



Global Hemp Group Inc.

Condensed Consolidated Interim Financial Statements

Three and Six Months Ended March 31, 2019

Unaudited

Expressed in Canadian Dollars

NOTICE TO READER

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

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

	Note	March 31, 2019	September 30, 2018
		\$	\$
Assets			
Current assets			
Cash	4	561,831	964,609
Biological assets	6	273,736	94,579
Sales taxes receivable		50,813	44,572
Prepaid and deposits		3,851	–
		890,231	1,103,760
Equipment	7	348,976	377,156
Incorporation costs		642	642
Investment in Associates	8	1,074,170	809,925
TOTAL ASSETS		\$ 2,314,019	\$ 2,291,483
Liabilities and shareholders' deficiency			
Current liabilities			
Accounts payable and accrued liabilities	5	237,754	308,218
Note payable	12	27,901	26,799
Due to related parties	9	502	7,512
Total liabilities		266,157	342,529
Shareholders' deficiency			
Share capital	10	6,640,817	6,409,271
Reserve		4,724,007	1,704,649
Deficit		(9,610,317)	(6,391,688)
Total equity attributable to shareholders		1,754,507	1,722,232
Non-controlling interest		293,355	226,722
		2,047,862	1,948,954
Total liabilities and shareholders' equity		2,314,019	2,291,483

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 14)

Approved and authorized for issuance by the Board of Directors on June 3, 2019

"Curt Huber"
Director

"Charles Larsen"
Director

GLOBAL HEMP GROUP INC.

Consolidated Statements of Comprehensive Loss

(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended March 31,		Six months ended March 31,	
		2019	2018	2019	2018
		\$	\$	\$	\$
Gross Revenue		1,381	–	1,381	–
Gross Profit		1,381	–	1,381	–
Expenses					
Advertising and promotion		53,212	26	59,599	26
Insurance		2,572	–	6,583	–
Interest & Bank Charges		934	711	2,203	1,311
Consulting		42,000	16,687	42,000	65,964
Office and administration		649	2,895	2,803	2,827
Rent		9,225	–	18,450	–
Professional fees		4,502	5,839	9,579	22,610
Repair and maintenance		–	–	4,512	–
Research & Development		–	3,130	–	6,291
Share based compensation	9	–	–	3,042,000	–
Shareholder communication		2,320	26,884	6,367	30,662
Travel		465	12,495	11,297	13,304
Trust and filing fees		12,321	5,235	15,695	9,246
Utilities		–	1,160	–	1,160
(Loss) before other items:		(126,819)	(75,062)	(3,219,707)	(153,401)
Exchange gain (loss)		(18,754)	17,740	19,369	18,340
Interest income		(5,524)	1,778	2,501	1,778
Share of (loss) of Investment in Associates	8	(15,981)	–	(40,375)	–
Comprehensive Loss		(167,078)	(55,544)	(3,238,212)	(133,283)
Total comprehensive loss attributable to:					
Shareholders of the Company		(160,945)	(55,544)	(3,218,629)	(133,283)
Non-controlling interest		(6,133)	–	(19,583)	–
Loss per share, basic and diluted		(0.00)	(0.00)	(0.02)	(0.00)
Weighted average number of outstanding shares					
		186,458,350	170,217,293	186,048,250	163,271,505

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)

	Note	Share Capital		Reserve		Shareholders' equity (deficiency)	Non-controlling Interest
		Number	Amount	Share-based payment reserve	Deficit		
			\$	\$	\$	\$	\$
Balance, September 30, 2017		152,643,844	3,423,935	1,862,956	(5,880,704)	(593,813)	–
Shares issuance on private placement net of share issuance costs		12,500,000	1,498,636	–	–	1,498,636	–
Share issuance on exercise of options		2,000,000	155,000	–	–	155,000	–
Reallocation of fair value of options exercised			83,400	(83,400)		–	–
Shares issuance on exercise of warrants		13,982,750	884,138	–	–	884,138	–
Net loss		–	–	–	(133,283)	(133,283)	–
Balance, March 31, 2018		181,126,594	6,045,109	1,779,556	(6,013,987)	1,810,678	–
Balance, September 30, 2018		183,949,719	6,409,271	1,704,649	(6,391,688)	1,722,232	226,722
Shares issuance for farmers' contract	10	308,631	36,264	–	–	36,264	–
Shares issuance in escrow pool	10	1,200,000	–	–	–	–	–
Reallocation of fair value of options exercised		–	22,642	(22,642)	–	–	–
Share issuance on exercise of options		1,200,000	120,000	–	–	120,000	–
Shares issuance on exercise of warrants				–	–	–	–
Shares for debt		438,666	52,640	–	–	52,640	–
Share-based compensation	9	–	–	3,042,000	–	3,042,000	–
Non-controlling interest contributions to subsidiary	12	–	–	–	–	–	86,215
Net loss		–	–	–	(3,218,629)	(3,218,629)	(19,583)
Balance, March 31, 2019		187,097,016	6,640,817	4,724,007	(9,610,317)	1,754,507	293,354

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)

	Six months ended March 31,	
	2019	2018
Cash (used in) provided by:	\$	\$
Operating activities		
Loss for the period	(3,238,212)	(133,283)
Non-cash items		
Share based compensation	3,054,000	–
Share of (loss) of Investment in Associates	40,375	–
Unrealized foreign exchange loss	(19,369)	(18,340)
Interest accrual	1,102	1,101
Changes in non-cash operating working capital		
Biological assets	(134,246)	–
Prepaid expenses	(3,851)	–
Sales taxes receivable	(6,241)	(2,828)
Accounts payable and accrued liabilities	(29,824)	(14,862)
Due to related parties	(7,010)	(367,726)
Cash used in operating activities	(343,276)	(535,938)
Financing activities		
Proceeds from common shares issuance	120,000	2,537,774
Contributions from non-controlling interest	86,216	–
Cash provided by financing activities	206,216	2,537,774
Investing activities		
Investment in Associates	(261,620)	–
Acquisition of equipment	(23,467)	(21,035)
Cash used in investing activities	(285,087)	(21,035)
Effect of foreign exchange	19,369	18,340
Change in cash	(402,778)	1,999,141
Cash, beginning of the year	964,609	40,455
Cash, end of the period	561,831	2,039,596

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

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Months Ended March 31, 2019
(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

These condensed consolidated interim financial statements for three and six months ended March 31, 2019, 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, 2018.

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.

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

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Months Ended March 31, 2019
(Expressed in Canadian Dollars)

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.

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.

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 license 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

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Months Ended March 31, 2019
(Expressed in Canadian Dollars)

due to its ownership proportion and significant influence on the Board of Directors for each company.

Biological assets

The Company's biological assets consist of hemp plants and biomass 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.

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. CASH AND CASH EQUIVALENTS

	March 31, 2019	September 30, 2018
	\$	\$
Bank demand deposits	136,831	61,855
Short-term investments	425,000	902,754
	561,831	964,609

Short-term investments consist of a Guaranteed Investment Certificate ("GIC") bearing interest at prime rate less 2.6% per annum, maturing on February 13, 2020.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2019	September 30, 2018
	\$	\$
Trade payables	226,254	296,218
Accrued liabilities	11,500	12,000
	237,754	308,218

6. BIOLOGICAL ASSETS

The Company's biological assets consist of hemp plants and biomass.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Months Ended March 31, 2019
(Expressed in Canadian Dollars)

7. EQUIPMENT

	Farming equipment
Cost:	\$
Balance, September 30, 2018	381,930
Cost adjustments	(43,000)
Additions	23,467
Balance, March 31, 2019	362,397
Amortization:	
Balance, September 30, 2018	4,774
Charge for the period	8,647
Balance, March 31, 2019	13,421
Net book value:	
At March 31, 2018	21,035
At March 31, 2019	348,976

8. INVESTMENT IN ASSOCIATES

	Covered Bridge Acres Ltd.	41389 Farms Ltd	Cash Crop Today LLC	Total
Balance as at October 1, 2017 & March 31, 2018	–	–	–	–
Balance as at October 1, 2018	341,545	468,380	–	809,925
Contributions - Cash	243,386	61,233	–	304,619
Share of profit or (loss) of the associate for the period	(29,387)	(10,987)	–	(40,374)
Balance as at March 31, 2019	555,544	518,626	–	1,074,170

a) Covered Bridge Acres Ltd. (“CBA ”)

On May 8, 2018, the Company and MCOA entered into a joint venture agreement for the development of the hemp project in Oregon. CBA, the project’s operating company, was incorporated under the laws of Oregon State on April 19, 2018. The Company holds 50% of the economic interest of CBA and the other 50% is held by MCOA.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Months Ended March 31, 2019
(Expressed in Canadian Dollars)

b) 41389 Farms Ltd.

On March 23, 2018, the 41389 Farms Ltd. was incorporated as an Oregon Corporation. The Company holds 50% of the shares and the other 50% is held by Marijuana Company of America (“MCOA”).

On April 30, 2018, 41389 Farms Ltd. acquired agricultural property for hemp production in Scio, Oregon (“Scio Property”) for USD\$1,100,000 (CAD\$1,428,802).

c) Cash Crop Today Media LLC (“CCT”)

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

The Company paid a total of USD\$120,239 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 & March 31, 2019, this investment was fully impaired.

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 & March 31, 2019.

9. RELATED PARTY TRANSACTIONS

Key Management Compensation:

	Nature of transactions	Six months ended March 31,	
		2019	2018
		\$	\$
Directors	Consulting fees	30,000	55,277
Directors	Share-based compensation	3,042,000	-

During the quarter ended March 31, 2019, the President and Chief Executive Officer (“CEO”) of the Company charged \$10,000 consulting fee to the Company.

During the quarter December 31, 2018, 6,000,000 share purchase warrants¹ were granted to the President and CEO of the Company with an exercise price of \$0.12/warrant and expiry date on December 10, 2023 as compensation for the CEO’s service. Share-based compensation of \$1,014,000 were recognized during the period.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Months Ended March 31, 2019
(Expressed in Canadian Dollars)

During the quarter ended March 31, 2019, the CFO of the Company charged \$10,000 consulting fee to the Company.

During the quarter period ended December 31, 2018, 6,000,000 share purchase warrants¹ were granted to the Chief Financial Officer (“CFO”) of the Company with an exercise price of \$0.12/warrant and expiry date on December 10, 2023 as compensation for the CFO’s service. Share-based compensation of \$1,014,000 were recognized during the period.

During the quarter period ended March 31, 2019, the CFO exercised 1,100,000 share purchase options at \$0.10 per share for \$110,000.

As at March 31, 2019, \$502 (September 30, 2018-\$7,512) was owing to the CFO of the Company.

During the quarter ended March 31, 2019, a director of the Company charged \$10,000 consulting fee to the Company.

During the quarter ended December 31, 2018, 6,000,000 share purchase warrants¹ were granted to a director of the Company with an exercise price of \$0.12/warrant and expiry date on December 10, 2023 as compensation for the Director’s service. Share-based compensation of \$1,014,000 were recognized during the period.

During the quarter ended March 31, 2019, a director of the Company exercised 100,000 share purchase options at \$0.10 per share for \$10,000.

¹ The warrants will vest 40.0% on issuance, 30% on December 15, 2019, and 30% on December 15, 2020. Securities issued in connection with this transaction are subject to a four-month-and-one-day hold period.

10. 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 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. As at March 31, 2019, the performance milestones required for the release of shares issued into the escrow pool had not been reached. As a result, no value has been recognized for these issued and outstanding shares held in an escrow pool yet. On March 19, 2019, 1,000,000 units of these 2,200,000 units were cancelled due to the termination of a participant in the escrow pool, and will subsequently reissued.

On January 14, 2019, 1,200,000 share purchase options were exercised at \$0.10 per share for \$120,000.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Months Ended March 31, 2019
(Expressed in Canadian Dollars)

On February 7, 2019, 338,666 shares @ \$0.12 together with 169,333 share purchase warrants with exercise price at \$0.13 per share were issued in exchange for extinguishment of certain debt.

On February 7, 2019, 100,000 shares @ \$0.12 were issued in exchange for settlement of certain debt.

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, 2018	14,864,330	\$0.14	3.83
Granted	20,523,648	\$0.13	4.96
Cancelled	(1,000,000)	\$0.36	2.34
Balance, March 31, 2019	34,387,978	\$0.13	4.10

As at March 31, 2019, 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
February 28, 2017	February 28, 2022	\$0.05	1,519,350
March 7, 2018	March 1, 2023	\$0.15	12,376,875
November 15, 2018	November 7, 2019	\$0.13	154,315
November 29, 2018	July 31, 2021	\$0.36	1,200,000
December 12, 2018	December 10, 2023	\$0.12	18,000,000
February 6, 2019	February 6, 2021	\$0.13	169,333
			34,387,978

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

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Months Ended March 31, 2019
(Expressed in Canadian Dollars)

average assumptions: expected life of 5 years, volatility of 128%, dividend yield of 0%, and risk-free rate of 2.34%.

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

	Options	Weighted average exercise price	Weighted average number years to expiry
Balance, September 30, 2018	18,350,000	\$0.10	2.97
Exercised	(1,200,000)	\$0.10	
Expired	(4,100,000)	\$0.10	
Balance, December 31, 2018	13,050,000	\$0.09	3.85

As at December 31, 2018, the Company had the following options outstanding:

Date Issued	Expiry Date	Exercise Price	Number of Options Outstanding	Number of options Exercisable
September 20, 2017	September 20, 2021	\$0.05	7,600,000	7,600,000
September 20, 2017	September 20, 2019	\$0.05	150,000	150,000
September 24, 2018	September 20, 2023	\$0.16	5,300,000	5,300,000
			13,050,000	13,050,000

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 34,387,978 warrants and 13,050,000 options as the effect would be anti-dilutive.

11. FINANCIAL INSTRUMENTS

Classification of financial instruments

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

	March 31, 2019	September 30, 2018
Loans and receivables:	\$	\$
Cash	561,831	964,609

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Months Ended March 31, 2019
(Expressed in Canadian Dollars)

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

	March 31, 2019	September 30, 2018
	\$	\$
Non-derivative financial liabilities:		
Trade payables	226,254	296,218
Due to related parties	502	7,512
Note payable	27,901	26,799
	254,657	330,529

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.

12. 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 March 31, 2019, the Company has a balance payable of \$27,901 (September 30, 2018 - \$26,799). For the six months ended March 31, 2019, the Company recorded \$1,100 (Six months ended March 31, 2018 - \$1,100) of interest on the note payable.

13. NON-CONTROLLING INTEREST

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

The following is the summarized statement of financial position of 703551 N.B. Ltd, as at March 31, 2019 and September 30, 2018:

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Months Ended March 31, 2019
(Expressed in Canadian Dollars)

	March 31, 2019	September 30, 2018
Current:		\$
Assets	303,666	116,347
Liabilities	9,015	41,487
Total current net assets	294,651	74,860
Non-current		
Assets	349,618	377,798
Total non-current net assets	349,618	377,798
Total net contributions by partners	644,269	452,658

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

	October 1, 2018 to March 31, 2019	July 5, 2018 to September 30, 2018
Expenses	39,165	35,573
	(39,165)	(35,573)

New Brunswick Joint Venture Agreement

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 703551 NB Ltd. (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 March 31, 2019, the company has paid \$389,142 towards this commitment which is \$106,379 in excess of the committed amount.

14. EVENTS AFTER THE REPORTING PERIOD

On May 17, 2019, the Company announced that its subsidiary Covered Bridge Acres Ltd. (CBA) had entered into a contract with Richardson Gap Farm LLC (RGF) to extract cannabinoids from the hemp biomass produced from last season's crop at the Company's Scio Oregon hemp farm.

The contract with RGF will process the biomass into CBD distillate. The output would then be split on a 55/45 basis, with 55% going to CBA Oregon. Based on the results from a recent test run by RGF, CBA's 55% share of the distillate produced is expected to be 400 to 500 kg. CBA is currently selling distillate produced from earlier test extraction runs for US\$4000 – US\$5,000 per kg. The biomass is being delivered to RGF as required in order for RGF to maintain a supply that is ready for processing.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Months Ended March 31, 2019
(Expressed in Canadian Dollars)

In addition, as part of the ongoing relationship with RGF, they are converting 16 kg of CDB crude oil produced from the various test runs with other processors to distillate, on a 20% tolling basis.

CBA also engaged H&H Wood Products (H&H) to selectively log a small hillside section of land surrounding the upper field at the Scio farm. H&H will be responsible for all logging operations, as well as transport and marketing of the logs, and CBA will be responsible for replanting the area logged. The agreement calls for CBA Oregon and H&H to share the net profit from the sale of the logs on a 50/50 basis.