



# **Global Hemp Group Inc.**

## **Condensed Consolidated Interim Financial Statements**

**Three Months Ended December 31, 2023**

Expressed in Canadian Dollars

**For Further Information Contact**

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## **NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Corporation have been prepared by management and are responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review or an audit of these interim financial statements.

**GLOBAL HEMP GROUP INC.**  
Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	Note	December 31, 2023	September 30, 2023
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash		169	4,503
Accounts receivable		9,942	10,654
Prepaid expenses		13,854	27,604
<b>TOTAL ASSETS</b>		<b>23,965</b>	<b>42,761</b>
<b>Liabilities and shareholders' deficiency</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	1,061,793	980,912
		1,061,793	980,912
<b>Non-current liabilities</b>			
Convertible preference shares - liability	5(c)	2,873,015	2,858,700
Convertible debenture - liability	11	325,559	302,239
Notes payable	10	406,548	395,686
Derivative liability	6	1,219,825	1,287,607
<b>Total liabilities</b>		<b>5,886,740</b>	<b>5,825,144</b>
<b>Shareholders' deficiency</b>			
Share capital	9	10,570,565	10,570,565
Shares to be issued		18,000	18,000
Reserve		6,743,911	6,743,911
Deficit		(23,195,251)	(23,114,859)
Total shareholders' deficiency		(5,862,775)	(5,782,383)
<b>Total liabilities and shareholders' deficiency</b>		<b>23,965</b>	<b>42,761</b>

*Nature of operations and going concern (Note 1)*

*Event after the reporting period (Note 18)*

Approved and authorized for issuance by the Board of Directors on May 15, 2024

"Curt Huber"

Director

"Aurelio Ushche"

Director

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

**GLOBAL HEMP GROUP INC.**  
Consolidated Statements of Comprehensive Loss  
(Expressed in Canadian dollars)

	Note	Three months ended December 31,	
		2023	2022
		\$	\$
<b>Expenses</b>			
Advertising and promotion		–	2,607
Insurance		13,750	–
Consulting	8	–	1,277
Office and administration		14	425
Professional fees		45,695	8,970
Travel		464	1,264
Trust and filing fees		450	6,148
<b>(Loss) before other items:</b>		(60,373)	(20,691)
Exchange gain (loss)		71,221	32,640
Interest & Bank Charges	5(c), 10	(159,022)	(123,439)
Change in fair value of derivative liability	6	67,782	23,658
<b>Net (loss)</b>		(80,392)	(87,832)
Other comprehensive (loss) income (items that may be reclassified to profit or loss)			
Translation adjustment		–	(2,658)
<b>Comprehensive Income (Loss)</b>		(80,392)	(90,490)
<b>Loss per share, basic and diluted</b>		(0.00)	(0.01)
<b>Weighted average number of common shares outstanding, basic and diluted</b>		17,465,492	15,521,318

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

**GLOBAL HEMP GROUP INC.**

## Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars except for number of shares)

	Share Capital		Reserve					Shareholders' equity
	Number (Note 1)	Amount	Obligation to issue shares	Share-based payment reserve	Conversion feature	Foreign currency translation	Deficit	
		\$	\$	\$	\$	\$	\$	\$
Balance, September 30, 2022	16,784,670	10,235,767	–	6,687,492	49,451	(22,546)	(20,534,324)	(3,584,160)
Net and comprehensive loss	–	–	–	–	–	(2,658)	(87,832)	(90,490)
Balance, December 31, 2022	16,784,670	10,235,767	–	6,687,492	49,451	(25,204)	(20,622,156)	(3,674,650)
Balance, September 30, 2023	17,941,484	10,570,565	18,000	6,687,492	56,419	–	(23,114,859)	(5,782,383)
Net and comprehensive loss	–	–	–	–	–	–	(80,392)	(80,392)
Balance, December 31, 2023	17,941,484	10,570,565	18,000	6,687,492	56,419	–	(23,195,251)	(5,862,775)

*The accompanying notes are an integral part to these consolidated financial statements*

# GLOBAL HEMP GROUP INC.

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Three months ended December 31,	
	2023	2022
<b>Cash (used in) provided by:</b>	\$	\$
<b>Operating activities</b>		
Income (Loss) for the year	(80,392)	(87,832)
Non-cash items		
Accretion and interest expense accrual	152,056	121,847
Change in fair value of derivative liability	(67,782)	(23,658)
Unrealized foreign exchange (gain)	(71,221)	(32,640)
Changes in non-cash operating working capital		
Deposits and prepayments	13,750	2,500
Accounts receivable and sales tax receivable	712	–
Accounts payable and accrued liabilities	48,543	8,351
Cash used in operating activities	(4,334)	(11,432)
Effect of foreign exchange	–	(55)
<b>Change in cash</b>	(4,334)	(11,432)
<b>Cash, beginning of the year</b>	4,503	66,664
<b>Cash, end of the year</b>	169	55,177

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

**GLOBAL HEMP GROUP INC.**  
**Notes to the Consolidated Financial Statements**  
**Three Months Ended December 31, 2023**  
**(Expressed in Canadian Dollars)**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Global Hemp Group (the “Company” or “GHG”) was incorporated on October 30, 2009 in British Columbia, Canada, originally under the name Arris Holdings Inc., and on March 24, 2014 changed its name to Global Hemp Group Inc. Since the name change, the Company has been focused on the production and processing of industrial hemp and collaboration with companies that will enable GHG to develop and implement the Hemp Agro-Industrial Zone concept. GHG has expanded its scope of business into natural biologic therapeutics having acquired the exclusive North America licensing of patents and IP from Apollon Formularies plc, a UK-based international pharmaceutical company developing cancer treatments from natural biologics, including medical cannabis, functional mushrooms, psychedelic mushrooms and combinations of these compounds.

The Company’s registered office is located at #106 – 1169 Mt. Seymour Road, North Vancouver, BC, V7H 2Y4. The Company’s common shares are traded on Canadian Securities Exchange under the symbol “GHG”, on Börse Frankfurt under the symbol “GHG”, and on the USA OTCQB Markets under the symbol “GBHPF”.

On September 28, 2023, the Company consolidated its issued share capital on a ratio of twenty old common shares for every one new post-consolidated common share. All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this share consolidation (the “Share consolidation”).

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company’s continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with debt and or private placements of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

These unaudited condensed interim financial statements of the Company for the three months ended December 31, 2023, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The significant accounting policies applied in these condensed interim financial statements are based on the IFRS issued and outstanding as of December 31, 2023.

**Basis of Preparation**

These consolidated condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the audited annual financial statements of the Company for the most recent year ended September 30, 2023.

During the quarter the Company had no active subsidiaries.

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**Significant estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting period include determining the fair value of financial instruments and the recoverability and measurement of deferred tax assets.

**Significant judgments**

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applied in the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- whether the Company has control over entities in which it holds an interest.

The financial statements were approved and authorized for issue on May 15, 2024 by the directors of the Company.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Impairment of Non-Financial Assets**

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. For the purposes of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable potential cash flow generating units ("CGU's"). The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use (being the present value of the expected future cash flows of the CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the consolidated statement of loss and comprehensive loss.

**Intangible Assets**

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangible assets is recognized on a straight-line basis over their estimated useful lives.

**Loss per share**

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted loss per share is calculated by the treasury stock



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method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

**Financial instruments**

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL") at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

<b>Financial assets</b>	<b>Classification under IFRS 9</b>
Cash	FVTPL
Accounts receivables	Amortized cost
<b>Financial liabilities</b>	<b>Classification under IFRS 9</b>
Accounts payable and accrued liabilities	Amortized cost
Note payable	Amortized cost
Convertible debt	Amortized cost
Preference shares liability	Amortized cost
Conversion feature derivative liability	FVTPL

(ii) Measurement

Financial assets and liabilities at amortized cost:

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL:

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

(iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly

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since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the Consolidated Statements of Comprehensive Loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

**Functional currency and foreign currency translation**

The functional currency of each entity is determined using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency.

Transactions and balances:

Foreign currency transactions will be translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial statements of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

**GLOBAL HEMP GROUP INC.**  
**Notes to the Consolidated Financial Statements**  
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Exchange differences arising on translation of foreign operations are recorded to the Company's other comprehensive income.

**Research and development**

Research costs are expensed when incurred. Internally-generated technology costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The Company did not have any development costs that met the capitalization criteria for the years ended September 30, 2023 and 2022.

**Share-based payments**

The grant-date fair value of share-based payments awarded to employees settled in equity instruments is generally recognized as an expense determined using Black Scholes Option Pricing Model, with a corresponding increase in equity over the vesting period. The amount recognized as an expense is adjusted to reflect the number of awards for which it is estimated that the service and non-market performance conditions have been satisfied, in that the amount ultimately recognized is based on the actual number of awards that meet the service and non-market performance conditions at the vesting date. For share-based payment awards on shares with other vesting conditions, the measurement of fair value at the vesting date reflects these conditions, and differences between estimate and achievement are not subsequently adjusted.

**Warrants**

Proceeds from issuances of security units by the Company consisting of shares and warrants are allocated based on the residual method. The value of the warrants is determined to be the difference between gross proceeds over the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a fair value of \$Nil is assigned to the warrants.

**Income taxes**

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

**GLOBAL HEMP GROUP INC.**  
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Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Accounting Standards Issued But Not Yet Applied

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>December 31, 2023</b>	<b>September 30, 2023</b>
	\$	\$
<b>Trade payables</b>	641,951	591,800
<b>Accrued liabilities</b>	128,700	128,700
<b>Dividend payable</b>	291,142	260,412
	<b>1,061,793</b>	<b>980,912</b>

**5. ACQUISITION OF PREFERRED SHARES OF WESTERN SIERRA RESOURCE CORPORATION**

- (a) On February 8, 2021, the Company signed the Definitive Agreement with Prescient Strategies Group LLC ("PSG") and Western Sierra Resource Corporation (OTC: WSRC) to acquire 19,875,000 shares of WSRC non-participating Preferred A Class Share holdings ("WSRC Prefs"). The Definitive Agreement between WSRC, PSG, and GHG required a payoff / restructure of an existing US\$3,842,269 in secured WSRC debt by February 1, 2022. On February 2, 2022 US\$2,842,269 plus interest remained unpaid. The Company paid US\$50,000 on March 30, 2022. The Definitive Agreement was subsequently terminated on February 6, 2023.

**Transaction Details:**

Prescient Strategies Group LLC held 19,875,000 Series A WSRC non-participating Prefs (with Voting Rights of 100 votes per share) on February 8, 2021. On signing of the Definitive Agreement, GHG acquired 11,006,440 unencumbered WSRC Prefs from PSG in exchange for 11,006,400 GHG Preferred B shares ("GHG Prefs").

The remaining 8,868,560 WSRC Prefs held by PSG were to be transferred to GHG by PSG in return for a like number of GHG Class B Prefs upon payoff / restructure of the existing debt in the amount of US\$3,842,269 by GHG on or before February 1, 2022. GHG was not able to complete the payoff/restructuring the debt and the remaining WSRC Prefs were not transferred to GHG.

**GHG Pref Details:**

The GHG Prefs have a fixed redemption price of US\$0.50 per preferred share and a maturity date of ten years following their issuance. The GHG Prefs are non-voting, have been paying an annual dividend of US\$0.01 per share, paid in cash, and are convertible into two common shares of GHG for every GHG Pref held by each holder thereof. The GHG Prefs are secured by the WSRC Prefs. The GHG Prefs are redeemable

**GLOBAL HEMP GROUP INC.**  
**Notes to the Consolidated Financial Statements**  
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by GHG at face value plus any accrued and unpaid dividends any time after the refinancing of the WSRC Debt and the term of the WSRC Debt has been extended to a period of at least three years or redeemable on or before the maturity date on May 14, 2031. Should PSG decide to sell its GHG Prefs in a private third-party transaction, GHG will be granted a thirty day Right of First Refusal (the "GHG ROFR") to match any *bona fide* offer by a third-party, before PSG can act on such third-party offer.

As at September 30, 2022, the advances GHG made for the settlement of WSRC debts totaling \$1,741,123 or US\$ 1,351,174 were written off to \$Nil. Pursuant to an agreement between GHG and WSRC, these advances were receivable from WSRC upon the refinancing of the WSRC Debt. GHG has not been able to raise the required funding relating to the WSRC debt per the definitive agreement. WSRC has not issued a note payable to GHG and the advances have been impaired due to the uncertainty of collection.

- (b) On May 14, 2021, PSG exchanged its 11,006,400 WSRC Prefs for 11,006,400 GHG Prefs. As a result, the Company had 46.85% of the voting rights of WSRC. The two directors of WSRC control 44.6% of the common shares of WSRC and one director controls the remaining 8,868,560 WSRC Prefs.

As at December 31, 2022, the fair value for the 11,006,400 WSRC Prefs held by the Company was determined to be \$NIL (September 30, 2022 - \$NIL). The Company determined the value to be \$NIL as until such time the GHG Prefs are redeemed the Company cannot sell, transfer or otherwise dispose of the WSRC Prefs.

- (c) 11,006,400 GHG Prefs issued to PSG on May 14, 2021 are classified as a financial liability under IAS 32 due to the fixed maturity date of 10 years from issuance date and the mandatory redemption value of US\$5,503,220 (11,006,440 GHG Prefs at US\$0.50) at maturity date. The conversion feature included in the 11,006,400 GHG Prefs is classified as derivative liability with an estimated fair value of \$989,881 (US\$817,476) on the date of initial recognition on May 14, 2021.

The fair value of the Convertible Preference Shares Debt Host of \$2,022,726 (US\$1,670,432) is the present value on May 14, 2021, for the face value redemption of US\$5,503,220 and a dividend annuity of US\$110,064 at a discount rate of 16% with a maturity date 10 years from May 14, 2021.

The cash obligations associated with the GHG Prefs with the assumption of no conversion to maturity are as follows:

Due Date	Annual Mandatory Redemption	
	Dividend	Value
	US Dollars	US Dollars
May 13, 2022	110,064	-
May 13, 2023	110,064	-
May 13, 2024	110,064	-
May 13, 2025	110,064	-
May 13, 2026	110,064	-
May 13, 2027	110,064	-
May 13, 2028	110,064	-
May 13, 2029	110,064	-
May 13, 2030	110,064	-
May 13, 2031	110,064	5,503,220
<b>Total</b>	<b>1,100,644</b>	<b>5,503,220</b>

The continuity of the Convertible Preference Shares Liabilities is as follows:

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	<b>Canadian Dollar</b>	<b>US Dollar</b>
	\$	\$
Balance, September 30, 2022	2,729,346	2,073,754
Dividends payable	(37,268)	(27,516)
Accretion	104,077	76,843
Foreign exchange	6,589	-
<b>Balance, December 31, 2022</b>	<b>2,802,744</b>	<b>2,123,081</b>
Balance, September 30, 2023	2,858,700	2,114,423
Dividends payable	(36,393)	(27,516)
Accretion	116,252	85,341
Foreign exchange	(65,544)	-
<b>Balance, December 31, 2023</b>	<b>2,873,015</b>	<b>2,172,248</b>

As at December 31, 2023, \$291,142 (September 30, 2022 - \$260,412) of dividend payable was included in accounts payable and accrued liabilities.

**6. GHG PREFS – CONVERSION FEATURE DERIVATIVE LIABILITIES**

	<b>Derivate Liability - GHG Prefs Conversion Feature</b>
	\$
Balance, September 30, 2022	329,551
Fair value changes	(23,658)
<b>Balance, December 31, 2022</b>	<b>305,893</b>
Balance, September 30, 2023	1,287,607
Fair value changes	(67,782)
<b>Balance, December 31, 2023</b>	<b>1,219,825</b>

The fair value of the initial recognition of the conversion feature included in the 11,006,400 GHG Prefs (note 6) was determined to be \$989,881 (US\$817,476) using the Black-Scholes Option Pricing Model with the following assumptions: expected life of 10 years, volatility of 203%, dividend yield of 0%, and risk-free rate of 1.63%.

The fair value of the revaluation of the conversion feature as at December 31, 2023 included in the 11,006,400 GHG Prefs (note 5) was determined to be \$1,219,825 (US\$902,237) using the Black-Scholes Option Pricing Model with the following assumptions: expected life of 6.3 years, volatility of 140%, dividend yield of 0%, and risk-free rate of 4.88%. The Company designated the change in fair value of \$67,782 through profit and loss for the three months ended December 31, 2023 (2022 - \$23,658). As all inputs used in the model are observable, the derivatives fall in Level 2 of the fair value hierarchy.

**7. ACQUISITION OF INTELLECTUAL PROPERTY**

On January 9, 2023 Global Hemp Group signed a binding Letter of Intent with Apollon Formularies Plc - AQSE: APOL (“Apollon”) (the “LOI”), a UK-based international pharmaceutical company.

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Under the terms of the binding LOI, GHG acquired the exclusive perpetual license to certain Apollon patents and Intellectual Property (the “IP”). GHG paid cash of US\$250,000 (\$342,000) and issued Apollon 500,000 common shares of GHG at a fair value of \$0.30 per share, for total consideration of \$491,000. The Company incurred related acquisition costs of \$28,279 for total capitalized acquisition cost of \$520,279.

As at December 31, 2023, the fair value of the IP acquired by the Company was determined to be \$NIL. The Company determined the value to be \$NIL as until such time the Company was not able to establish a cashflow forecast through the utilization of the IP.

## **8. RELATED PARTY TRANSACTIONS**

### **Key Management Compensation:**

<b>Key Management include</b>	<b>Nature of transactions</b>	<b>Three months ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
		\$	\$
President/CEO	Salaries/Consulting fees	-	-
CFO	Accounting fees	-	2,500
Director	Legal fees	5,056	6,470
		5,056	8,970

Included in accounts payable and accrued liabilities, there was \$124,009 (September 30, 2023 - \$118,953) due to directors and officers for unpaid consulting fees and expense reimbursements. These amounts are unsecured, non-interest bearing with no fixed payment terms.

During the three months ended December 31, 2023, the Company incurred salaries of \$Nil for the service of the President/CEO (2023 - \$Nil).

During the three months ended December 31, 2023, the Company incurred accounting fee of \$Nil for the service of the Company’s CFO (2023 - \$2,500).

During the three months ended December 31, 2022, the Company incurred legal fees of \$5,056 (2022 - \$6,470) to a law firm controlled by a director of the Company.

## **9. CAPITAL STOCK**

### **Authorized**

Unlimited number of common shares and Class B preferred shares without par value.

### **Issued and outstanding**

No shares were issued for the three months ended December 31, 2022 and 2023.

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**Warrants**

A continuity of the Company's warrants is as follows:

	<b>Number of Warrants</b>	<b>Weighted average exercise price</b>	<b>Weighted average number years to expiry</b>
Balance, September 30, 2022	8,927,533	\$1.20	1.23
Granted/Exercised/Expired/Cancelled	-	-	-
Balance, December 31, 2022	8,927,533	\$1.20	1.23
Balance, September 30, 2023	1,990,000	\$1.58	1.59
Expired	(810,000)	-	-
Balance, December 31, 2023	1,180,000	\$1.03	2.55

As at December 31, 2023, the Company had the following warrants outstanding:

<b>Date Issued</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Warrants Outstanding</b>
January 25, 2021	January 25, 2026	\$1.10	300,000
May 14, 2021	May 14, 2026	\$1.00	750,000
March 31, 2023	May 31, 2026	\$1.00	130,000
			<b>1,180,000</b>

**Stock options**

There were no stock options issued by the Company during the quarter.

A continuity of the Company's options is as follows:

	<b>Options</b>	<b>Weighted average exercise price</b>	<b>Weighted average number years to expiry</b>
Balance, September 30, 2022	782,500	\$1.10	3.24
Balance, December 31, 2022	782,500	\$1.10	3.24
Balance, September 30, 2023	775,000	\$1.08	2.26
Balance, December 31, 2023	775,000	\$1.08	2.01

As at December 31, 2023, the Company had the following options outstanding:

<b>Date Granted</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Options Outstanding</b>	<b>Number of options Exercisable</b>
August 9, 2019	August 8, 2024	\$1.20	52,500	52,500
November 26, 2020	November 25, 2025	\$1.00	157,500	157,500
January 25, 2021	January 25, 2026	\$1.10	240,000	240,000



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January 27, 2021	January 27, 2026	\$1.20	125,000	125,000
May 3, 2021	May 3, 2026	\$1.00	150,000	150,000
May 17, 2021	May 17, 2026	\$1.00	50,000	50,000
			<b>775,000</b>	<b>775,000</b>

**Share based payment reserve**

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**Foreign currency translation reserve**

The foreign currency translation reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

**Basic and diluted loss per share**

Diluted loss per share does not include the effect of 1,180,000 warrants and 775,000 options as the effect would be anti-dilutive.

**10. NOTES PAYABLE**

The Company did not receive any short-term loans during the three months ended December 31, 2023 and December 31, 2022.

As at December 31, 2023, the outstanding loan balance was a series of proceeds the Company received in the principal amount of \$376,335, of which \$358,051 or US\$263,625 was interest bearing at 12% per annum and \$18,284 was non-interest bearing.

\$10,862 (2023 - \$19,351) interest was accrued during the year ended September 30, 2023. As at December 31, 2023, the principal balance outstanding was \$376,335 (September 30, 2023 - \$376,335).

As at December 31, 2023, the outstanding loan balance including the accrued interest was \$325,559 (September 31, 2023 - \$302,239).

**11. CONVERTIBLE DEBENTURES**

- a) 500 units of debentures on July 9, 2021

Issuance

On July 9, 2021, the Company issued 500 units of debentures for gross proceeds of \$500,000. The principal amount of the debentures matures on September 8, 2023 (the "Maturity Date"), are unsecured, and accrue interest at 7% per annum. The principal amount of the debentures and any accrued but unpaid interest thereon is convertible into shares at a price of \$0.05 per share at any time before the Maturity Date and share purchase warrants with an exercise price of \$0.05 per share and an expiry date of September 8, 2023.

Conversion

On July 22, 2021, 100 units of the debentures with a value of \$100,000 were converted into 100,000 common shares and 2,000,000 share purchase warrants with an exercise price of \$1.00 and expiry date on September 8, 2023.

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On August 18, 2021, 100 units of the debentures with a value of \$100,000 were converted into 100,000 common shares and 100,000 share purchase warrants with an exercise price of \$1.00 and expiry date on September 8, 2023.

b) 15 units of debentures on September 12, 2021

Issuance

On September 12, 2021, the Company issued 15 units of debentures for gross proceeds of \$15,000. The principal amount of the debentures matures on September 8, 2023 (the “Maturity Date”), are unsecured, and accrue interest at 7% per annum. The principal amount of the debentures and any accrued but unpaid interest thereon is convertible into shares at a price of \$0.05 per share at any time before the Maturity Date and share purchase warrants with an exercise price of \$0.05 per share and an expiry date of September 8, 2023.

c) 35 units of debentures on September 24, 2021

Issuance

On September 24, 2021, the Company issued 35 units of debentures for gross proceeds of \$35,000. The principal amount of the debentures matures on September 8, 2023 (the “Maturity Date”), are unsecured, and accrue interest at 7% per annum. The principal amount of the debentures and any accrued but unpaid interest thereon is convertible into shares at a price of \$0.05 per share at any time before the Maturity Date and share purchase warrants with an exercise price of \$0.05 per share and an expiry date of September 8, 2023.

On September 6, 2023, the Company restructured the Convertible Debentures (“CD”) maturing on September 8, 2023 with the following terms:

1. The term of the CD, due September 8, 2023, is extended to March 8, 2025.
2. Effective September 6, 2023, the interest rate increased from 7.0% to 12.0% per annum and will continue to accrue until maturity or conversion.
3. As an inducement to complete the restructuring of the CD, the Company provided the holders of the CD’s a bonus in the amount of 12% of the original principal amount, to be added to the outstanding balance.
4. All other terms and conditions of the CD remain the same.

	<b>Liability</b>	<b>Equity (Reserve - Conversion Feature)</b>	<b>Equity (Share Capital)</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Balance, September 30, 2022</b>	<b>334,027</b>	<b>49,451</b>	<b>27,955</b>	<b>411,433</b>
Accrued interest, effective interest method	17,770	-	-	17,770
<b>Balance, December 31, 2022</b>	<b>351,797</b>	<b>49,451</b>	<b>27,955</b>	<b>429,203</b>
Balance, September 30, 2023	<b>302,239</b>	<b>56,419</b>	<b>27,955</b>	<b>386,613</b>
Accrued interest, effective interest method	23,320	-	-	23,320
<b>Balance, September 30, 2023</b>	<b>325,559</b>	<b>56,419</b>	<b>27,955</b>	<b>409,933</b>

The Company accounted for the restructuring of the CD as an extinguishment. The Company determined the fair value of the liability component using a market rate of 22%.

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The equity component related to the common share conversion feature was determined to be \$6,968 using the Black-Scholes Option Pricing Model with the following assumptions: expected life of 1.5 years, volatility of 124%, dividend yield of 0%, and risk-free rate of 5%.

## **12. SEGMENT DISCLOSURE**

The Company operates in one operating segment, which is acquisition, and operation of hemp related projects.

## **13. FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's primary exposure to credit risk is on its cash. As most of the Company's cash is held by one bank, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

### Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's transaction currency with WSRC is in USD (Note 6) and two subsidiaries located in the United States. As at December 31, 2023 the Company has GHG Prefs debt host liability of US\$2,172,248, GHG Prefs Derivative Liabilities of US\$902,237 denominated in US dollars. Based on the net exposure at December 31, 2022, a 5% depreciation or appreciation in Canadian dollar against US dollar would result in a gain or loss of \$153,724.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

### Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Liquidity risk is assessed as high.

### Fair value

The Company categorizes its financial instruments measured at fair value using a hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

Level 1: observable inputs such as quoted prices in active markets.

Level 2: inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The fair value of the Company's financial assets and liabilities at amortized cost approximates the carrying amount due to their short-term nature. The derivative liability is measured at fair value using level 3 inputs.

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Type	Valuation technique	Key inputs	Inter-relationship between significant inputs and fair value measurement
Conversion feature on convertible preference shares - derivative liability	The fair value of the conversion feature on convertible preference share - derivative liability at year end has been calculated using the Black Scholes Option Pricing Model	Key observable inputs • Share price • Risk free interest rate • Dividend yield Key unobservable inputs • Expected volatility	The estimated fair value would increase (decrease) if: • The price was higher (lower) • The risk-free rate was higher (lower) • The dividend yield was lower (higher) • The expected volatility was higher (lower)

For the fair value of the derivative liability, reasonable possible changes to the expected volatility, the most significant unobservable input would have the following effects:

Unobservable Inputs	Change	Impact on comprehensive loss	
		Three months ended December 31, 2023	Three months ended December 31, 2022
<b>Volatility</b>	<b>20%</b>	<b>\$ 111,828</b>	<b>\$ 31,068</b>

#### 14. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the Company's activity in agriculture and manufacturing in the industrial hemp sector and to sustain future development of the business. The capital structure of the Company consists of working and share capital.

There are no restrictions on the Company's capital and there were no changes in the Company's approach to capital management during the year.

#### 15. EVENTS AFTER THE REPORTING PERIOD

On January 11, 2024 the Company executed of an Exclusive Option Agreement to acquire Serres Thériault (2021) Inc. ("STI"), a multi-faceted vertically integrated cannabis operator in News Brunswick, Canada. The option granted to GHG is for a period of 24 months to January 11, 2026.

The Company issued on January 25, 2024, 2,000,000 restricted common shares (the "Common Shares") to STI's nominees. These Common Shares which will carry three separate trading restriction release dates as listed below, were issued at a price of \$0.055 and in accordance with securities regulations that are applicable:

- 1,000,000 Common Shares that will have the applicable 4 months plus one day regulatory hold period, being until May 25, 2024.
- 500,000 Common Shares to be released on the eight-month anniversary of the Effective Date, being until September 11, 2024; and
- 500,000 Common Shares to be released on the twelve-month anniversary of the Effective Date, being until January 11, 2025.

On January 26, 2024, the Company the completed of the first tranche of a non-brokered private placement pursuant to which it issued an aggregate of 1,350,000 units ("Units") at a price of \$0.05 per Unit to raise aggregate gross proceeds of \$67,500. Each Unit consists of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional common share of the Company at an exercise price of \$0.10 until January 15, 2027.

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On January 31, 2024 the Company settled \$150,000 of its outstanding long term unsecured debt (due March 8, 2025) for units at \$0.05 per unit. Each Unit is comprised of one common share in the capital of the Company (each a "Common Share") and one non-transferable Common Share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to acquire one Common Share at a price of \$0.10 per share, exercisable until January 15, 2027. The remaining balance of \$300,000 plus accrued interest at 12% per annum, will continue to accrue interest until maturity on March 8, 2025, if not converted prior to maturity into units with the same terms and conditions as the above referenced initial debt settlement amount. All securities issued and issuable in connection with this debt settlement were subject to a statutory hold period until June 1, 2024.