Global Hemp Group Inc.

Consolidated Financial Statements

Year Ended September 30, 2020

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.

Opinion

We have audited the consolidated financial statements of Global Hemp Group Inc. the ("Company"), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate the existence of a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Steven Reichert.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

January 28, 2021

MOORE

An independent firm associated with Moore Global Network Limited

GLOBAL HEMP GROUP INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	September 30, 2020	September 30, 2019
		$	$
Assets			
Current assets			
Cash	**5**	16,372	485,774
Accounts receivable		32,203	43,215
Assets held for sale	**8**	5,000	–
Biological assets	**4**	470	470
Deposits and prepayments		10,878	–
		64,923	529,459
Property and equipment	**8**	2,358,599	218,912
Investment in Joint Ventures	**6**	–	1,061,379
TOTAL ASSETS		$ 2,423,522	$ 1,809,750
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	**9 & 11**	677,461	421,543
Customer advances		5,000	–
Notes payable	**10**	826,426	29,002
Total liabilities		1,508,887	450,545
Shareholders' deficiency			
Share capital	**12**	7,118,029	6,691,986
Shares to be issued	**10**	25,500	–
Reserve		4,146,388	3,664,283
Deficit		(10,332,482)	(9,062,732)
Total equity attributable to owners of parent		957,435	1,293,537
Non-controlling interest		(42,800)	65,668
		914,635	1,359,205
Total liabilities and shareholders' equity		$ 2,423,522	$ 1,809,750

The accompanying notes are an integral part of these consolidated financial statements

Nature of operations and going concern (Note 1)
Event after the reporting period (Note 19)

Approved and authorized for issuance by the Board of Directors on January 28, 2021

"Curt Huber"	*"Jeff Kilpatrick"*
Director	Director

GLOBAL HEMP GROUP INC.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Year ended September 30, 2020	2019
		$	$
Gross Revenue		28,876	2,588
Cost of Goods Sold		7,869	641
Gross Profit		21,007	1,947
Expenses			
Advertising and promotion		826	60,303
Amortization	**8**	21,938	8,657
Insurance		77	14,953
Interest & Bank Charges		4,266	4,410
Loan inducement fee	**10**	25,500	–
Consulting	**11**	8,878	253,272
Office and administration		3,363	10,438
Rent		12,000	28,600
Professional fees		102,722	49,403
Repair and maintenance		31	4,512
Research & Development		29,180	39,069
Share based compensation	**11, 12**	488,387	2,013,148
Shareholder communication		–	15,837
Travel		1,531	20,805
Trust and filing fees		31,080	22,621
(Loss) before other items:		(708,772)	(2,544,081)
Exchange gain		268	3,641
Loss on disposal of assets		–	(1,661)
Bad debt recovery		2,726	–
Write-off of biological assets	**4**	–	(310,877)
Loss on assets held for sale	**8**	(191,444)	(95,863)
Loss on settlement of debt		–	(20,295)
Interest income		979	5,220
Share of profit (loss) of Investment in Associates	**6**	(481,975)	45,603
Net loss		(1,378,218)	(2,918,313)
Other comprehensive income			
Translation adjustment		(2,974)	–
Comprehensive Loss		(1,381,192)	(2,918,313)
Net loss attributable to:			
Shareholders of the Company		(1,269,750)	(2,671,044)
Non-controlling interest		(108,468)	(247,269)
Other comprehensive loss attributable to:			
Shareholders of the Company		(2,974)	–
Non-controlling interest		–	–
Total comprehensive loss attributable to:			
Shareholders of the Company		(1,272,724)	(2,671,044)
Non-controlling interest		(108,468)	(247,269)
Loss per share, basic and diluted		(0.01)	(0.02)
Weighted average number of outstanding shares		188,802,302	186,869,412

The accompanying notes are an integral part of these consolidated financial statements

GLOBAL HEMP GROUP INC.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars except for number of shares)

		Share Capital			Reserve			Equity attributable to	
	Note	Number	Amount	Shares to be issued	Share-based payment reserve	Foreign currency translation	Deficit	Shareholders' equity	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	**12**	2,300,000	52,192	–	47,248	–	–	99,440	–
Share-based compensation		–	–	–	1,913,709	–	–	1,913,709	–
Shares for debt	**12**	747,297	86,439	–	22,760	–	–	109,199	–
Shares issuance on exercise of options	**12**	1,200,000	144,084	–	(24,083)	–	–	120,001	–
Non-controlling interest contributions to subsidiary	**13**	–	–	–	–	–	–	–	86,215
Net and comprehensive loss		–	–	–	–	–	(2,671,044)	(2,671,044)	(247,269)
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 & 12**	–	3,308	–	485,079	–	–	488,387	–
Loans inducement	**10**	–	–	25,500	–	–		25,500	–
Shares issued pursuant to rights offering	**12**	11,076,741	175,002	–	–	–	–	175,002	–
Shares issued for purchase of Oregon Joint Venture	**7**	12,386,675	247,733	–	–	–	–	247,733	–
Net and comprehensive loss		–	–	–	–	(2,974)	(1,269,750)	(1,272,724)	(108,468)
Balance, September 30, 2020		211,660,432	7,118,029	25,500	4,149,362	(2,974)	(10,332,482)	957,435	(42,800)

The accompanying notes are an integral part to these consolidated financial statements

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

	Year ended September 30, 2020	2019
Cash (used in) provided by:	$	$
Operating activities		
Loss for the year	(1,378,218)	(2,918,313)
Non-cash items		
Amortization	21,938	8,657
Share based compensation	488,387	2,013,148
Loan inducement fees	25,500	–
Write-off of biological assets	–	310,877
Loss on assets held for sale	191,444	95,863
Loss on disposal of assets	–	(1,661)
Loss on debt settlement	–	20,295
Share of (profit) loss of Joint Ventures	481,975	(45,603)
Interest accrual	2,202	2,203
Changes in non-cash operating working capital		
Biological assets	–	(190,796)
Customer advances	5,000	–
Accounts receivable and sales tax receivable	22,824	1,357
Accounts payable and accrued liabilities	104,779	248,892
Due to related parties	(25,347)	(7,512)
Cash used in operating activities	(59,516)	(462,593)
Financing activites		
Proceeds from common shares issuance	175,002	120,000
Proceeds from promissory note	50,000	–
Contributions from non-controlling interest	–	86,215
Cash provided by financing activities	225,002	206,215
Investing activities		
Acquisition of equipment	–	(18,606)
Investment in joint venture	(451,655)	(205,851)
Acquisition of Oregon joint venture	(180,603)	–
Cash of acquired subsidiaries	344	–
Proceeds on disposal of equipment	–	2,000
Cash used in investing activities	(631,914)	(222,457)
Effect of foreign exchange	(2,974)	–
Change in cash	(466,428)	(478,835)
Cash, beginning of the year	485,774	964,609
Cash, end of the year	16,372	485,774

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Global Hemp Group Inc. (the "Company") was incorporated on October 30, 2009 in British Columbia, Canada. The Company's principal activity is focused on a multi-phased strategy to build a strong presence in the industrial hemp industry in both 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", on Boerse-Frankfurt 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. To date the Company has incurred losses and further losses are expected in the development of its business. 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 consolidated 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).

These consolidated financial statements were approved and authorized by the Board of Directors on January 28, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared on an accrual basis except for cashflow information 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 its subsidiaries and joint ventures noted below. All intercompany transactions have been eliminated.

Entity	Country of Incorporation	Ownership	Functional Currency
Covered Bridge Acres Ltd. ("CBA Canada")	Canada	100%	Canadian Dollar
703551 N.B. Ltd.	Canada	50%	Canadian Dollar
Covered Bridge Acres Ltd ("CBA Oregon")	United States	100%	U.S. Dollar
41389 Farms Ltd. ("41389 Farms")	United States	100%	U.S. Dollar

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 biological assets, goodwill, contingent consideration for business acquisitions and financial instruments, the recoverable amount of equipment and inventories, and the recoverability and measurement of deferred tax assets.

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; and

- whether the Company has control, joint control or significant influence over entities in which it holds an interest.

Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding in the period. 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.

Early adoption of amendment to IFRS 3 related to the definition of a Business

The IASB has issued Definition of a Business (Amendments to IFRS 3) to clarify the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- clarify the minimum attributes that the acquired assets and activities must have to be considered a business;
- remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs;
- narrow the definition of a business and the definition of outputs; and
- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

This amendment is effective for annual periods beginning on or after October 1, 2020 with Earlier application permitted. The Company adopted this amendment.

Financial instruments

(i) Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Financial assets	**Classification under IFRS 9**
Cash	Amortized cost
Accounts receivables	Amortized cost

Financial liabilities	**Classification under IFRS 9**
Accounts payable and accrued liabilities	Amortized cost
Note payable	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost:

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL:

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

(iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the Consolidated Statements of Comprehensive Loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has no investments classified as joint operations.

Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the statement of financial position as the Company maintains control over the joint venture entities.

Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

At the end of each reporting period, the Company assesses whether there is any evidence that an investment in an equity accounted investment 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 joint venture. When there is evidence that an investment in a joint venture is impaired, the carrying amount of such investment is compared to its recoverable amount.

If the recoverable amount of an equity accounted investment 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 equity accounted investment 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.

Functional currency and foreign currency translation
The functional currency of each entity is determined 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.

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 statements 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.

Assets held for sale

Assets and liabilities held for sale are no longer depreciated and are presented separately in the consolidated statement of financial position at the lower of their carrying amount and fair value less costs to sell. An asset is recorded as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable.

Biological assets

The Company's biological assets consist of hemp plants and are valued using the fair value approach. Production costs are capitalized to biological assets and include all direct and indirect costs relating to biological transformation. While the Company's biological assets are within scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. They include direct cost of seeds and growing materials, and indirect costs such as utilities, supplies and equipment rentals used in the growing and harvesting process. Direct labor costs include harvesting, planting, and propagation. Indirect labor relates to quality control processes. All production costs are capitalized as they are incurred and subsequently recorded within cost of goods sold on the consolidated statements of comprehensive loss in the period that the related product is sold. The Company measures biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of biomass inventories after harvest. Net unrealized gains or losses arising from the changes in fair value less cost to sell during the year are included in the results of operations for the related year.

Inventory

Inventories, which comprise raw materials and supplies, work-in-progress and finished products, are stated at the lower of cost and net realizable value. Costs of inventories are determined using the weighted average cost method and include the cost of purchase, the cost of conversion (labour and overhead) and other costs required to bring the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale. The cost of work-in-process and finished product inventories includes the cost of materials, the cost of direct labour, and a systematic allocation of manufacturing overheads based on a normal range of capacity for the production facility.

Inventories of harvested hemp are transferred from biological assets at their fair value less costs to sell at harvest, which becomes the initial deemed cost. Any subsequent direct and indirect post-harvest costs are capitalized to inventories as incurred, including labor related costs, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs, and production related depreciation.

Production costs relating to inventory sold represent all costs of inventories recognized as expense in the years, except deemed costs of inventory that arise from the fair value measurement of biological assets transferred to finished harvest inventory. Fair value adjustments on inventory sold represents the deemed costs of inventory sold that arises from the fair value measurement of biological assets, exclusive of any capitalized costs.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of write-down previously recorded is reversed.

Property and equipment

All items of property, plant and equipment are stated at historical cost, less any accumulated depreciation and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition.

Land is not depreciated. Depreciation of other items of property, plant and equipment is calculated on components that have homogeneous useful lives by using the declining balance method so as to depreciate the initial cost down to the residual value over their estimated useful lives, as follows:

Buildings	3%
Trucks and vehicles	10%
Office furniture	20%
Farming equipment	10%

Useful lives, residual values and depreciation methods are reviewed at each year-end. Such a review takes into consideration the nature of the assets, their intended use and technological changes.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "Other operating income and expenses" in profit or loss.

Research and development

Research costs are expensed when incurred. Internally-generated technology costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The Company did not have any development costs that met the capitalization criteria for the years ended September 30, 2020 and 2019.

Revenues

<u>IFRS 15 "Revenue from Contracts with Customers":</u>

Revenue from the sale of hemp or hemp derivatives is recognized at a point in time when control over the goods have been transferred to the customer. Payment is typically due upon transferring the goods to the customer.

Share-based payments

The grant-date fair value of share-based payments awarded to employees settled in equity instruments is generally recognized as an expense determined using Black Scholes option pricing model, with a corresponding increase in equity over the vesting period. The amount recognized as an expense is adjusted to reflect the number of awards for which it is estimated that the service and non-market performance conditions have been satisfied, in that the amount ultimately recognized is based on the actual number of awards that meet the service and non-market performance conditions at the vesting date. For share-based payment awards on shares with other vesting conditions, the measurement of fair value at the vesting date reflects these conditions, and differences between estimate and achievement are not subsequently adjusted.

(Expressed in Canadian Dollars)

Warrants

Proceeds from issuances of security units by the Company consisting of shares and warrants are allocated based on the residual method. The 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.

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.

4. BIOLOGICAL ASSETS

The Company’s biological assets consist of hemp seeds. The amount capitalized as at September 30, 2020 represents the costs of the hemp seeds. All the other direct and indirect costs previously capitalized were written off and recorded as an impairment of $310,877 during the year ended September 30, 2019 as the Company determined its biological assets were not recoverable.

5. CASH AND CASH EQUIVALENTS

	September 30, 2020	September 30, 2019
	$	$
Bank demand deposits	16,372	284,095
Short-term investments	-	201,679
	16,372	485,774

(Expressed in Canadian Dollars)

6. INVESTMENT IN JOINT VENTURES

As at September 30, 2020, the balance of Investment in Joint Ventures comprised of the followings:

	CBA Oregon	41389 Farms	Total
Balance as at September 30, 2018	**341,545**	**468,380**	**809,925**
Contributions	135,713	70,138	205,851
Share of profit or (loss) for the year	59,045	(13,442)	45,603
Balance as at September 30, 2019	**536,303**	**525,076**	**1,061,379**
Contributions	411,702	39,953	451,655
Share of profit or (loss) for the year	(449,047)	(32,928)	(481,975)
Deemed disposal on change of control (Note 7)	(498,958)	(532,101)	(1,031,059)
Balance as at September 30, 2020	-	-	-

a) Scio, Oregon Project

Incorporation of 41389 Farms and Acquisition of Agricultural Property

On March 23, 2018, the Scio, Oregon Project was incorporated as an Oregon Corporation. The Company held 50% of the shares and the other 50% were held by MCOA until September 28, 2020 when the Company acquired a 100% interest (Note 7).

b) CBA Oregon

On May 8, 2018, the Company and MCOA entered into a joint venture agreement for the development of a hemp farm. CBA Oregon was incorporated under the laws of Oregon State on April 19, 2018. The Company held 50% of the shares and the other 50% were held by MCOA until September 28, 2020 when the Company acquired a 100% interest (Note 7).

Summarized financial information for the equity accounted investees for the period ended September 28, 2020, is as follows:

	Covered Bridge Acres Ltd.	41389 Farms Ltd.
Reporting period end date	September 28, 2020	September 28, 2020
Ownership %	50% (Note 7)	50% (Note 7)
	$	$
Current assets	13,496	9,537
Non-current assets	607,845	1,466,783
Total assets	621,341	1,476,320
Total liabilities	(99,492)	(758,624)
Net assets	521,849	717,696
Revenue	187,910	-
Cost of sales	(1,065,408)	-
Expenses	(20,803)	(66,156)
Net (loss)	(898,301)	(66,156)

(Expressed in Canadian Dollars)

Summarized financial information for equity accounted investees for the year ended September 30, 2019, is as follows:

	Covered Bridge Acres Ltd.	**41389 Farms Ltd.**
Reporting period end date	September 30, 2019	September 30, 2019
Ownership %	50%	50%
	$	$
Current assets	871,332	9,566
Non-current assets	309,118	1,478,232
Total assets	1,180,450	1,487,798
Total liabilities	(109,148)	(819,576)
Net assets	1,071,302	668,222
Revenue	567,152	39,810
Cost of sales	(214,980)	-
Expenses	(234,082)	(66,930)
Net profit (loss)	118,090	(27,120)

7. ACQUISITION OF THE OREGON JOINT VENTURE

On September 28, 2020, the Company and MCOA executed an agreement where the Company would acquire the remaining 50% interest in the CBA Oregon and Scio, Oregon Project from MCOA (the "Remaining Interest"). Upon execution of the agreement, the 109 acre Scio, Oregon farm and operating company Covered Bridge Acres Ltd. (the "Oregon JV") become a wholly owned subsidiary of the Company.

Consideration for the Company to acquire the Remaining Interest from MCOA:

- Cash consideration of US$215,000 (C$287,627) to MCOA, US$5,000 (C$6,689) for extension fee and US$10,000 (C$13,378) for legal fee reimbursement to MCOA. The cash consideration paid as follows:

  US$135,000 (paid on September 30, 2020);
  US$61,000 (paid on December 2, 2020);
  US$6,000 (paid on December 3, 2020);
  US$13,000 (paid on December 7, 2020);

- Share consideration with a value of US$185,000 (C$247,733) to be issued by the Company to MCOA based on the trading price of the Company's stock at the time the settlement agreement is fully executed before September 30, 2020. 12,386,675 common shares of the Company were issued to MCOA on September 30, 2020 (the "Share Issuance Date").

- Contingent consideration of additional shares of the Company is to be issued to MCOA should the value of the 12,386,675 common shares fall below US$185,000 before September 30, 2021 or the first anniversary from the Share Issuance Date. Management estimates the likelihood of the value of the shares dropping below US$185,000 on September 30, 2021 is low. As such, management estimates a zero value for the contingent consideration as at September 30, 2020.

It was determined that the net assets of the Oregon JV do not constitute a business under the interpretation of IFRS 3 Business Combination through the use of the concentration test.

(Expressed in Canadian Dollars)

The consideration of the 100% interest of the Oregon JV is as follows:

Purchase Price for the Oregon JV		Total
Carrying value of the Company's 50% equity investment in the Oregon JV as at September 28, 2020	$	1,031,059
Cash consideration for the Remaining Interest of the Oregon JV as at September 28, 2020		287,387
Share consideration for the Remaining Interest of the Oregon JV as at September 28, 2020		247,733
Fair value for the Company's acquisition consideration for the 100% of the Oregon JV	**$**	**1,566,179**

The allocation of the acquisition consideration to the acquired assets and assumed liabilities is as follows:

Allocation of the Purchase Price to the Identifiable Assets Acquired and Liabilities Assumed		Fair Value
Farmland	$	1,537,119
Buildings		539,535
Furniture		1,696
Trucks & Vehicles		47,800
Farming equipment		237,141
Cash		344
Prepaid and deposits		10,986
Accounts receivable		11,846
Accounts payable and accrued liabilities		(63,725)
Note payable		(747,399)
Taxes payable		(9,164)
Balance as at September 30, 2020	**$**	**1,566,179**

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

	Land	Buildings	Office furniture	Trucks & Vehicles	Farming equipment	Incorporation costs	Total
Cost:	$	$	$	$	$		$
Balance, September 30, 2018	-	-	-	-	381,930	642	382,572
Cost adjustments	-	-	-	-	(43,000)	-	(43,000)
Additions	-	-	-	-	18,606	-	18,606
Disposal	-	-	-	-	(4,000)	-	(4,000)
Impairment	-	-	-	-	(339)	-	(339)
Balance, September 30, 2019	-	-	-	-	353,197	642	353,839
Acquisition of control of subsidiaries (Note 7)	1,067,123	379,164	1,696	47,800	237,141	-	1,732,924
Allocation from acquisition consideration (Note 7)	469,996	160,371	-	-	-	-	630,367
Foreign currency translation	(3,111)	(985)	(2)	(99)	(853)	-	(5,050)
Reclassification as assets held for sale	-	-	-	-	(353,197)	-	(353,197)
Balance, September 30, 2020	1,534,008	538,550	1,694	47,701	236,288	642	2,358,883
Amortization:							
Balance, September 30, 2018	-	-	-	-	4,774	-	4,774
Charge for the year	-	-	-	-	34,629	-	34,629
Impairment	-	-	-	-	95,524	-	95,524
Balance, September 30, 2019	-	-	-	-	134,927	-	134,927
Reclassification as assets held for sale	-	-	-	-	(156,753)	-	(156,753)
Charge for the year	-	113	2	30	21,965	-	22,110
Balance, September 30, 2020	-	113	2	30	139	-	284
Net book value:							
At September 30, 2020	1,534,008	538,437	1,692	47,671	236,149	642	2,358,599
At September 30, 2019	-	-	-	-	218,270	642	218,912

Amortization of $Nil was capitalized to biological assets during the year ended September 30, 2020 (2019 – $25,972).

During the year ended September 30, 2020, the Company decided to sell its farming equipment in 703551 N.B. Ltd., the Company recorded impairment of $191,144. The recoverable amount was determined by its estimated fair value less cost of disposal at $5,000 and the Company reclassified the farming equipment as assets held for sale. Subsequent to the year-end, the Company sold the equipment for $5,000. During the year ended September 30, 2019, the Company recognized an impairment of $95,863 on this equipment.

The farmland of $1,534,008 is held as collateral for the note payable described below in Note 10(a).

(Expressed in Canadian Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	September 30, 2019
	$	$
Trade payables	393,017	267,793
Accrued liabilities	275,307	153,750
Taxes payable	9,137	-
	677,461	421,543

10. NOTES PAYABLE

a) *41389 Farms*

On April 30, 2018, the vendor of the farmland property held by 41389 Farms issued a promissory note to 41389 Farms in the amount of US$695,000.

Interest rate

The initial interest rate shall be Four Percent (4.0%) for the period up to September 30, 2018. The interest rate shall be adjusted effective on October 1 of each year during the term of this Note. The adjusted interest rate will be determined by adding 1.15 percentage points (1.15%) to the Ten Year US Treasury Note as of the market close on September 30 of each year. This amount will be the new interest rate until the next following October l, when the rate shall again be adjusted. The adjusted interest rate for the interest calculation for the fiscal period ended September 30, 2020 was 2.83%.

Payment term

Maker shall make monthly payments to the vendor in the amount of US$7,036. The first payment was due on June l, 2018 and subsequent payments due on the first day of each month thereafter, until May 1, 2021, when the entire principal balance and accrued unpaid interest shall be all due and payable.

Any prepayment shall not postpone the due date of any subsequent payments, unless the lender shall otherwise agree in writing. There is no penalty for prepayment. A late payment penalty of 5% shall apply to any payment not made within 15 days of its due date.

Balance due as at September 30, 2020

As at September 30, 2020, the principal balance outstanding was $745,221 (US$558,678). The entire balance will become due on or before May 1, 2021. The balance due as at September 30, 2019 was included in the investment in joint ventures.

b) *Short-term loans*

The Company received short term loans in the amount of $50,000 during the fourth quarter of the year ended September 30, 2020. These short-term loans are non-interest bearing loans are due and payable on or before November 15, 2020. These short-term loans were settled subsequent to the year-ended September 30, 2020 by cash repayments of $10,000 on December 11, 2020, $7,500 on December 14, 2020 and $25,000 on December 21, 2020 and through the issuance of common shares valued at $7,500 on December 6, 2020.

(Expressed in Canadian Dollars)

A bonus of 1,700,000 common shares was issued to the Lenders for this transaction as a loan inducement. The fair value of these shares of $25,500 was recorded as loan inducement fee and shares to be issued during the year ended September 30, 2020. These shares were issued to the Lenders on October 8, 2020 subsequent to the year-ended September 30, 2020.

c) ***Innovative Inc.***

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, 2020, the Company had a balance payable of $31,205 (2019-$29,002).

11. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the year ended September 30, 2020 and 2019 was as follows:

Key Management Compensation:

Nature of transactions	**Years ended September 30, 2020**	**2019**
	$	$
Consulting fees	52,051	236,021
Share based compensation	305,677	798,502

Included in accounts payable and accrued liabilities is $128,403 (2019 - $153,750) due to directors and officers for unpaid consulting fees and expense reimbursements. These amounts are unsecured, non-interest bearing with no fixed payment terms.

During the year ended September 30, 2020, the Company incurred consulting fees of $10,000 for the service of the President/CEO (September 30, 2019 - $34,886) and recognized share based compensation of $154,632. A balance of $52,500 was owed to the CEO as at September 30, 2020.

During the year ended September 30, 2020, the Company incurred accounting fees of $6,500 for the service of the CFO (September 30, 2019 - $6,500). A balance of $3,575 was owed to the CFO as at September 30, 2020.

During the year ended September 30, 2020, the Company incurred legal fees of $35,551 (September 30, 2019 - $13,758) for the service of a law firm controlled by a director newly appointed in May 2020. A balance of $31,078 was owed to the law firm as at September 30, 2020.

During the year ended September 30, 2020, the Company recognized share based compensation of $150,623 to a director of the Company. A balance of $26,250 was owed to the director as at September 30, 2020.

12. CAPITAL STOCK

Authorized
Unlimited number of common shares and Class B preferred shares without par value.

Issued and outstanding

On November 15, 2018, 308,631 units were issued to settle liabilities of $36,264. Each unit consisted of one common share and one half warrant for a total of 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. The Company determined the fair value of the shares was $35,493 and the warrants was $8,964.

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

On February 7, 2019, 338,666 units were issued to settle liabilities of $40,640. Each unit consisted of one common share and one half warrant for a total of 169,333 warrants. Each warrant entitles a holder to purchase one common share with an exercise price of $0.13 and expire on February 7, 2020. The Company determined the fair value of the shares was $38,947 and the warrants was $13,796.

On February 7, 2019, 100,000 shares were issued to settle liabilities of $12,001. The Company determined the fair value of the shares was $12,000.

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. 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. On June 24, 2019, 1,100,000 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 the Company's CBA Oregon joint venture (Note 6). Escrow shares are released in two tranches following the EBITDA of CBA Oregon reaching $1,000,000 and $2,000,000. As at September 30, 2020, the milestones required for the release of shares issued into the escrow pool had not been reached. These shares were allocated to various parties that had provided services in connection with the development of CBA Oregon. The services required to earn the rights to the shares had been substantially completed by September 30, 2020 and therefore the Company recognized share based compensation expense of $6,064 (2019 - $99,440) reflecting the fair value of the escrow shares during the fiscal year ended September 30, 2020. The fair value was adjusted to reflect the probability of achieving the required milestones which are considered a non-vesting condition.

On September 10, 2020, the Company issued 11,076,741 units as a result of the closing of the Rights Offering raised total gross proceeds of $221,534.82. Each unit consists of one free trading common shares and one share purchase warrants (the "Warrants") with an initial expiry term of thirty six months exercisable at a price of $0.05. In the event that the Company's common shares trade on the CSE (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.

(Expressed in Canadian Dollars)

On September 30, 2020, the Company issued 12,386,675 common shares to MCOA related to the acquisition of the remaining 50% interest in the Oregon Joint Venture (Note 7).

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	34,519,873	$0.14	2.68
Granted	11,076,741	$0.05	2.98
Expired	(154,315)	$0.13	-
Cancelled	(1,800,000)	$0.12	-
Balance, September 30, 2020	43,642,299	$0.12	2.74

As at September 30, 2020, the Company had the following warrants outstanding:

Date Issued	Expiry Date	Exercise Price	Number of Warrants Outstanding	Number of Warrants Exercisable
February 28, 2017	February 28, 2022	$0.05	1,519,350	1,519,350
March 7, 2018	March 1, 2023	$0.15	12,376,875	12,376,875
November 29, 2018	July 31, 2021	$0.36	1,200,000	-
December 12, 2018 [1]	December 10, 2023	$0.12	16,200,000	12,600,000
February 6, 2019	February 6, 2021	$0.13	169,333	169,333
June 24, 2019	July 20, 2022	$0.36	1,100,000	-
September 11, 2020	September 8, 2023	$0.05	11,076,741	11,076,741
			43,642,299	**37,742,299**

[1] These warrants were issued to certain directors, officers and consultants for services. The fair value of these warrants was determined to be $2,151,032 using the Black-Scholes option pricing model with the following assumptions: expected life of 5 years, volatility of 255%, dividend yield of 0%, and risk-free rate of 2.03%. the warrants will vest 40% 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. The Company recognized cumulative share based compensation of $2,077,932 relating to these warrants.

Stock options

On August 9, 2019, the Company granted 5,750,000 stock options to directors and consultants. Each option entitles the holder to purchase one common share of the Company at $0.06 per share. 4,750,000 of the stock options fully vested on the grant date and 1,000,000 vested 25% on grant date and then 25% on each of December 31, 2019, 2020, and 2021. The expiry date of these options is August 8, 2024. The fair value of these options was determined to be $314,417 using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 5 years, volatility of 143%, dividend yield of 0%, and risk-free rate of 1.26%. The Company recognized cumulative share based compensation of $304,809 in connection with this grant.

(Expressed in Canadian Dollars)

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	18,450,000	$0.10	2.40
Granted	5,750,000	$0.06	3.86
Exercised	(1,200,000)	$0.10	-
Expired	(4,350,000)	$0.10	-
Balance, September 30, 2019	18,650,000	$0.08	3.44
Cancelled	(2,650,000)	$0.16	-
Balance, September 30, 2020	16,000,000	$0.07	2.34

As at September 30, 2020, the Company had the following options outstanding:

Date Granted	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	2,650,000	2,650,000
August 9, 2019	August 8, 2024	$0.06	5,750,000	5,250,000
			16,000,000	**15,500,000**

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 43,642,299 warrants and 16,000,000 options as the effect would be anti-dilutive.

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 September 30, 2020 and September 30, 2019:

	September 30, 2020	**September 30, 2019**
Current:		$
Assets	5,038	30,837
Liabilities	–	1,372
Total current net assets	5,038	29,465
Non-current		
Assets	642	218,912
Total non-current net assets	642	218,912
Total net contributions by partners	5,680	248,377

The following is the summarized comprehensive loss of 703551 N.B. Ltd, for the year ended September 30, 2020 and 2019.

	Year ended September 30, 2020	**Year ended September 30, 2019**
	$	$
Revenue	–	1,207
Costs of sales recovery	2,478	(407,381)
Operating expenses	(27,971)	(88,364)
Loss on assets held for sale	(191,444)	–
Net loss	(216,937)	(494,538)

14. SEGMENT DISCLOSURE

The Company operates in one operating segment, which is acquisition, and operation of hemp related projects. The following provides segmented disclosure on the non-current assets by geographic locations:

SEGMENT DISCLOSURE (ROUNDED TO 000s)	Canada	United States	Total
September 30, 2020			
Revenue	**$ –**	**$ 29,000**	**$ 29,000**
Long-term Assets			
Property and equipment	**$ 1,000**	**$ 2,358,000**	**$ 2,359,000**
September 30, 2019			
Revenue	$ 2,600	$ –	$ 2,600
Long-term Assets			
Investments in Joint Venture	$ –	$ 1,061,000	$ 1,061,000
Property and equipment	$ 219,000	$ –	$ 219,000

15. INCOME TAXES

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

	September 30, 2020	September 30, 2019
	$	$
Net loss before income taxes	1,378,218	2,918,313
Statutory tax rate	27%	26%
Expected income tax recovery at the statutory tax rate	(372,000)	(788,000)
Non-deductible items and other	202,000	522,000
Adjustment to prior years provision versus statutory tax returns	-	(91,000)
Changes in valuation allowance	170,000	357,000
Income tax recovery	-	-

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

	September 30, 2020	September 30, 2019
Non-capital loss carry-forwards	$ 1,002,000	899,000
Property and equipment	89,000	35,000
Share issuance costs	13,000	-
Valuation allowance	(1,104,000)	(934,000)
Net deferred income tax assets	-	-

As at September 30, 2020, the Company has approximately $3,673,000 (2019 - $3,300,000) in non-capital losses, which expire between 2031 - 2040.

16. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's primary exposure to credit risk is on its cash. As most of the Company's cash is held by one bank, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

Foreign exchange risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's joint venture operations are located in the United States and at September 30, 2020 the Company has cash of $316 denominated in US dollars.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because

of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

Liquidity Risk
Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Liquidity risk is assessed as high.

Fair value
The Company categorizes its financial instruments measured at fair value using a hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

Level 1: observable inputs such as quoted prices in active markets;
Level 2: inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
Level 3: unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The fair value of the Company's financial assets and liabilities approximates the carrying amount due to their short term nature.

17. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the Company's activity in agriculture and manufacturing in the industrial hemp sector and to sustain future development of the business. The capital structure of the Company consists of working and share capital.

There are no restrictions on the Company's capital and there were no changes in the Company's approach to capital management during the year.

18. 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.

19. EVENTS AFTER THE REPORTING DATE

(a) Private Placement Completed in December 2020

On December 11, 2020, the Company closed a private placement of non-brokered private placement, consisting of 51,600,000 units ("Units") at a price of $0.015 per Unit for gross proceeds of $774,000 (the "Private Placement").
Each unit is comprised of one common share of the Company (a "Common Share" and collectively, the "Common Shares") and one common share purchase warrant (each whole warrant a "Warrant" and

collectively, the "Warrants") of the Company. Each whole Warrant shall entitle the holder thereof to acquire one additional Common Share at a price of $0.05 per Common Share for a period expiring on September 8, 2023. The warrants will be listed for trading on the CSE after the expiry of the hold period and will have identical terms to the 11,076,741 listed warrants of the Company currently outstanding and trading under the ticker symbol GHG.WT. 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. All securities issued are subject to a four-month plus a day hold period from the date of issuance in accordance with applicable securities laws.

On December 11, 2020, 1,600,000 common shares and 1,880,000 share purchase warrants of the Company were issued as s finder fee for this private placement. The 1,880,000 share purchase warrants are exercisable at $0.05 with the expiry date on September 8, 2023.

(b) Issuance of bonus shares for loan inducement

On October 8, 2020, 1,700,000 common shares of the Company were issued for the loan inducement (Note 10(b)).

(c) Short-term debt

On November 12, 2020, the Company issued a $15,000 promissory note and issued 400,000 common shares as loan inducement.

(d) Cancellation and issuance of stock options

On November 30, 2020, 5,300,000 options were granted to consultants with an exercise price of $0.05 and expiry date on November 25, 2025.

On January 25, 2021, 5,300,000 options were issued with an exercise price of $0.05 and expiry date of January 25, 2026.

On January 27, 2021 the Company cancelled 2,500,000 stock options granted to Directors, management and consultants on September 24, 2018. The exercise price of the cancelled stock option was $0.16 per share. The stock options were voluntarily surrendered by the holders for no consideration.

On January 27, 2021, 2,500,000 options were granted to directors, management and consultants exercisable at a price of $0.06 per share. These options vested on the date of grant and have a term of five years.