

TARGET GROUP INC.

FORM 10-K (Annual Report)

Filed 03/20/24 for the Period Ending 12/31/23

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|-------------|---|
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE YEAR ENDED DECEMBER 31, 2023

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
(IRS Employer
Identification No.)

20 Hempstead Drive
Hamilton, Ontario, Canada

L8W 2E7
(Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code +1 905-541-3833

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

None

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

Common Stock, Par Value \$0.0001

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

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

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large, accelerated filer

Accelerated filer

Non-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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

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 \$4,627,695 as of June 30, 2023.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of March 20, 2024, the registrant had 617,025,999 shares of Common Stock issued and outstanding.

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as “anticipate,” “believe,” “estimate,” “intend,” “could,” “should,” “would,” “may,” “seek,” “plan,” “might,” “will,” “expect,” “anticipate,” “predict,” “project,” “forecast,” “potential,” “continue” negatives thereof or similar expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance, or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

We cannot predict all of the risks and uncertainties. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved, and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements are found at various places throughout this Annual Report on Form 10-K and include information concerning possible or assumed future results of our operations, including statements about a potential acquisition or merger targets; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

These forward-looking statements represent our intentions, plans, expectations, assumptions, and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the Annual Report on Form 10-K. All subsequent written and oral forward-looking statements concerning other matters addressed in this Annual Report on Form 10-K and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Annual Report on Form 10-K.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

USE OF CERTAIN DEFINED TERMS

Except as otherwise indicated by the context, references in this report to “we,” “us,” “our,” the “Company,” or “Target” are to Target Group Inc.

In addition, unless the context otherwise requires and for the purposes of this report only:

- “Exchange Act” refers to the Securities Exchange Act of 1934, as amended;
- “SEC” refers to the United States Securities and Exchange Commission;
- “Securities Act” refers to the Securities Act of 1933, as amended;

PART I

Item 1. Business

Historical background

Target Group Inc. (“Target Group” or the “Company”) was incorporated in the State of Delaware on July 2, 2013, under its original name of River Run Acquisition Corporation. Effective May 13, 2014, the Company changed its name to Chess Supersite Corporation. On July 3, 2018, we filed an amendment in its Certificate of Incorporation to change its name to Target Group Inc.

Effective October 18, 2018, the Company’s common stock became eligible for quotation on the OTCQB platform operated by OTC Markets Group Inc, under the OTC Bulletin Board symbol “CBDY” from the Financial Industry Regulatory Authority (FINRA).

The global spread and lasting effects of Coronavirus (COVID-19) continued to have an impact on the Canadian and global economy and customer purchasing behavior, while equity markets remained volatile. However, these factors have not materially impacted the Company’s operations or, financial results for the year.

Cannabis Business-Canada

The Company is engaged in the cultivation, processing and distribution of curated cannabis products for the medical and adult-use recreational cannabis market in Canada and, where legalized by state legislation, in the United States. There continues to be a shift in the public’s perception of cannabis from a state of prohibition to a state of legalization across North America. 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 related laws to permit the medical and/or recreational production, distribution, sale and 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.

The Company is positioning itself with a core emphasis on wholesale and co-packaging services to accommodate all consumer-packaged goods intended for the sophisticated cannabis market and consumer in Canada and internationally. This strategy integrate cannabinoid research, analytical testing, product development and manufacturing.

Target Group’s product manufacturing includes, 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.

As of the date of this report, the Company and its subsidiaries do not have any operations, employees or corporate offices based in United States.

Acquisitions

Capitalizing on the opportunity resulting from the legalization of adult-use cannabis in Canada, the Company completed the following strategic acquisitions and entered into the following agreements as follows:

Visava Inc./Canary Rx Inc.

On June 27, 2018, the Company entered into an Agreement and Plan of Share Exchange (“*Visava Exchange Agreement*”) with Visava Inc., a private Ontario, Canada corporation (“*Visava*”). Visava owns 100% of Canary Rx Inc, a Canadian corporation (“*Canary*”) that operates a 44,000 square foot facility located in Ontario’s Garden Norfolk County for the production of cannabis. Canary is a Canadian Licensed Producer under Health Canada’s Cannabis Act (“*Bill C-45*”). Canary expects to grow up to 4 million grams of cannabis annually out of its Simcoe facility once it is at full capacity. The Company is now growing premium cannabis in indoor grow rooms and each 2,200 square feet room gets up to 5.4 turns annually.

Pursuant to the Exchange Agreement, the Company acquired 100% of the issued and outstanding shares of Visava in exchange for the issuance of 25,500,000 shares of the Company’s Common Stock and issued to the Visava shareholders, pro rata Common Stock Purchase Warrants (“*Visava 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 Visava Warrants. As a result of this transaction, Visava became a wholly-owned subsidiary of the Company and the former shareholders of Visava owned approximately 46.27% of the Company’s shares of Common Stock. The transaction was closed effective August 2, 2018. During the year ended, December 31, 2020, all of the Visava Warrants expired, none were exercised.

CannaKorp Inc.

Pursuant to the terms of an Agreement and Plan of Share Exchange dated January 25, 2019 (“*Cannakorp Exchange Agreement*”), on March 1, 2019, we completed the acquisition of Massachusetts –based CannaKorp Inc., a Delaware corporation (“*CannaKorp*”). CannaKorp 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 more enjoyable experience than other alternatives.

Under the terms of the Cannakorp Exchange Agreement, we the Company issued 30,407,712 shares of its common stock to the exchanging CannaKorp stockholders in exchange for 99.8% of the outstanding common stock held by the CannaKorp stockholders. CannaKorp will continue to operate as a subsidiary. During the year ended, December 31, 2021, all of the warrants expired, none were exercised.

Agreements

Serious Seeds B.V.

Effective December 6, 2018, the Company and Canary entered into a Distribution, Collaboration and Licensing Agreement (“*Serious 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 Seeds’ proprietary cannabis seed strains and Serious Seeds’ cannabis cuttings, dried flowers, extracts and seeds. In addition, under the Serious Agreement, Canary and Serious Seeds will develop certain “*Collaborative Products*” (defined in the Serious Agreement as cannabis seed strains created collaboratively using Serious Seeds’ intellectual property. During the term of the Serious Agreement, Canary owns all of the intellectual property related to the Collaborative Products.

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

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The initial term of the Serious Agreement is 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 on the effective date of the Agreement. In addition, on the thirteenth (13) month following the effective date of the Agreement of the initial term, the Company will issue to Smit 5,208 shares of common stock and warrants to purchase 200,000 shares of Target common stock at an exercise price of \$0.15 per share. Thereafter, from the fourteenth (14) month following the effective date of the Agreement and continuing through the sixtieth (60) month of the initial term, the Company will issue Smit 5,208 shares of common stock and warrants to purchase 16,667 shares of Target common stock, each month, at varying exercise prices ranging from \$0.20 to \$0.35 per share. All of the above warrants must be exercised on or before the two (2) year anniversary date of each of the warrant issuance dates.

In consideration of Canary’s appointment as Serious Seeds’ exclusive distributor in Canada, Canary will pay Serious Seeds 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 eight (8) separate indoor flower rooms.

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 granted the Company an exclusive license to manufacture and distribute the patent-pending THC antidote True Focu(TM) in the United States, Europe and the Caribbean. The term of the license was ten (10) years and four (4) months from the effective date of August 8, 2019. In consideration of the license, the Company had to 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 would have to 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 would 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 would 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 a settlement of their claims and counterclaims on July 27, 2020 (“Effective Date”). As per the settlement agreement, the License Agreement was terminated, and the Company did 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 paid \$130,000 within 30 days of the Effective Date and started paying \$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.

As at December 31, 2023, there was no outstanding balance, the balance was paid in full and the claim was closed during the quarter ended March 31, 2022.

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Joint Venture Agreement

Historical information

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

Under the Joint Venture, JVCo was permitted to use all eight (8) rooms, of Canary’s licensed cannabis cultivation facilities located in Simcoe, Ontario, Canada (“Licensed Site Portion”) to operate and manage 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 was 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.

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 \$907,320 (CAD \$1,200,000). This loan bears an interest rate of 7% per annum, matures in 12 months from the 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 of December 31, 2023, the loan advanced amounts to \$253,294 (CAD \$335,000) and interest income charged for the nine months ended in the amount of \$17,376 (CAD \$23,450) is included in other income on the unaudited condensed consolidated interim statement of operations and comprehensive loss and interest receivable in the amount of \$60,965 (CAD \$80,630) is included in receivable from the Joint Venture on the unaudited condensed consolidated interim balance sheet. After April 27, 2023, as mentioned below, JVCo became a subsidiary of the company as result the above loan and interest receivable were eliminated upon consolidation.

The JVCo will reimburse Canary for certain expenses incurred by Canary for the cultivation and processing of cannabis products. Below is the table which summarizes the activity of the year:

| Period ended | January 1 to April 27, 2023 | | 2022 | |
|-------------------------------|------------------------------------|------------|-------------|------------|
| | CAD | USD | CAD | USD |
| Sales | 1,068,799 | 791,285 | 5,093,028 | 3,916,539 |
| Cost of goods sold | 620,344 | 459,271 | 2,635,640 | 2,026,807 |
| Gross profit | 448,455 | 332,014 | 2,457,388 | 1,889,732 |
| Operation expenses | 383,358 | 283,819 | 1,534,800 | 1,180,261 |
| Net income | 65,097 | 48,195 | 922,588 | 709,471 |
| Eligible recoverable expenses | 1,437,054 | 1,060,833 | 4,870,924 | 3,596,203 |
| Recoverable amount | 1,437,054 | 1,060,833 | 4,870,924 | 3,596,203 |
| Income on equity | 32,549 | 24,152 | 461,294 | 354,735 |

Termination of joint venture agreement during quarter ended June 30, 2023

On April 27, 2023, Canary and Thrive Cannabis entered into a Release and Settlement Agreement (“Settlement Agreement”) in which Thrive Cannabis has transferred its shares in the capital of JVCo and rights of assets held by JVCo.

Pursuant to the above Settlement Agreement, Thrive Cannabis paid Canary \$1,051,000 to release Thrive Cannabis from any mortgages, charges, pledges, security interests, liens, encumbrances, writs of execution, actions, claims, demands and equities of any nature related to JVCo from their share of ownership of JVCo.

Following the completion of the Settlement Agreement, Canary’s equity interest in JVCo increased from 50% to 100%. Effective April 28, 2023, the Company started consolidating results of operations of the JVCo and eliminated any intercompany transactions and balances between the Company (Target and Canary) and JVCo.

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During the term of the Joint Venture, the Company accounted for the transactions using the equity method under ASC 323 Investments — Equity Method and Joint Ventures. As a consequence of the Settlement Agreement, as the JVCo becoming a wholly owned subsidiary of the company as of April 27, 2023, the Company now uses the acquisition method of accounting (using a step acquisition method) under ASC 805 Business Combination.

As a consequence of the above Settlement Agreement and after obtaining 100% shares of the JVCo, the Company acquired the following assets:

| | Fair value \$ |
|----------------------|------------------|
| Assets acquired: | |
| Inventory | 1,690,368 |
| Fixed assets | 534,816 |
| Accounts receivables | 163,244 |
| | 2,388,428 |

As of April 27, 2023, the Company had a carrying value of the investment in Joint Venture and receivable from Joint Venture on the consolidated balance sheets amounting to \$1,023,608 and \$706,598, respectively. Pursuant to the above Settlement Agreement, the Company received \$776,382 against these balances. Accordingly, the remaining balance of \$953,824 was compared to the fair value of the net assets acquired and this resulted in net recognition of \$1,571,742 as a non-operating gain reported in the Consolidated Statement of Operations as net gain from termination of Joint Venture.

CL Investors Debt Purchase and Assignment Agreement

On June 15, 2020, the Company, its first-tier subsidiaries Visava CannaKorp Inc, and the Company's second-tier subsidiary, Canary, entered into a Debt Purchase and Assignment Agreement ("Debt Agreement") with CL Investors Inc. ("CLI"), a corporation organized under the laws of the Province of Ontario, Canada. June 15, 2020 was the preliminary date of the Debt Agreement, and the Debt Agreement was not finalized until the later date as indicated below.

The CEO (and also a director) of the Company is the secretary and a shareholder of CLI plus the CEO's brother is the President and sole director of CLI therefore the loan from CLI is classified under related party transactions.

CLI purchased from the Company for the sum of \$2,192,690 (CAD 2,900,000) a debt obligation owing from Canary to the Company in the principal balance of \$8,014,660 (CAD 10,600,000 ("Canary Debt")). Upon receipt of the consideration, the Company loaned the full sum to Canary under terms of an unsecured, non-interest-bearing promissory note, subject to a covenant by the Company not to take any collection action so long as the Canary Debt remains unpaid to CLI. As of December 31, 2023, \$3,781 (CAD 5,000) is still outstanding from CLI which is presented as other receivable on the consolidated balance sheet.

As a condition of the closing of the Debt Agreement, the terms of the Canary Debt were amended to provide for interest at 5% per annum with a maturity date of 60 months from the date of the Debt Agreement ("Term"). The Canary Debt will be repaid according to the following schedule:

- a) In the first year of the Term, Canary will pay CLI the greater of \$854,393 (CAD 1,130,000) and fifty percent (50%) of the Net Revenue (hereinafter defined), provided that where the latter amount exceeds the former amount, Canary will, by the end of such first year, pay CLI no less than the former amount and Canary will, within thirty (30) days following the end of such first year, pay CLI the balance of such amount owing for such first year;
- b) In the second year of the Term, Canary will pay CLI the greater of \$1,587,810 (CAD 2,100,000) and fifty percent (50%) of the Net Revenue, by way of twelve (12) consecutive monthly installments payable on the 14th day of each month commencing on August 14, 2021, provided that where the latter amount exceeds the former amount, Canary will, within thirty (30) days following the end of such second year, pay CLI the balance of such amount owing for such second year;

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- c) In the third year of the Term, Canary will pay CLI the greater of \$2,434,642 (CAD 3,220,000) and fifty percent (50%) of the Net Revenue, by way of twelve (12) consecutive monthly installments payable on the 14th day of each month commencing on August 14, 2022, provided that where the latter amount exceeds the former amount, Canary will, by the end of such third year, pay CLI no less than the former amount and Canary will, within thirty (30) days following the end of such third year, pay CLI the balance of such payments owing for such third year;
- d) In the fourth year of the Term, Canary will pay CLI the greater of \$2,328,788 (CAD 3,080,000) and fifty percent (50%) of the Net Revenue, by way of twelve (12) consecutive monthly installments payable on the 14th day of each month commencing on August 14, 2023, provided that where the latter amount exceeds the former amount, Canary will, within thirty (30) days following the end of such fourth year, pay CLI the balance of such amount owing for such fourth year; and
- e) In the fifth year of the Term, Canary will pay CLI the balance owing under this Note, by way of twelve (12) consecutive monthly installments payable on the 14th day of each month commencing on August 14, 2024, for an amount calculated by dividing twelve (12) into the sum of all amounts owing under this Note at the beginning of the fifth year of the Term on account of Principal and Interest, provided that where there are further amounts owing under this Note at the end of such fifth year, Canary will pay CLI all such further amounts within five (5) days following the end of such fifth year.

For the purposes of this Note, “Net Revenue” will mean any and all revenue generated from Canary’s Licensed Facility (hereinafter defined) to which it is entitled net of applicable taxes and third-party expenses.

The repayment of the Canary Debt, as amended, is guaranteed by Visava and the Company’s wholly-owned subsidiary CannaKorp Inc. and secured by (i) a general security interest in the assets of the Company, Canary, Visava and CannaKorp, respectively; and (ii) a pledge by the Company of all of the issued and outstanding common stock of Canary, Visava and CannaKorp. held by the Company. In addition to the foregoing guarantees, security interest and stock pledge, CLI has been granted an option, in lieu of repayment of the amended Canary Debt, to demand, in its sole and absolute discretion the transfer, assignment and conveyance of 75% of the issued and outstanding capital stock of Visava and Canary.

Furthermore, the President and sole director of CLI has been granted an option to acquire the remaining 25% of the issued and outstanding capital stock of Visava and Canary.

Effective August 14, 2020, the Debt Agreement was amended (“Amendment”) to provide that CLI will purchase from Rubin Schindermann, a director of the Company, 500,000 shares of the Company’s Series A Preferred Stock in consideration of the payment by CLI to Rubin Schindermann of \$75,610 (CAD 100,000) and the issuance to Schindermann of 10,000,000 shares of the Company’s common stock. In consideration of the foregoing, Mr. Schindermann resigned as a director of the Company and from any and all administrative and executive positions with the Company’s subsidiaries Visava, Canary Rx. and CannaKorp, respectively. In addition, the Company issued Common Stock Purchase Warrant for 10,000,000 shares of Target common stock to CLI as consideration for the Debt Agreement. Refer to Note 18 for additional details on warrants. The combined impact of both transactions resulted in debt issuance cost of \$251,518. This debt issuance cost will be amortized over the term of the debt on a straight-line basis.

The transactions contemplated by the Debt Agreement and the Amendment closed on August 14, 2020.

Item 1A Risk Factors.

In addition to all other information set out in this Report, including our consolidated financial statements and the related notes included elsewhere in this Report, our business is subject to a number of risks that are uniquely applicable to the cannabis business generally and specifically in the cannabis business in Canada. Other risks and uncertainties that we do not presently consider material, or of which we are not presently aware, may become important factors that affect our future financial condition and results of operations. Some of these risks include but are not limited to the developing situation globally surrounding COVID-19 and its impacts on the overall global economy. If any of the risks discussed below actually occur, our business, financial condition, results of operations and prospects could be materially affected.

Risks Related to Our Cannabis Business and the Cannabis Industry in the United States

Our proposed business is dependent on laws pertaining to the marijuana industry

Continued development of the marijuana industry is dependent upon continued legislative authorization and/or voter-approved referenda at the state level. Any number of factors could slow or halt progress in this area. In addition, progress for the industry, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process, any one of which could slow or halt the use of marijuana, which could negatively impact our business.

Cannabis remains illegal under U.S. federal law.

The possession and use of marijuana are illegal under U.S. federal and certain states' laws, which may negatively impact our business. The use of marijuana is regulated by both the U.S. federal government and state governments and state and U.S. federal laws regarding marijuana are often in conflict. Federal law criminalizing the use of marijuana pre-empts state laws that legalize the possession and use of marijuana for medical and recreational purposes. Any such changes in the federal government's enforcement of current federal laws could adversely affect our ability to possess or cultivate marijuana. Marijuana is a Schedule I controlled substance under the Controlled Substance Act ("CSA") meaning that it has a high potential for abuse, has not currently "accepted medical use" in the United States, lacks accepted safety for use under medical supervision, and may not be prescribed, marketed or sold in the United States. No drug product containing natural cannabis or naturally-derived cannabis extracts have been approved by the U.S. Food and Drug Administration for use in the U.S. or obtained registration from the United States Drug Enforcement Administration ("DEA") for commercial production and the DEA may never issue the registrations required of the commercialization of such products. We will continue to assess potential strategic acquisitions of existing or new businesses in the cannabis industry, should we determine that such activities are in our best interests and the best interests of our stockholders. Any such pursuit would involve additional risks with respect to the regulation of cannabis, particularly, if the federal government determines to actively enforce all federal laws applicable to cannabis.

Laws and regulations affecting the cannabis industry are constantly changing, which could detrimentally affect our business.

Local, state and federal marijuana laws and regulations are broad in scope and subject to evolving interpretations, which require us to incur potentially substantial costs associated with compliance and could alter our business plans. In addition, violations of these laws or allegations of such violations could disrupt our business and materially affect our operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to our business. We cannot predict the nature of any such future laws, regulations, interpretations or applications, nor can we determine what effect governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

Any potential growth in the cannabis industry continues to be subject to new and changing state and local laws and regulations.

Continued development of the cannabis industry is dependent upon continued legalization of cannabis at the state level and a number of factors could curtail or halt progress in this area, even where there is public support for legislative action. Any delay or halt in the passing or implementation of legislation legalizing cannabis use, its sale and distribution, or the re-criminalization or restrictions on cannabis use at the state level could negatively impact our business. We cannot predict the nature of any future laws and regulations or their interpretations or applications. It is possible that regulations may be enacted in the future that will be materially adverse to our business.

Our potential customers, clients and companies with which we may elect to invest directly may have difficulty accessing the services of U.S. banks which may make it difficult for them to operate.

On February 14, 2014, the U.S. Financial Crimes Enforcement Network ("FinCen") issued rules allowing banks to legally provide financial services to state-licensed cannabis businesses consistent with the Bank Secrecy Act obligations. A memorandum issued by the U.S. Justice Department to federal prosecutors reiterated the guidance previously given, this time to the financial industry that banks can do business with legal marijuana businesses and "may not" be prosecuted. However, the FinCen guidelines fall short of the explicit legal authorization that the banking industry had requested the government provide. To date, it is not clear if any banks have relied on the FinCen guidelines to take on legal cannabis companies as clients. Because the use, sale and distribution of cannabis remains illegal under U.S. federal law, many banks will not accept deposits from or provide other bank services to a business involved with cannabis. The inability to open bank accounts may make it difficult for our existing and potential customers to operate.

Operational risks of the cannabis industry.

Companies involved in the cannabis industry face intense competition, may have limited access to services of banks, may have substantial burdens on company resources due to litigation, complaints or enforcement actions and are heavily dependent on receiving necessary permits and authorization to engage in the cultivation, possession or distribution of cannabis. Many of our current and potential competitors have longer operational histories, significantly greater financial, marketing and other resources and larger client bases than us and there can be no assurances that we will be able to successfully compete against these or other companies.

Risks Related to Our Cannabis Business and the Cannabis Industry in Canada

The effects of the legalization of recreational cannabis in Canada are unknown at this time.

The Government of Canada approved the Cannabis Act (Bill C-45) which went into effect on October 17, 2018. The Cannabis Act allows for regulated and restricted access to cannabis for recreational adult use in Canada. Under the Cannabis Act, there are significant restrictions on the marketing, branding, product formats and distribution channels allowed under the law. Additional restrictions may be imposed at the provincial level. Any failure by us to comply with the applicable regulatory requirements at the federal and provincial level could require changes to our proposed operations; result in regulatory or agency proceedings or investigations, increase compliance costs, fines, penalties or restrictions on our operations or revocation of our licenses and other permits.

The recreational adult-use cannabis market in Canada may become oversupplied following the implementation of the Cannabis Act.

As a result, in the surge of demand for cannabis as a result of the implementation of the Cannabis Act, we and other cannabis producers in Canada may produce more cannabis than is needed to satisfy the market and we may not be able to export that oversupply into other markets where cannabis use is fully legal under all federal, state and provincial laws thus the available supply of cannabis could exceed demand, resulting in a decline in the market price for cannabis. If this were to occur, there is no assurance that we would be able to generate sufficient revenue to result in profitability.

We are required to comply with federal, state or provincial and local laws in each jurisdiction where we conduct our business

Various federal, state or provincial and local laws and regulations govern our business in the jurisdictions in which we operate and propose to operate. These laws and regulations include those relating to health and safety and the production, management, transportation and storage of cannabis. Compliance with these laws and regulations requires concurrent compliance with complex federal, state, provincial and local laws and regulations. Compliance with these laws and regulations requires significant financial and managerial resources. A determination that we are not in compliance with these laws and regulations could harm our business. It is impossible to predict the cost or effect of such laws and regulations on our current and future business.

We may seek to enter into strategic alliances or acquisitions with third parties that we believe will have a beneficial impact on our business and there are risks that such alliances or acquisitions will not enhance our business in the desired manner.

We may expand, or in the future enter into, alliances or acquisitions with third parties that we believe will complement or enhance our existing business. Our ability to take advantage of existing or new alliances or acquisitions is dependent upon a number of factors such as the availability of suitable candidates and working capital. Future strategic alliances or acquisitions could result in the incurrence of debt, costs and contingent liabilities. In addition, there can be no assurances that future alliances or acquisitions will achieve the expected benefits to our business or that we will be able to consummate future strategic alliances or acquisitions on satisfactory terms, or at all.

We may not be able to identify and execute future acquisitions or to successfully manage the impact of such transactions on our business.

Acquisitions and/or other strategic business combinations involve many risks including (i) disruption of our existing business; (ii) the distraction of management away from the ongoing oversight of our existing business operations; (iii) incurring additional indebtedness; and (iv) increasing the scope and complexity of our operations. A strategic transaction may result in unforeseen obstacles or costs in implementing the transaction or integrating any acquired business into our existing operations.

Our cannabis cultivation business is subject to risks associated with an agricultural business.

One of the major aspects of our business operations is cultivating cannabis which is an agricultural process. As such, that part of our business is subject to the risks associated with the agricultural business, including crop failure presented by weather, plant diseases, and similar agricultural risks. Although we will grow our cannabis products indoors under climate-controlled conditions, there can be no assurances that natural elements, such as insects and plant diseases, will not disrupt our production activities or have an adverse effect on our business.

We may not be able to attract or retain key personnel with sufficient experience in the cannabis industry and we may not be able to attract, develop and retain additional employees required for our development and future success.

Our success is dependent to a great extent on the performance of our management team and certain key employees and our ability to attract, develop, motivate and retain highly qualified and skilled employees who are in high demand. The loss of the services of any key personnel, or an inability to attract other suitably qualified persons when needed, could prevent us from executing our business plan and we may not be able to find adequate replacements on a timely basis, if at all. Currently, we do not maintain any key-person insurance on the lives of any of our key personnel. Furthermore, each director and officer of a company that holds a license is subject to the requirement to obtain and maintain a security clearance from Canada Health under the Cannabis Act. A security clearance is valid for not more than five years and must be renewed before the expiration of the current security clearance. There is no assurance that any of our existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearance or that new personnel who require a security clearance be able to obtain one. A failure by an individual in a key operational position to maintain or renew a security clearance could result in a reduction or complete suspension of our operations.

Employees

As of December 31, 2023, we had 49 employees which include Anthony Zarcone, Chief Executive Officer.

We have contracted several 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

Company 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.

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At present, CannaKorp has failed to meet its annuities payments as well as maintenance fees on the 2 referenced patents. Although there has been a lapse and these patents remain unmaintained, there remains the possibility of CannaKorp reinstating these patents if done so in a reasonable amount of time. At this time, management is determining the value maintaining these patents will provide the Company. Once management has completed their assessment, the Company will proceed accordingly and advance in that determined direction moving forward. Additionally, CannaKorp is actively seeking a joint venture partner and/ or a licensor to assist in both marketing and launching the Wisp Vaporizer and Wisp Pods in both the US and Canadian legal cannabis or hemp markets.

Corporate Facilities

Our principal executive office is located at 20 Hempstead Drive, Hamilton, Ontario, Canada.

Item 1C. Cybersecurity

Risk Management and Strategy

The Company invests in information technology systems for its operations. Such investments, including the implementation of technology updates, improves the Company’s customers’ experience, and supports both compliance and internal controls. The Company is actively engaged in attempting to identify and manage cybersecurity risks. Protecting company data, non-public customer and employee data, and the systems that collect, process, and maintain this information is a Company priority.

Cybersecurity Risk

In recent years there has been an increased risk of information and security risks due to increased sophistication and activities of perpetrators of cyber attacks. The computers are used for our everyday business operations including mobile devices and other online means of activities to connect with our customers, employees, suppliers and other parties. This extensive use give rise to cybersecurity risks such as system disruption, theft and the release of confidential information. There are numerous sensitive information stored in the system and intellectual property, including employees, customers and other financial information.

In the future we may be required to expend additional resources to continue to enhance information security measures to investigate and remediate any information security vulnerabilities. We can provide no assurances that the measures we have implemented to prevent security breaches and cyber incidents will be effective in the event of a cyber-attack.

Item 2. Properties

We do not own any properties at this time and do not have presently any agreements to acquire any properties.

Our principal executive office is located at 20 Hempstead Drive, Hamilton, Ontario, Canada.

Our subsidiary, Canary, leases a 44,000 square foot facility located in Norfolk County, Ontario to produce medical and recreational cannabis.

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Item 3. Legal Proceedings

During the year ended December 31, 2019, a terminated employee of Canary has filed a lawsuit against the Company amounting to approximately \$1,587,810 (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.

A complaint for damages of \$150,000 was lodged against CannaKorp by the former Chief Financial Officer of CannaKorp for outstanding professional fees. No claim has been registered. The management is of the view that no material losses will arise in respect of the legal claim at the date of these consolidated financial statements.

A claim for damages of \$1,408,467 (CAD 1,862,805) was lodged against Company and its directors by the former Chief Financial Officer of the Company for wrongful dismissal. The management is of the view that no material losses will arise in respect of the legal claim at the date of these consolidated financial statements.

During the year ended December 31, 2020, a claim for damages of \$98,881 (CAD 130,778) was lodged against Canary by a vendor for breach of contract. The management is of the view that no material losses will arise in respect of the legal claim at the date of these consolidated financial statements.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is currently quoted on the OTCQB inter-dealer quotation service maintained by OTC Markets Group Inc. under the symbol “CBDY.” The following table sets forth the quarterly high and low sales prices of our common stock for the last two fiscal years. Such prices are inter-dealer quotations without retail mark-ups, mark-downs or commissions, and may not represent actual transactions.

| Quarter ended | March 31 | June 30 | September 30 | December 31 | Fiscal year |
|------------------|----------|---------|--------------|-------------|-------------|
| Fiscal year 2023 | | | | | |
| High | \$ 0.007 | 0.006 | 0.019 | 0.008 | 0.019 |
| Low | \$ 0.003 | 0.002 | 0.001 | 0.001 | 0.001 |
| Fiscal year 2022 | | | | | |
| High | \$ 0.014 | 0.0129 | 0.0105 | 0.0085 | 0.014 |
| Low | \$ 0.007 | 0.005 | 0.005 | 0.003 | 0.003 |

Our common stock is subject to Rule 15g-9 of the Exchange Act, known as the Penny Stock Rule, which imposes requirements on broker/dealers who sell securities subject to the rule to persons other than established customers and accredited investors. For transactions covered by the rule, brokers/dealers must make a special suitability determination for purchasers of the securities and receive the purchaser’s written agreement to the transaction prior to sale. The Securities and Exchange Commission (“SEC”) also has rules that regulate broker/dealer practices in connection with transactions in “penny stocks.” Penny stocks generally are equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in that security is provided by the exchange or system. The Penny Stock Rules require a broker/dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker/dealer also must provide the customer with the current bid and offer quotations for the penny stock, the compensation of the broker/dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer’s account. The bid and offer quotations, and the broker/dealer and salesperson compensation information must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer’s confirmation. These disclosure requirements have the effect of reducing the level of trading activity in the secondary market for our common stock. As a result of these rules, investors may find it difficult to sell their shares.

As of the date of this report, we have 617,025,999 shares of common stock issued and outstanding held by 430 stockholders of record.

Dividend Policy

To date, we have not declared or paid any dividends on our common stock. We currently do not anticipate paying any cash dividends in the foreseeable future on our common stock. It is anticipated that our future earnings will be retained to finance our continuing development. Although we intend to retain our earnings, if any, to finance the exploration and growth of our business, our Board of Directors has the discretion to declare and pay dividends in the future. Payment of dividends in the future will depend upon our earnings, capital requirements, and any other factors that our Board of Directors deems relevant.

Recent Sales of Unregistered Securities

None

Item 6. Selected Financial Data.

There is no selected financial data required to be filed for a smaller reporting company.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

As of December 31, 2023, the Company generated revenue of \$3,720,169 and had no income or cash flows from operations since inception. As of December 31, 2023, the Company had a working capital deficit of \$11,495,043 and an accumulated deficit of \$31,107,348.

The Company's independent auditors have issued a report raising substantial doubt about the Company's ability to continue as a going concern.

At present, the Company is running its operations at its Simcoe Facility cultivating Premium Cannabis and started generating revenue (though its investment in JVCo) within the Canadian wholesale cannabis market. However, the continuation of the Company as a going concern is dependent upon these operations successfully generating cashflow for the Company, financial support from its stockholders, its ability to obtain necessary equity financing to continue operations and/or to successfully locate and negotiate with a business entity for the combination of the target company with the Company.

Balance sheet as of December 31, 2023 and 2022

Cash and restricted cash

On December 31, 2023, we had cash of \$736,323 (excluding restricted cash of \$8,696) compared to \$223,843 (excluding restricted cash of \$8,490) as of December 31, 2022. The increase is due to increase in addition loan provided by a related party.

The change in restricted cash is due to foreign exchange conversion of balances in Canadian Dollar into United States Dollar.

Accounts Receivable

Accounts receivable are recorded at the net value of the face amount less an allowance for doubtful accounts. As of December 31, 2023, the company's allowance for doubtful accounts was \$53,813.

The company recorded a bad debt expense of \$53,812 for the year ended December 31, 2023 whereas no bad debt expense was recorded in the year ended December 31, 2022.

Inventory

As of December 31, 2023, the inventory in the amount of \$1,215,928 (2022: \$nil) consists of WIP and finished cannabis goods which is transferred from JVCo to Canary as a result of the Joint Venture Settlement Agreement, refer to Note 12 for additional details.

Prepaid asset

As of December 31, 2023, we had prepaid expenses of \$42,720 compared to \$41,714 as of December 31, 2022. The balance represents the security deposit for the leased land for the facility to produce Medical Marijuana.

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Sales tax recoverable and payable

As of December 31, 2023, the Company had \$nil of gross sales tax recoverable compared to \$nil as of December 31, 2022 while the Company had \$48,581 of gross sales tax payable as of December 31, 2023 compared to \$35,254 as of December 31, 2022.

Recoverable is due to the sales tax paid by the Company on expenses incurred during the year which are recoverable from the government while payable is due to the sales tax received (after deducting sales tax paid on expenses incurred by the Company) during the year which are payable from the government due to sales conducted by the Joint Venture.

Sales tax recoverable allowance on December 31, 2023 is \$nil (December 31, 2022: \$nil).

Goodwill

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.

Fixed assets

The Company had initiated construction on its leased 44,000 square foot cannabis cultivation facility in September of 2017. 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 had 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). On June 4, 2021, Canary received its Sales License amendment from Health Canada.

Accounts payable and accrued liabilities

Accounts payable amounting to \$2,945,568 as of December 31, 2023, primarily represents consulting and construction services related to fixed asset additions amounting to \$126,059, interest on promissory notes and loans amounting to \$1,628,007, outstanding and accrued professional fees amounting to \$945,615.

Accounts payable amounting to \$2,296,935 as of December 31, 2022, primarily represents consulting and construction services related to fixed asset additions amounting to \$154,811, interest on promissory notes and loans amounting to \$739,130, outstanding and accrued professional fees amounting to \$906,596.

Payable to related parties

As of December 31, 2023, we had \$11,415,557 of the amount payable to related parties as compared to \$10,346,465 as of December 31, 2022. The balance primarily represents loans provided by the Company's shareholders and a related party, CLI, management services fee outstanding to the managers of the company, and outstanding amount of \$65,000 to be paid to a former shareholder of CannaKorp as part of the settlement agreement.

For additional detail, refer to Note 15 in consolidated financial statements.

Convertible promissory notes payable

Interest amounting to \$39 was accrued for the year ended December 31, 2023 (2022: \$37).

The principal amount outstanding as of December 31, 2023 and 2022 was \$480. At both reporting dates, the entire balance was current.

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

Income statement for the years ended December 31, 2023 and 2022

Revenues for the years ended December 31, 2023 and 2022

The Company generated revenue of \$3,720,169 during the current year and \$nil in the comparable year ended in 2022. However, Canary generated revenues of \$791,285 (through its investment in JVCo) during the current year ended (2022: \$3,916,539) and is represented as a share of income from joint venture on the audited consolidated statement of operations. The revenue represents the sale of cannabis product, and the entire revenue was sold to twenty one customers (2022: thirteen).

Expenses for the years ended December 31, 2023 and 2022

Our expenses are classified primarily into advisory and consultancy fees, management fees, salaries and wages, legal and professional fees, and depreciation expense. The increase in operating expenses for the year ended December 31, 2023 compared to 2022 is due to increase in consulting expenses, management fees, office and general and depreciation and amortization expense.

Expenses for the year ended December 31, 2023 primarily represented consulting fees of \$147,787 (2022: \$18,926), management fees of \$312,969 (2022: \$143,677), legal and professional charges of \$212,427 (2022: \$243,670) comprising legal, review, accounting and Edgar agent fee, travel expenses of \$706 (2022: \$nil), operating lease expenses of \$190,185 (2022: (\$74,059)) office and general of \$410,576 (2022: \$22,071) and depreciation expense amounting to \$811,649 (2022: \$885,229).

Changes in other income and expenses were due to: (1) the revaluation of the warrant and convertible debt liabilities on each quarter-end which reduced significantly in magnitude since a significant number of warrants expired during the current year ended; (2) increase in the principal balance of higher interest rate bearing loans led to increased interest expense; (3) & (4) net income from the joint venture is only for two quarters as the agreement with JV is terminated, as a result, the share of income and other income has decreased significantly; (5) no impairment of goodwill related to Canary's acquisition and (6) significant decrease in exchange income during the year due to unfavorable exchange rate.

Other income and expenses comprised, change in fair value of derivative and warranty liability amounting to positive \$7,238 (2022: positive \$14,383), (gain) loss on settlement of debt amounting to \$1,571,742 (2022: \$nil), interest and bank charges amounting to \$1,429,215 (2022: \$1,121,595), exchange loss of \$51,811 (2022: income of \$126,314) other income of \$16,782 (2022: 811,464), impairment of inventory in the amount of \$nil (2022: \$99,000), impairment of goodwill in the amount of \$nil (2022: \$3,315,749) and share of income from joint venture of \$24,152 (2022: \$354,736).

Liquidity and Capital Resources

As of December 31, 2023, the Company had a working capital deficit of \$11,495,043 and an accumulated deficit of \$31,107,348 (2022: Working capital deficit of \$6,358,008 and an accumulated deficit of \$30,783,678). The Company is actively seeking various financing operations to meet the working capital requirements.

We have relied on equity financing and personal funds for our operations. 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.

We will need capital to allow us to invest in development. The Company anticipates that its future operations will generate positive cash flows starting in 2024 provided that it is successful in obtaining additional financing in the foreseeable future.

Statement of Cash Flow – For the years ended December 31, 2023 and 2022:

Operating activities

Operating activities used cash of \$589,612 compared to the cash used of \$1,014,828 during the prior year. This is due to managements efficient use of cash and the company has started to generate revenues.

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Investing activities

Investing activities provided cash of \$416,932 compared to cash provided of \$1,015,040 during the prior year. The cash generation represents the recovery of investment by JVCo. The JVCo was part of the company for only two quarters of 2023 so the recovery represents only for the two quarters.

Financing activities

Financing activities provided cash of \$666,900 compared to \$122,674 for the corresponding period of the prior year. During the current period, cash was provided by a loan advance from a related party.

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Item 8. Consolidated Financial Statements and Supplementary Data

**TARGET GROUP INC.
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Target Group, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Target Group, Inc. and Subsidiaries (“the Company”) as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive loss, changes in stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has an accumulated deficit, net losses, and a working capital deficit. These factors, among others, raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Inventory

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Description of the Critical Audit Matter

As discussed in Note 4 to the financial statements, company's inventory consists of raw materials, finished goods and work-in-process. Costs include direct and indirect labor, materials, utilities, facilities costs, quality and testing costs, production related depreciation and other overhead costs. The valuation of inventory costs involves significant complexity and judgment in applying the relevant accounting standards when auditing management's estimates and conclusions with regard to inventory balances.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures to evaluate management's calculation of capitalized inventory costs included, among other procedures, the following:

- We evaluated the appropriateness and consistency of management's methods and assumptions used in the identification, recognition, and measurement of inventory costs.
- We tested the completeness and accuracy of inputs entered into the Company's overhead calculations and performed recalculations of allocation methods utilized.

Fruci & Associates II, PLLC

Fruci & Associates II, PLLC – PCAOB ID #05525
We have served as the Company's auditor since 2017.

Spokane, Washington
March 20, 2024

**TARGET GROUP INC. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS**

| | | December 31, 2023 \$ | December 31, 2022 \$ |
|---|---------|----------------------------|----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | 736,323 | 223,843 |
| Restricted cash | | 8,696 | 8,490 |
| Accounts receivable, net of allowance | Note 6 | 1,031,530 | 2,068 |
| Inventory | Note 7 | 1,215,928 | — |
| Prepaid asset | Note 8 | 42,720 | 41,714 |
| Other assets | | 55,268 | — |
| Receivable from joint venture | Note 12 | — | 630,180 |
| Other receivable | Note 15 | 3,781 | 3,692 |
| Total current assets | | 3,094,246 | 909,987 |
| Long term assets | | | |
| Fixed assets | Note 11 | 5,430,260 | 5,554,225 |
| Investment in joint venture | Note 12 | — | 775,577 |
| Goodwill | Note 13 | 269,460 | 263,117 |
| Operating lease right-of-use assets | Note 16 | 46,936 | 62,728 |
| Total long term assets | | 5,746,656 | 6,655,647 |
| Total assets | | 8,840,902 | 7,565,634 |
| LIABILITIES AND STOCKHOLDERS' DEFICIENCY | | | |
| Current liabilities | | | |
| Bank overdraft | | 506 | 506 |
| Accounts payable and accrued liabilities | Note 14 | 2,945,568 | 2,296,935 |
| Deferred revenue | Note 4 | 43,098 | — |
| Sales tax payable | Note 9 | 48,581 | 35,254 |
| Payable to related parties, net | Note 15 | 11,415,557 | 4,468,535 |
| Operating lease liability - Current portion | Note 16 | 127,478 | 110,586 |
| Convertible promissory notes, net | Note 17 | 480 | 480 |
| Derivative liability | Note 17 | 8,021 | 15,125 |
| Total current liabilities | | 14,589,289 | 6,927,421 |
| Long term liabilities | | | |
| Payable to related parties, net - Non-current portion | Note 15 | — | 5,877,930 |
| Operating lease liability - Non-current portion | Note 16 | 1,223,955 | 1,319,619 |
| Warrant liability | Note 18 | 355 | 489 |
| Total long term liabilities | | 1,224,310 | 7,198,038 |
| Total liabilities | | 15,813,599 | 14,125,459 |
| Stockholders' deficiency | | | |
| Preferred stock | Note 18 | 100 | 100 |
| Common stock | Note 18 | 61,703 | 61,703 |
| Shares to be issued | Note 18 | 175,439 | 175,182 |
| Additional paid-in capital | | 24,985,697 | 24,985,697 |
| Accumulated deficit | | (31,107,348) | (30,783,678) |
| Accumulated comprehensive loss | | (1,088,288) | (998,829) |
| Total stockholders' deficiency | | (6,972,697) | (6,559,825) |
| Total liabilities and stockholders' deficiency | | 8,840,902 | 7,565,634 |
| Contingencies and commitments | Note 19 | — | — |

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

TARGET GROUP INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

| | For the Year ended December 31, 2023 \$ | For the Year ended December 31, 2022 \$ |
|--|--|--|
| REVENUE | 3,720,169 | — |
| COST OF GOOD SOLD | (2,065,149) | — |
| Gross profit | 1,655,020 | — |
| OPERATING EXPENSES | | |
| Advisory and consultancy fee | 147,787 | 18,926 |
| Management services fee | 312,969 | 143,677 |
| Legal and professional fees | 212,427 | 243,670 |
| Depreciation expense | 811,649 | 885,229 |
| Operating lease expense | Note 16 190,185 | (74,059) |
| Office and general | 410,576 | 22,071 |
| Travel & Entertainment | 706 | — |
| Total operating expenses | 2,086,299 | 1,239,514 |
| OTHER EXPENSES (INCOME) | | |
| Change in fair value of derivative and warrant liability | (7,238) | (14,383) |
| Gain on settlement | (1,571,742) | — |
| Interest and bank charges | 1,410,974 | 1,121,595 |
| Exchange income | 51,811 | (126,314) |
| Other income | Note 12 (16,782) | (811,464) |
| (Recovery) Allowance of sales tax recoverable | — | (496) |
| Impairment of inventory [Note 8] | — | 99,000 |
| Impairment of goodwill | Note 13 — | 3,315,749 |
| Share of income from joint venture | Note 12 (24,152) | (354,736) |
| Debt issuance cost | Note 15 49,520 | 51,599 |
| Total other expense (income) | (107,609) | 3,280,550 |
| Net loss before income taxes | (323,670) | (4,520,064) |
| Income taxes | — | — |
| Net loss | (323,670) | (4,520,064) |
| Foreign currency translation adjustment | (89,459) | 111,891 |
| Comprehensive loss | (413,129) | (4,408,173) |
| Loss per share - basic and diluted | (0.0005) | (0.0073) |
| Weighted average shares - basic and diluted | 617,025,999 | 617,025,999 |

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

**TARGET GROUP INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

| | 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, 2022 | 1,000,000 | 100 | 617,025,999 | 61,703 | 1,579,024 | 175,182 | — | 24,985,697 | (30,783,678) | (998,829) | (6,559,825) |
| Shares issued as consideration for consideration of the intellectual property rights [Note 11] | — | — | — | — | 62,496 | 257 | — | — | — | — | 257 |
| Net loss | — | — | — | — | — | — | — | — | (323,670) | — | (323,670) |
| Foreign currency translation | — | — | — | — | — | — | — | — | — | (89,459) | (89,459) |
| As at December 31, 2023 | 1,000,000 | 100 | 617,025,999 | 61,703 | 1,641,520 | 175,439 | — | 24,985,697 | (31,107,348) | (1,088,288) | (6,972,697) |
| As at December 31, 2021 | 1,000,000 | 100 | 617,025,999 | 61,703 | 1,516,528 | 174,722 | — | 24,985,697 | (26,263,614) | (1,110,720) | (2,152,112) |
| Cancellation of shares [Note 11] | — | — | — | — | — | — | — | — | — | — | — |
| Shares issued as consideration for consideration of the intellectual property rights [Note 11] | — | — | — | — | 62,496 | 460 | — | — | — | — | 460 |
| Net income | — | — | — | — | — | — | — | — | (4,520,064) | — | (4,520,064) |
| Foreign currency translation | — | — | — | — | — | — | — | — | — | 111,891 | 111,891 |
| As at December 31, 2022 | 1,000,000 | 100 | 617,025,999 | 61,703 | 1,579,024 | 175,182 | — | 24,985,697 | (30,783,678) | (998,829) | (6,559,825) |

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

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**TARGET GROUP INC.
CONSOLIDATED STATEMENT OF CASH FLOWS**

| | For the year ended December 31, 2023 | For the year ended December 31, 2022 |
|---|--|--|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net (loss) for the period | (323,670) | (4,520,064) |
| Adjustment for non-cash items | | |
| Change in fair value of derivative and warrant liability | (7,238) | (14,383) |
| Gain on settlement | (1,571,742) | — |
| Shares and warrants issued/to be issued for services | 821 | 1,660 |
| Allowance (recovery) of sales tax recoverable | — | (496) |
| Depreciation expense | 811,649 | 885,229 |
| Operating lease expense | 233,859 | 258,916 |
| Investment (income) loss from joint venture | (24,152) | (354,736) |
| Debt issuance cost | 49,520 | 51,599 |
| Impairment of inventory | — | 99,000 |
| Impairment of goodwill | — | 3,315,749 |
| Changes in operating assets and liabilities: | | |
| Change in accounts receivable - net of allowance | (1,008,903) | — |
| Change in other assets | (54,164) | — |
| Change in inventory | 588,896 | — |
| Change in sales tax recoverable | 12,227 | 58,310 |
| Change in accounts payable and accrued liabilities | 981,699 | (466,139) |
| Change in operating lease liability, net | (320,651) | (329,473) |
| Change in deferred revenue | 42,237 | — |
| Net cash used in operating activities | (589,612) | (1,014,828) |
| INVESTING ACTIVITIES | | |
| Amounts invested on fixed assets | (22,086) | (314) |
| Net proceeds from joint venture | 439,018 | 1,015,354 |
| Net cash provided by investing activities | 416,932 | 1,015,040 |
| FINANCING ACTIVITIES | | |
| Proceeds from loans from related parties | 666,900 | 269,150 |
| Settlement of related party loan | — | (136,476) |
| Payment for settlement payable | — | (10,000) |
| Net cash provided (used) by financing activities | 666,900 | 122,674 |
| Net change in cash and restricted cash during the period | 494,220 | 122,886 |
| Effect of foreign currency translation | 18,466 | (12,704) |
| Cash and restricted cash, beginning of period | 232,333 | 122,151 |
| Cash and restricted cash, end of period | 745,019 | 232,333 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | |
| Shares issued on conversion of debt | — | — |
| Shares issued as consideration for services | 460 | 280 |
| SUPPLEMENTARY CASH FLOW INFORMATION | | |
| Cash paid for interest | 877,193 | 2,132,332 |
| Cash paid for taxes | — | — |

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

**TARGET GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS THEN ENDED DECEMBER 31, 2023 AND 2022**

1. Nature of Operations

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

The Company is a diversified, vertically integrated, progressive company with a focus nationally and internationally. The Company wholly owns and operates Canary Rx Inc, a Canadian licensed producer (“Canary”), regulated under The Cannabis Act (Bill C-45). Canary, operates a 44,000 square foot facility located in Norfolk County, Ontario. The Company has an ongoing strategic partnership with Dutch breeder, Serious Seeds B.V. (“Serious Seeds”), to cultivate exclusive, world-class proprietary genetics. The Company has structured multiple international production and distribution platforms and continues to expand its global footprint, focused on building an iconic brand portfolio with cutting-edge intellectual property in both the medical and recreational cannabis markets. The Company is committed to building industry-leading companies that transform the perception of cannabis and responsibly elevate the overall patient and consumer experience.

The Company’s core business is producing, manufacturing, distributing, and selling of cannabis products, as further described in Item 1. As of the current year to date period end, Company has produced and sold cannabis products of \$3,762,406 (Period ended December 31, 2022: \$nil).

Joint Venture Agreement Termination; Consolidation of JVCo with Canary

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

On April 27, 2023, Canary and Thrive Cannabis entered into a Release and Settlement Agreement (“Settlement Agreement”) in which Thrive Cannabis transferred its shares in the capital of JVCo and rights of assets held by JVCo, paid Canary \$1,051,000 to release Thrive Cannabis from any mortgages, charges, pledges, security interests, liens, encumbrances, writs of execution, actions, claims, demands and equities of any nature related to JVCo from their share of ownership of JVCo.

Following the completion of the Settlement Agreement, Canary’s equity interest in JVCo increased from 50% to 100%. Effective April 28, 2023, the Company started consolidating results of operations of the JVCo and eliminated any intercompany transactions and balances between the Company (Target and Canary) and JVCo.

During the term of the Joint Venture, the Company accounted for the transactoins using the equity method under ASC 323 Investments — Equity Method and Joint Ventures. As a consequence of the Settlement Agreement, as the JVCo becoming a wholly owned subsidiary of the company as of April 27, 2023, the Company now uses the acquisition method of accounting (using a step acquisition method) under ASC 805 Business Combination.

Serious Seeds Agreement

Effective December 6, 2018, the Company and Canary entered into the Serious Agreement described in Item 1.

CL Investors Debt Purchase and Assignment Agreement

Effective June 15, 2020, the Company, entered into the Debt Agreement CL Investors Inc. (“CLIP”), described in Item 1.

2. Basis of Presentation and Consolidation

The summary of significant accounting policies presented below is designed to assist in understanding the Company's consolidated financial statements. Such consolidated financial statements and accompanying notes are the representations of the Company's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") in all material respects and have been consistently applied in preparing the accompanying consolidated financial statements.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Visava and CannaKorp, and BlueSky Logistics, LLC. Significant intercompany accounts and transactions have been eliminated upon consolidation.

3. Going Concern

The Company has earned minimal revenue since inception and has sustained operating losses during the year ended December 31, 2023. The Company had a working capital deficit of \$11,495,043 and an accumulated deficit of \$31,107,348 as of December 31, 2023. 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 accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern; however, the above condition raises substantial doubt about the Company's ability to do so. The consolidated 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, sale of its equity or issuance of debt. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of consolidated financial statements in conformity with 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash

Cash and cash equivalents include cash on hand and deposits at banking institutions as well as all highly liquid short-term investments with original maturities of 90 days or less. The Company did not have cash equivalents as of December 31, 2023 and 2022.

Restricted cash represents deposits made to the Company's bank as a requirement to use the bank's credit card which is not available for immediate or general business use.

Accounts receivable

Account receivable consists of amounts due to the Company from customers as a result of the Company's normal business activities. Account receivable is reported on the balance sheets net of an estimated allowance for doubtful accounts. The Company establishes an allowance for doubtful accounts for estimated uncollectible receivables based on historical experience, assessment of specific risk, review of outstanding invoices, and various assumptions and estimates that are believed to be reasonable under the circumstances, and recognizes the provision as a component of selling, general and administrative expenses. Uncollectible accounts are written off against the allowance after appropriate collection efforts have been exhausted and when it is deemed that a balance is uncollectible. The company records the allowance based on past history and if there are doubts on the recoverability. As of December 31, 2023, the Company has recorded an allowance for those balances which it expects to be not recoverable. On December 31, 2023 amounts due from two customers totaled approximately 59% and 70% of accounts receivable.

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 the cost of revenue and establish a new cost basis for the inventory. The cost is determined on the basis of the average cost. Overhead costs are also allocated to inventory including salaries and utilities.

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 |
| Leasehold improvements | Straight-line | Lease period |

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 the 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.

Shipping and Handling Cost

Payments by customers to us for shipping and handling costs are included in revenue on the consolidated statements of operations, while our expense is included in cost of goods sold. Shipping and handling for inventory, if any, are included as a component of inventory on the consolidated balance sheets, and in cost of goods sold in the consolidated statements of operations when the product is sold.

Goodwill and Intangible Assets

Goodwill and other identifiable intangible assets with indefinite lives that are not being amortized, such as trade names, are tested at least annually for impairment and are written down if impaired. Identifiable intangible assets with finite lives are amortized over their estimated useful lives and are reviewed for impairment whenever facts and circumstances indicate that their carrying values may not be fully recoverable.

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The Company evaluates the recoverability of the infinite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such a review indicates that the carrying amount of intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value.

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 consolidated 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 \$3,720,169 during the year ended December 31, 2023, and Snil in 2022. There are three of the customers whose revenue is more than 10% of the total revenue.

In addition, Canary generated revenue of \$791,285 (though its investment in JVCo) during the year ended December 31, 2023 (2022: \$3,916,539) and is represented as a share of income (losses) from joint venture on the consolidated statement of operations. The revenue was concentrated to twenty one customers (2022: thirteen). The revenue represents the sale of cannabis products. Since the customers have received the product and there are no further obligations as per the agreement, revenue was recognized. Refer to Note 12 for additional details.

Foreign Currency Translation

The functional currency of the Company’s Canadian-based subsidiary is the Canadian dollar, and the US-based parent is the U.S. dollar. In addition, effective April 1, 2019, the Company changed its functional currency from United States Dollar to Canadian Dollar thereby having an impact on additional paid-in capital and accumulated comprehensive income (loss). The presentation currency of the Company has remained unchanged at United States Dollar. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All exchange gains or losses arising from the translation of these foreign currency transactions are included in net income (loss) for the year. In translating the consolidated financial statements of the Company and its Canadian subsidiaries from their functional currency into the Company’s reporting currency of United States dollars, balance sheet accounts are translated using the closing exchange rate in effect at the balance sheet date and income and expense accounts are translated using an average exchange rate prevailing during the reporting period. Adjustments resulting from the translation, if any, are included in cumulative other comprehensive income (loss) in stockholders’ equity. The Company has not, to the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Concentration of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company places its cash with high-quality banking institutions. The Company has cash balances in excess of the Federal Deposit Insurance Corporation limit as of December 31, 2023 whereas cash balances were not in excess of FDIC limit as of December 31, 2022.

Income Taxes

Under ASC 740, “Income Taxes,” deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when it is more likely than not that

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some or all of the deferred tax assets will not be realized. As of December 31, 2023 there were no deferred taxes due to the uncertainty of the realization of net operating loss or carry forward prior to expiration.

Operating Leases

The Company leases office space and the production facility under operating lease agreements. The lease term begins on the date of initial possession of the leased property for purposes of recognizing lease expense on a straight-line basis over the term of the lease. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease term.

Earnings (Loss) Per Common Share

FASB ASC 260, Earnings Per Share provides for calculations of “basic” and “diluted” earnings per share. Basic earnings (loss) per common share excludes 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 (loss) per common share reflect the potential dilution of securities that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the income (loss) of the Company. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

For the year ended December 31, 2023, basic and diluted EPS are the same due to net loss result.

For the year ended December 31, 2022, basic and diluted EPS are the same due to net loss result.

Convertible Notes Payable and Derivative Instruments

In accordance with ASU 2017-11, warrants with a down round feature are treated as equity, with no adjustment for changes in fair value at each reporting period. The Company accounted for conversion options embedded in convertible notes in accordance with ASC 815. ASC 815 generally requires companies to bifurcate conversion options embedded in convertible notes from their host instruments and to account for them as free-standing derivative financial instruments. ASC 815 provides for an exception to this rule when convertible notes, as host instruments, are deemed to be conventional, as defined by ASC 815-40. The Company accounts for convertible notes deemed conventional and conversion options embedded in non-conventional convertible notes which qualify as equity under ASC 815, in accordance with the provisions of ASC 470-20, which provides guidance on accounting for convertible securities with beneficial conversion features. Accordingly, the Company records, as a discount to convertible notes, the intrinsic value of such conversion options based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt.

Stock Based Compensation

The Company accounts for stock-based payments in accordance with the provision of ASC 718, which requires that all share-based payments issued to acquire goods or services, including grants of employee stock options, be recognized in the statement of operations based on their fair values, net of estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Compensation expense related to share-based awards is recognized over the requisite service period, which is generally the vesting period.

The Company accounts for stock-based compensation awards issued to non-employees for services, as prescribed by ASC 718-10, at either the fair value of the services rendered or the instruments issued in exchange for such services, whichever is more readily determinable. The Company issues compensatory shares for services including, but not limited to, executive, management, accounting, operations, corporate communication, financial and administrative consulting services.

Marketing Expenses

Marketing, advertising and promotion expenditures are expensed in the annual period in which the expenditure is incurred.

Impairment of Long-Lived Assets

In accordance with ASC 360-10, the Company, on a regular basis, reviews the carrying amount of long-lived assets for the existence of facts or circumstances, both internally and externally, that suggest impairment. The Company determines if the carrying amount of a long-lived asset is impaired based on anticipated undiscounted cash flows, before interest, from the use of the asset. In the event of impairment, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the asset. Fair value is determined based on the appraised value of the assets or the anticipated cash flows from the use of the asset or asset group, discounted at a rate commensurate with the risk involved.

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 consolidated 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 consolidated 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 17 for further details.

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.

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The Company monitors equity method investments for impairment and records 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 not recorded any impairment losses related to our equity method investments during the year ended December 31, 2023 or in December 31, 2022.

5. Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by FASB or other standard setting bodies that are adopted by the Company as of the specified effective date.

ASU 2016-13 Current Expected Credit Loss (ASC326)

In December 2021, the FASB issued an update to ASU No. 2016-13 the Current Expected Credit Losses (CECL) standard (ASC 326), which is designed to provide greater transparency and understanding of credit risk by incorporating estimated, forward-looking data when measuring lifetime Estimated Credit Losses (ECL) and requires enhanced financial statement disclosures. This guidance was adopted on January 1, 2023, and as a result allowance of \$54,909 was recorded.

6. Accounts Receivable

Accounts receivable are recorded at the net value of the face amount less an allowance for doubtful accounts. As of December 31, 2023, the company's allowance for doubtful accounts was \$54,909.

The company recorded a bad debt expense of \$53,813 for the year ended December 31, 2023 whereas no bad debt expense was recorded in the year ended December 31, 2022.

7. Inventory

As of December 31, 2023, the inventory in the amount of \$1,215,928 (2022: \$nil) consists of WIP and finished cannabis goods which is transferred from JVCo to Canary as a result of the Joint Venture Settlement Agreement, refer to Note 12 for additional details.

| <u>Product</u> | <u>For the Year ended December 31,2023</u> |
|--------------------------|--|
| Finished goods | \$ 784,354 |
| WIP (Flowers and plants) | 431,574 |
| | <u>1,215,928</u> |

8. Prepaid Asset

As of December 31, 2023, the Company had prepaid expenses of \$42,720 compared to \$41,714 as of December 31, 2022. The balance represents the security deposit for the leased land of the subsidiary's facility. The change in is due to foreign exchange conversion of balances in Canadian Dollar into United States Dollar.

9. Sales Tax Recoverable

As of December 31, 2023, the Company had \$nil of gross sales tax recoverable compared to \$nil as of December 31, 2022 while the Company had \$48,581 of gross sales tax payable as of December 31, 2023.

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Recoverable is due to the sales tax paid by the Company on expenses incurred during the year which are recoverable from the government while payable is due to the sales tax received (after deducting sales tax paid on expenses incurred by the Company) during the year which are payable from the government due to sales conducted by the Joint Venture.

The Company has recorded \$nil of allowance as of December 31, 2023 (December 31, 2022: \$nil).

10. Intangible Assets

Effective August 8, 2019, the Company entered into an Exclusive License Agreement (“License Agreement”) with cGreen, Inc., a Delaware corporation (“cGreen”). The License Agreement granted the Company an exclusive license to manufacture and distribute the patent-pending THC antidote True Focus(TM) in the United States, Europe and the Caribbean. The term of the license was ten (10) years and four (4) months from the effective date of August 8, 2019. In consideration of the license, the Company would 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 would 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 would 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 would 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 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 paid \$130,000 within 30 days of the Effective Date and started paying \$100,000 in monthly installments of \$10,000 which commenced in April 2021 to cGreen. This resulted in a gain on settlement of \$1,704,860.

As at December 31, 2023, there was no outstanding balance, the balance has been paid in full and the claim is closed during the quarter ended March 31, 2022.

11. Fixed Assets

The Company’s subsidiary, Canary, initiated construction on its leased 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. 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). Canary currently operates as a licensed producer/wholesaler of craft cannabis in Ontario and has since been granted its sales amendment from Health Canada to sell directly to provincial retail boards for consumer products.

Canary has recorded a depreciation expense of \$811,649 during the year ended December 31, 2023 (2022: \$884,252).

The Company’s other subsidiary, CannaKorp, has been utilizing its assets throughout the year and accordingly, has recorded depreciation expense of \$491 during the year ended December 31, 2023 (2022: \$977).

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

| | Furniture & fixture \$ | Machinery & Equipment \$ | Software \$ | Leasehold improvements \$ | Total \$ |
|--------------------------|---------------------------|-----------------------------|----------------|------------------------------|------------------|
| Cost | 1,453,783 | 770,218 | 43,555 | 6,886,818 | 9,154,374 |
| Accumulated depreciation | (581,301) | (753,151) | (43,555) | (2,346,107) | (3,724,114) |
| | 872,482 | 17,067 | — | 4,540,711 | 5,430,260 |

12. Joint Venture

Historical information

Effective May 14, 2020, Canary entered into the Joint Venture explained in Note 1. Under the Joint Venture, JVCo was permitted to use the rooms, of Canary’s licensed cannabis cultivation facilities located in Simcoe, Ontario, Canada (“Licensed Site Portion”) to operate and manage 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 was 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.

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.

During the year ended December 31, 2023, the Joint Venture partners, Canary and Thrive Cannabis entered into an agreement. Pursuant to this agreement the Company received a total of \$1,574,982 (CAD 2,125,482) of which \$1,017,555 (CAD 1,373,218) were reduced from investment in Joint Venture as these represented recovery of investment and \$557,428 (CAD 752,264) were classified as other income representing recovery of interest expense charged on shareholder loan, which was primarily provided to support Joint Venture operations. Also refer to shareholder loan in Note 15.

As per the Joint Venture, Canary provided the JVCo with a Hard Cost Loan with the maximum amount of \$907,320 (CAD 1,200,000). This loan bore an interest rate of 7% per annum, matured in 12 months from the effective date, and was secured against the personal property of the JVCo and Thrive had guaranteed one-half (1/2) of the outstanding balance of the loan. As of April 27, 2023, the loan advanced amounts to \$253,294 (CAD 335,000) and interest income charged for the nine months ended in the amount of \$17,376 (CAD 23,450) is included in other income on the unaudited condensed consolidated interim statement of operations and comprehensive loss and interest receivable in the amount of \$60,965 (CAD 80,630) was included in receivable from joint venture on the unaudited condensed consolidated interim balance sheet. After April 27, 2023, as mentioned above and further discussed below, JVCo become a subsidiary of the company as result the above loan and interest receivable were eliminated upon consolidation.

The Company recorded JVCo’s results through April 27, 2023 using the equity method and below is the table which summarizes the activity of the period (through April 27, 2023):

| Period ended | January 1 to April 27, 2023 | | 2022 | |
|-------------------------------|-----------------------------|-----------|-----------|-----------|
| | CAD | USD | CAD | USD |
| Sales | 1,068,799 | 791,285 | 5,093,028 | 3,916,539 |
| Cost of goods sold | 620,344 | 459,271 | 2,635,640 | 2,026,807 |
| Gross profit | 448,455 | 332,014 | 2,457,388 | 1,889,732 |
| Operation expenses | 383,358 | 283,819 | 1,534,800 | 1,180,261 |
| Net income | 65,097 | 48,195 | 922,588 | 709,471 |
| Eligible recoverable expenses | 1,437,054 | 1,060,833 | 4,870,924 | 3,596,203 |
| Recoverable amount | 1,437,054 | 1,060,833 | 4,870,924 | 3,596,203 |
| Income on equity | 32,549 | 24,152 | 461,294 | 354,735 |

Termination of joint venture agreement during quarter ended June 30, 2023

On April 27, 2023, Canary and Thrive Cannabis entered into a Release and Settlement Agreement (“Settlement Agreement”) in which Thrive Cannabis has transferred its shares in the capital of JVCo and rights of assets held by JVCo.

Pursuant to the above Settlement Agreement, Thrive Cannabis paid Canary \$1,051,000 to release Thrive Cannabis from any mortgages, charges, pledges, security interests, liens, encumbrances, writs of execution, actions, claims, demands and equities of any nature related to JVCo from their share of ownership of JVCo.

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During the term of the Joint Venture, the Company accounted for the transactions using the equity method under ASC 323 Investments — Equity Method and Joint Ventures. As a consequence of the Settlement Agreement, as the JVCo becoming a wholly owned subsidiary of the company as of April 27, 2023, the Company now uses the acquisition method of accounting (using a step acquisition method) under ASC 805 Business Combination.

Consolidation of JVCo into Canary

Following the completion of the Settlement Agreement, Canary's equity interest in JVCo increased from 50% to 100%. Effective April 28, 2023, the Company started consolidating result's of operations of the JVCo and eliminated any intercompany transactions and balances between the Company (Target and Canary) and JVCo.

As a consequence of the above Settlement Agreement and after obtaining 100% shares of the JVCo, the Company acquired the following assets:

| | USD |
|---------------------------------------|------------------|
| Investment in JV | 1,023,608 |
| Receivable from JV | 698,645 |
| Payable to JV | (129,185) |
| | <u>1,593,068</u> |
| Cash received from Thrive | 776,382 |
| Net amount | 816,686 |
| Assets acquired: | |
| Accounts receivable | 163,244 |
| Inventory | 1,690,368 |
| Fixed asset | 534,816 |
| | <u>2,388,428</u> |
| Net gain as per reconciliation | 1,571,742 |

As of April 27, 2023, the Company had a carrying value of the investment in Joint Venture and receivable from Joint Venture on the consolidated balance sheets amounting to \$1,023,608 and \$706,598, respectively. Pursuant to the above Settlement Agreement, the Company received \$776,382 against these balances. Accordingly, the remaining balance of \$953,824 was compared to the fair value of the net assets acquired and this resulted in net recognition of \$1,571,742 as a non-operating gain reported in the Consolidated Statement of Operations as net gain from termination of the Joint Venture.

13. 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.

Visava/Canary

On June 27, 2018, the Company entered into the Visava Exchange Agreement described in Item 1.

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This acquisition was accounted for using the acquisition method of accounting. As of August 2, 2018, the fair value of the net liabilities was \$275,353 and the purchase consideration was fair valued as \$3,318,842, shown below, leading to a goodwill allocation of \$3,594,195.

| | |
|--------------------------------------|------------------|
| | \$ |
| 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%

During the year ended December 31, 2023, the Company has identified no circumstances which would call for further evaluation of goodwill impairment related to Canary (December 31, 2022: the Company identified circumstances that would call for an evaluation of goodwill impairment and therefore impaired \$3,315,749 reducing the goodwill related to the Canary to \$263,117). Only change in goodwill from 2022 to 2023 is due to exchange rate fluctuations.

During the year ended, December 31, 2023, all of the warrants expired, none were exercised.

Goodwill

The Company tests for impairment of goodwill at the reporting unit level. In assessing whether goodwill is impaired, the Company utilizes 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 the statement of operations.

14. Accounts Payable and Accrued Liabilities

Accounts payable amounting to \$2,945,568 as of December 31, 2023, primarily represents consulting and construction services related to fixed asset additions amounting to \$126,059, interest on promissory notes and loans amounting to \$1,628,007, outstanding and accrued professional fees amounting to \$945,615.

Accounts payable amounting to \$2,296,935 as of December 31, 2022, primarily represents consulting and construction services related to fixed asset additions amounting to \$154,811, interest on promissory notes and loans amounting to \$739,130, outstanding and accrued professional fees amounting to \$906,596.

15. Related Party Transactions and Balances

During the year ended December 31, 2023, the Company expensed \$312,969 (December 31, 2022: \$143,677) in management service fee for services provided by the current key officers of the company.

The breakdown of the related party balance as of December 31, 2023, in the amount of \$11,415,557 (December 31, 2022: \$10,346,465) is below:

Debt purchase by CL Investors Inc.

On June 15, 2020, the Company and its subsidiaries, entered into a Debt Agreement with CLI explained in Note 1. The Canary Debt, Term, repayment schedule, security and options are set forth in Note 1. As of December 31, 2023, \$3,781 (CAD \$5,000) is still outstanding from CLI.

Interest expense charged for the year ended in the amount of \$373,283 (CAD \$503,756) is included in interest and bank charges on the unaudited condensed consolidated interim statement of operations and comprehensive loss and accrued interest in the amount of \$621,682 (CAD 822,222) is included in accounts payable and accrued liabilities on the unaudited condensed consolidated interim balance sheet.

The repayment schedule of the minimum principal payments is shown below:

| | | |
|---------------------|----|------------------|
| 2024 | \$ | 3,446,680 |
| 2025 | | 4,433,794 |
| Total | | <u>7,880,474</u> |
| Current portion | | (7,880,474) |
| Non-current portion | \$ | <u>—</u> |

During the year ended December 31, 2023, the Company could not make repayments of certain debt owed to a related party in accordance with the agreed repayment schedule, and is therefore in breach of the loan agreement as at year end.

Consequently, the Company has reclassified the entire outstanding balance of the loan to current liabilities. At this stage the Company is under discussions to formalize the arrangements with the lender to revise the terms of the loans.

The Debt Agreement Amendment and CLI Warrants are explained in Note 1. Refer to Note 12 for additional details on the CLI Warrants. The combined impact of both transactions resulted in a debt issuance cost of \$251,518. This debt issuance cost will be amortized over the term of the debt on a straight-line basis. As at December 31, 2023, the balance is \$82,159 of which \$50,733 is current while \$31,426 is non-current.

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Shareholder loan

One of the Company's shareholders provided a loan to the Company. The loan is secured by all assets owned by the Company and its subsidiaries including leasehold improvements and matures on June 30, 2024, and therefore is presented as non-current. The loan was provided in five tranches and the latest amendment increased the maximum loan amount by \$665,640 (CAD 900,000) while the rest of terms remained unchanged. The specific details of each tranche of the loan are shown below:

| | Interest rate | Maximum loan | | Outstanding loan | |
|-----------|---------------|--------------|-----------|------------------|-----------|
| | | CAD | USD | CAD | USD |
| Tranche 1 | 16.00 % | 1,043,593 | 789,061 | 1,043,593 | 789,061 |
| Tranche 2 | 43.26 % | 1,592,787 | 1,204,306 | 1,592,787 | 1,204,306 |
| Tranche 3 | 43.26 % | 250,000 | 189,025 | 250,000 | 189,025 |
| Tranche 4 | 43.26 % | 500,000 | 378,050 | 500,000 | 378,050 |
| Tranche 5 | 43.26 % | 500,000 | 378,050 | 400,000 | 302,440 |
| Total | | 3,886,380 | 2,938,492 | 3,786,380 | 2,862,882 |

Interest expense charged for the twelve months ended December 31, 2023, in the amount of \$991,091 (CAD 1,337,504) is included in interest and bank charges on the consolidated statement of operations and comprehensive loss and accrued interest in the amount of \$996,565 (CAD 1,265,164) is included in accounts payable and accrued liabilities on the consolidated balance sheet.

A Ninth Amending Agreement to the shareholder loan, previously filed as Exhibit 10.35, was executed on November 7, 2023, by and between Jerry Zarcone, the Company and its subsidiaries ("*Ninth Amendment*"), which extends the term of each of the First, Second, Third, Fourth, and Fifth Tranche, to a maturity date of June 30, 2024, or such earlier date as demanded by Mr. Zarcone.

Outstanding management service fee

The balance owing to key officers of the Company is \$689,360 (December 31, 2022: \$585,261).

Balances outstanding related to subsidiaries

During the year ended December 31, 2019, the Company settled with the loan holders provided to the Company's subsidiary, CannaKorp. The 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. These warrants expired during the year ended December 31, 2021. Of the total settlement amount, as of December 31, 2023 and December 31, 2022, \$65,000 was outstanding to be paid. This amount includes late payment penalties of \$25,000. During the year ended December 31, 2023, all of the warrants expired, none were exercised.

Balances outstanding related to directors

During the year ended December 31, 2023, the Company has purchased \$nil of consulting services from GTA Angel Group which is owned by the Company's CEO's brother. The balance outstanding as of December 31, 2023 is \$25,632 and is included in accounts payable and accrued liabilities.

The Company subleases its principal executive office premise from Norlandam Marketing Inc., a company owned by one of the directors. During the quarter ended March 31, 2021, the premises were subleased to a third party that makes rent payments directly to Norlandam Marketing Inc. The balance outstanding as of December 31, 2023 is \$nil.

16. 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 is recognized when the obligation is probable.

Right-of-use assets and liabilities are recognized at the 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 the 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 \$1,707,434 (CAD \$2,258,212) of right-to-use assets as operating leases and operating lease obligations. The right-to-use asset was reduced by \$1,580,189 (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:

During the year ended December 31, 2021, the Company subleased its executive premises to a third party that makes rent payments directly to the landlord. However, if the sub-lessee cancels its sub-lease agreement with the landlord during the Company's lease term with the landlord (ending on August 30, 2023), the Company will be responsible for making rent payments for the period from the date of cancellation by the sub-lessee to August 30, 2023.

The Company's subsidiary, Canary, is a party to a 10-year lease agreement (initiated in July 2014) with respect to its facility to produce Craft Cannabis at Scale. The lease agreement was amended effective January 1, 2020, where the amended 10-year term starts on May 1, 2020 and provides the Company with 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 \$26,464 (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, \$747,248 (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 was 16% (average borrowing rate of the Company). As of December 31, 2023 the weighted average remaining lease term was 6.33 years. Maturities of lease liabilities were:

| | |
|------------------------------------|--------------|
| 2024 | \$ 330,456 |
| 2025 | 333,761 |
| 2026 | 337,098 |
| 2027 | 340,469 |
| Thereafter | 808,116 |
| Total lease payments | 2,149,900 |
| Less imputed interest | (798,467) |
| Present value of lease liabilities | 1,351,433 |
| Current portion | (127,478) |
| Non-current portion | \$ 1,223,955 |

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

| | For the Year ended December 31, 2023 \$ | For the Year ended December 31, 2022 \$ |
|--|--|--|
| Gross operating lease expense | 233,859 | 258,916 |
| Gross rent and utilities expenses | 241,110 | 594,498 |
| Recoverable expenses from JVCo related to rent and utilities | (284,784) | (927,473) |
| | <u>190,185</u> | <u>(74,059)</u> |

As explained in Note 12, the JVCo reimburses a certain percentage of gross expenses incurred by Canary which includes rent and utilities. Due to this unique circumstance and since operating lease expenses 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. At the year ended December 31, 2023 the recoverable amount is through April 27, 2023.

17. Convertible Promissory Notes

Interest amounting to \$39 was accrued for the year ended December 31, 2023 (December 31, 2022: \$37).

Principal amount outstanding as of December 31, 2023 and December 31, 2022 was \$480. At both reporting dates, the entire balance was current.

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

Derivative liability

During the year ended December 31, 2023, there were no conversion of principal balance of convertible promissory notes (2022: \$2,648), respectively. The Company recorded and fair valued the derivative liability as follows:

| | Derivative liability as at December 31, 2022 \$ | Conversions / Redemption during the period \$ | Change due to Issuances \$ | Fair value adjustment \$ | Derivative liability as at December 31, 2023 \$ |
|--------|---|---|----------------------------------|--------------------------------|---|
| Note D | 1,446 | — | — | (605) | 841 |
| Note F | 10,034 | — | — | (4,766) | 5,268 |
| Note G | 3,645 | — | — | (1,733) | 1,912 |
| | <u>15,125</u> | <u>—</u> | <u>—</u> | <u>(7,104)</u> | <u>8,021</u> |

Key assumptions used for the valuation of convertible notes

The derivative element of the convertible notes was fair valued using the multinomial lattice model. Following assumptions were used to fair value these notes as of December 31, 2023:

- Projected annual volatility of 205% to 523%;
- Risk free interest rate of 4.40% to 5.20%;
- Stock price of \$0.002 to 0.008;
- Liquidity term of 0.25 to 0.75 years;
- Dividend yield of 0%; and
- Exercise price in the range between \$0.0010 to \$0.0151.

18. Stockholders' Deficiency

Preferred Stock

- Par value: \$0.0001
- Authorized: 20,000,000
- Issued: 1,000,000 shares were outstanding as of December 31, 2023 and 2022

Common Stock

- Par value: \$0.0001
- Authorized: 850,000,000
- Issued: 617,025,999 shares are outstanding as at December 31, 2023 and 2022

As of December 31, 2023, convertible notes, warrants and preferred stock outstanding could be converted into 31,857,771 (December 31, 2022: 17,258,122), 10,400,008 (December 31, 2022: 53,950,001) and 100,000,000 (December 31, 2022: 100,000,000) shares of common stock, respectively.

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 concerning 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.

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 Stockholders 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.

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2023

During the quarter ended March 31, 2023, the Company issued 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 a fair value of \$63, based on the market price of the Company's stock on the date of the 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, 2023, the Company issued 15,624 shares of common stock to be issued as consideration of the intellectual property rights granted by the President of Serious Seeds, Smit, to the Company's subsidiary, Canary. These were recorded at a fair value of \$48, based on the market price of the Company's stock on the date of the 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 September 30, 2023, the Company issued 15,624 shares of common stock to be issued as consideration of the intellectual property rights granted by the President of Serious Seeds, Simon Smit ("Smit"), to the Company's subsidiary, Canary. These were recorded at a fair value of \$99, based on the market price of the Company's stock on the date of the 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 December 31, 2023, the Company issued 15,624 shares of common stock to be issued as consideration of the intellectual property rights granted by the President of Serious Seeds, Simon Smit ("Smit"), to the Company's subsidiary, Canary. These were recorded at a fair value of \$47, based on the market price of the Company's stock on the date of the 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.

2022

During the quarter ended March 31, 2022, the Company issued 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 a fair value of \$153, based on the market price of the Company's stock on the date of the 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, 2022, the Company issued 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 a fair value of \$114, based on the market price of the Company's stock on the date of the 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 September 30, 2022, the Company issued 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 a fair value of \$120, based on the market price of the Company's stock on the date of the 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 December 31, 2022, the Company issued 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 a fair value of \$73, based on the market price of the Company's stock on the date of the 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.

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Shares to be issued include the following:

| | Shares | Amount | Description |
|----------------------------------|------------------|-------------------|---|
| Services | 115,000 | \$ 73,000 | 80,000 shares of common stock to be issued as compensation to advisers and consultants. These were recorded at fair value of \$52,000, based on the market price of the Company's stock on the date of issue. 35,000 to be issued as settlement of the 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 a gain on settlement amounting to \$226,306 during the year ended December 31, 2017. |
| Private placements | 346,296 | \$ 18,787 | 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. |
| Settlement of loans of CannaKorp | 930,240 | \$ 80,838 | Refer to Note 15 for details. |
| Agreement with Serious Seeds | 249,984 | 2,814 | 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. |
| | <u>1,641,520</u> | <u>\$ 175,439</u> | |

Warrants

As further explained in Note 18, the warrants (with an exercise price in United States Dollar) were re-classified as a liability as of December 31, 2019, and therefore have been revalued on each quarter end. The fair value of the warrants was measured on reporting dates using the Black-Scholes option pricing model using the following assumptions:

2023

| | As at December 31, 2023 | As at September 30, 2023 | As at June 30, 2023 | As at March 31, 2023 |
|-------------------------|-------------------------------|--------------------------------|---------------------------|----------------------------|
| Forfeiture rate | 0% | 0% | 0% | 0% |
| Stock price | \$0.002 | \$0.008 | \$0.006 | \$0.003 |
| Exercise price | \$0.300 to \$0.350 | \$0.250 to \$0.350 | \$0.250 to \$0.300 | \$0.250 to \$0.300 |
| Volatility | 358% to 438% | 365% to 422% | 273% to 342% | 244% to 305% |
| Risk free interest rate | 4.79% | 5.46% | 5.40% | 4.64% |
| Expected life (years) | 0.02 to 1.93 | 0.02 to 1.68 | 0.02 to 1.68 | 0.02 to 1.93 |
| Expected dividend rate | 0% | 0% | 0% | 0% |

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2022

| | As at December 31, 2022 | As at September 30, 2022 | As at June 30, 2022 | As at March 31, 2022 |
|-------------------------|-------------------------------|--------------------------------|---------------------------|----------------------------|
| Forfeiture rate | 0% | 0% | 0% | 0% |
| Stock price | \$0.004 | \$0.005 | \$0.008 | \$0.009 |
| Exercise price | \$0.200 to \$0.300 | \$0.200 to \$0.300 | \$0.050 to \$0.300 | \$0.023 to \$0.250 |
| Volatility | 253% to 312% | 214% to 279% | 192% to 306% | 192% to 306% |
| Risk free interest rate | 4.73% | 4.05% | 2.92% | 2.28% |
| Expected life (years) | 0.02 to 1.93 | 0 to 1.94 | 0 to 1.94 | 0 to 1.93 |
| Expected dividend rate | 0% | 0% | 0% | 0% |

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

2023

| | During quarter ended December 31, 2023 | During quarter ended September 30, 2023 | During quarter ended June 30, 2023 | During quarter ended March 31, 2023 |
|-------------------------|--|---|--|---|
| Forfeiture rate | 0% | 0% | 0% | 0% |
| Stock price | \$0.002 to \$0.004 | \$0.004 to \$0.009 | \$0.003 to \$0.003 | \$0.003 to \$0.005 |
| Exercise price | \$0.350 | \$0.350 | \$0.350 | \$0.300 |
| Volatility | 438% | 399% | 342% | 305% |
| Risk free interest rate | 4.60% to 5.08% | 4.78% to 5.01% | 3.82% to 4.51% | 4.24% to 4.89% |
| Expected life (years) | 2 | 2 | 2 | 2 |
| Expected dividend rate | 0% | 0% | 0% | 0% |
| Fair value of warrants | \$158 | \$313 | \$138 | \$160 |

2022

| | During quarter ended December 31, 2022 | During quarter ended September 30, 2022 | During quarter ended June 30, 2022 | During quarter ended March 31, 2022 |
|-------------------------|---|--|---|--|
| Forfeiture rate | 0% | 0% | 0% | 0% |
| Stock price | \$0.004 to \$0.006 | \$0.007 to \$0.008 | \$0.005 to \$0.010 | \$0.008 to \$0.013 |
| Exercise price | \$0.300 | \$0.300 | \$0.300 | \$0.250 |
| Volatility | 279% | 279% | 299% | 306% |
| Risk free interest rate | 4.23% to 4.66% | 2.97% to 3.50% | 2.50% to 2.73% | 0.88% to 1.50% |
| Expected life (years) | 2 | 2 | 2 | 2 |
| Expected dividend rate | 0% | 0% | 0% | 0% |
| Fair value of warrants | \$176 | \$288 | \$306 | \$430 |

Breakdown of warrants outstanding as of December 31, 2023 and 2022 are detailed below:

| | Warrants outstanding as at December 31, 2023 | Warrants outstanding as at December 31, 2022 | Remaining contractual life term as at December 31, 2023 (years) | Remaining contractual life term as at December 31, 2022 (years) |
|--------------------|---|---|---|---|
| Private placements | — | 43,549,993 | N/A | 0.11 to 0.47 |
| Serious Seeds | 400,008 | 400,008 | 0.02 to 1.93 | 0.02 to 1.93 |
| CLI | 10,000,000 | 10,000,000 | 1.62 | 2.62 |
| Total | 10,400,008 | 53,950,001 | | |

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Movement of the warrants is detailed below:

| | |
|---|----------------------|
| Warrants as at December 31, 2021 | 350,178,339 |
| Issued | 200,004 |
| Expired | <u>(296,428,342)</u> |
| Warrants as at December 31, 2022 | 53,950,001 |
| Issued | 200,004 |
| Expired | <u>(43,749,997)</u> |
| Warrants as at December 31, 2023 | 10,400,008 |

Movement of the warrant liability is detailed below:

| | |
|--|-----------------|
| Warrant liability as at December 31, 2021 | 22,095 |
| Warrant liability for new issuance | 1,221 |
| Change in fair value | <u>(22,827)</u> |
| Warrant liability as at December 31, 2022 | 489 |
| Warrant liability for new issuance | 769 |
| Change in fair value | <u>(903)</u> |
| Warrant liability as at December 31, 2023 | 355 |

19. 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 \$1,587,810 (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.

A complaint for damages of \$150,000 was lodged against CannaKorp by the former Chief Financial Officer of CannaKorp for outstanding professional fees. No claim has been registered. The management is of the view that no material losses will arise in respect of the legal claim at the date of these consolidated financial statements. As of December 31, 2023, \$188,865 has been recorded in CannaKorp's payable based on past accruals and outstanding invoices. 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 claim for damages of \$1,408,467 (CAD 1,862,805) was lodged against Company and its directors by the former Chief Financial Officer of the Company for wrongful dismissal. The management is of the view that no material losses will arise in respect of the legal claim at the date of these consolidated financial statements. As of December 31, 2023, \$10,720 has been recorded in Target's payable based on past accruals. 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.

During the year ended December 31, 2020, a claim for damages of \$98,881 (CAD 130,778) was lodged against Canary by a vendor for breach of contract. The management is of the view that no material losses will arise in respect of the legal claim at the date of these consolidated financial statements. As of December 31, 2023, \$101,996 (CAD 138,150) has been recorded in the Canary's payable based on past accruals. 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.

As explained in Note 1, on July 27, 2020 ("Effective Date"), the Company entered into a settlement agreement with cGreen, Inc., a Delaware corporation ("cGreen"). As consideration, the Company paid \$130,000 within 30 days of the Effective Date and paid \$100,000 in monthly installments of \$10,000 commenced in April 2021 to cGreen. During the quarter ended March 31, 2022, the outstanding balance has been paid in full and the claim is closed.

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Covid-19 Pandemic

On March 11, 2020, the World Health Organization declared the ongoing coronavirus (“COVID-19”) outbreak as a global health emergency. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of certain non-essential businesses. Despite the WHO’s declaration, on or about May 5, 2023, of the end of the COVID-19 global pandemic, the lasting impacts of COVID-19 on the United States, Canada, and the broader global economy, including supply chain disruption, may have a significant continuing negative effect on the Company and may materially impact the Company in the future.

During the year ended December 31, 2023 and December 31, 2022, the pandemic and its lasting impacts did not have a material impact on the Company’s operations. As of December 31, 2023 and December 31, 2022, the Company did not observe any material impairment of its assets or a significant change in the fair value of assets due to the COVID-19 pandemic or its lasting impacts. The Company has taken, and will again, as necessary, continue to take, steps to minimize the potential impact of the pandemic and its lasting impacts, including safety measures with respect to personal protective equipment, the reduction in travel and the implementation of a virtual office including regular video conference meetings and participation in virtual customer meetings and other virtual events.

It is not possible to predict the lasting impacts that COVID-19 will have on the Company’s business, balance sheet and operating results in the future. In addition, it is possible that estimates in the Company’s Financial statements will change in the near term as a result of the lasting impacts of COVID-19, and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including goodwill. The Company is closely monitoring the lasting impacts of the pandemic on all aspects of its business.

Commitments

As per the Distribution, Collaboration and Licensing Agreement (“*Serious Agreement*”) entered with Serious Seeds, effective December 6, 2018, the Company would issue to Serious Seeds each month 5,208 shares of common stock, beginning on the thirteen (13th) months following the effective date of the Serious Agreement and continuing through the sixtieth (60th) month of the initial term. Furthermore, Serious Seeds would 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 of December 31, 2023, none of the above shares have been issued.

In consideration of the Company’s appointment as Serious’ exclusive distributor in Canada, the Company 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 |

20. Income Taxes

Income taxes

The provision for income taxes is calculated at a US corporate tax rate of approximately 21% (2022: 21%) as follows:

| | 2023 \$ | 2022 \$ |
|---|------------|------------|
| Expected income tax (expense) recovery from net (income) loss | 67,971 | 949,213 |
| Tax effect of expenses not deductible for income tax: | | |
| Annual effect of book/tax differences | 331,532 | 3,099 |
| Change in the valuation allowance | (399,503) | (952,312) |
| | — | — |

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Deferred tax assets

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax assets consist of the following components as of December 31:

| | 2023 \$ | 2022 \$ |
|-----------------------------|-------------|-------------|
| Tax effect of NOL Carryover | 5,419,579 | 5,020,076 |
| Less valuation allowance | (5,419,579) | (5,020,076) |
| | — | — |

As of December 31, 2023, the Company performed a comprehensive analysis of its tax estimates and comparative figures accordingly, which had no net impact on deferred tax recorded. The Company had net operating loss carry forwards of approximately \$25,807,517 (2022: \$23,905,124) that may be offset against future taxable income from the year by 2042. No tax benefit has been reported as of December 31, 2023, consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount. The Company is taxed in the United States at the Federal level. All tax years since inception are open to examination because no tax returns have been filed.

21. Subsequent Events

The Company's management has evaluated subsequent events up to March 20, 2024, the date the consolidated financial statements were issued, pursuant to the requirements of ASC 855 and has no subsequent event to report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants on accounting and financial disclosure for the period covered by this report.

Item 9A. Controls and Procedures

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO Framework or COSO). Based on this evaluation, management has concluded that our internal control over financial reporting was not effective as of December 31, 2023.

Management’s Report of Internal Control over Financial Reporting

Our management carried out an evaluation of the effectiveness of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 (the “Exchange Act”) Rules 13a-15(e) and 15-d-15(e)) as of the end of the period covered by this report (the “Evaluation Date”). Based upon that evaluation, our chief executive officer and chief financial officer each concluded that as of the Evaluation Date, our disclosure controls and procedures are effective 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 our chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal controls over financial reporting during its fourth fiscal quarter that have materially affected or are reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other information

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance;

The Directors and Officers of the Company are as follows:

| NAME | AGE | POSITIONS AND OFFICES HELD |
|--------------------|------------|--------------------------------------|
| Anthony Zarcone | 49 | Chief Executive Officer and Director |
| Barry Alan Katzman | 63 | Director |
| Saul Niddam | 66 | Director |

Management of Target Group Inc.

Set forth below are the names of the directors and officers of the Company, all positions and offices with the Company held, the period during which they have served as such, and the business experience during at least the last five years:

Anthony Zarcone

Anthony Zarcone serves as the Chief Executive Officer and as a director of the Company. He is an entrepreneur, property manager and co-founder of a food retail/wholesale business in southern Ontario, Canada.

Barry Alan Katzman

Barry Alan Katzman serves as a director of the Company. Mr. Katzman was the President and CEO of Tidal Health Solutions, a licensed premium medical cannabis company based in New Brunswick, Canada specializing in hospital-grade medical cannabis.

Saul Niddam

Saul Niddam serves as a director of the Company. He is the President of Norlandam Marketing Inc., a sales and marketing agency catering to national brands across North America. Mr. Niddam is also the Chief Executive Officer of the Company's subsidiary, CannaKorp Inc.

Term of Office

Our director is appointed for a one-year term to hold office until the next annual general meeting of our stockholders or until removed from office in accordance with our bylaws. Our officers, if any, are appointed by our board of directors and hold office until removed by the board. All officers and directors listed above will remain in office until the next annual meeting of our stockholders, and until their successors have been duly elected and qualified. There are no agreements with respect to the election of directors. We have not compensated our directors for service on our Board of Directors, any committee thereof, or reimbursed for expenses incurred for attendance at meetings of our Board of Directors and/or any committee of our Board of Directors. Officers are appointed annually by our Board of Directors and each Executive Officer serves at the discretion of our Board of Directors. We do not have any standing committees. Our Board of Directors may in the future determine to pay directors' fees and reimburse Directors for expenses related to their activities.

None of our Officers and/or Directors have filed any bankruptcy petition, been convicted of or been the subject of any criminal proceedings or the subject of any order, judgment or decree involving the violation of any state or federal securities laws within the past five (5) years.

Audit Committee

At the present time, we do not have a standing audit committee of the Board of Directors. Management has determined not to establish an audit committee at present because of our limited resources and limited operating activities do not warrant the formation of an audit

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committee or the expense of doing so. We do not have a financial expert serving on the Board of Directors or employed as an officer based on management's belief that the cost of obtaining the services of a person who meets the criteria for a financial expert under Item 401(e) of Regulation S-B is beyond its limited financial resources and the financial skills of such an expert are simply not required or necessary for us to maintain effective internal controls and procedures for financial reporting in light of the limited scope and simplicity of accounting issues raised in its consolidated financial statements at this stage of its development. We have not formed a Compensation Committee, Nominating and Corporate Governance Committee or any other Board Committee as of the filing of this Annual Report.

Certain Legal Proceedings

No director, nominee for director, or executive officer of the Company has appeared as a party in any legal proceeding material to an evaluation of his ability or integrity during the past five years.

Compliance with Section 16(a) of the Exchange Act

Our common stock is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, ("Exchange Act"). Our officers, directors and persons who beneficially hold more than 10% of our issued and outstanding equity securities are required to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Except as noted below, as of the date of this report, all persons required to file a report pursuant to Section 16 of the Exchange have filed the required reports.

Delinquent Section 16(a) Reports

There are no delinquent Section 16 (a) reports by those persons required to file under Section 16 of the Securities Exchange Act of 1934, as amended.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics ("Code") that applies to our officers, directors and employees including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. A copy of the Code will be provided to any person upon request, without charge. A request for a copy of the Code should be addressed in writing to the Company at 35 Second Avenue West, Simcoe, Ontario, Canada N3Y 4L5.

Item 11. Executive Compensation

The Company has not to the date paid any compensation to any officer or director. The Company intends to pay annual salaries to all its officers and will pay an annual stipend to its directors when, and if, it completes a primary public offering for the sale of securities and/or the Company reaches profitability, experiences positive cash flow and/or obtains additional funding. At such time, the Company anticipates offering cash and non-cash compensation to officers and directors. In addition, although not presently offered, the Company anticipates that its officers and directors will be provided with a group health, vision, and dental insurance program at subsidized rates, or at the sole expense of the Company, as may be determined on a case-by-case basis by the Company in its sole discretion.

Directors Compensation

| Name | Fees Earned or Paid in Cash | Stock Awards | Option Awards | Non-equity Incentive Plan Compensation | Change in Pension Value | All Other Compensation | Total |
|--------------------|-------------------------------|--------------|---------------|--|-------------------------|------------------------|-------------------------------|
| Anthony Zarcone | \$103,815 (CAD 135,000) | — | — | — | — | — | \$103,815 (CAD 135,000) |
| Barry Alan Katzman | — | — | — | — | — | — | — |
| Saul Niddam | — | — | — | — | — | — | — |

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information as of March 20, 2024, regarding the beneficial ownership of our Common Stock by (i) our named executive officer, (ii) each of our directors, and (iii) each person we know to beneficially own more than 5% of our outstanding Common Stock. All shares of our Common Stock shown in the table reflect sole voting and investment power.

| Name and Address of Beneficial Owner | Position | Common shares beneficially owned | Percent of Common shares beneficially owned (1) |
|--|--------------------------------------|-------------------------------------|--|
| Anthony Zarcone 35 Second Avenue West, Simcoe, Ontario, Canada N3Y 4L5 | Chief Executive Officer and Director | 10,259,300 (2) | 1.66 % |
| | Director | — | * |
| Barry Alan Katzman 35 Second Avenue West, Simcoe, Ontario, Canada N3Y 4L5 | Director | 1,666,687 | * |
| Saul Niddam 35 Second Avenue West, Simcoe, Ontario, Canada N3Y 4L5 | Director | 50,129,355 | 8.12 % |
| Oakland Family Trust 20 Hempstead Drive, Hamilton, Ontario, Canada L8W 2E7 | | 11,925,987 | 1.66 % |
| Total owned by officers and directors | | <u>11,925,987</u> | <u>1.66 %</u> |

* indicates less than 1%.

(1) Based on 617,025,999 shares outstanding as of the date of this Report.

(2) 9,259,300 shares are held by The PJB Trust of which Anthony Zarcone is the Trustee.

Item 13. Certain Relationships and Related Transactions and Director Independence

Director Independence

Barry Katzman is not considered independent because he is chairman of the Joint Venture (JVCo)’s board where Canary holds 100% of the voting equity interest in JVCo. Saul Niddam is not considered independent because he is the sole executive officer and director of CannaKorp, the Company’s wholly-owned subsidiary. In determining whether a director is “independent” the Company follows the criteria established by NASDAQ.

Certain Relationships and Related Transactions

Effective December 20, 2019, Jerry Zarcone, the brother of Anthony Zarcone, the Chief Executive Officer (CEO) and a director of the Company, entered into a loan agreement with the Company pursuant to which Jerry Zarcone agreed to loan the Company up to \$2,000,696 (CAD 2,536,380) for working capital purposes. The loan was provided in two tranches with one bearing an annual interest rate of 16% while the other bearing an annual interest rate of 43.26%. The loan is secured by all assets owned by the Company and its subsidiaries including leasehold improvements and matures on June 24, 2024. Additional detail is provided in Note 15. The full text of the loan agreement is included in this report as Exhibit 10.20, 10.21, 10.22 and 10.23.

On June 15, 2020, the Company, and its subsidiaries, entered into a Debt Purchase and Assignment Agreement (“Agreement”) with CL Investors Inc. (“CLI”). June 15th was the preliminary date of the agreement, and the agreement was not finalized until the later date as indicated below. The CEO of the Company is a director of the Company, the Secretary of CLI, a shareholder of CLI and the brother of the CEO is the President and sole director of CLI therefore the loan from CLI is classified under related party transactions.

Pursuant to the Agreement, CLI purchased from the Company for the sum of \$2,192,690, (CAD 2,900,000) a debt obligation owing from Canary to the Company in the principal balance of \$8,014,660 (CAD 10,600,000 (“Canary Debt”). Upon receipt of the consideration, the Company loaned the full sum to Canary under terms of an unsecured, non-interest-bearing promissory note, subject to a covenant by the Company not to take any collection action so long as the Canary Debt remains unpaid to CLI.

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The Canary debt owed to CLI from Canary bears an interest rate of 5% per annum and matures on August 14, 2025. The repayment of the debt is guaranteed by the Company and its subsidiaries plus secured by a general security interest in the assets of the Company and its subsidiaries and a pledge by the Company of all of the issued and outstanding common stock of Canary, Visava and CannaKorp Inc. held by the Company. In addition to the above, CLI has been granted an option, in lieu of repayment of the amended Canary Debt, to demand, in its sole and absolute discretion the transfer, assignment and conveyance of 75% of the issued and outstanding capital stock of Visava and Canary. Furthermore, the President and sole director of CLI has been granted an option to acquire the remaining 25% of the issued and outstanding capital stock of Visava and Canary.

Effective August 14, 2020, the Agreement was amended (“Amendment”) to provide that CLI will purchase from Rubin Schindermann, a director of the Company, 500,000 shares of the Company’s Series A Preferred Stock in consideration of the payment by CLI to Rubin Schindermann of \$75,610 (CAD 100,000) and the issuance to Mr. Schindermann of 10,000,000 shares of the Company’s common stock. In consideration of the foregoing, Mr. Schindermann resigned as a director of the Company and from any and all administrative and executive positions with the Company’s subsidiaries. In addition, the Company issued Common Stock Purchase Warrant for 10,000,000 shares of Target common stock to CLI as consideration for the Agreement. The full text of the loan agreement is included in this report as Exhibit 10.26 and 10.27.

Item 14. Principal Accounting Fees and Services.

Our auditor, than, is the registered independent accounting firm.

Audit Fees

We were billed \$81,350 and \$39,500 for years ended December 31, 2023 and 2022 respectively for professional services rendered for the audit of our consolidated financial statements.

Audit Related Fees

There were no other audit related fees for years ended December 31, 2023 and 2022.

Tax Fees

There were no tax fees for years ended December 31, 2023 and 2022.

All Other Fees

There were no other fees for years ended December 31, 2023 and 2022.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as part of this Annual Report on Form 10-K

- (a) Consolidated Financial Statements

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| Report of Independent Registered Public Accounting Firm | |
| Consolidated Financial Statements for the years ended December 31, 2023 and 2022 | |
| Consolidated Balance Sheets | F-4 |
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| Consolidated Statement of Stockholders' Equity | F-6 |
| Consolidated Statements of Cash Flows | F-7 |
| Notes to Consolidated Financial Statements | F-8 |

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(b) Exhibits

EXHIBIT INDEX

| 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 | 10-K | 3.1 | 03/18/22 |
| 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 |
| 10.10 | Securities Purchase Agreement-Power Up Lending Group Ltd. | 10-K | 10.10 | 03/28/18 |
| 10.11 | Convertible Promissory Note-Power-Up Lending Group Ltd. | 10-K | 10.11 | 03/28/18 |
| 10.12 | Securities Purchase Agreement-Power Up Lending Group Ltd. | 10-K | 10.12 | 03/28/18 |
| 10.13 | Convertible Promissory Note-Power-Up Lending Group Ltd. | 10-K | 10.13 | 03/28/18 |
| 10.14 | Securities Purchase Agreement-Power Up Lending Group Ltd. dated December 24, 2018 | 10-K | 10.14 | 04/01/19 |
| 10.15 | Convertible Promissory Note-Power-Up Lending Group Ltd. dated December 24, 2018 | 10-K | 10.15 | 04/01/19 |
| 10.16 | Distribution, Collaboration and Licensing Agreement dated December 6, 2018 between Target Group Inc., Canary Rx Inc., Serious Seeds B.V. and Simon Smit | 10-K | 10.16 | 04/01/19 |
| 10.17 | Licensed Producer/Licensed Processor Sales Agency Agreement dated December 13, 2018 with Cannavolve Inc. | 10-K | 10.17 | 04/01/19 |
| 10.18 | Exclusive License Agreement dated August 8, 2019 with cGreen Inc. | 8-K | 2.1 | 08/13/19 |
| 10.19 | Purchase, Licensing and Purchase Agreement dated September 17, 2019 between CannaKorp, Inc. and Nabis Arizona LLC | 8-K | 10.1 | 09/19/19 |

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| | | | | |
|---------|--|------|----------|----------|
| 10.20 | Loan Agreement dated December 20, 2019 with Jerry Zarcone | 10-K | 10.20 | 04/14/20 |
| 10.21 | First Amending Agreement dated March 11, 2020 with Jerry Zarcone | 10-Q | 10.21 | 06/05/20 |
| 10.22 | Second Amending Agreement dated April 30, 2020 with Jerry Zarcone | 10-Q | 10.22 | 08/10/20 |
| 10.23 | Third Amending Agreement dated May 15, 2020 with Jerry Zarcone | 10-Q | 10.23 | 08/10/20 |
| 10.24 | Promissory Note Between Target Group Inc. and Frank Zarcone | 10-Q | 10.24 | 08/10/20 |
| 10.25 | Joint Venture Agreement between Canary Rx Inc. and 9258159 Canada, Inc. dated May 14, 2020 | 10-Q | 10.25 | 08/10/20 |
| 10.26 | Debt Purchase and Assignment Agreement dated June 15, 2020 | 8-K | 10.1(i) | 08/18/20 |
| 10.27 | Amendment dated August 14, 2020 to Debt Purchase and Assignment Agreement | 8-K | 10.1(ii) | 08/18/20 |
| 10.28 | Amendment dated May 12, 2021 to Debt Purchase and Assignment Agreement | 10-Q | 10.28 | 08/06/21 |
| 10.29 | Fourth Amending Agreement dated June 12, 2021 | 10-Q | 10.29 | 11/07/22 |
| 10.30 | Fifth Amending Agreement dated February 16, 2022 | 10-Q | 10.30 | 11/07/22 |
| 10.31 | Sixth Amending Agreement dated October 18, 2022 | 10-Q | 10.31 | 11/07/22 |
| 10.32 | Seventh Amending Agreement dated February 16, 2023 | 10-Q | 10.32 | 05/08/23 |
| 10.33 | Eighth Amending Agreement dated March 28, 2023 | 10-Q | 10.33 | 05/08/23 |
| 10.34 | Seventh Amending Agreement dated February 16, 2023 (corrected) | 10-Q | 10.34 | 08/09/23 |
| 10.35 | Ninth Amending Agreement dated November 7, 2023 | 10-Q | 10.35 | 11/08/23 |
| 31.1* | Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | |
| 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* | | | |
| 104 | Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101) | | | |

* Filed herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 20, 2024

TARGET GROUP INC.

By: /s/ Anthony Zarcone

Anthony Zarcone

Chief Executive Officer, Principal Financial Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| <u>Name</u> | <u>Title</u> | <u>Date</u> |
|---|---|----------------|
| <u>/s/ Anthony Zarcone</u> Anthony Zarcone | Chief Executive Officer and Director | March 20, 2024 |
| <u>/s/ Barry Alan Katzman</u> Barry Alan Katzman | Director | March 20, 2024 |
| <u>/s/ Saul Niddam</u> Saul Niddam | Director | March 20, 2024 |

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Anthony Zarcone, certify that:

1. I have reviewed this form 10-K 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 consolidated 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 present 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 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 consolidated 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 evaluation; 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 of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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 involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 20, 2024

TARGET GROUP INC.

By: /s/ Anthony Zarcone

Anthony Zarcone

Chief Executive Officer and Principal Financial Officer

**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**

In connection with the Annual Report of Target Group Inc. for the year ended December 31, 2023, I, Anthony Zarcone, Chief Executive Officer and Chief Financial Officer of the Company hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Annual Report on Form 10-K for the year ended December 31, 2023 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Annual Report on Form 10-K for the year ended December 31, 2023 fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company.

Date: March 20, 2024

TARGET GROUP INC.

By: */s/ Anthony Zarcone*

Anthony Zarcone

Chief Executive Officer and Principal Financial Officer
