Global Hemp Group Inc.

Consolidated Financial Statements

Year Ended September 30, 2017

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Global Hemp Group Inc.

We have audited the accompanying consolidated financial statements of Global Hemp Group Inc. which comprise the consolidated statements of financial position as at September 30, 2017 and 2016 and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Global Hemp Group Inc. as at September 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Global Hemp Group Inc.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONIONAL ACCOUNTANTS

Vancouver, Canada
January 25, 2018

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

	Note	September 30, 2017	2016
		$	$
Assets			
Current assets			
Cash		40,455	563
GST receivable		13,784	8,309
Prepayments		–	437
Total assets		54,239	9,309
Liabilities and shareholders' deficiency			
Current liabilities			
Accounts payable and accrued liabilities	**5**	244,211	275,699
Note payable	**7**	24,597	22,394
Due to related parties	**6**	379,244	1,225
		648,052	299,318
Non-current liabilities			
Convertible debentures	**8**	-	186,220
Total liabilities		648,052	485,538
Shareholders' deficiency			
Share capital	**4**	3,423,935	3,093,107
Reserve		1,862,956	1,497,850
Deficit		(5,880,704)	(5,067,186)
		(593,813)	(476,229)
Total liabilities and shareholders' deficiency		54,239	9,309

Subsequent event - Note 14

Approved and authorized for issuance by the Board of Directors

"Curt Huber" — Director

"Charles Larsen" — Director

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

GLOBAL HEMP GROUP INC.

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Note	Years ended September 30, 2017	2016
		$	$
Expenses			
Advertising and promotion		4,102	407
Interest	**7,8**	23,387	28,728
Consulting	**6**	378,206	31,612
Office and administration		2,975	1,144
Professional fees		18,376	15,654
Share based compensation	**4**	365,106	–
Shareholder communication		1,700	–
Travel		4,403	2,670
Trust and filing fees		17,667	14,481
Loss before other items:		(815,922)	(94,696)
Exchange gain (loss)		2,404	(828)
Other income		–	1,478
Realization of foreign currency reserve on dissolution of subsidiary	**3**	–	(24,900)
Debt forgiven	**6**	–	53,000
Net loss for the year		(813,518)	(65,946)
Other comprehensive income			
Translation adjustment		–	24,900
Comprehensive loss		(813,518)	(41,046)
Loss per share, basic and diluted		(0.01)	(0.00)
Weighted average number of outstanding shares		148,173,745	141,180,006

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

GLOBAL HEMP GROUP INC.

Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars except for number of shares)

		Share Capital		Reserve			
	Note	**Number**	**Amount**	**Share-based payment reserve**	**Foreign currency translation**	**Deficit**	**Total deficiency**
			$	$	$	$	$
Balance, September 30, 2015		137,917,545	2,967,168	1,497,850	(24,900)	(5,001,240)	(561,122)
Translation adjustment		–	–	–	24,900	–	24,900
Conversion of convertible debentures into common shares	**4,8**	4,685,601	125,939	–	–	–	125,939
Net loss		–	–	–	–	(65,946)	(65,946)
Balance, September 30, 2016		142,603,146	3,093,107	1,497,850	–	(5,067,186)	(476,229)
Conversion of convertible debentures into common shares	**4,8**	5,921,348	207,247	–	–	–	207,247
Share issuance on private placement	**4,8**	4,119,350	123,581	–	–	–	123,581
Share-based compensation	**4**	–	–	365,106	–	–	365,106
Net loss		–	–	–	–	(813,518)	(813,518)
Balance, September 30, 2017		152,643,844	3,423,935	1,862,956	–	(5,880,704)	(593,813)

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

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

	Years ended September 30, 2017	2016
	$	$
Cash flows from operating activities		
Loss for the year	(813,518)	(65,946)
Non-cash items		
Share based compensation	365,106	–
Interest accrual	23,230	28,260
Realization of foreign currency reserve on dissolution of subsidiary	–	24,900
Changes in non-cash operating working capital		
Prepaid expenses	437	–
GST receivables and prepayments	(5,475)	25,263
Accounts payable and accrued liabilities	(31,488)	(40,698)
Due to related parties	378,019	1,225
Cash used in operating activities	(83,689)	(26,996)
Cash flows from financing activites		
Proceeds from common shares issuance	123,581	–
Proceeds from covertible debenture issuance	–	10,000
Cash provided by financing activities	123,581	10,000
Effect of foreign exchange	–	14,000
Change in cash	39,892	(2,996)
Cash, beginning of the year	563	3,559
Cash, end of the year	40,455	563

Supplementary disclosures with respect to cash flows (Note 13)

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 seeking business opportunities.

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

The consolidated financial statements of the Company have been prepared in accordance with 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 financial statements were approved and authorized by the Board of Directors on January 29, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These 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 consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

The accompanying consolidated financial statements include the accounts of the Company and Global Hemp Group, Inc. ("GHGI.), its wholly owned US subsidiary, until December 2, 2015. All intercompany transactions have been eliminated.

On December 2, 2015, the Company dissolved GHGI. At that time, GHGI had no remaining net assets. A foreign exchange loss of $24,900 was realized upon dissolution of the subsidiary, being the accumulated other comprehensive loss on conversion of GHGI to the Company's presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 valuation of share-based compensation, the fair value of measurements 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 in applying the Company's financial statements are 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.

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 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

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Fair value through profit or loss ("FVTPL") - Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. They are subsequently measured at fair value with changes in fair value recognized in profit or loss. The Company designates its cash as fair value through profit or loss financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company has designated accounts receivable as loan and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities and that the Company intends to hold to maturity. These assets are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company does not hold any held-to-maturity financial assets.

Available-for-sale – These consist of non-derivative financial assets that are designated as available-for sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company does not hold any available-for-sale financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company initially recognizes financial liabilities at fair value on the date that they originate. All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional currency and foreign currency translation

The functional currency of each entity is measured 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 results and position 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.

Exchange differences arising on translation of foreign operations are recorded to the Company's other comprehensive income.

Warrants

Proceeds from issuances of security units by the Company consisting of shares and warrants are allocated based on the residual method. The fair 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (continued)
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.

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.

Stock-based compensation
Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

New Accounting standards issued but not yet applied
At the date of the approval of the consolidated financial statements, a number of standards and interpretations were in issue but not yet effective. The Company considers that these new standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

4. CAPITAL STOCK

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

Issued and outstanding
During the year ended September 30, 2017, the Company closed a private placement of 4,119,350 units at a price of $0.03 per unit for gross proceeds of $123,581. Each unit consists of one common share and one share purchase warrant. Each warrant entitles a holder to purchase one common share at a price of $0.05 per share for a period of five years. The fair value of the warrants was determined to be $nil using the residual method.

On August 22, 2017, 90 units of the Debentures (Note 8) including accrued interest with a value of $122,001 were converted into 3,485,732 common shares of the Company.

On October 21, 2016, 35 units of the Debentures (Note 8) including accrued interest with a value of $42,609 were converted into 1,217,397 common shares of the Company.

On October 7, 2016, 35 units of the Debentures (Note 8) including accrued interest with a value of $42,638 were converted into 1,218,219 shares.

On November 16, 2015, 90 units of Debentures (Note 8) including accrued interest with a value of $97,397 were converted into 2,782,779 shares.

On April 22, 2016, 27 units of the Debentures (Note 8) including accrued interest with a value of $28,542 were converted into 1,902,822 shares.

Warrants
On August 29, 2017, the Company extended the term of, and repriced 4,668,105 share purchase warrants (the "Warrants") issued pursuant to a private placement closed on August 1, 2014. The Warrants originally expired on August 1, 2017 and carried an exercise price of $0.15 per share. Under the amended terms, each of the Warrants entitles the holder to purchase one common share at a price of $0.10 any time till July 31, 2019.

During the year ended September 30, 2016, the Company issued an unsecured convertible debenture of $27,000 (Note 8). Each $1,000 of the debenture includes 20,000 warrants exercisable at $0.05 for a period of three years. Based on the residual method, the fair value of these warrants was determined to be $Nil.

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

	Warrants	Weighted average exercise price	Weighted average number years to expiry
		$	
Balance, September 30, 2015	15,021,655	0.13	1.30
Issued	540,000	0.05	1.21
Expired	(3,210,800)	(0.15)	-
Balance, September 30, 2016	12,350,855	0.09	1.12
Issued	4,119,350	0.05	4.42
Balance, September 30, 2017	16,470,205	0.09	1.92

(Expressed in Canadian Dollars)

4. CAPITAL STOCK (Continued)

Warrants (continued)
As at September 30, 2017, the Company had the following warrants outstanding:

Date issued	Expiry date	Exercise price		Number of warrants outstanding
August 7, 2014	July 31, 2019	$	0.10	4,668,105
May 4, 2015	May 4, 2018	$	0.05	3,571,375
June 12, 2015	June 12, 2018	$	0.05	3,571,375
December 15, 2015	December 15, 2018	$	0.05	540,000
December 20, 2016	December 19, 2021	$	0.05	1,600,000
February 28, 2017	February 27, 2022	$	0.05	2,519,350
				16,470,205

Stock options

On September 21, 2017, the Company granted 8,750,000 stock options to directors and consultants. Each option entitles the holder to purchase one common share of the Company at $0.05 per share. The stock options fully vested on the grant date. Out of 8,750,000 stock options granted, 250,000 stock options expire on September 20, 2019 and 8,400,000 stock options expire on September 20, 2021. The fair value of these options was determined to be $365,106 using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 3.92 years, volatility of 183%,, dividend yield of 0%, and risk-free rate of 1.72%.

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

	Options	Weighted average exercise price	Weighted average number years to expiry
		$	
Balance, September 30, 2015	9,808,333	0.11	1.19
Expired / Cancelled	(3,408,333)	(0.14)	-
Balance, September 30, 2016	6,400,000	0.10	1.47
Granted	8,750,000	0.05	3.92
Balance, September 30, 2017	15,150,000	0.07	2.87

As at September 30, 2017, the Company had the following options outstanding and exercisable:

Date Issued	Expiry Date	Exercise Price		Number of Options Outstanding	Number of Options Exercisable
April 7, 2014	April 7, 2019	$	0.10	5,100,000	5,100,000
January 15, 2015	January 15, 2019	$	0.10	1,300,000	1,300,000
September 20, 2017	September 20, 2021	$	0.05	8,400,000	8,400,000
September 20, 2017	September 20, 2019	$	0.05	350,000	350,000
				15,150,000	15,150,000

(Expressed in Canadian Dollars)

4. CAPITAL STOCK (Continued)

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.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2017	September 30, 2016
	$	$
Trade payables	230,711	262,199
Accrued liabilities	13,500	13,500
	244,211	275,699

6. RELATED PARTY TRANSACTIONS

Key Management Compensation:

	Nature of transaction	September 30, 2017	September 30, 2016
		$	$
Directors	Share-based compensation	365,106	-
Directors	Consulting fees	360,000	-

As at September 30, 2017, $122,685 (2016-$Nil) was owing to the CEO of the Company.

As at September 30, 2017, $128,882 (2016-$1,225) was owing to the CFO of the Company.

As at September 30, 2017, $127,677 (2016-$Nil) was owing to a director of the Company.

During the year ended September 30, 2016, fees payable to a director of the company for consulting services rendered during the year ended September 30, 2014 aggregating $53,000 was forgiven.

7. NOTE PAYABLE

On December 1, 2014, the Company converted $18,355 of its accounts payable owing to a company ("Lender"), controlled by the relative of a former director, into a promissory note. This promissory note is payable on demand and bears interest of 12% per annum. The promissory note is secured by a general and continuing collateral security in favor of the Lender. As of September 30, 2017, the Company has a balance payable of $24,597 (2016 - $22,394). For the year ended September 30, 2017, the Company recorded $2,203 (2016 - $2,203) of interest on the note payable.

8. CONVERTIBLE 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 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. A finder's fee of $5,600 was paid and 112,000 finder's warrants were issued.

On November 16, 2015, 90 units of the Debentures with a value of $97,397 (including accrued interest) were converted into 2,782,779 shares.

On December 17, 2015, the Company issued 27 units 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 is accompanied with 20,000 warrants exercisable at a price of $0.05 for a period of three years.

On April 22, 2016, 27 units of the Debentures including accrued interest with a value of $28,542 were converted into 1,902,822 shares.

On October 7, 2016, 35 units of the Debentures including accrued interest with a value of $42,638 were converted into 1,218,219 shares.

On October 21, 2016, 35 units of the Debentures including accrued interest with a value of $42,609 were converted into 1,217,397 common shares of the Company.

On August 22, 2017, 90 units of the Debentures including accrued interest with a value of $122,001 were converted into 3,485,732 common shares of the Company.

As at September 30, 2017, the Company had fully settled all convertible debentures.

As at September 30, 2017, the Company recorded interest of $21,046 (2016 - $25,829) on the Debentures and all of the debenture units has been converted into common shares of the Company.

9. JOINT VENTURE AGREEMENT

On August 31, 2017, the Company entered into a Joint Venture Agreement with Marijuana Company of America, Inc. ("MCOA"), a corporation listed on the United States' Over-the-Counter Exchange to form a Joint Venture Operation (the "Joint Operation") to participate in the development of the Company's industrial hemp project in the province of New Brunswick, Canada (the "Project"). MCOA, a California based cannabis and hemp research and development company, whose business includes the marketing and distribution of hemp based consumer wellness products, assists the Company in developing commercial hemp production in New Brunswick.

(Expressed in Canadian Dollars)

9. JOINT VENTURE AGREEMENT (Continued)

The Project has been staged into three phrases. The first phase of the Project involves hemp cultivation and research trials supported by lab testing. MCOA committed to share 50% of the costs to achieve the initiatives of the first phase. As of September 30, 2017, the Company has incurred costs related to the first phase in the amount of $ 22,836 and MCOA advanced $ 13,500 for funding these costs against budgeted costs of $ 27,000. Depending on the outcome of the first phase, MCOA and the Company will decide whether or not to proceed to the second phase. The second phase, scheduled for 2018, will expand cultivation beyond trials to cover more than 100 acres, include a larger number of varieties, and also include pilot industrial activities. The third and final phase, scheduled for 2019, involves full agricultural and industrial deployment of the project. The area under hemp cultivation is expected to reach 9,000 acres over three years. The Project requires a total investment of $64,000,000 over five years with the majority of this investment coming in years four and five.

10. 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.

11. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	September 30, 2017	**September 30, 2016**
	$	$
Net loss before income taxes	(813,518)	(65,946)
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(212,000)	(17,000)
Non-deductible items and other	96,000	-
Adjustment to prior years provision versus statutory tax returns	6,000	82,000
Loss of losses carry-forwards in the subsidiary		103,000
Other		-
Changes in valuation allowance	110,000	(168,000)
Income tax recovery	-	-

(Expressed in Canadian Dollars)

11. INCOME TAXES (Continued)

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	September 30, 2017	September 30, 2016
	$	$
Non-capital loss carry-forwards	570,000	460,000
Capital loss carry-forwards	34,000	34,000
Exploration and evaluation asset	3,000	3,000
Valuation allowance	(607,000)	(497,000)
Net deferred income tax assets	-	-

As at September 30, 2017, the Company has approximately $2,186,000 in non-capital losses, which expire between 2030 - 2037.

12. 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 is not exposed to foreign exchange risk.

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.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS (Continued)

Classification of financial instruments

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

	September 30, 2017	September 30, 2016
	$	$
Loans and receivables:		
Cash	40,455	563

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

	September 30, 2017	September 30, 2016
	$	$
Non-derivative financial liabilities:		
Trade payables	230,711	262,199
Note payable	24,597	22,394
Due to related parties	379,244	1,225
Convertible debentures	-	186,220
	634,552	472,038

Fair value

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

13. SUPPLEMENTARY DISCLOSURE WITH RESPECT WITH CASH FLOWS

	September 30, 2017	September 30, 2016
	$	$
Conversion of convertible debentures for the issuance of common shares	207,247	125,940

14. SUBSEQUENT EVENTS

Subsequent to the year ended September 30, 2017, the Company issued 14,039,901 common shares, pursuant to 12,839,901 warrants and 1,200,000 options that were exercised for gross proceeds of $941,995.