Global Hemp Group Inc.

Condensed Consolidated Interim Financial Statements

Three Months Ended December 31, 2016

Unaudited

Expressed in Canadian Dollars

NOTICE TO READER

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the accompanying condensed consolidated interim financial statements.

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

	Note	December 31, 2016	September 30, 2016
		$	$
Assets			
Current assets			
Cash		8,427	563
GST receivable		8,590	8,309
Prepayments		–	437
Total assets		17,017	9,309
Liabilities and shareholders' deficiency			
Current liabilities			
Accounts payable and accrued liabilities	**4**	200,370	275,699
Note payable	**8**	22,945	22,394
Due to related parties	**5**	46,824	1,225
		270,139	299,318
Non-current liabilities			
Convertible debentures	**9**	104,764	186,220
Total liabilities		374,903	485,538
Shareholders' deficiency			
Share capital	**6**	3,226,354	3,093,107
Reserve		1,497,850	1,497,850
Deficit		(5,082,090)	(5,067,186)
		(357,886)	(476,229)
Total liabilities and shareholders' deficiency		17,017	9,309

The accompanying notes are an integrated part to the consolidated financial statements

Approved and authorized for issuance by the Board of Directors on February 28, 2017

"Curt Huber"
Director

"Charles Larsen"
Director

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

		Three months ended December 31,	
	Note	**2016**	**2015**
		$	$
Gross Revenue		-	554
Cost of Goods Sold		-	450
Gross Profit		-	104
Expenses			
Advertising and promotion		165	–
Interest	**8, 9**	4,417	7,487
Consulting		436	5,861
Office and administration		67	532
Professional fees		1,500	1,474
Travel		173	2,165
Trust and filing fees		6,026	2,939
(Loss) before the following		(12,784)	(20,354)
Exchange gain (loss)		(2,120)	(3,079)
Net loss		(14,904)	(23,433)
Other comprehensive income		–	–
Comprehensive Loss		(14,904)	(23,433)
Loss per share, basic and diluted		(0.00)	(0.00)
Weighted average number of outstanding shares		145,085,578	139,278,687

The accompanying notes are an integrated part to the consolidated financial statements

GLOBAL HEMP GROUP INC.
Consolidated statements of changes in deficiency
(Unaudited - Expressed in Canadian dollars except for number of shares)

		Share Capital		Reserve			
	Note	Number	Amount	Share-based payment reserve	Foreign currency translation	Deficit	Shareholders' deficiency
			$	$	$	$	$
Balance, September 30, 2015		137,917,545	2,967,168	1,497,850	(24,900)	(5,001,240)	(561,122)
Translation adjustment		–	–	–	1,852	–	1,852
Conversion of convertible debentures into common shares	**6**	2,782,779	97,397	–	–	–	97,397
Net loss		–	–	–	–	(23,433)	(23,433)
Balance, December 31, 2015		140,700,324	3,064,565	1,497,850	(23,048)	(5,024,673)	(485,306)
Balance, September 30, 2016		142,604,146	3,093,107	1,497,850	–	(5,067,186)	(476,229)
Conversion of convertible debentures into common shares	**6**	2,435,616	85,247	–	–	–	85,247
Shares issuance on private placement	**6**	1,600,000	48,000	–	–	–	48,000
Net loss		–	–	–	–	(14,904)	(14,904)
Balance, December 31, 2016		146,639,762	3,226,354	1,497,850	–	(5,082,090)	(357,886)

The accompanying notes are an integrated part to the consolidated financial statements

GLOBAL HEMP GROUP INC.
Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Three Months ended December 31,	
	2016	**2015**
Cash (used in) provided by:	$	$
Operating activities		
Loss for the year	(14,904)	(23,433)
Non-cash items		
Unrealized foreign exchange loss	473	3,066
Interest accrual	4,342	7,337
Changes in non-cash operating working capital		
Accounts receivables and prepaid	156	619
Accounts payable and accrued liabilities	(28,616)	917
Due to related parties	(1,587)	790
Cash used in operating activities	(40,136)	(10,704)
Financing activites		
Proceeds from common shares issuance	48,000	–
Proceeds from covertible debenture issuance	–	10,000
Cash provided by financing activities	48,000	10,000
Effect of foreign exchange	–	1,852
Change in cash	7,864	1,148
Cash, beginning of the year	563	3,559
Cash, end of the year	8,427	4,707

The accompanying notes are an integrated part to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Global Hemp Group (the "Company") was incorporated on October 30, 2009 in British Columbia, Canada. The Company is currently pursuing opportunities in the industrial hemp sector.

The Company's office is Suite #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 Boerse-Frankfurt Exchange under the symbol "GHG", on XETRA Exchange in Europe under the symbol GHG, and on the USA OTC Markets under the symbol "GBHPF".

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 statement of financial position.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements for three months ended December 31, 2016, together with the comparative figures herein have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at their fair value. These condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise noted.

These consolidated financial statements include the accounts of the Company. The opening deficit balance as at the year ended September 30, 2016 of the Company's wholly owned subsidiary, GHG Nevada dissolved on December 2, 2015 has been separately disclosed as discontinued operation in the Statement of Changes in Deficiency (Note 1).

(Expressed in Canadian Dollars)

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 where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and the fair value of inventory.

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 in applying 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.

Accounting standards issued but not yet applied

The Company has not adopted new accounting standards since its recent year ended September 30, 2016.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after December 31, 2016 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements, is not expected to have a material effect on the Company's future results and financial position: IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9); and Amendments to IAS 32 Financial Instruments: Presentation.

Other 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

	December 31, 2016	**September 30, 2016**
	$	$
Trade payables	120,498	262,199
Accrued liabilities	79,872	13,500
	200,370	**275,699**

(Expressed in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS

Key Management Compensation:

	Nature of transactions	Three months ended December 2016	31, 2015
		$	$
A director[1]	Consulting fees	-	-

As at December 31, 2016, $NIL was owing to the CFO to the company (September 30, 2016 - $1,225). As at December 31, 2016, $24,675 was owing to companies controlled by a relative of a former director (September 30, 2015 - $24,675), As at December 31, 2016 $10,736 was owing to an ex-director of the Company (September 30, 2016 - $10,497) and $11,413 (September 30, 2016 - $11,385) was owing to the former CFO of the Company.

During the year ended September 30, 2016, a director of the Company provided the Company a credit of $53,000 for consulting services provided during the year ended September 30, 2014. During the year ended September 30, 2015, the Company incurred occupancy cost of $15,000 to companies controlled by a relative of a former director.

6. CAPITAL STOCK

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

Issued and outstanding
All share and per share information has been retroactively restated in these consolidated financial statements to reflect the one to five share split completed on February 16, 2014.

On October 7, 2016, 35 units of the Debentures (Note 9) including accrued interest, were converted into 1,218,219 shares.

On October 21, 2016, 35 units of the Debentures (Note 9) including accrued interest, were converted into 1,217,397 shares.

On December 20, 2016, 1,600,000 units consisting of 1,600,000 common shares and 1,600,000 share purchase warrants were issued for gross proceeds of $48,000.

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

	Warrants	Weighted average exercise price	Weighted average number years to expiry
		$	
Balance, September 30, 2016	12,350,855	0.09	1.51
Granted	1,600,000	0.05	4.97
Balance, December 31, 2016	13,950,855	0.08	1.55

(Expressed in Canadian Dollars)

Stock options

Balance of stock purchase options issued and outstanding as at December 31, 2016 and September 30, 2016 is 6,400,000 with an exercise price at $0.10 and weighted average years to expiry of 2.22 years.

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 13,950,855 warrants and 6,400,000 options as the effect would be anti-dilutive.

7. FINANCIAL INSTRUMENTS

Classification of financial instruments

Financial assets included in the statements of financial position are as follows:

	December 31, 2016	September 30, 2016
	$	$
Loans and receivables:		
Cash	**8,427**	**563**

Financial liabilities included in the statements of financial position are as follows:

	December 31, 2016	September 30, 2016
	$	$
Non-derivative financial liabilities:		
Trade payables and accrual	120,498	262,199
Due to related parties	46,824	1,225
Convertible debentures	104,764	186,220
Note payable	22,945	22,394
	295,031	**472,038**

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount due to its short term nature.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
  Level 3 – Inputs that are not based on observable market data.

Financial instrument classified as Level 1 includes cash only.

8. NOTE PAYABLE

On December 1, 2014, the Company converted $18,355 of its accounts payable owing to a company (“Lender”) into a promissory note. This promissory note is payable on demand and bears interest of 12% per annum. The Company grant in favor of the Lender, a general and continuing collateral security to secure the note payable. To December 31, 2016, the Company has accrued $2,754 (September 30, 2016 - $2,203) in interest on the note payable.

9. DEBENTURES

During the year ended September 30, 2015, the Company completed two non-brokered private placements of 250 units of Debentures for gross proceeds of $250,000. The principal amount of the Debentures matures on November 17, 2017 (the “Maturity Date”) and accrue interest at 15% per annum payable on the Maturity Date. The Debentures are unsecured. The Company also recorded a one-time interest charge of $4,089 for the conversion of trade payables to Debentures during the year ended September 30, 2015.

The principal amount of the Debentures is convertible into common shares of the Company and any accrued but unpaid interest thereon is convertible into shares at a price of $0.035 per share at any time before the Maturity Date. Each $1,000 of the Debentures includes 28,571 warrants exercisable at a price of $0.05 for a period of three years. A finder’s fee of $5,600 was paid and 112,000 finder’s warrants were issued, with a fair value of $1,568. The finder’s warrants are exercisable at $0.05 for a period of one year.

On November 16, 2015, 90 units of the Debentures including accrued interest, were converted into 2,782,779 shares.

On December 17, 2015, the Company completed a non-brokered private placement of Convertible Debentures for gross proceeds of $27,000. The principal amount of the Debentures matures within three years and accrue interest at 15% per annum, payable on the maturity date. The principal amount of the Debentures is convertible into common shares of the Company and any accrued but unpaid interest thereon is convertible into shares at a price of $0.015 per share at any time before the maturity date. Each $1,000 of the Debentures come with 20,000 warrants exercisable at a price of $0.05 for a period of three years.

On October 7, 2016, 35 units of the Debentures including accrued interest, were converted into 1,218,219 shares.

On October 21, 2016, 35 units of the Debentures including accrued interest, were converted into 1,217,397 shares.

(Expressed in Canadian Dollars)

As at December 31, 2016, the Company has accrued $46,118 (September 30, 2015 - $16,498) in interest on the Debentures.

		December 31, 2016		September 30, 2016
Principal amount	$	65,814	$	151,060
Less finder's fee and cash		(7,168)		(7,168)
Accrued interest		46,118		42,328
	$	104,764	$	186,220

10. SUBSEQUENT EVENT

Pursuant to the private placement announced December 20, 2016 (closing of the first tranche), the Company has received an additional $75,000 for a second tranche of this placement, expected to close on or about March 1, 2017. In conjunction with this tranche, the Company will issue an additional a total of 2,500,000 units at a price of $0.03 per unit for gross proceeds of $75,000. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.05 per common share exercisable for a period of five years from the date of closing.