

# TARGET GROUP INC.

## FORM 10-Q (Quarterly Report)

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Sector	Healthcare
Fiscal Year	12/31

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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

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)

**20 Hempstead Drive**  
**Hamilton, Ontario, Canada**  
(Address of principal executive officers)

**46-3621499**  
(I.R.S. Employer  
Identification No.)

**L8W 2E7**  
(Zip Code)

**+1 905-541-3833**

(Registrant's telephone number, including area code)

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

Securities registered under Section 12(b) of the Act:  
None

Securities registered under Section 12(g) of the Act:  
Common Stock, Par Value \$0.0001

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
N/A	N/A	N/A

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was \$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 May 8, 2024, the registrant had 617,025,999 shares of Common Stock issued and outstanding.

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**PART I – FINANCIAL INFORMATION**

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

**TARGET GROUP INC.**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

		March 31, 2024 \$ (unaudited)	December 31, 2023 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		745,582	736,323
Restricted cash		8,488	8,696
Accounts receivable, net of allowance	Note 3	88,699	1,031,530
Inventory	Note 4	738,115	1,215,928
Prepaid asset		41,697	42,720
Other assets		—	55,268
Sales tax recoverable, net of allowance	Note 5	67,013	—
Other receivable	Note 9	3,690	3,781
<b>Total current assets</b>		<b>1,693,284</b>	<b>3,094,246</b>
<b>Long term assets</b>			
Fixed assets	Note 6	5,067,919	5,430,260
Goodwill	Note 8	263,010	269,460
Operating lease right-of-use assets	Note 10	46,521	46,936
<b>Total long term assets</b>		<b>5,377,450</b>	<b>5,746,656</b>
<b>Total assets</b>		<b>7,070,734</b>	<b>8,840,902</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>			
<b>Current liabilities</b>			
Bank overdraft		506	506
Accounts payable and accrued liabilities		2,364,625	2,945,568
Deferred revenue	Note 1	42,066	43,098
Sales tax payable	Note 5	—	48,581
Payable to related parties, net	Note 9	10,437,340	11,415,557
Operating lease liability - Current portion	Note 10	130,187	127,478
Convertible promissory notes, net	Note 11	480	480
Derivative liability	Note 11	7,931	8,021
<b>Total current liabilities</b>		<b>12,983,135</b>	<b>14,589,289</b>
<b>Long term liabilities</b>			
Operating lease liability - Non-current portion	Note 10	1,159,541	1,223,955
Warrant liability	Note 12	696	355
<b>Total long term liabilities</b>		<b>1,160,237</b>	<b>1,224,310</b>
<b>Total liabilities</b>		<b>14,143,372</b>	<b>15,813,599</b>
<b>Stockholders' deficiency</b>			
Preferred stock	Note 12	100	100
Common stock	Note 12	61,703	61,703
Shares to be issued	Note 12	175,439	175,439
Additional paid-in capital		24,985,697	24,985,697
Accumulated deficit		(31,300,516)	(31,107,348)
Accumulated comprehensive loss		(995,061)	(1,088,288)
<b>Total stockholders' deficiency</b>		<b>(7,072,638)</b>	<b>(6,972,697)</b>
<b>Total liabilities and stockholders' deficiency</b>		<b>7,070,734</b>	<b>8,840,902</b>
Contingencies and commitments	Note 14	—	—

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

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

	For the three months ended March 31, 2024 \$	For the three months ended March 31, 2023 \$
<b>REVENUE</b>	1,919,931	—
<b>COST OF GOOD SOLD</b>	(1,109,764)	—
<b>Gross profit</b>	810,167	—
<b>OPERATING EXPENSES</b>		
Advisory and consultancy fee	74,543	223
Management services fee	97,361	78,324
Legal and professional fees	77,659	57,940
Depreciation expense	235,971	212,686
Operating lease expense	54,472	(11,090)
Office and general	151,592	2,629
Travel expenses	7,415	—
<b>Total operating expenses</b>	699,013	340,712
<b>OTHER EXPENSES (INCOME)</b>		
Change in fair value of derivative and warrant liability	252	(2,975)
Interest and bank charges	349,326	353,606
Exchange income	(49,231)	2,275
Other income	—	(4,275)
(Recovery) Allowance of sales tax recoverable	(8,464)	—
Share of income from joint venture	—	43,963
Debt issuance cost	12,439	12,403
<b>Total other expense (income)</b>	304,322	404,997
<b>Net loss before income taxes</b>	(193,168)	(745,709)
Income taxes	—	—
<b>Net loss</b>	(193,168)	(745,709)
Foreign currency translation adjustment	93,227	(2,019)
<b>Comprehensive loss</b>	(99,941)	(747,728)
Loss per share - basic and diluted	(0.0003)	(0.0012)
Weighted average shares - basic and diluted	617,025,999	617,025,999

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

**TARGET GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
**(UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 2024**

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	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, 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)
Net loss	—	—	—	—	—	—	—	—	(193,168)	—	(193,168)
Foreign currency translation	—	—	—	—	—	—	—	—	—	93,227	93,227
As at March 31, 2024	1,000,000	100	617,025,999	61,703	1,641,520	175,439	—	24,985,697	(31,300,516)	(995,061)	(7,072,638)

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

**TARGET GROUP INC.  
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT  
(UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 2023**

	Preferred stock		Common stock		Shares to be issued		Stock subscription receivable	Additional paid-in capital	Accumulated deficit	Accumulated comprehensive loss	Total
	Shares #	Amount \$	Shares #	Amount \$	Shares #	Amount \$					
<b>As at December 31, 2022</b>	<u>1,000,000</u>	<u>100</u>	<u>617,025,999</u>	<u>61,703</u>	<u>1,579,024</u>	<u>175,182</u>	<u>—</u>	<u>24,985,697</u>	<u>(30,783,678)</u>	<u>(998,829)</u>	<u>(6,559,825)</u>
Shares issued for consideration of the intellectual property rights [Note 12]	—	—	—	—	15,624	63	—	—	—	—	63
Net income	—	—	—	—	—	—	—	—	(745,709)	—	(745,709)
Foreign currency translation	—	—	—	—	—	—	—	—	—	(2,019)	(2,019)
<b>As at March 31, 2023</b>	<u>1,000,000</u>	<u>100</u>	<u>617,025,999</u>	<u>61,703</u>	<u>1,594,648</u>	<u>175,245</u>	<u>—</u>	<u>24,985,697</u>	<u>(31,529,387)</u>	<u>(1,000,848)</u>	<u>(7,307,490)</u>

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



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

	For the three months ended March 31, 2024 \$	For the three months ended March 31, 2023 \$
<b>OPERATING ACTIVITIES</b>		
Net (loss) for the period	(193,168)	(745,709)
<b>Adjustment for non-cash items</b>		
Change in fair value of derivative and warrant liability	252	(2,975)
Shares and warrants issued/to be issued for services	—	223
Allowance (recovery) of sales tax recoverable	(8,464)	—
Depreciation expense	235,971	212,686
Operating lease expense	50,814	60,053
Investment (income) loss from joint venture	—	43,963
Debt issuance cost	12,439	12,403
<b>Changes in operating assets and liabilities:</b>		
Change in accounts receivable - net of allowance	922,542	—
Change in other assets	54,201	—
Change in inventory	450,833	—
Change in sales tax recoverable	(106,508)	(50,405)
Change in accounts payable and accrued liabilities	(563,445)	362,991
Change in operating lease liability, net	(81,019)	(79,990)
<b>Net cash provided (used) in operating activities</b>	<b>774,448</b>	<b>(186,760)</b>
<b>INVESTING ACTIVITIES</b>		
Amounts invested on fixed assets	(2,517)	—
Net proceeds from joint venture	—	(538,911)
<b>Net cash (used) by investing activities</b>	<b>(2,517)</b>	<b>(538,911)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loans from related parties	—	554,550
Settlement of related party loan	(741,500)	—
<b>Net cash (used) provided by financing activities</b>	<b>(741,500)</b>	<b>554,550</b>
<b>Net change in cash and restricted cash during the period</b>	<b>30,431</b>	<b>(171,121)</b>
Effect of foreign currency translation	(21,380)	(3,379)
Cash and restricted cash, beginning of period	745,019	232,333
<b>Cash and restricted cash, end of period</b>	<b>754,070</b>	<b>57,833</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Shares issued as consideration for services	63	280
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Cash paid for interest	947,901	—
Cash paid for taxes	—	—

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

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

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

**Organization and Nature of Business**

Target Group Inc. (“Target Group” or the “Company”) was incorporated on July 2, 2013, under the laws of the state of Delaware, to engage in any lawful corporate undertaking, including, but not limited to, selected mergers and acquisitions. On July 3, 2018, the Company filed an amendment in its Certificate of Incorporation to change its name to Target Group Inc., and the Company secured the OTC Bulletin Board symbol CBDY from the Financial Industry Regulatory Authority (FINRA).

Target Group 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. Target Group 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 of the current year to date period end, Canary has produced and sold cannabis products of \$1,919,931 (Period ended March 31, 2023: \$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.

*CL Investors Debt Purchase and Assignment Agreement*

On June 15, 2020, the Company, its first-tier subsidiaries Visava Inc. (“Visava”) CannaKorp Inc. (“CannaKorp”), and the Company’s second-tier subsidiary, Canary entered into a Debt Purchase and Assignment Agreement (“Debt Agreement”) with CL Investors Inc. , a corporation organized under the laws of the Province of Ontario, Canada (“CLI”). While June 15, 2023 was the preliminary date of the Debt Agreement, it was not finalized until the later date as indicated below. The CEO and director of the Company is a shareholder and the Secretary of CLI, and the brother of the CEO is the President and sole director of CLI therefore the below loan from CLI is classified under related party transactions.

Pursuant to the Debt Agreement, CLI purchased from the Company for the sum of \$2,140,200 (CAD \$2,900,000) a debt obligation owing from Canary to the Company in the principal balance of \$7,822,800 (CAD \$10,600,000 (“Canary Debt”). Upon receipt of the

**TARGET GROUP INC.**

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

consideration, the Company loaned the full sum to Canary under terms of an unsecured, non-interest-bearing promissory note (“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 March 31, 2024, \$3,690 (CAD \$5,000) is still outstanding from CLI which is presented as other receivable on the unaudited condensed consolidated interim 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 was to be repaid according to the following schedule:

- a) In the first year of the Term, Canary will pay CLI the greater of \$833,940 (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 \$1,549,800 (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;
- c) In the third year of the Term, Canary will pay CLI the greater of \$2,376,360 (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 \$2,273,040 (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 further amounts are 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 purpose of the Note, “Net Revenue” means any and all revenue generated from Canary’s Licensed Facility (hereinafter defined) to which it is entitled to net of applicable taxes and third-party expenses.

The repayment of the Canary Debt, as amended, was guaranteed by the Company’s wholly-owned subsidiaries Vivasa and CannaKorp. 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 was 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 was 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 would 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 \$73,800 (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 and CannaKorp, respectively. In addition, the Company issued Common Stock Purchase Warrant for 10,000,000 shares of Target Group’s common stock to CLI as consideration for the Debt Agreement (“CLI Warrants”). Refer to Note 8 for additional details on the CLI Warrants. The combined impact of both

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

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.

*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 to 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, the parties 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 March 31, 2024, there was no outstanding balance, the balance was paid in full and the claim was closed during the quarter ended March 31, 2022.

**Going Concern**

The Company has earned minimal revenue since inception to date and has sustained operating losses during the three months ended March 31, 2024. The Company had a working capital deficit of \$11,289,851 and an accumulated deficit of \$31,300,516 as of March 31, 2024. The Company’s continuation as a going concern is dependent on its ability to generate sufficient cash flows from operations to meet its obligations and/or obtaining additional financing from its members or other sources, as may be required.

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

In order to maintain its current level of operations, the Company will require additional working capital from either cash flow from operations, sale of its equity or issuance of debt. If the Company is unable to acquire additional working capital, it will be required to significantly reduce its current level of operations.

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

**2. Summary of Significant Accounting Policies**

**Basis of Presentation and Consolidation**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) for interim financial information and the rules and regulations of the SEC and are expressed in US dollars. Accordingly, the unaudited condensed consolidated interim financial statements do not include all information and footnotes required by US GAAP for complete annual financial statements. The unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of only normal recurring adjustments, considered necessary for a fair presentation. Interim operating results are not necessarily indicative of results that may be expected for the year ending December 31, 2024, or for any other interim period. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto as of and for the year ended December 31, 2023.

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

**Use of Estimates**

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

**Cash**

The Company places its cash with high-quality banking institutions. The Company have cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit as of March 31, 2024 and March 31, 2023.

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 March 31, 2024 and 2023.

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.

**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.

**TARGET GROUP INC.**  
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**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.

**Fair Value of Financial Instruments**

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

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

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

The estimated fair value of cash and 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 and warrant liabilities are valued Level 3. Refer to Note 6 and 7 for further details.

**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 \$1,919,931 during the three month ended March 31, 2024 whereas \$nil in March 31, 2023. The Company revenue was concentrated to eight customers. 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.

Though its investment in JVCo and represented on the line item “Share of income from joint venture” on the unaudited condensed consolidated interim statement of operations, Canary generated revenue of \$nil during the three months ended March, 31 2024 (three months ended March 31, 2023: \$200,641). Revenue generated through JVCo lasted till April 27, 2023. Refer to Note 7 for additional details.

**TARGET GROUP INC.**  
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**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 unaudited condensed consolidated interim statements of cash flows pursuant to the cumulative earnings approach. Under this approach, distributions received are considered returns on investment and are classified as cash inflows from operating activities unless the cumulative distributions received, less distributions received in prior periods that were determined to be returns of investment, exceed the cumulative equity in earnings recognized from the investment. When such an excess occurs, the current period distributions up to this excess are considered returns of investment and are classified as cash inflows from investing activities.

The Company monitors equity method investments for impairment and 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 the investment for potential impairment requires us to exercise significant judgment and to make certain assumptions. The use of different judgments and assumptions could result in different conclusions. The Company has recorded no impairment losses related to our equity method investments during the three months ended March 31, 2024, and 2023.

**3. Accounts Receivables**

Accounts receivable are recorded at the net value of the face amount less an allowance for doubtful accounts. As of March 31, 2024, the company's allowance for doubtful accounts was \$53,595.

**4. Inventory**

As of March 31, 2024, the inventory in the amount of \$738,115 (2023: \$1,215,928) consists of work-in-progress and finished cannabis goods which is transferred from JVCo to Canary as a result of the Joint Venture Settlement Agreement. Refer to Note 7 for additional detail.

Product	As at March 31, 2024
Finished goods	\$ 468,034
WIP (Flowers and plants)	270,081
	<u>738,115</u>

**5. Sales Tax Recoverable and Payable**

As of March 31, 2024, the Company had \$58,589 of gross sales tax recoverable compared to December 31, 2023 there was \$nil, while the Company had \$nil of gross sales tax payable as of March 31, 2024.

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 through the Joint Venture.

The Company has recorded \$8,424 (December 31, 2023: \$nil) of allowance as of March 31, 2024.

**TARGET GROUP INC.**  
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**6. 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 \$212,876 during the three months ended March 31, 2024 (March 31, 2023: \$212,554) while CannaKorp has recorded a depreciation expense of \$57 during the three months ended March 31, 2024 (March 31, 2023: \$132). JVCo recorded depreciation of \$23,038.

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

	Furniture & fixture \$	Machinery & Equipment \$	Software \$	Leasehold improvements \$	Total \$
Cost	1,419,148	770,089	43,501	6,723,301	<b>8,956,039</b>
Accumulated depreciation	(615,730)	(754,906)	(43,501)	(2,473,983)	<b>(3,888,120)</b>
	<b>803,418</b>	<b>15,183</b>	<b>—</b>	<b>4,249,318</b>	<b>5,067,919</b>

**7. 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 period ended March 31, 2024, the Joint Venture partners, Canary and Thrive Cannabis entered into an agreement. Pursuant to this agreement the Company received a total of \$1,577,108 (CAD 2,125,482) of which \$1,018,928 (CAD 1,373,218) were reduced from investment in Joint Venture as these represented recovery of investment and \$558,180 (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.

As per the Joint Venture, Canary provided the JVCo with a Hard Cost Loan with the maximum amount of \$885,600 (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 \$247,230 (CAD 335,000) and interest income charged for the three months ended in the amount of \$13,032 (CAD 17,539) is included in other income on the unaudited condensed consolidated interim statement of operations and comprehensive loss and interest receivable in the amount of \$55,143 (CAD 74,720) 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.



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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	
	CAD	USD
Sales	1,068,799	791,285
Cost of goods sold	620,344	459,271
Gross profit	448,455	332,014
Operation expenses	383,358	283,819
Net income (loss)	65,097	48,195
Eligible recoverable expenses	1,437,054	1,060,833
Recoverable amount	1,437,054	1,060,833
Income (loss) on equity	32,549	24,098

**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.

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.

**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.

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**TARGET GROUP INC.**

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

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

	<u>USD</u>
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
<b>Assets acquired:</b>	
Accounts receivable	163,244
Inventory	1,690,368
Fixed asset	534,816
	<u>2,388,428</u>
<b>Net gain as per reconciliation</b>	<b><u>1,571,742</u></b>

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.

**8. 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 an Agreement and Plan of Share Exchange (“Exchange Agreement”) with Visava, then a private Ontario, Canada corporation. Visava owns 100% of Canary.

Pursuant to the 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, prorata 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.

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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
<b>Fair value of Common Stock</b>	<b>1,695,750</b>
	\$
Number of warrants	25,000,000
Fair value price per warrant	0.065
<b>Fair value of warrant</b>	<b>1,623,092</b>
Fair value of Common Stock	1,695,750
Fair value of warrant	1,623,092
<b>Purchase consideration</b>	<b>3,318,842</b>

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

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

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 quarter ended, March 31, 2024, all of the Visava 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.

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**9. Related Party Transactions and Balances**

During the three months ended March 31, 2024, the Company expensed \$97,361 (March 31, 2023: \$78,324) in management service fee for services provided by the current key officers of the company.

The breakdown of the related party balance as of March 31, 2024 of \$10,437,340 (December 31, 2023: \$11,415,557) 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 March 31, 2024, \$3,690 (CAD \$5,000) is still outstanding from CLI.

Interest expense charged for the three months ended in the amount of \$97,743 (CAD \$131,729) 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 \$704,016 (CAD 953,951) 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	\$ 2,989,283
2025	4,702,543
Total	7,691,826
Current portion	(7,691,826)
Non-current portion	\$ —

During the period ended March 31, 2024, 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 period 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 8 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 March 31, 2024, the balance is \$67,812 of which \$49,518 is current while \$18,294 is non-current.

*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 current. The loan was provided in five tranches and the latest amendment increased the maximum loan amount by \$664,200 (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	770,172	1,043,593	770,172
Tranche 2	43.26 %	1,592,787	1,175,477	1,592,787	1,175,477
Tranche 3	43.26 %	150,000	110,700	150,000	110,700
Tranche 5	43.26 %	100,000	73,800	—	—
Total		2,886,380	2,130,149	2,786,380	2,056,349

Interest expense charged for the three months ended March 31, 2024 in the amount of \$250,387 (CAD \$337,449) is included in interest and bank charges on the unaudited condensed consolidated interim statement of operations and comprehensive loss and accrued interest

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**TARGET GROUP INC.**

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in the amount of \$249,038 (CAD337,449) is included in accounts payable and accrued liabilities on the unaudited condensed consolidated interim balance sheet.

The Seventh Amending Agreement, dated February 16, 2023 (“Seventh Amendment”), previously filed as Exhibit 10.34, memorializes Tranche 4 of the subject shareholder loan, and is the subject of Form 8-K Report and subsequent Form 8-K/A Reports, dated February 22, March 13, and August 4, 2023, respectively. The amount of the Advance in the Seventh Amendment was incorrectly reported on February 22 and March 13, 2023, and Exhibit 10.32 was also inaccurate with respect to the amount of the Advance. The amount of the Advance is CDN\$500,000.00 as reported on Form 8-K/A, dated August 4, 2023, and as reflected at Exhibit 10.34, filed herewith, and further, the amount of the Lender’s Fee was CDN\$50,000.

*Outstanding management service fee*

The balance owing to key officers of the Company is \$691,979 (December 31, 2023: \$689,360).

*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 March 31, 2024 and December 31, 2023, \$65,000 was outstanding to be paid. This amount includes late payment penalties of \$25,000. During the period ended March 31, 2024, all of the warrants expired, none were exercised.

*Balances outstanding related to directors*

During the three months ended March 31, 2024, 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 March 31, 2024 is \$25,072 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 March 31, 2024 is \$nil

**10. Operating Lease Right-Of-Use Assets and Lease Liability**

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

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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 leases. Upon adoption of ASC 842, the Company recognized \$1,666,560 (CAD \$2,258,212) of right-to-use assets as operating leases and operating lease obligations. The right-to-use asset was reduced by \$1,542,362 (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 quarter ended March 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 (ended 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. This sub-lease has matured and not been renewed.

The Company's second-tier 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 \$25,830 (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, \$729,360 (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). Maturities of lease liabilities were:

2024	\$ 241,909
2025	325,771
2026	329,029
2027	332,319
Thereafter	788,771
Total lease payments	2,017,799
Less imputed interest	(728,071)
Present value of lease liabilities	1,289,728
Current portion	(130,187)
Non-current portion	<u>\$ 1,159,541</u>

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

	<u>For the three months ended March 31, 2024</u>	<u>For the three months ended March 31, 2023</u>
	\$	\$
Gross operating lease expense	50,814	61,836
Gross rent and utilities expenses	3,658	144,437
Recoverable expenses from JVCo related to rent and utilities	—	(217,363)
	<u>54,472</u>	<u>(11,090)</u>

As explained in Note 7, the agreement with JVCo is terminated so there is no recoverable expenses from JVCo related to rent and utilities.

**11. Convertible Promissory Notes**

Interest amounting to \$9 was accrued for the three months ended March 31, 2024 (March 31, 2023: \$10).

Principal amount outstanding as of March 31, 2024 and December 31, 2023 was \$480. At both reporting dates, the entire balance was current.

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

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

*Derivative liability*

During the three months ended March 31, 2024, there were no conversion of principal balance of convertible promissory notes (March 31, 2023: \$nil). The Company recorded and fair valued the derivative liability as follows:

	Derivative liability as at December 31, 2023	Conversions / Redemption during the period	Change due to Issuances	Fair value adjustment	Derivative liability as at March 31, 2024
	\$	\$	\$	\$	\$
Note D	841	—	—	(1)	840
Note F	5,268	—	—	(65)	5,203
Note G	1,912	—	—	(24)	1,888
	<b>8,021</b>	<b>—</b>	<b>—</b>	<b>(90)</b>	<b>7,931</b>

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

Derivative element of the convertible notes was fair valued using a multinomial lattice model. Following assumptions were used to fair value these notes as of March 31, 2024:

- Projected annual volatility of 199;
- Risk free interest rate of 4.98%;
- Stock price of \$0.003;
- Liquidity term of 0.25years;
- Dividend yield of 0%; and
- Exercise price of \$0.0017 to \$0.0151.

**12. Stockholders' Equity**

**Capitalization**

*Preferred Stock*

- Par value: \$0.0001
- Authorized: 20,000,000
- Issued: 1,000,000 shares were outstanding as of March 31, 2024 and December 31, 2023

*Common Stock*

- Par value: \$0.0001
- Authorized: 850,000,000
- Issued: 617,025,999 shares are outstanding as at March 31, 2024 and December 31, 2023

As of March 31, 2024, convertible notes, warrants and preferred stock outstanding could be converted into 17,088,182 (December 31, 2023: 31,857,771), 10,400,008 (December 31, 2023: 10,400,008) and 100,000,000 (December 31, 2023: 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.

**TARGET GROUP INC.**  
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*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.

*2024*

During the quarter ended March 31, 2024, the Company issued nil 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 \$nil, 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.

*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.



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

Disclosure for shares to be issued :

	<u>Shares</u>	<u>Amount</u>	<u>Description</u>
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 9 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**

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:

2024

	<u>As at March 31, 2024</u>
Forfeiture rate	0%
Stock price	\$0.003
Exercise price	\$0.300 to \$0.350
Volatility	358% to 438%
Risk free interest rate	5.03%
Expected life (years)	0.00 to 1.93
Expected dividend rate	0%

2023

	<u>As at December 31, 2023</u>	<u>As at September 30, 2023</u>	<u>As at June 30, 2023</u>	<u>As at March 31, 2023</u>
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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**TARGET GROUP INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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:

2024

	<b>During quarter ended March 31, 2024</b>
Forfeiture rate	0%
Stock price	\$0.002 to \$0.003
Exercise price	\$0.350
Volatility	433%
Risk free interest rate	4.39% to 4.55%
Expected life (years)	2
Expected dividend rate	0%
Fair value of warrants	\$134

2023

	<b>During quarter ended December 31, 2023</b>	<b>During quarter ended September 30, 2023</b>	<b>During quarter ended June 30, 2023</b>	<b>During quarter ended March 31, 2023</b>
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

Breakdown of warrants outstanding as of March 31, 2024 and December 31, 2023 are detailed below:

	<b>Warrants outstanding as at March 31, 2024</b>	<b>Warrants outstanding as at December 31, 2023</b>	<b>Remaining contractual life term as at March 31, 2024 (years)</b>	<b>Remaining contractual life term as at December 31, 2023 (years)</b>
Serious Seeds	400,008	400,008	0.01 to 1.68	0.02 to 1.93
CLI	10,000,000	10,000,000	1.37	1.62
<b>Total</b>	<b>10,400,008</b>	<b>10,400,008</b>		

During the three months ended March 31, 2024, none of the warrants expired (related to private placements and Serious Seeds).

Movement of the warrant liability is detailed below:

<b>Warrant liability as at December 31, 2023</b>	<b>354</b>
Warrant liability for new issuance	135
Change in fair value	207
<b>Warrant liability as at March 31, 2024</b>	<b>696</b>

**TARGET GROUP INC.**  
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**13. Earnings (Loss) Per Share**

FASB ASC 260, Earnings Per Share provides for calculations of “basic” and “diluted” earnings per share. Basic earnings per share include no dilution and is computed by dividing net income (loss) available to common stockholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

**14. Contingencies and commitments**

*Contingencies*

During the year ended December 31, 2019, a terminated employee of Canary has filed a lawsuit against the Company amounting to approximately \$1,549,800 (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 unaudited condensed consolidated interim financial statements. As of March 31, 2024, \$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 \$1,374,750 (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 unaudited condensed consolidated interim financial statements. As of March 31, 2024, \$10,843 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 \$96,514 (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 unaudited condensed consolidated interim financial statements. As of March 31, 2024, \$101,955 (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, the Company entered into a License Agreement with 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 was paid in full and the claim is closed.

*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 period and year ended March 31, 2024 and December 31, 2023, respectively, the pandemic and its lasting impacts did not have a material impact on the Company’s operations. As of March 31, 2024 and December 31, 2023, 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.

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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 March 31, 2024, 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:

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

**15. Subsequent Events**

The Company's management has evaluated subsequent events up to May 8, 2024, the date the unaudited condensed consolidated interim financial statements were issued, pursuant to the requirements of ASC 855 and has none of the subsequent events to report.

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

*The information and financial data discussed below is derived from the unaudited condensed consolidated interim financial statements of the Target Group Inc. (“we,” “us” or the “Company”) for the three months ended March 31, 2024 and were prepared and presented in accordance with generally accepted accounting principles in the United States.*

### Forward Looking Statements

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

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

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

### Overview

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

During the first quarter of 2024, the lasting impacts of (COVID-19) continued to have an impact on the Canadian and global economy and customer purchasing behavior. However, these factors have not impacted the Company’s operations, or financial results for the quarter.

### Business and Plan of Operations

#### 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. The Company sees a shift in the public’s perception of cannabis from a state of prohibition to a state of legalization. In October 2018, Canada became the first major industrialized nation to legalize adult-use cannabis at the national federal level. Cannabis is still heavily regulated, however, the medical use of cannabis is now permitted in up to 29 countries and many more countries have reformed, or are considering reforming, their cannabis uses laws to include the medical and/or recreational use of cannabis.

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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.

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

Target Group's product manufacturing will include, but will not be limited to the following:

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

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.

### **Agreements**

#### *Serious Seeds*

Effective December 6, 2018, the Company and Canary entered into a Distribution, Collaboration and Licensing Agreement ("Serious Agreement") with Serious Seeds, incorporated in the Netherlands, and Simon Smit, President of Serious Seeds. Under the Serious Agreement, Canary was appointed the exclusive distributor in Canada and all other legal markets globally of Serious' proprietary cannabis seed strains and Serious' cannabis cuttings, dried flowers, extracts and seeds. In addition, under the Serious Agreement, Canary and Serious will develop certain "Collaborative Products" defined as cannabis seed strains created collaboratively using Serious' 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' intellectual property including the right to use the service mark of Serious Seeds and all of the names of Serious' proprietary cannabis seed strains including but not limited to Chronic, AK-47, White Russian, Bubble Gum, Kali Mist, Warlock, Double Dutch, Biddy, Early, Motavation and Strawberry-AKeil.

The initial term of the Serious Agreement 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 would issue to Smit 250,000 shares of the Company's common stock on the effective date of the Serious Agreement. In addition, on the thirteenth (13) month following the effective date of the Serious Agreement of the initial term, the Company would 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 Serious Agreement and continuing through the sixtieth (60) month of the initial term, the Company would 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. As of March 31, 2024, none of the above shares have been issued.

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

1st year:	2.00% of gross sales
2nd year:	2.25% of gross sales
3rd year:	2.50% of gross sales
4th year:	2.75% of gross sales
5th 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 eight (8) different strains at a time, within the facility's eight (8) separate indoor flower rooms.

*Joint Venture Agreement*

**Historical information**

Effective May 14, 2020, Canary entered into a Joint Venture explained in Note 1.

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 \$885,600 (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. After April 27, 2023, as mentioned below, JVCo became a subsidiary of the company as result the loan and interest receivable were eliminated upon consolidation.

The JVCo reimbursed 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 period:

Period ended	January 1 to April 27, 2023	
	CAD	USD
Sales	1,068,799	791,285
Cost of goods sold	620,344	459,271
Gross profit	448,455	332,014
Operation expenses	383,358	283,819
Net income (loss)	65,097	48,195
Eligible recoverable expenses	1,437,054	1,060,833
Recoverable amount	1,437,054	1,060,833
Income (loss) on equity	32,549	24,098

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**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.

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.

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

	<b>USD</b>
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
<b>Assets acquired:</b>	
Accounts receivable	163,244
Inventory	1,690,368
Fixed asset	534,816
	<u>2,388,428</u>
<b>Net gain as per reconciliation</b>	<b>1,571,742</b>

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 and its subsidiaries entered into the 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 March 31, 2024, \$3,690 (CAD \$5,000) is still outstanding from CLI which is presented as other receivable on the consolidated balance sheet.



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The Debt Agreement Amendment and CLI Warrants are explained in Note 1. Refer to Note 8 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.

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

*Forward Looking Relating to Future Operations of the Company.*

Currently, the Company and its senior management are exploring several new, additional opportunities at its Simcoe, Ontario cultivation facility to expand the Company's product offerings in other cannabis-related consumer packaged goods ("CPG") product categories.

**Employees**

As of March 31, 2024, the Company had 46 employees which include Anthony Zarcone, Chief Executive Officer.

The Company has 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, 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.

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.

**Results of Operations**

The Company has not generated significant revenue to date and consequently, its operations are subject to all of the risks inherent in the establishment of a new business enterprise. Analysis on the performance of the Company is as follows:

***Balance sheet – As of March 31, 2024 and December 31, 2023***

**Cash and Restricted Cash**

On March 31, 2024, the Company had cash of \$745,582 (excluding restricted cash of \$8,488) compared to \$736,323 (excluding restricted cash of \$8,696) as of December 31, 2023. The increase is because the company has started generating revenue.

The change in restricted cash is due to foreign exchange conversion of balances in Canadian Dollars 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 March 31, 2024, the company's allowance for doubtful accounts was \$53,595 compared to \$53,813 at December 31, 2023.

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## Inventory

As of March 31, 2024, the inventory in the amount of \$738,115 (2023: \$1,215,928) 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 7 for additional details.

Product	As at March 31, 2024 \$
Finished goods	468,034
WIP (Flowers and plants)	270,081
	<u>738,115</u>

## Prepaid asset

On March 31, 2024, the Company had prepaid expenses of \$41,697 compared to \$42,720 as of December 31, 2023. The balance represents the security deposit for the leased land for the facility to produce medical marijuana.

## Sales tax recoverable and payable

On March 31, 2024 the gross sales tax recoverable is \$58,589 compared to December 31, 2023 \$nil while the gross sales tax payable as of March 31, 2024 is \$nil compared to \$48,581 as at December 31, 2023.

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 March 31, 2024 is \$8,424 (December 31, 2023: \$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 initiated construction on its 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 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 \$2,364,625 as of March 31, 2024, primarily represents consulting and construction services related to capital work in progress amounting to \$141,326, interest on promissory notes and loans amounting to \$993,053, and outstanding, accrued professional fees amounting to \$943,618.

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.

## Payable to related parties

As of March 31, 2024, the Company had \$10,437,340 payable to related parties as compared to \$11,415,557 as of December 31, 2023. The balance primarily represents loans provided by the Company's shareholder and a related party, CLI, management services fee

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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 details, refer to Note 9 in the unaudited condensed consolidated interim financial statements.

**Convertible promissory notes payable**

Interest amounting to \$9 was accrued for the three months ended March 31, 2024 (March 31, 2023: \$10).

The principal amount outstanding as of March 31, 2024 and December 31, 2023 was \$480. At both reporting dates, the entire balance was current.

***Statement of Operations – For the three months ended March 31, 2024 and 2023:***

**Revenue**

The Company generated revenue of \$1,919,931 during the quarter ended in 2024 while \$nil in the comparable period of 2023. However, Canary generated revenues of \$nil (through its investment in JVCo) during the quarter ended March 31, 2024 (quarter ended March 31, 2023: \$200,641) and is represented as a share of income from joint venture on the unaudited condensed consolidated interim statement of operations. The Company revenue represents the sale of cannabis product and the revenue was concentrated to eight customers.

**Expenses**

The Company's 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 during the current quarter ended compared to comparable prior quarter ended is due to significant increase in consulting fee, management fees and office and general expenses in the current period.

Expenses primarily represented consulting fees of \$74,543 (2023: \$223), management fees of \$97,361 (2023: \$78,324), legal and professional charges of \$77,659 (2023: \$57,940) comprising legal, review, accounting and Edgar agent fee, depreciation expense amounting to \$235,971 (2023: \$212,686) and office and general expenses of \$151,592 (2023: 2,629).

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 period ended; (2) increase in the principal balance of higher interest rate bearing loans led to increased interest expense; and (3) and significant increase in exchange income during the quarter due to favorable exchange rate.

Other income and expenses comprised, change in fair value of derivative and warranty liability amounting to negative \$252 (2023: positive \$2,975), interest and bank charges amounting to \$349,326 (2023: \$353,606), exchange gain of \$49,231 (2023: loss of \$2,275) other income of \$nil (2023: \$4,275), and debt issuance cost of \$12,439 (2023: \$12,403).

**Liquidity and Capital Resources**

As of March 31, 2024, the Company had a working capital deficit of \$11,289,851 (December 31, 2023: \$11,495,043). The Company is actively seeking various financing opportunities to meet the deficit capital requirements.

Target Group has relied on equity financing and related party debt financing 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.

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

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**Statement of Cash Flow – For the three months ended March 31, 2024 and 2023:**

*Operating activities*

Operating activities provided cash of \$774,448 compared to cash used of \$186,760 for the corresponding period of the prior year. This is primarily due to the change in accounts receivable and inventory.

*Investing activities*

Investing activities used cash of \$2,517 for the three months ended March 31, 2024 compared to \$538,911 cash provided in the corresponding period of the prior year. The current period cash utilization represents improvements to Canary's facility to increase its efficiency and increase cannabis production.

*Financing activities*

Financing activities used cash of \$741,500 for the three months ended March 31, 2024 compared to cash provided of \$554,550 during the three months of 2023 this was due to the payment made towards the principal of related party loan. During the period, no cash was received from any related party.

**Off-Balance Sheet Arrangements**

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

**Critical Accounting Policies**

All critical accounting policies are described in the Company's Form 10-K for the year ended December 31, 2023.

**Subsequent Events**

The Company's management has evaluated subsequent events up to May 8, 2024, the date the unaudited condensed consolidated interim financial statements were issued, pursuant to the requirements of ASC 855 and has no subsequent events to report.

**Description of Property**

The Company does not own any properties at this time, nor any agreements to acquire any properties.

The Company's principal executive office is located at 20 Hempstead Drive, Hamilton, Ontario, Canada.

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

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

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

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of disclosure controls and procedures**

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 ("Exchange Act"), we have carried out an evaluation, with the participation of our management, including the Company's principal executive officer and principal financial officer of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that

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our disclosure controls and procedures were not effective as of March 31, 2024 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 periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

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

**Changes in internal controls**

No change in our system of internal control over financial reporting occurred during the three months ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

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

During the year ended December 31, 2019, a terminated employee of Canary filed a lawsuit against the Company amounting to approximately \$1,549,800 (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 filed 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 this report.

A claim for damages of \$1,374,750 (CAD \$1,862,805) was filed 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 this report.

During the year ended December 31, 2020, a claim for damages of \$96,514 (CAD \$130,778) was filed 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 this report.

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

None.

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

None.

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

Not applicable.

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

None.

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**ITEM 6. EXHIBITS**

Exhibits:

Exhibit No.	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
2.1	<a href="#">Asset Acquisition Agreement</a>	8-K	2.1	12/11/14
2.1.1	<a href="#">Agreement and Plan of Share Exchange dated June 27, 2018 with Visava Inc.</a>	8-K	2.1	07/03/18
2.1.2	<a href="#">Agreement and Plan of Share Exchange dated January 25, 2019 with CannaKorp Inc. and David Manly, as Stockholder Representative</a>	8-K	2.1	01/29/19
3(i)(a)	<a href="#">Articles of Incorporation</a>	10-12G	3.1	09/30/13
3(i)(a)	<a href="#">Amended Articles of Incorporation</a>	10-K	3(i)(a)	03/18/22
3(i)(a)	<a href="#">Certificate of Amendment</a>	8-K	3(i)	10/20/16
3(i)(a)	<a href="#">Certificate of Amendment</a>	8-K	3(i)	04/12/17
3(i)(a)	<a href="#">Certificate of Amendment</a>	8-K	3(i)	07/03/17
3(i)(a)	<a href="#">Certificate of Amendment</a>	8-K	3(i)	11/01/17
3(i)(a)	<a href="#">Certificate of Amendment</a>	8-K	3(i)	09/25/18
3.2	<a href="#">Bylaws</a>	10-12G	3.2	09/30/13
4.1	<a href="#">Description of Capital Stock</a>	10-K	4.1	04/14/20
10.1	<a href="#">Form of Securities Purchase Agreement-Blackbridge Capital Growth Fund, LLC</a>	10-K	10.1	03/31/17
10.2	<a href="#">Form of Convertible Promissory Note</a>	10-K	10.2	03/31/17
10.3	<a href="#">Form of Convertible Promissory Note</a>	10-K	10.3	03/31/17
10.4	<a href="#">Form of Convertible Promissory Note</a>	10-K	10.4	03/31/17
10.5	<a href="#">Form of Securities Purchase Agreement-Crown Bridge Partners, LLC</a>	10-K	10.5	03/31/17
10.6	<a href="#">Form of Convertible Promissory Note</a>	10-K	10.6	03/31/17
10.10	<a href="#">Securities Purchase Agreement-Power Up Lending Group Ltd.</a>	10-K	10.10	03/28/18
10.11	<a href="#">Convertible Promissory Note-Power-Up Lending Group Ltd.</a>	10-K	10.11	03/28/18
10.12	<a href="#">Securities Purchase Agreement-Power Up Lending Group Ltd.</a>	10-K	10.12	03/28/18
10.13	<a href="#">Convertible Promissory Note-Power-Up Lending Group Ltd.</a>	10-K	10.13	03/28/18
10.14	<a href="#">Securities Purchase Agreement-Power Up Lending Group Ltd. dated December 24, 2018</a>	10-K	10.14	04/01/19
10.15	<a href="#">Convertible Promissory Note-Power-Up Lending Group Ltd. dated December 24, 2018</a>	10-K	10.15	04/01/19
10.16	<a href="#">Distribution, Collaboration and Licensing Agreement dated December 6, 2018 between Target Group Inc, Canary Rx Inc., Serious Seeds B.V. and Simon Smit</a>	10-K	10.16	04/01/19
10.17	<a href="#">Licensed Producer/Licensed Processor Sales Agency Agreement dated December 13, 2018 with Cannavolve Inc.</a>	10-K	10.17	04/01/19
10.18	<a href="#">Exclusive License Agreement dated August 8, 2019 with cGreen Inc.</a>	8-K	2.1	08/13/19



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10.19	<a href="#">Purchase, Licensing and Purchase Agreement dated September 17, 2019 between CannaKorp, Inc. and Nabis Arizona LLC</a>	8-K	10.1	09/19/19
10.20	<a href="#">Loan Agreement dated December 20, 2019 with Jerry Zarcone</a>	10-K	10.20	04/14/20
10.21	<a href="#">First Amending Agreement dated March 11, 2020 with Jerry Zarcone</a>	10-Q	10.21	06/05/20
10.22	<a href="#">Second Amending Agreement dated April 30, 2020 with Jerry Zarcone</a>	10-Q	10.22	08/10/20
10.23	<a href="#">Third Amending Agreement dated May 15, 2020 with Jerry Zarcone</a>	10-Q	10.23	08/10/20
10.24	<a href="#">Promissory Note Between Target Group Inc. and Frank Zarcone</a>	10-Q	10.24	08/10/20
10.25	<a href="#">Joint Venture Agreement between Canary Rx Inc. and 9258159 Canada, Inc. dated May 14, 2020</a>	10-Q	10.25	08/10/20
10.26	<a href="#">Debt Purchase and Assignment Agreement dated June 15, 2020</a>	8-K	10.1(i)	08/18/20
10.27	<a href="#">Amendment dated August 14, 2020 to Debt Purchase and Assignment Agreement</a>	8-K	10.1(ii)	08/18/20
10.29	<a href="#">Fourth Amending Agreement dated June 12, 2021</a>	10-Q	10.29	11/7/22
10.30	<a href="#">Fifth Amending Agreement dated February 16, 2022</a>	10-Q	10.30	11/7/22
10.31	<a href="#">Sixth Amending Agreement dated October 18, 2022</a>	10-Q	10.31	11/7/22
10.32	<a href="#">Seventh Amending Agreement dated February 16, 2023</a>	10-Q	10.32	5/8/23
10.33	<a href="#">Eighth Amending Agreement dated March 28, 2023</a>	10-Q	10.33	5/8/23
10.34	<a href="#">Seventh Amending Agreement dated February 16, 2023 (corrected)</a>	10-Q	10.34	8/9/23
10.35	<a href="#">Ninth Amending Agreement dated November 7, 2023</a>	10-Q	10.35	11/08/23
31.1*	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>			
31.2*	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>			
32.1*	<a href="#">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.</a>			
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
101.SCH	XBRL Taxonomy Extension Schema Document			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			
Exhibit 104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document			

\* Filed herewith.

**SIGNATURES**

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

TARGET GROUP INC.

Dated: May 8, 2024

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

Dated: May 8, 2024

By: /s/ Barry Alan Katzman  
Director

Dated: May 8, 2024

By: /s/ Saul Niddam  
Director

**CERTIFICATION PURSUANT TO SECTION 302**

I, Anthony Zarcone, certify that:

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

Dated: May 8, 2024

/s/ Anthony Zarcone  
Chief Executive Officer

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**CERTIFICATION PURSUANT TO SECTION 302**

I, Anthony Zarcone, certify that:

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

Dated: May 8, 2024

*/s/ Anthony Zarcone*  
Principal Financial Officer

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

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

The Report on Form 10-Q for the three months ended March 31, 2024 of the Company fully complies, in all material respects, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 8, 2024

By: /s/ Anthony Zarcone

Chief Executive Officer  
(Principal Executive Officer)  
(Principal Financial Officer)

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