

TARGET GROUP INC.

FORM 10-Q (Quarterly Report)

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Telephone	905-541-3833
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Symbol	CBDY
SIC Code	2833 - Medicinal Chemicals and Botanical Products
Industry	Internet Services
Sector	Technology
Fiscal Year	12/31

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 June 30, 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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "small reporting company," and "emerging growth 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:

Title of each class

Trading symbol

Name of each exchange on which
registered

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 August 10, 2020, the registrant had 563,277,094 shares of Common Stock issued and outstanding.

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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

	June 30, 2020 \$ (unaudited)	December 31, 2019 \$ (Restatement - Note 11)
ASSETS		
Current assets		
Cash	2,946	10,487
Accounts receivable, no allowance	2,068	2,068
Inventory [Note 4]	99,000	124,000
Prepaid asset	62,616	37,702
Sales tax recoverable, net of allowance [Note 3]	54,212	36,558
Shareholder receivable [Note 9]	—	2,025
Receivable from joint venture [Note 6]	25,861	—
Total current assets	246,703	212,840
Long term assets		
Fixed assets [Note 5]	7,593,657	8,103,740
Goodwill [Note 7]	7,765,867	8,147,916
Investment in joint venture [Note 6]	103,693	—
Operating lease right-of-use assets [Note 10]	101,182	—
Total long term assets	15,564,399	16,251,656
Total assets	15,811,102	16,464,496
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank overdraft	8,851	45,911
Accounts payable and accrued liabilities	1,587,874	2,494,588
Payable to related parties [Note 8]	1,906,108	431,660
Royalty payable [Note 1]	—	1,191,860
Shareholder advances [Note 9]	—	—
Shares to be issued [Note 12]	—	482,950
Deferred revenue	42,719	42,719
Convertible promissory notes, net [Note 11]	3,128	32,188
Derivative liability [Note 11]	14,539	150,834
Deferred rent - Current portion [Note 10]	—	262,199
Operating lease liability - Current portion [Note 10]	70,377	—
Settlement payable - Current portion [Note 1 and 12]	160,000	—
Total current liabilities	3,793,596	5,134,909
Long term liabilities		
Deferred rent - Non-current portion [Note 10]	—	1,346,831
Convertible promissory notes, net - Non-current portion [Note 11]	—	47,619
Operating lease liability - Non-current portion [Note 10]	1,556,179	—
Warrant liability [Notes 12 and 15]	5,187,632	6,146,116
Settlement payable - Non-current portion [Note 1 and 12]	70,000	—
Total long term liabilities	6,813,811	7,540,566
Total liabilities	10,607,407	12,675,475
Contingencies and commitments [Note 14]		
	—	—
Stockholders' equity		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized; 1,000,000 shares issued and outstanding as at June 30, 2020 (1,000,000 shares outstanding as at December 31, 2019) [Note 12]	100	100
Common stock, \$0.0001 par value, 850,000,000 shares authorized, 563,277,094 common shares outstanding as at June 30, 2020 (571,145,968 common shares outstanding as at December 31, 2019) [Note 12]	56,328	57,113
Stock subscription receivable [Note 12]	—	(220,000)
Shares to be issued [Note 1 and 12]	191,553	611,621
Additional paid-in capital	23,681,696	23,699,888
Accumulated deficit	(17,258,968)	(19,462,624)
Accumulated comprehensive loss	(1,467,014)	(897,077)
Total stockholders' equity	5,203,695	3,789,021
Total liabilities and stockholders' equity	15,811,102	16,464,496

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 June 30, 2020 \$	For the three months ended June 30, 2019 \$	For the six months ended June 30, 2020 \$	For the six months ended June 30, 2019 \$
REVENUE	—	—	30,000	—
COST OF GOOD SOLD	—	—	(25,000)	—
Gross profit	—	—	5,000	—
OPERATING EXPENSES				
Advisory and consultancy fee	18,380	120,248	62,649	413,430
Management services fee	63,849	632,737	147,088	692,558
Salaries and wages	4,574	402,715	143,354	755,586
Legal and professional fees	93,555	55,929	217,555	135,018
Rent and utilities	—	49,139	—	190,120
Travel expenses	—	—	—	188
Advertising and promotion	—	41,845	299	41,845
Amortization and depreciation expense	20,806	36,428	42,795	51,335
Operating lease expense [Note 10]	8,549	—	122,644	—
Office and general	24,670	305,102	83,528	408,907
Total operating expenses	234,383	1,644,143	819,912	2,688,987
OTHER EXPENSES (INCOME)				
Change in fair value of derivative and warrant liability	2,464,450	(405,154)	(990,875)	(375,912)
(Gain) loss on forgiveness/settlement of debt	(2,398,458)	810,977	(2,398,458)	861,687
Interest and bank charges	80,538	10,514	116,787	29,050
Exchange loss (gain)	84,120	(14,366)	102,819	(205,932)
Day one interest expense	—	—	—	18,362
Accretion expense	3,254	253,656	15,454	360,458
Other income	(178)	—	(178)	—
Allowance for sales tax recoverable	3,827	(118,652)	6,451	(55,824)
Share of losses from joint venture [Note 6]	129,432	—	129,432	—
Total other expenses (income)	366,985	536,975	(3,018,568)	631,889
Net (loss) income before income taxes	(601,368)	(2,181,118)	2,203,656	(3,320,876)
Income taxes	—	—	—	—
Net (loss) income	(601,368)	(2,181,118)	2,203,656	(3,320,876)
Foreign currency translation adjustment	469,583	(1,599,851)	(569,937)	(1,764,884)
Comprehensive (loss) income	(131,785)	(3,780,969)	1,633,719	(5,085,760)
(Loss) earnings per share - basic and diluted	(0.001)	(0.005)	0.004	(0.013)
Weighted average shares - basic and diluted	560,424,290	406,364,868	563,201,487	257,217,104

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 JUNE 30, 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 \$					
As at March 31, 2020	<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>
Shares issued on conversion of convertible promissory notes [Note 12]	—	—	3,131,126	313	—	—	—	40,457	—	—	40,770
Shares issued as consideration for consideration of the intellectual property rights [Note 12]	—	—	—	—	5,208	42	—	—	—	—	42
Execution of the settlement agreement [Note 12]	—	—	—	—	(7,000,000)	(520,100)	—	—	—	—	(520,100)
Correction related to past private placements issuances [Note 12]	—	—	—	—	1,241,847	(160,253)	—	160,253	—	—	—
Net loss	—	—	—	—	—	—	—	—	(601,368)	—	(601,368)
Foreign currency translation	—	—	—	—	—	—	—	—	—	469,583	469,583
As at June 30, 2020	<u>1,000,000</u>	<u>100</u>	<u>563,277,094</u>	<u>56,328</u>	<u>1,769,511</u>	<u>191,553</u>	<u>—</u>	<u>23,681,696</u>	<u>(17,258,968)</u>	<u>(1,467,014)</u>	<u>5,203,695</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 \$					
As at March 31, 2019	<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>
Effect of change in functional currency [Note 12]	—	—	—	—	—	—	—	339,007	—	(338,607)	400
Shares issued on conversion of convertible promissory notes [Note 12]	—	—	10,562,252	1,056	—	—	—	158,434	—	—	159,490
Shares issued as consideration for management services and consulting services [Note 12]	—	—	18,334,850	1,833	—	—	—	2,005,496	—	—	2,007,329
Shares issued as consideration for consideration of the intellectual property rights [Note 12]	—	—	250,000	25	(250,000)	(27,000)	—	26,975	—	—	—
Transfer from shares to be issued - liability to shares to issued - equity	—	—	—	—	9,813,278	454,241	—	—	—	—	454,241
Shares issued as consideration for private placement [Note 12]	—	—	358,520,843	35,852	(232,411,134)	(4,933,384)	—	9,092,197	—	—	4,194,665
Change due to extinguishment of derivative liability on debt conversion	—	—	—	—	—	—	—	466,524	—	—	466,524
Net loss	—	—	—	—	—	—	—	—	(2,181,118)	—	(2,181,118)
Foreign currency translation	—	—	—	—	—	—	—	—	—	(1,599,851)	(1,599,851)
As at June 30, 2019	<u>1,000,000</u>	<u>100</u>	<u>541,362,258</u>	<u>54,135</u>	<u>15,221,972</u>	<u>804,602</u>	<u>—</u>	<u>28,310,300</u>	<u>(12,415,830)</u>	<u>(2,159,372)</u>	<u>14,593,935</u>

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 SIX MONTHS ENDED JUNE 30, 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 \$					
As at December 31, 2019 (Reported)	<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 [Note 15]	—	—	—	—	—	—	—	(6,146,116)	—	—	(6,146,116)
As at December 31, 2019 (Restated)	1,000,000	100	571,145,968	57,113	4,006,832	611,621	(220,000)	23,699,888	(19,462,624)	(897,077)	3,789,021
Cancellation of shares [Note 12]	—	—	(11,000,000)	(1,098)	—	—	220,000	(218,902)	—	—	—
Shares issued as consideration for consideration of the intellectual property rights [Note 12]	—	—	—	—	20,832	235	—	—	—	—	235
Execution of the settlement agreement [Note 12]	—	—	—	—	(3,500,000)	(260,050)	—	—	—	—	(260,050)
Shares issued on conversion of convertible promissory notes [Note 12]	—	—	3,131,126	313	—	—	—	40,457	—	—	40,770
Correction related to past private placement issuances [Note 12]	—	—	—	—	1,241,847	(160,253)	—	160,253	—	—	—
Net income	—	—	—	—	—	—	—	—	2,203,656	—	2,203,656
Foreign currency translation	—	—	—	—	—	—	—	—	—	(569,937)	(569,937)
As at June 30, 2020	<u>1,000,000</u>	<u>100</u>	<u>563,277,094</u>	<u>56,328</u>	<u>1,769,511</u>	<u>191,553</u>	<u>—</u>	<u>23,681,696</u>	<u>(17,258,968)</u>	<u>(1,467,014)</u>	<u>5,203,695</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 \$		\$	\$		\$
As at December 31, 2018	<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>
Effect of change in functional currency [Note 12]	—	—	—	—	—	—	—	339,007	—	(338,607)	400
Shares issued on conversion of convertible promissory notes [Note 12]	—	—	11,150,489	1,115	—	—	—	188,375	—	—	189,490
Shares and warrant issued for acquisition of subsidiary [Note 12]	—	—	30,407,712	3,041	—	—	—	4,059,803	—	—	4,062,844
Shares issued as consideration for management services and consulting services [Note 12]	—	—	18,334,850	1,833	—	—	—	2,005,496	—	—	2,007,329
Shares issued as consideration for consideration of the intellectual property rights [Note 12]	—	—	250,000	25	(250,000)	(27,000)	—	26,975	—	—	—
Transfer from shares to be issued - liability to shares to issued - equity	—	—	—	—	9,813,278	454,241	—	—	—	—	454,241
Shares issued as consideration for private placement [Note 12]	—	—	387,594,918	38,759	(35,043,838)	(981,988)	220,319	9,696,176	—	—	8,973,266
Change due to extinguishment of derivative liability on debt conversion	—	—	—	—	—	—	—	648,001	—	—	648,001
Net loss	—	—	—	—	—	—	—	—	(3,320,876)	—	(3,320,876)
Foreign currency translation	—	—	—	—	—	—	—	—	—	(1,764,884)	(1,764,884)
As at June 30, 2019	<u>1,000,000</u>	<u>100</u>	<u>541,362,258</u>	<u>54,135</u>	<u>15,221,972</u>	<u>804,602</u>	<u>—</u>	<u>28,310,300</u>	<u>(12,415,830)</u>	<u>(2,159,372)</u>	<u>14,593,935</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)

	For the six months ended June 30, 2020 \$	For the six months ended June 30, 2019 \$
OPERATING ACTIVITIES		
Net income (loss) for the period	2,203,656	(3,320,876)
Adjustment for non-cash items		
Change in fair value of derivative and warrant liability	(990,875)	(375,912)
(Gain)/Loss on forgiveness	(2,398,458)	861,687
Day one interest expense	—	18,362
Accretion expense	15,454	360,458
Shares issued/to be issued for advisory and other services	235	—
Allowance for sales tax recoverable	6,451	(55,824)
Amortization and depreciation expense	42,795	51,335
Deferred rent	—	152,973
Operating lease expense	150,794	—
Investment loss from joint venture	129,432	—
Changes in operating assets and liabilities:		
Change in inventory	25,000	—
Change in prepaid asset	(26,601)	4,196
Change in sales tax recoverable	(25,800)	225,555
Change in other assets	—	(18,172)
Change in accounts payable and accrued liabilities	92,118	(825,973)
Change in operating lease liability, net	(158,957)	—
Net cash used in operating activities	(934,796)	(2,922,191)
INVESTING ACTIVITIES		
Cash acquired upon acquisition	—	5,658
Amount invested on fixed assets/capital work in progress	(1,314)	(4,254,240)
Recoverable from Joint Venture	(233,028)	-
Net cash used in investing activities	(234,342)	(4,248,582)
FINANCING ACTIVITIES		
Utilization of bank overdraft facility	(34,893)	74,812
Proceeds from a loan from a related party	1,358,010	—
Loan to joint venture	(25,659)	—
Repayment of shareholder advances	—	(75,623)
Shareholder advances	—	5,166
Proceeds from issuance of promissory notes	—	103,000
Settlement of promissory notes	(221,693)	(570,892)
Proceeds from private placements	—	9,331,340
Net cash provided by financing activities	1,075,765	8,867,803
Net (decrease) increase in cash during the period	(93,373)	1,697,030
Effect of foreign currency translation	85,832	(222,420)
Cash, beginning of period	10,487	303,438
Cash, end of period	2,946	1,778,048
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Shares issued on conversion of debt	40,770	189,490
Shares issued as consideration for services	235	2,007,329
Shares issued as consideration for acquisition	—	3,284,033
Cash paid for interest	10,236	22,399
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. During the quarter ended December 31, 2019, the intangible asset was written off based on management’s review and evaluation of its recoverability. During the quarter ended June 30, 2020, the Company was in arbitration with cGreen for the breaches of the terms of the License Agreement, however, through an early mediation, both companies reached to a settlement agreement to settle the breaches of the contract on July 27, 2020 (“Effective Date”). As per the settlement agreement, the License Agreement has been terminated and the Company does not have to issue the 10 million shares nor pay the outstanding royalty payable in the amount of \$1,191,860. As consideration, the Company will pay \$130,000 within 30 days of the Effective Date and \$100,000 in monthly installments of \$10,000 commencing in April 2021 to cGreen resulting in a gain on settlement in the amount of \$1,704,860.

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 60 to 90 days. The delay is primarily due to the effects of pandemic and slowing down of the economy in United States of America.

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

Going Concern and Management Plans

The Company has earned minimal revenue since inception to date and has sustained operating losses during the six months ended June 30, 2020. The Company had working capital deficit of \$3,546,893 and an accumulated deficit of \$17,258,968 as of June 30, 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 11 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.

The Company generated revenue of \$30,000 during six months ended June 30, 2020 as compared to \$nil revenue during comparable period ended June 30, 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.

Equity Method Investments

The Company uses the equity method of accounting for investments when the Company has the ability to significantly influence, but not control, the operations or financial activities of the investee. As part of this evaluation, the Company considers the participating and protective rights in the venture as well as its legal form. The Company records the equity method investments at cost and subsequently adjust their carrying amount each period for the Company’s share of the earnings or losses of the investee and other adjustments required by the equity method of accounting. Distributions received from the equity method investments are recorded as reductions in the carrying value of such investments and are classified on the consolidated statements of cash flows pursuant to the cumulative earnings approach. Under this approach, distributions received are considered returns on investment and are classified as cash inflows from operating activities unless the cumulative distributions received, less distributions received in prior periods that were determined to be returns of investment, exceed the cumulative equity in earnings recognized from the investment. When such an excess occurs, the current period distributions up to this excess are considered returns of investment and are classified as cash inflows from investing activities.

The Company monitors equity method investments for impairment and record reductions in their carrying values if the carrying amount of an investment exceeds its fair value. An impairment charge is recorded when such impairment is deemed to be other-than-temporary. To determine whether an impairment is other-than-temporary, we consider our ability and intent to hold the investment until the carrying amount is fully recovered. Circumstances that indicate an impairment may have occurred include factors such as decreases in quoted market prices or declines in the operations of the investee. The evaluation of an investment for potential impairment requires us to exercise significant judgment and to make certain assumptions. The use of different judgments and assumptions could result in different conclusions. The Company has recorded impairment losses related to our equity method investments of \$nil during the six months ended June 30, 2020.

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 10 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 June 30, 2020, the Company had \$72,283 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 \$18,071 (December 31, 2019: \$12,186) stemming from the potential uncollectible balances within the outstanding sales tax recoverable amount.

4. Inventory

At June 30, 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 8 for further details.

5. Fixed Assets

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. During the six months ended June 30, 2020, the Company has capitalized \$1,314 (June 30, 2019: \$4,254,240) in payments to multiple vendors for the upgrade and renovation 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 six months ended and year ended June 30, 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 \$42,795 during the six months ended June 30, 2020 (June 30, 2019: \$51,335).

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

	Machinery & Equipment	Software	Furniture & fixture	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost	768,629	43,488	810,101	6,631,598	8,253,816
Accumulated depreciation	(614,292)	(41,287)	(4,581)	—	(660,159)
	<u>154,337</u>	<u>2,201</u>	<u>805,520</u>	<u>6,631,598</u>	<u>7,593,657</u>

TARGET GROUP INC.**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****6. Joint Venture**

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 JVCo. 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.

As per the Joint Venture, Canary will provide the JVCo with a Hard Cost Loan with the maximum amount of \$880,560 (CAD \$1,200,000). This loan bears an interest rate of 7% per annum, matures in 12 months from effective date, and is secured against the personal property of the JVCo and Thrive will guarantee one-half (1/2) of the outstanding balance of the loan. As at June 30, 2020, the loan advanced amounts to \$25,683 (CAD \$35,000) and interest income charged for the six months ended in amount of \$178 (CAD \$243) is included in other income on the consolidated statement of operations and comprehensive loss and interest receivable in the amount of \$178 (CAD \$243) is included in receivable from joint venture on the unaudited condensed consolidated interim balance sheet.

The JVCo will reimburse Canary for certain expenses incurred by Canary for the cultivation and processing of cannabis products. As at June 30, 2020, the total eligible recoverable expenses were \$243,182 (CAD \$311,401) leading to a recoverable amount of \$233,248 (CAD \$317,863).

The net equity of the JVCo as at June 30, 2020 was \$259,109 (CAD \$353,106) resulting in a loss of equity for \$129,555 (CAD \$176,553). The JV has a liabilities of 259,109 and a nil balance of assets.

7. 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:

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

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 six months ended June 30, 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 12 for details on warrants.

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:

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

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 12 for details on warrants.

During the six month and year ended June 30, 2020 and December 31, 2019, respectively, 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.

8. Related Party Transactions and Balances

During the six months ended June 30, 2020, the Company expensed \$147,088 (June 30, 2019: \$692,558) in management service fee for services provided by the current key officers of the company.

The breakdown of the related party balance as at June 30, 2020 in the amount of \$1,906,108 (December 31, 2019: \$431,660) is below:

On December 20, 2019, one of the Company's shareholders provided a loan up to \$733,800 (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 11, April 30, and May 15, 2020, the loan maximum was further increased by \$220,140 (CAD 300,000), \$73,380 (CAD 100,000) and \$440,280 (CAD 600,000), respectively. These additional loans bear an annual interest rate of 43%. Due to above amendments, the maximum loan which the company can borrow is \$1,467,600 (CAD \$2,000,000) which is also the outstanding balance as at June 30, 2020. There is an additional fee of 10% on the loan amount of CAD 1,000,000. Interest expense charged for the six months ended in amount of \$83,458 (CAD \$113,735) is included in interest and bank charges on the consolidated statement of operations and comprehensive loss and accrued interest in the amount of \$95,421 (CAD \$131,400) is included in accounts payable and accrued liabilities on the unaudited condensed consolidated interim balance sheet.

Effective April 20, 2020, the Company issued its promissory note ("Note") to one of the Company's shareholders 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 and the note matures on April 20, 2021. As at June 30, 2020, the payable balance is \$225,134 after amortizing the discount over the term of the loan. Interest expense charged for the six months ended in amount of \$7,110 is included in interest and bank charges on the consolidated statement of operations and comprehensive loss and accrued interest in the same amount 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 \$152,791 (December 31, 2019: \$134,580). The outstanding balance are primarily outstanding management service fee. During the six months ended June 30, 2020, nil shares (June 30, 2019: 17,834,850 shares) were issued for these services performed as of and for the six months ended June 30, 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 six months ended June 30, 2020, \$53,354 (June 30, 2019: \$101,936) was paid as remuneration for management services included in salaries and wages. As at June 30, 2020, the balance owing is \$20,583 (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 (recorded in shares to be issued) 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 June 30, 2020 and December 31, 2019, \$40,000 was outstanding to be paid.

During the six months ended June 30, 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 June 30, 2020 is \$24,876 and is included in accounts payable and accrued liabilities.

During the six months ended June 30, 2020, the Company has purchased consulting services amounting to \$14,662 from BaK Consulting which is owned by one of the Company's director. The balance outstanding as at June 30, 2020 is \$24,876 and is included in accounts payable and accrued liabilities.

During the six months ended June 30, 2020, the Company leases its principal executive office premise from Norlandam Marketing Inc., a company owned by one of directors and rent payments amounted to \$12,859. There is balance of \$6,272 outstanding as at June 30, 2020 and is included in accounts payable and accrued liabilities.

9. Shareholder Advances and Receivable

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 June 30, 2020 and December 31, 2019 was \$nil while the amount of receivable as at June 30, 2020 and December 31, 2019 was \$nil and \$2,025. The amounts repaid during the six months ended June 30, 2020 and 2019 were \$nil and \$75,623, respectively.

TARGET GROUP INC.**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****10. 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 \$1,657,076 (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 \$814 (CAD \$1,100) plus applicable taxes per month. On the first anniversary date, the minimum rent per month will increase to \$835 (CAD \$1,138) plus applicable taxes, on the second anniversary date, the minimum rent per month will increase to \$855 (CAD \$1,166) plus applicable taxes, on the third anniversary date, the minimum rent per month will increase to \$876 (CAD \$1,193) plus applicable taxes, on the fourth anniversary date, the minimum rent per month will increase to \$896 (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 \$25,683 (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. Effective May 1, 2020, due to the implementation of the new lease, CAD 988,293 was forgiven by the landlord and one vendor.

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	\$ 159,189
2021	\$ 321,624
2022	\$ 324,982
2023	\$ 324,705
Thereafter	\$ 2,086,493
Total lease payment	\$ 3,216,993
Less imputed interest	\$(1,590,437)
Present value of lease liabilities	\$ 1,626,556
Current portion	\$ (70,377)
Non-current portion	\$ 1,556,179

Below is the reconciliation of the net operating lease presented on the unaudited condensed consolidated interim statement of operations:

	For the three months ended June 30, 2020	For the six months ended June 30, 2020
Gross operating lease expense	\$ 67,472	\$ 150,754
Gross rent and utilities expenses	\$ 31,788	\$ 62,601
Recoverable expenses from JVCo related to rent and utilities	\$ (90,711)	\$ (90,711)
	<u>\$ 8,549</u>	<u>\$ 122,644</u>

As explained in Note 6, the JVCo reimburses certain percentage of gross expenses incurred by Canary which includes rent and utilities. Due to this unique circumstance and since operating lease expense are related to rent expenses, the Company has decided to group the operating lease expenses, all lease related

expenses and the recoverable amount from JVCo to show a net operating lease expense.

11. Convertible Promissory Notes

Interest amounting to \$11,701 was accrued for the six months ended June 30, 2020 (June 30, 2019: \$24,482).

Principal amount outstanding as at June 30, 2020 and December 31, 2019 was \$3,128 and \$200,488, respectively. As at June 30, 2020, the entire balance was current while in comparison, as at December 31, 2019, \$32,188 is current portion while \$168,300 is the non-current portion.

During the quarter ended June 30, 2020, the Company settled the outstanding balance of Note R in full with a cash payment and recorded a loss of \$43,156 as settlement of debt in the condensed consolidated statement of operations. The loss is due to the prepayment penalty as per the note agreement. In addition, the Company converted the outstanding principal and accrued interest balance of Note I during quarter ended June 30, 2020.

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 six months ended June 30, 2020, holders of convertible promissory notes converted principal amounting to \$29,060 (June 30, 2019: \$30,000). The Company recorded and fair valued the derivative liability as follows:

	Derivative liability as at December 31, 2019	Conversions / Redemption during the period	Change due to Issuances	Fair value adjustment	Derivative liability as at June 30, 2020
Note D	1,257	—	—	(32)	1,225
Note F	9,864	—	—	(485)	9,379
Note G	3,583	—	—	(176)	3,407
Note I	32,049	(20,639)	—	(11,410)	—
Note K	783	—	—	(255)	528
Note R	103,298	(91,009)	—	(12,289)	—
	150,834	(111,648)	—	(24,647)	14,539

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 June 30, 2020:

- Projected annual volatility of a range from 185% to 245%;
- Risk free interest rate of a range from 0.12% to 0.16%;
- Stock price of \$0.018;
- Liquidity term of 0.13 to 0.88 years;
- Dividend yield of 0%; and
- Exercise price of \$0.0065 to \$0.0151.

TARGET GROUP INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. 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 563,277,094 shares are outstanding as at June 30, 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 June 30, 2020 and December 31, 2019.

As of June 30, 2020, convertible notes, warrants and preferred stock warrants outstanding could be converted into 8,954,352 (December 31, 2019: 27,535,127), 407,217,495 (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.

During the quarter ended March 31, 2020, 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.

During the quarter ended June 30, 2020, the Company issued 3,131,126 shares of common stock to individual on conversion of a convertible promissory note amounting to \$40,770 (including principal balance and accrued interest). In addition, 5,208 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 \$42, 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.

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

	<u>Shares</u>	<u>Amount</u>	<u>Description</u>
			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.
Services	115,000	\$ 73,000	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.
			Consideration for private placements with the fair value 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.
Private placements	703,439	\$ 37,480	During the period ended June 30, 2020, the Company found the allocation between shares to be issued and additional paid in capital was not performed correctly when the shares were issued for the past private placements. This has been corrected in this period and as a result of this reclassification, there was no impact on total equity.
Settlement of CannaKorp’s loans	930,240	\$ 80,838	Refer Note 8 for details.
Agreement with Serious Seeds	20,832	\$ 235	As consideration for intellectual property rights granted by Smit. The fair value is based on the market price of the Company’s stock on the date of issue as per the agreement.
License Agreement with cGreen	–	\$ –	During the six months ended June 30, 2020, 6,500,000 shares with a fair value of \$482,950 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. However, upon execution of the settlement agreement as detailed in Note 1, these shares were no longer required to be issued due to the termination of the License Agreement.
	<u>1,769,511</u>	<u>\$ 191,553</u>	

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

Warrants

As further explained in Note 15, 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 and June 20, 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 June 30, 2020	As at March 31, 2020	As at December 31, 2019
Forfeiture rate	0%	0%	0%
Stock price	\$0.018 per share	\$0.010 per share	\$0.020 per share
Exercise price	\$0.023 to \$0.200 per share	\$0.023 to \$0.200 per share	\$0.023 to \$0.200 per share
Volatility	215% to 298%	195% to 286%	170% to 382%
Risk free interest rate	0.16% to 2.66%	0.23% to 2.66%	1.58% to 2.66%
Expected life	0.01 to 2.12 years	0.24 to 2.37 years	0.49 and 2.66 years
Expected dividend rate	0%	0%	0%

The fair value of the warrants, which were issued during the quarter ended March 31 and June 30, 2020, were measured on issuance dates using the Black-Scholes option pricing model using the following assumptions:

	During quarter ended June 30, 2020	During quarter ended March 31, 2020
Forfeiture rate	0%	0%
Stock price	\$0.008 per share	\$0.010 to \$0.014 per share
Exercise price	\$0.200 per share	\$0.150 to \$0.200 per share
Volatility	305%	312%
Risk free interest rate	0.27%	1.61%
Expected life	2 years	2 years
Expected dividend rate	0%	0%
Fair value of warrants	\$177	\$3,137

407,217,495 numbers of warrants outstanding as at June 30, 2020 are details below:

	Warrants outstanding as at June 30, 2020	Warrants outstanding as at December 31, 2019	Remaining contractual life term as at June 30, 2020 (years)	Remaining contractual life term as at December 31, 2019 (years)
Acquisition of Canary	25,000,000	25,000,000	0.09	0.59
Acquisition of CannaKorp	7,211,213	7,211,213	0.67	1.16
Private placements	373,809,374	375,809,374	0.003 to 2.12	0.49 to 2.62
Settlement of CannaKorp loans	930,240	930,240	0.74	1.24
Serious Seeds	266,668	266,668	1.52 to 1.77	N/A
Total	407,217,495	409,217,495		

During quarter ended June 30, 2020, 2,000,000 warrants expired (related to private placements).

13. 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 June 30, 2020, diluted EPS excludes the change due in fair value of derivative value and gain on forgiveness/settlement of debt 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****14. 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 \$1,540,980 (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 \$5,412 (CAD \$7,375) which were due within 30 days of the execution of the settlement agreement. During the quarter ended June 30, 2020, the Company has paid the settlement amount in full.

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 \$50,935 (CAD \$69,412). During quarter ended June 30, 2020, the Company settled with the employee in the amount of \$7,003 (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 June 30, 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. During the quarter ended June 30, 2020, the Company was in arbitration with cGreen for the breaches of the terms of the License Agreement, however, through an early mediation, both companies reached to a settlement agreement to settle the breaches of the contract on July 27, 2020 ("Effective Date"). As per the settlement agreement, the License Agreement has been terminated and the Company does not have to issue the 10 million shares nor pay the outstanding royalty payable in the amount of \$1,191,860. As consideration, the Company will pay \$130,000 within 30 days of the Effective Date and \$100,000 in monthly installments of \$10,000 commencing in April 2021 to cGreen resulting in a gain on settlement in the amount of \$1,704,860.

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 13th 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 June 30, 2020, none of the above shares have been issued.

15. 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

16. Subsequent Events

The Company's management has evaluated subsequent events up to August 10, 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:

On July 27, 2020, the Company entered into a settlement agreement with cGreen. The License Agreement, as explained in Note 1, has been terminated and the Company does not have to issue the 10 million shares nor pay the outstanding royalty payable in the amount of \$1,191,860. As consideration for the settlement, the Company will pay \$130,000 within 30 days of the Effective Date and \$100,000 in monthly installments of \$10,000 commencing in April 2021 to cGreen resulting in a gain on settlement in the amount of \$1,704,860.

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

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 and six months ended June 30, 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, 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.

During the second quarter of 2020, the global spread of Coronavirus (COVID-19) continued to have a significant impact on the Canadian and global economy and customer purchasing behaviour, while equity markets remained volatile. However, these factors have not impacted the Company's operations, financial results for the quarter.

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 13th 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 st year:	2.00% of gross sales
2 nd year:	2.25% of gross sales
3 rd year:	2.50% of gross sales
4 th year:	2.75% of gross sales
5 th 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™ vaporizer, the Serious Seeds™ 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™ 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)

Additionally, during the quarter ended June 30, 2020, the Company was in arbitration with cGreen for the breaches of the terms of the License Agreement, however, through an early mediation, both companies reached to a settlement agreement to settle the breaches of the contract on July 27, 2020 ("Effective Date"). As per the settlement agreement, the License Agreement has been terminated and the Company does not have to issue the 10 million shares nor pay the outstanding royalty payable in the amount of \$1,191,860. As consideration, the Company will pay \$130,000 within 30 days of the Effective Date and \$100,000 in monthly installments of \$10,000 commencing in April 2021 to cGreen.

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*TM Vaporizer and *Wisp*TM 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*TM 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*TM Pods and to sell the *WISP*TM Pods in conjunction with the sale of the *WISP*TM Vaporizer. Nabis is required to meet minimum quarterly orders of two hundred (200) *WISP*TM Vaporizers and five thousand (5,000) *WISP*TM Pods cartridges. Nabis is licensed to sell the *WISP*TM Vaporizer and the *WISP*TM 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 60 to 90 days. The delay is primarily due to the effects of pandemic and slowing down of the economy in United States of America.

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.

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.

As per the Joint Venture, Canary will provide the JVCo with a Hard Cost Loan with the maximum amount of \$880,560 (CAD \$1,200,000). This loan will bear an interest rate of 7% per annum and will be secured against the personal property of the JVCo and Thrive will guarantee one-half (1/2) of the loan. As at June 30, 2020, the loan advanced amounts to \$25,683 (CAD \$35,000) and interest income charged for the six months ended in amount of \$178 (CAD \$243) is included in other income on the consolidated statement of operations and comprehensive loss and interest receivable in the amount of \$178 (CAD \$243) is included in receivable from joint venture on the unaudited condensed consolidated interim balance sheet.

The JVCo will reimburse Canary for certain expenses incurred by Canary for the cultivation and processing of cannabis products. As at June 30, 2020, the total eligible recoverable expenses were \$243,182 (CAD \$311,401) leading to a recoverable amount of \$233,248 (CAD \$317,863).

The net equity of the JVCo as at June 30, 2020 was \$259,109 (CAD \$353,106) resulting in a loss of equity for \$129,555 (CAD \$176,553).

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

Employees

As at June 30, 2020, we had four employees which include Anthony Zarcone, Chief Executive Officer and 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 June 30, 2020 and December 31, 2019

Cash

At June 30, 2020 we had cash of \$2,946 compared to \$10,487 as at December 31, 2019. The decrease is due to funds advanced from a related party as loans during the current period ended offset by payments of salaries, consulting, professional and legal expenses and outstanding payables during the period.

Prepaid asset

At June 30, 2020 we had prepaid expenses of \$62,616 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 June 30, 2020, we had \$72,283 (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 June 30, 2020, the balance of the allowance is \$18,071 (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 six months ended June 30, 2020, the Company has capitalized \$1,314 (December 31, 2019: \$3,510,401) in payments to multiple vendors for the upgrade and renovation 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 \$1,587,874 as at June 30, 2020, primarily represents consulting and construction services related to capital work in progress amounting to \$149,728, interest on promissory notes and loan amounting to \$150,520, outstanding professional fees amounting to \$1,103,722, 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

As at June 30, 2020, we had \$1,906,108 of amount payable to related parties as compared to \$431,660 as at December 31, 2019. The balance primarily represents two loans provided by the Company's shareholders, 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 8 in unaudited condensed consolidated interim financial statements.

Shareholder advances

Shareholder advances represents expenses paid by the owners from their personal funds. As at June 30, 2020 and December 31, 2019, there was no outstanding balance.

Refer to Note 9 for details in the unaudited condensed consolidated interim financial statements.

Convertible promissory notes payable

We accrued net interest on promissory notes during the six months ended June 30, 2020 amounting to \$11,701 (June 30, 2019: \$24,482).

Principal amount outstanding as at June 30, 2020 and December 31, 2019 was \$3,128 and \$200,488, respectively. As at June 30, 2020, the entire balance was current while in comparison, as at December 31, 2019, \$32,188 is current portion while \$168,300 is the non-current portion.

During the quarter ended June 30, 2020, the Company settled the outstanding balance of Note R in full with a cash payment and recorded a loss of \$43,156 as settlement of debt in the condensed consolidated statement of operations. The loss is due to the prepayment penalty as per the note agreement. In addition, the Company converted the outstanding principal and accrued interest balance of Note I during quarter ended June 30, 2020.

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

Statement of Operations – For the three months June 30, 2020 and 2019:

Revenue

We generated nil revenue during quarter ended June 30, 2020 and 2019.

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 June 30, 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 June 30, 2020 primarily represented consulting fees of \$18,380, management fees of \$63,849, salary and wages amounting in total to \$4,574, legal and professional charges of \$93,555 comprising legal, review, accounting and Edgar agent fee, rent and utilities amounting to \$nil, office and general expenses amounting to \$24,670.

Other income and expenses comprised, change in fair value of derivative and warranty liability amounting to \$2,464,450, gain on settlement of debt amounting to \$2,398,458, interest and bank charges amounting to \$80,538, accretion expenses of \$3,254 related to promissory notes and an allowance expense for sales tax recoverable of \$3,827.

Statement of Operations – For the six months June 30, 2020 and 2019:

Revenue

We generated revenue of \$30,000 during period ended June 30 2020 as compared to \$nil revenue during period ended June 30, 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 six months ended June 30, 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 six months ended June 30, 2020 primarily represented consulting fees of \$62,649, management fees of \$147,088, salary and wages amounting in total to \$143,354, legal and professional charges of \$217,555 comprising legal, review, accounting and Edgar agent fee, rent and utilities amounting to \$nil, office and general expenses amounting to \$83,528.

Other income and expenses comprised, change in fair value of derivative and warranty liability amounting to (\$990,875), gain on settlement of debt amounting to \$2,398,458, interest and bank charges amounting to \$116,787, accretion expenses of \$15,454 related to promissory notes and an allowance expense for sales tax recoverable of \$6,451.

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

Liquidity and Capital Resources

As at June 30, 2020, we had a working capital deficit of \$3,546,893 (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

On July 27, 2020, the Company entered into a settlement agreement with cGreen. The License Agreement, as explained in Note 1, has been terminated and the Company does not have to issue the 10 million shares nor pay the outstanding royalty payable in the amount of \$1,191,860. As consideration for the settlement, the Company will pay \$130,000 within 30 days of the Effective Date and \$100,000 in monthly installments of \$10,000 commencing in April 2021 to cGreen resulting in a gain on settlement in the amount of \$1,704,860.

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

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 June 30, 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 six months ended June 30, 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 \$1,540,980 (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. During the quarter ended June 30, 2020, the Company has paid the settlement amount in full.

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 \$50,935 (CAD \$69,412). During quarter ended June 30, 2020, the Company settled with the employee in the amount of \$7,003 (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. During the quarter ended June 30, 2020, the Company was in arbitration with cGreen for the breaches of the terms of the License Agreement, however, through an early mediation, both companies reached to a settlement agreement to settle the breaches of the contract on July 27, 2020 (“Effective Date”). As per the settlement agreement, the License Agreement has been terminated and the Company does not have to issue the 10 million shares nor pay the outstanding royalty payable in the amount of \$1,191,860. As consideration, the Company will pay \$130,000 within 30 days of the Effective Date and \$100,000 in monthly installments of \$10,000 commencing in April 2021 to cGreen resulting in a gain on settlement in the amount of \$1,704,860.

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

During the quarter ended June 30, 2020, the Company issued 3,131,126 shares of common stock to individual on conversion of a convertible promissory note amounting to \$40,770, including principal balance and accrued interest. The shares were issued pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, for sales not involving a public offering.

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
2.1	Asset Acquisition Agreement	8-K	2.1	12/11/14
2.1.1	Agreement and Plan of Share Exchange dated June 27, 2018 with Visava Inc.	8-K	2.1	07/03/18
2.1.2	Agreement and Plan of Share Exchange dated January 25, 2019 with CannaKorp Inc. and David Manly, as Stockholder Representative	8-K	2.1	01/29/19
3(i)(a)	Articles of Incorporation	10-12G	3.1	09/30/13
3(i)(a)	Amended Articles of Incorporation	8-K		05/13/14
3(i)(a)	Certificate of Amendment	8-K	3(i)	10/20/16
3(i)(a)	Certificate of Amendment	8-K	3(i)	04/12/17
3(i)(a)	Certificate of Amendment	8-K	3(i)	07/03/17
3(i)(a)	Certificate of Amendment	8-K	3(i)	11/01/17
3(i)(a)	Certificate of Amendment	8-K	3(i)	09/25/18
3.2	Bylaws	10-12G	3.2	09/30/13
4.1	Description of Capital Stock	10-K	4.1	04/14/20
10.1	Form of Securities Purchase Agreement-Blackbridge Capital Growth Fund, LLC	10-K	10.1	03/31/17
10.2	Form of Convertible Promissory Note	10-K	10.2	03/31/17
10.3	Form of Convertible Promissory Note	10-K	10.3	03/31/17
10.4	Form of Convertible Promissory Note	10-K	10.4	03/31/17
10.5	Form of Securities Purchase Agreement-Crown Bridge Partners, LLC	10-K	10.5	03/31/17
10.6	Form of Convertible Promissory Note	10-K	10.6	03/31/17
10.7	Form of Convertible Promissory Note	8-K		03/07/16
10.8	Non-Negotiable Promissory Note	8-K		03/07/16
10.9	Securities Purchase Agreement	8-K		03/07/16

<u>10.10</u>	<u>Securities Purchase Agreement-Power Up Lending Group Ltd.</u>	<u>10-K</u>	<u>10.10</u>	<u>03/28/18</u>
<u>10.11</u>	<u>Convertible Promissory Note-Power-Up Lending Group Ltd.</u>	<u>10-K</u>	<u>10.11</u>	<u>03/28/18</u>
<u>10.12</u>	<u>Securities Purchase Agreement-Power Up Lending Group Ltd.</u>	<u>10-K</u>	<u>10.12</u>	<u>03/28/18</u>
<u>10.13</u>	<u>Convertible Promissory Note-Power-Up Lending Group Ltd.</u>	<u>10-K</u>	<u>10.13</u>	<u>03/28/18</u>
<u>10.14</u>	<u>Securities Purchase Agreement-Power Up Lending Group Ltd. dated December 24, 2018</u>	<u>10-K</u>	<u>10.14</u>	<u>04/01/19</u>
<u>10.15</u>	<u>Convertible Promissory Note-Power-Up Lending Group Ltd. dated December 24, 2018</u>	<u>10-K</u>	<u>10.15</u>	<u>04/01/19</u>
<u>10.16</u>	<u>Distribution, Collaboration and Licensing Agreement dated December 6, 2018 between Target Group Inc, Canary Rx Inc., Serious Seeds B.V. and Simon Smit</u>	<u>10-K</u>	<u>10.16</u>	<u>04/01/19</u>
<u>10.17</u>	<u>Licensed Producer/Licensed Processor Sales Agency Agreement dated December 13, 2018 with Cannavolve Inc.</u>	<u>10-K</u>	<u>10.17</u>	<u>04/01/19</u>
<u>10.18</u>	<u>Exclusive License Agreement dated August 8, 2019 with cGreen Inc.</u>	<u>8-K</u>	<u>2.1</u>	<u>08/13/19</u>
<u>10.19</u>	<u>Purchase, Licensing and Purchase Agreement dated September 17,2019 between CannaKorp, Inc. and Nabis Arizona LLC</u>	<u>8-K</u>	<u>10.1</u>	<u>09/19/19</u>
<u>10.20</u>	<u>Loan Agreement dated December 20, 2019 with Jerry Zarcone</u>	<u>10-K</u>	<u>10.20</u>	<u>04/14/20</u>
<u>10.21</u>	<u>First Amending Agreement dated March 11, 2020 with Jerry Zarcone</u>	<u>10-Q</u>	<u>10.21</u>	<u>06/05/20</u>
<u>10.22*</u>	<u>Second Amending Agreement dated April 30, 2020 with Jerry Zarcone</u>			
<u>10.23*</u>	<u>Third Amending Agreement dated May 15, 2020 with Jerry Zarcone</u>			
<u>10.24*</u>	<u>Promissory Note Between Target Group Inc. and Frank Zarcone</u>			
<u>10.25*</u>	<u>Joint Venture Agreement between Canary Rx Inc. and 9258159 Canada, Inc. dated May 14, 2020</u>			
<u>31.1*</u>	<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>			
<u>31.2*</u>	<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>			

[32.1*](#) [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.](#)

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.

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: August 10, 2020

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

Dated: August 10, 2020

By: /s/ Barry Alan Katzman
Director

Dated: August 10, 2020

By: /s/ Saul Niddam
Director

Dated: August 10, 2020

By: /s/ Frank Monte
Director

Dated: August 10, 2020

By: /s/ Rubin Schindermann
Director

SECOND AMENDING AGREEMENT

THIS AGREEMENT made as of the 30th day of April 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. Jerry and TGI entered into a Loan Agreement made as of the 20th 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. By First Amending Agreement made as of the 11th day of March 2020, the Parties hereto did amend the Loan Agreement.
- D. 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, and in particular, 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.
3. The Loan be and same is hereby increased by the principal amount of a further One Hundred Thousand (\$100,000.00) Dollars (CDN) (the "**Second Additional Loan**") upon the following terms and provisions:
 - (a) The Second Additional Loan shall be repayable upon demand;
 - (b) The Second Additional Loan shall be subject to a Lender's Fee in the amount of Ten Thousand (\$10,000.00) Dollars (CDN), which shall be deducted and paid for from the second advance thereunder;
 - (c) The Second 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 1st day of each and every month; and
 - (e) All monies owing under the Second 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 Second 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)

/s/ Jerry Zarcone

JERRY ZARCONE

TARGET GROUP INC.

Per:

/s/ Rubin Schindermann

Name: Rubin Schindermann

Position: Director

/s/ Saul Niddam

Name: Saul Niddam

Position: Director

/s/ Frank Monte

Name: Frank Monte

Position: Director

/s/ Anthony Zarcone

Name: Anthony Zarcone

Position: Director

/s/ Barry Katzman

Name: Barry Katzman

Position: Director

We have authority to bind the Corporation

CANARY RX INC.

Per:

/s/ Anthony Zarcone

Name: Anthony Zarcone

Position: President & CEO

VISAVA INC.

Per:

/s/ Anthony Zarcone

Name: Anthony Zarcone

Position: President & CEO

CANNAKORP INC.

Per:

/s/ Saul Niddam

Name: Saul Niddam

Position: CEO

THIRD AMENDING AGREEMENT

THIS AGREEMENT made as of the 15th day of May, 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. Jerry and TGI entered into a Loan Agreement made as of the 20th 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. By First Amending Agreement made as of the 11th day of March, 2020 and Second Amending Agreement made as of the 30th day of April, 2020, the Parties hereto did amend the Loan Agreement.

D. 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. The Loan be and same is hereby increased by a principal amount not to exceed a further Six Hundred Thousand (\$600,000.00) Dollars (CDN) (the “**Third Additional Loan**”) upon the following terms and provisions:
 - (a) The Third Additional Loan shall be repayable upon demand;
 - (b) The Second Additional Loan shall be subject to a Lender’s Fee in the amount of Sixty Thousand (\$60,000.00) Dollars (CDN), which shall be deducted and paid for from the second advance thereunder;
 - (c) The Third 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 2(c) hereof on the 1st day of each and every month; and
 - (e) All monies owing under the Third Additional Loan be and same shall be guaranteed by the Subsidiaries and secured under the Security.
3. 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 Third 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.
4. 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.
5. 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.

6. 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.
7. 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.
8. 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

)
)
)
)
)

/s/ Jerry Zarcone

JERRY ZARCONE

TARGET GROUP INC.

Per:

/s/ Rubin Schindermann

Name: Rubin Schindermann

Position: Director

/s/ Saul Niddam

Name: Saul Niddam

Position: Director

/s/ Frank Monte

Name: Frank Monte

Position: Director

/s/ Anthony Zarcone

Name: Anthony Zarcone

Position: Director

/s/ Barry Katzman

Name: Barry Katzman

Position: Director

We have authority to bind the Corporation

CANARY RX INC.

Per:

/s/ Anthony Zarcone

Name: Anthony Zarcone

Position: President & CEO

VISAVA INC.

Per:

/s/ Anthony Zarcone

Name: Anthony Zarcone

Position: President & CEO

CANNAKORP INC.

Per:

//s/ Saul Niddam

Name: Saul Niddam

Position: CEO

PROMISSORY NOTE

Date: April 20, 2020

To the order of: **FRANK ZARCONE**
(the "Lender")

For Value Received, the undersigned (the "**Borrowers**") promise to pay, on a joint and several basis, to or to the order of the Lender or to the Lender of this promissory note (the "**Note**"), the principal amount specified below ("**Principal**"), together with all interest as set forth below ("**Interest**") on the maturity date set forth below (the "**Maturity Date**"), subject to the terms and conditions as set forth below.

This Note is a negotiable instrument.

1. **Principal:** The Principal of this Note is \$221,692.81 (USD) plus \$15,300.00 (USD) for an aggregate amount of \$236,992.81 (USD)
2. **Maturity Date:** The Maturity Date is April 20, 2021.
3. **Interest:** Interest shall accrue at a rate of twelve percent (12%) per annum, calculated monthly, not in advance. The covenant to pay Interest shall not merge on the taking of a judgment or judgments with respect to any of the obligations herein stipulated for.
4. **Payments:** All payments made pursuant to this Note shall be applied first to accrued Interest and then to the unpaid Principal.
5. **Prepayment Privileges:** Provided not in default, this Note may be prepaid without notice, bonus, or penalty.
6. **Default:**
 - (1) The following are acts or events of default:
 - (a) The failure to pay or perform and pay any obligations, liabilities or indebtedness owed by any of the Borrowers to the Lender as and when due, whether contemplated under this Note or under another present or future agreement, note or instrument as and when due (whether due by maturity or by acceleration); or
 - (b) The insolvency of any of the Borrowers or the appointment of a receiver, manager, trustee, liquidator, for any of the property of the Borrowers or an assignment for the benefit of any of the Borrowers' lenders; or
 - (c) Execution is levied or issued against all or any part of any of the Borrowers' property; or

- (d) The institution of a proceeding in bankruptcy against any of the Borrowers, whether voluntarily or involuntarily, or the institution of proceedings by any of the Borrowers to obtain relief against their respective Lender; or
 - (e) An occurrence of any default by any of the Borrowers under any form of security agreement given by any of the Borrowers as security for the obligations hereunder.
- (2) Despite any time allowed for payment under the Note, where there is an act or event of default, the total Principal then outstanding plus all accrued Interest under the Note shall immediately become due and payable to the Lender.
- (3) In the event of a default, the Borrowers shall pay all costs incurred by the Lender in enforcing and collecting upon this Note, including legal costs on a substantial indemnity scale.
7. **Presentment, etc.:** The Borrowers hereby waive presentment, demand, notice of dishonor, notice of protest, notice of non-payment and any other notice required by law to be given to the Borrowers on this Note in connection with the delivery, acceptance, performance, default or enforcement of this Note and consents to,
- (a) any delays, extensions, renewals or other modifications of this Note;
 - (b) any waivers of any term or condition of this Note;

by the Lender or any other person, and the Borrowers agree that no such action or failure to act by the Lender or any other person shall affect or impair the obligations of the Borrowers, or be construed as being a waiver by the Lender or that other person of its rights under the Note.

8. **Proper Law**

This Note is subject to the laws of the State of Delaware and the Borrowers consent to the non-exclusive jurisdiction of the courts of the State of Delaware in respect of all proceedings arising under the Note.

9. **Interpretation:** In this Note,

- (a) a word importing the masculine, feminine or neuter gender only includes members of the other genders;
- (b) a word defined in or importing the singular number has the same meaning when used in the plural number, and vice versa;

- (c) the headings to each section are inserted for convenience of reference only and do not form part of the Note;
- (d) all references to the Lender shall be deemed to include the successors and assigns of the Lender and any Lender of this Note.

Signed as of the date first above written

TARGET GROUP INC.
Per: /s/ Anthony Zarcone

Name: *Anthony Zarcone*
I have authority to bind the Corporation

CANARY RX INC.
Per: Anthony Zarcone

Name: *Anthony Zarcone*
I have authority to bind the Corporation

VISAVA INC.
Per: Anthony Zarcone

Name: *Anthony Zarcone*
I have authority to bind the Corporation

JOINT VENTURE OPERATIONS AGREEMENT

This Agreement made the 14th day of May, 2020

BETWEEN:

CANARY RX INC.
(hereinafter referred to as "**Canary**")

-and-

9258159 CANADA INC.
(hereinafter referred to as "**Thrive**") (together with Canary, the "**Shareholders**" and each a "**Shareholder**")

-and-

2755757 ONTARIO INC.
(hereinafter "**JVCo**")

WHEREAS:

- A. Canary is in the business of legal cultivation, processing, and sale of cannabis ("**Cannabis**") pursuant to a license issued by Health Canada in its name as License No. LIC-9B4CKDEB1R-2019 ("**Grow License**") having a licensed site on lands and premises municipally known as 385 Second Ave. West, Simcoe, Ontario (the "**Licensed Site**").
 - B. Thrive is in the business of legal cultivation, processing, and sale of cannabis pursuant to a license issued by Health Canada in its name as License No. LIC-8L6R4DOSCE-2018-4 having a licensed site on lands and premises municipally known as 41 Townline Road, Simcoe, Ontario
 - C. JVCo is a corporation incorporated by the Shareholders for the purpose of operating and managing a portion of the Licensed Site with respect to the legal cultivation and processing of Cannabis in compliance with the laws of Canada (the "**Business**").
 - D. The Shareholders have brought complementary assets and experience to the JVCo for the purpose of facilitating the Business and the Activities (hereinafter defined) from and within no more than seven (7) rooms within the Licensed Site set out in Schedule "A" hereof (the "**Grow Facilities**") in a manner which represents the interests of the JVCo and, by extension thereof, the Shareholders.
-

NOW, THEREFORE, in consideration of the mutual terms, obligations and provisions set forth herein, the Parties hereto agree as follows:

1. Term and Termination

- (a) Term. This Agreement shall commence on the 14th day of May, 2020 (the “**Effective Date**”) and continue for a period of Five (5) years thereafter (the “**Term**”), subject to the terms and provisions of Section 13 of this Agreement.

2. Grow Facilities.

- (a) JVCo shall operate the Business within the Licensed Site and Grow Facilities, which as at the date hereof shall consist of seven (7) rooms, provided that Canary may, in its sole and absolute discretion, exercisable at any time throughout the Term on six (6) months’ written notice (the “**Reduction Period**”) to the JVCo reduce the Grow Facilities to six (6) rooms of its choosing (the “**Reduced Room**”), whereupon the Corporation shall, on the first day following the Reduction Period, deliver up possession thereof to Canary in a state and condition as it would be required to deliver upon the Grow Facilities at the expiration or earlier termination of the Term in accordance with Section 14 hereof, provided that as at the date of the delivery of such notice by Canary, there exists a Grow in cycle in the Reduced Room and such cycle shall not be completed upon the last day of the Reduction Period, the Reduction Period shall be automatically extended to complete such existing Grow Cycle as determined by Canary from to time acting reasonably. Upon JVCo’s delivery of the Reduced Room to Canary, proportion of 7/8th set forth in Section 7(a) hereof shall be amended to six-eighth (6/8th).
- (b) Provided that JVCo performs the covenants herein on its part contained and subject to the other terms and provisions of this Agreement, Canary shall provide JVCo with unrestricted and unfettered access to the Grow Facilities and other areas of the Licensed Site as may reasonably be required by JVCo in the furtherance of the cultivation and process of Cannabis and Cannabis products within the Grow Facilities (the “**Grow**”), it being understood that it is a material inducement of this Agreement that JVCo shall have access to the Licensed Site and Grow Facilities for the entire duration of the Term, as aforesaid.

3. Grow License and Ownership of Cannabis and Cannabis Products and Licensed Site.

- (a) The Parties acknowledge and agree that Canary shall, at all times, own and retain and does not hereby grant to JVCo any right, title, and interest in and to the Licensed Site (and Canary’s leasehold interest therein), any improvements therein, or fixtures therein (existing as at the Effective Date), or the Grow License.
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- (b) The Parties further acknowledge and agree that Canary shall, at all times, own and retain all title to all Cannabis and Cannabis products of the Grow, provided that in consideration for JVCo's provision of the Activities pursuant to the terms and provisions of this Agreement:
 - (i) Canary shall, at all times including without limitation in the event of a dispute, transfer and deal with the Grow pursuant to the to the direction of JVCo; and
 - (ii) Canary shall direct the payment of all Sale Proceeds (hereinafter defined) to JVCo in accordance with Section 7 of this Agreement with an understanding that such Sale Proceeds shall be handled, disbursed, and allocated by JVCo as provided for the Unanimous Shareholders Agreement dated the 14th day of May, 2020 as between the Parties hereto (the "**Shareholders' Agreement**").
 - (c) The Parties further acknowledge and agree that nothing in this Agreement shall preclude, restrict, impede, or otherwise prevent Canary from amending the Grow License to expand the parties to whom or to expand and/or amend the operations at and the purposes for which it is lawfully permitted to sell Cannabis and Cannabis products cultivated or produced from the Licensed Site.
4. Activities. During the Term of this Agreement, the JVCo shall be responsible for the administration, operation and management of the Grow Facilities along with all other ancillary activities typically required by Grow Facilities of a similar type and size, which may include, but are not limited to, the following (hereinbefore and hereinafter collectively referred to as the "**Activities**"), all of which shall be provided in a manner and with a view of maximizing the Grow and the benefit to the JVCo at the Grow Facility, and the quality, sale, and profits to be derived therefrom, which shall be subject to ongoing compliance in respect of governmental requirements which are applicable to the Activities and Business:
- (a) cultivation, production, marketing, distribution and sale of Cannabis and cannabis products at and from the Grow Facilities (including the breeding and preserving of Cannabis genetics to the greatest extent reasonably possible);
 - (b) responsibility for securing any certificates of origin, transport documents, approvals, licenses, permits, registrations or clearances, which may be required to cultivate, produce, market, distribute and sell Cannabis and Cannabis products at and from the Grow Facilities;
 - (c) observing, performing and complying with all terms, conditions, obligations, restrictions and stipulations of: (i) the Grow License and any other license held or to be held by Canary in respect of the Grow, as well as the *Cannabis Act*, provincial and municipal laws and all other applicable Laws, including without limitation, the provision of information to Health Canada or any other applicable governmental entity in relation thereto, and (ii) the Grow Facilities;
 - (d) observing, performing and complying with all requisitions and requirements of any governmental entity relating to the Grow License and any other license held or to be held by Canary in respect of the Grow and the Grow Facilities;
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- (e) all things necessary to exercise any right of renewal or amendment in respect of the Grow License and any other license held or to be held by Canary in respect of the Grow;
 - (f) delivery to Canary copies of all information and documentation filed with Health Canada and any other applicable governmental entity in relation to the Grow License and any other license held or be held by Canary in respect of the Grow, the business of Canary in respect of the Grow, and Grow Facilities;
 - (g) prompt delivery to Canary copies of all notices and other communications and documents received by it from any governmental entity in relation to the Grow License and any other license held or to be held by Canary in respect of the Grow, the business of Canary in respect of the Grow, and the Grow Facilities;
 - (h) ensuring the effective, efficient and successful administration, operation and management of Grow Facilities;
 - (i) selecting, contracting with, and supplying all employees, third party consultants, independent contractors, vendors or service providers, which are necessary for the administration, operation and management of the Grow Facilities;
 - (j) implementing all actions necessary to ensure the quality, safety and security of the Grow Facilities and Cannabis plants;
 - (k) engaging, training, evaluating and terminating employees and independent contractors of the Grow Facilities;
 - (l) sourcing and retaining all independent contractors for the successful operation and management of the Grow Facilities;
 - (m) implementing all actions necessary to ensure all employees and independent contractors of the Grow Facilities have acquired and maintain, in good standing at all times, any required security clearances under the *Cannabis Act* (Canada);
 - (n) responsibility for logistics management, product procurement, product inventory management, administration and operation of the Grow Facilities including, but not limited to the cultivation, harvest, preparation and packaging, of Cannabis, in complete compliance with the necessary laws and all other rules, requirements and regulations, on behalf of the Canary;
 - (o) responsibility for the daily administration, operation and management of all aspects of the Grow;
 - (p) procuring, ensuring and maintaining all regulatory approvals in respect of the Grow License or any other license held or to be held by Canary in respect of the Grow, the business of Canary in respect of the Grow, and the Grow Facilities;
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- (q) JVCo shall, from time to time and no later twenty (20) days following written request by a Shareholder, provide such Shareholder with the following:
 - (i) Harvest plans and forecasts (with a view of maximizing Grow revenues and profits from the Grow Facilities) detailing quantity, varietal and style of Cannabis and Cannabis products to be cultivated, produced, marketed, distributed and sold from the Grow Facilities, the forecasted cost, expenses, revenues, and profits associated therewith, and such other and further details and information as may be reasonably requested by such Shareholder from time to time (the “**Harvest Plans and Forecasts**”), and do all things reasonably necessary to meet such Plans and Forecasts;
 - (ii) Work plans for the maintenance, expansion and/or improvement of the Grow and the Grow Facilities (with a view of maximizing Grow revenues and profits from the Grow Facilities) detailing all the supply of all services and materials, and costs and expenses associated therewith and any further and other details and information as may be reasonable requested by the Shareholder (“**Maintenance and Work Plans**”);
 - (iii) Such further and other information, plans, forecasts, projections, reports, etc., as may be reasonably requested by the Shareholder in respect of the cultivation, production, marketing, distribution and sale of Cannabis and cannabis products at and from the Grow Facilities.

 - 5. Cooperation with JVCo. In performing the Activities, the JVCo shall, having regard to the Activities enumerated under Section 4 hereof, have discretion in respect of the Grow, and, Canary shall not unreasonably refuse or withhold its consent and/or its execution of any instrument, contract, purchase order, or other document as JVCo, may reasonably require of Canary as the holder of the Grow License, provided that:
 - (a) Canary shall not be required to provide its consent to or execute any such instrument, contract, purchase order, or other document which that would constitute or result in a contravention or breach of any laws, this Agreement or any other agreement to which the Canary and/or the JVCo may be a party or any other agreement made pursuant thereto or may not comply with government requirements and applicable laws relating to the Grow License.
 - (b) In exercising its discretion, as aforesaid, the JVCo shall, at all times, act in its best interests of JVCo and its Shareholders.

 - 6. Costs and Expenses Related to the Grow Facilities and Grow Management. In undertaking the Activities, the JVCo shall be responsible for the following:
 - (a) All ongoing costs and expenses related to the Grow, the maintenance, operation, and cultivation of the Grow Facilities, and the ongoing cultivation, harvest, preparation, storage and security of the Cannabis in compliance with the terms and covenants of this Agreement, and all laws, rules, and regulations, including, without limitation:
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- (i) Employees, independent contractors, and other personnel;
 - (ii) The planting, cultivation, harvest, preparation, production, packaging, storage and security of Cannabis; and
 - (iii) Expenditures, reasonably attributed to the Grow Facilities, related to the acquisition of seeds and nutrients, maintenance, utilities, equipment, storage and all costs and expenses related to the requisite security, staff labor, packaging, in compliance with all laws, rules and regulations and the ensuring that any and all fixtures, equipment and systems used in connection with the Grow Facility are, subject to the terms and provisions of the Shareholders' Agreement, repaired and maintained in a good and workmanlike manner, and replaced as required throughout the Term as and pursuant to terms and conditions determined by the JVCo, acting reasonably, including, but not limited to fertilization, irrigation, chillers, HVAC, fans, lighting systems, and any automated systems used in connection with the Grow Facility and or accounting and/or fertigation servicing. Notwithstanding the above, the JVCo shall be responsible for repairing any damage caused by use that is outside the design parameters or intended use of such equipment.
- (b) All ongoing costs and expenses related to the management and oversight of the Grow ("**Growth Management**"), in compliance with the terms and covenants of this Agreement and all laws, rules, and regulations, including, without limitation, expenditures related to management personnel sufficient to competently manage and oversee the overall grow operation on a daily basis, in compliance with all laws, rules and regulations, and as required in the JVCo's discretion.
- (c) At its sole cost and expense, maintain and ensure the Grow License in good standing and comply with the terms and provision thereof including without limitation quality, security, etc. ("**License Maintenance Costs**") provided that if and to the extent that Canary or some other person with Canary's (the "**Third Party Operator**") consent actively engages in business within the 8th room (or the 7th room in the event of a Reduced Room) ("**Canary's Ancillary Use**"):
- (A) The JVCo shall remain responsible to maintain and ensure the Grow License is in good standing and comply with the terms and provisions thereof, provided that Canary shall be responsible to ensure that any Third Party Operator operating within the Licensed Facility comply with the reasonable directions of the JVCo to the extent such directions relate to the maintenance and standing of the Grow License and the overall successful stewardship of the Business;
 - (B) Canary shall reimburse the JVCo a proportion of the License Maintenance Costs, as reasonably determined by Canary having regard to nature and production relating to and arising from the Grow and Canary's Ancillary Use and shall, subject to Section 6(c)(A) hereof, ensure that Canary's Ancillary Use shall at all times comply with the requirements of the Grow License; and
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- (C) Canary hereby covenants and agrees to indemnify and save harmless the JVCo and Thrive from and against any loss or damage suffered as a result of, and, where applicable, to also reimburse the JVCo or Thrive, as the case may be, for any amounts paid in connection with, any and all losses, liabilities and expenses, including interest, penalty and legal, accounting, or professional fees, of any kind, inclusive of lost revenue from business interruption at the Licensed Site that would otherwise be derived therefrom, resulting from or arising out of the act or omission of any of Third Party Operator at the Licensed Site provided that such loss or damage does not arise or result from the willful act, negligence, or breach of a term or provision of this Agreement or the Shareholders' Agreement by JVCo or Thrive.

7. Fees and Recoverable Expenses, Notwithstanding Canary's legal title over the Cannabis and Cannabis products produced within the Grow Facilities, Canary shall direct all payments arising from the sale of such Cannabis or Cannabis product to be made directly to the JVCo (the "**Sale Proceeds**") provided that the JVCo shall pay Canary the following recoverable costs and expenses as determined by Canary from time to time acting reasonably (collectively, the "**Recoverable Expenses**"):

- (a) Seven-eighth (7/8th) of costs and expenses incurred by Canary related to:
 - (i) rent, taxes (property taxes payable under by Canary under the Licensed Site lease), maintenance and repair as Canary is obligated to effect under the Licensed Site lease), insurance, hydro and gas (at a base load rate) (the "**Guaranteed Expenses**");
 - (ii) hydro and gas (above the base load rate) and other ongoing costs and expenses of the Licensed Site; and
 - (iii) Growing Cannabis at the Licensed Site as prescribed by government requirements including, without limitation, quality assurance person, responsible person, head of security and master grower (collectively "Key Persons").
- (b) One hundred (100%) percent of all costs and expenses incurred by Canary directly related to the Grow and the Grow Facilities including without limitation any additional Key Persons required by the Grow; and

Canary shall calculate, reconcile, and be paid the Recoverable Expenses on a monthly basis without deduction, abatement or set off.

8. Insurance.

- (a) JVCo shall maintain sufficient insurance coverage to enable it to meet its obligations created by this Agreement and by law. During the Term of this Agreement, JVCo will, at a minimum, carry and maintain the insurance coverage specified below:
 - (i) Commercial General Liability ("CGL") with limits of not less than Five Million (\$5,000,000.00) Dollars per occurrence for bodily injury, personal injury and property damage;
 - (ii) Automobile Liability ("AL") covering liability arising out of any auto if used in connection with the Activities to be performed under this Agreement with limits of not less than Five Million (\$5,000,000.00) Dollars per occurrence for bodily injury and property damage;
 - (iii) Umbrella Liability excess of CGL, and AL on an occurrence form with limits of not less than Five Million (\$5,000,000.00) Dollars per occurrence.
- (b) Such further and other insurance as shall be required or is advisable by the lenders and advisors of Canary, acting reasonably; and
- (c) Canary shall be named as an additional insured party under the above insurance policies. These insurance coverages do not create or imply any limitation of liability. JVCo shall provide Canary with certificates of such insurance coverages promptly following the date that this Agreement has been executed by both Parties. Each insurance certificate shall provide that the insurance policy shall not be subject to termination without at least 30 days prior written notice to the Canary.

9. Indemnification.

- (a) JVCo shall indemnify and hold harmless Canary and Canary's directors, officers, employees, agents, representatives, subcontractors and insurers from and against all claims against or incurred by Canary and/or its directors, officers, employees, agents, representatives, subcontractors and/or insurers by Canary's customers or other third parties to the extent such claims arise out of, are caused by, or relate to JVCo's breach of its obligations hereunder or from JVCo's negligence or misconduct.
 - (b) Canary shall indemnify and hold harmless JVCo and JVCo's directors, officers, employees, agents, representatives, subcontractors and insurers from and against all claims against or incurred by JVCo and/or its directors, officers, employees, agents, representatives, subcontractors and/or insurers by Canary's customers or other third Parties to the extent such claims arise out of, are caused by, or relate to Canary's breach of its obligations hereunder or from Canary's negligence or misconduct.
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10. Common Areas and Other Space within the Licensed Site. The Parties covenant and agree that:

- (a) The following space contained on or within the Licensed Site as set out in Schedule "A" hereof are common areas over which Canary have reasonable control and discretion, provided that Canary shall implement any security or other reasonable measures, as may be directed by the JVCo, to ensure compliance with the Grow License:
- (i) Hallways;
 - (ii) Shipping and receiving areas;
 - (iii) Lunch rooms;
 - (iv) Washrooms;
 - (v) Offices;
 - (vi) Parking areas; and
 - (vii) Such other areas within the Licensed Site as shall be designated as common areas by Canary from time to time acting reasonably.
- (b) For the purposes of furthering the Grow, the JVCo shall also be entitled to access and use the other rooms within the Licensed Facility ("Other Spaces"), including, but not limited to:
- (i) Processing Rooms;
 - (ii) Secured Storage Rooms;
 - (iii) Trim Rooms;
 - (iv) Back Rooms;
 - (v) Drying and Cure Rooms;
 - (vi) Packaging Rooms;
 - (vii) Laboratory;
 - (viii) Extraction Rooms;
 - (ix) Cloning Rooms;
 - (x) Mother Rooms;
 - (xi) Vegetation Rooms;
 - (xii) Fertigation Rooms;
 - (xiii) Utility Rooms;
 - (xiv) Maintenance Rooms; and
 - (xv) Quality Assurance Office;

Notwithstanding the foregoing, in the event that the 8th (or 7th room in the event of a Reduced Room) is/are occupied by Canary or Third Party Operator, or Thrive wishes to use the Extraction Room, Packaging Room, and/or Secured Storage for its own purposes, Canary or such Third Party Operator, and/or Thrive shall also be entitled to the shared use and access of such applicable Other Spaces, which shared use and access and the concomitant terms and provisions thereof, shall be determined by JVCo from time to time, acting reasonably.

11. Confidentiality

- (a) For the purposes of this Section 11, "**Confidential Information**" means all information marked confidential, restricted or proprietary by the disclosing party and all information provided by the disclosing party regarding its customers and prospective customers, account information, products and services, vendors, financial, technical or marketing information, business or marketing strategies, operating policies and procedures, and similar proprietary information, in whatever form, which could reasonably be expected to be confidential information, including JVCo Data (hereinafter defined), but does not include information which: (a) at the time of disclosure to the receiving party, was in the public domain; (b) after disclosure to the receiving party, has been published or otherwise becomes part of the public domain through no fault of the receiving party; (c) was known to the receiving party either before disclosure by the disclosing party or as a result of a disclosure from a third party who had a lawful right to disclose such information to the receiving party; or (d) was independently developed by the receiving party.
 - (b) All data and other information in reports prepared by JVCo for Canary pursuant to the Activities shall be owned exclusively by JVCo ("**JVCo Data**").
 - (c) Each party shall safeguard and hold as confidential all Confidential Information disclosed by the other party. Each party shall use the Confidential Information of the other party solely for the purposes contemplated by this Agreement and shall not disclose such information to persons other than those employees, agents and subcontractors of such party having a need to know the information in order to perform such party's obligations under this Agreement or to enforce this Agreement or as required by law. If a party is required by law to disclose the other party's Confidential Information (such as pursuant to a subpoena, discovery document, search warrant or similar legal process), such party shall promptly notify the other party upon receipt of such legal process and reasonably cooperate with the other party (at the other party's expense) in any attempt to quash such legal process or to seek a protective order or other appropriate relief requested by the other party. Upon expiration or termination of this Agreement for any reason, upon request each party shall promptly return to the other party all of the other party's Confidential Information which is within its custody or control. Legal remedies may be insufficient for a breach of this Section so the Parties agree that an injured party shall be entitled to injunctive relief in addition to any other legal or equitable remedies.
 - (d) Notwithstanding the foregoing, the Parties hereto hereby acknowledge and agree that each of the Shareholders and JVCo are involved in the same business and industry and that, therefore, from time to time certain Confidential Information exchanged by the Parties in the course of the provision of Activities hereunder may be authorized by the disclosing party to be used by the recipient for its own business purposes (an "**Authorized Use**"). In the event such Confidential Information is intended by the disclosing party to be used for any such Authorized Use by the recipient, such Authorized Use shall not be deemed to be in contravention of the provisions set out herein, so long as the use that is made by the recipient is in accordance with such Authorized Use.
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12. Compliance with Laws and Other Requirements

- (a) JVCo shall comply in all material respects with all governmental requirements which are applicable to the Activities and JVCo's other responsibilities under this Agreement including, without limitation, securing any licenses, permits, registrations or other authorizations from such governmental authorities as JVCo may need in order to provide the JVCo's Activities and carry out JVCo's other responsibilities under this Agreement.
 - (b) Canary represents, warrants and covenants that all Canary trademarks, tradenames and logos (the "**Canary Marks**") furnished by Canary to JVCo for JVCo's use in the Activities are owned or validly licensed by Canary and do not infringe upon any proprietary rights of third Parties, and Canary has all necessary right and authority to provide the Canary Marks to JVCo for JVCo's use in the Activities.
 - (c) Canary hereby grants to JVCo non-exclusive, non-transferable right to use the Canary Marks solely and strictly as required to operate the Business and undertake the Activities. JVCo hereby agrees that it has no, and will acquire no, proprietary rights whatsoever in the Canary Marks and further agrees as follows:
 - (i) To comply with Canary's guidelines and instructions regarding use of the Canary Marks as communicated to JVCo from time to time;
 - (ii) In the event Canary notifies JVCo that such use is not in conformance with Canary's guidelines and instructions, to promptly bring such use into conformance;
 - (iii) To ensure that all use of the Canary Marks will not reflect adversely upon the good name or good will of Canary;
 - (iv) Not to use the Canary Marks (or any part thereof) as part of, or in combination with, any other names or trademarks;
 - (v) Not to register (or aid any third party in registering) the Canary Marks (or confusingly similar mark) or take any action inconsistent with Canary's ownership of the Canary Marks in any jurisdiction;
 - (vi) That all usage of the Canary Marks will be on behalf of, and inure to the benefit of, Canary; and
 - (vii) On the written direction of Canary immediately cease and desist all use of the Canary Marks provided that any inability of JVCo to perform the Activities as a result of such direction shall be excused and not constitute a default hereunder by JVCo.
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- (d) JVCo and Canary recognize that Thrive is licensing the use of its genetic cannabis strains and phenotypes of such strains, as well as the derivatives thereof, (whether derived from genetic manipulation, cloning, or phenotype propagation before or after the Effective Date by either Thrive or JVCo) (the "**Thrive Genetics**") for the Grow and Business. Such Thrive Genetics are the sole property of Thrive. Thrive hereby grants to a JVCo and Canary a non-exclusive, non-transferable right to use the Thrive Genetics as required to operate the Business and undertake the Activities. JVCo and Canary hereby agree that they have no, and will acquire no, proprietary rights whatsoever in the Thrive Genetics and further agrees that upon the termination or expiry of this Agreement, such license shall terminate and the JVCo and Canary shall destroy any Thrive Genetics each may have in their possession and shall not continue to propagate same, in any manner whatsoever. For clarity, Canary shall have no right to propagate, grow, harvest or otherwise develop or use the Thrive Genetics for its own purposes beyond the JVCo's use under the Grow License and in accordance with the Activities under this Agreement unless otherwise granted by Thrive by way of other mutual agreement. Notwithstanding the foregoing, JVCo and Thrive covenant and agree to assist Canary throughout the Term of this Agreement to create and propagate, for Canary use and benefit following the currency of this Agreement, its own genetic cannabis strains and phenotypes of such strains of quality and nature which are reasonably competitive within the marketplace.
- (e) To the extent that JVCo or Canary breach section 12(d), hereto, and continue to propagate any Genetics beyond the termination or expiry of this Agreement or outside the scope of the limited license, the parties acknowledge that Thrive shall suffer irreparable harm and would likely cause damages that are both unascertainable and not compensable through monetary relief. Accordingly, the JVCo and Canary agree, without prejudice to any and all other rights available to Thrive, that in the event of such violation of section 12(d), a mandatory or other injunction or equitable remedy shall be the only effective method to protect Thrive's rights and property as set out, and that an interim injunction shall be granted immediately on the commencement of any action by Thrive.

13. Termination.

- (a) Canary may terminate this Agreement:
 - (i) Upon sixty (60) days' notice should the JVCo have failed to pay any cost and expense for which it is responsible pursuant to this Agreement or any other agreement to which it and JVCo may be parties, as and when due, provided that the JVCo may cure such non-payment during the sixty (60) days' time period and, if so cured, the Agreement shall not terminate;
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- (ii) Immediately upon written notice upon institution by JVCo of proceedings of any nature under any laws of Canada or of any province, whether such law is now existing or subsequently enacted or amended, for the relief of debtors wherein such JVCo is seeking relief as debtor;
 - (iii) Immediately upon written notice upon a general assignment by JVCo for the benefit of creditors;
 - (iv) Immediately upon written notice upon an institution by the JVCo of a proceeding under any section of the *Bankruptcy and Insolvency Act* as now existing or hereafter amended or become effective;
 - (v) Immediately upon written notice upon an institution against the JVCo of a proceeding under any section of the *Bankruptcy and Insolvency Act* as now existing or hereafter amended or becoming *effective*, which proceeding is not dismissed, stayed or discharged within a period of thirty (30) days after the filing thereof;
 - (vi) Immediately upon written notice upon a proposed plan of arrangement or other action by a JVCo's creditors taken as a result of a general meeting of the creditors of the JVCo;
 - (vii) Immediately upon written notice upon an appointment of a receiver, trustee or like officer, to take possession of assets having a value in excess of Twenty-Five Thousand Dollars (\$25,000.00) of the JVCo;
 - (viii) Immediately upon written notice upon an admission by the JVCo in writing of its inability to pay its debts as they become due;
 - (ix) Immediately upon written notice upon an attachment, execution or other judicial seizure of any part of the JVCo's assets, such attachment, execution or seizure being with respect to an amount not less than Twenty-Five Thousand Dollars (\$25,000.00) any remaining undismissed or undischarged for a period of fifteen 15 days after the levy thereof;
 - (x) Immediately upon written notice upon the JVCo becoming insolvent, winding-up, dissolves, or ceases to do business; or
 - (xi) Immediately upon written notice where JVCo is in breach of its obligations under this Agreement or any other agreement to which it and Canary may be parties and has failed to remedy such breach within sixty (60) days of having received written notice of such breach.
- (b) JVCo may terminate this Agreement:
- (i) Upon sixty (60) days' notice should the Canary have failed to pay any cost and expense for which it is responsible pursuant to this Agreement or any other agreement to which it and Canary may be parties, as and when due, provided that the JVCo may cure such non-payment during the sixty (60) days' time period and, if so cured, the Agreement shall not terminate;
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- (ii) Immediately upon written notice upon institution by Canary of proceedings of any nature under any laws of Canada or of any province, whether such law is now existing or subsequently enacted or amended, for the relief of debtors wherein such Canary is seeking relief as debtor;
 - (iii) Immediately upon written notice upon a general assignment by Canary for the benefit of creditors;
 - (iv) Immediately upon written notice upon an institution by the Canary of a proceeding under any section of the *Bankruptcy and Insolvency Act* as now existing or hereafter amended or become effective;
 - (v) Immediately upon written notice upon an institution against the Canary of a proceeding under any section of the *Bankruptcy and Insolvency Act* as now existing or hereafter amended or becoming *effective*, which proceeding is not dismissed, stayed or discharged within a period of thirty (30) days after the filing thereof;
 - (vi) Immediately upon written notice upon a proposed plan of arrangement or other action by a JVCo's creditors taken as a result of a general meeting of the creditors of the Canary;
 - (vii) Immediately upon written notice upon an appointment of a receiver, trustee or like officer, to take possession of assets having a value in excess of Twenty-Five Thousand Dollars (\$25,000.00) of the Canary;
 - (viii) Immediately upon written notice upon an admission by the Canary in writing of its inability to pay its debts as they become due;
 - (ix) Immediately upon written notice upon an attachment, execution or other judicial seizure of any part of the Canary's assets, such attachment, execution or seizure being with respect to an amount not less than Twenty-Five Thousand Dollars (\$5,000.00) any remaining undismissed or undischarged for a period of fifteen (15) days after the levy thereof;
 - (x) Immediately upon written notice upon the Canary becoming insolvent, winds up, dissolves, or ceases to do business; or
 - (xi) Immediately upon written notice where Canary is in breach of its obligations under this Agreement or any other agreement to which it and Canary may be parties and has failed to remedy such breach within 20 days of having received written notice of such breach.
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- (c) Any Party may terminate this Agreement in the event of a material breach by another party (irrespective of whether such breach term was for the benefit of the terminating party) provided that the breaching party has been provided of such material breach and has cured such breach within thirty (30) days' time.
- (d) The Parties hereby agree that in the event that this Agreement is terminated:
 - (i) During the notice of termination period, the Parties shall continue their business relationship in the normal course provided that Canary or any associate company or both may reengage another party to provide services similar to the Activities undertaken by JVCo and take any other action which it deems necessary to ensure the continuity of Activities contemplated herein.
 - (ii) JVCo shall discontinue the use of and thereafter refrain from using in any capacity any of Canary Mark and thereafter take no action that would make it appear to the public that JVCo is supplying Activities to Canary.
 - (iii) Canary shall discontinue the use of and thereafter refrain from using in any capacity any of the Genetics that Thrive supplied to JVCo and/or Canary.

Except as otherwise expressly provided herein, the rights or obligations which shall have accrued prior to such termination shall not be prejudiced and shall not destroy or diminish the binding force or effect of any of the provisions of this Agreement which are expressly or by implication provided to come into force upon or continue in force after such termination.

14. Expiration, Termination, Leasehold Improvements, and Trade Fixtures

- (a) On the expiration of the Term, JVCo shall surrender and yield up the Grow Facilities to Canary in as good condition as the JVCo is required to maintain the Grow Facilities and the JVCo shall deliver to Canary all keys to the Licensed Site and Grow Facilities, and the combination of all locks, safes and vaults, if any, in Licensed Site and Grow Facilities.
 - (b) JVCo shall not make any improvements to the Licensed Site without the consent of Canary, which consent Canary may not unreasonably withhold. JVCo shall also not overload the Licensed Site or do any act or omit to do any act which will constitute an act of default on the part of Canary in respect of any agreement to which it is a party in respect of the Licensed Site. All leasehold improvements shall immediately upon their placement become Canary's property, without compensation to the JVCo and shall not be removed as a result thereof.
 - (c) Subject to the JVCo Unanimous Shareholders' Agreement, the JVCo shall be entitled to remove its trade fixtures from the Grow Facilities upon the early termination of this Agreement or during the Term in the usual course of business. At the end of the Term, JVCo may remove its trade fixtures.
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- (d) JVCo shall, at its sole cost and expense, repair any damage caused to the Licensed Site by its trade fixtures and the installation thereof, and where permitted hereunder the removal thereof.

15. Independent Contractor Status; Authority.

- (a) Nothing in this Agreement shall be deemed or construed to create the relationship of partnership, it being understood that neither the method of computing compensation nor any other provision contained in this Agreement shall be deemed to create any relationship between the Parties other than the relationship of independent contractors. Neither party has, and shall not hold itself out as having, any authority to enter into any contract or create any obligation or liability on behalf of, in the name of, or binding upon the other party except with the express written consent of the other Party.
- (b) The Parties expressly agree that Canary has not established the specific methods of how JVCo should perform the Activities pursuant to this Agreement. Canary is relying on JVCo's knowledge, experience and expertise as an expert in the management and operation of cultivation facilities. Further, the Parties agree that Canary has not provided JVCo with training with respect to the Activities which JVCo shall render on behalf of Canary, pursuant to this Agreement.

16. Notices. Any notices to be given hereunder to any other party, including any notice of a change of address, shall be in writing and shall be deemed validly given if, (a) delivered personally; (b) sent by overnight or second day express delivery service; (c) sent by registered or certified mail, postage prepaid, return receipt requested; or (d) sent by confirmed facsimile, as follows:

- (a) If to Canary, at 385 Second Avenue West, Simcoe, ON N3Y 0G1
- (b) If to Thrive/Shareholder, at 41 Townline Road, Simcoe, ON N3Y 4K3
- (c) If to JVCo, at 385 Second Avenue West, Simcoe, ON N3Y 0G1

All such notices shall be deemed given on the date of actual receipt by the addressee if delivered personally, on the date of deposit with the express delivery service or the postal authorities if sent in either such manner, on the date of the facsimile confirmation if sent in such manner, and on the date of actual receipt by the addressee if delivered in any other manner.

17. Assignment. No party shall have the right to assign this Agreement without the consent of the other party save in the event of an assignment of this Agreement to a secured creditor of Canary by reason of enforcement or otherwise.

18. Amendment or Waiver. No amendment or modification of this Agreement shall be valid unless it is in writing and signed by both Parties. No waiver of any provision of this Agreement shall be valid unless it is in writing and signed by the party who is asserted to have made the waiver; any waiver of a breach or observance of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.
 19. Headings; Captions. The headings and captions of this Agreement are included for convenience only and shall not be considered in construction of the provisions hereof.
 20. Public Statements. The terms of this Agreement shall be kept confidential by the Parties and neither party shall make public statements about such terms, except such disclosures as may be required to comply with legal process. The foregoing notwithstanding, either party may make internal disclosures of non-confidential information to its directors, officers and employees, including posting non-confidential information on its intranet site. In addition, the Parties agree to cooperate in the preparation and release of a mutually acceptable joint press release.
 21. Governing Law. This Agreement shall be governed by the laws of the Province of Ontario without regard to its conflicts of laws principles and the Parties attorn to the exclusive jurisdiction of the Ontario Courts.
 22. Survival. The provisions of Section 9, Section 11, Section 12, Section 13, and Section 14 shall survive any expiration or termination of this Agreement, together with any other provisions hereof which, by their nature, are intended to survive termination.
 23. Severability. If any provision of this Agreement shall be determined by any court of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the remainder of this Agreement, which shall be construed as if such invalid or unenforceable provision had never been a part of this Agreement but in a manner so as to carry out as nearly as possible the parties' original intent
 24. Binding Effect. This Agreement shall be binding upon and shall benefit the Parties and their respective successors and permitted assigns.
 25. Currency. Unless otherwise indicated, all dollar amounts in this Agreement are expressed in Canadian funds.
 26. Counterparts. This Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.
 27. Entire Agreement. This Agreement, along with the Unanimous Shareholders' Agreement dated the 14th day of May, 2020 between the parties hereto, constitutes the entire agreement between the Parties regarding the subject matter hereof and supersedes any letters of intent, memorandums of understanding, confidentiality agreements, and other agreements and communications, oral or written, between the Parties regarding such subject matter.
-

IN WITNESS WHEREOF the parties have executed this Loan Agreement as of the date first above written.

CANARY RX INC.

Per: _____
Name: Anthony C. Zarcone
I have authority to bind the Corporation

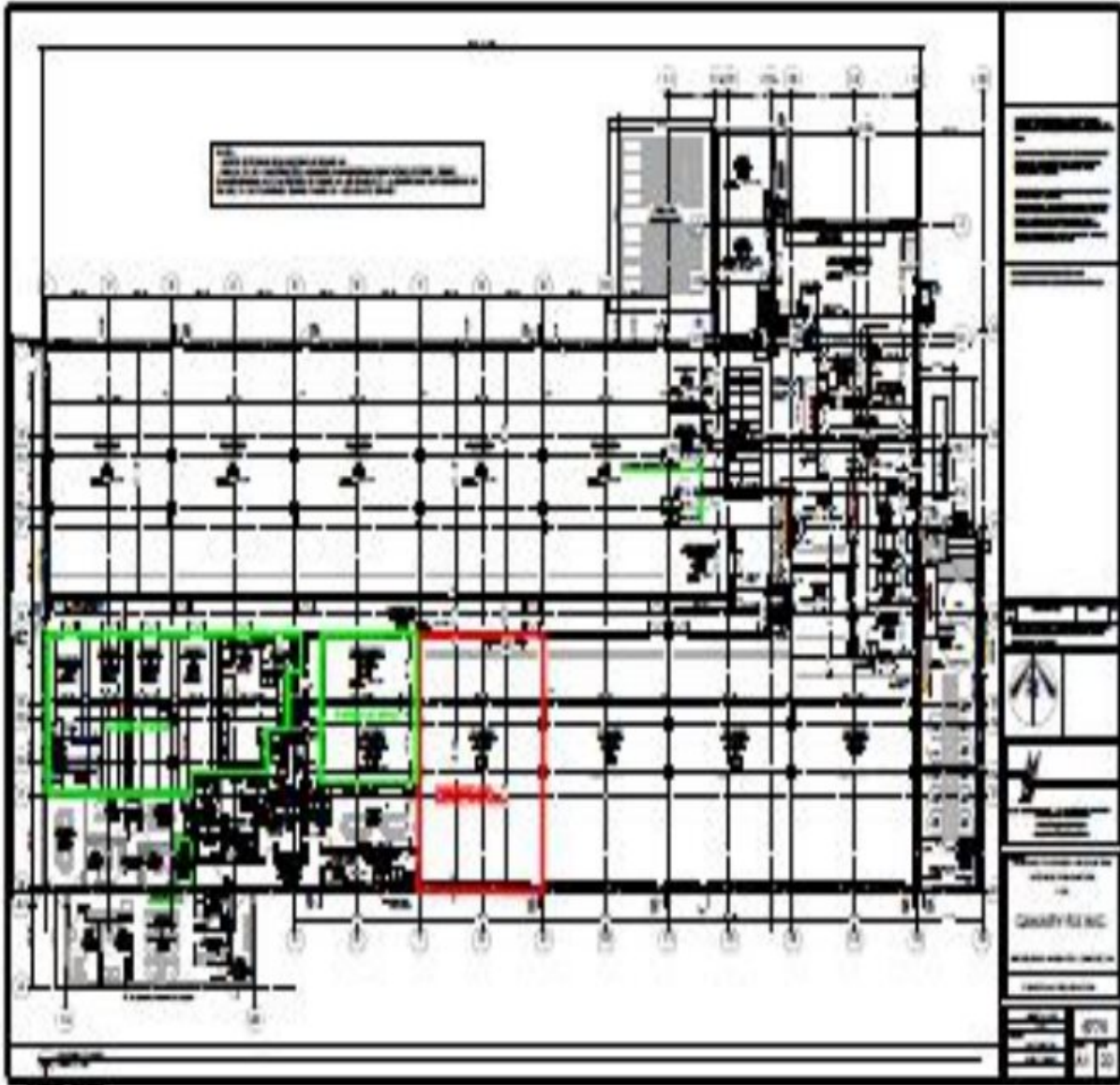
9258159 CANADA INC.

Per: _____
Name: Geoffrey Hoover
I have authority to bind the Corporation

2755757 ONTARIO INC.

Per: _____
Name: Barry Katzman
I have authority to bind the Corporation

SCHEDULE "A"



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: August 10, 2020

/s/ Anthony Zarcone
Chief Executive Officer

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: August 10, 2020

/s/ Anthony Zarcone
Principal Financial Officer

**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 June 30, 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: August 10, 2020

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