Global Hemp Group Inc.

Consolidated Financial Statements

Year Ended September 30, 2019

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, 2019 and 2018, 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, 2019 and 2018, 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. 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 Matthew Gosden.

DMCL

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

January 28, 2020

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 2019	September 2018
		$	$
Assets			
Current assets			
Cash	**4**	485,774	964,609
Biological assets	**5**	470	94,579
Accounts receivable		43,215	44,572
		529,459	1,103,760
Equipment	**7**	218,912	377,798
Investment in Joint Ventures	**6**	1,061,379	809,925
TOTAL ASSETS		1,809,750	2,291,483
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities	**8**	421,543	308,218
Note payable	**9**	29,002	34,311
Total liabilities		450,545	342,529
Equity			
Share capital	**11**	6,691,986	6,409,271
Reserve		3,664,283	1,704,649
Deficit		(9,062,732)	(6,391,688)
Total equity attributable to owners of parent		1,293,537	1,722,232
Non-controlling interest	**12**	65,668	226,722
Total equity		1,359,205	1,948,954
TOTAL LIABILITIES AND EQUITY		1,809,750	2,291,483

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

Nature of operations and going concern (Note 1)
Events after the reporting period (Note 16)

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

"Curt Huber"	*"Charles Larsen"*
Director	Director

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

	Note	Years ended September 30, 2019	2018
		$	$
Gross Revenue		2,588	–
Cost of Goods Sold		641	–
Gross Profit		1,947	–
Expenses			
Advertising and promotion		60,303	13,190
Amortization	**7**	8,657	–
Insurance		14,953	–
Interest and bank charges		4,410	3,681
Consulting	**10**	253,272	150,483
Office and administration		10,438	5,553
Rent		28,600	12,300
Professional fees		49,403	86,768
Repair and maintenance		4,512	5,408
Research and development		39,069	4,232
Share based compensation	**11**	2,013,148	899,300
Shareholder communication		15,837	49,415
Travel		20,805	18,837
Trust and filing fees		22,621	19,568
Utilities		–	2,714
(Loss) before other items:		(2,544,081)	(1,271,449)
Exchange gain		3,641	24,762
Loss on disposal of assets		(1,661)	–
Loss on settlement of debt	**11**	(20,295)	–
Impairment of promissory note receivable	**6**	–	(26,275)
Impairment of equipment	**7**	(95,863)	–
Impairment of investment	**6**	–	(155,862)
Write-off of biological assets	**5**	(310,877)	–
Interest income		5,220	7,870
Share of profit (loss) of Joint Ventures	**6**	45,603	(164,565)
Net Loss and comprehensive loss		(2,918,313)	(1,585,519)
Total net and comprehensive loss attributable to:			
Shareholders of the Company		(2,671,044)	(1,568,591)
Non-controlling interest		(247,269)	(16,928)
Loss per share, basic and diluted		(0.02)	(0.00)
Weighted average number of outstanding shares		186,869,412	173,179,656

The accompanying notes are an integral part of the 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	Share-based payment reserve	Deficit	Owners of Parent	Non-controlling Interest
			$	$	$	$	$
Balance, September 30, 2017		152,643,844	3,423,935	1,862,956	(5,880,704)	(593,813)	–
Non-controlling interest contributions to subsidiary		–	–	–	–	–	243,650
Shares issuance on private placement net of share issuance costs	**11**	12,500,000	1,498,636	–	–	1,498,636	–
Shares issuance for investment in associates	**11**	2,700,000	429,093	–	–	429,093	–
Share issuance on exercise of options	**11**	2,000,000	155,000	(155,000)	155,000	155,000	–
Share-based compensation		–	–	899,300	–	899,300	–
Shares issuance on exercise of warrants	**11**	14,105,875	902,607	(902,607)	902,607	902,607	–
Net and comprehensive loss		–	–	–	(1,568,591)	(1,568,591)	(16,928)
Balance, September 30, 2018		183,949,719	6,409,271	1,704,649	(6,391,688)	1,722,232	226,722
Balance, September 30, 2018		183,949,719	6,409,271	1,704,649	(6,391,688)	1,722,232	226,722
Shares issuance in escrow pool	**11**	2,300,000	52,192	47,248	–	99,440	–
Share issuance on exercise of options		1,200,000	144,084	(24,083)	–	120,001	–
Shares issuance on exercise of warrants		–	–	–	–	–	–
Shares for debt	**11**	747,297	86,439	22,760	–	109,199	–
Share-based compensation	**11**	–	–	1,913,709	–	1,913,709	–
Non-controlling interest contributions to subsidiary	**12**	–	–	–	–	–	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

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

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

	Years ended September 30,	
	2019	**2018**
Cash (used in) provided by:	$	$
Operating activities		
Loss for the period	(2,918,313)	(1,585,519)
Non-cash items		
Amortization	8,657	–
Loss on disposal of assets	(1,661)	–
Share-based compensation	2,013,148	899,300
Write-off of biological assets	310,877	–
Impairment of equipment	95,863	–
Impairment of investment	–	155,862
Impairment of promissory note receivable	–	26,275
Loss on debt settlement	20,295	–
Share of (profit) loss of Joint Ventures	(45,603)	164,565
Unrealized foreign exchange loss	–	(24,388)
Interest accrual	2,203	1,817
Changes in non-cash operating working capital		
Biological assets	(190,796)	(89,805)
Accounts receivables and other receivables	1,357	(30,788)
Accounts payable and accrued liabilities	248,892	64,007
Due to related parties	(7,512)	(371,732)
Cash used in operating activities	(462,593)	(790,406)
Financing activites		
Proceeds from common shares issuance	120,000	2,556,243
Contributions from non-controlling interest	86,215	243,650
Cash provided by financing activities	206,215	2,799,893
Investing activities		
Investment in Joint Ventures	(205,851)	(701,259)
Loan advances	–	(26,264)
Acquisition of equipment	(18,606)	(382,572)
Proceeds on disposal of equipment	2,000	–
Cash used in investing activities	(222,457)	(1,110,095)
Effect of foreign exchange	–	24,762
Change in cash	(478,835)	924,154
Cash, beginning of the year	964,609	40,455
Cash, end of the year	485,774	964,609

The accompanying notes are an integral part of the 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 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, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at their fair value. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

The accompanying consolidated financial statements include the accounts of the Company and Covered Bridge Acres Ltd. ("CBA Canada"), its wholly owned Canadian subsidiary. All intercompany transactions have been eliminated.

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, financial instruments, the recoverable amount of equipment, 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 in other 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.

Financial instruments

Effective October 1, 2018 the Company adopted IFRS 9 Financial Instruments ("IFRS 9"). The adoption of this new accounting standard did not have material impact to the Company's financial statements.

IFRS 9 addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 Financial Instruments. The new standard contains three classification for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit and loss ("FVTPL"). The new standard eliminates the previous IAS 39 categories of held to maturity, loan and receivables, and available for sale.

Recognition and Measurement for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities are largely carried forward from the existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. Following is the new accounting policy for financial instruments under IFRS 9:

<u>(i) Classification</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 original classification under IAS 39 and the new classification under IFRS 9:

Financial assets	Classification under IAS 39	Classification under IFRS 9
Cash	FVTPL	Amortized cost
Other receivables	Loans and receivable	Amortized cost

Financial liabilities	Classification under IAS 39	Classification under IFRS 9
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Note payable	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

There were no adjustments to the carrying amounts of financial instruments as a result of the change in classification from IAS39 to IFRS 9.

<u>(ii) Measurement</u>

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 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 statements of comprehensive loss in the period in which they arise.

<u>(iii) Impairment of financial assets</u>

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Company accounts for its investment in Covered Bridge Acres Ltd. ("Scio, Oregon Project"), and 41389 Farms Ltd ("41389 Farms") as investments in joint ventures due to the fact that decisions about the relevant activities require the unanimous consent of the Company and the other investor.

Functional currency and foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency.

Transactions and balances:

Foreign currency transactions will be translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded to the Company's other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues

IFRS 15 "Revenue from Contracts with Customers":

On October 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 supersedes IAS 11, Construction Contracts; IAS 18, Revenue; IFRIC 13, Customer Loyalty Programs; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers; and, SIC 31, Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single, five step model framework for determining the nature, amount, timing and certainty of revenue and cash flows arising from a contract with a customer. The adoption of IFRS 15, applied retrospectively, did not have a material impact on the Company's financial statements.

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.

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.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

<u>New Accounting standards issued but not yet applied</u>

New standard IFRS 16 "Leases"
This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019. The Company does not expect the impact of this standards to be material on the Company's financial statements

4. CASH AND CASH EQUIVALENTS

	September 30, 2019	**September 30, 2018**
	$	$
Bank demand deposits	284,095	61,855
Short-term investments	201,679	902,754
	485,774	964,609

Short-term investments consist of a Guaranteed Investment Certificate ("GIC") bearing interest at prime rate less 1.4% per annum, maturing on February 13, 2020.

5. BIOLOGICAL ASSETS

The Company's biological assets consist of hemp seeds. During the year ended September 30, 2019, the Company determined its biological assets were not recoverable and recorded an impairment of $310,877.

(Expressed in Canadian Dollars)

6. INVESTMENT IN JOINT VENTURES

As at September 30, 2019, the balance of Investment in Joint Ventures comprised of the followings:

	CBA Oregon	Scio, Oregon Project	Cash Crop Today LLC	Total
Balance as at October 1, 2017	**$ –**	**$ –**	**$ –**	**$ –**
Acquisitions - Cash	–	–	77,862	77,862
Acquisitions - Issuance of Share	–	351,093	78,000	429,093
Contributions	497,011	126,386	–	623,397
Impairment of investment in joint ventures	–	–	(155,862)	(155,862)
Share of loss of the joint ventures during the year	(155,466)	(9,099)	–	(164,565)
Balance as at September 30, 2018	**341,545**	**468,380**	**–**	**809,925**
Contributions	135,713	70,138	–	205,851
Share of profit or (loss) of the joint ventures for the year	59,045	(13,442)	–	45,603
Balance as at September 30, 2019	**$ 536,303**	**$ 525,076**	**$ –**	**$ 1,061,379**

Included in the investment in Joint Venture is an amount owing from Marijuana Company of America ("MCOA") of $191,617.

a) Scio, Oregon Project

Incorporation of 41389 Farms Ltd and Acquisition of Agricultural Property

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

On April 30, 2018, Scio, Oregon Project acquired agricultural property for hemp production in Scio, Oregon ("Scio Property") for USD$1,100,000 (CAD$1,428,802). The agricultural property is leased to the Company's CBA Oregon joint venture company.

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 holds 50% of the shares and the other 50% are held by MCOA.

c) CCT

On May 31, 2018, the Company has acquired a 50% equity interest in CCT. The Company paid a total of USD$150,000 for its 50% interest in CCT, comprised of USD$60,000 (CAD$77,862) in cash and the issuance of 600,000 common shares of GHG (the "Shares"), valued at USD$60,239 (CAD$78,000). As at September 30, 2018, this investment was fully impaired.

(Expressed in Canadian Dollars)

6. INVESTMENT IN JOINT VENTURES (continued)

Loan receivable from CCT

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

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

The notes receivable were fully impaired during the year ended September 30, 2018.

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)	(66,694)
Net profit (loss)	118,090	(26,884)

Summarized financial information for equity accounted investees for the year ended September 30, 2018, is as follows:

	Covered Bridge Acres Ltd.	**41389 Farms Ltd.**
Reporting period end date	September 30, 2018	September 30, 2018
Ownership %	50%	50%
	$	$
Current assets	443,362	-
Non-current assets	278,517	1,456,730
Total assets	721,879	1,456,730
Total liabilities	(40,772)	(888,926)
Net assets	681,107	567,804
Revenue	-	-
Cost of sales	-	-
Expenses	(310,932)	(18,198)
Net profit (loss)	(310,932)	(18,198)

(Expressed in Canadian Dollars)

7. EQUIPMENT

	Farming equipment
	$
Cost:	
Balance, September 30, 2017	-
Additions	382,572
Balance, September 30, 2018	382,572
Cost adjustments	(43,000)
Additions	18,606
Disposal	(4,000)
Impairment	(107,545)
Balance, September 30, 2019	246,633
Amortization:	
Balance, September 30, 2017	-
Charge for the year	4,774
Balance, September 30, 2018	4,774
Charge for the year	34,629
Impairment	(11,682)
Balance, September 30, 2019	27,721
Net book value:	
At September 30, 2018	377,798
At September 30, 2019	218,912

Amortization of $25,972 was capitalized to biological assets during the year ended September 30, 2019 (2018 – $4,774).

At September 30, 2019, the Company determined that its farming equipment was impaired. The recoverable amount was determined by its estimated fair value less cost of disposal.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019	September 30, 2018
	$	$
Trade payables	267,793	296,218
Accrued liabilities	153,750	12,000
	421,543	308,218

(Expressed in Canadian Dollars)

9. NOTE PAYABLE

On December 1, 2014, the Company converted $18,355 of its accounts payable owing to a company ("Lender"), controlled by the relative of a former director, into a promissory note. This promissory note is unsecured, payable on demand and bears interest of 12% per annum. As of September 30, 2019, the Company has a balance payable of $29,002 (2018-$26,799).

10. 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, 2019 and 2018 was as follows:

Key Management Compensation:

Nature of transactions	**Years ended September 30,** **2019**	**2018**
	$	$
Consulting fees	236,021	138,990
Share based compensation	798,502	831,428

Included in accounts payable and accrued liabilities is $153,750 (2018 - $7,512) 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, 2019, the CFO exercised 1,100,000 share purchase options at $0.10 per share for $110,000.

During the year ended September 30, 2019, a director of the Company exercised 100,000 share purchase options at $0.10 per share for $10,000.

11. CAPITAL STOCK

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

Issued and outstanding

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

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

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

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

11. CAPITAL STOCK (continued)

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

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 resulting in a loss on settlement of $8,193.

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 resulting in a loss on settlement of $12,103.

On February 7, 2019, 100,000 shares were issued to settle liabilities of $12,000. 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, 2019, 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, 2019 and therefore the Company recognized share based compensation expense of $99,440 reflecting the fair value of the escrow shares. The fair value was adjusted to reflect the probability of achieving the required milestones which are considered a non-vesting condition.

(Expressed in Canadian Dollars)

11. CAPITAL STOCK (continued)

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, 2017	16,470,205	$0.06	1.92
Granted	12,500,000	$0.15	
Exercised	(7,834,485)	$0.05	
Cancelled	(6,271,390)	$0.08	
Balance, September 30, 2018	14,864,330	$0.14	3.09
Granted	21,623,648	$0.16	
Expired	(968,105)	$0.10	
Cancelled	(1,000,000)	$0.36	
Balance, September 30, 2019	34,519,873	$0.14	3.68

As at September 30, 2019, 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 15, 2018	November 7, 2019	$0.13	154,315	154,315
November 29, 2018	July 31, 2021	$0.36	1,200,000	1,050,000
December 12, 2018 [1]	December 10, 2023	$0.12	18,000,000	7,200,000
February 6, 2019	February 6, 2021	$0.13	169,333	169,333
June 24, 2019	July 31, 2021	$0.36	1,100,000	550,000
			34,519,873	**23,019,873**

[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: 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 share based compensation of $1,632,708 relating to these warrants.

(Expressed in Canadian Dollars)

11. CAPITAL STOCK (continued)

Stock options

On September 24, 2018, the Company granted 5,300,000 stock options to directors and consultants. Each option entitles the holder to purchase one common share of the Company at $0.16 per share. The stock options fully vested on the grant date. The expiry date of these options is September 20, 2023. The fair value of these options was determined to be $899,300 using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 5 years, volatility of 128%, dividend yield of 0%, and risk-free rate of 2.34%.

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 $314,415 using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 5 years, volatility of 247%, dividend yield of 0%, and risk-free rate of 1.26%. The Company recognized share based compensation of $281,000 in connection with this grant.

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

	Options	**Weighted average exercise price**	**Weighted average number years to expiry**
Balance, September 30, 2017	15,150,000	$0.07	2.87
Granted	5,300,000	$0.16	
Exercised	(2,100,000)	$0.08	
Balance, September 30, 2018	18,350,000	$0.10	2.40
Granted	5,750,000	$0.06	
Exercised	(1,200,000)	$0.10	
Expired	(4,350,000)	$0.10	
Balance, June 30, 2019	18,550,000	$0.08	3.44

As at September 30, 2019, 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	7,500,000	7,500,000
September 24, 2018	September 20, 2023	$0.16	5,300,000	5,300,000
August 9, 2019	August 8, 2024	$0.06	5,750,000	5,000,000
			18,550,000	**17,800,000**

(Expressed in Canadian Dollars)

11. CAPITAL STOCK (continued)

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 34,519,873 warrants and 18,550,000 options as the effect would be anti-dilutive.

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 September 30, 2019 and September 30, 2018:

	September 30, 2019	September 30, 2018
Current:	$	$
Assets	30,837	116,347
Liabilities	1,372	60,132
Total current net assets	29,465	56,215
Non-current		
Assets	218,912	377,798
Total net assets	248,377	434,013

The following is the summarized comprehensive loss of 703551 N.B. Ltd, for the year ended September 30, 2019 and the period since incorporation to September 30, 2018.

	Year ended September 30, 2019	July 5, 2018 to September 30, 2018
	$	$
Revenue	1,207	-
Cost of sales	641	-
Gross profit	566	-
Operating expenses	(495,104)	(35,573)
Net profit (loss)	(494,538)	(35,573)

13. INCOME TAXES

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

	September 30, 2019	September 30, 2018
	$	$
Net loss before income taxes	2,918,313	1,585,519
Statutory tax rate	26%	27%
Expected income tax recovery at the statutory tax rate	(788,000)	(428,000)
Non-deductible items and other	522,000	241,000
Adjustment to prior years provision versus statutory tax returns	(91,000)	24,000
Changes in valuation allowance	357,000	163,000
Income tax recovery	-	-

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

	September 30, 2019	September 30, 2018
	$	$
Non-capital loss carry-forwards	899,000	729,000
Property and equipment	35,000	-
Capital loss carry-forwards	-	35,000
Share issuance costs	-	1,000
Exploration and evaluation costs	-	3,000
Valuation allowance	(934,000)	(768,000)
Net deferred income tax assets	-	-

As at September 30, 2019, the Company has approximately $3,330,000 in non-capital losses, which expire between 2031 - 2039.

14. 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, 2019 the Company has cash of $265,483 denominated in US dollars.

14. FINANCIAL INSTRUMENTS (continued)

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.

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.

15. 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.

16. EVENTS AFTER THE REPORTING DATE

On November 7, 2019, 154,315 share purchase warrants with an exercise price of $0.13 issued to the contract farmers related to the work performed for the New Brunswick Project were expired without being exercised.