

TARGET CAPITAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2022

November 28, 2022

The following Management's Discussion and Analysis ("**MD&A**") of the financial condition and the results of operations of Target Capital Inc. ("**Target**" or the "**Corporation**") should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements and related notes as at and for the three and six months ended September 30, 2022 and the audited financial statements and related notes as at and for the year ended March 31, 2022. Those financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and are presented in Canadian dollars unless otherwise noted. The MD&A has been prepared by management and approved by the Corporation's Board of Directors (the "**Board**").

Forward-Looking Statements

Certain statements contained in this MD&A, including the documents incorporated by reference, may contain projections and "forward-looking statements" within the meaning of that phrase under applicable securities legislation. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions may be used to identify forward-looking statements. More particularly, and without limitation, this MD&A contains forward looking statements and information concerning the corporate strategy of Target and the Secured Note (as defined herein), including the terms thereof and the ability of Performance CBD (as defined herein) to repay such indebtedness. In addition, statements relating to Performance CBD's brands, products, business, strategies, expectations, planned operations or future actions, including the performance of Performance CBD's business and operations, the competitive conditions of the industry in which Performance CBD operates and the competitive advantages of Performance CBD and Performance CBD's future product offerings are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions. Those statements reflect our current views with respect to future events or conditions, including prospective results of operations, financial position, predictions of future actions or plans or strategies. Certain material factors and assumptions were applied in drawing our conclusions and making those forward-looking statements. By their nature, those statements reflect management's current views, beliefs and assumptions and are subject to certain risks, uncertainties, known and unknown. These factors include but are not limited to the risks, uncertainties, assumptions and other factors listed under "Risk Factors"; 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; and scarcity of human resources.

Current Operating Environment and COVID-19

During 2022, the global economy continued to recover from the impacts of the COVID-19 pandemic. However, the COVID-19 pandemic, the potential for global economic slowdown attributed to rising inflation and interest rates, geopolitical tensions from the Russian invasion of Ukraine remain evolving situations that have had, and may continue to have, a significant impact on the Corporation's operational results, financial position and the environment in which it operates. Management cannot reasonably estimate the length or severity of these events and conditions, or the extent to which they will impact the Company long-term.

Corporation Overview

Target was incorporated on June 8, 1993, under the Business Corporations Act of Alberta, Canada. The Corporation's registered office is located at Suite 4300, 888 – 3rd Street SW, Calgary, Alberta, T2P 5C5.

The Corporation's shares ("**Target Shares**") were listed on the TSX Venture Exchange ("**TSXV**") between December 19, 2008 and April 14, 2021 and the Canadian Securities Exchange between July 8, 2014 and April 15, 2021 under the symbol "**TCI**".

On November 4, 2020, the Alberta Securities Commission issued a cease trade order for failure to file the Corporation's audited financial statements and MD&A for the financial year ended March 31, 2020 and unaudited condensed interim financial statements and MD&A for the quarter ended June 30, 2020. The Corporation also had not filed financial statements and MD&A for all periods subsequent to December 31, 2019. In connection with the delay in filing continuous disclosure documents, the listing of the Target Shares was transferred from the TSXV to the NEX board of the TSXV on April 14, 2021 and the Target Shares were delisted from the Canadian Securities Exchange. The trading symbol of the Corporation's has also changed from TCI to TCI.H.

On April 18, 2022, the Corporation filed the outstanding period disclosure documents and submitted an application to the Alberta Securities Commission (the "**ASC**") to revoke the cease trade order. As of the date of the financial statements, the cease trade order remains in effect pending the completion of the ASC's review.

During the reporting period, Target's principal activities continue to be investing in the securities of various private companies. However, on an ongoing basis the board of directors and management are exploring various options that, if successful, are intended to enable the Corporation to have access to sufficient funds to commence commercial operations, generate operating cash flows and be able to settle liabilities as and when they fall due. These include but are not limited to the success of raising funds, the completion of a material transaction, the monetization of investments, the repayment of outstanding loan amounts, or an alternative transaction that improves the cash and working capital position of the Corporation.

Major Events in the Reporting Period

- On July 22, 2021, the Corporation had entered into a confidentiality agreement with a private technology company (the "**RTO Counterparty**"). Concurrent to the preparation and audit of Target's financial statements, the Corporation and the RTO Counterparty negotiated and advanced a business combination transaction by way of a reverse takeover ("**RTO Transaction**"). On April 7, 2022, the Corporation and the RTO Counterparty mutually agreed to terminate the RTO Transaction ("**RTO Termination**"). Pursuant to the RTO Termination, the RTO Counterparty agreed to pay the Corporation a reimbursement fee of \$0.25 million ("**Reimbursement Fee**"). In April 2022, the Corporation has received \$0.1 million as partial payment of the Reimbursement Fee, with the remaining \$125,000 recorded as a receivable in the reporting period.
- On July 18, 2022, the Corporation issued a formal demand for payment of principal and interest on the Secured Note for \$2.4 million. In addition to demanding repayment, the Corporation has commenced an action in the Court of Queens Bench of Alberta to recover on the Secured Note and the related guarantees (the "**Action**"). The Action was commenced on August 4, 2022 and served to the defendant on August 8, 2022.
- The Corporation's 95% owned inactive subsidiary Industrial Avenue Development Corp. ("**IADC**") was struck from the corporate registry and dissolved on September 2, 2021. The IADC corporate entity has been revived on September 21, 2022 so it can be dissolved or amalgamated appropriately for tax purposes.

Financial and Operational Summary

The following tables set forth selected financial information of the Corporation for the three and six months ended September 30, 2022 and 2021.

Financial position highlights (Amounts in \$000s)	September 30, 2022	March 31, 2022
Current assets	164	26
Non-current assets	-	1
Total assets	164	27
Current liabilities	306	304
Non-current liabilities	47	42
Equity	(189)	(319)
Total liabilities and equity	164	27
Working capital	(142)	(278)

Operations highlights (amounts in \$000s, except per share amounts)	Three months ended		Six months ended	
	September 30, 2022	2021	September 30, 2022	2021
Total revenue	-	-	249	-
Total expenses	(56)	(42)	(118)	(122)
Net income (loss)	(56)	(42)	131	(122)
Income (loss) per share	-	-	-	-

Cash flow highlights (amounts in \$000s)	Three months ended		Six months ended	
	September 30, 2022	2021	September 30, 2022	2021
Cash flow from (used in)				
Operating activities	(52)	(4)	12	(29)
Financing activities	-	60	-	60
Investing activities	-	30	1	80
Change in cash	(52)	86	13	111
Cash, beginning of period	91	32	26	7
Cash, end of period	39	118	39	118

Summary of Results

For the three and six months ended September 30, 2022, the Corporation has reported a net loss of \$0.1 million and net income of \$0.1 million respectively as compared to a net loss of \$42,000 and \$0.1 million in the comparable prior periods. The net income in the six month reporting period is due to the Reimbursement Fee as discussed in "Major Events in the Reporting Period".

Interest and Other Income

(\$000s)	Three months ended		Six months ended	
	September 30, 2022	2021	September 30, 2022	2021
Interest and other income	-	-	249	-

The interest and other income is related to the Reimbursement Fee as discussed in "Major Events in the Reporting Period".

General and Administrative ("G&A") Expenses

(\$000s)	Three months ended		Six months ended	
	September 30, 2022	2021	September 30, 2022	2021
Consultant fees	48	30	102	60
Other	7	11	12	62
Total general and administrative	55	41	114	122

For the three and six months ended September 30, 2022, G&A costs were \$0.1 million as compared to \$41,000 and \$0.1 million in the comparable prior periods. Other G&A expenses consist primarily of professional fees and stock exchange fees.

Accretion

(\$000s)	Three months ended		Six months ended	
	September 30, 2022	2021	September 30, 2022	2021
Accretion	2	-	4	-

The accretion charge relates to the repayable portion of the CEBA loan being accreted up to the \$60,000 repayable amount of the CEBA loan from the time the loan was received until December 31, 2023.

Liquidity and Financial Resources

The Corporation had a working capital deficiency of \$0.1 million as at September 30, 2022 as compared to a deficiency of \$0.3 million as at March 31, 2022.

Pursuant to the RTO Termination as discussed in "Major Events in the Reporting Period", the remainder of the reimbursement fee of \$0.125 million is anticipated to be collected subsequent to the reporting period.

Due to the debt markets and general market conditions subsequent to December 31, 2021, the Corporation reassessed the benefit realized on the CEBA loan pursuant to IFRS and determined the fair value to be \$37,151 at the date of receipt. The Corporation recognized the interest benefit of \$22,849 related to receiving a government loan below current market interest rates and the repayable portion of the CEBA loan will be accreted up to the repayable amount from the time the loan was received until December 31, 2023. The effective interest rate utilized to calculate the fair value of the CEBA loan on receipt was 20% based on management's best estimate of current market conditions.

In April 2021, the Investees have terminated all relationships with the Corporation and Target does not anticipate any revenue to be earned from the Investees subsequent to the delisting of the Target Shares. As such, the continued operation of the Corporation is dependent on its ability to obtain additional financing and there is no assurance that the Corporation will be successful in obtaining such funding from its ongoing business activities.

Management is currently exploring various options that, if successful, are intended to enable the Corporation to have access to sufficient funds to commence commercial operations, generate operating cash flows and be able to settle liabilities as and when they fall due. These include but are not limited to the success of raising funds, the completion of a material transaction, the monetization of investments, the repayment of outstanding loan amounts, or an alternative transaction that improves the cash and working capital position of the Corporation. There is no assurance that the Corporation will be successful in sufficiently financing the Corporation's ongoing business activities.

These conditions indicate the existence of material uncertainties that may cast doubt on the Corporation's ability to continue as a going concern.

Outstanding Share Data

As of the date of this MD&A, the Corporation has 106,715,629 Target Shares outstanding, 53,950,020 warrants outstanding with an exercise price of \$0.10 and an expiry date of December 15, 2022 and 5,209,484 warrants outstanding with an exercise price of \$0.10 and an expiry date of June 26, 2023. As at September 30, 2022 there were no stock options outstanding.

Quarterly Results

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

Three Months Ended	Sep-22	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20
Financial Highlights (\$000s)								
Cash & short-term investments	39	91	26	149	118	32	7	7
Working capital	(142)	(88)	(278)	(157)	(95)	(113)	(33)	(1)
Shareholders' equity	(189)	(131)	(319)	(214)	(149)	(108)	(28)	8
Revenue	-	249	23	-	-	-	11	26
Net loss	(56)	187	(105)	(65)	(42)	(80)	(36)	(46)

Loss in revenue in the quarters prior to June 30, 2022 relate to the private company investees terminating the relationship with the Corporation, offset by the Reimbursement Fee recorded in the June 30, 2022 reporting period. Net losses have varied primarily as a result of changes in G&A expenditures and impairment also offset by the Reimbursement Fee recorded in the June 30, 2022 reporting period.

Commitments

The Corporation has no lease agreements or commitments as at September 30, 2022.

Related Party transactions

As at the date of approving the MD&A, the Corporation has advanced, a net total of \$2.3 million to Performance CBD and has received, \$0.1 million from Performance CBD, as partial repayment of advanced funds. The advances to Performance CBD have been structured into a secured note agreement with Performance CBD. As at the date of approving this MD&A, the net balance of funds advanced to Performance CBD is \$2.2 million.

As at March 31, 2021, the Corporation determined that the \$2.3 million secured note was credit impaired as Performance CBD required additional financing to proceed with its business plan. The fair

value of the secured note receivable was impaired down to \$0.1 million, which was the amount collected subsequent to March 31, 2021. There has been no changes in the fair value of the secured note from Performance CBD as at June 30, 2022.

At the time of the secured note advances, the CEO and CFO of the Corporation were also the CEO and CFO of Performance CBD, respectively.

On July 18, 2022, the Corporation issued a formal demand for payment of principal and interest on the Secured Note for \$2.4 million. In addition to demanding repayment, the Corporation has commenced an action in the Court of Queens Bench of Alberta to recover on the Secured Note and the related guarantees (the "**Action**"). The Action was commenced on August 4, 2022 and served to the defendant on August 8, 2022.

Key management personnel are the individuals responsible for planning, directing, and controlling the activities of the Corporation and includes both executive and non-executive directors. For the three and six months ended September 30, 2022 consulting fees of \$47,250 and \$0.1 million respectively (September 30, 2022 - \$31,102 and \$0.1 million) were paid to the executive team and are included in the key management compensation.

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements.

Critical Accounting Estimates

In preparing these unaudited condensed interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those described in the annual financial statements and management's discussion and analysis as of March 31, 2022.

Risk Factors

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 the Corporation's business.

Regulation

The Corporation is subject to various laws and regulations and any changes to these statutes, or court decisions, regarding their application could negatively impact the Corporation. Specifically, Target's investments in private companies are reliant on regulations under the *Income Tax Act (Canada)*, and there can be no assurance that the Government will not adopt laws or regulatory requirements that could adversely affect the business.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its contractual obligations and arises principally from the Corporation's accounts receivable from the Investees, related party advances and convertible notes receivable. The carrying amount of accounts receivable, advances to related parties and convertible notes receivable represents the maximum credit exposure.

The credit risk is influenced mainly by the individual credit characteristics of each investment. Geographically, there is a concentration of risk in both the Province of Alberta and in the United States.

At September 30, 2022, the Corporation had \$0.1 million in accounts receivable outstanding, which is anticipated to be collected subsequent to the quarter end. The Corporation's cash is held at a financial institution and it is management's view that the risk of loss is minimal.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation has in place a planning and forecasting process which helps determine the funds required to ensure the Corporation has the appropriate liquidity to meet its operational requirements. The accounts payable and accrued liabilities are due within a year.

As at September 30, 2022, the Corporation had a working capital deficiency of \$0.1 million (March 31, 2022 – \$0.3 million).

Foreign currency risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified, but in general an increase in the value of the Canadian dollar as compared to the US dollar will reduce any amounts received by the Corporation for the US\$ convertible notes receivable.

Holders of Target Shares are at risk for a substantial loss of capital

The investments made or to be made by the Corporation are speculative in nature and holders of Target Shares could experience a loss of all or substantially all of their investment in the Corporation. There can be no assurance that the Corporation will be able to make and realize investments or generate positive returns. There can also be no assurance that the returns generated, if any, will be commensurate with the risks of investing in the types of investments contemplated by the Corporation's investment objectives. Therefore, an investment in the Corporation should only be considered by persons who can afford a loss of their entire investment.

The realization of returns from the Corporation's investment activities is a long-term proposition

Most investments to be made by the Corporation are not expected to generate current income. Therefore, the return of capital to the Corporation and the realization of gains, if any, from the Corporation's investments will generally occur only upon the partial or complete realization or disposition of the investment. While an investment of the Corporation may be realized or disposed of at any time, it is generally expected that the ultimate realization or disposition of most of the Corporation's investments will not occur for one to three years and possibly longer after an investment is made.

The Corporation's investments may be illiquid and difficult to value, and the Corporation may not be able to exit the investment on its intended timetable

The Corporation is focused on investing in primarily privately held companies and early stage publicly traded companies, which may be illiquid and difficult to value. Accordingly, there can be no assurance that the Corporation will be able to realize on its investments in a timely manner or at all. If the Corporation is required to liquidate all or a portion of its portfolio investments quickly, it may realize significantly less than its invested capital. While privately held companies may seek to list their securities on a stock exchange as a means of creating liquidity for investors, there can be no assurance that a stock exchange listing will provide a viable exit mechanism, if trading volumes and stock prices are low at the time of intended disposition.

Conflicts of interest may arise between the Corporation and its directors and management

The directors and officers of the Corporation will not be devoting all of their time to the affairs of the Corporation. Some of the directors and officers of the Corporation are directors and officers of other companies, some of which are in a similar business as the Corporation. The directors and officers of the Corporation are required by law to act in the best interests of the Corporation. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Corporation may result in a breach of their obligations to the other companies, and in certain circumstances, this could expose the Corporation to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligations to act in the best interests of the Corporation. Such conflicting legal obligations may expose the Corporation to liability to others and impair its ability to achieve its business objectives.