

Target Capital Inc.

Management Discussion and Analysis
For the period September 30, 2019 and 2018
(In Canadian dollars)

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", or "Target") for the period ended September 30, 2019.

This MD&A should be read in conjunction with Target's condensed consolidated financial statements for the period ended September 30, 2019, as well as the MD&A found in Target's 2019 Annual Report, together with the audited consolidated financial statements and accompanying notes found therein.

This document presents the views of management as at November 27, 2019. Additional information on Target can be found on SEDAR at www.sedar.com.

Information contained in the 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.

All financial figures are in 000s of Canadian dollars unless otherwise noted.

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.

COMPANY 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 dividends, 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").

The Company's registered office is located at Suite 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, AB, T2P 5C5.

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, 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 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, it does not have control in accordance with IFRS because of inability of our decisions to influence our returns and the restricted nature of the decision that we can make which do not constitute "relevant decisions" as defined in IFRS 10 *Consolidation*.

On September 9, 2019 the Company announced that it had closed a strategic investment into Intev Technologies, LLC, ('Intev') a Brooklyn, New York based hardware technology company and the maker of Zepto, the first credit card sized vaporizer. The Company purchased US\$300,000 of 7% senior secured convertible debentures of Intev. The debentures mature on September 9, 2021, and, on the Company's

election, are convertible into common shares of Intev. At any time prior to the maturity date the Company has the right to initiate a go-public transaction pursuant to which Intev would be listed on a recognised Canadian stock exchange by way of an initial public offering, plan of arrangement, amalgamation, reverse take-over or other form of business combination. The Company holds this investment as a component of convertible notes receivable on its balance sheet.

OUTLOOK

The Company continues to explore and evaluate strategic alternatives to enhance shareholder value. The Company currently has approximately 106.7 million common shares outstanding and approximately 59.2 million Warrants with an exercise price of \$0.10 and a current cash balance of over \$2.2 million. The Company also has a reported current non-cash working capital balance of over \$555,000 and holds 833,333 in common shares of YSS Corp., a publicly listed cannabis retail operator. The Company's existing revenue base from its private company fees is expected to fund a material portion of the Company's annual operating costs.

QUARTERLY HIGHLIGHTS

The following tables sets forth selected financial information of the Company for the three and six months ended September 30, 2019:

Balance sheet highlights

	As at September, 30, 2019	As at March 31, 2019
Cash	\$2,205	\$2,768
Convertible notes receivable	513	118
Current assets	2,942	3,141
Other investments	233	325
Total assets	3,197	3,489
Current liabilities	182	115
Shareholders' equity	3,016	3,374
Total liabilities and shareholders' equity	\$3,197	\$3,489

Cash flow highlights

	Three months ended September 30		Six months ended September 30	
	2019	2018	2019	2018
Net cash provided (used) by				
Operating activities	\$ (548)	\$ (384)	\$ (563)	\$ (445)
Financing activities	-	697	-	697
Investing activities	-	-	-	(436)
Increase (decrease) in cash	(548)	313	(563)	(184)
Cash beginning of period	2,753	2,533	2,768	3,030
Cash at end of period	\$2,205	\$2,846	\$2,205	\$2,846

SUMMARY OF RESULTS

	Three months ended September 30		Six months ended September 30	
	2019	2018	2019	2018
Revenue				
Private company investment fees	\$ 153	\$127	\$ 328	\$238
Interest	4	-	4	-
Total revenue	157	127	332	238
Expenses:				
Business development expense	47	-	67	-
Depreciation	-	-	-	-
Depreciation of intangible asset	-	4	-	7
General and administration	80	148	103	337
Professional fees	99	20	111	31
Provision for expected credit losses	100	-	172	-
Rent payments	-	21	-	40
Royalties	14	16	25	26
Salaries and related costs including payments to consultants	62	106	120	235
Total expenses	402	315	598	676
Loss from operations	(245)	(188)	(266)	(438)
Income tax expense	-	-	-	-
Loss for period	\$(245)	\$(188)	\$(266)	\$(438)

For the three and six months ended September 30, 2019, the Company has reported net losses from operations of \$245 and \$266 respectively compared to a net losses of \$188 and \$438 for the comparative periods in 2018.

The key components contributing to the change in net loss from the three months ended in June 30, 2019 compared to the three months ended June 30, 2018 comprise the following:

- Private company investment fees – increased to \$153 and \$328 for the three and six months ended September 30, 2019 respectively, up from \$127 and \$238 for the similar periods in 2018 due primarily to an increase in the amount of capital the Company's private company clients raised during the period.
- Interest income – increased to \$4 for both the three and six months ended September 30, 2019 compared to nil for the comparative periods in 2018 due to the recognition of interest on the Intev debentures in the current period, and the placement of the Company's excess cash into low risk interest bearing accounts.
- Business development expense – increased to \$67 for the six months and \$47 for the three months ended September 30, 2019 compared to nil for both comparative periods in 2018 due increased business development activities in the current periods.
- Provision for expected credit losses – Increased to \$100 for the three months and to \$172 for the six months ended September 30, 2019, up from nil for both periods in 2018. This increase is due to a decision to recognize expected credit losses on a quarterly basis for the current reporting year as opposed to only recognizing these costs at year end as was done previously. Management

considers this to be more reflective of the actual economic reality of the Company and reports the expected credit losses in the periods where cost is incurred.

- General and administration expense – decreased from \$148 for the three months ended September 30, 2018 to \$80 for the same period in 2019, and decreased from \$337 for the six months ended September 30, 2018 to \$103 for the six months ended September 30, 2019. The Company took steps to rationalize its activities over the past year, and the outcome from this work has been a general decrease in overhead and other costs due to a reduction in staff and their accompanying support costs.
- Rent payments – rent payments for both the three and six months ended September 30, 2019 were nil, compared to \$21 and \$40 for the comparative periods in 2018. The decrease is due to the Company no longer requiring office space due to the overall reduction in staff and no longer needing to provide office space.
- Salaries and related costs including payments to consultants – decreased to \$62 for the quarter ended September 30, 2019 from \$106 for the 3 months ended September 30, 2018 and decrease to \$120 for the six months ended September 30, 2019 from \$235 for the six month ended September 30, 2018 largely due to reduction in staff.

As at September 30, 2019, the Company had \$2.9 million in current assets (September 30, 2018 – \$2.9 million) including \$2.2 million in cash (September 30, 2018 – \$2.5 million). The change in the Company's current assets and cash during the period can largely be attributed to increased private company fees and improved collection of accounts receivables. In addition, as at September 30, 2019, the Company had a working capital balance of \$2.8 million (September 30, 2018 – \$2.7 million) and no debt.

Summary of Quarterly Results

The following table sets out the quarterly financial information for each of the last eight quarters:

	Three months ended			
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Total revenue	\$157	175	185	170
Total expenses	(402)	(195)	(515)	(237)
Other expenses	-	-	(107)	-
Net loss	(245)	(21)	(427)	(67)
Loss per share	-	-	-	-

	Three months ended			
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Total revenue	127	112	238	237
Total expenses	(315)	(351)	(3,002)	(140)
Other income	-	-	21	371
Net income(loss)	(188)	(249)	(2,743)	468
Earnings/(loss) per share	-	-	(0.14)	0.01

Outstanding Share Data

The company is authorised to issue an unlimited number of common voting shares.

As at the date of this MD&A, the Company has 106,715,629 common shares issued and outstanding and 5,500,000 stock options and 59,159,504 warrants outstanding.

Related Party transactions

Operating transactions

Through common shareholding and/or directorship, the Company is related to 51st Parallel Inc., Cheadle Investments Inc., and Black Spruce Merchant Capital. There were no related party transactions with 51st Parallel Inc. and Black Spruce Merchant Capital. The fees paid to Cheadle investments Inc. are included in the key management compensation.

Key management compensation

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors. The Company considers all of its directors and executive management team members to be key management personnel. The Company paid \$120 in management compensation for the six months ended September 30, 2019 compared to \$235 for the same period in 2018.

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 \$390 in receivables outstanding for more than 91 days, totalling 71% of outstanding receivables (March 31, 2019 - \$201 or 46%). 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. Management regularly reviews future cash requirements to ensure adequate funds are available. The Company's liquidity is adequate for the settlement of short-term financial obligations.

The maturity profile of the Company's liabilities as at September 30, 2019 and 2018 is included below:

2019	Total	Within 1 year	2-5 years	Over 5 years
Accounts payable and accrued liabilities	\$182	\$182	\$ -	\$ -
Total	\$182	\$182	\$ -	\$ -

2018	Total	Within 1 year	2-5 years	Over 5 years
Accounts payable and accrued liabilities	\$86	\$86	\$ -	\$ -
Total	\$86	\$86	\$ -	\$ -

As at September 30, 2019, the Company has a working capital surplus of \$2.7 million (September 30, 2018 - \$3.2 million); therefore, the Company has adequate cash to pay its liabilities as and when they fall due.

Commitments

The Company has no lease agreement or commitments for the period ended September 30, 2019.

Subsequent Events

On November 27, 2019 the Board of Directors of the Company approved an Incentive Stock Option Plan (the 'Plan'). The Plan allows the Company to issue total stock options of up to 10%, on a non-diluted basis, of the common shares issued and outstanding of the Company. The Plan has been conditionally approved by the TSX Venture Exchange, subject to the formal approval of the plan by the shareholders of the Company at the next annual general meeting and the filing of documents in this regard with the TSX Venture Exchange.

On November 27, 2019 the Company issued a total of 5,500,000 stock options with an exercise price of \$0.05 to various directors and officers of the Company.