

# TARGET GROUP INC.

## FORM 10-Q (Quarterly Report)

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2020

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-55066

**TARGET GROUP INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**46-3621499**

(I.R.S. Employer  
Identification No.)

**55 Administration Road,  
Unit 13**

**Vaughan, Ontario, Canada**  
(Address of principal executive officers)

**L4K 4G9**  
(Zip Code)

**+1 905-541-3833**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered under Section 12(b) of the Act:

None

Securities registered under Section 12(g) of the Act:

Common Stock, Par Value \$0.0001

Indicate by check mark if the registrant is well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

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**Title of each class****Trading symbol****Name of each exchange on which registered**

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N/A

N/A

N/A

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was \$54,136,226 as of June 30, 2019.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of June 5, 2020, the registrant had 560,145,968 shares of Common Stock issued and outstanding.

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*Explanatory Note*

The Company is relying on the U.S. Securities and Exchange Commission March 25, 2020 Order Pursuant to Section 36 of the Exchange Act (Release No. 34-88465 (“Order”)) in delaying the filing of this Quarterly Report for the three months ended March 31, 2020 due to circumstances related to the COVID-19 pandemic. In particular, COVID-19 has caused limited access to the Company’s facilities and disrupted normal interactions with its accounting personnel, auditors and others involved in the preparation of this Quarterly Report. The filing of this Quarterly Report on the date hereof will be considered a timely filing under the Order.

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**PART I – FINANCIAL INFORMATION**

**ITEM 1. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.**

**TARGET GROUP INC.**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**TARGET GROUP INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2020 \$ (Unaudited)	December 31, 2019 \$ (Restatement - Note 10)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	34,675	10,487
Accounts receivable, no allowance	2,068	2,068
Inventory [Note 4]	99,000	124,000
Prepaid asset	60,244	37,702
Sales tax recoverable, net of allowance [Note 3]	40,932	36,558
Due from shareholder [Note 8]	1,854	2,025
<b>Total current assets</b>	<b>238,773</b>	<b>212,840</b>
<b>Long term assets</b>		
Fixed assets [Note 5]	7,318,241	8,103,740
Goodwill [Note 6]	7,460,016	8,147,916
Operating lease right-of-use assets [Note 9]	100,594	—
<b>Total long term assets</b>	<b>14,878,851</b>	<b>16,251,656</b>
<b>Total assets</b>	<b>15,117,624</b>	<b>16,464,496</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank overdraft	86,314	45,911
Accounts payable and accrued liabilities	2,177,479	2,494,588
Payable to related parties [Note 7]	1,067,371	431,660
Royalty payable	1,191,860	1,191,860
Shareholder advances [Note 8]	—	—
Shares to be issued [Note 11]	222,900	482,950
Deferred revenue	42,719	42,719
Convertible promissory notes, net [Note 10]	92,015	32,188
Derivative liability [Note 10]	138,520	150,834
Deferred rent - Current portion [Note 9]	—	262,199
Operating lease liability - Current portion [Note 9]	64,271	—
<b>Total current liabilities</b>	<b>5,083,449</b>	<b>5,134,909</b>
<b>Long term liabilities</b>		
Deferred rent - Non-current portion [Note 9]	—	1,346,831
Convertible promissory notes, net - Non-current portion [Note 10]	—	47,619
Operating lease liability - Non-current portion [Note 9]	1,513,165	—
Warrant liability [Notes 11 and 14]	2,706,242	6,146,116
<b>Total long term liabilities</b>	<b>4,219,407</b>	<b>7,540,566</b>
<b>Total liabilities</b>	<b>9,302,856</b>	<b>12,675,475</b>
Contingencies and commitments [Note 13]		
	—	—
<b>Stockholders' equity</b>		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized; 1,000,000 shares issued and outstanding as at March 31, 2020 (1,000,000 shares outstanding as at December 31, 2019) [Note 11]	100	100
Common stock, \$0.0001 par value, 850,000,000 shares authorized, 560,145,968 common shares outstanding as at March 31, 2020 (571,145,968 common shares outstanding as at December 31, 2019) [Note 11]	56,015	57,113
Stock subscription receivable [Note 11]	—	(220,000)
Shares to be issued [Note 11]	871,864	611,621
Additional paid-in capital	23,480,986	23,699,888
Accumulated deficit	(16,657,600)	(19,462,624)
Accumulated comprehensive loss	(1,936,597)	(897,077)
<b>Total stockholders' equity</b>	<b>5,814,768</b>	<b>3,789,021</b>
<b>Total liabilities and stockholders' equity</b>	<b>15,117,624</b>	<b>16,464,496</b>

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

**TARGET GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**(UNAUDITED)**

	For the three months ended March 31, 2020 \$	For the three months ended March 31, 2019 \$
<b>REVENUE</b>	30,000	—
<b>COST OF GOOD SOLD</b>	(25,000)	—
<b>Gross profit</b>	5,000	—
<b>OPERATING EXPENSES</b>		
Advisory and consultancy fee	44,269	293,182
Management services fee	83,239	59,821
Salaries and wages	138,780	352,871
Legal and professional fees	124,000	79,089
Rent and utilities	29,520	140,981
Travel expenses	—	188
Advertising and promotion	299	—
Amortization and depreciation expense	21,989	14,907
Operating lease expense	84,575	—
Office and general	58,858	103,805
<b>Total operating expenses</b>	585,529	1,044,844
<b>OTHER INCOME AND EXPENSES</b>		
Change in fair value of derivative and warrant liability	(3,455,325)	29,242
Loss on forgiveness/settlement of debt	—	50,710
Interest and bank charges	36,249	18,536
Exchange loss (gain)	18,699	(191,566)
Day one interest expense	—	18,362
Accretion expense	12,200	106,802
Allowance for sales tax recoverable	2,624	62,828
<b>Total other (income) expenses</b>	(3,385,553)	94,914
<b>Net income (loss) before income taxes</b>	2,805,024	(1,139,758)
Income taxes	—	—
<b>Net income (loss)</b>	2,805,024	(1,139,758)
Foreign currency translation adjustment	(1,039,520)	(165,033)
<b>Comprehensive income (loss)</b>	1,765,504	(1,304,791)
Earnings (loss) per share – basic and diluted	0.005	(0.011)
Weighted average shares – basic and diluted	566,012,635	107,556,699

*The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.*



**TARGET GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
**(UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**

	Preferred stock		Common stock		Shares to be issued		Stock subscription receivable	Additional paid-in capital	Accumulated deficit	Accumulated comprehensive loss	Total
	Shares	Amount \$	Shares	Amount \$	Shares	Amount \$					
<b>As at December 31, 2019 (Reported)</b>	<u>1,000,000</u>	<u>100</u>	<u>571,145,968</u>	<u>57,113</u>	<u>4,006,832</u>	<u>611,621</u>	<u>(220,000)</u>	<u>29,846,004</u>	<u>(19,462,624)</u>	<u>(897,077)</u>	<u>9,935,137</u>
Reclassification of warrant liability <i>[Note 14]</i>	—	—	—	—	—	—	—	(6,146,116)	—	—	(6,146,116)
<b>As at December 31, 2019 (Restated)</b>	<u>1,000,000</u>	<u>100</u>	<u>571,145,968</u>	<u>57,113</u>	<u>4,006,832</u>	<u>611,621</u>	<u>(220,000)</u>	<u>23,699,888</u>	<u>(19,462,624)</u>	<u>(897,077)</u>	<u>3,789,021</u>
Cancellation of shares <i>[Note 11]</i>	—	—	(11,000,000)	(1,098)	—	—	220,000	(218,902)	—	—	—
Shares issued as consideration for consideration of the intellectual property rights <i>[Note 11]</i>	—	—	—	—	15,624	193	—	—	—	—	193
Shares to issue as consideration for intangible assets <i>[Note 11]</i>	—	—	—	—	3,500,000	260,050	—	—	—	—	260,050
Net income	—	—	—	—	—	—	—	—	2,805,024	—	2,805,024
Foreign currency translation	—	—	—	—	—	—	—	—	—	(1,039,520)	(1,039,520)
<b>As at March 31, 2020</b>	<u>1,000,000</u>	<u>100</u>	<u>560,145,968</u>	<u>56,015</u>	<u>7,522,456</u>	<u>871,864</u>	<u>—</u>	<u>23,480,986</u>	<u>(16,657,600)</u>	<u>(1,936,597)</u>	<u>5,814,768</u>

  

	Preferred stock		Common stock		Shares to be issued		Stock subscription receivable	Additional paid-in capital	Accumulated deficit	Accumulated comprehensive loss	Total
	Shares	Amount \$	Shares	Amount \$	Shares	Amount \$					
<b>As at December 31, 2018</b>	<u>1,000,000</u>	<u>100</u>	<u>93,624,289</u>	<u>9,362</u>	<u>40,702,532</u>	<u>1,359,349</u>	<u>(220,319)</u>	<u>11,346,467</u>	<u>(9,094,954)</u>	<u>(55,881)</u>	<u>3,344,124</u>
Shares issued on conversion of convertible promissory notes <i>[Note 11]</i>	—	—	588,237	59	—	—	—	29,941	—	—	30,000
Shares and warrant issued for acquisition of subsidiary <i>[Note 11]</i>	—	—	30,407,712	3,041	—	—	—	4,059,803	—	—	4,062,844
Shares issued as consideration for private placement <i>[Note 11]</i>	—	—	29,074,075	2,907	197,367,296	3,951,396	220,319	603,979	—	—	4,778,601
Change due to extinguishment of derivative liability on debt conversion	—	—	—	—	—	—	—	181,477	—	—	181,477
Net loss	—	—	—	—	—	—	—	—	(1,139,758)	—	(1,139,758)
Foreign currency translation	—	—	—	—	—	—	—	—	—	(165,033)	(165,033)
<b>As at March 31, 2019</b>	<u>1,000,000</u>	<u>100</u>	<u>153,694,313</u>	<u>15,369</u>	<u>238,069,828</u>	<u>5,310,745</u>	<u>—</u>	<u>16,221,667</u>	<u>(10,234,712)</u>	<u>(220,914)</u>	<u>11,092,255</u>

*The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.*

**TARGET GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>For the three months ended March 31, 2020</b>	<b>For the three months ended March 31, 2019</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	2,805,024	(1,139,758)
<b>Adjustment for non-cash items</b>		
Change in fair value of derivative	(3,455,325)	29,242
Loss on forgiveness/settlement of debt	—	50,710
Day one interest expense	—	18,362
Accretion expense	12,200	106,802
Shares issued/to be issued for advisory and other services	193	—
Allowance for sales tax recoverable	2,624	62,828
Amortization and depreciation expense	21,989	14,907
Deferred rent	—	92,700
Operating lease expense	84,575	—
<b>Changes in operating assets and liabilities:</b>		
Change in inventory	25,000	(1,200)
Change in prepaid asset	(25,334)	(1,200)
Change in sales tax recoverable	(10,504)	(251,516)
Change in other assets	—	31,496
Change in accounts payable and accrued liabilities	(249,696)	(132,585)
Change in operating lease liability, net	(80,719)	—
<b>Net cash used in operating activities</b>	<b>(869,973)</b>	<b>(1,119,212)</b>
<b>INVESTING ACTIVITIES</b>		
Cash acquired upon acquisition	—	5,658
Amount invested on capital work in progress	—	(1,992,488)
<b>Net cash used in investing activities</b>	<b>—</b>	<b>(1,986,830)</b>
<b>FINANCING ACTIVITIES</b>		
Utilization of bank overdraft facility	40,847	—
Proceeds from a loan from a related party	670,044	—
Repayment of shareholder advances	—	(75,623)
Shareholder advances	—	5,166
Proceeds from issuance of promissory notes	—	103,000
Settlement of promissory notes	—	(199,530)
Proceeds from private placements	—	5,459,788
<b>Net cash provided by financing activities</b>	<b>710,891</b>	<b>5,292,801</b>
<b>Net increase in cash during the period</b>	<b>(159,082)</b>	<b>2,186,759</b>
Effect of foreign currency translation	183,270	(192,516)
Cash, beginning of period	10,487	303,438
<b>Cash, end of period</b>	<b>34,675</b>	<b>2,297,681</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Shares issued on conversion of debt	—	30,000
Shares issued as consideration for services	193	—
Shares issued as consideration for acquisition	—	3,284,033
Cash paid for interest	—	10,820
Cash paid for taxes	—	—

*The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.*

## TARGET GROUP INC.

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 1. Organization, Nature of Business, Going Concern and Management Plans

##### Organization and Nature of Business

Target Group Inc. (“Target Group” or “the Company”) was incorporated on July 2, 2013 under the laws of the state of Delaware to engage in any lawful corporate undertaking, including, but not limited to, selected mergers and acquisitions.

Target Group Inc. is a diversified and vertically integrated, progressive company with focus on both national and international presence. The Company owns and operates Canary Rx Inc, a final-stage, Canadian licensed producer, regulated under The Cannabis Act. Canary Rx Inc, operates a 44,000 square foot facility located in Norfolk County, Ontario, and has partnered with Dutch breeder, Serious Seeds, to cultivate exclusive & world class proprietary genetics. The Company has begun structuring multiple international production and distribution platforms and intends to continue rapidly expanding its global footprint as it focuses on building an iconic brand portfolio whose focus aims at developing cutting edge Intellectual Property among the medical and recreational cannabis markets. Target Group is committed to building industry-leading companies that transform the perception of cannabis and responsibly elevate the overall consumer experience.

The Company’s current business is to produce, manufacture, distribute, and conduct sales of cannabis products. As of the current year end, the company has not produced, manufactured, distributed or sold any cannabis products.

In May, 2014, the Company effected a change in control by the redemption of the stock held by its original shareholders, the issuance of shares of its common stock to new shareholders, the resignation of its original officers and directors and the appointment of new officers and directors.

On July 6, 2015, the Company filed its form S-1/A, to amend its form S-1 previously filed on January 26, 2015 and December 11, 2014. The prospectus relates to the offer and sale of 1,500,000 shares of common stock (the “Shares”) of the Company, \$0.0001 par value per share, offered by the holders thereof (the “Selling Shareholder Shares”), who are deemed to be statutory underwriters. The selling shareholders will offer their shares at a price of \$0.50 per share, until the Company’s common stock is listed on a national securities exchange or is quoted on the OTC Bulletin Board (or a successor); after which, the selling shareholders may sell their shares at prevailing market or privately negotiated prices, including (without limitation) in one or more transactions that may take place by ordinary broker’s transactions, privately-negotiated transactions or through sales to one or more dealers for resale.

On July 13, 2015, the Company received a notice of effectiveness from the SEC for the registration of its shares.

On July 3, 2018, the Company filed an amendment in its Articles of association to change its name to Target Group Inc. The Company was able to secure an OTC Bulletin Board symbol CBDY from Financial Industry Regulatory Authority (FINRA).

On June 27, 2018, the Company entered into an Agreement and Plan of Share Exchange (“Exchange Agreement”) with Visava Inc., a private Ontario, Canada corporation (“Visava”). Visava owns 100% of Canary Rx Inc., a Canadian corporation that holds a leasehold interest in a parcel of property located in Ontario’s Garden Norfolk County for the production of cannabis.

The Exchange Agreement provides that, subject to its terms and conditions, the Company issued to the Visava shareholders an aggregate of 25,500,000 shares of the Company’s Common Stock in exchange for all of the issued and outstanding common stock held by the Visava shareholders. In addition of its Common Stock, the Company issued to the Visava shareholders, prorata Common Stock Purchase Warrants purchasing an aggregate of 25,000,000 shares of the Company’s Common Stock at a price per share of \$0.10 for a period of two years following the issuance date of the Warrants. Upon the closing of the Exchange Agreement, the Visava shareholders held approximately 46.27% of the issued and outstanding Common Stock of the Company and Visava will continue its business operations as a wholly-owned subsidiary of the Company. The transaction was closed effective August 2, 2018.

**TARGET GROUP INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Effective January 25, 2019, the Company entered into an Agreement and Plan of Share Exchange (“Exchange Agreement”) with CannaKorp Inc., a Delaware corporation (“CannaKorp”). Company had previously entered into a Letter of Intent with CannaKorp dated November 30, 2018 which was disclosed in the Company’s report on Form 8-K filed December 4, 2018.

The Exchange Agreement provides that, subject to its terms and conditions, the Company issued to the CannaKorp shareholders an aggregate of 30,407,412 shares of the Company’s common stock, based on a price per share of \$0.10, in exchange for 100% of the issued and outstanding common stock of CannaKorp held by the CannaKorp shareholders. In addition, the Company will issue Common Stock Purchase Warrants (“Warrants”) in exchange for all outstanding and promised CannaKorp stock options. The Warrants will grant the holders thereof the right to purchase up to approximately 7,211,213 shares of the Company’s common stock. The Company will also assume all outstanding liabilities of CannaKorp. Upon the closing of the Exchange Agreement, CannaKorp will continue its business operations as a subsidiary of the Company. The transaction was closed effective March 1, 2019.

Effective August 8, 2019, the Company entered into an Exclusive License Agreement (“License Agreement”) with cGreen, Inc., a Delaware corporation (“cGreen”). The License Agreement grants to the Company an exclusive license to manufacture, and distribute the patent-pending THC antidote True Focus™ in the United States, Europe and the Caribbean. The term of the license is ten (10) years and four (4) months from the effective date of August 8, 2019. In consideration of the license, the Company will issue 10,000,000 shares of its common stock as follows: (i) 3,500,000 within ten (10) days of the effective date; (ii) 3,500,000 shares on January 10, 2020; and (iii) 3,000,000 shares not later than June 10, 2020. In addition, the Company will pay cGreen royalties of 7% of the net sales of the licensed products and 7% of all sublicensing revenues collected by the Company. The Company will pay cGreen an advance royalty of \$300,000 within ten (10) days of the effective date; \$300,000 on January 10, 2020; and \$400,000 on or before June 10, 2020 and \$500,000 on or before November 10, 2020. All advance royalty payments will be credited against the royalties owed by the Company through December 31, 2020. The Company is arbitration with cGreen for breach of the terms of the License Agreement. In addition, during the quarter ended December 31, 2019, the intangible asset was written off based on management’s review and evaluation of its recoverability.

On September 17 2019, the CannaKorp has signed an agreement with Nabis Holding (Nabis), where Nabis will purchase 200 wisp unit and 5000 pods per quarter from the Company. CannaKorp hereby agrees to sell to Nabis, one CannaMatic. The purchase price for the one CannaMatic shall be \$4,500 USD in cash to be paid by Nabis to CannaKorp within 3 calendar days of Nabis obtaining regulatory approval of its vertically integrated licenses and \$40,500 or the balance owing to be paid by Nabis to CannaKorp, within 180 days of the Effective Date.

As of the date of this report, the equipment to Nabis has been shipped and the Company has provided Nabis an additional 180 days before invoicing Nabis for the equipment. Once when the additional 180 day mark has passed, the Company will invoice Nabis. Additionally, the first quarter of the Nabis agreement minimums were shipped and invoiced (200 Wisp Units and 5000 Pod Assemblies to enable Nabis to manufacture 5000 complete Wisp Pods) for online and retail distribution in the Arizona Market. Nabis has had delays in rolling out all the products for which they have exclusive licenses with, and the Company expects their next order will likely be in the next 45 to 60 days.

**Going Concern and Management Plans**

The Company has earned minimal revenue since inception to date and has sustained operating losses during the three months ended March 31, 2020. The Company had working capital deficit of \$4,844,676 and an accumulated deficit of \$16,657,600 as of March 31, 2020. The Company’s continuation as a going concern is dependent on its ability to generate sufficient cash flows from operations to meet its obligations and/or obtaining additional financing from its members or other sources, as may be required.

The unaudited condensed consolidated interim financial statements have been prepared assuming that the Company will continue as a going concern up-to at least 12 months from the balance sheet date; however, the above condition raises substantial doubt about the Company’s ability to do so. The unaudited condensed consolidated interim financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

In order to maintain its current level of operations, the Company will require additional working capital from either cash flow from operations or from the sale of its equity. However, the Company currently has no commitments from any third parties for the purchase of its equity. If the Company is unable to acquire additional working capital, it will be required to significantly reduce its current level of operations.

## TARGET GROUP INC.

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 2. Summary of Significant Accounting Policies

### Basis of Presentation and Consolidation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information and the rules and regulations of the SEC and are expressed in US dollars. Accordingly, the unaudited condensed consolidated interim financial statements do not include all information and footnotes required by US GAAP for complete annual financial statements. The unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of only normal recurring adjustments, considered necessary for a fair presentation. Interim operating results are not necessarily indicative of results that may be expected for the year ending December 31, 2020 or for any other interim period. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto as of and for the year ended December 31, 2019.

The unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Visava Inc. and CannaKorp, Inc. Significant intercompany accounts and transactions have been eliminated.

### Use of Estimates

The preparation of the unaudited condensed consolidated interim financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting periods. Estimates may include those pertaining to accruals. Actual results could materially differ from those estimates.

### Inventory

Inventory is stated at the lower of cost or net realizable value, cost being determined on a weighted average cost basis, and market being determined as the lower of cost or net realizable value. The Company records write-downs of inventory that is obsolete or in excess of anticipated demand or market value based on consideration of product lifecycle stage, technology trends, product development plans and assumptions about future demand and market conditions. Actual demand may differ from forecasted demand, and such differences may have a material effect on recorded inventory values. Inventory write-downs are charged to cost of revenue and establish a new cost basis for the inventory. The cost is determined on the basis of the average cost or first-in, first-out methods.

### Fixed Assets

Fixed assets are reported at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of assets, commencing when the assets become available for productive use, based on the following estimated useful lives:

Depreciation is calculated using the following terms and methods:

Furniture & office equipment	Straight-line	7 years
Machinery & equipment	Straight-line	3-5 years
Software	Straight-line	3 years

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

### Fair Value of Financial Instruments

The Company follows guidance for accounting for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the unaudited condensed consolidated interim financial statements on a recurring basis. Additionally, the Company adopted guidance for fair value measurement related to nonfinancial items that are recognized and disclosed at fair value in the unaudited condensed consolidated interim financial statements on a nonrecurring basis. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. The carrying amounts of financial assets such as cash approximate their fair values because of the short maturity of these instruments.

The estimated fair value of cash, accounts payable, and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments. The derivative liabilities of the promissory convertible notes are valued Level 3, refer to Note 10 for further details.

**TARGET GROUP INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****Revenue recognition**

The Company adopted ASC 606 effective January 1, 2019, using the modified retrospective method after electing to delay the adoption of the accounting standard as the Company qualified as an “emerging growth company”. Since the Company did not have any contracts as of the effective day, therefore, there was no material impact on the unaudited condensed consolidation interim financial statements upon adoption of the new standard. Revenue is recognized when performance obligations under the terms of the contracts with our customers are satisfied. Our performance obligation generally consists of the promise to sell our finished products to our customers, wholesalers, distributors or retailers. Control of the finished products is transferred upon shipment to, or receipt at, our customers' locations, as determined by the specific terms of the contract. Once control is transferred to the customer, we have completed our performance obligation, and revenue is recognized.

We generated revenue of \$30,000 during March 31, 2020 as compared to \$nil revenue during period ended March 31, 2019. The revenue represents the sale of Wisp™ vaporizer and pod units. Since the customer have received the units and there are no further obligations as per the agreement, revenue was recognized.

Deferred revenue is due to a shipment sent to one of the Company’s distributors. However, since control has not been transferred and the performance obligation has not been completed, revenue has not been recognized and proceeds received are classified as deferred revenue.

**Recently Issued Accounting Standards**

The Company qualifies as an “emerging growth company” (CGC) under the 2012 JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. As an emerging growth company, management can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The management has elected to take advantage of the benefits of this extended transition period.

The Company evaluated all recent accounting pronouncements issued and determined that the adoption of these pronouncements would not have a material effect on the financial position, results of operations or cash flows of the Company.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases (ASU 2018-10), which provides narrow amendments to clarify how to apply certain aspects of the new lease standard, and ASU No. 2018-11, Leases (Topic 842)—Targeted Improvements (ASU 2018-11), which addressed implementation issues related to the new lease standard. These and certain other lease-related ASUs have generally been codified in ASC 842. ASC 842 supersedes the lease accounting requirements in ASC Topic 840, Leases (ASC 840). ASC 842 establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases. Under ASC 842, leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 was effective for annual reporting periods beginning after December 15, 2018 and interim periods within that reporting period (for “emerging growth company” from January 1, 2020). The Company adopted ASC 842 on January 1, 2020 using the effective date transition method. Prior period results continue to be presented under ASC 840 based on the accounting standards originally in effect for such periods.

The Company has elected certain practical expedients permitted under the transition guidance within ASC 842 to leases that commenced before January 1, 2020, including the package of practical expedients. The election of the package of practical expedients resulted in the Company not reassessing prior conclusions under ASC 840 related to lease identification, lease classification and initial direct costs for expired and existing leases prior to January 1, 2020. The Company elected the practical expedient to not record short-term leases on its consolidated balance sheet. The adoption of ASU 2016-02 did not have a significant impact on the Company’s consolidated results of operations or cash flows. See Note 9 for additional information.

In August 2018, the FASB issued ASU 2018-13, “Changes to Disclosure Requirements for Fair Value Measurements”, which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements, and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 (for “emerging growth company” beginning after December 15, 2020). The Company will be evaluating the impact this standard will have on the Company’s unaudited condensed consolidated interim financial statements.

In June 2018, the FASB issued an accounting pronouncement (FASB ASU 2018-07) to expand the scope of ASC Topic 718, Compensation - Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted (for “emerging growth company” beginning after December 15, 2019). The Company has adopted this standard effective from January 1, 2020 and the adoption of this standard did not have any significant impact on the unaudited condensed consolidated interim financial statements.

**TARGET GROUP INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****3. Sales Tax Recoverable**

At March 31, 2020, the Company had \$54,574 of gross sales tax recoverable compared to \$48,744 as at December 31, 2019. This is due to sales tax paid by the subsidiary on expenses incurred during the year which are recoverable from the government.

The Company has recorded an allowance of 25% of the sales tax recoverable of \$13,642 (December 31, 2019: \$12,186) stemming from the potential uncollectible balances within the outstanding sales tax recoverable amount.

**4. Inventory**

At March 31, 2020, the inventory in the amount of \$99,000 (December 31, 2019: \$124,000) consists of finished goods and is held at a third-party location.

During the year ended December 31, 2019, the Company recorded a write-down of inventory to its net realizable value, in the amount of \$51,640 due to decrease in inventory value and recorded an impairment in the amount of \$150,954 due to obsolete inventory bringing the total inventory impairment amounting to \$202,594.

In addition, the inventory in the amount of \$99,000 (December 31, 2019: \$124,000) is secured against the loan provided by the Company's shareholder. Refer to Note 7 for further details.

**5. Fixed Assets and Capital Work In Progress**

The Company's subsidiary, Canary, initiated construction on its 44,000 square foot cannabis cultivation facility in September of 2017. Since then, extensive demolition and structural upgrades have been carried out at the site. As at March 31, 2020, the Company has capitalized \$nil (December 31, 2019: \$7,713,444) in payments to multiple vendors for the construction of the facility.

On May 1, 2019, the Company completed the construction of its 44,000 square foot cannabis cultivation facility and on May 14, 2019, the Company submitted a Site Evidence Package to Health Canada as part of the steps to obtain the license to cultivate cannabis at the Company's facility. On October 8, 2019, the Company was granted licenses to cultivate, process and sell cannabis pursuant to the Cannabis Act (Bill C-45).

Since the facility is not operating during the period ended and year ended March 31, 2020 and December 31, 2019, respectively, no depreciation has been charged on all assets of Canary.

The Company's other subsidiary, CannaKorp, has been utilizing its assets throughout the period and accordingly, has recorded depreciation expense of \$21,989 (March 31, 2019: \$14,907) during the period ended March 31, 2020.

Below is a breakdown of the consolidated fixed asset, category wise:

	<b>Machinery &amp; Equipment</b>	<b>Software</b>	<b>Furniture &amp; fixture</b>	<b>Leasehold improvements</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Cost	766,569	43,402	777,963	6,369,660	7,957,594
Accumulated depreciation	(593,734)	(41,287)	(4,333)	—	(639,353)
	<u>172,835</u>	<u>2,115</u>	<u>773,630</u>	<u>6,369,660</u>	<u>7,318,241</u>



**TARGET GROUP INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****6. Goodwill****Business Acquisition**

ASC Topic 805, "Business Combinations" requires that all business combinations be accounted for using the acquisition method and that certain identifiable intangible assets acquired in a business combination be recognized as assets apart from goodwill. ASC Topic 350, "Intangibles-Goodwill and Other" ("ASC 350") requires goodwill and other identifiable intangible assets with indefinite useful lives not be amortized, such as trade names, but instead tested at least annually for impairment (which the Company tests each year end, absent any impairment indicators) and be written down if impaired. ASC 350 requires that goodwill be allocated to its respective reporting unit and that identifiable intangible assets with finite lives be amortized over their useful lives.

**CannaKorp Inc.**

Effective January 25, 2019, the Company entered into an Agreement and Plan of Share Exchange ("Exchange Agreement") with CannaKorp Inc., a Delaware corporation ("CannaKorp"). Company had previously entered into a Letter of Intent with CannaKorp dated November 30, 2018 which was disclosed in the Company's report on Form 8-K filed December 4, 2018.

The Exchange Agreement provides that, subject to its terms and conditions, the Company issued to the CannaKorp shareholders an aggregate of 30,407,412 shares of the Company's common stock, based on a price per share of \$0.10, in exchange for 100% of the issued and outstanding common stock of CannaKorp held by the CannaKorp shareholders. In addition, the Company will issue Common Stock Purchase Warrants ("Warrants") in exchange for all outstanding and promised CannaKorp stock options. The Warrants will grant the holders thereof the right to purchase up to approximately 7,211,213 shares of the Company's common stock. The Company will also assume all outstanding liabilities of CannaKorp. Upon the closing of the Exchange Agreement, CannaKorp will continue its business operations as a subsidiary of the Company. The transaction was closed effective March 1, 2019.

Due to the publicly traded nature of the Company's shares of the common stock, the equity issuance of the shares was considered to be a more reliable measurement of fair market value of the transaction compared to having a separate valuation of the net assets.

This acquisition was accounted for using the acquisition method of accounting. The fair value of assets, liabilities and intangible assets and the purchase price allocation as of March 1, 2019 was as follows:

	Allocation of Purchase Price
	\$
Cash	18,961
Accounts Receivable	2,068
Inventory	326,595
Prepaid and other receivables	89,585
Property and equipment, net	88,129
Total assets	525,338
Accounts payable	(1,365,790)
Accrued expenses and other current liabilities	(286,435)
Deferred revenue	(128,158)
Payable to related parties	(753,738)
Total liabilities	(2,534,121)
Net liabilities	(2,008,783)
Goodwill	6,071,627
Total net assets acquired	4,062,844

**TARGET GROUP INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The purchase consideration of 30,407,412 shares and 7,211,213 warrants of the Company's common stock valued as detailed below:

	<b>\$</b>
Number of Common Stock	30,407,712
Market price on the date of issuance	0.108
<b>Fair value of Common Stock</b>	<b>3,284,033</b>
	<b>\$</b>
Number of warrants	7,211,213
Fair value price per warrant	0.108
<b>Fair value of warrant</b>	<b>778,811</b>
Fair value of Common Stock	3,284,033
Fair value of warrant	778,811
<b>Purchase consideration</b>	<b>4,062,844</b>

The fair value of these warrants was measured at the date of acquisition using the Black-Scholes option pricing model using the following assumptions:

- Forfeiture rate of 0%;
- Stock price of \$0.108 per share;
- Exercise price between the range of \$0.13 to \$0.15 per share
- Volatility at 635.49%
- Risk free interest rate of 2.55%;
- Expected life of 2 years; and
- Expected dividend rate of 0%

During the quarter ended December 31, 2019, the goodwill was revaluated after the completion of CannaKorp's audit of the year ended December 31, 2018. This resulted in changing the balance on acquisition date, March 1, 2019 thereby increasing the goodwill by \$369,315 to \$6,071,627.

During the period ended March 31, 2020, the Company has identified no circumstances which would call for further evaluation of goodwill impairment related to CannaKorp.

During the year ended, December 31, 2019, the Company identified circumstances which would call for evaluation of goodwill impairment and therefore impaired \$1,485,925 reducing the goodwill related to the CannaKorp to \$4,585,702.

Refer to Note 11 for details on warrant.

**Visava Inc./Canary Rx Inc.**

On June 27, 2018, the Company entered into an Agreement and Plan of Share Exchange ("Exchange Agreement") with Visava Inc., a private Ontario, Canada corporation ("Visava"). Visava owns 100% of Canary Rx Inc., a Canadian corporation that holds a leasehold interest in a parcel of property located in Ontario's Garden Norfolk County for the production of cannabis.

Pursuant to the Agreement, the Company acquired 100% of the issued and outstanding shares of Visava Inc. in exchange for the issuance of 25,500,000 shares of the Company's Common Stock and will issue to the Visava shareholders, prorata Common Stock Purchase Warrants purchasing an aggregate of 25,000,000 shares of the Company's Common Stock at a price per share of \$0.10 for a period of two years following the issuance date of the Warrants. As a result of this transaction, Visava Inc. became a wholly owned subsidiary of the Company and the former shareholders of Visava Inc. owned approximately 46.27% of the Company's shares of Common Stock. The transaction was closed effective August 2, 2018.

**TARGET GROUP INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

This acquisition was accounted for using the acquisition method of accounting. The fair value of assets, liabilities and intangible assets and the purchase price allocation as of August 2, 2018 was as follows:

	<b>Allocation of Purchase Price</b>
	<b>\$</b>
Prepaid and other receivables	15,368
Sales tax recoverable	133,614
Furniture and equipment	897
Capital work in progress	898,422
<b>Total assets</b>	<b>1,048,301</b>
Bank overdraft	(63,693)
Accounts payable	(1,158,164)
Payable to related parties	(101,797)
<b>Total liabilities</b>	<b>(1,323,654)</b>
<b>Net liabilities</b>	<b>(275,353)</b>
Goodwill	3,594,195
<b>Total net assets acquired</b>	<b>3,318,842</b>
	<b>\$</b>
Number of Common Stock	25,500,000
Market price on the date of issuance	0.067
<b>Fair value of Common Stock</b>	<b>1,695,750</b>
	<b>\$</b>
Number of warrants	25,000,000
Fair value price per warrant	0.065
<b>Fair value of warrant</b>	<b>1,623,092</b>
Fair value of Common Stock	1,695,750
Fair value of warrant	1,623,092
<b>Purchase consideration</b>	<b>3,318,842</b>

The fair value of these warrants was measured at the date of acquisition using the Black-Scholes option pricing model using the following assumptions:

- Forfeiture rate of 0%;
- Stock price of \$0.067 per share;
- Exercise price of \$0.10 per share
- Volatility at 329%
- Risk free interest rate of 2.66%;
- Expected life of 2 years; and
- Expected dividend rate of 0%

## TARGET GROUP INC.

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Refer to Note 11 for details on warrant.

During the period and year ended March 31, 2020 and December 31, 2019, the Company has identified no circumstances which would call for further evaluation of goodwill impairment related to Canary.

#### Goodwill

The Company tests for impairment of goodwill at the reporting unit level. In assessing whether goodwill is impaired, the Company utilize the two-step process as prescribed by ASC 350. The first step of this test compares the fair value of the reporting unit, determined based upon discounted estimated future cash flows, to the carrying amount, including goodwill. If the fair value exceeds the carrying amount, no further work is required and no impairment loss is recognized. If the carrying amount of the reporting unit exceeds the fair value, the goodwill of the reporting unit is potentially impaired and step two of the goodwill impairment test would need to be performed to measure the amount of an impairment loss, if any. In the second step, the impairment is computed by comparing the implied fair value of the reporting unit's goodwill with the carrying amount of the goodwill. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss in the amount of the excess is recognized and charged to statement of operations.

#### 7. Related Party Transactions and Balances

During the three months ended March 31, 2020, the Company expensed \$83,239 (March 31, 2019: \$59,821) in management service fee for services provided by former CEO, President, CFO and other current key officers of the company.

The breakdown of the related party balance as at March 31, 2020 in the amount of \$1,067,371 (December 31, 2019: \$431,660) is below:

On December 20, 2019, one of the Company's shareholders provided a loan up to \$704,900 (CAD \$1,000,000). The loan bears an annual interest rate of 16%, is secured by all assets owned by the Company and its subsidiaries including leasehold improvements and matures in one year that is December 20, 2020. On March 31, 2020, the loan maximum was increased by \$211,470 (CAD 300,000) and this additional loan bears an annual interest rate of 43%. As at March 31, 2019, the outstanding balance was \$881,125 (CAD \$1,250,000). Interest expense charged in amount of \$23,431 (CAD \$33,240) is included in interest and bank charges on the consolidated statement of loss and comprehensive loss and accrued interest in the amount of \$24,621 (CAD \$34,928) is included in accounts payable and accrued liabilities on the unaudited condensed consolidated interim balance sheet.

The balance owing to former CEO, President, CFO and other current key officers of the Company is \$129,162 (December 31, 2019: \$134,580). The outstanding balance are primarily outstanding management service fee. During the period ended March 31, 2020, nil shares (March 31, 2019: nil shares) were issued for these services performed as of and for the period ended March 31, 2020.

On February 22, 2020, Randal MacLeod, who is shareholder in the Company and former President of the subsidiary, Visava terminated his employment agreement and during the period ended March 31, 2020, \$54,183 (March 31, 2019: \$113,750) was paid as remuneration for management services included in salaries and wages. As at March 31, 2020, the balance owing is \$17,084 (December 31, 2019: \$18,582).

During the year ended December 31, 2019, the Company settled with the loan holders provided to the Company's subsidiary, CannaKorp. Total amount subject to settlement was \$817,876 which includes accrued interest and accrued payroll. The company settled by paying \$954,374 as consideration of cash, 920,240 shares and warrants of 920,240 shares with an exercise price of \$0.15 per share. This resulted in a settlement loss of \$136,498. Of the total settlement amount, as at March 31, 2020 and December 31, 2019, \$40,000 was outstanding to be paid.

During the period ended March 31, 2020, the Company has purchased \$nil of consulting services from GTA Angel Group which is owned by the Company's CEO. The balance outstanding as at March 31, 2020 is \$23,896 and is included in accounts payable and accrued liabilities.

During the period ended March 31, 2020, the Company has purchased consulting services amounting to \$14,890 from BaK Consulting which is owned by one of the Company's director. The balance outstanding as at March 31, 2020 is \$23,896 and is included in accounts payable and accrued liabilities.

During the period ended March 31, 2020, the Company leases its principal executive office premise from Norlandam Marketing Inc., a company owned by one of directors and rent expense amounted to \$9,357. There is balance of \$8,663 outstanding as at March 31, 2020 and is included in accounts payable and accrued liabilities.

#### 8. Shareholder Advances

Shareholder advances represent expenses paid by the owners from personal funds. The amount is non-interest bearing, unsecured and due on demand. The amount of advance as at March 31, 2020 and December 31, 2019 was \$nil. Additionally, in the amount of \$1,854 were receivable from a shareholder. The amounts repaid during the period ended March 31, 2020 and 2019 were \$nil and \$75,623, respectively.

**TARGET GROUP INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****9. Operating Lease Right-Of-Use Assets and Lease Liability**

The Company adopted ASC 842 as of January 1, 2019, using a modified retrospective approach and applying the standard's transition provisions at January 1, 2020, the effective date. The Company made an accounting policy election to exclude from balance sheet reporting those leases with initial terms of 12 months or less. The Company determines if an arrangement is a lease at inception. This determination generally depends on whether the arrangement conveys to the Company the right to control the use of an explicitly or implicitly identified fixed asset for a period of time in exchange for consideration. Control of an underlying asset is conveyed to the Company if the Company obtains the rights to direct the use of and to obtain substantially all of the economic benefits from using the underlying asset. The Company has lease agreements which include lease and non-lease components, which the Company has elected to account for as a single lease component for all classes of underlying assets. Lease expense for variable lease components are recognized when the obligation is probable.

Right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. As an implicit interest rate is not readily determinable in the Company's leases, the incremental borrowing rate is used based on the information available at adoption date in determining the present value of lease payments. The lease term for all of the Company's leases includes the non-cancellable period of the lease plus any additional periods covered by either a Company option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor. Options for lease renewals have been excluded from the lease term (and lease liability) for the majority of the Company's leases as the reasonably certain threshold is not met.

The Company does not own any real property. It currently leases two office/facility spaces. For accounting purposes, this lease is treated as an operating lease. Upon adoption of ASC 842, the Company recognized \$1,591,814 (CAD \$2,258,212) of right-to-use assets as operating leases and operating lease obligations. The right-to-use asset was reduced by \$1,473,185 (CAD \$2,089,921) due to recognition of the prior deferred rent liability which was eliminated upon adoption of ASC 842. Details of these leases are detailed below:

The Company is a party to a 5-year lease agreement (initiated on September 2018) with respect to its office premises. Total minimum rent for the premises is \$782 (CAD \$1,100) plus applicable taxes per month. On the first anniversary date, the minimum rent per month will increase to \$802 (CAD \$1,138) plus applicable taxes, on the second anniversary date, the minimum rent per month will increase to \$822 (CAD \$1,166) plus applicable taxes, on the third anniversary date, the minimum rent per month will increase to \$841 (CAD \$1,193) plus applicable taxes, on the fourth anniversary date, the minimum rent per month will increase to \$861 (CAD \$1,221) plus applicable taxes.

The Company's subsidiary, Canary, is a party to a 10-year lease agreement (initiated on July 2014) with respect to its facility to produce Medical Marijuana. The lease agreement was amended effective January 1, 2020, where the amended 10-year term starts on May 1, 2020 and provides the Company an option to extend for three (3) additional terms of ten (10) years. Additionally, effective January 1, 2020, the amended agreement increased the minimum rent to \$24,672 (CAD \$35,000) plus applicable taxes per month and on each anniversary date, commencing from January 1, 2021, the minimum rent will increase by 1.00%. Furthermore, only the current 10-year term has been factored into the calculation of the lease liability.

The operating lease expense for the three months ended March 31, 2020 was \$84,575 (CAD \$113,601). These leases will expire between 2023 and 2030. The weighted average discount rate used for these leases were 16% (average borrowing rate of the Company). Maturities of lease liabilities were:

2020	\$ 229,340
2021	\$ 308,957
2022	\$ 312,183
2023	\$ 311,916
Thereafter	\$ 2,004,318
Total lease payment	\$ 3,166,714
Less imputed interest	\$(1,589,278)
Present value of lease liabilities	\$ 1,577,436
Current portion	\$ (64,271)
Non-current portion	<u>\$ 1,513,165</u>

**10. Convertible Promissory Notes**

Interest amounting to \$10,082 was accrued for the quarter ended March 31, 2020 (March 31, 2019: \$16,444).

Principal amount outstanding as at March 31, 2020 and December 31, 2019 was \$200,488. As at March 31, 2020, the entire balance was current since one of the notes was paid prior to its maturity date subsequent to the quarter, refer to Note 15 for additional details. In comparison, as at December 31, 2019, \$32,188 is current portion while \$168,300 is the non-current portion.

All notes maturing prior to the date of this report are outstanding.

**TARGET GROUP INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***Derivative liability*

During the three months ended March 31, 2020, holders of convertible promissory notes converted principal amounting to \$nil (March 31, 2019: \$30,000). The Company recorded and fair valued the derivative liability as follows:

	<b>Derivative liability as at December 31, 2019</b>	<b>Conversions / Redemption during the period</b>	<b>Change due to Issuances</b>	<b>Fair value adjustment</b>	<b>Derivative liability as at March 31, 2020</b>
Note D	1,257	—	—	9	1,266
Note F	9,864	—	—	(47)	9,817
Note G	3,583	—	—	(17)	3,566
Note I	32,049	—	—	(2,976)	29,073
Note K	783	—	—	(706)	77
Note R	103,298	—	—	(8,577)	94,721
	<b>150,834</b>	<b>—</b>	<b>—</b>	<b>(12,314)</b>	<b>138,520</b>

**Key assumptions used for the valuation of convertible notes**

Derivative element of the convertible notes was fair valued using multinomial lattice model. Following assumptions were used to fair value these notes as at March 31, 2020:

- Projected annual volatility of a range from 191% to 240%;
- Risk free interest rate of a range from 0.14% to 0.19%;
- Stock price of \$0.010;
- Liquidity term of 0.23 to 1.13 years;
- Dividend yield of 0%; and
- Exercise price of \$0.0037 to \$0.0151.

**TARGET GROUP INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****11. Stockholders' Equity**

On July 3, 2017, the Company filed an amended Certificate of Incorporation in Delaware to increase its authorized common stock to 20,000,000,000 shares. The Company's authorized preferred stock remained at 20,000,000 shares. 1,000,000 shares of Preferred Stock having a par value of \$0.0001 per share shall be designated as Series A Preferred Stock ("Series A Stock").

Effective September 25, 2018, the Company filed an amended Certificate of Incorporation in Delaware to decrease its authorized common stock to 850,000,000 shares. The Company's authorized preferred stock remained at 20,000,000 shares.

**Capitalization**

The Company is authorized to issue 850,000,000 shares of common stock, par value \$0.0001, of which 560,145,968 shares are outstanding as at March 31, 2020 (at December 31, 2019: 571,145,968 shares of common stock issued and outstanding). The Company is also authorized to issue 20,000,000 shares of preferred stock, par value \$0.0001, of which 1,000,000 shares were outstanding as at March 31, 2020 and December 31, 2019.

As of March 31, 2020, convertible notes, warrants and preferred stock warrants outstanding could be converted into 61,086,822 (December 31, 2019: 27,535,127), 409,200,828 (December 31, 2019: 408,950,827) and 100,000,000 (December 31, 2019: 100,000,000) shares of common stock, respectively. These together will exceed the authorized common share limit; however, majority of the warrants are unlikely to be exercised due to the depressed share price.

**Preferred Stock**

Shares of preferred stock may be issued from time to time in one or more series as may be determined by the board of directors. The board of directors may fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof without any further vote or action by the stockholders of the Company, except that no holder of preferred stock shall have pre-emptive rights. Any shares of preferred stock so issued would typically have priority over the common stock with respect to dividend or liquidation rights. The board of directors does not at present intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by law or otherwise.

*Series A Preferred Stock ("Series A Stock")*

Dividends shall be declared and set aside for any shares of Series A Stock in the same manner and amount as for the Common Stock. Series A Stock, as a class, shall have voting rights equal to a multiple of 2X the number of shares of Common Stock issued and outstanding that are entitled to vote on any matter requiring shareholder approval. The Series A Stock holders shall not vote as a separate class, but shall vote together with the common stock on all matters, including any amendment to increase or decrease the authorized capital stock. Upon the voluntary or involuntary dissolution, liquidation or winding up of the corporation, the assets of the Company available for distribution to its shareholders shall be distributed to the holders of common stock and the holders of the Series A Stock ratably without any preference to the holders of the Series A Stock. Shares of Series A Stock can be converted at any time into fully-paid and nonassessable shares of Common Stock at the rate of One Hundred (100) shares of Common Stock for each One (1) share of Series A Stock.

**Common Stock**

Holders of shares of common stock are entitled to one vote for each share on all matters to be voted on by the stockholders. Holders of common stock do not have cumulative voting rights.

Subject to preferences that may be applicable to any outstanding shares of preferred stock, the holders of common stock are entitled to share ratably in dividends, if any, as may be declared from time to time by the board of directors in its discretion from funds legally available therefore.

Holders of common stock have no pre-emptive rights to purchase the Company's common stock. There are no conversion or redemption rights or sinking fund provisions with respect to the common stock. The Company may issue additional shares of common stock which could dilute its current shareholder's share value.

2020

During the quarter ended December 31, 2019, the Company had found an error in issuing in the incorrect private placement and therefore had recorded a subscription receivable in the amount of \$220,000 based on the cash proceeds of the private placement and this was offset by shares to be issued, therefore, a net zero effect on equity. During quarter ended March 31, 2020, the incorrect number of shares, 11,000,000, were cancelled.

**TARGET GROUP INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

15,624 shares of common stock to be issued as consideration of the intellectual property rights granted by Smit to the Company's subsidiary, Canary. These were recorded at fair value of \$193, based on the market price of the Company's stock on the date of agreement. These are currently recorded under shares to be issued and will be allocated between common stock and additional paid in capital once the shares are issued.

**2019**

During the quarter ended March 31, 2019, the Company issued 588,237 shares of common stock to individuals on conversion of convertible promissory notes amounting to \$30,000. Additionally, the Company issued 30,407,412 shares of common stock to shareholders of CannaKorp Inc. as per the Exchange Agreement mentioned in Note 1.

During the quarter ended March 31, 2019, the Company sold 226,441,371 shares of common stock as consideration for private placements. These were recorded at fair value of \$4,558,282, based on the cash proceeds received by the Company. As part of consideration for the private placement, the Company also agreed to issue warrants to purchase 226,554,129 shares of common stock.

Effective April 1, 2019, the Company changed its functional currency from United States Dollar to Canadian Dollar thereby having an impact on prepaid expenses, additional paid in capital and accumulated comprehensive income (loss) in the amount of \$600, \$339,007 and \$339,607. The presentation currency of the Company has remained unchanged at United States Dollar.

During the quarter ended June 30, 2019, the Company issued 10,562,252 shares of common stock to individuals on conversion of convertible promissory notes amounting to \$159,490.

250,000 shares of common stock to be issued as consideration of the intellectual property rights granted by Smit to the Company's subsidiary, Canary. These were recorded at fair value of \$27,000, based on the market price of the Company's stock on the date of agreement. These were initially recorded under shares to be issued and allocated between common stock and additional paid in capital during the quarter ended June 30, 2019 when the shares were issued.

During the quarter ended June 30, 2019, the Company issued 6,600,000 and 8,234,850 shares of common stock to Ruben Schindermann and Alexander Starr, respectively, as consideration to settle outstanding management fee and shareholder advances recorded at fair value of \$1,665,329. Plus, 3,000,000 shares of common stock were issued as a bonus for completing the facility's construction, fair valued in the amount of \$294,000. In addition, 500,000 shares were issued as consideration for consulting services amounting to \$48,000.

During the three months ended, June 30, 2019, Saul Niddam, Chief Operating Officer of the subsidiary, CannaKorp purchased 1,666,667 shares (December 31, 2018: nil shares) as consideration for private placement. These were recorded at fair value in the amount of \$37,385 based on the cash proceeds received by the Company.

During the quarter ended June 30, 2019, the Company sold 126,109,709 shares of common stock as consideration for private placements. These were recorded at fair value of \$4,194,665, based on the cash proceeds received by the Company. As part of consideration for the private placement, the Company also agreed to issue warrants to purchase 81,139,987 shares of common stock.

During the quarter ended June 30, 2019, the Company issued 358,520,843 shares for past and current private placements. Refer below for additional details regarding the warrant issued under the subheading "Warrants". Additionally, proceeds of \$358,074 were received as consideration for private placements, however signed agreements were not executed as at June 30, 2019 and these have therefore been classified as a liability. Subsequently, during the quarter ended September 30, 2019, the agreements were executed and shares were issued, therefore, transfer to equity.

During the quarter ended September 30, 2019, the Company issued 1,324,503 shares of common stock to an individual on conversion of convertible promissory notes amounting to \$20,000.

During the quarter ended September 30, 2019, the Company sold 3,879,524 shares of common stock as consideration for private placements. These were recorded at fair value of \$229,545 based on the cash proceeds received by the Company. As part of consideration for the private placement, the Company also agreed to issue warrants to purchase 8,724,327 shares of common stock.

During the quarter ended September 30, 2019, the Company issued 18,459,885 shares for past and current private placements. Refer below for additional details regarding the warrant issued under the subheading "Warrants".

During the quarter ended December 31, 2019, the Company issued 1,243,107 shares of common stock to two individuals on conversion of convertible promissory notes amounting to \$18,771.

During the quarter ended December 31, 2019, the Company sold 454,545 shares of common stock as consideration for private placements. These were recorded at fair value of \$7,576 based on the cash proceeds received by the Company.



**TARGET GROUP INC.**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

During the quarter ended December 31, 2019, the Company issued 4,876,691 shares for past and current private placements. Refer below for additional details regarding the warrant issued under the subheading "Warrants".

**Shares to be issued include the following:**

**7,522,456 numbers of shares outstanding as at March 31, 2020 amounting to \$871,864 as details below:**

80,000 shares of common stock to be issued as compensation to advisers and consultants. These were recorded at fair value of \$52,000, based on the market price of the Company's stock on the date of issue.

35,000 to be issued as settlement of amount due for website development services amounting to \$247,306. The fair value of the shares on the date of settlement was \$21,000, resulting in gain on settlement amounting to \$226,306 during year ended December 31, 2017.

703,439 shares of common stock to be issued as consideration for private placements with a fair value of \$37,840 based on cash proceeds received. Proper allocation between common stock and additional paid in capital of the amount received will be completed in the period when the shares are issued.

930,240 shares of common stock to be issued as consideration for settlement of loan based on a fair value of \$80,838. Refer Note 7 for details.

7,000,000 shares of common stock to be issued as consideration for intangible assets based on a fair value of \$520,100. During the quarter ended March 31, 2020, 3,500,000 shares with a fair value of \$260,050 to be issued in connection with License Agreement with cGreen (as explained in detail in annual year ended December 31, 2019 10-K) were transferred to equity.

15,624 shares of common stock to be issued as consideration for intellectual property rights granted by Smit based on a fair value of \$193.

**TARGET GROUP INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****Warrants**

As further explained in Note 14, the warrants (with exercise price in United States Dollar) were re-classified as liability as at December 31, 2019 and therefore have been revalued on March 31, 2020. The fair value of the warrants was measured on reporting dates using the Black-Scholes option pricing model using the following assumptions:

	As at March 31, 2020	As at December 31, 2019
Forfeiture rate	0%	0%
Stock price	\$0.010 per share	\$0.020 per share
Exercise price	\$0.023 to \$0.200 per share	\$0.023 to \$0.200 per share
Volatility	195% to 286%	170% to 382%
Risk free interest rate	0.23% to 2.66%	1.58% to 2.66%
Expected life	0.24 to 2.37 years	0.49 and 2.66 years
Expected dividend rate	0%	0%

The fair value of the warrants, which were issued during the quarter ended March 31, 2020, were measured on issuance dates using the Black-Scholes option pricing model using the following assumptions:

	During quarter ended March 31, 2020
Forfeiture rate	0%
Stock price	\$0.010 to \$0.014 per share
Exercise price	\$0.150 to \$0.200 per share
Volatility	312%
Risk free interest rate	1.61%
Expected life	2 years
Expected dividend rate	0%
Fair value of warrants	\$3,137

409,200,828 numbers of warrants outstanding as at March 31, 2020 are details below:

As at March 31, 2020, related to private placements, there were 375,809,374 (December 31, 2019: 375,809,374) warrants were outstanding, fully vested and with a remaining contractual life term of a range between 0.24 and 2.37 (December 31, 2019: 0.49 and 2.62) years.

As at March 31, 2020, related to the acquisition of the Company's subsidiaries, Visava Inc. and CannaKorp Inc, there were 25,000,000 (December 31, 2019: 25,000,000) and 7,211,213 (December 31, 2019: 7,211,213) warrants outstanding, fully vested and with a remaining contractual life term of 0.34 (December 31, 2019: 0.59) and 0.92 (December 31, 2019: 1.16) years, respectively.

As at March 31, 2020, related to the settlement of the Company's subsidiary, CannaKorp's loan, there were 930,240 (December 31, 2019: 930,240) warrants outstanding, fully vested and with a remaining contractual life term of 0.99 (December 31, 2019: 1.24).

As at March 31, 2020, related to the consideration for Serious Seed's intellectual property rights, there were 250,001 (December 31, 2019: N/A) warrants outstanding, fully vested and with a remaining contractual life term a range between 1.77 and 1.93 (December 31, 2019: N/A).

**12. Earnings (loss) Per Share**

FASB ASC 260, Earnings Per Share provides for calculations of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common stockholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As at March 31, 2020, diluted EPS excludes the change due in fair value of derivative value which is causing the operating loss to turn into a net income, resulting in the basic and diluted EPS being same for this period.

**TARGET GROUP INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****13. Contingencies and commitments***Contingencies*

During the year ended December 31, 2019, a terminated employee of Canary has filed a lawsuit against the Company amounting to approximately \$1,480,290 (CAD \$2,100,000) in Ontario, Canada. Currently, the Company is defending its position and believes that the ultimate decision will be in favor of the Company. Due to the uncertainty of timing and the amount of estimated future cash flows, if any, relating to this claim, no provision has been recognized.

During the year ended December 31, 2019, a terminated employee of Canary had delivered a demand letter claiming wrongful dismissal. A settlement was reached in the amount of \$5,199 (CAD \$7,375) which were due within 30 days of the execution of the settlement agreement. To date the Company has not made any payment and is in violation of the agreement. Due to the immaterial amount, no provision has been recognized.

During the year ended December 31, 2019, a terminated employee of Canary had delivered a demand letter claiming wrongful dismissal plus unpaid wages, expenses and vacation pay for a minimum amount of \$48,929 (CAD \$69,412). As at March 31, 2020, \$30,602 (CAD \$43,413) was currently recorded in the Canary's payable. Subsequent to quarter ended March 31, 2020, the Company settled with the employee in the amount of \$6,727 (CAD \$9,543).

A complaint for damages in the amount of \$150,000 was lodged against CannaKorp by the former Chief Financial Officer of the CannaKorp for outstanding professional fees. No claim has been registered and is working with management for a settlement. The Management are of the view that no material losses will arise in respect of the legal claim at the date of these unaudited condensed consolidated interim financial statements. As at March 31, 2020, \$188,865 has been recorded in the CannaKorp's payable. Due to the uncertainty of timing and the amount of estimated future cash flows, if any, relating to this claim, no further amount has been recognized.

A complaint for damages was lodged against the Company by cGreen for missed payment of the January 2020, non issuance of 7 million shares as promised in the agreement and loss in the share value. No claim has been registered and is working with management for a settlement. The management are of the view that no material losses will arise in respect of the legal claim at the date of these unaudited condensed consolidated interim financial statements. Due to the uncertainty of timing and the amount of estimated future cash flows, if any, relating to this claim, no further amount has been recognized.

*Commitments*

As per the Distribution, Collaboration and Licensing Agreement ("*Agreement*") entered with Serious Seeds B.V. ("*Serious Seeds*"), effective December 6, 2018, the Company will issue to Serious Seeds B.V. each month 5,208 shares of common stock, beginning on the 13<sup>th</sup> month following the effective date of the Agreement and continuing through the sixtieth month of the initial term. Furthermore, Serious Seeds B.V. will be issued warrants in each of the foregoing months to purchase 16,667 shares of Target common stock at varying exercise prices ranging from \$0.20 to \$0.35 per share. All of the warrants must be exercised on or before the two (2) year anniversary date of each of the warrant issuance dates. As at March 31, 2020, none of the above shares have been issued.

As per the License Agreement with cGreen, the Company will issue 10,000,000 shares of its common stock as follows: (i) 3,500,000 within ten (10) days of the effective date; (ii) 3,500,000 shares on January 10, 2020; and (iii) 3,000,000 shares not later than June 10, 2020. As at March 31, 2020, no shares have been issued.

**14. Restatement**

During quarter ended March 31, 2020, the Company identified that due to the change in functional currency of the Company from United States Dollar to Canadian Dollar during year ended December 31, 2019, the outstanding warrants as at December 31, 2019 no longer meet the scope exception of ASC 815 and therefore, should not be considered indexed to its own stock and as a result, these warrants should be re-classified from additional paid-in-capital to liability as at December 31, 2019.

As a result of this restatement, the following line items were restated in the comparative balance sheet as at December 31, 2019:

	Balance as previously reported	Adjustments	Restated balance
	\$	\$	\$
Warrant liability	—	6,146,116	6,146,116
Total liability	6,529,359	6,146,116	12,675,475
Additional paid-in capital	29,846,004	(6,146,116)	23,699,888
Total equity	9,935,137	(6,146,116)	3,789,021

**TARGET GROUP INC.**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**15. Subsequent Events**

The Company's management has evaluated subsequent events up to June 5, 2020, the date the unaudited condensed consolidated interim financial statements were issued, pursuant to the requirements of ASC 855 and has determined the following material subsequent events:

Effective April 20, 2020, the Company issued its promissory note ("Note") to a private individual in the principal amount of \$236,993. The Note contained an original issue discount of \$15,300 resulting in net proceeds to the Company of \$221,693. The Note carries interest at the rate of 12% per annum. The entire principal balance plus accrued interest is payable not later than April 20, 2021. The Note can be prepaid by the Company without prepayment penalty. The net loan proceeds were used by the Company to satisfy in full an outstanding institutional debt. The lender is the brother of the Company's Chief Executive Officer, Anthony Zarcone, who is also a director of the Company.

During April 2020, the Company and the Company's shareholder, as mentioned in Note 7, ("Lender") entered into a Second Amending Agreement with the Lender pursuant to which the Lender agreed to lend the Company an additional \$70,490 (CAD \$100,000). The new loan carries interest at the rate of 3.0146% per month. The loan is payable upon demand of the Lender. The remaining terms and conditions of the Original Loan remain in full force and effect. Effective May 14, 2020, the Company and the Lender entered into a Third Amending Agreement pursuant to which the Lender agreed to increase the aggregate loan amount on the Original Loan to \$422,940 (CAD \$600,000). The new loan carries interest at the rate of 3.0146% per month. The loan is payable upon demand of the Lender. The remaining terms and conditions of the Original Loan remain in full force and effect.

During April 2020, the Company settled with a terminated employee of Canary in the amount of \$6,727 (CAD \$9,543). For additional details, refer to Note 13.

During May 2020, pursuant to the amending of Canary's lease terms, accounts payable and accrued liabilities in the amount of \$694,739 (CAD \$985,586) were forgiven.

Effective May 14, 2020, Canary entered into a Joint Venture Agreement ("Joint Venture") with 9258159 Canada Inc., a corporation organized under the laws of the Province of Ontario, Canada (referred to as "Thrive Cannabis") and 2755757 Ontario Inc., a corporation organized under the laws of the Province of Ontario, Canada (referred to as "JVCo"). Canary and Thrive Cannabis each hold 50% of the voting equity interest in JVC. The term of the Joint Venture is five (5) years from its effective date of May 14, 2020.

Under the Joint Venture, JVCo. is permitted to use a portion, consisting of seven (7) rooms, of Canary's licensed cannabis cultivation facilities located in Simcoe, Ontario, Canada ("Licensed Site Portion") for the purpose of operating and managing the Licensed Site Portion for the cultivation and process of cannabis pursuant to Canary's license issued by Health Canada. During the term of the Joint Venture, JVCo. will be responsible for the administration, operation and management of the Licensed Site Portion and all proceeds from the sale of the cannabis and related cannabis products cultivated therein will be payable to the JVCo.

In addition, Canary, Thrive Cannabis, and JVCo. entered into a Unanimous Shareholder Agreement dated May 14, 2020 governing the management and administration of the business of JVCo.

## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The Company is relying on the U.S. Securities and Exchange Commission March 25, 2020 Order Pursuant to Section 36 of the Exchange Act (Release No. 34-88465 ("Order")) in delaying the filing of this Quarterly Report for the three months ended March 31, 2020 due to circumstances related to the COVID-19 pandemic. In particular, COVID-19 has caused limited access to the Company's facilities and disrupted normal interactions with its accounting personnel, auditors and others involved in the preparation of this Quarterly Report. The filing of this Quarterly Report on the date hereof will be considered a timely filing under the Order.*

*The information and financial data discussed below is derived from the unaudited condensed consolidated interim financial statements of the Target Group Inc. ("we," "us" or the "Company") for the three months ended March 31, 2020 and were prepared and presented in accordance with generally accepted accounting principles in the United States.*

### Forward Looking Statements

Some of the statements contained in this Quarterly Report on Form 10-Q that are not historical facts are "forward -looking statements" which can be identified by the use of the terminology such as "estimates," "projects," "plans," "believes," "expects," "anticipates," "intends," or the negative or other variations, or by discussions of strategy that involve risks and uncertainties. We urge you to be cautious of the forward-looking statements, that such statements, which are contained in this Quarterly Report, reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors affecting our operations, market growth, services, products and licenses. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of the risks we face, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events. Factors that may cause actual results, our performance or achievements to differ materially from those contemplated by such forward-looking statements include without limitation:

- Our ability to raise capital when needed and on acceptable terms and conditions;
- Our ability to attract and retain management;
- Our ability to enter in to long-term supply agreements for the mineralized material;
- General economic conditions; and
- Other factors discussed in Risk Factors.

All forward-looking statements made in connection with this Quarterly Report that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given the uncertainties that surround such statements you are cautioned not to place undue reliance on such forward-looking statements.

### **Overview**

Target Group Inc. ("Target Group" or "the Company") was incorporated in the State of Delaware on July 2, 2013, under our original name of River Run Acquisition Corporation. On May 5, 2014, we issued 500,000 shares of common stock to Rubin Schindermann and 500,000 shares of Common Stock to Alexander Starr. With the issuance of these shares and the redemption of 19,500,000 shares of common stock issued to our original officers, directors and shareholders, we effected a change of control. Mr. Schindermann and Mr. Starr became our new officers and directors. They accepted the resignations of our original founding officers and directors. Effective May 13, 2014, the Company changed its name to Chess Supersite Corporation.

On July 23, 2014, we acquired certain assets ("Acquisition") of Chess Supersite, Inc., a corporation existing under the laws of Ontario, Canada ("Chess Canada"). The Acquisition was consummated pursuant to the terms of the Asset Purchase Agreement and the issuance of 5,000,000 shares of our common stock to Chess Canada. In the Acquisition, we acquired all right, title and interest in and to the properties, assets, interests and rights of Chess Canada, including the contracts and intellectual property which are related to the business of developing, operating and maintaining a website focused on the game of chess. Chess Supersite, Inc. is under the common control of Rubin Schindermann and Alexander Starr.

Our original business comprised the operation of an extensive chess gaming website under the name ChessStars™. This comprehensive user-friendly web site [www.chessstars.com](http://www.chessstars.com), offered a state-of-the-art playing zone, broadcasts of the major tournaments, intuitive mega database, chess skilled contests and much more.

On July 3, 2018, we filed an amendment in our Certificate of Incorporation to change our name to Target Group Inc. Effective October 18, 2018, our common stock became eligible for quotation on the OTCQB platform operated by OTC Markets Group Inc, under the symbol "CBDY".

Effective December 12, 2018, our Board of Directors approved the termination of our ChessStars™ online chess playing platform effective December 31, 2018. We will seek to sell all of the assets that comprise the ChessStars™ business. to a third-party buyer at the best possible price.

## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

### **Business and Plan of Operations**

#### **Cannabis Business-Canada**

We are now engaged in the cultivation, processing and distribution of curated cannabis products for the adult-use medical and recreational cannabis market in Canada and, where legalized by state legislation, in the United States. We believe that there is a shift in the public's perception of cannabis from a state of prohibition to a state of legalization. In October 2018, Canada became the first major industrialized nation to legalize adult-use cannabis at the national federal level. Cannabis is still heavily regulated. However, the medical use of cannabis is now permitted in up to 29 countries and many more countries have reformed, or are considering reforming, their cannabis uses laws to include the recreational use of cannabis.

In the 2016 publication by Deloitte, Insights and Opportunities Recreational Marijuana, the project size of the Canadian adult-use market ranged from CDN\$4.9 billion to CDN\$8.7 billion annually. In the 2018 publication by Deloitte, A Society in Transition, an Industry Ready to Boom, the projected size of the Canadian adult-use market in 2019 ranged from CDN\$1.8 billion to CDN\$4.3 billion. The Canadian medical cannabis industry experienced substantial growth since 2014. Health Canada projects the Canadian cannabis market will reach CDN\$1.3 billion in annual value by 2024.

We intend to position ourselves with a core emphasis on co-packaging services to accommodate all consumer-packaged goods required for the sophisticated cannabis market in Canada and internationally. This will integrate cannabinoid research, analytical testing, product development and manufacturing.

Our product manufacturing will include, but will not be limited to the following:

- Cannabis flower pods for vaporizer use
- Cannabis extract pods for vaporizer use
- Cannabis pre-rolls
- K-Cup infused coffee and tea pods
- Infused cannabis beverages
- Infused cannabis edibles
- Infused topical products and CBD wellness products.

#### **Acquisitions**

To take advantage of the opportunity resulting from the legalization of adult-use cannabis in Canada, we completed several strategic acquisitions and entered into several significant agreements as follows:

##### Visava Inc./Canary Rx Inc.

On June 27, 2018, the Company entered into an Agreement and Plan of Share Exchange ("Exchange Agreement") with Visava Inc., a private Ontario, Canada corporation ("*Visava*"). Visava owns 100% of Canary Rx Inc. ("*Canary*"), a Canadian corporation that operates a 44,000 square foot facility located in Ontario's Garden Norfolk County for the production of cannabis. Canary is a late stage Canadian licensed cannabis producer under Health Canada's Cannabis Act ("Bill C-45"). Canary expects to produce at least 3,600,000 grams of cannabis per year, beginning in the third quarter of 2020.

Pursuant to the Exchange Agreement, the Company issued to the Visava shareholders an aggregate of 25,500,000 shares of the Company's Common Stock in exchange for all of the issued and outstanding common stock held by the Visava shareholders. In addition of its Common Stock, the Company issued to the Visava shareholders, prorata Common Stock Purchase Warrants to purchase an aggregate of 25,000,000 shares of the Company's Common Stock at a price per share of \$0.10 for a period of two years following the issuance date of the Warrants. The transactions contemplated by the Exchange Agreement closed effective August 2, 2018. Visava will continue its business operations as a first-tier wholly-owned subsidiary of the Company with Canary operating as our second-tier subsidiary.

##### CannaKorp Inc.

Pursuant to the terms of an Agreement and Plan of Share Exchange dated January 25, 2019 ("*Exchange Agreement*"), on March 1, 2019 we completed the acquisition of Massachusetts –based CannaKorp Inc., a Delaware corporation ("*CannaKorp*"). CannaKorp has developed a single-use pre-measured pod and vaporizer system for consumers interested in vaporizing natural herbs, including cannabis. The patent-pending system is known as The Wisp™ and Wisp Pods™. The Wisp™ vaporizer system extracts the medically beneficial compounds more efficiently while simultaneously offering a much safer and enjoyable experience than other alternatives.

Under the terms of the Exchange Agreement, we issued 30,407,712 shares of our common stock to the exchanging CannaKorp shareholders in exchange for 99.8% of the outstanding common stock held by the CannaKorp shareholders. CannaKorp will continue to operate as our subsidiary.

## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

### Agreements

#### Serious Seeds B.V.

Effective December 6, 2018, the Company and Canary entered into a Distribution, Collaboration and Licensing Agreement ("*Agreement*") with Serious Seeds B.V. ("*Serious Seeds*"), incorporated in the Netherlands, and Simon Smit ("*Smit*"), President of Serious Seeds. Under the Agreement, Canary was appointed the exclusive distributor in Canada and all other legal markets globally of Serious' proprietary cannabis seed strains and Serious' cannabis cuttings, dried flowers, extracts and seeds. In addition, under the Agreement Canary Rx and Serious will develop certain "Collaborative Products" defined as cannabis seed strains created collaboratively using Serious' intellectual property. During the term of the Agreement, Canary will own all of the intellectual property related to the Collaborative Products.

Under the Agreement, Smit has granted Canary an exclusive license in Canada and all legal markets globally to Serious' intellectual property including the right to use the service mark of Serious Seeds and all of the names of Serious' proprietary cannabis seed strains including but not limited to Chronic, AK-47, White Russian, Bubble Gum, Kali Mist, Warlock, Double Dutch, Biddu, Early, Motavation and Strawberry-AKeil.

The initial term of the Agreement will be five (5) years and will be automatically renewed for consecutive five (5) terms subject to rights of termination upon one hundred and eighty (180) days prior notice. In consideration of the intellectual property rights granted by Smit to Canary, the Company will issue to Smit 250,000 shares of the Company's common stock. In addition, beginning on the 13<sup>th</sup> month following the effective date of the Agreement and continuing through the sixtieth month of the initial term, the Company will issue to Smit each month 5,208 shares of common stock and warrants to purchase 200,000 shares of Target common stock at \$0.15 per share. In addition, Smit will be issued warrants in each of the foregoing months to purchase 16,667 shares of Target common stock at varying exercise prices ranging from \$0.20 to \$0.35 per share. All of the warrants must be exercised on or before the two (2) year anniversary date of each of the warrant issuance dates.

In consideration of Canary Rx's appointment as Serious' exclusive distributor in Canada, Canary Rx will pay Serious certain royalties as follows:

1 <sup>st</sup> year:	2.00% of gross sales
2 <sup>nd</sup> year:	2.25% of gross sales
3 <sup>rd</sup> year:	2.50% of gross sales
4 <sup>th</sup> year:	2.75% of gross sales
5 <sup>th</sup> and following years:	3.00% of gross sales

On October 8, 2019, Canary was granted licenses to cultivate, process and sell cannabis pursuant to the Cannabis Act (Bill C-45). These Standard Licenses enable Canary to produce approximately 3,600kg of dried cannabis flower per year. Canary has curated a bank of 3,500 seeds, comprised of more than 125 strains, including the entire Serious Seeds collection. The Company has the capacity to grow 8 different strains at a time, within the facility's 8 separate flower rooms.

#### Cannavolve Inc. Sales Agency Agreement

Effective December 13, 2018, the Company appointed Cannavolve Inc., an Ontario, Canada corporation based in Toronto ("*Cannavolve*"), under the terms of a Licensed Producer/Licensed Processor Sales Agency Agreement ("*Agency Agreement*"), as the Company's exclusive agent in Canada to market and sell the CannaKorp Wisp<sup>TM</sup> vaporizer, the Serious Seeds<sup>TM</sup> products and Canary branded cannabis in the recreational cannabis markets (collectively the "*Products*"). Cannavolve is an independent recreational cannabis sales and marketing Company established to represent licensed producers and licensed processors in Canada of cannabis and cannabis accessories. Cannavolve operates in Canada with offices in Halifax, Montreal, Calgary and Vancouver.

Under the Agency Agreement, Cannavolve will be paid a commission of 6% of net sales based on the wholesale prices of the Products. The initial term of the Agency Agreement is two (2) years from December 13, 2018 subject to a renewal term of two (2) additional years. In addition to customary termination provisions based upon the material default of either the Company or Cannavolve, we can terminate the Agency Agreement without cause upon ninety (90) days prior written notice.

#### cGreen, Inc. Exclusive License Agreement

Effective August 8, 2019, the Company entered into an Exclusive License Agreement ("License Agreement") with cGreen, Inc., a Delaware corporation ("cGreen"). The License Agreement grants to the Company an exclusive license to manufacture, and distribute the patent-pending THC antidote True Focus<sup>TM</sup> in the United States, Europe and the Caribbean. The term of the license is ten (10) years and four (4) months from the effective date of August 8, 2019. In consideration of the license, the Company will issue 10,000,000 shares of its common stock as follows: (i) 3,500,000 within ten (10) days of the effective date; (ii) 3,500,000 shares on January 10, 2020; and (iii) 3,000,000 shares not later than June 10, 2020. In addition, the Company will pay cGreen royalties of 7% of the net sales of the licensed products and 7% of all sublicensing revenues collected by the Company. The Company will pay cGreen an advance royalty of \$300,000 within ten (10) days of the effective date; \$300,000 on January 10, 2020; and \$400,000 on or before June 10, 2020 and \$500,000 on or before November 10, 2020. All advance royalty payments will be credited against the royalties owed by the Company through December 31, 2020.

## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

As of the date of the report, the initial payment of royalty payable of \$308,140 has been paid during the year ended December 31, 2019 while the remaining in the amount of \$1,191,860 is recorded as royalty payable. No shares have been issued to date, however, the first tranche of 7,000,000 shares, in the amount of \$520,100, have been recorded in shares to be issued as equity while the remaining 3,000,000 shares, in the amount of \$222,900, are have been recorded in shares to be issued as liability.

Additionally, the Company is arbitration with cGreen for the above breaches as per License Agreement.

During the quarter ended December 31, 2019, the intangible asset was written off based on management's review and evaluation of its recoverability.

### Nabis Holding Sales Agreement

Effective September 17, 2019, CannaKorp entered into a Purchase, Licensing and Distribution Agreement ("**Agreement**") with Nabis Arizona Property LLC of Scottsdale, Arizona ("**Nabis**") concerning the distribution of CannaKorp's *Wisp™ Vaporizer* and *Wisp™ Pods* in Arizona. The term of the Agreement is three (3) years with automatic renewals for additional one-year periods unless the Agreement is terminated pursuant to its terms. Nabis is required to pay CannaKorp \$45,000 for the equipment needed to manufacture the *WISP™ Pods*, of which \$4,500 will be paid within three (3) calendar days of Nabis obtaining regulatory approval of its vertically integrated license and the balance of \$40,500 within 180 days of the effective date of the Agreement.

Under the Agreement, Nabis is licensed to manufacture the *WISP™ Pods* and to sell the *WISP™ Pods* in conjunction with the sale of the *WISP™ Vaporizer*. Nabis is required to meet minimum quarterly orders of two hundred (200) *WISP™ Vaporizers* and five thousand (5,000) *WISP™ Pods* cartridges. Nabis is licensed to sell the *WISP™ Vaporizer* and the *WISP™ Pods* to end users in Arizona, excluding Amazon, eBay, Walmart or other multistate/national brick and mortar or online sales. CannaKorp has granted Nabis a right of first refusal to obtain an exclusive license in Michigan and in Washington for the same rights granted to Nabis in Arizona.

As of the date of this report, the equipment to Nabis has been shipped and the CannaKorp has provided Nabis an additional 180 days before invoicing Nabis for the equipment. Once when the additional 180 day mark has passed, the Company will invoice Nabis. Additionally, the first quarter of the Nabis agreement minimums were shipped and invoiced (200 Wisp Units and 5000 Pod Assemblies to enable Nabis to manufacture 5000 complete Wisp Pods) for online and retail distribution in the Arizona Market. Nabis has had delays in rolling out all the products for which they have exclusive licenses with, and the Company expects their next order will likely be in the next 45 to 60 days.

### Joint Venture Agreement

Effective May 14, 2020, Canary entered into a Joint Venture Agreement ("Joint Venture") with 9258159 Canada Inc., a corporation organized under the laws of the Province of Ontario, Canada (referred to as "Thrive Cannabis") and 2755757 Ontario Inc., a corporation organized under the laws of the Province of Ontario, Canada (referred to as "JVCo"). Canary and Thrive Cannabis each hold 50% of the voting equity interest in JVC. The term of the Joint Venture is five (5) years from its effective date of May 14, 2020.

Under the Joint Venture, JVCo. is permitted to use a portion, consisting of seven (7) rooms, of Canary's licensed cannabis cultivation facilities located in Simcoe, Ontario, Canada ("Licensed Site Portion") for the purpose of operating and managing the Licensed Site Portion for the cultivation and process of cannabis pursuant to Canary's license issued by Health Canada. During the term of the Joint Venture, JVCo. will be responsible for the administration, operation and management of the Licensed Site Portion and all proceeds from the sale of the cannabis and related cannabis products cultivated therein will be payable to the JVCo.



## **ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)**

### **Employees**

As at March 31, 2020, we had one employee Saul Niddam, Chief Innovation Officer, and also serves as our subsidiary, CannaKorp's Chief Executive Officer. On January 9, 2020, Anthony Zarcone was named co-Chief Executive Officer to serve with Mr. Schindermann. On January 24, 2020, Mr. Schindermann submitted his resignation as co-Chief Executive Officer; however, he remains a director of the Company. On February 14, 2020, the Company terminated the employment of Azmatali Mehrali as Chief Financial Officer. At the present time, the Company has not appointed a new Chief Financial Officer. Alexander Starr, our former president, terminated his employment agreement effective February 22, 2019.

We have contracted with a number of independent contractors and consultants to provide a range of information technology and marketing services who do not receive cash compensation, but receive shares of our common stock as compensation. This mitigates any need for full or part-time employees for these services.

### **Intellectual Property Protection**

Our subsidiary CannaKorp Inc. holds the following patents:

International Patent Application No. PCT/US20115/013778  
Title: METHODS AND APPARATUS FOR PRODUCING HERBAL VAPO  
Filing Date: January 30, 2015  
Ref. No.: B1411.70000WO00

U.S. Provisional Application No.: 61/934.255  
Title: CONTAINER POD AND DELIVERY SYSTEM  
Filing Date: January 31, 2014  
Ref. No.: B1411.70000US00

In addition, CannaKorp has proprietary rights to certain trade names, trademarks and service marks which include WISP POD™; cPOD™; CANNACUP™; and WISP™. CannaKorp also has certain proprietary formulas and processes involving herbal formulas and flavors, proprietary herbal production processes and an herbal base developed to suspend active ingredients for optimal vaporization.

### **Results of Operations**

We have not generated significant revenue to date and consequently our operations are subject to all of the risks inherent in the establishment of a new business enterprise. Our analysis on the performance of the Company is as follows:

#### ***Balance sheet – As at March 31, 2020 and December 31, 2019***

##### **Cash**

At March 31, 2020 we had cash of \$34,675 compared to \$10,487 as at December 31, 2019. The increase is due to funds advance from a related party as a loan during the current quarter offset by payments of salaries, consulting, professional and legal expenses during the period.

##### **Prepaid asset**

At March 31, 2020 we had prepaid expenses of \$60,244 compared to \$37,702 as at December 31, 2019. The balance represents the retainer fees paid to our lawyer, security deposit for the leased facility and retainer for vendors services.

##### **Sales tax recoverable**

At March 31, 2020, we had \$54,574 (December 31, 2019: \$48,744) of gross sales tax recoverable. This is due to sales tax paid by the subsidiary on expenses incurred during the year which are recoverable from the government.

We recorded an allowance of 25% of the sales tax recoverable stemming from the potential uncollectible balances within the outstanding sales tax recoverable amount. As of March 31, 2020, the balance of the allowance is \$13,642 (December 31, 2019: \$12,186).

## **ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)**

### **Goodwill and Intangible asset**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of our subsidiaries at the date of acquisition.

In addition, intangible assets represent the Exclusive License Agreement entered with cGreen. The value of the license is based on 10 million common stock valued at the market rate of the stock prevailing on August 8, 2019 and the royalty payments in the amount of \$2,243,000. The asset is amortized over the terms of license i.e. 10 years. During the quarter ended December 31, 2019, the intangible asset was written off based on our management's review and evaluation of the intangible asset's recoverability.

### **Fixed assets and capital work in progress**

The Company initiated construction on its 44,000 square foot cannabis cultivation facility in September of 2017. Since then, extensive demolition and structural upgrades have been carried out at the site. During period ended March 31, 2020, the Company has capitalized \$nil (March 31, 2019: \$4,631,006) in payments to multiple vendors for the construction of the facility.

On May 1, 2019, the Company completed the construction of its 44,000 square foot cannabis cultivation facility and on May 14, 2019, the Company submitted a Site Evidence Package to Health Canada as part of the steps to obtain the license to cultivate cannabis at the Company's facility. On October 8, 2019, the Company was granted licenses to cultivate, process and sell cannabis pursuant to the Cannabis Act (Bill C-45).

### **Accounts payable and accrued liabilities**

Accounts payable amounting to \$2,177,479 as at March 31, 2020, primarily represents consulting and construction services related to capital work in progress amounting to \$806,838, interest on promissory notes and loan amounting to \$79,219, outstanding professional fees amounting to \$1,033,087, valuation fee accrual of \$2,500, accounting fee accrual of \$3,000 and review fee accrual of \$5,000.

Accounts payable amounting to \$2,494,588 as at December 31, 2019, primarily represents consulting and construction services related to capital work in progress amounting to \$1,079,498, interest on promissory notes and loan amounting to \$53,945, marketing services cost amounting to \$18,115, valuation fee accrual of \$3,500, accounting fee accrual of \$2,500 and review fee accrual of \$3,000, and outstanding professional fees of \$942,000.

### **Payable to related parties**

At March 31, 2020, we had \$1,067,371 of amount payable to related parties as compared to \$431,660 as at December 31, 2019. The balance primarily represents a loan provided by one of the Company's shareholder, management services fee outstanding to the managers of the company, and outstanding amount of \$40,000 to be paid to a former shareholder of CannaKorp as part of the settlement agreement.

For additional details, refer to Note 7 in unaudited condensed consolidated interim financial statements.

### **Shareholder advances**

Shareholder advances represents expenses paid by the owners from their personal funds. As at March 31, 2020 and December 31, 2019, there was no outstanding balance.

Refer to Note 8 for details in the unaudited condensed consolidated interim financial statements.

### **Convertible promissory notes payable**

We accrued net interest on promissory notes during the quarter ended March 31, 2020 amounting to \$10,082 (March 31, 2019: \$16,444).

Principal amount outstanding as at March 31, 2020 and December 31, 2019 was \$200,488. As at March 31, 2020, the entire balance was current while as at December 31, 2019, \$32,188 is current portion while \$168,300 is the non-current portion.

**ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)**

*Statement of Operations – For the three months March 31, 2020 and 2019:*

**Revenue**

We generated revenue of \$30,000 during March 31, 2020 as compared to \$nil revenue during period ended March 31, 2019. The revenue represents the sale of Wisp™ vaporizer and pod units.

**Expenses**

Our expenses are classified primarily into advisory and consultancy fee, management fees, salaries and wages, legal and professional fees, software development expense and website development and marketing expense. The significant decrease in overall expenses for the three months ended March 31, 2020 compared to 2019 is due to lower advisory and consultancy fee, salaries and wages, and office expenses during the period which resulted due to lower amount of activity compared to prior period.

Expenses for the three months ended March 31, 2020 primarily represented consulting fees of \$44,269, management fees of \$83,239, salary and wages amounting in total to 138,780, legal and professional charges of \$124,000 comprising legal, review, accounting and Edgar agent fee, rent and utilities amounting to \$29,520, office and general expenses amounting to \$58,858.

Other income and expenses comprised, change in fair value of derivative liability amounting to \$(3,455,325), loss on settlement of debt amounting to \$nil, interest and bank charges amounting to \$36,249, accretion expenses of \$12,200 related to promissory notes and an allowance expense for sales tax recoverable of \$2,624.

## **ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)**

### **Liquidity and Capital Resources**

At March 31, 2020, we had a working capital deficit of \$4,844,676 (December 31, 2019: \$4,922,069). We are actively seeking various financing operations to meet the deficit capital requirements.

To date we have relied on third parties to provide financing for our operations by way of loans and private placements. The proceeds may not be sufficient to effectively develop our business to the fullest extent to allow us to maximize our revenue potential, in which case, we will need additional capital.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

### **Critical Accounting Policies**

Revenue is recognized when persuasive evidence of an arrangement exists, services have been performed, the amount is fixed and determinable, and collection is reasonably assured.

Other critical accounting policies are described in the Company's Form 10-K for the year ended December 31, 2019.

### **Subsequent Events**

Effective April 20, 2020, the Company issued its promissory note ("Note") to a private individual in the principal amount of \$236,993. The Note contained an original issue discount of \$15,300 resulting in net proceeds to the Company of \$221,693. The Note carries interest at the rate of 12% per annum. The entire principal balance plus accrued interest is payable not later than April 20, 2021. The Note can be prepaid by the Company without prepayment penalty. The net loan proceeds were used by the Company to satisfy in full an outstanding institutional debt. The lender is the brother of the Company's Chief Executive Officer, Anthony Zarcone, who is also a director of the Company.

During April 2020, the Company and the Company's shareholder, as mentioned in Note 7 in the unaudited condensed consolidated interim financial statements, ("Lender") entered into a Second Amending Agreement with the Lender pursuant to which the Lender agreed to lend the Company an additional \$70,490 (CAD \$100,000). The new loan carries interest at the rate of 3.0146% per month. The loan is payable upon demand of the Lender. The remaining terms and conditions of the Original Loan remain in full force and effect. Effective May 14, 2020, the Company and the Lender entered into a Third Amending Agreement pursuant to which the Lender agreed to increase the aggregate loan amount on the Original Loan to \$422,940 (CAD \$600,000). The new loan carries interest at the rate of 3.0146% per month. The loan is payable upon demand of the Lender. The remaining terms and conditions of the Original Loan remain in full force and effect.

During April 2020, the Company settled with a terminated employee of Canary in the amount of \$6,727 (CAD \$9,543). For additional details, refer to Note 13 in the unaudited condensed consolidated interim financial statements.

During May 2020, pursuant to the amending of Canary's lease terms, accounts payable and accrued liabilities in the amount of \$694,739 (CAD \$985,586) were forgiven.

Effective May 14, 2020, Canary entered into a Joint Venture Agreement ("Joint Venture") with 9258159 Canada Inc., a corporation organized under the laws of the Province of Ontario, Canada (referred to as "Thrive Cannabis") and 2755757 Ontario Inc., a corporation organized under the laws of the Province of Ontario, Canada (referred to as "JVC"). Canary and Thrive Cannabis each hold 50% of the voting equity interest in JVC. The term of the Joint Venture is five (5) years from its effective date of May 14, 2020.

## **ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)**

Under the Joint Venture, JVCo. is permitted to use a portion, consisting of seven (7) rooms, of Canary's licensed cannabis cultivation facilities located in Simcoe, Ontario, Canada ("Licensed Site Portion") for the purpose of operating and managing the Licensed Site Portion for the cultivation and process of cannabis pursuant to Canary's license issued by Health Canada. During the term of the Joint Venture, JVCo. will be responsible for the administration, operation and management of the Licensed Site Portion and all proceeds from the sale of the cannabis and related cannabis products cultivated therein will be payable to the JVCo.

In addition, Canary, Thrive Cannabis, and JVCo. entered into a Unanimous Shareholder Agreement dated May 14, 2020 governing the management and administration of the business of JVCo.

### **Description of Property**

We do not own any properties at this time and has no agreements to acquire any properties.

Our principal executive office is located at 55 Administration Road, Unit 13, Vaughan, Ontario, Canada, L4K 4G9.

Our subsidiary, Canary, leases a 44,000 square foot facility located in Norfolk County, Ontario, Canada to produce medical and recreational cannabis. Our subsidiary, CannaKorp, leases 1,000 square feet of executive and administrative office located in a multi-tenant building, located 74 Maple Street, Stoneham, Massachusetts, United States of America.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Smaller reporting companies are not required to provide the information required by this item.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of disclosure controls and procedures**

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), we have carried out an evaluation, with the participation of our management, including the Company’s principal executive officer and principal financial officer of the effectiveness of the Company’s disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of March 31, 2020 to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (ii) is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

#### **Changes in internal controls**

No change in our system of internal control over financial reporting occurred during the three months ended March 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

During the year, a terminated employee of Canary has filed a suit against the Company amounting to approximately \$1,480,290 (CAD \$2,100,000) in Ontario, Canada. Currently, the Company is defending its position and believes that the ultimate decision will be in favor of the Company.

During the year ended December 31, 2019, a terminated employee of Canary had delivered a demand letter claiming wrongful dismissal. A settlement was reached in the amount of \$5,199 (CAD \$7,375) which were due within 30 days of the execution of the settlement agreement. As of the date of this report, the Company has not made any payment and is in violation of the agreement.

During the year ended December 31, 2019, a terminated employee of Canary had delivered a demand letter claiming wrongful dismissal plus unpaid wages, expenses and vacation pay for a minimum amount of \$48,929 (CAD \$69,412). Subsequent to quarter ended March 31, 2020, the Company settled with the employee in the amount of \$6,727 (CAD \$9,543).

On January 3, 2020, cGreen Inc. filed a Complaint in Arbitration against the Company alleging a breach of the Exclusive License Agreement entered into with the Company effective August 8, 2019. (“Agreement”). The Complaint alleges the Company failed to make royalty payments of \$300,000 and failed to issue cGreen 7,000,000 shares of the Company’s Common Stock as called for under the Agreement.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the quarter ended March 31, 2020, we issued no shares of common or preferred stock.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

None.

## ITEM 6. EXHIBITS

Exhibits:

Exhibit No.	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
<a href="#">2.1</a>	<a href="#">Asset Acquisition Agreement</a>	<a href="#">8-K</a>	<a href="#">2.1</a>	<a href="#">12/11/14</a>
<a href="#">2.1.1</a>	<a href="#">Agreement and Plan of Share Exchange dated June 27, 2018 with Visava Inc.</a>	<a href="#">8-K</a>	<a href="#">2.1</a>	<a href="#">07/03/18</a>
<a href="#">2.1.2</a>	<a href="#">Agreement and Plan of Share Exchange dated January 25, 2019 with CannaKorp Inc. and David Manly, as Stockholder Representative</a>	<a href="#">8-K</a>	<a href="#">2.1</a>	<a href="#">01/29/19</a>
<a href="#">3(i)(a)</a>	<a href="#">Articles of Incorporation</a>	<a href="#">10-12G</a>	<a href="#">3.1</a>	<a href="#">09/30/13</a>
<a href="#">3(i)(a)</a>	<a href="#">Amended Articles of Incorporation</a>	<a href="#">8-K</a>		<a href="#">05/13/14</a>
<a href="#">3(i)(a)</a>	<a href="#">Certificate of Amendment</a>	<a href="#">8-K</a>	<a href="#">3(i)</a>	<a href="#">10/20/16</a>
<a href="#">3(i)(a)</a>	<a href="#">Certificate of Amendment</a>	<a href="#">8-K</a>	<a href="#">3(i)</a>	<a href="#">04/12/17</a>
<a href="#">3(i)(a)</a>	<a href="#">Certificate of Amendment</a>	<a href="#">8-K</a>	<a href="#">3(i)</a>	<a href="#">07/03/17</a>
<a href="#">3(i)(a)</a>	<a href="#">Certificate of Amendment</a>	<a href="#">8-K</a>	<a href="#">3(i)</a>	<a href="#">11/01/17</a>
<a href="#">3(i)(a)</a>	<a href="#">Certificate of Amendment</a>	<a href="#">8-K</a>	<a href="#">3(i)</a>	<a href="#">09/25/18</a>
<a href="#">3.2</a>	<a href="#">Bylaws</a>	<a href="#">10-12G</a>	<a href="#">3.2</a>	<a href="#">09/30/13</a>
<a href="#">4.1</a>	<a href="#">Description of Capital Stock</a>	<a href="#">10-K</a>	<a href="#">4.1</a>	<a href="#">04/14/20</a>
<a href="#">10.1</a>	<a href="#">Form of Securities Purchase Agreement-Blackbridge Capital Growth Fund, LLC</a>	<a href="#">10-K</a>	<a href="#">10.1</a>	<a href="#">03/31/17</a>
<a href="#">10.2</a>	<a href="#">Form of Convertible Promissory Note</a>	<a href="#">10-K</a>	<a href="#">10.2</a>	<a href="#">03/31/17</a>
<a href="#">10.3</a>	<a href="#">Form of Convertible Promissory Note</a>	<a href="#">10-K</a>	<a href="#">10.3</a>	<a href="#">03/31/17</a>
<a href="#">10.4</a>	<a href="#">Form of Convertible Promissory Note</a>	<a href="#">10-K</a>	<a href="#">10.4</a>	<a href="#">03/31/17</a>
<a href="#">10.5</a>	<a href="#">Form of Securities Purchase Agreement-Crown Bridge Partners, LLC</a>	<a href="#">10-K</a>	<a href="#">10.5</a>	<a href="#">03/31/17</a>
<a href="#">10.6</a>	<a href="#">Form of Convertible Promissory Note</a>	<a href="#">10-K</a>	<a href="#">10.6</a>	<a href="#">03/31/17</a>
<a href="#">10.7</a>	<a href="#">Form of Convertible Promissory Note</a>	<a href="#">8-K</a>		<a href="#">03/07/16</a>
<a href="#">10.8</a>	<a href="#">Non-Negotiable Promissory Note</a>	<a href="#">8-K</a>		<a href="#">03/07/16</a>
<a href="#">10.9</a>	<a href="#">Securities Purchase Agreement</a>	<a href="#">8-K</a>		<a href="#">03/07/16</a>
<a href="#">10.10</a>	<a href="#">Securities Purchase Agreement-Power Up Lending Group Ltd.</a>	<a href="#">10-K</a>	<a href="#">10.10</a>	<a href="#">03/28/18</a>
<a href="#">10.11</a>	<a href="#">Convertible Promissory Note-Power-Up Lending Group Ltd.</a>	<a href="#">10-K</a>	<a href="#">10.11</a>	<a href="#">03/28/18</a>
<a href="#">10.12</a>	<a href="#">Securities Purchase Agreement-Power Up Lending Group Ltd.</a>	<a href="#">10-K</a>	<a href="#">10.12</a>	<a href="#">03/28/18</a>
<a href="#">10.13</a>	<a href="#">Convertible Promissory Note-Power-Up Lending Group Ltd.</a>	<a href="#">10-K</a>	<a href="#">10.13</a>	<a href="#">03/28/18</a>
<a href="#">10.14</a>	<a href="#">Securities Purchase Agreement-Power Up Lending Group Ltd. dated December 24, 2018</a>	<a href="#">10-K</a>	<a href="#">10.14</a>	<a href="#">04/01/19</a>
<a href="#">10.15</a>	<a href="#">Convertible Promissory Note-Power-Up Lending Group Ltd. dated December 24, 2018</a>	<a href="#">10-K</a>	<a href="#">10.15</a>	<a href="#">04/01/19</a>
<a href="#">10.16</a>	<a href="#">Distribution, Collaboration and Licensing Agreement dated December 6, 2018 between Target Group Inc, Canary Rx Inc., Serious Seeds B.V. and Simon Smit</a>	<a href="#">10-K</a>	<a href="#">10.16</a>	<a href="#">04/01/19</a>



<a href="#"><u>10.17</u></a>	<a href="#"><u>Licensed Producer/Licensed Processor Sales Agency Agreement dated December 13, 2018 with Cannavolve Inc.</u></a>	<a href="#"><u>10-K</u></a>	<a href="#"><u>10.17</u></a>	<a href="#"><u>04/01/19</u></a>
<a href="#"><u>10.18</u></a>	<a href="#"><u>Exclusive License Agreement dated August 8, 2019 with cGreen Inc.</u></a>	<a href="#"><u>8-K</u></a>	<a href="#"><u>2.1</u></a>	<a href="#"><u>08/13/19</u></a>
<a href="#"><u>10.19</u></a>	<a href="#"><u>Purchase, Licensing and Purchase Agreement dated September 17, 2019 between CannaKorp, Inc. and Nabis Arizona LLC</u></a>	<a href="#"><u>8-K</u></a>	<a href="#"><u>10.1</u></a>	<a href="#"><u>09/19/19</u></a>
<a href="#"><u>10.20</u></a>	<a href="#"><u>Loan Agreement dated December 20, 2019 with Jerry Zarcone</u></a>	<a href="#"><u>10-K</u></a>	<a href="#"><u>10.20</u></a>	<a href="#"><u>04/14/20</u></a>
<a href="#"><u>10.21*</u></a>	<a href="#"><u>First Amending Agreement dated March 11, 2020 with Jerry Zarcone</u></a>			
<a href="#"><u>31.1*</u></a>	<a href="#"><u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>			
<a href="#"><u>31.2*</u></a>	<a href="#"><u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>			
<a href="#"><u>32.1*</u></a>	<a href="#"><u>Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>			
101.INS	XBRL Instance Document*			
101.SCH	XBRL Taxonomy Extension Schema*			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*			
101.DEF	XBRL Taxonomy Extension Definition Linkbase*			
101.LAB	XBRL Taxonomy Extension Label Linkbase*			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*			

\* Filed herewith.

\*\* Previously filed.

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TARGET GROUP INC.

Dated: June 5, 2020

By: /s/ Anthony Zarcone  
Chief Executive Officer, and Director

Dated: June 5, 2020

By: /s/ Barry Alan Katzman  
Director

Dated: June 5, 2020

By: /s/ Saul Niddam  
Director

Dated: June 5, 2020

By: /s/ Frank Monte  
Director

Dated: June 5, 2020

By: /s/ Rubin Schindermann  
Director

**FIRST AMENDING AGREEMENT**

THIS AGREEMENT made as of the 11<sup>th</sup> day of March, 2020

BETWEEN:

**JERRY ZARCONE**

(hereinafter referred to as "**Jerry**")

- and -

**TARGET GROUP INC.**

(hereinafter referred to as "**TGI**")

- and -

**CANARY RX INC.**

(hereinafter referred to as "**Canary**")

- and -

**VISAVA INC.**

(hereinafter referred to as "**Visava**")

- and -

**CANNAKORP INC.**

(hereinafter referred to as "**Cannakorp**")

(Canary, Visava and Cannakorp collectively referred to as the "Subsidiaries")

**WHEREAS:**

- A. The Jerry and TGI entered into a Loan Agreement made as of the 20<sup>th</sup> day of December, 2019 (the "**Loan Agreement**").
- B. All capitalized terms shall have the meanings ascribed to them in the Loan Agreement unless otherwise defined herein.
- C. The Parties are desirous of amending the Loan Agreement upon the terms and provisions of this Agreement.

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that in consideration of the respective covenants and agreements hereinafter contained and the sum of One Dollar (\$1.00) now paid by the parties hereto each to the other (the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto), the parties hereto agree as follows:

1. The Parties hereby declare and confirm that the Recitals are true and accurate and form integral terms and provisions of this Agreement.
2. Notwithstanding the terms and provisions of the Loan Agreement, and in particular:
  - (a) Section 2 thereof, not all of the Security has been procured to the satisfactory of Jerry, and in particular, the owner of the Premises (the “**Landlord**”) has refused to consent to the granting of a registered first charge over and to Canary’s right, title, and interest in and to the Lease and the Premises upon terms and provisions satisfactory to Jerry (“**Charge of Lease Security**”), and notwithstanding that Jerry is presently in discussions with the Landlord in respect thereof, the parties acknowledge and agree that TGI and the Subsidiaries are and remain in default of the Loan Agreement for failure to procure the Charge of Lease Security, as aforesaid, which default shall persist unless and until the procurement of the Charge of Lease Security upon terms and provision satisfactory to Jerry in his sole and absolute discretion.
  - (b) Section 4 thereof:
    - (i) The board of directors for TGI consist of the following persons, all of whom are satisfactory to Jerry:
      - (1)
      - (2)
      - (3)
      - (4)
      - (5)
    - (ii) The sole Chief Executive Officer of TGI is Anthony Zarcone, who is also satisfactory to Jerry.
3. The Loan be and same is hereby increased by the principal amount of Three Hundred Thousand (\$300,000.00) Dollars (CDN) (the “**Additional Loan**”) upon the following terms and provisions:
  - (a) The Additional Loan shall be repayable upon demand;
  - (b) The Additional Loan shall be subject to a Lender’s Fee in the amount of Thirty Thousand (\$30,000.00) Dollars (CDN), which shall be deducted and paid for from the first advance thereunder;

- (c) The Additional Loan shall be subject to an interest rate equal to 3.0416% per month (being 43.26% per annum), calculated monthly, not in advance;
  - (d) Prior to demand, the Borrower and Subsidiaries shall make monthly payments of interest only, as calculated pursuant to Section 3(d) hereof on the \_\_\_\_ day of each and every month; and
  - (e) All monies owing under the Additional Loan be and same shall be guaranteed by the Subsidiaries and secured under the Security.
4. TGI and the Subsidiaries shall execute, deliver, and register within a reasonable time following presentation thereof by Jerry or his counsel (but in no event more than five (5) business days following such presentation) in order to give full effect to the terms and provisions of the Additional Loan, as aforesaid, and shall also promptly do or cause to be done all other acts and things, execute and deliver or cause to be executed and delivered all agreements and documents and provide any further assurances, undertakings and information in order to give full effect to this Agreement.
  5. Except as modified by this Agreement, the Loan Agreement shall be unamended and shall be and shall remain in full force and effect. Also, to the extent that any term or provision of this Agreement conflicts with any term or provision of the Loan Agreement, the terms and provision of this Agreement shall prevail.
  6. This Agreement may be executed by the Parties in separate counterparts each of which when so executed and delivered to each other shall be deemed to be and shall be read as a single agreement among the parties.
  7. Execution of this Agreement by either of the Parties may be evidenced by delivery of a faxed or electronically mailed transmission of such party's signature and such faxed or electronically mailed signature shall be deemed to constitute the original signature of such party.
  8. This Agreement is governed by and is to be construed and interpreted in accordance with, the laws of the Province of Ontario and the laws of Canada applicable in that Province.
  9. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, and there are no representations, warranties or other agreements between the Parties in connection with the subject matter of this Agreement except as specifically set out in this Agreement.

Each of the Parties has executed and delivered this Agreement as of the date first above written.

SIGNED IN THE PRESENCE OF )  
)  
)  
)  
\_\_\_\_\_)  
Witness

\_\_\_\_\_  
**JERRY ZARCONE**

**TARGET GROUP INC.**

Per:

\_\_\_\_\_  
Name: Rubin Schindermann  
Position: Director

\_\_\_\_\_  
Name: Saul Niddam  
Position: Director

\_\_\_\_\_  
Name: Frank Monte  
Position: Director

\_\_\_\_\_  
Name: Anthony Zarcone  
Position: Director

\_\_\_\_\_  
Name: Barry Katzman  
Position: Director

*We have authority to bind the Corporation*

**CANARY RX INC.**

Per:

\_\_\_\_\_  
Name: Randall S. MacLeod  
Position: President & CEO

**VISAVA INC.**

Per:

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Name: Randall S. MacLeod

Position: President & CEO

**CANNAKORP INC.**

Per:

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Name: Saul Niddam

Position: CEO

**CERTIFICATION PURSUANT TO SECTION 302**

I, Anthony Zarcone, certify that:

1. I have reviewed this Form 10-Q of Target Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the unaudited condensed consolidated interim financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed consolidated interim financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 5, 2020

/s/ Anthony Zarcone  
Chief Executive Officer

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**CERTIFICATION PURSUANT TO SECTION 302**

I, Anthony Zarcone, certify that:

1. I have reviewed this Form 10-Q of Target Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the unaudited condensed consolidated interim financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed consolidated interim financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 5, 2020

/s/ Anthony Zarcone  
Principal Financial Officer

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned officer of Target Group Inc. (the "Company"), hereby certify that:

The Report on Form 10-Q for the period ended March 31, 2020 of the Company fully complies, in all material respects, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 5, 2020

By: /s/ Anthony Zarcone  
Chief Executive Officer  
(Principal Executive Officer)  
(Principal Financial Officer)

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