Global Hemp Group Inc.

Management Discussion and Analysis
Year ended September 30, 2019

Management's Discussion and Analysis

The following is management's discussion in respect of the results of operations and financial position of Global Hemp Group Inc., (the "Company" or "GHG') for the year ending September 30, 2019 and should be read in conjunction with the Company's audited annual financial statements for the same year ending September 30, 2019. The Company's financial statements have been presented in accordance with International Financial Reporting Standards and are presented in Canadian dollars unless otherwise specified. Additional information, including the above-mentioned financial statements, which contain extensive disclosure of the history of the Company are available on SEDAR (www.sedar.com) and at the Company's website (www.globalhempgroup.com)

This MD&A has been prepared effective as of January 28, 2020

Forward Looking Statements

In the interest of providing the shareholders and potential investors of Global Hemp Group Inc. with information about the Company, including management's assessment of the Company's future plans and operations, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "may", "will", "should", "could", "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Although these forward-looking statements are based on assumptions the Company considers to be reasonable based on the information available on the date such statements are made, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors which may cause actual results, levels of activity, and achievements to differ materially from those expressed or implied by such statements. The forward-looking information contained in this MD&A is based on certain assumptions and analysis by management of the Company (the "Management") in light of its experience and perception of historical trends, current conditions and expected future development and other factors that it believes are appropriate.

The material factors and assumptions used to develop the forward-looking statements herein include, but are not limited to, the following: (a) the regulatory climate in which the Company operates will continue to be favorable to the Company's business; (b) the continued sales success of the Company's products; (c) the continued success of sales and marketing activities; (d) there will be no significant delays in the development and commercialization of the Company's products; (e) the Company will continue to maintain sufficient and effective production and R&D capabilities to compete on the attributes and cost of its products; (f) the Company's ability to deal with adverse growing conditions (due to pests, disease, fungus, climate or other factors) in a timely and cost-effective manner; (g) there will be no significant reduction in the availability of qualified and cost-effective personnel resources; (h) new products will continue to be added to the Company's portfolio; (i) demand for hemp-based wellness products will continue to grow in the foreseeable future; (j) there will be no significant barriers to the acceptance of the Company's products in the market; (k) the Company will be able to maintain compliance with applicable contractual and regulatory obligations and requirements; (l) there will be adequate liquidity available to the Company to carry out its operations; and (m) superior products do not develop that would render the Company's current and future product offerings undesirable and the Company is otherwise able to minimize the impact of competition and keep pace with changing consumer preferences; and (n) the Company will be able to successfully manage and integrate acquisitions.

The Company's forward-looking statements are subject to risks and uncertainties pertaining to, among other things, revenue fluctuations, nature of government regulations, economic conditions, loss of key customers, retention and availability of executive talent, competing products, common share price volatility, loss of proprietary information, product acceptance, system infrastructure functionality, information technology security, cash available to fund operations, crop risk, availability of capital and, international and political considerations, including but not limited to those risks and uncertainties discussed under the heading "Risk Factors" in this MD&A. The impact of any one risk, uncertainty, or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent, and the Company's future course of action depends on Management's assessment of all information available at the relevant time. Except to the extent required by law, the Company assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A, whether as a result of new information, future events, or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements.

BACKGROUND & NATURE OF BUSINESS

Global Hemp Group (the "Company" or "GHG") was incorporated on October 30, 2009 in British Columbia, Canada, originally under the name Arris Holdings Inc., and on March 24, 2014 changed its name to Global Hemp Group Inc. The Company's registered office is #106 – 1169 Mt. Seymour Road, North Vancouver, BC, V7H 2Y4. The Company's common shares are currently traded on Canadian Securities Exchange ("CSE") under the symbol "GHG", on Börse Frankfurt under the symbol "GHG", and on the U.S. OTC Markets under the symbol "GBHPF".

The Company is focused on a multi-phased strategy to build a strong presence in the industrial hemp industry in the United States. The first phase of this strategy is to develop hemp cultivation for cannabinoid (CBD, CBG, CBN & CBC) extraction, creating a near term revenue stream that will allow the Company to expand and develop successive phases of the strategy. The Company's Joint Venture farm in Scio, Oregon (https://globalhempgroup.com/scio-oregon) is an example of the execution of this first phase of the strategy that is currently underway.

The second phase of the plan will focus on the development of value-added industrial products utilizing the processing of the whole hemp plant, as envisioned in the Company's Hemp Agro-Industrial Zone (HAIZ) strategy. These zones are designed to be replicated in any region where the law allows for the cultivation of industrial hemp.

The Hemp Agro-Industrial Zone (https://globalhempgroup.com/hempagro) is an optimization concept that grew out of GHG's efforts to carve a niche of its own in the spectrum of hemp industry. It seeks to build cooperative mechanisms between capital, farmers and labour, and across industrial sectors, focused on different parts of the hemp plant, to produce greater social and environmental benefits with substantial financial reward for those involved.

Benefits of the HAIZ strategy:

– Economic: Currently, the most profitable aspect of the HAIZ is cannabinoid extraction and refinement. In the near term, extraction will be the foundation that will subsidize the development of industrial applications for this strategy. Management expects that over time, the industrial applications of hemp will become the largest and most profitable aspects of the HAIZ.

– Social: From soil to shelf, the HAIZ concept is based on a collaborative rather than competitive operations model, benefiting all stakeholders throughout the process. From growing of the crops through to the final materials and products, the HAIZ concept promotes cross-sector partnerships, rural development and job creation.

– Environmental: GHG embodies a commitment to environmentally friendly processes, from farming to production. The HAIZ concept utilizes the entire plant for the production of raw materials and products for the overall best benefits that balance profitability, as well as socio-economic and environmental impacts.

State of the Hemp Industry in the United States

Current pricing (Jan 2020) is reflecting the perception in the industry that there was significant over production and it has driven the market down to "fire sale" prices driven by fear and panic. If year over year pricing history were available it would show that the few months immediately following harvest, prices drop across the board; seeds, raw biomass, crude oil, broad spectrum and full spectrum oil, distillate and isolate. Near the end of the Q1 prices have historically begin correcting and start to move back up as processors and off takers work through the bulk of acceptable material and find there isn't as much biomass as initially projected.

In the US, hemp acreage in 34 states that issued licenses for cultivation totaled 511,442 acres in 2019; 78,176 in 2018; 25,713 in 2017 and 9,770 in 2016 (https://www.votehemp.com/u-s-hemp-crop-report). Significantly less hemp than was licensed in 2019 than was actually planted and harvested due to a variety of factors that include access to quality seed and/or clones, a lack of financing as well as general inexperience in the hemp market. Vote Hemp estimates that 230,000 acres of hemp was actually planted in 2019 and only 50-60% of that will be harvested due crop failure, non-compliant crops and other factors resulting in approximately 115,000-138,000 total acres of harvested hemp.

Hemp Benchmarks is collecting pricing data from participants in the industry and making that data available for analysis. As of now they provide spot pricing, but not historical pricing and they are the only company we are aware of that is accumulating this data (visit their website to see the current month's report). In 2020 they will have accumulated two years of data that can be validated. This will allow companies to start analyzing year over year and quarter over quarter pricing trends.

As of January 1, 2020, federal regulations require total THC to be below 0.30%. Prior to 2020, only Delta 9 THC was required to be below the 0.30% level. This new regulation will render many cultivars grown illegal or "hot". Many of the current varieties that are producing in the neighborhood of 20% CBD will not likely be compliant with regard to total THC for 2020.

BUSINESS UPDATE

CBD Hemp Project – Scio, Oregon

Located in the fertile Willamette Valley, approximately 70 miles south of Portland, the Company's 109 acre Joint Venture farm was acquired in 2018 due to its history of hemp cultivation, irrigation infrastructure with sufficient authorized water rights, and a high level of organic matter in the soil, making it ideal for growing hemp. The project operates under the name Covered Bridge Acres Ltd. ("CBA"), a corporation 50% owned by GHG and 50% owned by its joint venture partner.

Fiscal 2019 was the first year that the farm's operating company, CBA began generating sales. Sales occurred later in the year, prior to harvest of the 2019 crop. Historically, this "shoulder season" is a good time to be selling material, as this is when the processors tend to have run out of material to process from the previous year's harvest and are looking for additional material to keep their facilities operating.

The hemp that was produced in the 2019 season utilized superior genetics that produced hemp with a greater CBD content than the previous year. While the total harvest was smaller than 2018, both the biomass and flower tested to higher CBD levels, at 13.86% and 18.48% respectively. The CBA team has been speaking to a number of local farmers in the area, looking at ways to collaborate and build a bigger cultivation footprint in 2020.

CBA has taken steps to ensure that its raw biomass is stored in conditions that minimize degradation so the it can be strategically sold as market pricing stabilizes and corrects. CBA is also processing some of its biomass into crude oil to minimize storage space required, prolong the shelf life and create a value-added product that can be sold to the market.

Hemp Licenses for 2020 – CBA has renewed its Grower and Seed registration, and new for 2020, CBA has submitted a Handlers Application that will allow the company to further process the hemp flower harvested into a separate salable product. The CBA team will begin processing the flower upon receipt of this new license.

CBA has acquired high CBG genetics that will be used for the 2020 cultivation, which will ensure that it will be compliant, producing less than 0.30% total THC. CBG biomass and flower has historically been priced significantly higher than CBD material of similar quality. Over the winter the team has expanded the greenhouse operation to begin cultivating the CBG genetics in order prepare for planting this season.

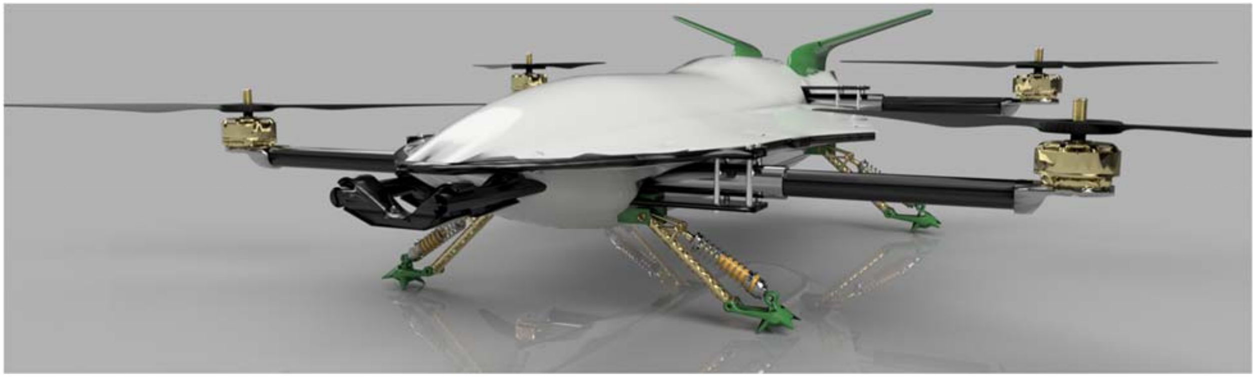
Below are pictures of the winter greenhouse operation.

New Brunswick, Canada Hemp Project
After two and a half years of operation in northern New Brunswick, Management has determined that the commercial opportunities for the Company are markedly greater in the United States than in Canada at this time. The New Brunswick project evolved more into R&D than commercial production in light of the current state of the hemp industry in Canada. With the passing of the Farm Bill in December 2018, hemp was legalized federally in the U.S. providing clarity regarding the cultivation and extraction of CBD from hemp. Currently the lack of available compliant hemp cultivars with significant CBD content as well as the lack of processing infrastructure has challenged the development of hemp in New Brunswick and across Canada. Because of this, the Company has concentrated its activities for the 2019 growing season in the State of Oregon where their 109 acre joint venture hemp farm is located. At this point Oregon provides an advanced regulatory and legislative environment and a more developed marketplace for CBD and CBD related products. The Company is in the process of selling off its New Brunswick assets to recover some of the investment that went into the project.

Development of the First Hemp Biocomposite Drone for Commercial Agricultural Monitoring
On July 18, 2019 the Company announced that had entered into a Technology Development Agreement (http://bit.ly/QWorx_Agr) with Q Worx LLC ("QWorx") to develop the first commercial hemp biocomposite (H-Fiber) drone specifically designed to monitor large scale farming. The main fuselage on the drone and other parts will be made from hemp that was grown on the Company's hemp farm in Scio, Oregon.

Qworx has completed Phase I of the project which includes developing the prototype V1.0 hemp composite drone. Initial flight testing has exceeded expectations for flight characteristics, handling, range and payload/lift capacity. EDFs (Electronically Ducted Fans) were tested in place of propeller propulsion but the EDFs consumed too much battery power, significantly decreasing flight time. Code has been written for the soil hydration monitoring devices that are designed to use RF communication. Final testing of the sensors will be completed during Phase II before marketing launch. QWorx is using a large format 3D printer and vacuum forming machine to make fast, consistent, high quality parts.



V2.0 is a complete redesign which lowers manufacturing costs and increases output capacity by reducing build times. A lifting body was added to V2.0 to aid in the efficiency of flight time and to reduce drag, weight and unnecessary parts.

The base model can be customized by adding accessory packages, i.e. an Obstacle Avoidance System, Thermal Imaging Cameras, an FPV (First Person View) Camera Package, sensor packages using RF to monitor Soil Temperature and Moisture, NPK and PH, as well as other accessories including extra Batteries.

Phase II began in January 2020, QWorx is finalizing the V2.0 design and is currently performing flight and sensor testing. QWorx has also begun designing and implementing the manufacturing process as well as designing and preparing to implement the marketing program. QWorx expects to go to market later in Q1 2020.

With the legalization of hemp in the United States, Research & Development into the use of hemp biocomposites is ramping up. H-Fiber will undoubtedly be utilized as a replacement for carbon or glass fiber in a myriad of commercial applications as demonstrated in the drone project.

Cold Air Rapid Drying System
On October 30, 2019 the Company announced that had entered into an additional Technology Development Agreement (https://bit.ly/QWorx_Agr2) with Q Worx LLC ("Qworx") to develop a cold air rapid drying system for hemp and cannabis flower.

This unique drying system, which has a shell made of hemp biocomposite, will deliver a more efficient drying solution than traditional drying systems that use heat. By using cold air for drying and curing versus the traditional warm air, degradation of cannabinoids that occurs when heat is applied will be greatly reduced. The system is extremely versatile as it can also be operated using heat if required. The system is designed to reduce labor and fuel costs associated with most current drying systems and will significantly reduce the drying time for the flower. The drying system will not only be cost effective to operate; it can potentially generate 40% to 60% of the energy required to operate it, using a unique and proprietary technology being developed by QWorx. It is expected that the prototype will operating and beta tested in Q2 2020.

Cash Crop Today Media, LLC ("CCTM")
The Company holds a 50% equity interest in CCTM (http://cashcroptoday.com). CCTM is a media distribution company, distributing quality hemp and cannabis content with the goal of being a voice for

the hemp and cannabis industry. Captivating hemp and cannabis aficionados through digital streaming brands, CCTM's outlets include some of the first of its kind: CashCropToday - a hemp and cannabis industry resource for stocks and new investment trends, with informal interviews from leaders in the industry, and having an average number unique visitors per month of 542,000, CannaVid.TV, The Foodie Dispensary, Growed and Healthy CBD Reviews.

CashCropToday ("CCT") is a hemp and cannabis industry resource for stocks and new investment trends, with informal interviews from leaders in the industry. CCT is currently receiving an average of 542,000 unique visitors per month and growing.

CannaVid.TV, a streaming network found on Apple TV, Amazon Fire Stick, Roku, and the IOS & Android app stores. Cannavid is currently acquiring documentaries and shows about hemp & cannabis lifestyle, growing, and entertainment. The channel will launch later this year.

CCTM continues to grow its overall viewership and advertising revenue.

Instagram

Follow the development of the Scio Oregon Hemp Project and the projects being developed through GHG's partnership with Qworx on Instagram @hemp_global

Selected Yearly Information

Selected annual information of the Company in the last three years is as follows:

	2019 $	2018 $	2017 $
Net Loss	2,918,313	1,585,519	813,158
Net Loss per share, basic & diluted	0.02	0.01	0.00
Total Assets	1,809,750	2,291,483	42,207
Total Long Term Liabilities	-	-	-
Cash Dividend	-	-	-

The main portion ($715,375) of fiscal 2017 losses were related to the recognition of share-based compensation of the 8.75 million options granted and fully vested on September 21, 2017 of $365,106 and the accrued director fees of $360,000. These fees and options were a result of successfully identifying and advancing hemp project in New Brunswick in the second half of the fiscal 2017.

The change in losses in fiscal 2018 compared to fiscal 2017 was mainly due to the initiation of new hemp project in Oregon and new stock option grant and vested on September 24, 2018 ($899,300 share-based compensation expenses were recognized).

The increase in losses in fiscal 2019 compared to fiscal 2018 was mainly due to the increase in the share based compensation from $899,300 in fiscal 2018 to $2,013,148 in fiscal 2019 and impairment of the New Brunswick subsidiary's biological assets of $310,877 and equipment of $95,863.

Selected Quarterly Information

The following table summarizes the results of operations for the Company's eight most recent quarters.

	Quarter Ended							
	30-Sep-19 $	30-Jun-19 $	31-Mar-19 $	31-Dec-18 $	30-Sep-18 $	30-Jun-18 $	31-Mar-18 $	31-Dec-17 $
Revenue	1,207	-	1,381	-	-	-	-	-
Operating expenses	(688,302)	(47,310)	(126,819)	(1,683,597)	(1,072,630)	(45,418)	(75,062)	(78,339)
Net loss	(749,095)	(340,297)	(167,078)	(1,661,843)	(1,302,591)	(155,691)	(49,498)	(77,739)
Loss per share	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)

Results of Operations

Year ended September 30, 2019 ("Fiscal 2019") and 2018 ("Fiscal 2018")

Loss for Fiscal 2019 was $2,918,313 (Fiscal 2018 – loss of $1,585,519). The $2,918,313 loss was mainly a combined result of having operating expenses of $2,546,028 (Fiscal 2018 –$1,072,630), share of profit of joint venture of $45,603 (Fiscal 2018 – loss of $164,565), exchange gain of $3,641 (Fiscal 2018 – Gain of $24,762), provision for promissory note receivable $NIL (Fiscal 2018 - $26,275), loss on settlement of debt $20,295 (Fiscal 2018 - $NIL) impairment of equipment $95,863 (Fiscal 2018 - $NIL), write-off of biological assets $310,877 and provision for impairment of investment of $NIL (Fiscal 2018 - $155,862). Consulting fees of $253,272 (Fiscal 2018 - $150,483), professional fees of $49,403 (Fiscal 2018 - $86,768), shareholder communications of $15,837 (Fiscal 2018 - $49,415), travel of $20,805 (Fiscal 2018 - $18,837), trust and filing fees of $22,621 (Fiscal 2018 - $19,568) and share-based compensation of $2,013,148 (Fiscal 2018 - $899,300).

The main increase in the operating expenses in fiscal 2019 compared against 2018 was related to the various grants of options and compensation warrants and the recognition of the fair value of the compensation shares held in escrow subject to reaching certain operating milestones.

The share of profit of joint venture of $45,603 (Fiscal 2018 - $164,565) was mainly from the 50% share of the operating profit of CBA Oregon JV.

The impairment of the New Brunswick subsidiary's biological assets of $310,877 (Fiscal 2018 - $NIL) and equipment of $95,863 (Fiscal 2018 - $NIL) were due to the winding down of the New Brunswick operation in fiscal 2019.

The Fourth Quarter Ended September 30, 2019 ("2019 Q4") and 2018 ("2018 Q4")

Net loss for 2019 Q4 was $749,095 (2018 Q4 – $1,302,591). The Q4 2018 loss was higher as there was stock-based compensation expense of $899,300 recorded in that quarter relating to the grant of stock options. 2019 Q4 had a share of profit of investment in joint venture of $54,358 (2018 Q4 – loss of $42,652), and provision for impairment of equipment of $95,863 (Fiscal 2018 - $NIL).

Main components of operating expense are consulting fees of $206,272 (2018 Q4 - $56,216) and professional fees of $26,056 (2018 Q4 - $59,371).

The share of profit of investment in joint venture in 2019 Q4 was a result of the profits earned from the farming operation of the Oregon joint venture.

As at September 30, 2019, the Company had $485,774 cash (September 30, 2018 - $964,609), accounts payable and accrued liabilities of $421,543 (September 30, 2018 - $308,218), notes payable of $29,002 (September 30, 2018 - $34,311) and $6,691,986 in share capital (September 30, 2018 - $6,409,271).

Liquidity and Capital Resources

Financing of operations has been achieved primarily through equity and debt financing. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they are due. As at September 30, 2019, the Company had a working capital of $78,914.

Management realizes that the current liquidity and capital on hands are not sufficient to develop the Company into a viable business. In order to improve the working capital, the Company may further raise capital in the future to finance the Company's operations through equity or debt financing, including related party loan, or through other arrangements including but not limited to joint-venturing.

While the Company believes it will be able to raise additional financing when required, there is no guarantee that the Company can complete equity or debt financings in the future. There are inherent risks associated with the equities market and fluctuations in this market could negatively impact the Company's liquidity and access to capital resources. See the "Risks and Uncertainties" for further discussion of the risks the Company may have.

Proposed Transactions

There are no proposed transactions that may have material impact to the Company.

Outstanding Share Data

As at the date of this MD&A, the Company has the following shares or equities that are convertible to the Company's share capital on a one-to-one basis:

Class A Common Shares	188,197,016
Warrants	34,465,558
Stock Options	18,550,000

Off-Balance Sheet Arrangements

The company does not have off-balance sheet arrangements.

Transactions with Related Parties

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:

	Years ended September 30,	
Nature of transactions	**2019**	**2018**
	$	$
Consulting fees	236,021	33,500
Share based compensation	798,502	407,230

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.

Financial Instruments and Other Instruments

Refer to Notes 14 to the Company's financial statements for the year ended September 30, 2019.

Changes in Accounting Policies including Initial Adoption

Refer to Notes 3 to the Company's financial statements for the year ended September 30, 2019.

Risks and Uncertainties

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. Significant risks of the Company's business include the following:

<u>New Business</u>

Our business is subject to risks inherent in the establishment of a new business enterprise, such as limited historical financial information, limited capital resources and the inability to raise additional funds when required. No commitments to provide additional funds have been made by management or other shareholders.

<u>Dilution to the Existing Shareholders</u>

The Company is very likely to further issue common stock to raise additional capital. The issuance of additional equity securities by the Company could result in a significant dilution in the equity interests of existing shareholders.

Reliance on Management's Expertise

GHG strongly depends on the expertise of its management team and there is little possibility that this dependence will decrease in the near term. The loss of the services of any member of such team could have a material adverse effect on the Company. GHG does not have any key person insurance in place for management.

Permits and Licenses

The hemp and cannabis industries may require the Company to obtain regulatory or other permits and licenses from various governmental licensing bodies. There can be no assurance that the Company will be able to obtain all necessary permits and licenses that are required to carry out the Company's hemp and cannabis business.

Conflicts of Interest

Certain of the directors of the Company also serve as directors and/or officers of other companies in similar line of business. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Financial and Disclosure Controls and Procedures

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under National Instrument ("NI 52-109") (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Directors and Officers

Charles Larsen	Director, President, and CEO
Curt Huber	Director and CFO
Dr. Paul Perrault	Director
Jeffrey Kilpatrick	Director