



Global Hemp Group Inc.

Condensed Consolidated Interim Financial Statements

Three Months Ended December 31, 2017

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)

		December 31, 2017	September 30, 2017
	Note		(Audited)
		\$	\$
Assets			
Current assets			
Cash		665,602	40,455
GST receivable		16,197	13,784
Total assets		681,799	54,239
Liabilities and shareholders' deficiency			
Current liabilities			
Accounts payable and accrued liabilities	4	269,806	244,211
Note payable	8	25,147	24,597
Due to related parties	5	361,399	379,244
Total liabilities		656,352	648,052
Shareholders' deficiency			
Share capital	6	4,120,934	3,423,935
Reserve		1,862,956	1,862,956
Deficit		(5,958,443)	(5,880,704)
		25,447	(593,813)
Total liabilities and shareholders' deficiency		681,799	54,239

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, 2018

"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	2017	2016
		\$	\$
Expenses			
Advertising and promotion		–	165
Interest	8, 9	600	4,417
Consulting		49,277	436
Office and administration		(68)	67
Professional fees		16,771	1,500
Research & Development		3,161	–
Shareholder communication		3,778	–
Travel		809	173
Trust and filing fees		4,011	6,026
(Loss) before other items:		(78,339)	(12,784)
Exchange gain (loss)		600	(2,120)
Comprehensive Loss		(77,739)	(14,904)
Loss per share, basic and diluted		(0.00)	(0.00)
Weighted average number of outstanding shares		156,317,290	145,085,578

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	Deficit	Shareholders' deficiency
			\$	\$	\$	\$
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		2,435,616	85,247	—	—	85,247
Shares issuance on private placement		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)
Balance, September 30, 2017		152,643,844	3,423,935	1,862,956	(5,880,704)	(593,813)
Shares issuance on exercise of warrants	6	10,239,970	696,999	—	—	696,999
Net loss		—	—	—	(77,739)	(77,739)
Balance, December 31, 2017		162,883,814	4,120,934	1,862,956	(5,958,443)	25,447

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,	
	2017	2016
Cash (used in) provided by:	\$	\$
Operating activities		
Loss for the period	(77,739)	(14,904)
Non-cash items		
Unrealized foreign exchange loss	163	473
Interest accrual	550	4,342
Changes in non-cash operating working capital		
GST receivables and prepayments	(2,413)	156
Accounts payable and accrued liabilities	25,595	(28,616)
Due to related parties	(18,008)	(1,587)
Cash used in operating activities	(71,852)	(40,136)
Financing activities		
Proceeds from common shares issuance	696,999	48,000
Cash provided by financing activities	696,999	48,000
Change in cash	625,147	7,864
Cash, beginning of the year	40,455	563
Cash, end of the period	665,602	8,427

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

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. Through partnerships, joint ventures and acquisitions, the Company will capture cash flow, revenues and value, and establish a greater collective valuation.

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 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, 2017, 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, 2017.

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.

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Notes to the Consolidated Financial Statements
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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 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.

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.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	September 30, 2017
	\$	\$
Trade payables	256,306	230,711
Accrued liabilities	13,500	13,500
	269,806	244,211

5. RELATED PARTY TRANSACTIONS

Key Management Compensation:

		Three months ended December 31,	
	Nature of transactions	2017	2016
		\$	\$
Directors	Consulting fees	49,277	-

As at December 31, 2017, \$120,000 (September 30, 2017-\$122,685) was owing to the CEO of the Company.

As at December 31, 2017, \$121,399 (September 30, 2017-\$128,882) was owing to the CFO of the Company.

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As at December 31, 2017, \$120,000 (September 30, 2017-\$127,677) was owing to a director of the Company.

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 November 21, 2017, 813,000 share purchase warrants were exercised, and 813,000 common shares were issued for gross proceeds of \$40,650.

On November 27, 2017, 4,887,000 share purchase warrants were exercised, and 4,887,000 common shares were issued for gross proceeds of \$429,350.

On November 29, 2017, 1,539,985 share purchase warrants were exercised, and 1,539,985 common shares were issued for gross proceeds of \$76,999.

On November 30, 2017, 2,499,985 share purchase warrants were exercised, and 2,499,985 common shares were issued for gross proceeds of \$124,999.

On December 6, 2017, 500,000 share purchase warrants were exercised, and 500,000 common shares were issued for gross proceeds of \$25,000.

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, 2017	16,470,205	\$0.09	1.65
Exercised	(10,239,970)	\$0.07	1.56
Balance, December 31, 2017	6,230,235	\$0.06	1.86

As at December 31, 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	968,105
May 4, 2015	May 4, 2018	\$0.05	571,390
June 12, 2015	June 12, 2018	\$0.05	2,571,390
December 20, 2016	December 18, 2021	\$0.05	600,000
February 28, 2017	February 28, 2022	\$0.05	1,519,350
			6,230,235

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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, 2017	15,150,000	\$0.07	2.65
Balance, December 31, 2017	15,150,000	\$0.07	2.65

As at December 31, 2017, the Company had the following options outstanding:

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

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 6,230,235 warrants and 15,150,000 options as the effect would be anti-dilutive.

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7. FINANCIAL INSTRUMENTS

Classification of financial instruments

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

	December 31, 2017	September 30, 2017
	\$	\$
Loans and receivables:		
Cash	665,602	40,455

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

	December 31, 2017	September 30, 2017
	\$	\$
Non-derivative financial liabilities:		
Trade payables	256,306	230,711
Due to related parties	361,399	379,244
Note payable	25,147	24,597
	642,852	634,552

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"), 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 \$25,147 (September 30, 2017 - \$24,597). For the three months ended December 31, 2017, the Company recorded \$550 (Three months ended December 31, 2016 - \$550) of 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

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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.

10. SUBSEQUENT EVENT

Subsequent to the three months ended December 31, 2017, the Company issued 5,242,780 common shares, pursuant to 3,742,780 warrants and 1,500,000 options that were exercised for gross proceeds of \$317,139.