

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

Condensed Consolidated Interim Financial Statements

Quarter Ended March 31, 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.)
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	Note	March 31, 2014	September 30, 2013
		\$	\$
Assets			
Current assets			
Cash		44,285	812
Prepaid		5,581	—
Total assets		49,866	812
Liabilities and shareholders' deficiency			
Current liabilities			
Accounts payable and accrued liabilities	5,6	358,806	31,591
Shareholders' deficiency			
Share capital	4	2,034,000	1,874,000
Deficit		(2,342,940)	(1,904,779)
		(308,940)	(30,779)
Total liabilities and shareholders' deficiency		49,866	812

Nature of operation and basic of presentation **1,3**

Subsequent events **8**

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

Approved and authorized for issuance by the Board of Directors on May 29, 2014

"Sandy Janda"
Director

"Charles Larsen"
Director

GLOBAL HEMP GROUP INC. (Formerly Arris Holdings Inc.)
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

		Three months ended March 31		Six months ended March 31,	
	Note	2014	2013	2014	2013
		\$	\$	\$	\$
Expenses					
Advertisement and promotion		16,363	—	16,363	—
Consulting	6	289,736	—	293,486	—
Office and administration		22,095	2,670	24,562	4,426
Occupancy cost	6	11,250	7,500	15,000	15,000
Professional fees		2,517	393	5,330	1,493
Shareholders' communication		12,003	—	12,003	—
Travel		37,302	—	37,302	—
Trust and filing fees		16,079	747	34,115	4,358
Net loss and comprehensive loss		(407,345)	(11,310)	(438,161)	(25,277)
Loss per share, basic and diluted	4	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of outstanding shares	4	121,355,749	117,083,525	119,617,409	112,305,750

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

GLOBAL HEMP GROUP INC. (Formerly Arris Holdings Inc.)
Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)
(Unaudited - Expressed in Canadian Dollars Except for Number of Shares)

	Note	Share Capital		Deficit	Shareholders' equity (deficiency)
		Number	Amount		
			\$	\$	\$
Balance, September 30, 2012	4	107,916,860	1,724,000	(1,838,576)	(114,576)
Units issued for cash		10,000,000	150,000	—	150,000
Loss for the period		—	—	(25,277)	(25,277)
Balance, March 31, 2013		117,916,860	1,874,000	(1,863,853)	10,147
Balance, September 30, 2013	4	117,916,860	1,874,000	(1,904,779)	(30,779)
Shares issuance - warrant exercise		8,000,000	160,000	—	160,000
Loss for the period		—	—	(438,161)	(438,161)
Balance, March 31, 2014		125,916,860	2,034,000	(2,342,940)	(308,940)

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

GLOBAL HEMP GROUP INC. (Formerly Arris Holdings Inc.)
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

	Six months ended March 31,	
	2014	2013
Cash (used in) provided by:	\$	\$
Operating activities		
Loss for the period	(438,161)	(25,277)
Changes in non-cash operating working capital		
Other receivables and prepaid	(5,581)	(5,326)
Accounts payable and accrued liabilities	327,215	(115,882)
Cash used in operating activities	(116,527)	(146,485)
Financing activities		
Units issued for cash	—	150,000
Proceeds from promissory note issuance	21,900	—
Promissory note repayment	(21,900)	—
Proceeds from warrant exercise in common shares	160,000	—
Cash provided by financing activities	160,000	150,000
Increase in cash	43,473	3,515
Cash, beginning of period	812	6,302
Cash, end of period	44,285	9,817
Supplementary information:		
Cash paid for interest expense	—	—
Cash paid for income taxes	—	—

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

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 change to Global Hemp Group effectively 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 Suite 200 – 8338 120th Street, Surrey, BC, V3W 3N4. The Company’s common shares are currently traded on 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 about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with debt and or private placements of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements for the quarter ended March 31, 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 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 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 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 adopted 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 in 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 levi 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.

4. CAPITAL STOCK

Authorized

Unlimited number of common shares and Class A and Class B preferred 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") in the Company's annual 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 consolidated interim financial statements has been adjusted retrospectively to reflect this Stock Split.

Warrants

During the quarter ended March 31, 2014, 8,000,000 warrants were exercised into common shares of the Company at \$0.02/share. As at March 31, 2014 the Company had 2,000,000 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).

Stock options

As at March 31, 2014 and September 30, 2013, the Company did not have stock options outstanding (Note 8)

Basic and diluted loss per share

Diluted loss per share for the three and six months ended March 31, 2014 did not include the effect of 2,000,000 outstanding warrants as the effect would be anti-dilutive.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2014	September 30, 2013
	\$	\$
Trade payables	17,495	23,491
Due to related parties (Note 6,8)	303,132	-
Accrued liabilities	38,179	8,100
	358,806	31,591

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 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:

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Notes to the Condensed Consolidated Interim Financial Statements
Quarter Ended March 31, 2014
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6. RELATED PARTY TRANSACTIONS (Continued)

		Six months ended March 31	
		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	15,000
CEO, director	Consulting fees	60,646	Nil
President, director	Consulting fees	58,314	Nil
CFO	Consulting fees	4,558	Nil
Two non-executive directors	Consulting fees	114,298	Nil

b) Transactions with other related parties:

The Company does not have transactions with other related parties to report on during the six months ended March 31, 2014.

c) Balances due to related parties:

Amounts due to related parties are unsecured, non-interest bearing and due on demand. As at March 31, 2014 and September 30, 2013, the Company's accounts payable and accrued liabilities included the following balances owing to related parties.

		March 31, 2014	September 31, 2013
		\$	\$
Companies controlled by the spouse of a director	Rent	2,625	Nil
Directors that are not officers	Consulting fees	114,298	Nil
CEO, director	Consulting fees	60,646	Nil
CEO, director	Expense reimbursement	64,299	Nil
CFO	Consulting fees	2,950	Nil
President, director	Consulting fees	58,314	Nil
Total		303,132	Nil

7. FINANCIAL INSTRUMENTS

Classification of financial instruments

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

	March 31, 2014	September 30, 2013
	\$	\$
Cash	44,285	812

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Quarter Ended March 31, 2014
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7. FINANCIAL INSTRUMENTS (Continued)

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

	March 31, 2014	September 30, 2013
	\$	\$
Non-derivative financial liabilities:		
Trade payables (due within 30 days)	17,495	23,491
Due to related parties (due on demand)	303,132	-

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 March 31, 2014:

	As at March 31, 2014		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	44,285	-	-

	As at September 30, 2013		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	812	-	-

8. SUBSEQUENT EVENTS

Warrant Exercise

2,000,000 warrants were exercised into common shares in April 2014 at \$0.02/share.

Private Placement

The Company completed a private placement for issuance 3,000,000 units ("Units A") at \$0.1/unit on April 4, 2014 for gross proceeds of \$300,000. Each Unit A is comprised of one common share and one share purchase warrant ("Warrants A"). Each Warrant A can be exercised into one common shares of the Company at \$0.15/share and Warrants A will expire 24 months from the date of distribution. These Units A are subject to a statutory holding period.

8. SUBSEQUENT EVENTS (Continued)

Finder's fees have been paid in relation to this private placement via the issuance of 98,800 finder's warrants, having the same terms as the Warrants A, plus a cash payment of \$9,880.

Proposed Financing

The Company is conducting a non-brokered private placement of fifteen million units at a price of \$.10 per unit (the "Unit B") to raise an aggregate total of \$1,500,000 (the "Proposed Financing"). The Company plans to have several tranches during this offering.

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 common share at a price of \$0.15 per share for a period of thirty six (36) months after the close of the Proposed Financing. Any securities issued as a result of this Proposed Financing will be subject to a statutory hold period.

The funds raised from the Proposed Financing will be used to pay for industrial hemp inventory sourced from farmers, forward contracts for future raw material, a planned acquisition transaction and 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.

Stock Option

On April 4, 2014, the Company granted 12,475,999 stock options to directors, various officers, and external consultants. Each option can be exercised into one common share of the Company at \$0.1/share. 11,599,999 of these options will expire on April 7, 2019 and the remaining 876,000 options will expire on April 7, 2016. These options were fully vested at their issuance.

Share for Debt Settlement

On April 11, 2014, the Company issued 2,332,580 common shares (at \$0.1/share) to officers and directors to settle \$233,258 payable owing arising from their services rendered in prior periods.

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. Under these agreements, the Company agrees to pay the purchase price by four instalments as follows:

- \$250/acre (totalling \$375,000) to an escrow agent on May 15, 2014
- \$250/acre (totalling \$375,000) to an escrow agent on July 15, 2014
- Such amount which when combined with the funds in escrow, will be equivalent to 75% of purchase price on the date that the Company approves the Commodity as meeting the required standards.
- Balance payment within 30 days of the date that the Company take the Commodity from the farmers.

8. SUBSEQUENT EVENTS (Continued)

Agreements and Commitment (Continued)

a) Contract with farmers (continued)

The Company is currently default on the first instalment of \$375,000 and is subject to an interest that may charge to Company at 1%/month of the amount owing.

b) Agreements with HempNatura Inc.

- i. On April 15, 2014, the Company received an exclusive 5 year off take agreement from HempNatura Inc. ("HNI Supply Agreement"). In this agreement, the Company guarantees delivery of processed hemp, seed, oil and cake (the "Purchase Order"). If the Company will not be able to comply with the Purchase Order under this agreement, the Company agrees to finance the purchase and processing of the materials requested under such Purchase Order.
- ii. In May, 2014, the Company entered into an agreement to purchase 20 percent of the common shares of HempNatura Inc. for USD\$250,000 (the "Transaction"). In exchange, the Company will also receive a promissory note issued by HempNatura Inc. with the principal of USD\$250,000 (the "Promissory Note"). This Promissory Note will be repaid with 10% interest per annum amortized over a three years period starting on the first monthly anniversary of the issuance of the Promissory Note. The Transaction is not completed as of the date of this report and is expected to complete at the beginning of July, 2014.