



Global Hemp Group Inc.

Amended and Restated

Consolidated Financial Statements

Years Ended September 30, 2018 and 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, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity 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 as issued by the International Accounting Standards Board, 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, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain 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.

Amended and restated Financial Statements

We draw attention to Note 18 to the amended and restated financial statements, which explains that the financial statements for the year ended September 30, 2018 have been amended from those on which we originally reported on January 29, 2019. Our opinion is not modified in respect of this matter.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
February 28, 2019

Global Hemp Group Inc.
Consolidated Statements of Financial Position - Amended and Restated
(Expressed in Canadian dollars)

	Note	September 30, 2018 (Note 18)	2017
		\$	\$
Assets			
Current assets			
Cash	4	964,609	40,455
Sales taxes receivable		44,572	13,784
Biological assets	5	94,579	-
		1,103,760	54,239
Equipment	6	377,798	-
Investment in Associates	7	809,925	-
TOTAL ASSETS		2,291,483	54,239
Liabilities and shareholders' deficiency			
Current liabilities			
Accounts payable and accrued liabilities	8	308,218	244,211
Note payable	9	26,799	24,597
Due to related parties	10	7,512	379,244
Total liabilities		342,529	648,052
Shareholders' deficiency			
Share capital	11	6,409,271	3,423,935
Reserve		1,704,649	1,862,956
Deficit		(6,391,688)	(5,880,704)
Total equity attributable to shareholders		1,722,232	(593,813)
Non-controlling interest	16	226,722	-
		1,948,954	(593,813)
Total liabilities and shareholders' deficiency		2,291,483	54,239

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

Nature of operations and going concern (Note 1)

Events after the reporting period (Note 17)

Approved and authorized for issuance by the Board of Directors on February 28, 2019

"Curt Huber"
Director

"Charles Larsen"
Director

Global Hemp Group Inc.
Consolidated Statements of Comprehensive Loss - Amended and Restated
(Expressed in Canadian dollars)

	Note	Years ended September 30,	
		2018	2017
		(Note 18)	
		\$	\$
Expenses			
Advertising and promotion		13,190	4,102
Interest	9	3,681	23,387
Consulting	10	150,483	378,206
Office and administration		5,553	2,975
Professional fees		86,768	18,376
Rent		12,300	-
Repair and maintenance		5,408	-
Research & development		4,232	-
Share based compensation	11	899,300	365,106
Shareholder communication		49,415	1,700
Travel		18,837	4,403
Trust and filing fees		19,568	17,667
Utilities		2,714	-
Loss before other items:		(1,271,449)	(815,922)
Exchange gain		24,762	2,404
Interest income		7,870	-
Provision for promissory notes receivable	7 (c)	(26,275)	-
Provision for impairment of investment	7 (c)	(155,862)	-
Share of loss of investment in associates	7	(164,565)	-
Comprehensive Loss		(1,585,519)	(813,518)
Total comprehensive loss attributable to			
Shareholder of the Company		(1,568,591)	(813,518)
Non-controlling interest	16	(16,928)	-
Loss per share - basic and diluted		(0.01)	-
Weighted average number of outstanding shares - basic and diluted		173,179,656	148,173,745

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

Global Hemp Group Inc.

Consolidated Statements of Changes in Equity - Amended and Restated

(Expressed in Canadian dollars)

	Share Capital		Reserve		Equity attributable to		
	Note	Number	Amount	Share-based payment reserve	Deficit	Shareholders' deficiency	Non-controlling interest
			\$	\$	\$	\$	\$
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		5,921,348	207,247	-	-	207,247	-
Shares issuance on private placement		4,119,350	123,581	-	-	123,581	-
Share-based compensation		-	-	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)	-
Contributions	18	-	-	-	-	-	243,650
Shares issuance for investment in associates		2,700,000	429,093	-	-	429,093	-
Shares issuance in private placements		12,500,000	1,498,636	-	-	1,498,636	-
Share issuance on exercise of options	11	2,000,000	155,000	(155,000)	155,000	155,000	-
Shares issuance on exercise of warrants	11	14,105,875	902,607	(902,607)	902,607	902,607	-
Share-based compensation		-	-	899,300	-	899,300	-
Net loss		-	-	-	(1,568,591)	(1,568,591)	(16,928)
Balance, September 30, 2018	18	183,949,719	6,409,271	1,704,649	(6,391,688)	1,722,232	226,722

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,	
	2018	2017
Cash (used in) provided by:	\$	\$
Operating activities		
Loss for the period	(1,585,519)	(813,518)
Non-cash items		
Share based compensation	899,300	365,106
Provision for promissory note receivable	26,275	-
Provision for impairment of investment	155,862	-
Share of loss in investments in associates	164,565	-
Unrealized foreign exchange loss	(24,388)	-
Amortization	4,774	-
Interest accrual	1,817	23,230
Changes in non-cash operating working capital		
Prepaid expenses	-	437
GST receivables and prepayments	(30,788)	(5,475)
Biological assets	(94,579)	-
Accounts payable and accrued liabilities	64,007	(31,488)
Due to related parties	(371,732)	378,019
Cash used in operating activities	(790,406)	(83,689)
Financing activities		
Proceeds from common shares issuance	2,556,243	123,581
Contribution from non-controlling interest shareholder	243,650	-
Cash provided by financing activities	2,799,893	123,581
Investing activities		
Investment in Associates	(701,259)	-
Loan advances	(26,264)	-
Purchase of equipment	(382,572)	-
Cash used in investing activities	(1,110,095)	-
Effect of foreign exchange	24,762	-
Change in cash	924,154	39,892
Cash, beginning	40,455	563
Cash, ending	964,609	40,455

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

Global Hemp Group Inc.
Notes to the Consolidated Financial Statements – Amended and Restated
Years Ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Global Hemp Group (the “Company”) was incorporated on October 30, 2009 in British Columbia. The Company’s principal activity is focused on the industrial hemp market in Canada and the United States.

The Company’s 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”, 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”).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated 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 its subsidiaries: wholly owned Covered Bridge Acres Ltd. (“CBA Canada”), wholly owned US subsidiary until December 2, 2015, Global Hemp Group, Inc., and 703551 N.B. Ltd. (the “New Brunswick JV”), of which the Company owns 50% (note 16). All intercompany transactions have been eliminated.

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 measurements of financial instruments, fair value of Investment in Associates, fair value of biological assets, fair value of share based compensation and the recoverability and measurement of deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. 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.

Non-controlling interest

Non-controlling interest is measured at its proportionate share of the acquiree's identifiable net assets or liabilities. Net income or loss and comprehensive income or loss for the period are allocated between non-controlling interest and shareholders of the parent. Non-controlling interest in subsidiaries must be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Share-based payments

The Company operates a stock option plan. 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 nonemployees 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 a 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.

Cash and cash equivalents

Cash and cash equivalents consist of deposits in banks and highly liquid investments that are readily convertible to cash with original maturities of 12 months or less.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible notes

Convertible notes issued by the Company can be converted to a fixed number of common shares of the Company at the option of the holders, when certain conditions apply. The liability component of a convertible note is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the convertible note as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity component in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a convertible note is measured at amortized cost using the effective interest method. The equity component of a convertible note is not re-measured subsequent to initial recognition. Interest related to the financial liability is recognized in profit or loss. On repurchase, the consideration paid for the repurchase is allocated to the liability and equity components using the same allocation method as the method for allocating the initial convertible note. On conversion, the financial liability is reclassified to equity reserve and no gain or loss is recognized.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 nor held-to-maturity investments and are subsequently measured at amortized cost. 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.

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.

Investment in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity but can also arise where the Company holds less than 20% if it has the power to be actively involved and influential in policy decision affecting the entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)

An investment in associate is accounted for using the equity method. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Company's share of net assets of the associate, less any impairment losses. Losses in an associate in excess of the Company's interest in that associate are recognized only to the extent that the Company has incurred a legal or constructive obligation to make payments on behalf of the associate. Unrealized profits or losses on transactions between the Company and an associate are eliminated to the extent of the Company's interest therein.

At the end of each reporting period, the Company assesses whether there is any evidence that an investment in associate is impaired. This assessment is generally made with reference to the status of licence applications, operating results achieved, and an assessment of the likely results to be achieved from future business operations of the associate. When there is evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount.

If the recoverable amount of an investment in associate is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period of impairment.

When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings in the period the reversal occurs.

The Company accounts for its investments in Covered Bridge Acres Ltd. (“CBA Oregon”), 41389 Farms Ltd. (“Scio, Oregon Project”), and Cash Crop Media Today, LLC (“CCT”) as investments with significant influence due to its ownership proportion and significant influence on the Board of Directors for each company.

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.

Global Hemp Group Inc.
Notes to the Consolidated Financial Statements – Amended and Restated
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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional currency and foreign currency translation (continued)

Transactions and balances: (continued)

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.

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.

Global Hemp Group Inc.
Notes to the Consolidated Financial Statements – Amended and Restated
Years Ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax (continued)

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.

Biological assets

The Company's biological assets consist of hemp plants and are valued using the cost approach. Production costs are capitalized to biological assets and include all direct and indirect costs relating to biological transformation. The Company measures and adjusts the biological assets to cost, up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the period are included in the results of operations for the related period.

Equipment

Equipment is measured at cost less accumulated depreciation, residual values, and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is calculated on a straight-line basis over the estimated useful life of 10 years.

An asset's residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted if appropriate.

Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

The Company assesses impairment on equipment when an indication of impairment occurs, such as evidence of obsolescence or physical damage. In assessing impairment, the Company compares the carrying amount to the recoverable amount which is determined as the higher of the asset's fair values less costs of disposal and its value in use. Value in use is assessed based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized whenever the carrying amount of the asset exceeds its recoverable amount and is recorded in the consolidated statements of comprehensive income (loss).

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.

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Global Hemp Group Inc.
Notes to the Consolidated Financial Statements – Amended and Restated
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting standards issued but not yet applied (continued)

New standard IFRS 15 “Revenue from Contracts with Customers”

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

New standard IFRS 16 “Leases”

This new standard replaces IAS 17 “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

4. CASH AND CASH EQUIVALENTS

	September 30, 2018	September 30, 2017
	\$	\$
Bank demand deposits	61,855	40,455
Short-term investments	902,754	-
	<u>964,609</u>	<u>40,455</u>

Short-term investments consists of a Guaranteed Investment Certificate (“GIC”) bearing interest at prime rate less 2.6% per annum, maturing on January 31, 2019.

5. BIOLOGICAL ASSETS

The Company’s biological assets consist of hemp plants.

6. EQUIPMENT

	Farming equipment
Cost:	\$
Balance, September 30, 2016 and 2017	-
Additions	382,572
Balance, September 30, 2018	<u>382,572</u>
Amortization:	
Balance, September 30, 2016 and 2017	-
Charge for the period	4,774
Balance, September 30, 2018	<u>4,774</u>
Net book value:	
At September 30, 2016 and 2017	-
At September 30, 2018	<u>377,798</u>

Global Hemp Group Inc.
Notes to the Consolidated Financial Statements – Amended and Restated
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7. INVESTMENT IN ASSOCIATES

As at September 30, 2018, the balance of Investment in Associates comprised of the followings:

	Scio, Oregon			
	CBA Oregon	Project	CCT	Total
	\$	\$	\$	\$
Balance as at October 1, 2016 & 2017	-	-	-	-
Acquisitions - Cash	-	-	77,862	77,862
Acquisitions - Issuance of Share	-	351,093	78,000	429,093
Contributions - Cash	497,011	126,386	-	623,397
Impairment of investment in associate	-	-	(155,862)	(155,862)
Share of loss of the associate during the fiscal year	(155,466)	(9,099)	-	(164,565)
Balance as at September 30, 2018	341,545	468,380	-	809,925

a) Scio, Oregon Project

Incorporation of 41389 Farms Ltd and Acquisition of Agricultural Property

On March 23, 2018, the Scio, Oregon Project was incorporated as an Oregon Corporation. The Company holds 50% of the shares and the other 50% are held by Marijuana Company of America (“MCOA”).

On April 30, 2018, Scio, Oregon Project acquired agricultural property for hemp production in Scio, Oregon (“Scio Property”) for USD\$1,100,000 (CAD\$1,428,802).

b) CBA Oregon

On May 8, 2018, the Company and MCOA entered into a joint venture agreement for the development of the CBA Oregon. CBA Oregon was incorporated under the laws of Oregon State on April 19, 2018. The Company holds 50% of the shares and the other 50% are held by MCOA.

c) CCT

On May 31, 2018, the Company has acquired a 50% equity interest in CCT.

The Company paid a total of USD\$150,000 for its 50% interest in CCT, comprised of USD\$60,000 (CAD\$77,862) in cash and the issuance of 600,000 common shares of GHG (the “Shares”), valued at USD\$60,239 (CAD\$78,000).

As at September 30, 2018, this investment was fully impaired.

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7. INVESTMENT IN ASSOCIATES (continued)

c) CCT (continued)

Loan receivable from CCT

On April 9, 2018, CCT issued an unsecured promissory note of USD\$7,000 to the Company with an interest rate of 4% due on April 8, 2019. As at September 30, 2018, the outstanding principal balance is USD\$7,000 (CAD\$9,062).

On June 7, 2018, CCT issued an unsecured promissory note of USD\$13,000 to the Company with interest rate of 4% due on June 6, 2019. As at September 30, 2018, the outstanding principal balance is USD\$13,000 (CAD\$16,829).

These notes receivable have been fully allowed for as at September 30, 2018.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2018	September 30, 2017
	\$	\$
Trade payables	296,218	230,711
Accrued liabilities	12,000	13,500
	308,218	244,211

9. 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, 2018, the Company has a balance payable of \$26,799 (2017-\$24,597).

10. RELATED PARTY TRANSACTIONS

Key Management Compensation:

	Nature of transactions	Years ended June 30,	
		2018	2017
		\$	\$
Directors	Consulting fees	144,990	-

As at September 30, 2018, \$NIL (2017-\$122,685) was owing to the CEO. Consulting fees of \$54,754 (2017 - \$NIL) were paid to the CEO. On February 25, 2018, the CEO subscribed for 1,000,000 units at \$0.12 per unit.

As at September 30, 2018, \$7,512 (2017-\$128,882) was owing to the CFO. Consulting fees of \$50,736 (2017 - \$NIL) were paid to a company controlled by the CFO. On March 2, 2018, the CFO of the Company subscribed for 1,211,187 units at \$0.12 per unit. During the year ended September 30, 2018, 2,500,000 options were granted to the CFO.

10. RELATED PARTY TRANSACTIONS (continued)

During the year ended September 30, 2018, consulting fees of \$39,500 (2017-\$NIL) were paid to directors. On February 24, 2018, directors subscribed for 885,000 units at \$0.12 per unit. During the year ended September 30, 2018, 2,450,000 options were granted to the directors.

11. SHARE CAPITAL

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 issued 4,119,350 units for proceeds of \$123,581. Each unit consists of one common share and one warrant. Each warrant entitles a holder to purchase one common share at a price of \$0.05 per share for 5 years.

During the year ended September 30, 2017, 160 units of debentures, including accrued interest, with a value of \$207,248 were converted into 5,921,348 common shares.

During the year ended September 30, 2018, 2,000,000 stock options were exercised for proceeds of \$155,000.

During the year ended September 30, 2018, 14,105,875 warrants were exercised for proceeds of \$902,607.

On March 7, 2018 12,500,000 units were issued in a private placement for net proceeds of \$1,498,636. Each unit includes one warrant with an exercise price of \$0.15 with an expiry date of March 1, 2023.

On May 10, 2018, 2,100,000 common shares were issued for the investment in 41389 Farms Ltd. (note 7), with a fair value of \$351,093.

On July 17, 2018, 600,000 common shares were issued for the investment in Cash Crop Today LLC (note 7) with a fair value of \$78,000.

Warrants

On August 29, 2017, the Company extended the term of, and repriced 4,668,105 warrants, originally expiring 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 and expires July 31, 2019.

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11. SHARE CAPITAL (continued)

Warrants (continued)

	Warrants
Balance, September 30, 2016	12,350,855
Granted	4,119,350
Balance, September 30, 2017	16,470,205
Granted	12,500,000
Exercised	(14,105,875)
Balance, September 30, 2018	14,864,330

As at September 30, 2018, the weighted average exercise price of the warrants was \$0.14 and weighted average life of the warrants was 4.08 years.

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%

On September 24, 2018, the Company granted 5,300,000 stock options to directors and consultants. Each option entitles the holder to purchase one common share of the Company at \$0.16 per share. The stock options fully vested on the grant date. The expiry date of these options is September 20, 2023. The fair value of these options was determined to be \$922,200 using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 5 years, volatility of 128%, dividend yield of 0%, and risk-free rate of 2.34%.

	Options
Balance, September 30, 2016	6,400,000
Granted	8,750,000
Balance, September 30, 2017	15,150,000
Granted	5,300,000
Exercised	(2,000,000)
Cancelled	(100,000)
Balance, September 30, 2018	18,350,000

As at September 30, 2018, the weighted average exercise price of the options was \$0.10 and weighted average life of the warrants was 3.23.

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11. SHARE CAPITAL (continued)

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.

12. FINANCIAL INSTRUMENTS

Classification of financial instruments

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

	September 30, 2018	September 30, 2017
	\$	\$
Loans and receivables:	-	-
Cash and short-term investments (GICs)	964,609	40,455

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

	September 30, 2018	September 30, 2017
	\$	\$
Non-derivative financial liabilities:		
Trade payables	236,084	230,711
Due to related parties	7,512	379,244
Note payable	26,799	24,597
	270,395	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.

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12. INCOME TAXES

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

	September 30, 2018	September 30, 2017
Net loss before income taxes	\$ 1,585,519	\$ 807,667
Statutory tax rate	27%	26%
Expected income tax recovery at the statutory tax rate	(428,000)	(210,000)
Non-deductible items and other	241,000	96,000
Adjustment to prior years provision versus statutory tax returns	24,000	6,000
Changes in valuation allowance	163,000	108,000
Income tax recovery	\$ -	\$ -

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

	September 30, 2018	September 30, 2017
Non-capital loss carry-forwards	\$ 729,000	\$ 568,000
Capital loss carry-forwards	35,000	34,000
Share issuance costs	1,000	-
Exploration and evaluation asset	3,000	3,000
Valuation allowance	(768,000)	(605,000)
Net deferred income tax assets	\$ -	\$ -

As at September 30, 2018, the Company has approximately \$2,700,000 in non-capital losses, which expire between 2030 - 2037.

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13. NON-CONTROLLING INTEREST

The non-controlling interest consists of 50% ownership of 703551 N.B Ltd., which was incorporated on July 5, 2018 (note 16).

The following is the summarized statement of financial position of 703551 N.B. Ltd, as at September 30, 2018:

	September 30, 2018
Current:	\$
Assets	116,347
Liabilities	60,132
Total current net assets	56,215
Non-current	
Assets	377,798
Total non-current net assets	377,798
Total net assets	434,013

The following is the summarized comprehensive loss of 703551 N.B. Ltd, for the period since incorporation to September 30, 2018.

	July 5, 2018 to September 30, 2018
Expenses:	\$ 35,573
Total Comprehensive loss	\$(35,373)

14. CONVERTIBLE DEBENTURES

During the year ended September 30, 2015, the Company completed two non-brokered 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 accrues interest at 15% per annum. 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 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.

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15. CONVERTIBLE DEBENTURES (continued)

As at September 30, 2017, the Company recorded interest of \$21,046 on the debentures and all of the debenture units were been converted into common shares of the Company.

16. NEW BRUNSWICK JV

On August 31, 2017, the Company entered into a joint venture agreement with MCOA, a corporation listed in the United States' OTCQB, 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").

On July 5, 2018, the New Brunswick JV was incorporated and 50% is owned by the Company and 50% owned by MCOA. The Company controls the New Brunswick JV by way of its ownership and ability to appointment of management of the New Brunswick JV operations. Due to this control, the New Brunswick JV is consolidated.

Per the agreement, initial contributions of cash to the New Brunswick JV are \$282,763 by each the Company and MCOA. As at September 30, 2018, the company has paid \$225,763 of its portion and \$56,827 of this commitment is outstanding.

17. EVENTS AFTER THE REPORTING DATE

On November 15, 2018, 308,631 units were issued consisting of one common share and one-half warrant for total 154,315 warrants. Each warrant entitles a holder to purchase one common share with an exercise price of \$0.13 and expire on November 7, 2019.

On November 29, 2018, 2,200,000 units were issued consisting of one common share and one warrant. Each warrant entitles a holder to purchase one common share with an exercise price of \$0.36 and expires on July 31, 2021. The units issued are held in an escrow pool for the employees and advisors of CBA Oregon (Note 7(b))

On December 11, 2018 18,000,000 units were issued consisting of one common share and one warrant. Each warrant entitles a holder to purchase one common share with an exercise price of \$0.12 and expires date on December 10, 2023.

On January 14, 2019, 1,200,000 options were exercised for proceeds \$120,000.

18. AMENDED AND RESTATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company as at September 30, 2018 and for the year then ended have been restated to correct a material error in its filing. The Company discovered the deficiency in the accounting information subsequent to the filing and issuance of the financial statements and now wishes to rectify the situation by restating the financial statements for the year ended September 30, 2018 using the updated and complete information currently available.

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18. AMENDED AND RESTATED FINANCIAL STATEMENTS (Continued)

The effects of the restatement are as follows:

- a) Classification of the amount due to non-controlling interest shareholder of \$243,650 has been corrected from presentation as a current liability on the statement of financial position to presentation as a contribution by the non-controlling interest shareholder in equity. This decreased the current liabilities by \$243,650 and increased the equity attributable to non-controlling interest by \$243,650.

As a result, note 13 has been updated such that the reference to the previously reported due to non-controlling interest shareholder has been removed. In addition, the current liabilities reported in note 13 has decreased from \$511,073 to \$60,132, and total net assets has increased from a net liability of \$16,928 to net assets position of \$434,013.

- b) The allocation of cash contributions in note 7 investment in associates has been corrected to reclassify an amount of \$91,355 previously presented in cash contributions in the Scio, Oregon Project, to cash contributions in CBA Oregon. This results in an increase in investment in the CBA Oregon project and a decrease in investment in the Scio Oregon Project of \$91,355. There is no change to the total amount of investment in associates.