corporation", or "Target") for the period ended September 30, 2018.

This MD&A should be read in conjunction with Target's condensed consolidated financial statements for the three months ended September 30, 2018, as well as the MD&A found in Target's 2017 Annual Report, together with the unaudited consolidated financial statements and accompanying notes found therein.

This document presents the views of management as at November 29, 2018. 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 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 interest income and investment company fees.

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

Although Target has legal control over these private companies, we do not have control in accordance with IFRS because of the inability of our decisions to influence our returns and the restricted nature of the decisions that we can make which do not constitute "relevant decisions" as defined in IFRS 10.

On December 1, 2015 the Company acquired from Eyelogic Systems Inc. (an affiliated entity) a portfolio of 53 PC and associated shareholder agreements and royalty agreements for an aggregate price of \$75,000.

Bond exchange

During March 2017, the Company received all signed agreements from bondholders to exchange their outstanding bonds for partial cash repayments, a new bond issuance and TSX Venture approval was received. On March 24, 2017, the Company completed a bond exchange, which entailed partial redemptions and issuance of a new bond with an interest rate of prime plus 1.25%. The new bond bears no maturity date and are fully redeemed as part of the recapitalization.

Holders of outstanding Target bonds with an aggregate face value of less than \$10,000 agreed to settle and release Target with respect to all amounts owed with respect to such outstanding Target bonds in return for payment equal to the aggregate face value of the outstanding Target bonds.

Holders of outstanding Target bonds with an aggregate face value greater than \$10,000 agreed to settle and release Target with respect to all amounts owed with respect to such outstanding Target bonds in return for the issuance of a new Target bond with a face value equal to 35% of the aggregate face value of the outstanding Target bonds held and a cash payment equal to 65% of the aggregate face value of the outstanding Target bonds held.

At issuance, the calculated estimated fair value of the new bonds payable was based on a discount rate of 15%. Bonds for the period ending September 30, 2018 were fully redeemed.

Recapitalization

On November 21, 2017, Target Capital Inc. entered into a definitive reorganization and investment agreement (the "Agreement") with Sonny Mottahed, Bill Macdonald, David Cheadle and Jason Kujath which included:

- i) A non-brokered private placement of up to an aggregate of \$5.5 million in capital (the "Private Placement");
- ii) The appointment of a new management team and board of directors (collectively, the "New Management Team"); and
- iii) A right offering (the "Rights Offering") to holders of common shares ("Common Shares") of Target, including those who participated in the Private Placement (collectively, the "Transaction").

On December 19, 2017 the Company closed its non-brokered private placement by issuing 91,666,675 units ("Units") for gross proceeds of \$5.5 million to the new management group of the Company and the designates. Each Unit consisted of one common share of the Company and, in the case of subscriptions by the New Management Team, one common share purchase warrant ("Warrant") and, in the case of all other subscribers, one half of one Warrant. Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 until December 15, 2022. The Warrants will vest and become exercisable as to one-third upon the 20-day weighted average trading price of the common shares equaling or exceeding \$0.12, an additional one-third upon the price equaling or exceeding \$0.16 and a final one-third upon the price equaling or exceeding \$0.20. The warrants were assigned a value of \$2.6 million. All warrants issued vested and became exercisable during the year.

The New Management Team is led by Sonny Mottahed as President & Chief Executive Officer, Bill Macdonald as Executive Vice President – Corporate Development and David Cheadle as Chief Financial

Officer. The board of directors of Target Capital is now comprised of Sonny Mottahed, Bill Macdonald, Gregory Turnbull, Matteo Volpi and Chad Oakes. Sony Gill, a partner in the Business Law Group in the Calgary office of the national law firm McCarthy Tétrault LLP, will act as Corporate Secretary.

The New Management Team, together with the proposed new members of the board of directors, have extensive experience in creating shareholder value through a focused full-cycle business plan and believe the current market environment provides an excellent opportunity to reposition Target as a high growth cannabis industry investment vehicle. The New Management Team believes that Target will be well positioned to take advantage of investment opportunities in the current market.

Following the completion of the Transaction, Target is executing on a cannabis-focused investment strategy, developing and managing a diversified portfolio of predominantly early stage cannabis investment opportunities. The recapitalized corporate structure has allowed Target to explore and plan to invest in a number of strategic investment opportunities in the medical and recreational cannabis industry and in businesses offering ancillary products and services. Target's existing revenue base is expected to fund a significant portion of Target's near-term operating costs.

Results of Operations for the three months ended September 30, 2018

SUMMARY OF FINANCIAL RESULTS FOR THE THREE MONTHS ENDED September 30, 2018

(\$ Thousands)	September 30, 2018	September 30, 2017	Variation 2018 to 2017
Total revenue	127	101	25%
Total expenses	(315)	(621)	(49%)
Net earnings (loss) before tax	(188)	(520)	(64%)
Income tax (recovery)	-	(29)	75%
Net earnings (loss)	(188)	(491)	(72%)
Net earnings (loss) per share - Basic	(0.01)	(0.10)	(90%)

Overview

Target's total revenue increased by 25% or \$25,267 to \$126,681 from \$101,414 mainly due to increased dividends and increased private company fees.

Total operating expenses decreased by 49% or \$306,524 to \$314,756 from \$621,280 due to decrease in amortization of bonds.

As a result, Target reports a net loss of \$188,075 compared to net loss of \$490,413 in the comparative year.

Revenue

PC fees were relatively stable with an increase of 30% to \$126,681 from \$97,188.

Expenses

Salaries and wages

Salaries and wages increased by 672% to \$105,998 from \$13,736 due to increase in staff.

Professional fees

Professional fees increased by 154% to \$19,752 from \$7,783 due to consulting fee paid for due diligence for potential investing opportunities.

Royalties

Royalties increased by 17% to \$15,664 from \$13,433. The increase in royalties is a direct result of amounts billed relating to a new royalty contract with Transparent Investments. As part of the PC portfolio purchase from Eyelogic Systems on December 1, 2015, Target Capital purchased one PC contract which included a royalty payable to Tarman Inc.

Amortization of equipment and leasehold improvements

Equipment and leasehold amortization decreased 94% to \$406 from \$6,790 as all of the Company's office equipment became fully depreciated at the year-end March 31, 2018 and the Company purchased computer equipment in the first quarter.

Rent

Rent increased by 351% to \$20,583 compared to \$4,568 for the prior year, because of relocation of the Company to a building in which rent is shared with 51st Parallel (a related party), as well as termination fees relating to Targets prior lease agreement.

General and admin

General and admin expenses increased by 1187% to \$147,890 from \$11,489. The increase in the expenses were due to marketing, consulting, deal securing, due diligence and legal fees.

Results of Operations for the six months ended September 30, 2018

SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED September 30, 2018

(\$ Thousands)	September 30, 2018	September 30, 2017	Variation 2018 to 2017
Total revenue	238	229	4%
Total expenses	(676)	(738)	(8%)
Net earnings (loss) before tax	(438)	(509)	(14%)
Income tax (recovery)	-	(20)	100%
Net earnings (loss)	(438)	(489)	(10%)
Net earnings (loss) per share - Basic	(0.02)	(0.13)	(85%)

Revenue

PC fees increased slightly to \$238,403 from \$219,683 due to timing of annual fees invoiced and additional capital raising fees invoiced to PCs compared to same period in prior year.

Expenses

Salaries and wages

Salaries and wages increased 571% to \$235,247 compared to \$35,044 for the prior year due to increased staff.

Professional fees

Professional fees increased 11% to \$30,502 from \$27,414 due to nonrecurring costs.

Results of Operations for the six months ended September 30, 2018

SUMMARY OF THE RESULTS SIX MONTHS ENDED			
	September 30, 2018	September 30, 2017	Variation
Revenue			
Private company investment fees	\$ 238,403	\$ 219,683	9%
Interest	-	9,525	(100%)
Total revenue	238,403	229,208	4%
Expenses			
General and administration	337,215	18,652	1708%
Salaries and wages	235,247	35,044	571%
Professional fees	30,502	27,414	11%
Royalties	26,240	22,137	19%
Amortization	761	13,779	(94%)
Rent	39,560	9,136	333%
Interest on bonds	-	36,101	(100%)
Amortization on bond discount	-	421,406	(100%)
Directs fee	-	20,550	(100%)
Amortization of intangible assets	6,694	7,304	(8%)
Bad debts	-	52,185	(100%)
Impairment loss	-	75,000	(100%)
Operating expenses	676,219	738,708	(8%)
Net earnings (loss) before income taxes	(437,816)	(509,500)	(14%)
Current	-	8,740	(100%)
Net earnings (loss)	\$ (437,816)	\$ 518,240	(16%)
Earnings (loss) attributable to:			
Owners of the Company	\$ (437,816)	\$ 518,240	(16%)
	\$ (437,816)	\$ 518,240	(16%)
Basic net earnings (loss) per share	(0.02)	(0.13)	(85%)

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

The table summarizes the financial condition of the Company as at September 30, 2018 compared to the year ended March 31, 2018:

SUMMARY OF THE FINANCIAL RESULTS FOR THE SIX MONTHS ENDED				
\$ Canadian	September 30, 2018	March 31, 2018	Variation	
Assets				
<i>Current assets</i>				
Cash	\$ 2,846,093	\$ 2,196,213	23%	
Cash held in trust	-	833,866	(100%)	
Accounts receivable	437,787	289,184	34%	
Accounts receivable - related parties	-	242,022	(100%)	
Prepaid expenses	19,967	-	100%	
Total current assets	3,303,847	682,381	(8%)	
<i>Non-current assets</i>				
Investments	\$427,513	-	100%	
Equipment and leasehold improvements	7,361	-	100%	
Private company investment	62,932	62,932	-	
Shareholder agreements	6,694	13,388	(100%)	
Total non-current assets	504,498	76,320	85%	
Total assets	\$ 3,808,345	\$ 3,637,605	4%	
Liabilities and Equity				
<i>Current liabilities</i>				
Accounts payable and accrued liabilities	\$ 86,469	\$ 91,068	(5%)	
Total current liabilities	86,469	91,068	(5%)	
Long-term bonds	-	40	(100%)	
Total non-current liabilities	-	40	(100%)	
Total liabilities	86,569	105,112	(22%)	
<i>Equity (Deficiency)</i>				
Warrants	1,927,664	1,659,646	14%	
Contributed surplus	2,310,260	2,310,260	-	
Share capital	4,976,525	4,617,344	7%	
Other components of equity	165,093	165,093	-	
Retained earnings (deficit)	(5,657,571)	(5,219,755)	8%	
Total equity (deficiency) to holders	3,721,971	3,532,587	5%	
Non-controlling interest	(95)	(95)	-	
Total equity (deficiency)	3,721,876	3,532,492	5%	
Total liabilities and equity (deficiency)	\$ 3,808,345	\$ 3,637,605	4%	

Quarterly Results

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

	2018		2017				2016			
(\$ thousands)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue	127	112	238	237	101	128	262	322	127	155
Total expenses	(315)	(361)	(3,002)	(140)	(621)	(117)	1,448	(243)	(1,778)	(202)
Other income (expenses)	-	-	21	371	(496)	(21)	(762)	-	-	-
Earnings (loss) before income taxes	(188)	(249)	(2,743)	468	(1,016)	(10)	947	79	(1,651)	(47)
Income tax recovery	-	-	(2)	(128)	(21)	2	6	-	-	-
Net Earnings (loss)	(188)	(249)	(2,997)	184	(490)	2	921	73	(1,645)	(27)
Net Earnings (loss) - Per share	(0.02)	-	(0.14)	0.01	(0.13)	-	0.24	0.02	(0.41)	(0.01)

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 September 30, 2018, March 31, 2018 and December 31, 2017.

OUTSTANDING SHARE DATA			
	September 30, 2018	March 31, 2018	December 31, 2017
Common Shares	106,715,629	95,518,538	95,518,538
Stock Warrants	8,666,667	8,666,667	8,666,667
Warrants	50,492,839	45,833,354	45,833,354
Weighted average number of shares outstanding during the period Basic	19,121,794	29,608,093	6,048,316
Weighted average number of shares outstanding during the period Diluted	28,993,972	44,894,126	7,846,676

Subsequent to March 31, 2018, Target completing a rights offering by issuing 10,437,715 units for gross proceeds of \$626,000. Each unit consisted of one common share and one half of one warrant. Also, in the period ending September 30, 2018, 759,373 warrants exercised.

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.

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 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 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:

- 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 period end, the Company had \$272,496 in receivables outstanding for more than 91 days, totalling 70% of outstanding receivables (March 31, 2018 - \$242,990 or 37%). Management believes all amounts, net of the allowances made, are collectable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Accounts payable are due within 30 days.

Change in business direction

The Company expects to execute on a cannabis-focused investment strategy, developing and managing a diversified portfolio of predominantly early stage cannabis investment opportunities. The recapitalized corporate structure will allow Target to explore and invest in a number of strategic

investment opportunities in the medical and recreational cannabis industry and in businesses offering ancillary products and services.

Related Party Transactions

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

51st Parallel Inc.

(b) Transactions

The following table summarizes the related party balances at the year end:

	30-september-18	30-September-17
Revenue		
Private company investment fees		
Private companies	\$ 238,403	\$ 219,554
Exempt Experts	-	2,763
Dividends		
Olympia Financial Group Inc.	-	-
Interest income		
NEMA	-	-
Olympia Financial Group	-	-
OrganicKidz Inc.	-	6,267
Total revenue	\$ 238,403	\$ 228,584
G&A and Rent Reimbursements		
Olympia Benefits Inc.	-	\$ 3,354
Olympia Financial Group	-	14,346
Royalties		
Tarman Inc.	-	3,389
Transparent Investments Inc.	2,952	5,258
	\$ 2,952	\$ 26,347

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:

	September 30, 2018	March 31, 2018
Private company investments	\$ 457,806	\$ 418,715
Bad debt allowance	(20,019)	(129,531)
OrganicKidz Inc.	-	12,500
Exempt Experts Inc.	-	82,202
51 st Parallel Inc.	-	140,320
	\$ 437,787	\$ 437,375

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

	September 30, 2018	March 31, 2018
Olympia Financial Group Inc.	\$ -	\$ (178)

Tarman Inc.	-	5,804
Transparent Investments Inc.	14,949	8,378
	\$ 14,949	\$ 14,004

(e) Key management compensation

Key management compensation includes the Company's directors, the CEO, CFO, and President.

For the year ended,	September 30, 2018	September 30, 2017
Salaries and benefits	\$ 139,370	\$ 122,248
	\$ 139,370	\$ 122,248

Commitments

The Company has a lease agreement for office space until December 31, 2018. Remaining payments under the terms of the lease are approximately \$43,280; however, an office sharing agreement with 51st Parallel reduces the cost to approximately \$21,640.

Subsequent Events

There was no subsequent event as at September 30, 2018.