

**Global Hemp Group Inc.**  
(Formerly Arris Holdings Inc. )

**Condensed Consolidated Interim Financial Statements**

**Quarter Ended June 30, 2014**

(Unaudited)  
(Expressed in Canadian Dollars)

## **NOTICE TO READER**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the accompanying condensed consolidated interim financial statements.

**GLOBAL HEMP GROUP INC. (Formerly Arris Holdings Inc.)**  
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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Global Hemp Group (the “Company”) was incorporated on October 30, 2009, in British Columbia, Canada as Arris Holding Inc. and had its name changed to Global Hemp Group effective on March 24, 2014. The Company’s principal activity was exploration and development of mineral properties in prior periods and changed to agriculture and manufacturing in the industrial hemp sector since March 24, 2014 when the Company had its name change approved by the regulatory.

The Company’s office is located at Suite 200 – 8338 120th Street, Surrey, BC, V3W 3N4. The Company’s common shares are currently traded on the Canadian Securities Exchange under the symbol “GHG”, on Boerse-Frankfurt Exchange under the symbol “GHG”, on XETRA Exchange in Europe under the symbol GHG, and on the USA OTC Markets under the symbol “GBHPF”.

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which, assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company’s continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with debt and or private placements of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

**2. STATEMENT OF COMPLIANCE**

These condensed and consolidated interim financial statements for the quarter ended June 30, 2014, together with the comparative figures herein have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” (“IAS 34”), using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated and condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the audited annual financial statements of the Company for the most recent year ended September 30, 2013.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

These 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 condensed interim financial statements are presented in Canadian dollars, unless otherwise noted.

The accompanying condensed and consolidated interim financial statements include the accounts of the Company and the Company’s wholly owned inactive subsidiary, Global Hemp Group, Inc. (incorporated in Nevada, U.S.A. on December 17, 2013). All intercompany transactions have been eliminated.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Adoption of new accounting standards**

The Company has not changed its accounting policies since its recent year ended September 30, 2013 except for the adoption of the following new standards:

IAS 1 – Presentation of Financial Statements amendment issued by the IASB in June 2011 provides improved consistency and clarity of the presentation of items of other comprehensive income. The main change was a requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

IFRS 10 – Consolidated Financial Statements supersedes SIC 12 – Consolidation – Special Purpose Entities and the requirements relating to consolidated financial statements in IAS 27 – Consolidated and Separate Financial Statements. IFRS 10 establishes the principle and application of control as the basis for an investor to identify whether an investor controls an investee and thereby requiring consolidation.

IFRS 11 – Joint Arrangements establishes the principle a joint arrangement is classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangement, rather than its legal form.

IFRS 12 – Disclosure of Interests in Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 – Fair value measurements establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Effective October 1, 2013, the Company and all of the above standards. The adoption of these standards did not have a material impact on the condensed consolidated interim financial statements.

#### **Accounting standards issued but not yet effective**

IFRIC 21 – Levies, an interpretation of IAS 37 was issued by the IASB in May 2013 and provides interpretation on when to recognize a liability for a levy imposed by a government and clarifies the criteria for the recognition of a liability. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is still in the process of assessing the impact of the application of IFRIC 21 on the Company's financial statements.

New standard IFRS 9 “Financial Instruments” - This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

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#### **4. CAPITAL STOCK**

##### **Authorized**

Unlimited number of common shares and a Class A and Class B private placement offering of common shares without par value.

##### **Issued share capital**

On February 7, 2014, the Company's shareholders approved a 1-5 forward stock split (the "Stock Split") during the Company's the general special meeting. This Stock Split became effective on February 26, 2014. The presentation of number of outstanding shares, warrants, loss per shares, including the comparative figures, in the accompanying condensed and consolidated interim financial statements has been adjusted retroactively to reflect this Stock Split.

##### **Warrants**

Unit A: During the quarter ended June 30, 2014, 2,000,000 warrants were exercised into common shares of the Company at \$0.02/share. As of June 30, 2014 the Company had 1,000,000 warrants outstanding (September 30, 2013 – 10,000,000 warrants outstanding), which can be exercisable at \$0.02 and with the expiry date of January 10, 2015 (Note 8).

Unit B: During the quarter ended June 30, 2014, 0 warrants were exercised into common shares of the Company at \$0.15/share. As of June 30, 2014 the Company had 15,000,000 warrants unexercised and unissued.

Finders Warrants: During the quarter ended June 30, 2014, 0 warrants were exercised into common shares of the Company at \$0.02/share for Unit A. As of June 30, 2014, the Company had 98,800 finder's warrants outstanding.

##### **Stock options**

As of June 30, 2014 and September 30, 2013, the Company did not have any exercised stock options (Note 8).

##### **Basic and diluted loss per share**

Diluted loss per share for the three and nine months ended June 30, 2014 did not include the effect of 1,098,800 outstanding warrants as the effect would be anti-dilutive.

#### **5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>June 30, 2014</b>	<b>September 30, 2013</b>
Trade payables	\$ 0	\$ 23,491
Due to related parties (Note 6,8)	44,688	-
Accrued liabilities	64,969	8,100
	<b>109,657</b>	<b>31,591</b>

#### **6. RELATED PARTY TRANSACTIONS**

Related party transactions not disclosed elsewhere are as follows:

a) Transactions with key management personnel:

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

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**6. RELATED PARTY TRANSACTIONS (Continued)**

personnel consist of executive and non-executive members of the Board of Directors and the Company's CEO and CFO. The aggregate values of transactions relating to key management are as follows:

		Nine months ended June 30	
		2014	2013
		\$	\$
Companies controlled by the spouse of a director	Rent	15,000	Nil
A company controlled by the Ex-president of the Company	Rent	Nil	22,500
CEO, director	Consulting fees	60,646	Nil
President, director	Consulting fees	58,314	Nil
CFO	Consulting fees	Nil	Nil
Director (Reid Jilek)	Consulting fees	58,314	Nil
Director (Mikhail Garfinkel)	Consulting fees	55,984	Nil

b) Transactions with other related parties:

The Company does not have transactions with other related parties to report on during the nine months ended June 30, 2014.

c) Balances due to related parties:

Amounts due to related parties are unsecured, non-interest bearing and due on demand. As of June 30, 2014 and September 30, 2013, the Company's accounts payable and accrued liabilities included the following balances owing to related parties.

		June 30,	September 30,
		2014	2013
		\$	\$
Companies controlled by the spouse of a director	Rent	2,625	Nil
Directors (Reid Jilek)	Consulting fees	Nil	Nil
Director (Mikhail Garfinkel)	Consulting fees	Nil	Nil
CEO, director	Consulting fees	Nil	Nil
CEO, director	Expense reimbursement	64,299	Nil
President, director	Consulting fees	Nil	Nil
<b>Total</b>		<b>66,924</b>	<b>Nil</b>

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**7. FINANCIAL INSTRUMENTS**

Classification of financial instruments

Financial assets included in the statements of financial position are as follows:

	<b>June 30, 2014</b>	<b>September 30, 2013</b>
	\$	\$
Cash	14,679	812

Financial liabilities included in the statements of financial position are as follows:

	<b>June 30, 2014</b>	<b>September 30, 2013</b>
	\$	\$
Non-derivative financial liabilities:		
Trade payables (due within 30 days)	0	23,491
Due to related parties (due on demand)	300,182	-

***Fair value***

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at September 30, 2013 and June 30, 2014:

	<b>As at June 30, 2014</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	\$	\$	\$
Cash	14,679	-	-

	<b>As at September 30, 2013</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	\$	\$	\$
Cash	812	-	-

## **8. SUBSEQUENT EVENTS**

### Private Placement

On July 29, 2014, the Company closed the first tranche of this private placement and received subscriptions for a total of 4,668,104 units, raising gross proceeds of \$466,810.44 for working capital purposes. Out of the offering, 10,331,896 shares currently remain available for purchase in this private placement.

Each Unit B consists of one common share in the equity of the Company and one share purchase warrant (the "Warrant B"). Each Warrant B entitles the holder to purchase one additional common share at a price of \$0.15 per share for a period of thirty-six (36) months after the close of the Private Placement. All securities issued as a result of this financing will be subject to a statutory hold period.

The \$466,810.44 received as part of the first tranche of financing was used to pay for industrial hemp inventory sourced from farmers, payment to a consultant, and as working capital. There may be finder's fees and finders warrants paid in relation to this financing. Finder's warrants will bear the same terms and conditions as the Warrant B. Completion of the Proposed Financing is subject to the completion of formal documentation and may be subject to regulatory approval. As of August 29, 2014, no finder's fees or Finder's Warrants have been paid pertaining to this unit offering.

### Agreements and Commitment

#### a) Contract with farmers

In April, 2014, the Company entered into contractual arrangements with various farmers in Alberta, Canada that will secure raw material output (the "Commodity") for the Company from 1,500 acres of industrial hemp this fall. The Company was in default with the terms of this agreement and entered an amended agreement in July 2014. Under the terms of the amended agreement, the Company agrees to pay the purchase price by four installments as follows:

- \$150,000 to be deposited in the trust on June 30, 2014, which was completed in a timely manner. This amount was paid directly by an investor on the Company's behalf and was issued stock from the Unit B offering during August 2014 for this payment.
- \$225,000 to be deposited on July 31, 2014.
- \$375,000 to be deposited on Sept. 15, 2014.
- Final payment of \$750,000 due upon delivery of goods.
- In addition, the Company offered the vendors 1.5M warrants executable at \$0.15 that entitle holders to purchase common shares for 2 years.