



Global Hemp Group Inc.

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended June 30, 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)

	Note	June 30, 2020	September 30, 2019
		\$	(Audited) \$
Assets			
Current assets			
Cash	4	47,653	485,774
Biological assets	6	470	470
Sales taxes receivable		15,834	43,215
		63,957	529,459
Equipment	7	202,542	218,912
Investment in Associates	8	1,286,365	1,061,379
TOTAL ASSETS		\$ 1,552,864	\$ 1,809,750
Liabilities and shareholders' deficiency			
Current liabilities			
Accounts payable and accrued liabilities	5	411,773	421,543
Note payable	11	30,654	29,002
Total liabilities		442,427	450,545
Shareholders' deficiency			
Share capital	10	6,691,986	6,691,986
Reserve		4,576,883	3,664,283
Deficit		(10,215,517)	(9,062,732)
Total equity attributable to shareholders		1,053,352	1,293,537
Non-controlling interest		57,085	65,668
		1,110,437	1,359,205
Total liabilities and shareholders' equity		\$ 1,552,864	\$ 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 14)

Approved and authorized for issuance by the Board of Directors on August 31, 2020

"Curt Huber"
Director

"Jeff Kilpatrick"
Director

GLOBAL HEMP GROUP INC.

Consolidated statements of changes in deficiency

(Expressed in Canadian dollars except for number of shares)

	<u>Share Capital</u>		<u>Reserve</u>		<u>Equity attributable to</u>		
	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		2,300,000	–	–	–	–	–
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		–	–	–	(3,397,411)	(3,397,411)	(181,098)
Balance, June 30, 2019		188,197,016	6,640,817	4,724,007	(9,789,099)	1,455,725	131,839
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		–	–	–	(1,152,785)	(1,152,785)	(8,583)
Balance, June 30, 2020		188,197,016	6,691,986	4,576,883	(10,215,517)	1,053,352	57,085

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

Consolidated Statements of Comprehensive Loss

(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended June 30,		Nine months ended June 30,	
		2020	2019	2020	2019
		\$	\$	\$	\$
Gross Revenue		–	–	28,875	1,381
Cost of Goods Sold		(2,478)	449	7,873	449
Gross Profit		2,478	(449)	21,002	932
Expenses					
Advertising and promotion		136	313	429	59,912
Amortization		10,913	–	16,370	–
Insurance		–	4,887	–	11,470
Interest & Bank Charges		924	943	3,173	3,146
Consulting		–	5,000	8,878	47,000
Office and administration		1	1,128	767	3,931
Rent		3,000	7,150	9,000	25,600
Professional fees		20,002	13,768	26,246	23,347
Repair and maintenance		(166)	–	(166)	4,512
Research & Development		–	–	29,182	–
Share based compensation	11	–	–	912,600	3,042,000
Shareholder communication		–	9,470	–	15,837
Travel		–	724	1,532	12,021
Trust and filing fees		3,951	3,478	18,846	19,173
(Loss) before other items:		(36,283)	(47,310)	(1,005,855)	(3,267,017)
Exchange gain (loss)		(46,143)	(16,083)	20,257	3,286
Bad debt recovery	8(c)	2,726	–	2,726	–
Write-off of biological assets		–	(309,000)	–	(309,000)
Interest income		–	476	979	2,977
Share of profit (loss) of Investment in Associate	8	(11,766)	31,620	(179,475)	(8,755)
Comprehensive Loss		(91,466)	(340,297)	(1,161,368)	(3,578,509)
Total comprehensive loss attributable to:					
Shareholders of the Company		(85,831)	(178,782)	(1,152,785)	(3,397,411)
Non-controlling interest		(5,635)	(161,515)	(8,583)	(181,098)
Loss per share, basic and diluted		(0.00)	(0.00)	(0.01)	(0.02)
Weighted average number of outstanding shares		188,197,016	187,097,016	188,197,016	186,422,014

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)

	Nine months ended June 30,	
	2020	2019
Cash (used in) provided by:	\$	\$
Operating activities		
Loss for the period	(1,161,368)	(3,578,509)
Non-cash items		
Amortization	16,370	–
Share based compensation	912,600	3,054,000
Fair value adjustment for biological assets	–	309,000
Share of (gain) loss of Investment in Associates	179,475	8,755
Unrealized foreign exchange loss	(20,257)	(3,286)
Interest accrual	1,652	1,652
Changes in non-cash operating working capital		
Biological assets	–	(153,074)
Prepaid expenses	–	(1,665)
Sales taxes receivable	27,381	4,408
Accounts payable and accrued liabilities	(9,770)	(31,603)
Due to related parties	–	(7,512)
Cash used in operating activities	(53,917)	(397,834)
Financing activities		
Proceeds from common shares issuance	–	120,000
Contributions from non-controlling interest	–	86,215
Cash provided by financing activities	–	206,215
Investing activities		
Investment in Associates	(404,461)	(409,475)
Acquisition of equipment	–	(24,267)
Cash used in investing activities	(404,461)	(433,742)
Effect of foreign exchange	20,257	3,286
Change in cash	(438,121)	(622,075)
Cash, beginning of the year	485,774	964,609
Cash, end of the period	47,653	342,534

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 Nine Month Ended June 30, 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. On March 24, 2014 the Company 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 (CBG & CBD) 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 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. 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 “GBHPPF”.

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 nine months ended June 30, 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 on historical costs, except for financial instruments measured at their fair value.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Nine Month Ended June 30, 2020
(Expressed in Canadian Dollars)

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 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 a 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
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(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

	June 30, 2020	September 30, 2019
	\$	\$
Bank demand deposits	47,653	284,095
Short-term investments	–	201,679
	47,653	485,774

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020	September 30, 2019
	\$	\$
Trade payables	410,273	267,793
Accrued liabilities	1,500	153,750
	411,773	421,543

6. BIOLOGICAL ASSETS

The Company’s biological assets consist of hemp plants.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

7. EQUIPMENT

	Farming equipment
Cost:	\$
Balance, September 30, 2019	218,912
Balance, June 30, 2020	218,912
Amortization:	
Balance, September 30, 2019	-
Charge for the period	16,370
Balance, June 30, 2020	16,370
Net book value:	
At June 30, 2020	202,542
At June 30, 2019	332,451

8. INVESTMENT IN ASSOCIATES

	SCIO, OREGON HEMP PROJECT		Cash Crop Today LLC	Total
	Covered Bridge Acres Ltd.	41389 Farms Ltd.		
Balance as at September 30, 2018	341,545	468,380	-	809,925
Contributions - Cash	421,182	31,292	-	452,474
Share of profit or (loss) of the associate for the period	8,233	(16,987)	-	(8,754)
Balance as at June 30, 2019	770,960	482,685	-	1,253,645
Balance as at October 1, 2019	536,303	525,076	-	1,061,379
Contributions - Cash	285,437	119,023	-	404,460
Share of profit or (loss) of the associate for the period	(153,686)	(25,788)	-	(179,474)

a) SCIO, OREGON HEMP PROJECT

41389 Farms Ltd.

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

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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.

b) 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 & June 30, 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 & June 30, 2020. During the three months ended June 30, 2020, CCT repaid \$2,726 to the Company which was recorded as bad debt recovery during the period.

9. RELATED PARTY TRANSACTIONS

Key Management Compensation:

	Nature of transactions	Nine months ended June 30,	
		2020	2019
Directors & Officers	Consulting fees	\$ 16,723	\$ 35,000
Directors	Share-based compensation	912,600	3,042,000

During the nine month period ended June 30, 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. The final 1,800,000 warrants from this issuance is scheduled to vest December 15, 2020. These warrants have been cancelled with the passing of the Charlie Larsen, as announced on May 21, 2020. Share-based compensation of \$304,000 were recognized during the period.

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

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

During the nine-month period ended June 30, 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 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 June 30, 2020, \$52,500 (September 30, 2019-\$52,500) was owing to the CEO and ex-CFO of the Company.

During the nine-month period ended June 30, 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 June 30, 2020, \$41,250 fees (September 30, 2019-\$51,250) were payable to the two directors of the Company.

During the nine-month period ended June 30, 2020, the Company incurred \$4,500 professional fee for the newly appointed Chief Financial Officer (“CFO). Professional fee accrual of \$1,500 for the CFO was included in the accrued liability as at June 30, 2020.

During the nine-month period ended June 30, 2020, the Company incurred \$3,345 legal fee for the law firm owned by a newly appointed director. As at June 30, 2020, the Company owed a balance of \$4,195.17 to this law firm.

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 nine months ended June 30, 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
Cancelled	(1,800,000)	\$0.12	
Expired	(154,315)	\$0.13	-
Balance, June 30, 2020	32,565,558	\$0.14	2.92

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

As at June 30, 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	16,800,000
February 6, 2019	February 6, 2021	\$0.13	169,333
June 24, 2019	July 31, 2021	\$0.36	1,100,000
			32,565,558

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, June 30, 2020	18,400,000	\$0.08	3.10

As at June 30, 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.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
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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 June 30, 2020, the Company has a balance payable of \$30,654 (September 30, 2019 - \$29,002). For the nine months ended June 30, 2020, the Company recorded \$1,650 (Nine months ended March 31, 2019 - \$1,650) 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.

The following is the summarized statement of financial position of 703551 N.B. Ltd, as at June 30, 2020:

	June 30, 2020	September 30, 2019
Current:		\$
Assets	3,810	30,837
Liabilities	–	1,372
Total current net assets	3,810	29,465
Non-current		
Assets	202,542	218,912
Total non-current net assets	202,542	218,912
Total net contributions by partners	206,352	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 June 30, 2020	October 1, 2018 to June 30, 2019
	\$	\$
Net loss	17,166	362,196
	17,166	362,196

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.

GLOBAL HEMP GROUP INC.
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13. COVID-19 (CORONAVIRUS)

On March 11, 2020, the current outbreak of COVID-19 (Coronavirus) was declared a global pandemic, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. As a result, global equity markets and oil prices have experienced significant volatility and weakness. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

14. EVENT AFTER THE REPORTING PERIOD

Rights Offering

On July 31, 2020, the Company announce that it will be making a rights offering (the "Rights Offering") in which holders of record of the Company's common shares, as of the record date of August 4th 2020 (the "Record Date"), will receive rights to subscribe for units of the Company.

Rights Offering Details

Each registered shareholder of the Company resident in Canada as of the close of business on the Record Date will receive one right (a "Right") for every three (3) common share held.

One Right entitles the shareholder to purchase one unit (a "Unit") at a price of \$0.02 per Unit (the "Basic Subscription Privilege"). The Rights will expire at the end of the business day on September 4, 2020 (the "Expiry Date"). Holders of Rights who fully exercise their Rights under the Basic Subscription Privilege will also be entitled to subscribe, on a pro rata basis, for additional Units, if available, that were not subscribed for by other holders of Rights (the "Additional Subscription Privilege"), subject to certain limitations as set out in the Company's Rights offering circular (the "Rights Offering Circular").

Each Unit will consist of one (1) Common Share of the Company and one (1) full Share Purchase Warrant (the "Warrant"). Each whole Warrant will entitle the holder to purchase one additional Common Share at a price of \$0.05 for a period of thirty-six (36) months from its issuance. The Rights will be transferable and listed for trading on the Canadian Securities Exchange (the "Exchange"). The Warrants, when issued, are also expected to be listed on the Exchange, subject to GHG satisfying the distribution requirements of the Exchange.

In the event that the Company's common shares trade on the Canadian Securities Exchange (or such other exchange on which the common shares may be traded at such time) at a volume weighted average price of \$0.12 per share or more for a period of 10 consecutive trading days, the Company will have the right to accelerate the expiry date of the Warrants by giving notice to the holders thereof and, in such case, the Warrants will expire on the 30th day after the date on which such notice is given to the holder by the Company.

The Rights Offering is not subject to any minimum subscription level. If the Rights Offering is fully subscribed, the Company will issue up to 62,732,338 new common shares and Warrants to purchase up to an additional 62,732,338 common shares, for total gross proceeds of approximately \$1,254,646. If the Rights Offering is fully subscribed and all of the Warrants issued on closing of the Rights Offering are exercised, the additional proceeds to the Company will be \$3,136,617.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Three and Nine Month Ended June 30, 2020
(Expressed in Canadian Dollars)

There are currently 188,197,016 common shares issued and outstanding. If all Rights are exercised, the Company's issued and outstanding shares will increase to 250,929,354 and if all Warrants covered by this Rights Offering are exercised, the issued and outstanding shares will be 313,661,692.