



Global Hemp Group Inc.

Condensed Consolidated Interim Financial Statements

Three and Six Months Ended March 31, 2020

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)

		March 31, 2020	September 30, 2019
	Note		(Audited)
		\$	\$
Assets			
Current assets			
Cash	4	100,170	485,774
Biological assets	6	470	470
Sales taxes receivable		45,437	43,215
		146,077	529,459
Equipment	7	213,455	218,912
Investment in Associates	8	1,267,950	1,061,379
TOTAL ASSETS		\$ 1,627,482	\$ 1,809,750
Liabilities and shareholders' deficiency			
Current liabilities			
Accounts payable and accrued liabilities	5	395,476	421,543
Note payable	11	30,103	29,002
Total liabilities		425,579	450,545
Shareholders' deficiency			
Share capital	10	6,691,986	6,691,986
Reserve		4,576,883	3,664,283
Deficit		(10,129,686)	(9,062,732)
Total equity attributable to shareholders		1,139,183	1,293,537
Non-controlling interest		62,720	65,668
		1,201,903	1,359,205
Total liabilities and shareholders' equity		\$ 1,627,482	\$ 1,809,750

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

Nature of operations and going concern (Note 1)

Event after the reporting period (Note 13)

Approved and authorized for issuance by the Board of Directors on May 28, 2020

"Curt Huber"
Director

"Jeff Kilpatrick"
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,	
		2020	2019	2020	2019
		\$	\$	\$	\$
Gross Revenue		–	1,381	28,875	1,381
Cost of Goods Sold		–	–	10,351	–
Gross Profit		–	1,381	18,524	1,381
Expenses					
Advertising and promotion		–	53,212	293	59,599
Amortization		–	–	5,457	–
Insurance		–	2,572	–	6,583
Interest & Bank Charges		973	934	2,249	2,203
Consulting		(12,500)	42,000	8,878	42,000
Office and administration		324	649	766	2,803
Rent		3,000	9,225	6,000	18,450
Professional fees		1,399	4,502	6,244	9,579
Repair and maintenance		–	–	–	4,512
Research & Development		(3,672)	–	29,182	–
Share based compensation	11	–	–	912,600	3,042,000
Shareholder communication		–	2,320	–	6,367
Travel		(1,841)	465	1,532	11,297
Trust and filing fees		6,541	12,321	14,895	15,695
(Loss) before other items:		5,776	(126,819)	(969,572)	(3,219,707)
Exchange gain (loss)		86,409	(18,754)	66,400	19,369
Interest income		979	(5,524)	979	2,501
Share of profit (loss) of Investment in Associate	8	(146,305)	(15,981)	(167,709)	(40,375)
Net loss		(53,141)	(167,078)	(1,069,902)	(3,238,212)
Other comprehensive income					
Translation adjustment		–	–	–	–
Comprehensive Loss		(53,141)	(167,078)	(1,069,902)	(3,238,212)
Total comprehensive loss attributable to:					
Shareholders of the Company		(53,478)	(160,945)	(1,066,954)	(3,218,629)
Non-controlling interest		337	(6,133)	(2,948)	(19,583)
Loss per share, basic and diluted		(0.00)	(0.00)	(0.01)	(0.02)
Weighted average number of outstanding shares		188,197,016	186,458,350	188,197,016	186,048,250

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

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

	Six months ended March 31,	
	2020	2019
Cash (used in) provided by:	\$	\$
Operating activities		
Loss for the period	(1,069,902)	(3,238,212)
Non-cash items		
Amortization	5,457	—
Share based compensation	912,600	3,054,000
Share of (gain) loss of Investment in Associates	167,709	40,375
Unrealized foreign exchange loss	(66,400)	(19,369)
Interest accrual	1,101	1,102
Changes in non-cash operating working capital		
Biological assets	—	(134,246)
Prepaid expenses	—	(3,851)
Sales taxes receivable	(2,222)	(6,241)
Accounts payable and accrued liabilities	(26,067)	(29,824)
Due to related parties	—	(7,010)
Cash used in operating activities	(77,724)	(343,276)
Financing activities		
Proceeds from common shares issuance	—	120,000
Contributions from non-controlling interest	—	86,216
Cash provided by financing activities	—	206,216
Investing activities		
Investment in Associates	(374,280)	(261,620)
Acquisition of equipment	—	(23,467)
Cash used in investing activities	(374,280)	(285,087)
Effect of foreign exchange	66,400	19,369
Change in cash	(385,604)	(402,778)
Cash, beginning of the year	485,774	964,609
Cash, end of the period	100,170	561,831

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

GLOBAL HEMP GROUP INC.
Consolidated Statements of Changes in Equity (Deficiency)

(Expressed in Canadian dollars except for number of shares)

		Share Capital		Reserve		Equity attributable to	
	Note	Number	Amount	Share-based payment reserve	Deficit	Shareholders' equity (deficiency)	Non- controlling Interest
			\$	\$	\$	\$	\$
Balance, September 30, 2018		183,949,719	6,409,271	1,704,649	(6,391,688)	1,722,232	226,722
Share issuance in escrow pool		2,200,000	—	—	—	—	—
Share issuance for farmers' contract		308,631	36,264	—	—	36,264	—
Share-based compensation		—	—	3,042,000	—	3,042,000	—
Shares for debt		438,666	52,640	—	—	52,640	—
Shares issuance on exercise of options		1,200,000	142,642	(22,642)	—	—	—
Non-controlling interest contributions to subsidiary	12	—	—	—	—	—	86,215
Net loss		—	—	—	(3,057,684)	(3,057,684)	(13,450)
Balance, March 31, 2019		188,097,016	6,640,817	4,724,007	(9,449,372)	1,795,452	299,487
Balance, September 30, 2019		188,197,016	6,691,986	3,664,283	(9,062,732)	1,293,537	65,668
Share-based compensation	11	—	—	912,600	—	912,600	—
Non-controlling interest contributions to subsidiary	12	—	—	—	—	—	—
Net loss		—	—	—	(1,066,954)	(1,066,954)	(2,948)
Balance, March 31, 2020		188,197,016	6,691,986	4,576,883	(10,129,686)	1,139,183	62,720

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

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Month Ended March 31, 2020
(Expressed in Canadian Dollars)

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 focused on a multi-phased strategy to build a strong presence in the industrial hemp industry in the United States. In Phase I, the Company is developing hemp cultivation for cannabinoid (CBD, CBG, CBN & CBC) extraction, creating a near term revenue stream that will allow the Company to expand and develop successive phases of the strategy. The Company’s Joint Venture hemp farm in the state of Oregon in the United States (<https://globalhempgroup.com/scio-oregon>) is an example of Phase I currently underway. In Phase II, the Company will focus on the development of value-added industrial products utilizing the processing of the whole hemp plant, as envisioned in the Company’s Hemp Agro-Industrial Zone (HAIZ) strategy (<https://www.globalhempgroup.com/hemp-agro-industrial-zone>). These zones are designed to be replicated in any region where there is the cultivation of industrial hemp.

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 six months ended March 31, 2020, 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, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial statements have been prepared on an accrual basis and are based

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Month Ended March 31, 2020
(Expressed in Canadian Dollars)

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 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.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Month Ended March 31, 2020
(Expressed in Canadian Dollars)

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.

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.

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, 2020	September 30, 2019
	\$	\$
Bank demand deposits	100,170	284,095
Short-term investments	–	201,679
	100,170	485,774

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020	September 30, 2019
	\$	\$
Trade payables	364,036	267,793
Accrued liabilities	31,440	153,750
	395,476	421,543

6. BIOLOGICAL ASSETS

The Company’s biological assets consist of hemp plants.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Month Ended March 31, 2020
(Expressed in Canadian Dollars)

7. EQUIPMENT

	Farming equipment
Cost:	\$
Balance, September 30, 2019	246,633
Balance, March 31, 2020	246,633
Amortization:	
Balance, September 30, 2019	27,721
Charge for the period	5,457
Balance, March 31, 2020	33,178
Net book value:	
At March 31, 2020	213,455
At March 31, 2019	348,976

8. INVESTMENT IN ASSOCIATES

	SCIO, OREGON HEMP PROJECT			
	Covered Bridge Acres Ltd.	41389 Farms Ltd.	Cash Crop Today LLC	Total
Balance as at September 30, 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
Balance as at October 1, 2019	536,303	525,076	–	1,061,379
Contributions - Cash	291,822	82,458	–	374,280

a) Scio, Oregon Hemp Project

On March 23, 2018, 41389 Farms Ltd. was incorporated under the laws of Oregon state. The Company holds 50% of the shares and the Marijuana Company of America (“MCOA”) holds the remaining 50%.

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

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Month Ended March 31, 2020
(Expressed in Canadian Dollars)

b) Covered Bridge Acres Ltd. (CBA)

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

c) Cash Crop Today LLC (CCT)

On May 31, 2018, the Company has acquired a 50% equity interest in Cash Crop Today LLC .

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 & March 31, 2020, 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 & March 31, 2020.

9. RELATED PARTY TRANSACTIONS

Key Management Compensation:

	Nature of transactions	Six months ended March 31,	
		2020	2019
		\$	\$
Directors	Consulting fees	8,878	30,000
Directors	Share-based compensation	912,600	3,042,000

During the six month period ended March 31, 2020, 1,800,000 share purchase warrants were vested for the ex-Chief Executive Officer (“Ex-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 \$304,000 were recognized during the period.

As at March 31, 2020, \$50,000 (September 30, 2019-\$51,949) was owing to the Ex-CEO of the Company.

During the six month period ended March 31, 2020, 1,800,000 share purchase warrants were vested for the Current Chief Executive Officer (“CEO) and the ex-Chief Financial Officer (“Ex-CFO) of the Company with

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Month Ended March 31, 2020
(Expressed in Canadian Dollars)

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 \$304,000 were recognized during the period.

As at March 31, 2020, \$52,500 (September 30, 2019-\$52,500) was owing to the CEO and ex-CFO of the Company.

During the six month period ended March 31, 2020, 1,800,000 share purchase warrants were vested for a director (the "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 \$304,000 were recognized during the period.

As at March 31, 2020, \$41,250 fees (September 30, 2019-\$51,250) were payable to the two directors of the Company.

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.

During the six months ended March 31, 2020, no new shares were issued.

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, 2019	35,519,873	\$0.14	3.83
Expired	(154,315)	\$0.13	-
Balance, March 31, 2020	34,365,558	\$0.14	3.17

As at March 31, 2020, the Company had the following warrants outstanding:

Date Issued	Expiry Date	Exercise Price	Number of Warrants Outstanding
February 28, 2017	February 28, 2022	\$0.05	1,519,350
March 7, 2018	March 1, 2023	\$0.15	12,376,875
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
June 24, 2019	July 31, 2021	\$0.36	1,100,000
			34,365,558

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Month Ended March 31, 2020
(Expressed in Canadian Dollars)

Stock options

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

	Options	Weighted average exercise price	Weighted average number years to expiry
Balance, September 30, 2019	18,400,000	\$0.08	3.84
Balance, March 31, 2020	18,400,000	\$0.08	3.35

As at March 31, 2020, 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 24, 2018	September 20, 2023	\$0.16	5,050,000	5,050,000
August 22, 2019	August 8, 2024	\$0.06	5,750,000	5,750,000
			18,400,000	18,400,000

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 34,365,558 warrants and 18,400,000 options as the effect would be anti-dilutive.

11. 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, 2020, the Company has a balance payable of \$30,103 (September 30, 2019 - \$29,002). For the six months ended March 31, 2020, the Company recorded \$1,100 (Six months ended March 31, 2019 - \$1,100) of interest on the note payable.

12. NON-CONTROLLING INTEREST

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

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Six Month Ended March 31, 2020
(Expressed in Canadian Dollars)

The following is the summarized statement of financial position of 703551 N.B. Ltd, as at March 31, 2020:

	March 31, 2020	September 30, 2019
Current:		\$
Assets	31,497	30,837
Liabilities	—	1,372
Total current net assets	31,497	29,465
Non-current		
Assets	213,455	218,912
Total non-current net assets	213,455	218,912
Total net contributions by partners	244,952	248,377

The following is the summarized comprehensive loss of 703551 N.B. Ltd, for the current quarter and the same quarter of fiscal 2019.

	October 1, 2019 to March 31, 2020	October 1, 2018 to September 30, 2019
	\$	\$
Net loss	5,897	494,538
	5,897	494,538

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 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.

13. EVENT AFTER THE REPORTING PERIOD

On May 21, 2020, the Company announced the passing of Charles Larsen, the Company's President and CEO since the inception of the Company.

Curt Huber, the Company's current CFO and Director assumes the role of President, CEO and Chairman of the Board. Sebastian Tang, CPA, assumes the role of the Company's CFO. The Global Hemp also announced that Michel Lebeuf Jr, a Partner at the law firm of Dunton Rainville LLP's Montreal office, joined the Board of Directors.